UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to

Commission file number 1-7677

LSB Industries, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**73-1015226**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3503 NW 63rd Street, Suite 500, Oklahoma City, Oklahoma	**73116**
(Address of principal executive offices)	**(Zip Code)**

(Registrant's telephone number, including area code) (405) 235-4546

Not applicable

(Former name, former address and former fiscal year, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $.10	**LXU**	**New York Stock Exchange**
Preferred Stock Purchase Rights	**N/A**	**New York Stock Exchange**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).☐ Yes ☒ No

The number of shares outstanding of the Registrant's common stock was 71,621,131 shares as of July 26, 2024.

FORM 10-Q OF LSB INDUSTRIES, INC.

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When we refer to "us", "we", "our", "Company" or "LSB" we are describing LSB Industries, Inc. and its subsidiaries.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

LSB INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Information at June 30, 2024 is unaudited)

	June 30, 2024	December 31, 2023
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 216,257**	$ 98,500
Restricted cash	**77**	2,532
Short-term investments	**—**	207,434
Accounts receivable	**42,242**	40,749
Allowance for doubtful accounts	**(327)**	(364)
Accounts receivable, net	**41,915**	40,385
Inventories:		
Finished goods	**19,202**	26,329
Raw materials	**2,068**	1,799
Total inventories	**21,270**	28,128
Supplies, prepaid items and other:		
Prepaid insurance	**6,153**	14,846
Precious metals	**12,447**	12,094
Supplies	**31,257**	30,486
Other	**2,627**	2,337
Total supplies, prepaid items and other	**52,484**	59,763
Total current assets	**332,003**	436,742
Property, plant and equipment, net	**830,077**	835,298
Other assets:		
Operating lease assets	**25,602**	24,852
Intangible and other assets, net	**1,376**	1,292
Total other assets	**26,978**	26,144
Total assets	**$ 1,189,058**	$ 1,298,184
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**61,343**	68,323
Short-term financing	**4,551**	13,398
Accrued and other liabilities	**25,543**	30,961
Current portion of long-term debt	**5,871**	5,847
Total current liabilities	**97,308**	118,529
Long-term debt, net	**479,769**	575,874
Noncurrent operating lease liabilities	**17,491**	16,074
Other noncurrent accrued and other liabilities	**523**	523
Deferred income taxes	**71,174**	68,853
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, $.10 par value; 150 million shares authorized, 91.2 million shares issued	**9,117**	9,117
Capital in excess of par value	**501,422**	501,026
Retained earnings	**242,193**	227,015
Total stockholders' equity	**752,732**	737,158
Less treasury stock, at cost:		
Common stock, 19.5 million shares (18.1 million shares at December 31, 2023)	**229,939**	218,827
Total stockholders' equity	**522,793**	518,331
Total liabilities and stockholders' equity	**$ 1,189,058**	$ 1,298,184

See accompanying notes to condensed consolidated financial statements.

LSB INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In Thousands, Except Per Share Amounts)			
Net sales	$ 140,073	$ 165,845	$ 278,277	$ 346,809
Cost of sales	112,658	129,813	228,584	269,172
Gross profit	27,415	36,032	49,693	77,637
Selling, general and administrative expense	11,547	9,436	21,841	19,303
Other expense (income), net	1,465	(900)	2,189	303
Operating income	14,403	27,496	25,663	58,031
Interest expense, net	8,385	11,836	18,114	24,048
Gain on extinguishment of debt	(1,879)	(8,644)	(3,013)	(8,644)
Non-operating other income, net	(2,908)	(3,764)	(6,469)	(7,240)
Income before provision for income taxes	10,805	28,068	17,031	49,867
Provision for income taxes	1,250	2,973	1,853	8,871
Net income	$ 9,555	$ 25,095	15,178	40,996
Income per common share:				
Basic:				
Net income	$ 0.13	$ 0.33	$ 0.21	$ 0.54
Diluted:				
Net income	$ 0.13	$ 0.33	$ 0.21	$ 0.54

See accompanying notes to condensed consolidated financial statements.

LSB INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Shares	Treasury Stock-Common Shares	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock-Common	Total
				(In Thousands)			
Balance at December 31, 2023	91,168	(18,051)	$ 9,117	$ 501,026	$ 227,015	$ (218,827)	$ 518,331
Net income					5,623		5,623
Stock-based compensation				1,394			1,394
Purchase of common stock		(690)				(5,397)	(5,397)
Vesting of equity compensation		109		(1,323)		1,323	—
Shares withheld upon vesting of equity compensation		(231)				(1,766)	(1,766)
Balance at March 31, 2024	91,168	(18,863)	9,117	501,097	232,638	(224,667)	518,185
Net income					9,555		9,555
Stock-based compensation				2,099			2,099
Purchase of common stock		(802)				(6,734)	(6,734)
Shares issued restricted stock units and ESPP participants		37		(331)		429	98
Vesting of equity compensation		123		(1,443)		1,443	—
Shares withheld restricted stock units vesting		(42)				(410)	(410)
Balance at June 30, 2024	91,168	(19,547)	$ 9,117	$ 501,422	$ 242,193	$ (229,939)	$ 522,793
Balance at December 31, 2022	91,168	(14,888)	$ 9,117	$ 497,179	$ 199,092	$ (189,515)	$ 515,873
Net income					15,901		15,901
Stock-based compensation				719			719
Vesting of equity compensation		53		(682)		682	—
Shares withheld upon vesting of equity compensation		(204)				(2,541)	(2,541)
Balance at March 31, 2023	91,168	(15,039)	9,117	497,216	214,993	(191,374)	529,952
Net income					25,095		25,095
Stock-based compensation				1,927			1,927
Purchase of common stock		(1,795)				(17,218)	(17,218)
Shares issued restricted stock units and ESPP participants		58		(626)		732	106
Shares withheld restricted stock units vesting		(7)				(65)	(65)
Balance at June 30, 2023	91,168	(16,783)	$ 9,117	$ 498,517	$ 240,088	$ (207,925)	$ 539,797

See accompanying notes to condensed consolidated financial statements.

LSB INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
	(In Thousands)	
Cash flows from operating activities		
Net income	$ 15,178	$ 40,996
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	2,321	7,736
Gain on extinguishment of debt	(3,013)	(8,644)
Depreciation and amortization of property, plant and equipment	35,861	34,416
Amortization of short term investments	5,630	(670)
Amortization of intangible and other assets	71	291
Stock-based compensation	3,492	2,646
Other	4,597	3,502
Cash provided (used) by changes in assets and liabilities:		
Accounts receivable	(1,531)	24,937
Inventories	6,098	8,171
Prepaid insurance	8,693	10,346
Supplies, prepaid items and other	(1,481)	2,192
Accounts payable	(5,587)	(14,789)
Accrued interest	(3,749)	(4,054)
Other assets and other liabilities	(1,091)	(4,127)
Net cash provided by operating activities	65,489	102,949
Cash flows from investing activities		
Expenditures for property, plant and equipment	(33,047)	(32,263)
Proceeds from short-term investments	236,493	264,212
Purchases of short-term investments	(34,689)	(201,751)
Other investing activities	29	10
Net cash provided by investing activities	168,786	30,208
Cash flows from financing activities		
Repurchases of 6.25% Senior Secured Notes	(92,216)	(114,320)
Payments on other long-term debt	(2,925)	(6,800)
Payments on short-term financing	(8,847)	(11,016)
Acquisition of treasury stock, net	(14,208)	(19,718)
Payments of debt-related costs	(777)	—
Net cash used by financing activities	(118,973)	(151,854)
Net increase (decrease) in cash and cash equivalents	115,302	(18,697)
Cash, cash equivalents and restricted cash at beginning of period	101,032	63,769
Cash, cash equivalents and restricted cash at end of period	$ 216,334	$ 45,072

See accompanying notes to condensed consolidated financial statements.

LSB INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

The accompanying unaudited interim financial statements and notes of LSB have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. The accompanying unaudited interim financial statements and notes should be read in conjunction with the financial statements and notes included in the Company's Form 10-K for the year ended December 31, 2023 (our "2023 Form 10-K"), filed with the SEC on March 6, 2024. The accompanying unaudited interim financial statements in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company's results of operations and cash flows for the three and six months ended June 30, 2024 and 2023 and the Company's financial position as of June 30, 2024.

Basis of Consolidation – LSB and its subsidiaries are consolidated in the accompanying condensed consolidated financial statements. LSB is a holding company with no significant operations or assets other than cash, cash equivalents, short-term investments and investments in its subsidiaries. All intercompany accounts and transactions have been eliminated. Certain prior period amounts reported in our condensed consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

Nature of Business – We are engaged in the manufacture and sale of chemical products. The chemical products we primarily manufacture, market and sell are ammonia, fertilizer grade ammonium nitrate ("HDAN") and UAN for agricultural applications, high purity and commercial grade ammonia, high purity ammonium nitrate, sulfuric acids, concentrated, blended and regular nitric acid, mixed nitrating acids, carbon dioxide, and diesel exhaust fluid for industrial applications, and industrial grade ammonium nitrate ("LDAN") and ammonium nitrate ("AN") solutions for mining applications. We manufacture and distribute products in four facilities; three of which we own and are located in El Dorado, Arkansas (the "El Dorado Facility"); Cherokee, Alabama (the "Cherokee Facility"); and Pryor, Oklahoma (the "Pryor Facility"); and one of which we operate on behalf of Covestro LLC in Baytown, Texas (the "Baytown Facility").

Sales to customers include farmers, ranchers, fertilizer dealers and distributors primarily in the ranch land and grain production markets in the United States ("U.S."); industrial users of acids throughout the U.S. and parts of Canada; and explosive manufacturers in the U.S. and other parts of North America.

These interim results are not necessarily indicative of results for a full year due, in part, to the seasonality of our sales of agricultural products and the timing of performing our major plant maintenance activities. Our selling seasons for agricultural products are primarily during the spring and fall planting seasons, which typically extend from March through June and from September through November.

Use of Estimates – The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Repurchase Program – In May 2023, our Board of Directors (our "Board") authorized a $150 million stock repurchase program. Total repurchase authority remaining under the repurchase program was approximately $109 million as of June 30, 2024. The repurchase program may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing securities, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. The repurchase program does not obligate us to purchase any particular number or type of securities. During the three months ended June 30, 2024, we repurchased approximately 0.8 million shares of common stock at an average cost of $8.40 per share for a total of approximately $6.7 million. During the six months ended June 30, 2024, we repurchased approximately 1.5 million shares of common stock at an average cost of $8.13 per share for a total of approximately $12.1 million.

Restricted Cash – We classify cash that has been segregated or is otherwise limited in use as restricted. Our restricted cash as of June 30, 2024 and December 31, 2023, relates primarily to certain cash collateral held by Wells Fargo under our prior revolving credit facility, terminated in December 2023 and discussed in Note 4 – Long-Term Debt, for letters of credit outstanding as we transition these items to our current revolving credit facility (the "Revolving Credit Facility) pursuant to that credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent. All of our restricted cash is classified as a current asset and is separately presented on the face of our consolidated balance

sheet. The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheet to the total of the same such amounts shown in the condensed consolidated statement of cash flows:

	June 30, 2024	December 31, 2023
	(in Thousands)	
Cash and cash equivalents	$ 216,257	$ 98,500
Restricted cash	77	2,532
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 216,334	$ 101,032

Short-Term Investments – Investments, which consist of U.S. treasury bills with an original maturity at the time of purchase between four months to 12 months, are considered short-term investments and are classified as Level 1. We have a history of holding investments to maturity. U.S. treasury bills with an original maturity at the time of purchase of three month or less are included in cash and cash equivalents. Due to the nature of these investments as U.S. treasury securities, no impairment is anticipated.

Accounts Receivable – Our accounts receivable are presented at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any estimate of expected credit losses. Our estimate is based on historical experience and periodic assessment, particularly on accounts that are past due (based upon the terms of the sale). Our periodic assessment is based on our best estimate of amounts that are not recoverable which includes a present collectability review and forward looking assessment, where applicable.

Impairment of Long – Lived Assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable. An asset's fair value must be determined when the carrying amount of an asset (asset group) exceeds the estimated undiscounted future cash flows expected to result from the use of the asset (asset group) and/or its eventual disposition. If assets to be held and used are considered to be impaired, the impairment to be recognized is the amount by which the carrying amounts of the assets exceed the fair values of the assets as measured by the present value of future net cash flows expected to be generated by the assets or their appraised value. In general, our assets are reviewed for impairment on a facility-by-facility basis (such as the Cherokee Facility, El Dorado Facility or Pryor Facility) unless it is determined that the asset being evaluated will generate cash flows that are independent from the rest of the facility.

Short-Term Financing – Our short-term financing represents the short-term note related to financing of our insurance premium, which is renewed annually each November.

