



2023 ANNUAL REPORT

2023 President's Letter to Shareholders

Dear Fellow Shareholders,

Over the past several years, our company has embarked on a *Journey to Excellence*. For a number of reasons, last year was a pivotal period in this journey. First, in spite of a material drop in the price for nitrogen chemicals in 2023, LSB continued to generate solid cash flows, providing the company with significant financial flexibility. Second, our focus on building a Culture of Excellence across our organization began delivering impactful outcomes, including improved safety results and increased ammonia production. Third, and perhaps most important, we announced our commitment to being a leader in the energy transition through the production of low and no carbon products. In addition to helping us achieve our sustainability goals, this commitment provides numerous attractive long-term growth opportunities.

FINANCIAL FLEXIBILITY

Our ability to generate solid cash flows throughout the year enabled us to further strengthen our balance sheet, and given the potential volatility in our markets, we are committed to keeping our balance sheet healthy. Our strong financial position has allowed us to continue to invest in the safety and reliability of our facilities, evaluate a range of multi-year growth opportunities as part of our long-term vision and return value to shareholders.

During our Investor Day last March, we articulated numerous potential internal growth projects that we were considering. After thoroughly evaluating these projects, by year end, we elected to move forward on two of these projects while delaying the others. The two projects are currently underway and will be completed in the third quarter of 2024.

At our Pryor facility, we are in the process of expanding our urea capacity. This will enable us to upgrade a greater portion of the facility's ammonia to produce additional UAN which we expect will provide us with higher margins. It will also reduce the amount of merchant ammonia that we sell in the competitive Southern Plains market. The second project we are executing is at our El Dorado facility that will increase that facility's nitric acid storage capacity. The ability to store more of our nitric acid production will allow us to run our plants at higher rates and better optimize our product mix. These are both high-returning, low capital-cost projects that we expect to provide us with meaningful incremental profits once completed.

It is important to note that when evaluating all capital projects, two important factors that weigh heavily in our evaluations are the people resources required, and the impact to our balance sheet. We always want to ensure we can execute projects successfully, while also ensuring that we can operate through commodity cycles.

