LSB INDUSTRIES

Second Quarter 2016 Update

August 9, 2016

Agenda

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Overview

- Dan Greenwell, President and Chief Executive Officer

Financial Review

- Mark Behrman, Executive Vice President and Chief Financial Officer

Q&A

Forward-Looking Statements

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identifiable by use of the words “believe,” “expect,” “intend,” “plan to,” “estimate,” “project” or similar expressions, and include but are not limited to: our ability to deleverage with proceeds of the Climate Control Business sale; financial performance improvement in the second half of 2016; view on sales to mining customers; estimates of consolidated depreciation and amortization and future turnaround expenses; our expectation of production consistency and enhanced reliability at our Facilities, including our Cherokee and Pryor Facilities after turnarounds; our projections of trends in the fertilizer market; improvement of our financial and operational performance; reduction of our overall cost of capital; our planned capital additions for 2016; and volume outlook.

Investors are cautioned that such forward-looking statements are not guarantees of future performance and involve risk and uncertainties. Though we believe that expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectation will prove to be correct. Actual results may differ materially from the forward-looking statements as a result of various factors, including, but not limited to: general economic conditions; weather conditions; ability to install necessary equipment and renovations at our Facilities in a timely manner; changes to federal legislation or adverse regulations; increased competitive pressures, domestic and foreign; ability to complete transactions to address our leveraged balance sheet and cash flow requirements; loss of significant customers; increased costs of raw materials; and other factors set forth under “Risk Factors” and “Special Note Regarding Forward-Looking Statements” in our Form 10-K for the year ended December 31, 2015 and, if applicable, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, which contain a discussion of a variety of factors which could cause future outcomes to differ materially from the forward-looking statements contained in this release. All forward-looking statements included in this press release are expressly qualified in their entirety by such cautionary statements. We expressly disclaim any obligation to update, amend or clarify and forward-looking statement to reflect events, new information or circumstances occurring after the date of this press release except as required by applicable law.

Second Quarter 2016 Operating and Financial Highlights

Two major milestones reached

- El Dorado ammonia plant operational and began producing at nameplate capacity of 1,150 tons per day
- Entered into an agreement for sale of the Climate Control Business, which closed on July 1, 2016

Second quarter operating results (excluding Climate Control Business)

- Sales of $ 110.0 million for the quarter, a decline of approximately 12% compared to the prior year period; driven by lower product selling prices offset by higher volumes as a result of improved on-stream rates during the quarter
- Adjusted EBITDA of $11.1 million for the quarter compared to $8.0 million for Q2 2015

Pryor and Cherokee operational update

- Cherokee Facility achieved 100% ammonia on-stream rate during the quarter vs. 94% in Q2 2015
- Pryor Facility achieved 96% ammonia on-stream rate during the quarter vs. 86% in Q2 2015

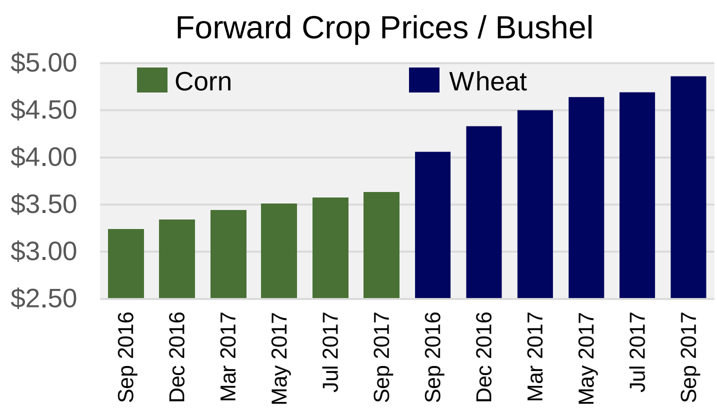
New UAN distribution Agreement at Pryor

- Commenced a new UAN distribution agreement with Coffeyville Resources Partners on June 1, 2016

Chemical Market Outlook

Agricultural

- ⬆ **Planted corn acreage ~93.6 million in 2016 (vs. 88 million in 2015)**
- ⬆ **US growers expected to increase both corn and wheat production in 2016/17**
- ⬆ **Natural gas feedstock costs expected to remain low**
- ⬌ **Corn prices projected to increase slightly at ~$3.65/bushel range over next 12 months**
- ⬇ **Overall fertilizer pricing expected to remain at current levels in the near term**
- ⬇ **Corn production increased over prior years, stocks ended at high levels**
- ⬇ **Long term trends of lower energy and crop prices**
- ⬇ **Nitrogen capacity expansion in North America**