Contingencies – Certain conditions may exist which may result in a loss, but which will only be resolved when future events occur. We and our legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. If the assessment of a contingency indicates that it is probable that a loss has been incurred, we would accrue for such contingent losses when such losses can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Estimates of potential legal fees and other directly related costs associated with contingencies are not accrued but rather are expensed as incurred. Loss contingency liabilities are included in current and noncurrent accrued and other liabilities and are based on current estimates that may be revised in the near term. In addition, we recognize contingent gains when such gains are realized or when the contingencies have been resolved (generally at the time a settlement has been reached).

Derivatives, Hedges and Financial Instruments – Periodically, we entered into certain forward natural gas contracts. Whenever we have such derivative contracts outstanding that are subject to derivative accounting, they are recognized in the balance sheet and measured at fair value. Changes in fair value of derivatives are recorded in results of operations unless the normal purchase or sale exceptions apply, or hedge accounting is elected.

The fair value amounts recognized for our derivative contracts executed with the same counterparty under a master netting arrangement may be offset. We have the choice to offset or not, but that choice must be applied consistently. A master netting arrangement exists if the reporting entity has multiple contracts with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract. Offsetting the fair values recognized for the derivative contracts outstanding with a single counterparty results in the net fair value of the transactions reported as an asset or a liability in the balance sheet. When applicable, we present the fair values of our derivative contracts under master netting agreements using a gross fair value presentation.

Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

Level 1 - Valuations of contracts classified as Level 1 are based on quoted prices in active markets for identical contracts.

Level 2 - Valuations of contracts classified as Level 2 are based on quoted prices for similar contracts and valuation inputs other than quoted prices that are observable for these contracts.

Level 3 - Valuations of assets and liabilities classified as Level 3 are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Leases – We determine if an arrangement is a lease at inception or modification of a contract and classify each lease as either an operating or finance lease based on the terms of the contract. We reassess lease classification subsequent to commencement upon a change to the expected lease term or a modification to the contract. A contract contains a lease if the contract conveys the right to control the use of the identified property or equipment, explicitly or implicitly, for a period of time in exchange for consideration. Control of an underlying asset is conveyed if we obtain the rights to direct the use of and obtain substantially all of the economic benefit from the use of the underlying asset.

An operating lease asset represents our right to use the underlying asset as a lessee for the lease term and an operating lease liability represents our obligation to make lease payments arising from the lease. Currently, most of our leases are classified as operating leases and primarily relate to railcars, other equipment and office space. Our leases that are classified as finance leases and other leases under which we are the lessor are not material. Variable payments are excluded from the present value of lease payments and are recognized in the period in which the payment is made. Our current leases do not contain residual value guarantees. Most of our leases do not include options to extend or terminate the lease prior to the end of the term. Leases with a term of 12 months or less are not recognized in the balance sheet.

Since our leases generally do not provide an implicit rate, we use our incremental borrowing rate based on the lease term and other information available at the commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the applicable lease term.

From time to time when we have excess freight capacity, we may sublease a portion of our railcars fleet on a short term basis to other parties. The income for these subleases is recorded as a component of "Other (income) expense, net" in our condensed consolidated statement of operations. For the three and six months ended June 30, 2024, sublease income was $0.1 million and $0.8 million, respectively. For the three and six months ended June 30, 2023, sublease income was $1.4 million and $1.8 million, respectively.

Recently Issued Accounting Pronouncements

ASU 2023-07 - In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures,* which improves reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments include a new requirement to disclose significant segment expenses regularly provided to the chief operating decision maker ("CODM"), extend certain annual disclosures to interim periods, clarify single reportable segment entities must apply Accounting Standard Codification ("ASC") 280 in its entirety, permit more than one measure of segment profit or loss to be reported under certain conditions and require disclosure of the title and position of the CODM. This update is effective for public entities fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We currently expect the update to result in additional disclosures within our consolidated financial statements and related disclosures but do not expect it to impact our results of operations or financial position.

Changes to U.S. GAAP are established by the FASB in the form of ASUs to the FASB's Accounting Standards Codification. We considered all ASUs issued and outstanding or that became effective since January 1, 2024 through the date of these financial statements and determined them not to be applicable or materially impact our financial statements other than those ASUs specifically addressed above.

2. Net Income per Common Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In Thousands, Except Per Share Amounts)			
Numerator:				
Net income	$ 9,555	$ 25,095	$ 15,178	$ 40,996
Numerator for basic and diluted net income per common share	$ 9,555	$ 25,095	$ 15,178	$ 40,996
Denominator:				
Denominator for basic net income per common share - adjusted weighted-average shares (1)	71,700	75,170	72,271	75,488
Effect of dilutive securities:				
Unvested restricted stock and stock units	330	491	331	498
Dilutive potential common shares	330	491	331	498
Denominator for diluted net income per common share - adjusted weighted-average shares	72,030	75,661	72,602	75,986
Basic net income per common share	$ 0.13	$ 0.33	$ 0.21	$ 0.54
Diluted net income per common share	$ 0.13	$ 0.33	$ 0.21	$ 0.54

(1)All periods exclude the weighted-average shares of unvested restricted stock that are contingently issuable.

The following weighted-average shares of securities were not included in the computation of diluted net income per common share as their effect would have been antidilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Restricted stock and stock units	667,947	636,072	691,255	515,687
Stock options	13,000	13,000	13,000	13,000
	680,947	649,072	704,255	528,687

3. Accrued and Other Liabilities

	June 30, 2024	December 31, 2023
	(In Thousands)	
Accrued payroll and benefits	$ 8,196	$ 9,400
Current portion of operating lease liabilities	8,174	8,795
Accrued interest	3,738	7,487
Accrued taxes other than income	3,016	2,198
Customer deposits	103	874
Other	2,839	2,730
	26,066	31,484
Less noncurrent portion	523	523
Current portion of accrued and other liabilities	$ 25,543	$ 30,961

4. Long-Term Debt

Our long-term debt consists of the following:

	June 30, 2024	December 31, 2023
	(In Thousands)	
Revolving Credit Facility (A)	$ —	$ —
Senior Secured Notes due 2028, with an interest rate of 6.25% (B)	478,440	575,000
Secured Financing due 2025, with an interest rate of 8.75% (C)	11,384	14,133
Finance Leases	2,123	953
Unamortized debt issuance costs [(1)]	(6,307)	(8,365)
	485,640	581,721
Less current portion of long-term debt	5,871	5,847
Long-term debt due after one year, net	$ 479,769	$ 575,874

(1)Debt issuance costs as of June 30, 2024 and December 31, 2023 of approximately $0.8 million and $0.5 million, respectively, relating to our Revolving Credit Facility are not included in Unamortized debt issuance cost. They are included in our condensed consolidated balance sheet in Intangible and other assets, net.

(A) The Revolving Credit Facility provides for borrowings up to an initial maximum of $75 million, with an option to increase the maximum by an additional $25 million (which amount is uncommitted). Availability is subject to a borrowing base and an availability block of $7.5 million, which is applied against the $75 million initially reducing the maximum (which can be removed by us at our sole discretion, subject to the satisfaction of certain conditions). The Revolving Credit Facility provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $10 million, with the outstanding amount of any such letters of credit reducing availability for borrowings. As of June 30, 2024, our Revolving Credit Facility was undrawn and had approximately $39.4 million of availability, based on our eligible collateral. The maturity date of the Revolving Credit Facility is on the earlier of (i) the date that is 90 days prior to the earliest stated maturity date of the Senior Secured Notes, which is currently October 15, 2028, (unless refinanced or repaid) and (ii) December 21, 2028. The Revolving Credit Facility contains a financial covenant, which requires that, solely if we elect to remove the $7.5 million availability block, we must maintain a minimum fixed charge coverage ratio of not less than 1.00:1.00. The financial covenant, if triggered, is tested monthly. The financial covenant was not triggered as of June 30, 2024.

Interest accrues on outstanding borrowings under the Revolving Credit Facility at a rate per annum equal to, at the option of us, either (a) term Secured Overnight Financing Rate ("SOFR") for a period of one month (with a fallback to the prime rate if such rate is unavailable), plus 0.10%, plus an applicable margin of 1.625% or (b) term SOFR for a period of one, three or six months (at our election), plus 0.10%, plus an applicable margin of 1.625%, in each case with a floor of 0.00%.

(B) We previously issued at par an aggregate total of $700 million principal value of our Senior Secured Notes due 2028 ("Senior Secured Notes"). The Senior Secured Notes, which mature in October 2028, bear interest at a rate of 6.25% paid in arrears on May 15 and October 15. Please see Note 5 in our 2023 Form 10-K for further discussion of the Senior Secured Notes. From time to time, we have engaged in open market repurchases to extinguish a portion of the outstanding balance.

During the three months ended June 30, 2024, we repurchased $63.7 million in principal amount of our Senior Secured Notes for approximately $60.9 million, which was accounted for as an extinguishment of debt. Including our write-off of the associated remaining portion of unamortized debt issuance costs, we recognized a gain on extinguishment of approximately $1.9 million. During the six months ended June 30, 2024, we repurchased $96.6 million in principal amount of our Senior Secured Notes for approximately $92.2 million which was accounted for as an extinguishment of debt. Including our write-off of the associated remaining portion of unamortized debt issuance costs, we recognized a gain on extinguishment of approximately $3.0 million.

(C) In August 2020, we entered into a $30 million secured financing arrangement with an affiliate of Eldridge Industries, L.L.C. ("Eldridge"). Beginning in September 2020, principal and interest is payable in 60 equal monthly installments with a final balloon payment of approximately $5 million due in August 2025. This financing arrangement is secured by an ammonia storage tank and is guaranteed by LSB.

5. Commitments and Contingencies

Legal Matters - Following is a summary of certain legal matters involving the Company:

A. Environmental Matters

Our facilities and operations are subject to numerous federal, state and local environmental laws and to other laws regarding health and safety matters (collectively, the "Environmental and Health Laws"), many of which provide for certain performance obligations, substantial fines and criminal sanctions for violations. Certain Environmental and Health Laws impose strict liability as well as joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken.

In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety effects of our operations.

There can be no assurance that we will not incur material costs or liabilities in complying with such laws or in paying fines or penalties for violation of such laws. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us. The Environmental and Health Laws and related enforcement policies have in the past resulted and could in the future result, in significant compliance expenses, cleanup costs (for our sites or third-party sites where our wastes were disposed of), penalties or other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of hazardous or toxic materials at or from our facilities or the use or disposal of certain of its chemical products. Further, a number of our facilities are dependent on environmental permits to operate, the loss or modification of which could have a material adverse effect on their operations and our financial condition.

Historically, significant capital expenditures have been incurred by our subsidiaries in order to comply with the Environmental and Health Laws and significant capital expenditures are expected to be incurred in the future. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our facilities should we discontinue the operations of a facility.

As of June 30, 2024, our accrued liabilities for environmental matters totaled approximately $0.4 million relating primarily to the matters discussed below. Estimates of the most likely costs for our environmental matters are generally based on preliminary or completed assessment studies, preliminary results of studies, or our experience with other similar matters. It is reasonably possible that a change in the estimate of our liability could occur in the near term.

1. Discharge Water Matters

Each of our manufacturing facilities generates process wastewater, which may include cooling tower and boiler water quality control streams, contact storm water and miscellaneous spills and leaks from process equipment. The process water discharge, storm-water runoff and miscellaneous spills and leaks are governed by various permits generally issued by the respective state environmental agencies as authorized and overseen by the U.S. Environmental Protection Agency. These permits limit the type and volume of effluents that can be discharged and control the method of such discharge.

In 2017, the Company filed a Permit Renewal Application for its Non-Hazardous Injection Well Permit at the Pryor Facility. Although the Injection Well Permit expired in 2018, we continue to operate the injection well in accordance with an executed November 2023 Consent Order with the Oklahoma Department of Environmental Quality ("ODEQ") that allows for the continued use of the injection well until a wastewater treatment process is designed, built and operational. The Company continues to work with the ODEQ under the terms of the Consent Order. We have identified and selected a wastewater treatment technology using biological processes that can and will treat the nitrogen-containing wastewater streams at our Pryor Facility. We are unable to estimate the costs related to the replacement of the disposal well at this time as we are in the early stages of design for the wastewater treatment process with a wastewater process design engineering firm. We have also commenced preliminary discussions with the ODEQ on permitting the treated wastewater discharges but have not received any confirmation from the ODEQ on their preliminary acceptance of our treated wastewater stream.

In 2006, the Company entered into a Consent Administrative Order ("CAO") that recognizes the presence of nitrate contamination in the shallow groundwater at our El Dorado Facility. The CAO required us to perform semi-annual groundwater monitoring, continue operation of a groundwater recovery system, submit a human health and ecological risk assessment and submit a remedial action plan. The risk assessment was submitted in 2007. In 2015, the Arkansas Department of Environmental Quality ("ADEQ") stated that the El Dorado Facility was meeting the requirements of the CAO and should continue semi-annual monitoring. A CAO was signed in 2018, which required an Evaluation Report of the data and effectiveness of the groundwater remedy for nitrate contamination. During 2019,

the Evaluation Report was submitted to the ADEQ and the ADEQ approved the report. In August 2023, the Company received a Notice of Violation ("NOV") for wastewater discharges from our El Dorado Facility. We have been in discussions with the ADEQ about our response to the NOV and the potential for financial penalties associated with the NOV. As of the date of this report, the ADEQ has provided no written indication or details regarding the financial penalty. No liability has been established as of June 30, 2024, in connection with this ADEQ matter.