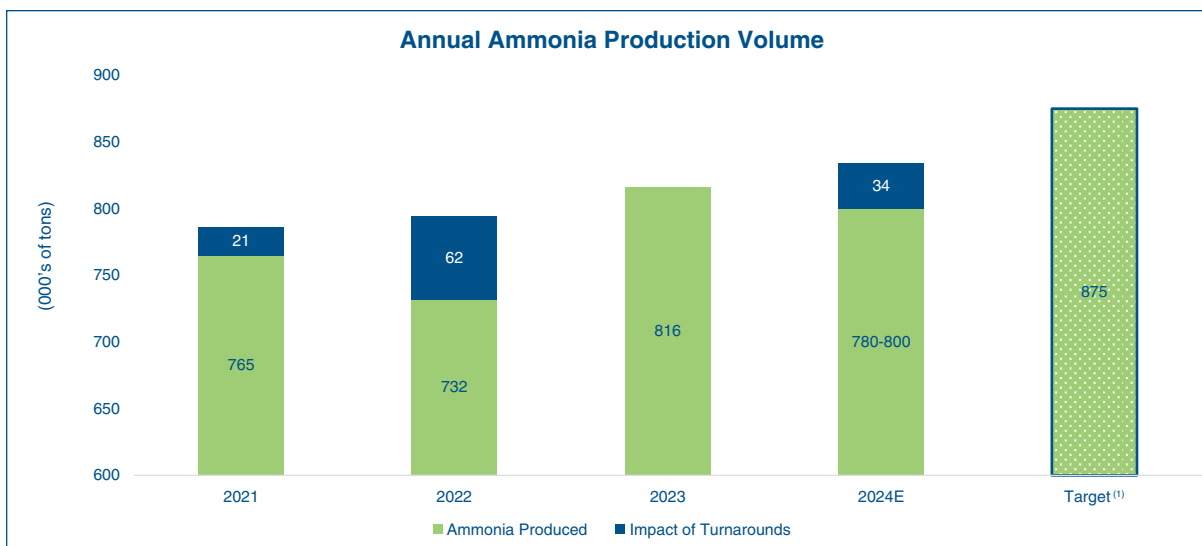
BUILDING A CULTURE OF EXCELLENCE

We continue to focus on building a culture of excellence, founded upon our core values of *Protect What Matters*, *Make it Better*, *Practice Integrity* and *Be One Team*. These values are foundational to everything we do, guiding us as we grow our business with a focus on long-term sustainability. Building culture is not simply a priority or an initiative. Our efforts to develop and grow our culture are continuous, never-ending and are delivering impactful outcomes throughout our organization.

Safety

Our focus is always on the safety of our employees, our contractors, and the communities where we operate. Operational and financial success is simply not possible if we fail to observe the most important of our core values, *Protect What Matters*. We've set very high safety standards, with policies and procedures aimed at achieving our *Goal Zero* – that's zero recordable incidents and injuries. In 2023, we achieved a total recordable injury rate of 0.33, a significant improvement from 2022. We still have work to do to make it repeatable year after year, but we expect our continued training efforts and the investments in our facilities will help us move forward on our path towards *Goal Zero*.

Reliability Initiatives Driving Increased Ammonia Production



(1) Based on capacity utilization of 95%

Our efforts to improve the reliability and production volumes of our ammonia plants over the past several years were showcased by the performance of our ammonia facilities in 2023. We generated a healthy increase in ammonia production during the year, led by our El Dorado facility, which produced more than 450,000 tons of ammonia for the year. This is the plant’s highest level of ammonia production since it was commissioned in 2016. Not only did the facility achieve this production record, but the El Dorado team did so while having a total recordable injury rate of zero. We congratulate the El Dorado team for their achievements. We view El Dorado’s ammonia plant performance in 2023 as a model for what is possible for all our plants across our organization and are driving the continuous improvement in our plant reliability to achieve target of 875,000 of annual ammonia production.

Direct Distribution of UAN

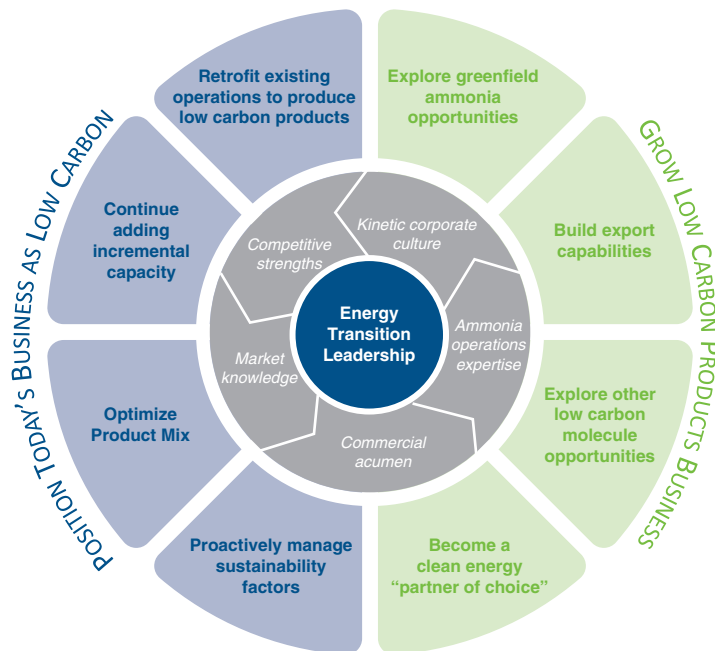
In January of 2023, we commenced direct distribution of our Pryor facility’s UAN production following several years of working with a third party. This allowed us to be closer to our customer, open up our distribution footprint into key U.S. corn production regions that we were not active in and optimize the positioning and timing of the sales of our product to improve our margins. Our Commercial team put a great deal of effort into building our new UAN sales model in 2023 and we expect to continue reaping the benefits of this initiative in 2024 and beyond.