Industrial and Mining

- **LSB's industrial markets expected to be up slightly in 2016, due to a strong US dollar and global softness in commodities pricing. The auto and housing markets continue to look good for the year.**
- **Worsening mining market driven by coal usage, which is expected to further decline throughout 2016.**

⬇ *Coal supply*

EIA estimates that U.S. coal production for June 2016 was 57 million short tons, a 14% decrease from June 2015.

Forecast production declines continue, with coal production expected to decrease by 19% in 2016, and then rebound moderately in 2017 by 6%.

⬇ *Coal consumption*

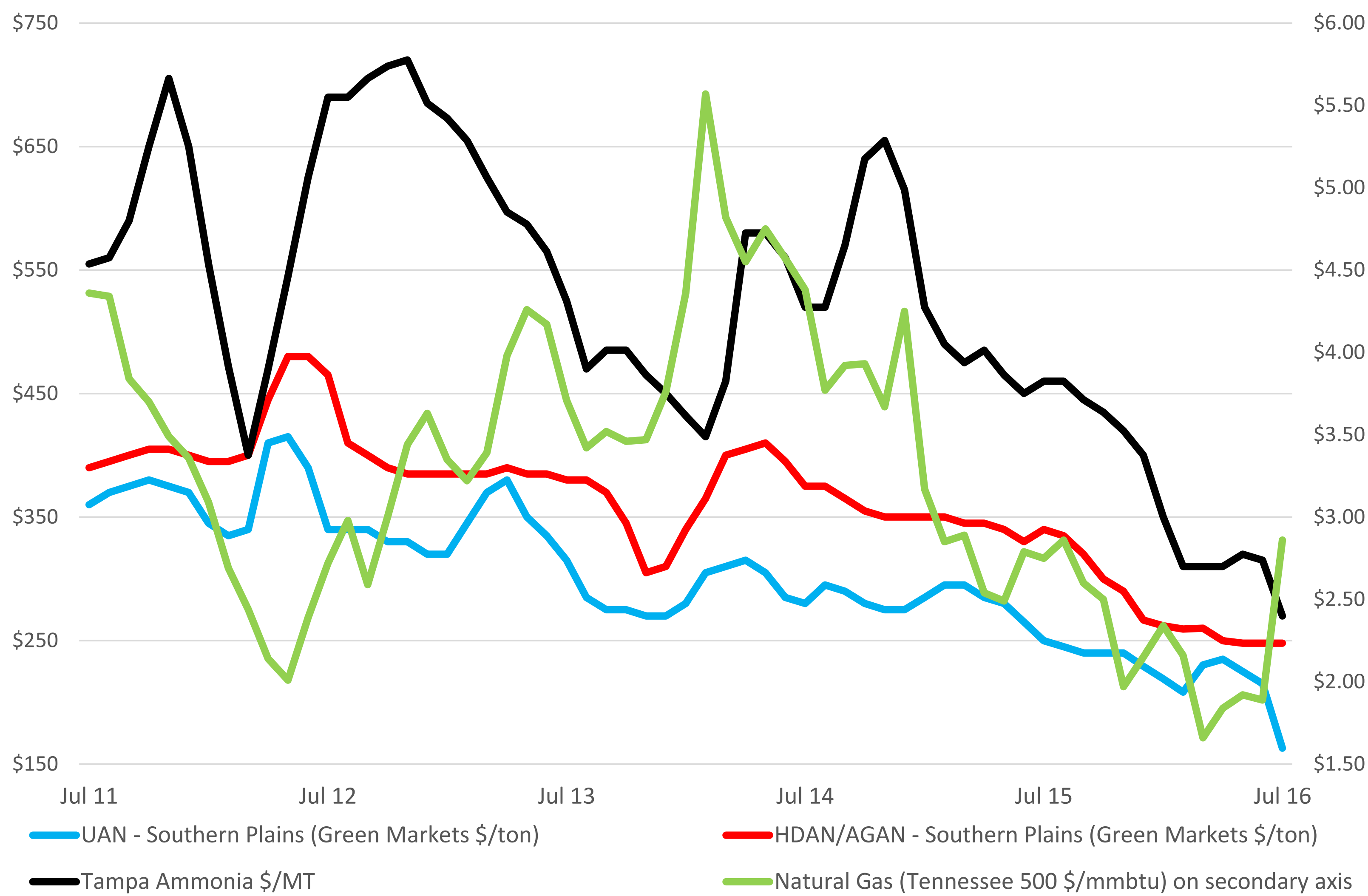
EIA estimates that coal consumption will decrease by 9% in 2016 for the electric power sector, which accounts for more than 90% of total U.S. coal consumption. Consumption for 2017 is forecast to increase roughly 3%.