2. Other Environmental Matters

In 2002, certain of our subsidiaries sold substantially all of their operating assets relating to a Kansas chemical facility (the "Hallowell Facility") but retained ownership of the real property where the facility is located. Our subsidiary retained the obligation to be responsible for and perform the activities under, a previously executed consent order to investigate the surface and subsurface contamination at the real property, develop a corrective action strategy based on the investigation and implement such strategy. In addition, certain of our subsidiaries agreed to indemnify the buyer of such assets for these environmental matters.

As the successor to a prior owner of the Hallowell Facility, Chevron Environmental Management Company ("Chevron") has agreed in writing, within certain limitations, to pay and has been paying one-half of the costs of the investigation and interim measures relating to this matter as approved by the Kansas Department of Health and Environment (the "KDHE"), subject to reallocation.

During this process, our subsidiary and Chevron retained an environmental consultant that prepared and performed a corrective action study work plan as to the appropriate method to remediate the Hallowell Facility. During 2020, the KDHE selected a remedy of annual monitoring and the implementation of an Environmental Use Control ("EUC"). This remedy primarily relates to long-term surface and groundwater monitoring to track the natural decline in contamination and is subject to a 5-year re-evaluation with the KDHE.

The final remedy, including the EUC, the finalization of the cost estimates and any required financial assurances remains under discussion with the KDHE. Pending the results from our discussions regarding the final remedy, we continue to accrue our allocable portion of costs primarily for the additional testing, monitoring and risk assessments that could be reasonably estimated, which amount is included in our accrued liabilities for environmental matters discussed above. The estimated amount is not discounted to its present value. As more information becomes available, our estimated accrual will be refined, as necessary.

We received a NOV for ten findings identified from an inspection conducted by the U.S. Environmental Protection Agency ("EPA") Region IV at our Cherokee Facility in late 2022. We provided written responses to each finding in the inspection report issued in connection with such inspection and to the Notice of Potential Violations and held direct communications with the EPA related to the matter. A meeting was held with the EPA in January 2024 to discuss the NOV and our subsequent responsive actions. During the meeting, the EPA proposed two alternatives for the penalties related to the violations. We accepted one of the proposed alternatives, which included a cash fine and an investment in a community project, for which we accrued an estimate as of December 31, 2023.

B. Other Pending, Threatened or Settled Litigation

West Fertilizer Matter

In 2013, an explosion and fire occurred at the West Fertilizer Company ("West Fertilizer") located in West, Texas, causing death, bodily injury and substantial property damage. West Fertilizer is not owned or controlled by us, but West Fertilizer was a customer of EDC and purchased HDAN from EDC from time to time. LSB and EDC received letters from counsel purporting to represent subrogated insurance carriers, personal injury claimants and persons who suffered property damages informing LSB and EDC that their clients are conducting investigations into the cause of the explosion and fire to determine, among other things, whether AN manufactured by EDC and supplied to West Fertilizer was stored at West Fertilizer at the time of the explosion and, if so, whether such AN may have been one of the contributing factors of the explosion. Initial lawsuits filed named West Fertilizer and another supplier of AN as defendants.

In 2014, EDC and LSB were named as defendants, together with other AN manufacturers and brokers that arranged the transport and delivery of AN to West Fertilizer, in the case styled *City of West, Texas vs. CF Industries, Inc., et al.*, in the District Court of McLennan County, Texas. The plaintiffs allege, among other things, that LSB and EDC were negligent in the production and marketing of fertilizer products sold to West Fertilizer, resulting in death, personal injury and property damage. EDC retained a firm specializing in cause and origin investigations with particular experience with fertilizer facilities, to assist EDC in its own investigation. LSB and EDC placed its liability insurance carrier on notice and the carrier is handling the defense for LSB and EDC concerning this matter.

Our product liability insurance policies have aggregate limits of general liability totaling $100 million, with a self-insured retention of $0.3 million, which retention limit has been met relating to the West Fertilizer matter. In August 2015, the trial court dismissed

plaintiff's negligence claims against us and EDC based on a duty to inspect but allowed the plaintiffs to proceed on claims for design defect and failure to warn.

After more than ten years of active litigation, we and EDC (with approval of our insurance carriers) have secured, in writing, the release of nearly all the plaintiffs asserting personal injury and property damage claimants and the release of all subrogation carriers.

We are left only with a handful of personnel injury claimants, none of whom suffered serious injuries, and all of whom have failed to meaningfully prosecute their claims. As of June 30, 2024, no liability reserve has been established in connection with these claims.

Global Industrial Matter

In 2015, we and EDA received written notice from Global Industrial, Inc. ("Global") of Global's intention to assert mechanic liens for labor, service, or materials furnished under certain subcontract agreements for the improvement of the ammonia plant ("Ammonia Plant") at our El Dorado Facility. Global was a subcontractor of Leidos Constructors, LLC ("Leidos"), the general contractor for EDA for the construction of the Ammonia Plant. Leidos terminated the services of Global with respect to their work performed at our El Dorado Facility.

LSB and EDA are pursuing the recovery of any damage or loss caused by Global's work performed through their contract with Leidos at our El Dorado Facility. In March 2016, EDC and LSB were served a summons in a case styled *Global Industrial, Inc. d/b/a Global Turnaround vs. Leidos Constructors, LLC et al.,* in the Circuit Court of Union County, Arkansas (the "Union County Trial Court"), wherein Global sought damages under breach of contract and other claims. At the time of the summons, our accounts payable included invoices totaling approximately $3.5 million related to work performed by Global that is the subject of the claims asserted by Global, but such invoices were not approved by Leidos for payment. We have requested indemnification from Leidos under the terms of our contracts, which they have denied. As a result, we are seeking reimbursement of legal expenses from Leidos under our contracts. We also seek damages from Leidos for their wrongdoing during the expansion, including breach of contract, fraud, professional negligence and gross negligence.

During 2018, the Union County Trial Court bifurcated the case into: (1) Global's claims against Leidos and LSB and (2) the cross-claims between Leidos and LSB. Part (1) of the case was tried in the Union County Trial Court. In March 2020, the Union County Trial Court rendered a judgment and then an amended final judgment in April 2020. The amended final judgment awarded Global (i) approximately $7.4 million (including the $3.5 million referred to above) for labor, service and materials furnished relating to the Ammonia Plant on the basis of what the Union County Trial Court called a claim for "nonpayment of invoices," (ii) approximately $1.3 million for prejudgment interest on the same claim, and (iii) a lien on certain property and foreclosure on the lien to satisfy the monetary obligations of the judgement. In addition, post-judgment interest will accrue at the annual rate of 4.25% until the judgment is paid. LSB appealed this judgment and on October 18, 2023, the Arkansas Court of Appeals reversed and remanded. The Arkansas Court of Appeal ruled that the lien was defective and therefore invalid, and that the claim for "nonpayment of invoices" was not a cause of action and reversed and remanded the judgment on that claim. In December 2023, the Arkansas Court of Appeal denied Global's request for rehearing and the Arkansas Supreme Court declined to hear Global's appeal. As a result, we do not expect to have any material continuing liability related to this matter and, in 2023, we reversed approximately $9.8 million of payables and accrued liabilities, which related to approximately $2.4 million in pre and post-judgement accrued interest and $7.4 million of gross plant, property and equipment. These adjustments also impacted our results of operations for the twelve months ending December 31, 2023, through the reversals of approximately $2.4 million of interest expense and of approximately $1.8 million in previously recognized depreciation expense (a component of cost of sales) on the related plant, property and equipment.

LSB retains all of its claims against Leidos and intends to vigorously prosecute those claims and vigorously contest the cross-claims in Part (2) of the matter referred to above. We expect the trial to be set for early 2025.

No liability was established as of June 30, 2024, in connection with the cross-claims in Part (2) of the matter, except for certain invoices held in accounts payable.

Section 382 Rights Plan Litigation

A putative stockholder class action complaint, styled as *Witmer v. Golsen, et al*., C.A. No. 2024-035-PAF (the "Action") was filed on April 3, 2024 in the Delaware Court of Chancery (the "Court of Chancery"). The plaintiff claimed, among other things, that the Board breached its fiduciary duty by adopting an Internal Revenue Code ("IRC") Section 382 stockholder rights plan with antitakeover and entrenching measures designed to protect the Board's incumbency. Specifically, the plaintiff alleged that the Company's Section 382 rights plan (the "Amended NOL Rights Agreement") was not narrowly tailored as it carried a 4.9% trigger and an allegedly overbroad definition of "Beneficial Ownership" that aggregated shares subject to "agreements, arrangements or understandings" between stockholders related to voting or influencing the Company. The plaintiff further alleged that the Board also issued a false and misleading proxy statement when soliciting stockholder approval of the Amended NOL Rights Agreement. The Company disagreed with plaintiff's allegations, and asserts that terms of the Amended NOL Rights Agreement, including the definition of Beneficial

Ownership, is a proportionate response to the threat of the occurrence of an "ownership change" under Section 382 of the IRC and the resulting risk of substantial impairment to its ability to benefit from its net operating loss carryforwards and its other tax attributes.
On May 14, 2024, the parties stipulated to dismissal of the Action after the Company voluntarily made limited technical amendments to the Amended NOL Rights Agreement and amendments to its proxy statement. The Company issued the amended proxy statement on May 3, 2024. The Court of Chancery dismissed the Action and retained jurisdiction solely for the purpose of deciding any application of the plaintiff's counsel for an award of attorneys' fees and expenses. On May 31, 2024, plaintiff's counsel filed their motion for an award of attorneys' fee and expenses in the amount of $2.4 million. The Company and the defendants in the Action oppose such relief and will file a brief in opposition to the Fee Application on or before August 2, 2024. The plaintiff's reply brief in further support of the Fee Application is due on September 17, 2024. The Court has scheduled a hearing to consider the Fee Application on October 4, 2024. As of June 30, 2024, no liability reserve has been established in connection with this matter.

We are also involved in various other claims and legal actions (including matters involving gain contingencies) in the ordinary course of our business. While it is possible that the actual claims results could differ from our estimates, after consultation with legal counsel, we believe that any such differences will not have a material effect on our business, financial condition, results of operations or cash flows.

6. Financial Instruments

Natural Gas Contracts

Periodically, we enter into certain forward natural gas contracts or volume purchase commitments, which are derivatives. We utilize these natural gas contracts as economic hedges for risk management purposes but are not designated as hedging instruments. At June 30, 2024 and December 31, 2023, we had no outstanding natural gas contracts accounted for as derivatives. When present, the valuations of the natural gas contracts are classified as Level 2.

Financial Instruments

At June 30, 2024 and December 31, 2023, we did not have any financial instruments with fair values materially different from their carrying amounts (which excludes issuance costs, if applicable) except for our Senior Secured Notes. Fair value of our Senior Secured Notes is classified as a Level 2 fair value measurement while the treasury securities that comprise our short-term investments are a Level 1. The fair value of financial instruments is not indicative of the overall fair value of our assets and liabilities since financial instruments do not include all assets, including intangibles and all liabilities.

	June 30, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In Millions)			
Senior Secured Notes [1]	$ 478	$ 459	$ 575	$ 543
Short-Term Investments	$ —	$ —	$ 207	$ 207

1.Based on a quoted price of 96.0 at June 30, 2024 and 94.5 at December 31, 2023. Also see discussion in Note 4 (B).

7. Income Taxes

Provision for income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In Thousands)			
Current:				
Federal	$ —	$ —	$ —	$ —
State	(250)	845	(468)	1,135
Total Current	$ (250)	$ 845	$ (468)	$ 1,135
Deferred:				
Federal	$ 1,928	$ 6,472	$ 2,914	$ 11,094
State	(428)	(4,344)	(593)	(3,358)
Total Deferred	$ 1,500	$ 2,128	$ 2,321	$ 7,736
Provision for income taxes	$ 1,250	$ 2,973	$ 1,853	$ 8,871

The tax provision for the six months ended June 30, 2024, was $1.9 million (10.9% provision on pre-tax income). The tax provision for the six months ended June 30, 2023, was $8.9 million (17.8% provision on pre-tax income). For 2024, the effective tax rate was lower than the statutory tax rate primarily due to nondeductible compensation expense and state taxes including deferred benefits from state law changes. For 2023, the effective tax rate is lower than the statutory tax rate primarily due to deferred benefits from state tax law changes, partially offset by state taxes, including state valuation allowances on certain newly generated state tax attributes.

We considered both positive and negative evidence in our determination of the need for valuation allowances for deferred tax assets. Information evaluated includes our financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and tax carrybacks, as well as an evaluation of currently available information about future years. Valuation allowances are reflective of our quarterly analysis of the four sources of taxable income, including the calculation of the reversal of existing tax assets and liabilities, the impact of financing activities and our quarterly results. Based on our analysis, we have determined that it is more-likely-than-not that all of our federal deferred tax assets and a portion of our state deferred tax assets will be utilized. We estimate an approximately $0.6 million increase in the related valuation allowance associated with these state deferred tax assets will be recorded during the year as part of the estimated annual effective tax rate applied to ordinary income.

We will continue to evaluate both the positive and negative evidence on a quarterly basis in determining the need for a valuation allowance with respect to our deferred tax assets. Changes in positive and negative evidence, including differences between estimated and actual results, could result in changes in the valuation of our deferred tax assets that could have a material impact on our consolidated financial statements. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time.

LSB and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the 2020-2023 years remain open for all purposes of examination by the U.S. Internal Revenue Service ("IRS") and other major tax jurisdictions. Additionally, the 2013-2019 years remain subject to examination for determining the amount of net operating loss and other carryforwards.

8. Net Sales

Disaggregated Net Sales

We primarily derive our revenues from the sales of various chemical products. The Company's net sales disaggregation is consistent with other financial information utilized or provided outside of our condensed consolidated financial statements. With our continued focus on optimizing our commercial strategy and product mix going forward we will report revenue by product as opposed to the end market. Accordingly, this approach is reflected in disaggregated net sales, mirroring how the Company manages its net sales by product through contracts with customers.

The following table presents our net sales disaggregated by our principal product types:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(In Thousands)			
Net sales:				
AN & Nitric Acid	$ 58,442	$ 69,561	$ 106,877	$ 127,833
Urea ammonium nitrate (UAN)	42,808	40,905	84,000	87,495
Ammonia	28,448	39,612	67,978	103,027
Other	10,375	15,767	19,422	28,454
Total net sales	$ 140,073	$ 165,845	$ 278,277	$ 346,809

Other Information

Although most of our contracts have an original expected duration of one year or less, for our contracts with a duration greater than one year at contract inception, the average remaining expected duration was approximately 37 months at June 30, 2024.

Liabilities associated with contracts with customers (contract liabilities) primarily relate to deferred revenue and customer deposits associated with cash payments received in advance from customers for product shipments. We had approximately $0.1 million and $1.0 million of contract liabilities as of June 30, 2024 and December 31, 2023, respectively. For the three and six months ended June 30, 2024, revenues of $2.3 million and $0.8 million, respectively, were recognized and included in the balances as of March 31, 2024 and December 31, 2023. For the three and six months ended June 30, 2023, revenues of $3.2 million and $1.5 million, respectively, were recognized and included in the balances as of March 31, 2023 and December 31, 2022. Our contract assets consist of

unconditional rights to payment from our customers, which are reflected as accounts receivable in our condensed consolidated balance sheets.

For most of our contracts with customers, the transaction price from the inception of a contract is constrained to a short period of time (generally one month) as these contracts contain terms with variable consideration related to both price and quantity. At June 30, 2024, we have remaining performance obligations with certain customer contracts, excluding contracts with original durations of less than one year and for service contracts for which we have elected the practical expedient for consideration recognized in revenue as invoiced. The remaining performance obligations totals approximately $88.8 million, of which approximately 54% of this amount relates to 2024 through 2026, approximately 19% relates to 2027 through 2028, with the remainder thereafter.

9. Related Party Transactions

As of June 30, 2024, we had one outstanding financing arrangement with an affiliate of Eldridge as discussed in footnote (C) of Note 4. An affiliate of Eldridge holds $30 million of the Senior Secured Notes.

10. Supplemental Cash Flow Information

The following provides additional information relating to cash flow activities:

	Six Months Ended June 30,	
	2024	2023
	(In Thousands)	
Cash payments (refunds) for:		
Income taxes, net	$ 508	$ 983
Noncash investing and financing activities:		
Property, plant and equipment acquired and not yet paid at end of period	$ 23,317	$ 17,915
Gain on extinguishment of debt	$ (3,013)	$ (8,644)
Accounts payable associated with debt-related costs	$ 94	$ —

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with a review of the other Items included in this Form 10-Q and our June 30, 2024 condensed consolidated financial statements included elsewhere in this report. A reference to a "Note" relates to a note in the accompanying notes to the condensed consolidated financial statements. This MD&A reflects our operating results, unless otherwise noted. Certain statements contained in this MD&A may be deemed to be forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Overview

General

LSB is headquartered in Oklahoma City, Oklahoma and we manufacture and sell chemical products for the agricultural, industrial and mining markets. We own and operate three multi-plant facilities in Cherokee, Alabama, El Dorado, Arkansas and Pryor, Oklahoma and operate a facility on behalf of Covestro in Baytown, Texas. Our products are sold through distributors and directly to end customers primarily throughout the U.S. and other parts of North America.

Key Operating Initiatives for 2024

We expect our future results of operations and financial condition to benefit from the following key initiatives:

•*Investing to improve Environmental, Health & Safety and Reliability at our Facilities while Supplying our Customers with Products of the Highest Quality.*

- We believe that our operational progress over the past several years represents proof that high safety standards not only enable us to protect what matters, which is the well-being of our employees, but also translates into improved plant performance. In 2023 our Total Recordable Injury Rate was 0.33, a significant improvement from previous years. In 2024, we remain focused on our efforts to further the progress we have made with our safety programs to move closer to attaining zero injuries. We have been investing and plan to continue to invest additional capital at all three of our facilities during 2024 to build upon the success we have had in implementing enhanced safety programs during the last several years.

- We have multiple initiatives underway focused on continuing to improve the reliability of our plants as we advance towards our ammonia on-stream operating rate target and increase our production volumes of ammonia and other downstream products. Progress towards these targets would enable us to produce greater volumes of product for sale while lowering our unit cost of production thereby increasing our overall profitability. Additionally, our product quality program continues to focus on providing products to our customers that meet our quality standards.

•*Continue Optimization and Increase the Breadth of Distribution of our Product Mix.* We have initiatives underway to increase the distribution of our products within our industrial end markets, among other product mix optimization strategies. We believe that these initiatives and strategies, combined with continued expansion of our customer relationships, the robust market analysis capabilities we have developed, and the establishment of in-market tank storage and distribution terminals, will make us more effective in identifying and capitalizing on the most profitable distribution opportunities for our products, while making our financial results more stable and predictable. Additionally, we are advancing several capital improvement projects with the intention of increasing our sales volumes of higher value downstream products resulting in improvements in our overall profit margins.

•*Development of Low Carbon Ammonia and Clean Energy Projects.* The reduction of greenhouse gas emissions, particularly related to carbon dioxide, has been and we expect will increasingly become a global environmental priority. Ammonia has continued to emerge as one of the more viable alternatives to serve as a hydrogen-based energy source for a variety of applications due to its higher energy density and ease of storage relative to hydrogen gas. Low-carbon ammonia can be used as a coal and natural gas substitute in power generation, a zero-carbon fuel in the maritime sector, and as a carbon free fertilizer. If ammonia were to be adopted for these and other energy needs globally, some studies have indicated that future demand could increase from current levels of global annual production of ammonia.

As a result, we are currently evaluating and developing projects that could enable us to become a producer and marketer of low-carbon ammonia and other derivative products. These include a low-carbon ammonia project at our El Dorado facility in collaboration with Lapis Energy and a low-carbon ammonia project on the Houston Ship Channel in conjunction with INPEX Corporation ("INPEX"), Air Liquide Group ("Air Liquide") and Vopak Exolum Houston LLC (f/k/a Vopak Moda Houston LLC), a joint venture between Royal Vopak and Exolum ("Vopak Exolum"). Low-carbon ammonia is produced using natural gas and conventional processes but includes an additional stage where the carbon dioxide emissions are captured and permanently stored in deep underground rock formations. The resulting low carbon emission product, we believe, can be sold at a premium to power generation, marine, industrial, mining and agricultural customers seeking to reduce their carbon footprint and potentially capitalize on government incentives.

We believe we are well-positioned to capitalize on this opportunity and become a market leader given our potential to retrofit our existing plants, which we believe can reduce our time to market for low-carbon ammonia and also reduce the upfront capital expenditures necessary to enable us to produce this product. Additionally, we are collaborating with other energy-related companies to develop greenfield projects where we expect to mitigate risk through shared investment of capital as well as by negotiating potential offtake agreements from customers for the output of these plants.

•*Evaluate and Pursue Organic Capacity Expansion.* We have been evaluating opportunities across all our facilities to increase production capacity through the implementation of several potential debottlenecking projects, particularly at our El Dorado facility. Initial feasibility studies have pointed to potentially attractive returns for some of these projects. However, given the current high-cost environment and limited resources, coupled with our outlook for moderating selling prices during 2024, we have elected to put the El Dorado expansion projects on hold for the current year and will reevaluate the prospects of moving forward with one or more of them in 2025.

•We have several smaller, more near-term projects currently underway that we expect to enhance our profitability beginning in the second half of 2024 with relatively minimal capital investment. These projects include:

▪Construction of additional AN solution storage and new AN solution rail loading capability at our El Dorado facility to significantly increase the volume of AN solution sales and increase product optionality at the site;

▪Construction of 5,000 tons of additional nitric acid storage at our El Dorado facility to help us optimize our product sales mix; and

▪Expansion of our urea capacity at our Pryor facility, to enable to use a portion of the facility's ammonia output to upgrade to approximately 75,000 additional tons of UAN per year.

•*Evaluate Acquisitions of Strategic Assets or Companies.* We may evaluate opportunities to acquire strategic assets or companies where we believe those acquisitions will enhance the value of the Company and provide attractive returns. We may consider assets and companies that can provide us with geographic expansion, extend an existing product line, add one or more new product lines, leverage our existing ammonia production capabilities, or complement our existing business lines, among other accretive opportunities.

Recent Business Developments

Advanced Low-Carbon Ammonia Initiatives

In May 2024, we announced an agreement to supply up to 150,000 short tons per year of low carbon ammonium nitrate solution ("ANS") to Freeport Minerals Corporation ("Freeport"). LSB will supply the ANS from its El Dorado, Arkansas facility for 5 years commencing January 1, 2025, with a phasing in of the low carbon contracted volume. Freeport intends to use the low carbon ANS purchased from LSB for its United States copper mining operations.

In October 2023, we announced a collaboration with INPEX, Air Liquide and Vopak Exolum to conduct a pre-FEED for the development of a large-scale, low-carbon ammonia production and export project on the Houston Ship Channel. If the development proceeds, the project's first phase is targeted to produce more than 1.1 million metric tons per year of low-carbon ammonia by early 2029, with options for future production expansions.

The parties completed a feasibility study on the project during the first quarter of 2023 and the proposed facility's location on the Houston Ship Channel, the second largest petrochemical corridor in the world, leverages existing infrastructure assets. Vopak Exolum has invested in storage and handling infrastructure for bulk liquid products and currently operates an ammonia terminal that includes storage tanks and a newbuild dock with multiple deep-water berths. The project also has access to utilities and would be near multiple pipelines that could supply raw materials like natural gas and water.

The project partners will bring complementary expertise to the production, operation, storage and export for the advancement of low-carbon ammonia production in the US:

•Air Liquide, a world leader in industrial gas production, and INPEX, Japan's largest energy exploration and production company, would collaborate on low-carbon hydrogen production. Air Liquide would supply its Autothermal Reforming ("ATR") technology, an ideal solution for large-scale hydrogen production projects, combined with its proprietary carbon capture technology. The combination of ATR technology with carbon capture aims to capture at least 95% of direct CO_2 emissions from hydrogen production with approximately 1.6 million metric tons per year of CO_2 captured and permanently sequestered from this project. Air Liquide would also be responsible for onsite nitrogen and oxygen production, using its proprietary Air Separation Unit technology.

•INPEX and LSB would collaborate on low-carbon ammonia production. LSB led the selection of KBR Inc. as the ammonia loop technology provider, and will lead the pre-FEED, engineering, procurement and construction of the facility. LSB would also be responsible for the day-to-day operation of the ammonia loop.

•INPEX and LSB would sell the low-carbon ammonia and finalize off-take agreements with the numerous parties that have expressed interest and could also further partner in the project. The majority of the product would be used for power generation in Asia with volumes also going to Europe and the U.S. INPEX, with stakes in both hydrogen and ammonia production, will likely be the largest investor in the overall project across the entire value chain, from production to export.

•Vopak Exolum currently operates ammonia storage and handling infrastructure from its Very Large Gas Carriers-capable deepwater berth located in the deepest part of the Houston Ship Channel. Vopak Exolum will maintain its ownership of the existing infrastructure and plans to build additional storage capacity as required to handle the low-carbon ammonia production from the proposed new facility.