⬇ *Coal Trade*

Slower growth in world coal demand and lower international coal prices have contributed to a decline in U.S coal exports. Coal exports in the beginning of 2016 were 36% lower than the same period 2015. EIA forecasts U.S. coal exports to decline by 20% during 2016.

Sources: ino.com futures, Corn Prices – Chicago Board of Trade 8-2-16 close; Wheat Prices – Kansas City Board of Trade 8-2-16 close; U.S. Energy Information Administration, short-term energy outlook

Chemical Commodities
Feedstock & End Products 5-year Price Trends



Agricultural Chemicals –
Attractive Medium to Long-Term Industry Fundamentals

World situation

- Growing populations
- Developing economies
- Changing dietary habits (from grain to meat)
- Rebalancing global ammonia trade routes

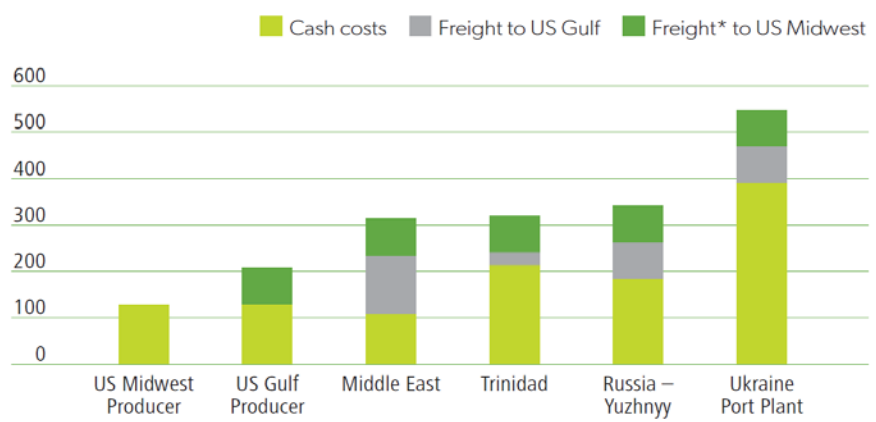
North American situation

- World grain usage continues to increase annually
- Despite lower grain prices, the USDA is projecting a 6% increase in corn acres planted in 2016 versus 2015 due to increased ethanol usage
- U.S. grain stocks are at high levels leading to lower current corn prices
- Current corn exports are at high levels offsetting the increase in planted acres and yield

North America is low cost producer of nitrogen fertilizers

- Natural gas is the primary feedstock for ammonia and all nitrogen fertilizers
- Due to large shale gas reserves, U.S. has relatively low natural gas prices vs. most places worldwide
- Projected Henry Hub natural gas is expected to average around $3.00/mmbtu for the remainder of 2016 and 2017

U.S. Midwest delivered ammonia cost estimated $160/metric ton advantage over imports



* Includes related handling costs

Source: Fertecon, PotashCorp

Chemical Facilities Operational Status

El Dorado

- Ammonia plant construction complete
  - Commercial sales are underway
  - Power outage mid-July and plant re-started on July 31 and producing at nameplate capacity of 1,150 TPD as of August 2

Pryor

- First half 2016 ammonia production up 15% from 2015
- Annual turnaround planned for 20 days beginning September 10
- Achieved 96% Ammonia On-Stream rate in Q2 and 94% for 1H 2016

Cherokee

- Bi-annual turnaround began July 23
- Achieved 100% Ammonia On-Stream rate in Q2 and 98% for 1H 2016