In May 2023, we entered into a non-binding memorandum of understanding (the "MOU") with Amogy Inc. ("Amogy") aimed at developing the adoption of low-carbon ammonia as a marine fuel, initially for the U.S. inland waterways transportation sector. Through joint efforts, we and Amogy will focus on advancing the understanding, utilization, and advocacy of low-carbon ammonia as a sustainable fuel. Pursuant to the MOU, the companies will collaborate on the evaluation and development of a pilot program that integrates our low-carbon ammonia and Amogy's ammonia-to-power solution. Upon successful completion of the evaluation and pilot program, the companies expect to further collaborate at a larger-scale, including exploration of opportunities for development of an end-to-end supply chain of low-carbon ammonia and deployment of Amogy technology across multiple applications, including maritime vessels. The evaluation and pilot program includes potential engagement with other parties across the ammonia value chain. We will also collaborate on various advocacy, education, and outreach efforts regarding the use of ammonia as a fuel.

In April 2022, we entered into an agreement with Lapis Energy to develop a project to capture and sequester CO_2 at our El Dorado, Arkansas facility. Lapis, backed by Cresta Fund Management, a Dallas-based middle-market infrastructure investment firm, will invest the majority of the capital required for project development. The project is expected to be completed and operational by early 2026, subject to the approval of a Class VI permit, at which time CO_2 injections are expected to begin. Once operational, the project at the El Dorado site will initially capture and sequester approximately 400,000 to 500,000 metric tons of CO_2 per year in underground saline aquifers. The sequestered CO_2 generated from the facility's ammonia production is expected to qualify for federal tax credits under Internal Revenue Code Section 45Q, which are $85 per metric ton of CO_2 captured and sequestered. Lapis, as the majority owner of the carbon capture and sequestration equipment, will earn the 45Q tax credits and will pay us a fee for each ton of CO_2 captured and sequestered beginning in 2026. Once in operation, the sequestered CO_2 is expected to reduce LSB's overall scope 1 GHG emissions by approximately 25% from current levels. In addition, sequestering approximately 400,000 to 500,000 metric tons of CO_2 annually is expected to enable LSB to produce approximately 305,000 to 380,000 metric tons of low-carbon ammonia annually, a product that could potentially be sold at higher price levels than conventional ammonia. In February 2023, a key milestone was achieved in the advancement of our low-carbon ammonia project at El Dorado by filing a pre-construction Class VI permit application with the U.S. Environmental Protection Agency (the "EPA"). The EPA recognized the application as complete in March 2023 and is currently in the review process.

Lower Natural Gas Input Costs Offset by Modestly Lower Selling Prices and Weather-Effected Sales Volume Declines

Second quarter results benefited from lower natural gas feedstock costs relative to the second quarter of 2023. Selling prices were down compared to the prior year second quarter; however, the impact of year-over-year pricing declines was significantly smaller than it had been in the previous five quarters due, in part, to a stabilization of supply-demand dynamics. Sales volumes of our products decreased in the second quarter of 2024 as compared to the same quarter of 2023 as a result of lower sales volumes of HDAN resulting from wet weather in key markets for this product in late May and June, in addition to timing of agricultural ammonia demand, which was heavier than average in the first quarter of 2024, translating into lower orders during the second quarter.

Nitrogen chemical prices declined from 2022 peak levels through much of 2023 due to a variety of domestic and international factors. One of the most significant of these factors was the decline in natural gas costs in Europe. Natural gas is the primary feedstock for the production of ammonia and a key driver of ammonia selling prices globally. During the second half of 2022 and first half of 2023, natural gas prices in Europe dropped as relatively warm winter temperatures reduced demand, which, combined with a rise in imports of liquified natural gas from the U.S., resulted in ample supply and high gas storage inventories. After having production largely curtailed for much of 2022 due to the high input costs, lower natural gas prices enabled a majority of European ammonia facilities to resume operations over the course of 2023, increasing global supply for nitrogen products. These gas supply dynamics persisted in the first half of 2024, keeping natural gas costs in Europe at levels similar to much of 2023. However, natural gas prices in Europe remain significantly higher than those in the U.S., making European operators the high cost, or marginal producers, of ammonia globally.

A slowdown in Far East Asian industrial activity combined with lower demand for phosphate products also contributed to lower nitrogen prices during much of 2023 and the first half of 2024. Ammonia is a feedstock for various downstream chemicals that are produced in Asia, such as polyurethane, caprolactam and acrylonitrile, and markets for these products continue to be weak, resulting in reduced ammonia demand.

Despite the pressures on nitrogen pricing, ammonia prices thus far in 2024 have been significantly above lows reached in July 2023, supported by a combination of global factors, including: strong U.S. demand for nitrogen fertilizers in the fourth quarter of 2023 and

first half of 2024; multiple unplanned production outages in the U.S. due to cold weather events; constraints in global supply do to an extended turnaround at a large Saudi Arabian facility and natural gas curtailments in Trinidad and Egypt; constrained ammonia imports into Europe from the Middle East due to the disruption of shipping through the Suez canal; and the delayed start-up of new production capacity. We believe ammonia pricing could moderate over the balance of 2024 for a variety of reasons, including: the start-up of new production capacity during the second half of the year, an increase in Russian exports during the second half of the year, and continued muted demand for nitrogen products from the global industrial sector, particularly in Asia. Upside to our 2024 pricing expectations could be driven by a variety of factors, including: an increase in energy prices, a strengthening Chinese economy driving increased industrial market demand, further delays in new production capacity coming online, ongoing gas curtailments in regions exporting ammonia, a lower interest rate environment and supportive weather dynamics.

Demand for our industrial products is stable despite persistent global economic challenges. Nitric acid demand has been steady, reflecting the strength of the U.S. economy and robust consumer spending levels. Demand for AN for use in mining applications has been bolstered by positive exposure to copper, gold and iron ore, as well as continued attractive market fundamentals for aggregate production relating to infrastructure construction. While some degree of economic uncertainty persists, we believe that we have a meaningful degree of downside protection in our industrial business given our diverse customer base, the nature of our contracts and our ability to shift our production mix to products where demand and pricing are strongest.

With respect to trends in our agricultural markets, corn prices have declined since early 2023 due largely to rising stocks-to-use ratios. The increased corn supply reflects lower demand from large corn consuming countries, such as China, and increased global competition from other corn producing nations, along with a multi-year high U.S. corn harvest in 2023, among other factors. Additionally, the USDA is currently estimating that U.S. farmers planted approximately 91.5 million acres of corn during the Spring 2024 planting season, down slightly from 2023, but at a level that would further increase corn supplies. Recently, weather trends in certain corn growing regions of the U.S. have been such that 2024 corn yields could be adversely affected, which could translate into stronger corn prices later this year.

See a more detailed discussion below under “Key Industry Factors.”

Key Industry Factors

Supply and Demand

Fertilizer

The price at which our agricultural products are ultimately sold depends on numerous factors, including the supply and demand for nitrogen fertilizers which, in turn, depends upon world grain demand and production levels, the cost and availability of transportation and storage, weather conditions, competitive pricing and the availability of imports. Additionally, expansions or upgrades of competitors’ facilities and international and domestic political and economic developments continue to play an important role in the global nitrogen fertilizer industry economics. These factors can affect, in addition to selling prices, the level of inventories in the market which can cause price volatility and affect product margins.

From a farmer’s perspective, the demand for fertilizer is affected by the aggregate crop planting decisions including farm economics, weather and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors such as their financial resources, soil conditions, weather patterns and the types of crops planted.

Additionally, changes in corn prices, as well as soybean, cotton and wheat prices, can affect the number of acres of corn planted in a given year and the number of acres planted will drive the level of nitrogen fertilizer consumption, likely affecting prices.

According to the World Agricultural Supply and Demand Estimates Report dated July 12, 2024 (“July Report”), farmers planted approximately 91.5 million acres of corn in 2024, down 3.3% compared to the 2023 planting season. In addition, the U.S. Department of Agriculture (“USDA”) estimates the U.S. ending stocks for the 2024 Harvest will be approximately 53.3 million metric tons, a 11.7% increase from the 2023 Harvest. The USDA's expected yield for the 2024 Harvest is 181.0, up approximately 2.1% from a year ago.

The following July 2024 estimates are associated with the corn market:

	2025 Crop (2024 Harvest) July Report (1)	2024 Crop (2023 Harvest) July Report (1)	Percentage Change (2)	2023 Crop (2022 Harvest) July Report (1)	Percentage Change (3)
U.S. Area Planted *(Million acres)*	91.5	94.6	(3.3%)	88.2	3.7%
U.S. Yield per Acre *(Bushels)*	181.0	177.3	2.1%	173.4	4.4%
U.S. Production *(Million bushels)*	15,100	15,342	(1.6%)	13,651	10.6%
U.S. Ending Stocks *(Million metric tons)*	53.3	47.7	11.7%	34.6	54.0%
World Ending Stocks *(Million metric tons)*	311.6	309.1	0.8%	302.3	3.1%

1.Information obtained from the July Report for the 2024/2025 ("2025 Crop"), 2023/2024 (“2024 Crop”) and 2022/2023 (“2023 Crop”) corn marketing years. The marketing year is the twelve-month period during which a crop normally is marketed. For example, the marketing year for the current corn crop is from September 1 of the current year to August 31 of the next year. The year begins at the harvest and continues until just before harvest of the following year.
2.Represents the percentage change between the 2025 Crop amounts compared to the 2024 Crop amounts.
3.Represents the percentage change between the 2025 Crop amounts compared to the 2023 Crop amounts.

The current USDA corn outlook for the U.S. calls for larger supplies, greater domestic use and exports, and lower ending stocks. Corn production is forecast up on greater planted and harvested area from the USDA June Acreage Report. Yield is unchanged at 181 bushels an acre, and ending stocks are down. From a demand perspective, corn prices have declined since early 2023 due largely to rising stocks-to-use ratios.

Industrial Products

Our industrial products sales volumes are dependent upon general economic conditions, primarily in the housing, automotive and paper industries. Demand for our industrial products has remained stable despite persistent global economic challenges in the second quarter of 2024. Nitric acid demand has been steady, reflecting the strength of the U.S. economy and robust consumer spending levels. Our sales prices generally vary with the market price of ammonia or natural gas, as applicable, in our pricing arrangements with customers.

Our mining products are LDAN and AN solution, which are primarily used as AN fuel oil and specialty emulsions for usage in the quarry and the construction industries, for metals mining and to a lesser extent, for coal. Demand for AN for use in mining applications has been bolstered by positive exposure to copper, gold and iron ore, as well as continued attractive market fundamentals for aggregate production relating to infrastructure construction.

While some degree of economic uncertainty persists for 2024, we believe that we have a meaningful degree of downside protection in our industrial business given our diverse customer base, the nature of our contracts and our ability to shift our production mix to products where demand and pricing are strongest.

Natural Gas Prices

Natural gas is the primary feedstock used to produce nitrogen fertilizers at our manufacturing facilities. In recent years, U.S. natural gas reserves have increased significantly due to, among other factors, advances in extracting shale gas, which has reduced and stabilized natural gas prices, providing North America with a cost advantage over certain imports. As a result, our competitive position and that of other North American nitrogen fertilizer producers has been positively affected.

We historically have purchased natural gas either on the spot market, through forward purchase contracts, or a combination of both and have used forward purchase contracts to lock in pricing for a portion of our natural gas requirements. These forward purchase contracts are generally either fixed-price or index-price, short-term in nature and for a fixed supply quantity. We are able to purchase natural gas at competitive prices due to our connections to large distribution systems and their proximity to interstate pipeline systems.

The following table shows the volume of natural gas purchased and the average cost per MMBtu:

	Three Months Ended June 30,	
	2024	2023
Natural gas volumes (MMBtu in millions)	7.5	7.7
Natural gas average cost per MMBtu	$ 1.92	$ 3.39

Transportation Costs

Costs for transporting nitrogen-based products can be significant relative to their selling price. We continue to evaluate the recent rising costs of freight domestically. As a result of increases in demand for available rail, truck and barge options to transport product, primarily during the spring and fall planting seasons, higher transportation costs have and could continue to impact our margins if we are unable to fully pass through these costs to our customers. Additionally, continued truck driver shortages could impact our ability to fulfill customer demand. As a result, we continue to evaluate supply chain efficiencies to reduce or counter the impact of higher logistics costs.

Key Operational Factors

Facility Reliability

Consistent, reliable and safe operations at our chemical plants are critical to our financial performance and results of operations. The financial effects of planned downtime at our plants, including Turnarounds, are mitigated through a diligent planning process that

considers the availability of resources to perform the needed maintenance and other factors. Unplanned downtime of our plants typically results in lost contribution margin from lost sales of our products, lost fixed cost absorption from lower production of our products and increased costs related to repairs and maintenance. All Turnarounds result in lost contribution margin, lost fixed cost absorption and increased repair and maintenance costs, which are expensed as incurred.

Our Pryor Facility is currently on a two-year ammonia plant Turnaround cycle with the next ammonia plant Turnaround planned in the third quarter of 2024. Our Cherokee Facility is currently on a three-year ammonia plant Turnaround cycle with the next ammonia plant Turnaround planned in the fourth quarter of 2024. Our El Dorado Facility is currently on a three-year ammonia plant Turnaround cycle with the next ammonia plant Turnaround planned in the third quarter of 2025.

Ammonia Production

Ammonia is the basic product used to produce all of our upgraded products. The ammonia production rates of our plants affect the total cost per ton of each product produced and the overall sales of our products. For 2024, we are targeting total ammonia production of approximately 780,000 tons to 800,000 tons.

Forward Sales Contracts

We use forward sales of our fertilizer products to optimize our asset utilization, planning process and production scheduling. These sales are made by offering customers the opportunity to purchase product on a forward basis at prices and delivery dates that are agreed upon, with dates typically occurring within 90 days. We use this program to varying degrees during the year depending on market conditions and our view of changing price environments. Fixing the selling prices of our products months in advance of their ultimate delivery to customers typically causes our reported selling prices and margins to differ from spot market prices and margins available at the time of shipment.

Consolidated Results of the Second Quarter of 2024

Our consolidated net sales for the second quarter of 2024 were $140.1 million compared to $165.8 million for the same period in 2023. Our consolidated operating income for the second quarter of 2024 was $14.4 million compared to operating income of $27.5 million for the same period in 2023. The items impacting our operating results are discussed in more detail below and under "Results of Operations."

Items Affecting Comparability of Results of the Second Quarter

Selling Prices

For the second quarter of 2024, average selling prices for our key products decreased compared to the second quarter of 2023, however, the impact of year-over-year pricing declines was significantly smaller than it had been in the previous five quarters due, in part, to a stabilization of supply-demand dynamics. As discussed above under "Recent Business Developments," declining European natural gas prices resulted in ammonia production costs in Europe declining substantially, translating into increased global supply and lower selling prices for ammonia and ammonia derivative fertilizers.

Gain on Extinguishment of Senior Secured Notes

During the second quarter of 2024 we repurchased $63.7 million in principal amount of our Senior Secured Notes for approximately $60.9 million. Including our write-off of the associated remaining portion of unamortized debt issuance costs, we recognized a gain on extinguishment of approximately $1.9 million.

During the second quarter of 2023 we repurchased $125 million in principal amount of our Senior Secured Notes for approximately $114.3 million. Including our write-off of the associated remaining portion of unamortized debt issuance costs, we recognized a gain on extinguishment of approximately $8.6 million.

Results of Operations

The following Results of Operations should be read in conjunction with our condensed consolidated financial statements for the three months ended June 30, 2024 and 2023 and accompanying notes and the discussions under "Overview" and "Liquidity and Capital Resources" included in this MD&A.

We present the following information about our results of operations. Net sales to unaffiliated customers are reported in the condensed consolidated financial statements and gross profit represents net sales less cost of sales. Net sales are reported on a gross basis with the cost of freight being recorded in cost of sales.

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

The following table contains certain financial information:

	Three Months Ended June 30,			
	2024	2023	Change	Percentage Change
	(Dollars In Thousands)			
Net sales:				
AN & Nitric Acid	$ 58,442	$ 69,561	$ (11,119)	(16)%
Urea ammonium nitrate (UAN)	42,808	40,905	1,903	5 %
Ammonia	28,448	39,612	(11,164)	(28)%
Other	10,375	15,767	(5,392)	(34)%
Total net sales	$ 140,073	$ 165,845	$ (25,772)	(16)%
Gross profit:				
Adjusted gross profit (1)	$ 49,608	$ 52,949	$ (3,341)	(6)%
Depreciation and amortization (2)	(18,754)	(16,955)	(1,799)	11 %
Turnaround expense	(3,439)	38	(3,477)	N/M
Total gross profit	27,415	36,032	(8,617)	(24)%
Selling, general and administrative expense	11,547	9,436	2,111	22%
Other expense (income), net	1,465	(900)	2,365	(263)%
Operating income	14,403	27,496	(13,093)	(48)%
Interest expense, net	8,385	11,836	(3,451)	(29)%
Gain on extinguishment of debt	(1,879)	(8,644)	6,765	
Non-operating other income, net	(2,908)	(3,764)	856	(23)%
Provision for income taxes	1,250	2,973	(1,723)	(58)%
Net income	$ 9,555	$ 25,095	$ (15,540)	(62)%
Other information:				
Gross profit percentage (3)	19.6 %	21.7 %	(2.1)%	
Adjusted gross profit percentage (3)	35.4 %	31.9 %	3.5 %	
Property, plant and equipment expenditures	$ 14,760	$ 13,826	$ 934	

N/M-Not meaningful.

(1)Represents a non-GAAP measure since the amount excludes unallocated depreciation, amortization and Turnaround expenses.

(2)Represents amount classified as cost of sales.

(3)As a percentage of the total net sales.

The following tables provide key operating metrics for the fertilizer and major industrial products:

	Three Months Ended June 30,			
Product (tons sold)	2024	2023	Change	Percentage Change
AN & Nitric Acid	147,619	161,987	(14,368)	(9)%
Urea ammonium nitrate (UAN)	137,499	126,010	11,489	9 %
Ammonia	72,294	102,047	(29,753)	(29)%
Total	357,412	390,044	(32,632)	(8)%

	Three Months Ended June 30,			
Gross Average Selling Prices (price per ton)	2024	2023	Change	Percentage Change
AN & Nitric Acid	$ 396	$ 429	$ (33)	(8)%
Urea ammonium nitrate (UAN)	$ 311	$ 325	$ (14)	(4)%
Ammonia	$ 394	$ 388	$ 6	2 %

Average Benchmark Prices (price per ton)	Three Months Ended June 30, 2024	2023	Change	Percentage Change
Tampa Ammonia Benchmark	$ 440	$ 370	$ 70	19 %
NOLA UAN	$ 246	$ 251	$ (5)	(2)%

Net Sales

Net sales of our primary products decreased during the second quarter of 2024 compared to the prior year period driven by the impact of lower selling prices for acids and UAN and lower volumes for acids and ammonia relative to the second quarter of 2023. Also impacting sales volumes was lower sales volumes of HDAN resulting from wet weather in key markets for this product in late May and June, in addition to timing of agricultural ammonia demand, which was heavier than average in the first quarter of 2024, translating into lower orders during the second quarter. Partially offsetting this decrease was improved pricing for ammonia and increased UAN sales volumes. Additionally, we benefited from a healthy increase in downstream production volumes.

Demand for our industrial products remains stable despite continued global economic challenges. In some cases, our contractual agreements with industrial customers specify minimum volumes and our product mix flexibility helps us mitigate the impact of a reduction in demand from certain end markets by shifting production to products with stronger demand.

Gross Profit

As noted in the table above, we recognized a gross profit of $27.4 million for the second quarter of 2024 compared to $36.0 million for the same period in 2023, or an $8.6 million reduction. Overall, our gross profit percentage was 19.6% compared to a gross profit percentage of 21.7% for the same period in 2023. Our adjusted gross profit percentage increased to 35.4% for the second quarter of 2024 from 31.9% for the second quarter of 2023. Our overall gross profit for the second quarter of 2024 is primarily lower compared to the same period of 2023 due to overall lower sales prices and volume for our products, turnaround expenses and higher depreciation partially offset by lower natural gas costs.

Selling, General and Administrative

Our SG&A expenses were $11.5 million for the second quarter of 2024, an increase of $2.1 million compared to the same period in 2023. The net increase was primarily driven by increases in professional fees and payroll related items partially offset by a reduction in depreciation and amortization expenses.

Interest Expense

Interest expense for the second quarter of 2024 was $8.4 million compared to $11.8 million for the same period in 2023. The decrease primarily relates to reduced interest expense as a result of the lower outstanding balance on our 6.25% Senior Secured Notes as a result of recent repurchases along with a lower outstanding principal balance our Secured Financing due 2025 as a result of repayments.

Gain on Extinguishment of Debt

During the second quarter of 2024, we repurchased $63.7 million of our Senior Secured Notes through open market transactions for approximately $60.9 million. As a result, we recognized a gain on extinguishment of debt, net of issuance costs, of approximately $1.9 million. During the second quarter of 2023 we repurchased $125 million of our Senior Secured Notes through open market transactions for approximately $114.3 million. As a result, we recognized a gain on extinguishment of debt net of issuance costs of approximately $8.6 million.

Other Expense (income), net

Other expense (income), net during the second quarter of 2024 and 2023 primarily relates to losses from disposal or abandonment of assets no longer being used in operations offset by short-term rental income from railcar subleases. The losses were higher and rental income was lower in the current quarter compared to the prior year quarter.

Non-operating Other Income, net

Non-operating other income, net for the second quarter of 2024 was $2.9 million compared to $3.8 million for the same period of 2023, primarily related to interest income earned during both periods from our short-term investments.

Provision for Income Taxes

The provision for income taxes for the second quarter of 2024 was $1.3 million compared to $3.0 million for the same period of 2023. The resulting effective tax rate for the second quarter of 2024 was 11.6% compared to 10.6% for the same period of 2023. For the second quarter of 2024, the effective tax rate is lower than the statutory rate primarily due to nondeductible compensation and deferred benefits from state tax law changes. For the second quarter of 2023, the effective tax rate is less than the statutory rate primarily due to deferred benefits from state tax law changes. See discussion in Note 7.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

The following table contains certain financial information:

	Six Months Ended June 30,			
	2024	2023	Change	Percentage Change
	(Dollars In Thousands)			
Net sales:				
AN & Nitric Acid	$ 106,877	$ 127,833	$ (20,956)	(16)%
Urea ammonium nitrate (UAN)	84,000	87,495	(3,495)	(4)%
Ammonia	67,978	103,027	(35,049)	(34)%
Other	19,422	28,454	(9,032)	(32)%
Total net sales	$ 278,277	$ 346,809	$ (68,532)	(20)%
Gross profit:				
Adjusted gross profit (1)	$ 89,895	$ 111,964	$ (22,069)	(20)%
Depreciation and amortization (2)	(35,848)	(34,372)	(1,476)	4 %
Turnaround expense	(4,354)	45	(4,399)	(9776)%
Total gross profit	49,693	77,637	(27,944)	(36)%
Selling, general and administrative expense	21,841	19,303	2,538	13 %
Other expense, net	2,189	303	1,886	622 %
Operating income	25,663	58,031	(32,368)	
Interest expense, net	18,114	24,048	(5,934)	(25)%
Gain on extinguishment of debt	(3,013)	(8,644)	5,631	(65)%
Non-operating other income, net	(6,469)	(7,240)	771	(11)%
Provision for income taxes	1,853	8,871	(7,018)	(79)%
Net income	$ 15,178	$ 40,996	$ (25,818)	
Other information:				
Gross profit percentage (3)	17.9 %	22.4 %	(4.5)%	
Adjusted gross profit percentage (3)	32.3 %	32.3 %	0.0 %	
Property, plant and equipment expenditures	$ 33,047	$ 32,263	$ 784	

N/M-Not meaningful.

(1)Represents a non-GAAP measure since the amount excludes unallocated depreciation, amortization and Turnaround expenses.

(2)Represents amount classified as cost of sales.

(3)As a percentage of the total net sales.

The following tables provide key operating metrics for the fertilizer and major industrial products:

	Six Months Ended June 30,			
Product (tons sold)	2024	2023	Change	Percentage Change
AN & Nitric Acid	276,420	284,731	(8,311)	(3)%
Urea ammonium nitrate (UAN)	272,432	239,037	33,395	14 %
Ammonia	167,125	191,045	(23,920)	(13)%
Total	715,977	714,813	1,164	0 %

	Six Months Ended June 30,			
Gross Average Selling Prices (price per ton)	2024	2023	Change	Percentage Change
AN & Nitric Acid	$ 387	$ 449	$ (62)	(14)%
Urea ammonium nitrate (UAN)	$ 308	$ 366	$ (58)	(16)%
Ammonia	$ 407	$ 539	$ (132)	(24)%

Average Benchmark Prices (price per ton)	Six Months Ended June 30, 2024	2023	Change	Percentage Change
Tampa Ammonia Benchmark	$ 453	$ 549	$ (96)	(17)%
NOLA UAN	$ 249	$ 285	$ (36)	(13)%

Net Sales

Net sales of our primary products decreased during the first half of 2024 compared to the prior year period driven by the impact of lower selling prices relative to the first half of 2023 for all of our products and lower sales volumes for acid products and ammonia. Partially offsetting weaker pricing was an increase in UAN sales volume driven by strong demand for fertilizers enhanced by our strategic commercial efforts. Additionally, we benefited from a healthy increase in downstream production volumes.

Gross Profit

As noted in the table above, we recognized a gross profit of $49.7 million for the first half of 2024 compared to $77.6 million for the same period in 2023, or a $27.9 million reduction. Overall, our gross profit percentage was 17.9% compared to a gross profit percentage of 22.4% for the same period in 2023. Our adjusted gross profit percentage was 32.3% for the first half of 2024 and 2023. Our overall gross profit for the first half of 2024 is lower compared to the same period of 2023 by overall lower sales prices for our products, turnaround expenses and higher depreciation partially offset by lower natural gas costs.