Baytown

- Currently operating at capacity
- Turnaround completed in April and additional turnaround planned for October 2016

LSB Consolidated Financial Highlights

Second Quarter 2016

($ in millions except EPS)	Three Months Ended June 30, 2016	2015	Change	Six Months Ended June 30, 2016	2015	Change
Net Sales	$ 110.0	$ 125.5	$ (15.5)	$ 209.0	$ 259.1	$ (50.1)
Gross Profit	$ 2.1	$ 12.6	$ (10.5)	$ (4.0)	$ 33.4	$ (37.4)
% of net sales	*1.9%*	*10.0%*	*(8.1)%*	*(1.9)%*	*12.9%*	*(14.8)%*
Selling, General and Administrative	$ 10.9	$ 14.5	$ (3.6)	$ 21.8	$ 25.7	$ (3.9)
% of net sales	*9.9%*	*11.6%*	*(1.7)%*	*10.4%*	*9.9%*	*0.5%*
Operating Income (Loss)	$ (8.9)	$ (1.6)	$ (7.3)	$ (26.2)	$ 8.2	$ (34.4)
% of net sales	*(8.1)%*	*(1.3)%*	*(6.8)%*	*(12.5)%*	*3.2%*	*(15.7)%*
Net Income from discontinued operations, including taxes	$ 22.8	$ 3.3	$ 19.5	$ 23.6	$ 5.7	$ 17.9
Net Income (Loss)	$ 15.1	$ 0.4	$ 14.7	$ 0.2	$ 7.1	$ (6.9)
% of net sales	*13.7%*	*0.3%*	*13.4%*	*0.1%*	*2.7%*	*(2.6)%*
Diluted EPS	$ 0.20	$ 0.02	$ 0.18	$ (0.82)	$ 0.29	$ (1.11)
EBITDA (1)	$ 9.6	$ 7.7	$ 1.9	$ 1.5	$ 25.7	$ (24.2)
Adjusted Operating Income (1)	$ (3.5)	$ (1.3)	$ (2.2)	$ (6.5)	$ 8.8	$ (15.3)
Adjusted Net Income (Loss) from continuing operations Applicable to Common Stock (1)	$ (18.3)	$ (2.7)	$ (15.6)	$ (29.2)	$ 1.5	$ (30.7)
Adjusted Diluted EPS (1)	$ (0.73)	$ (0.12)	$ (0.61)	$ (1.23)	$ 0.07	$ (1.30)
Adjusted EBITDA (1)	$ 11.1	$ 8.0	$ 3.1	$ 19.4	$ 26.3	$ (6.9)

(1) Refer to Appendix for reconciliation of adjusted operating income, adjusted net income (loss) from continuing operations applicable to common stock, adjusted diluted EPS, EBITDA and Adjusted EBITDA

Second Quarter Adjusted EBITDA
Current Year vs. Previous Year
($ in millions)

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2015 Q2 Adjusted EBITDA			**$8.0**
Average selling price - Ag Products			
HDAN sales pricing	↓	~$100/ton	(6.2)
UAN sales pricing	↓	~$70/ton	(6.4)
Ammonia sales pricing	↓	~$150/ton	(3.7)
Average feedstock cost			
Cost of purchased ammonia (through June 8th)	↓	~$150/ton	5.0
Lower natural gas cost	↓	~$0.80/mmbtu	2.6
Net Price Impact			**(8.7)**
EDC impact of ammonia production			
Lower cost of "make vs. buy"/increased volumes	↓		4.2
Volume			
Increase in UAN sales tons (primarily improved operating rates)	↑	~32,000 tons	3.8
Lower SG&A and other costs	↓		3.7
2016 Q2 Adjusted EBITDA			**$11.1**

Free Cash Flow

($ in millions)	Six Months Ended June 30, 2016	2015	Change
Net Income (Loss)	**$ 0.2**	**$ 7.1**	**$ (6.9)**
Depreciation, Depletion and Amortization (PP&E)	25.6	17.4	8.2
Change in Working Capital and Other [(1)]	(1.6)	4.2	(5.8)
Net Cash from Continuing Operating Activities	**$ 24.2**	**$ 28.7**	**$ (4.5)**
Capital Expenditures (PP&E)	(170.1)	(157.0)	(13.1)
Free Cash Flow from Operations [(2)]	**$ (145.9)**	**$ (128.3)**	**$ (17.6)**
Net Proceeds from Financing [(3)]	32.0	3.9	28.1
Net cash provided by discontinued operations	8.1	10.7	(2.6)
Other	1.4	(0.9)	2.3
Change in Cash and Cash Equivalents (Current and Noncurrent)	**$ (104.4)**	**$ (114.6)**	**$ 10.2**

(1) Working capital and other includes changes in accounts receivable, inventory, prepaids, accounts payable, accrued liabilities, customer deposits, and deferred taxes.
(2) Free Cash Flow is a non-GAAP measure. The reconciliation above reconciles free cash flow with cash provided by operating activities, which is the most directly comparable GAAP financial measure.
(3) Includes borrowings on the ABL revolver.

Capital Structure

($ in millions)

As of June 30, 2016	
Cash and Cash Equivalents	**$22.8**
Senior Secured Notes	475.0
ABL Credit facility	30.9
Other Debt	61.3
Unamortized discount and debt issuance costs	(7.6)
Total long-term debt, including current portion, net	**$559.6**
Series E and F redeemable preferred stock ($227.3 million liquidation preference including accrued dividends)	**$196.7**
Total stockholders' equity	**$405.1**

Overview of Outstanding Debt

Senior Secured Notes

- $425 million and $50 million
- 7.75% and 12.0%
- Due August 2019

ABL Facility

- $100 million (Prime + 50 bps)
- $38.0 million availability
- Expires April 2018

Ratings	Moody's	S&P
Corporate	B1	B-
First Lien	B1	B-
Outlook	Negative	Stable

Proceeds from Sale of Climate Control Business

($ in millions)

Gross Sale proceeds	$364
Escrow, fees and other estimated closing costs	(13)
Net cash proceeds, upon closing	$351
Repayment of outstanding balance of ABL	(31)
Net cash proceeds after repayment of ABL	$320
August Interest payment on Senior Secured Notes	(20)
Remaining cash payments on EDC Expansion	(30)
2H 2016 Capex	(30)
Net cash remaining after obligations	$240

2016 Outlook

- **Sales Volume**:

Products	Second Half 2016 Sales (tons)	Full Year 2016 Sales (tons)
Agriculture:		
UAN	220,000 – 230,000	435,000 – 445,000
HDAN	70,000 – 80,000	210,000 – 220,000
Ammonia	40,000 – 50,000	110,000 – 120,000
Industrial, Mining and Other:		
Nitric acid	275,000 – 290,000	525,000 – 540,000
LDAN/HDAN	45,000 – 55,000	75,000 – 85,000
AN Solution	22,000 – 27,000	68,000 – 73,000
Ammonia	110,000 – 120,000	135,000 – 145,000

- **Depreciation**: $60 million to $65 million in 2016
- **Selling, general and administrative expenses**: Approximately $44 million in 2016
- **Interest expense**: Annualized interest expense, at current debt levels is approximately $45 million per year
- **Turnarounds**: Approximately $8 million in turnaround expenses at Cherokee and Pryor in the third quarter of 2016
- **Capital Expenditures**: $25 million to $30 million for second half of 2016

Focus for 2H 2016

- Enhance our capital structure
  - Reduce our cost of capital and overall leverage
- Maintain recent high on-stream rates of our chemical facilities
  - Reduce unplanned downtime
- Broaden the distribution of our AN products
  - Building AN storage domes at EDC and reopening distribution facilities at Cherokee and Pryor
- Cost reduction and expense control
  - Realign our organization post Climate Control sale
  - Review operating expenses

Appendix

EBITDA Reconciliation

LSB Consolidated ($ in millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income Plus:	**$ 15.1**	**$ 0.4**	**$ 0.2**	**$ 7.1**
Interest Expense	6.4	2.2	7.8	5.6
Depreciation and amortization	14.6	9.3	25.6	17.4
Provisions for income taxes	(3.7)	(0.9)	(8.5)	1.3
Loss (income) from discontinued operations	(22.8)	(3.3)	(23.6)	(5.7)
EBITDA (1) Plus:	**$ 9.6**	**$ 7.7**	**$ 1.5**	**$ 25.7**
Consulting Fee- Negotiated Property tax savings at El Dorado	-	-	12.1	-
Loss on disposal of property, plant, and equipment	0.6	-	0.6	-
Stock based compensation	1.0	0.3	1.9	0.6
Start-up/ Commissioning costs at El Dorado	3.8	-	5.1	-
Fair market value adjustment on participation rights	(3.9)	-	(1.4)	-
Delaware unclaimed property liability	-	-	0.3	-
Life insurance recovery	-	-	(0.7)	-
Adjusted EBITDA (2)	**$ 11.1**	**$ 8.0**	**$ 19.4**	**$ 26.3**