Selling, General and Administrative

Our SG&A expenses were $21.8 million for the first half of 2024, an increase of $2.5 million compared to the same period in 2023. The net increase was primarily driven by increases in professional fees and payroll related items partially offset by a reduction in expense relating to insurance, other miscellaneous expenses and depreciation and amortization expenses.

Interest Expense

Interest expense for the first half of 2024 was $18.1 million compared to $24.0 million for the same period in 2023. The decrease primarily relates to reduced interest expense as a result of the repurchase of our 6.25% Senior Secured Notes made beginning in the second quarter of 2023 and during 2024 along with a lower outstanding principal balance our Secured Financing due 2025.

Gain on Extinguishment of Debt

During the first half of 2024, we repurchased $96.6 million of our Senior Secured Notes through open market transactions for approximately $92.2 million. As a result, we recognized a gain on extinguishment of debt, net of issuance costs, of approximately $3.0 million. During the first half of 2023, we repurchased $125.0 million of our Senior Secured Notes through open market transactions for approximately $114.3 million. As a result, we recognized a gain on extinguishment of debt, net of issuance costs, of approximately $8.6 million.

Other Expense, net

Other expense, net during the first half of 2024 and 2023 consists primarily of losses from disposal or abandonment of assets no longer being used in operations partially offset by short-term rental income from railcar subleases. The losses were higher and rental income was lower in the current year compared to the prior year.

Non-operating Other Income, net

Non-operating other income, net for the first half of 2024 was $6.5 million compared to $7.2 million for the same period of 2023, primarily related to interest income earned during both periods from our short-term investments.

Provision for Income Taxes

The provision for income taxes for the first half of 2024 was $1.9 million compared to $8.9 million for the same period of 2023. The resulting effective tax rate for the first half 2024 was 10.9% compared to 17.8% for the same period of 2023. For the first half of 2024, the effective tax rate is lower than the statutory rate primarily due to nondeductible compensation and deferred benefits from state tax law changes. For the first half of 2023, the effective tax rate is less than the statutory rate primarily due to deferred benefits from state tax law changes. See discussion in Note 7.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our cash flow activities for the six months ended June 30:

	2024	2023	Change
		(In Thousands)	
Net cash flows from operating activities	$ 65,489	$ 102,949	$ (37,460)
Net cash flows from investing activities	$ 168,786	$ 30,208	$ 138,578
Net cash flows from financing activities	$ (118,973)	$ (151,854)	$ 32,881

Net Cash Flow from Operating Activities

Net cash provided by operating activities was $65.5 million for the first six months ended 2024 compared to $102.9 million for the same period of 2023, a change of $37.5 million. The decrease was primarily a result of a reduction in net sales, working capital changes and reduced interest income from short-term investments and partially offset by lower cost of sales.

Net Cash Flow from Investing Activities

Net cash provided by investing activities was $168.8 million for the first six months ended 2024 compared to net cash provided of $30.2 million for the same period of 2023, a change of $138.6 million.

For the first six months ended 2024, the net cash provided primarily relates to proceeds from short-term investments of $236.5 million, partially offset by purchases of short-term investments of $34.7 million and expenditures for PP&E of $33.0 million.

For the first six months ended 2023, the net cash provided primarily relates to proceeds from short-term investments of $264.2 million, partially offset by purchases of short-term investments of $201.7 million and expenditures for PP&E of $32.3 million.

Net Cash Flow from Financing Activities

Net cash used by financing activities was $119.0 million for the first six months ended 2024 compared to net cash used of $151.9 million for the same period of 2023, a change of $32.9 million.

For the first six months ended 2024, the net cash used primarily consists of repurchases of our 6.25% Senior Secured Notes of $92.2 million, payments on other long-term debt and short-term financing of $11.8 million and repurchases of $14.2 million of common stock.

For the first six months ended 2023, the net cash used primarily consists of repurchases of our 6.25% Senior Secured Notes of $114.3 million, payments on other long-term debt and short-term financing of $17.8 million and repurchases of $19.8 million of common stock.

Capitalization

The following is our total cash and cash equivalents, short-term investments, long-term debt and stockholders' equity as of June 30, 2024 and December 31, 2023, respectively:

	June 30, 2024	December 31, 2023
	(In Millions)	
Cash and cash equivalents	$ 216.3	$ 98.5
Short-term investments	—	207.4
Total cash, cash equivalents and short-term investments	$ 216.3	$ 305.9
Long-term debt:		
Revolving Credit Facility	$ —	$ —
Senior Secured Notes due 2028 (1)	478.4	575.0
Secured Financing due 2025	11.4	14.1
Finance Leases	2.1	1.0
Unamortized debt issuance costs (2)	(6.3)	(8.4)
Total long-term debt, including current portion, net	$ 485.6	$ 581.7
Total stockholders' equity	$ 522.8	$ 518.3

(1)See discussion contained in Note 4.

(2)Debt issuance costs as of June 30, 2024 and December 31, 2023 of approximately $0.8 million and $0.5 million, respectively, relating to our Revolving Credit Facility are not included in Unamortized debt issuance cost. They are included in our condensed consolidated balance sheet in Intangible and other assets, net.

We currently have a revolving credit facility pursuant to that credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent (the "Revolving Credit Facility"), with a borrowing base up to an initial maximum of $75 million, with an option to increase the maximum by an additional $25 million (which amount is uncommitted). Availability under the Revolving Credit Facility is subject to a borrowing base and an availability block of $7.5 million which is applied against the $75 million initially reducing the maximum (which can be removed by us at our sole discretion, subject to the satisfaction of certain conditions). The Revolving Credit Facility provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $10 million, with the outstanding amount of any such letters of credit reducing availability for borrowings. As of June 30, 2024, our Revolving Credit Facility was undrawn and had approximately $39.4 million of availability. See Note 4 for further discussion on the facility.

For the full year of 2024, we expect capital expenditures to be approximately $60 million to $80 million. This capital spending is primarily planned for reliability and maintenance capital projects.

From time to time, when the Company exceeds the funding threshold in our natural gas purchase commitments the Company is required to fund cash collateral to our counterparty.

As of June 30, 2024, we had approximately $216.3 million of cash. From time to time, we may seek to deploy capital through additional share repurchases or the retirement or purchase of outstanding debt. Such repurchases may be made in open market purchases, privately negotiated transactions or otherwise and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe that the combination of our cash on hand, short-term investments, the availability on our Revolving Credit Facility and our cash flow from operations will be sufficient to fund our anticipated liquidity needs for the next twelve months.

Compliance with Long - Term Debt Covenants

As discussed in Note 4, the Revolving Credit Facility requires, among other things, that we meet a financial covenant. The Revolving Credit Facility does not include financial covenant requirements unless a defined covenant trigger event has occurred and is continuing. As of June 30, 2024, no trigger event had occurred.

Loan Agreements

Senior Secured Notes due 2028 – LSB has $478.4 million aggregate principal amount of the 6.25% Senior Secured Notes outstanding as of June 30, 2024. Interest is to be paid semiannually in arrears on May 15th and October 15th, maturing October 15, 2028.

Secured Financing due 2025 – We are a party to a $30 million secured financing arrangement with an affiliate of Eldridge. Principal and interest are payable in 60 equal monthly installments with a final balloon payment of approximately $5 million due in August 2025.

Revolving Credit Facility – At June 30, 2024, our Revolving Credit Facility was undrawn and had approximately $39.4 million of availability, based on our eligible collateral, less outstanding letters of credit as of that date. Also see discussion above under "Compliance with Long-Term Debt Covenants."

Finance leases – Our finance leases consist primarily of leases on railcars. Most of our railcar leases are classified as operating leases.

Capital Expenditures – First Six Months of 2024

For the first six months of 2024, capital expenditures relating to PP&E were $33.0 million. The capital expenditures were funded primarily from cash and working capital.

See discussion above under "Capitalization" for our expected capital expenditures.

Equity and debt repurchases

In May 2023, our Board authorized a $150 million stock repurchase program. The program is intended as a means to maximize shareholder value by returning capital to shareholders. Under the repurchase program, we are authorized to purchase shares from time to time through open market or privately negotiated transactions. Such purchases may be made pursuant to Rule 10b5-1 plans or other means as determined by our management and in accordance with the requirements of the SEC. The repurchase program does not obligate us to purchase any particular number or type of securities.

During the three months ended June 30, 2024, we repurchased approximately 0.8 million shares of common stock at an average cost of $8.40 per share for a total of approximately $6.7 million. During the six months ended June 30, 2024, we repurchased approximately 1.5 million shares of common stock at an average cost of $8.13 per share for a total of approximately $12.1 million. Total repurchase authority remaining under the repurchase program was approximately $109 million as of June 30, 2024. The repurchase program may be suspended, terminated or modified at any time for any reason.

During the three months ended June 30, 2024, we repurchased $63.7 million in principal amount of our Senior Secured Notes for approximately $60.9 million and during the six months ended June 30, 2024, we repurchased $96.6 million in principal amount of our Senior Secured Notes for approximately $92.2 million.

Expenses Associated with Environmental Regulatory Compliance

We are subject to specific federal and state environmental compliance laws, regulations and guidelines. As a result, our expenses were $3.0 million for the first six months ended June 30, 2024 in connection with environmental projects. For the remainder of 2024, we expect to incur expenses ranging from $1.8 million to $2.2 million in connection with additional environmental projects. However, it is possible that the actual costs could be significantly different than our estimates.

Seasonality

We believe fertilizer products sold to the agricultural industry are seasonal, while sales into the industrial sectors generally are less susceptible to seasonal fluctuations. The selling seasons for fertilizer products are primarily during the spring and fall planting seasons, which typically extend from March through June and from September through November in the geographical markets where we distribute the majority of our fertilizer products. As a result, we typically increase our inventory of fertilizer products prior to the beginning of each planting season in order to meet the demand for our products. In addition, the amount and timing of sales to the agricultural markets depend upon weather conditions and other circumstances beyond our control.

Performance and Payment Bonds

We are contingently liable to sureties in respect of insurance bonds issued by the sureties in connection with certain contracts entered into by subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of June 30, 2024, we have agreed to indemnify the sureties for payments, up to $9.7 million, made by them in respect of such bonds. All of these insurance bonds are expected to expire or be renewed in 2024.

New Accounting Pronouncements

Refer to Note 1 for recently issued accounting standards.

Critical Accounting Policies and Estimates

See "Critical Accounting Policies and Estimates," Item 7 of our 2023 Form 10-K. In addition, the preparation of financial statements requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosures of contingencies and fair values, including, but not limited to, various environmental and legal matters, including matters discussed under footnote A of Note 5.

Income Taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. We establish valuation allowances if we believe it is more-likely-than-not that some or all of deferred tax assets will not be

realized. Significant judgment is applied in evaluating the need for and the magnitude of appropriate valuation allowances against deferred tax assets.

It is also reasonably possible that the estimates and assumptions utilized as of June 30, 2024, could change in the near term. Actual results could differ materially from these estimates and judgments, as additional information becomes known.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K under the Exchange Act.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

General

Our results of operations and operating cash flows are impacted by changes in market prices of ammonia and natural gas and changes in market interest rates.

Forward Sales Commitments Risk

Periodically, we enter into forward firm sales commitments for products to be delivered in future periods. As a result, we could be exposed to embedded losses should our product costs exceed the firm sales prices at the end of a reporting period. At June 30, 2024, we had no embedded losses associated with sales commitments with firm sales prices.

Commodity Price Risk

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. Since we are exposed to commodity price risk, we periodically enter into contracts to purchase natural gas for anticipated production needs to manage risk related to changes in prices of natural gas commodities. Generally, these contracts are considered normal purchases because they provide for the purchase of natural gas that will be delivered in quantities expected to be used over a reasonable period of time in the normal course of business, and as such, are exempt from derivative accounting requirements. At June 30, 2024, we had no outstanding natural gas contracts which are subject to derivative accounting requirements.