(1) EBITDA is defined as net income plus interest expense, depreciation, depletion and amortization of property plant and equipment (which includes amortization of other assets and excludes interest included in amortization), plus provision for income taxes. We believe that certain investors consider EBITDA a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. EBITDA has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to a similarly titled measure of other companies. The table above provides a reconciliation of net income to EBITDA for the periods indicated.

(2) Adjusted EBITDA is reported to show the impact of a one-time consulting fee, start-up/commissioning costs, certain fair market value adjustments, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment, Delaware unclaimed property liability, and life insurance recovery. We believe that the inclusion of supplementary adjustments to EBITDA are appropriate to provide additional information to investors about certain items. The table above provides reconciliations of EBITDA excluding the impact of the supplementary adjustments.

Other Non-GAAP Reconciliations

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LSB Consolidated ($ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating income (loss) Plus:	**$ (8.9)**	**$ (1.6)**	**$ (26.2)**	**$ 8.2**
Consulting Fee- Negotiated Property tax savings at El Dorado	-	-	12.1	-
Loss on disposal of property, plant, and equipment	0.6	-	0.6	-
Stock based compensation	1.0	0.3	1.9	0.6
Start-up/ Commissioning costs at El Dorado	3.8	-	5.1	-
Adjusted operating income (loss) (1)	**$ (3.5)**	**$ (1.3)**	**$ (6.5)**	**$ 8.8**

(1) Adjusted Operating Income (loss) is reported to show the impact of a one-time consulting fee, start-up/commissioning costs, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment. We believe that the inclusion of supplementary adjustments to operating income are appropriate to provide additional information to investors about certain items. The table above provides reconciliations of operating income (loss) excluding the impact of the supplementary adjustments.

Other Non-GAAP Reconciliations

LSB INDUSTRIES

LSB Consolidated ($ in millions except EPS)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss) from continuing operations applicable to common stock Plus:	**$ (17.7)**	**$ (2.9)**	**$ (43.1)**	**$ 1.1**
Consulting Fee- Negotiated Property tax savings at El Dorado (net of tax)	-	-	7.4	-
Loss on disposal of property, plant, and equipment (net of tax)	0.4	-	0.4	-
Stock based compensation (net of tax)	0.6	0.2	1.2	0.4
Start-up/ Commissioning costs at El Dorado (net of tax)	2.3	-	3.1	-
Fair market value adjustment on participation rights (non-tax deductible)	(3.9)	-	(1.4)	-
Delaware unclaimed property (net of tax)	-	-	0.2	-
Valuation allowance on state net operating losses	-	-	3.7	-
Life insurance recovery (non-tax deductible)	-	-	(0.7)	-
Adjusted net income (loss) from continuing operations applicable to common stock	**$ (18.3)**	**$ (2.7)**	**$ (29.2)**	**$ 1.5**
Weighted-average common shares (in thousands)	25,240	22,748	23,823	22,820
Adjusted net income (loss) from continuing operations per diluted share [(1)]	**$ (0.73)**	**$ (0.12)**	**$ (1.23)**	**$ 0.07**

(1) Adjusted net income (loss) applicable to common stock and adjusted income (loss) per diluted share are reported to show the impact of a one-time consulting fee, start-up/commissioning costs, certain fair market value adjustments, non-cash stock based compensation, non-cash loss on disposal of property, plant, and equipment, Delaware unclaimed property liability, and life insurance recovery. We believe that the inclusion of supplementary adjustments to net income (loss) from continuing operations applicable to common stock and diluted income per common share, are appropriate to provide additional information to investors about certain items. The table above provides reconciliations of net income (loss) from continuing operations applicable to common stock and diluted income (loss) per common share excluding the impact of the supplementary adjustments.