Interest Rate Risk

We may be exposed to variable interest rate risk with respect to our Revolving Credit Facility when there are outstanding borrowings. As of June 30, 2024, we had no outstanding borrowings on this credit facility and no other variable rate borrowings. We currently do not hedge our interest rate risk associated with our variable interest loan.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rule 13a-15 under the Exchange Act designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2024. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2024, at the reasonable assurance level. There were no changes to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained within this report may be deemed "Forward-Looking Statements." within the meaning of U.S. federal securities laws. All statements in this report other than statements of historical fact are Forward-Looking Statements that are subject to known and unknown risks, uncertainties and other factors, many of which are difficult to predict or outside of the Company's control, which could cause actual results and performance of the Company to differ materially from those expressed in, or implied or projected by, such statements. Any such Forward-Looking Statements are not guarantees of future performance. The words "believe," "expect," "anticipate," "intend," "plan," "may," "could," and similar expressions identify Forward-Looking Statements. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are difficult to predict and are generally outside the Company's control, that could cause actual results to differ materially from those expressed in, or implied of projected by, such forward-looking statements. Forward-Looking Statements contained herein, and the associated risks, uncertainties, assumptions and other important factors include, but are not limited to, the following:

- our ability to invest in projects that will generate the best returns for our stockholders;
- our future liquidity outlook;
- the outlook of our chemical products and related markets;
- our ability to successfully leverage our existing business platform and portfolio of assets to produce low carbon products and execute our strategy to become a leader in the energy transition in the chemical industry;
- the amount, timing and effect on the nitrogen market from current nitrogen expansion projects;
- the effect from the lack of non-seasonal volume;
- our belief that competition is based upon service, price, location of production and distribution sites, and product quality and performance;
- the outlook for the industrial end markets;
- the availability of raw materials;
- our ability to broaden the distribution of our products, including our ability to leverage our nitric acid production capacity at our El Dorado Facility;
- our ongoing initiatives to increase the distribution of our products within our industrial end markets;
- the execution and success of our advanced low-carbon ammonia initiatives;
- the result of our product and market diversification strategy;
- changes in domestic fertilizer production;
- the increasing output and capacity of our existing production facilities;
- production volumes at our production facilities;
- our ability to moderate risk inherent in agricultural markets;
- the sources to fund our cash needs and how this cash will be used;
- the ability to enter into the additional borrowings;
- the anticipated cost and timing of our capital projects;
- certain costs covered under warranty provisions;
- our ability to pass to our customers cost increases in the form of higher prices;
- our belief as to whether we have sufficient sources for materials and components;
- our beliefs regarding our estimates and contingencies with respect claims and legal actions in the ordinary course of our business and their effect on our business, financial condition, results of operations or cash flows;
- annual natural gas requirements;
- the development of the market and demand for low-carbon ammonia;
- compliance by our facilities with the terms of our permits;
- the costs of compliance with environmental laws, health laws, security regulations and transportation regulations;
- our belief as to when Turnarounds will be performed and completed;
- expenses in connection with environmental projects;
- the effect of litigation and other contingencies, including the potential financial penalties associated with the NOV from ADEQ regarding wastewater discharges from our El Dorado Facility;
- the increase in interest expense;
- our ability to comply with debt servicing and covenants;
- our ability to meet debt maturities or redemption obligations when due;
- the impact of our repurchase program on our stock price and cash reserves:
- the effects of the ongoing COVID-19 pandemic and related response; and
- our beliefs as to whether we can meet all required covenant tests for the next twelve months.

While we believe, the expectations reflected in such Forward-Looking Statements are reasonable, we can give no assurance such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this report, including, but not limited to, the following:

- changes in general economic conditions, both domestic and foreign;
- material reductions in revenues;
- material changes in interest rates;
- our ability to collect in a timely manner a material amount of receivables;
- increased competitive pressures;
- adverse effects of increases in prices of raw materials;
- changes in federal, state and local laws and regulations, or in the interpretation of such laws and regulations;
- changes in laws, regulations or other issues related to climate change;
- releases of pollutants into the environment exceeding our permitted limits;
- material increases in equipment, maintenance, operating or labor costs not presently anticipated by us;
- the requirement to use internally generated funds for purposes not presently anticipated;
- the inability to secure additional financing for planned capital expenditures or financing obligations due in the near future;
- our substantial existing indebtedness;
- material changes in the cost of natural gas and certain precious metals;
- limitations due to financial covenants;
- changes in competition;
- the loss of any significant customer;
- increases in cost to maintain internal controls over financial reporting;
- changes in operating strategy or development plans;
- an inability to fund the working capital and expansion of our businesses;
- changes in the production efficiency of our facilities;
- adverse results in our contingencies including pending litigation;
- unplanned downtime at one or more of our chemical facilities;
- changes in production rates at any of our chemical plants;
- an inability to obtain necessary raw materials and purchased components;
- material increases in cost of raw materials;
- material changes in our accounting estimates;
- significant problems within our production equipment;
- fire or natural disasters;
- an inability to obtain or retain our insurance coverage;
- difficulty obtaining necessary permits;
- difficulty obtaining third-party financing;
- risks associated with proxy contests initiated by dissident stockholders;
- changes in fertilizer production;
- reduction in acres planted for crops requiring fertilizer;
- decreases in duties for products we sell resulting in an increase in imported products into the U.S.;
- adverse effects from regulatory policies, including tariffs;
- volatility of natural gas prices;
- price increases resulting from increased inflation;
- weather conditions, including the effects of climate change;
- increases in imported agricultural products;
- global supply chain disruptions;
- other factors described in the MD&A contained in this report; and
- other factors described in “Risk Factors” in our Form 10-K for the year ended December 31, 2023.

Given these uncertainties, all parties are cautioned not to place undue reliance on such Forward-Looking Statements. Except to the extent required by law, we disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the Forward-Looking Statements contained herein to reflect future events or developments.

The following is a list of terms used in this report.

ADEQ	- The Arkansas Department of Environmental Quality.
AN	- Ammonium nitrate.
April Report	- The World Agricultural Supply and Demand Estimates Report dated April 11, 2024.
ASUs	- Accounting Standard Updates.
ATR	- AutoThermal Reforming.
CAO	- A consent administrative order.
Cherokee Facility	- Our chemical production facility located in Cherokee, Alabama.
Chevron	- Chevron Environmental Management Company.
COVID-19	- The novel coronavirus disease of 2019.
EDA	- El Dorado Ammonia L.L.C. (now merged into LSB Chemical, L.L.C. a subsidiary of LSB Industries, Inc.).
EDC	- El Dorado Chemical Company (now merged into LSB Chemical, L.L.C. a subsidiary of LSB Industries, Inc.).
El Dorado Facility	- Our chemical production facility located in El Dorado, Arkansas.
Eldridge	- Eldridge Industries, L.L.C.
Environmental and Health Laws	- Numerous federal, state and local environmental, health and safety laws.
EUC	- Environmental Use Control.
FASB	- Financial Accounting Standards Board.
FEED	- Front end engineering design.
Global	- Global Industrial, Inc., a subcontractor asserting mechanics liens for work rendered to the Company.
Hallowell Facility	- A chemical facility previously owned by two of our subsidiaries located in Kansas.
HDAN	- High density ammonium nitrate prills used in the agricultural industry.
IRS	- Internal Revenue Service.
KDHE	- The Kansas Department of Health and Environment.
LDAN	- Low density ammonium nitrate prills used in the mining industry.
Leidos	- Leidos Constructors L.L.C.
LSB	- LSB Industries, Inc.
MD&A	- Management's Discussion and Analysis of Financial Condition and Results of Operations.
MMBtu	- Million British thermal units.
MOU	- Memorandum of understanding.
Note	- A note in the accompanying notes to the condensed consolidated financial statements.
ODEQ	- The Oklahoma Department of Environmental Quality.
PP&E	- Plant, property and equipment.
Pryor Facility	- Our chemical production facility located in Pryor, Oklahoma.
SEC	- The U.S. Securities and Exchange Commission.
Secured Financing due 2025	- A secured financing arrangement between EDA and an affiliate of Eldridge which matures in August 2025.
Senior Secured Notes	- The senior secured notes issued on October 14, 2021 and the senior secured notes issued March 8, 2022, taken together both due on October 15, 2028 with a stated interest rates of 6.25% maturing in October 2028.
SG&A	- Selling, general and administrative expense.
Ton	- A unit of weight equal to 2,000 pounds.
Turnaround	- A planned major maintenance activity.
UAN	- Urea ammonium nitrate.
U.S.	- United States.
U.S. GAAP	- U.S. Generally Accepted Accounting Principles.
USDA	- United States Department of Agriculture.

West Fertilizer	- West Fertilizer Company.
Revolving Credit Facility	- Our secured revolving credit facility pursuant to that credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent.
2023 Crop	- Corn crop marketing year (September 1 - August 31), which began in 2022 and will ended in 2023 and primarily relates to corn planted and harvested in 2022.
2024 Crop	- Corn crop marketing year (September 1 - August 31), which began in 2023 and will end in 2024 and primarily relates to corn planted and harvested in 2023.
2025 Crop	- Corn crop marketing year (September 1 - August 31), which began in 2024 and will end in 2025 and primarily relates to corn planted and harvested in 2024.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Other Litigation

We are from time to time subject to various legal proceedings and claims arising in the ordinary course of business, including, but not limited to, examinations by the Internal Revenue Service. For further discussion of our legal matters, see "Note 5. Commitments and Contingencies—Legal Matters" in the notes to the Condensed Consolidated Financial Statements in this Form 10-Q.

Item 1A. Risk Factors

Reference is made to Item 1A of our Form 10-K for the year ended December 31, 2023, filed with the SEC on March 6, 2024. There are no material changes from the risk factors disclosed in our 2023 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the Company's purchase of its common stock for the quarter ended June 30, 2024:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Program (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Program
April 1 – April 30, 2024	801,659	$ 8.40	801,659	$ 109,359,096
May 1 – May 31, 2024	—	—	—	109,359,096
June 1 – June 30, 2024	—	—	—	109,359,096
Total	801,659	$ 8.40	801,659	$ 109,359,096

(1)In May 2023, our Board authorized a $150 million stock repurchase program. The stock repurchase program is discussed in *Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Capitalization* and in Note 1 – Summary of Significant Accounting Policies. The repurchase program does not have an expiration date and can be discontinued at any time.

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Adoption of 10b5-1 Trading Plans by Our Officers and Directors

During our fiscal quarter ended June 30, 2024, the directors and officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) identified below entered into contracts, instructions or written plans for the purchase or sale of our securities that are intended to satisfy the conditions specified in Rule 10b5-1(c) under the Exchange Act for an affirmative defense against liability for trading in securities on the basis of material nonpublic information. We refer to these contracts, instructions, and written plans as "Rule 10b5-1 trading plans" and each one as a "Rule 10b5-1 trading plan."

Mark T. Behrman, President and Chief Executive Officer

On May 3, 2024, Mark T. Behrman, our President and Chief Executive Officer and a member of our board of directors, entered into a Rule 10b5-1 trading plan providing that Mr. Behrman, acting through a broker, may sell up to an aggregate of 250,000 shares of our common stock. As of June 30, 2024, Mr. Behrman held securities representing an aggregate of 1,963,925 vested and unvested shares of common stock. Sales of shares under the plan may only occur from August 6, 2024 to August 1, 2025 and the plan is scheduled to terminate on August 1, 2025, subject to earlier termination upon the sale of all shares subject to the plan or the expiration of all sale orders under the plan, upon termination by Mr. Behrman or the broker, or as otherwise provided in the plan.

Cheryl A. Maguire, Executive Vice President and Chief Financial Officer

On May 22, 2024, Cheryl A. Maguire, our Executive Vice President and Chief Financial Officer, entered into a Rule 10b5-1 trading plan providing that Ms. Maguire, acting through a broker, may sell up to an aggregate of 85,000 shares of our common stock. As of June 30, 2024, Ms. Maguire held securities representing an aggregate of 337,017 vested and unvested shares of common stock. Sales of shares under the plan may occur from August 21, 2024 to May 22, 2025 and the plan is scheduled to terminate on May 22, 2025,

subject to earlier termination upon the sale of all shares subject to the plan or the expiration of all sale orders under the plan, upon termination by Ms. Maguire or the broker, or as otherwise provided in the plan.

Item 6. Exhibits

See "Index to Exhibits" on page 37.

Index to Exhibits Item 6.

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
3(i).1	Restated Certificate of Incorporation of LSB Industries, Inc., dated January 21, 1977, as amended August 27, 1987	Exhibit 3(i).1 to the Company's Form 10-K filed on February 28, 2013
3(i).2	Certificate of Amendment to the Restated Certificate of Incorporation of LSB Industries, dated September 23, 2021	Exhibit 3(i).2 to the Company's Registration Statement on Form S-3 filed on November 16, 2021
3(ii)	Second Amended and Restated Bylaws of LSB Industries, Inc., dated July 19, 2021	Exhibit 3.1 to the Company's Form 8-K filed July 20, 2021
4.1	First Amendment to Amended and Restated Section 382 Rights Agreement between LSB Industries, Inc. and Computershare Trust Company, N.A., as rights agent, dated as of May 2, 2024	Exhibit 4.1 to the Company's Form 8-K filed May 3, 2024
31.1(a)	Certification of Mark T. Behrman, Chief Executive Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302	
31.2(a)	Certification of Cheryl A. Maguire, Chief Financial Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302	
32.1(a)	Certification of Mark T. Behrman, Chief Executive Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906	
32.2(a)	Certification of Cheryl A. Maguire, Chief Financial Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906	
101.INS(a)	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH(a)	Inline XBRL Taxonomy Extension Schema Document	
101.CAL(a)	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF(a)	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB(a)	Inline XBRL Taxonomy Extension Labels Linkbase Document	
101.PRE(a)	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104(a)	Cover Page Interactive Data File (embedded within the Inline XBRL document)	

(a)Filed herewith or furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has caused the undersigned, duly authorized, to sign this report on its behalf on this 1st day of August 2024.

LSB INDUSTRIES, INC.

/s/ Cheryl A. Maguire
Cheryl A. Maguire
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)