In the Community

Supporting our communities is an important part of the LSB culture. Our community outreach program includes working with organizations in the communities surrounding our locations and is focused across four specific areas: STEM education, assisting families in need, agricultural and civic organizations.

One example of the commitment of our employees came as teams across our sites collectively donated nearly \$100,000 to their local United Way drives. In addition, team members participated in numerous volunteer activities, sharing their time as well as their financial support.

COMMITMENT TO ENERGY TRANSITION LEADERSHIP



In 2023 we announced our vision, “To be a leader in the energy transition in the chemical industry through the production of low and no carbon products that build, feed and power the world.” Not only is reducing our carbon footprint the right thing to do in terms of environmental stewardship, but we believe LSB is uniquely positioned to be an early mover in this area, providing long-term growth opportunities with a significant positive impact on the company.

Low Carbon Ammonia Projects

We continue to make progress with the carbon capture and sequestration (CCS) project at our El Dorado facility where our partner, Lapis Energy, plans to capture and sequester more than 450,000 tons of CO₂ annually. This will provide us with more than 375,000 tons per year of low carbon ammonia to sell to our customers. Once fully operational, we estimate that this project will reduce our Company’s total CO₂ emissions by approximately 25%. Lapis will receive the 45Q federal tax credit of \$85 per ton of CO₂ and they will pay us a fee for each ton of CO₂ sequestered. We are currently awaiting the EPA’s approval of the Class VI permit application. We expect to receive this approval during 2025 and begin the capture and sequestering of CO₂ and the production of low-carbon ammonia at El Dorado during the first quarter of 2026.

We’ve been pleased with our commercial team’s ability to leverage this project as part of our new business development efforts as we have been receiving strong expressions of interest in potential long-term off-take agreements for the low-carbon products we will be producing at El Dorado.

Late in the year, we announced our collaboration with INPEX, Air Liquide and Vopak Exolum Houston to develop a world-scale low-carbon ammonia production and export facility on the Houston Ship Channel. This project would be transformative to LSB given the anticipated increase in demand for clean energy. We are out to a fast start on its development with our recent selection of KBR to provide the technology licensing and proprietary engineering design for the ammonia loop portion of the plant. Additionally, we recently selected a global engineering firm to perform the pre-FEED on our ammonia loop. We expect to complete the pre-FEED

study during the third quarter of 2024, and if the project economics support it, to continue into a FEED study which we expect to complete in the third quarter of 2025. At the same time, we are working to secure off-take customers for the anticipated ammonia production. We expect initial off-takers to come from Japanese, South Korean, and European companies that are evaluating ammonia as a solution to achieve their CO₂ reduction goals in the coming years.

While this project is in its early phases, we are encouraged by the progress we've made thus far and by the level of engagement, commitment and cooperation of our partners in this leading-edge endeavor. We will continue to evaluate projects that we believe will be beneficial to the long-term growth of the Company and where we believe we can achieve the appropriate return on investment.

Sustainability

We are also highly conscious of our obligations to society and the communities in which we operate. During 2023 we issued our inaugural Sustainability Report, which can be found at <https://lsbindustries.com/sustainability/>. In this report we provide transparency into our performance against our core values and the strategies and the actions we are implementing in order to make a lasting positive impact on the world around us.

2023 RESULTS

Financial Performance Overview

Our 2023 net sales were \$594 million with adjusted EBITDA⁽¹⁾ of \$133 million. Additionally, we generated diluted earnings per share of \$0.37 and operating cash flow of \$138 million. These results were lower than those of 2022 due largely to a decline in selling prices for nitrogen chemical products. This price decline was due, in part, to a drop in natural gas costs in Europe which enabled nitrogen production facilities in the region to resume operations after being shut down in 2022 due to record high gas costs. The resulting increase in global nitrogen supply combined with sluggish industrial activity in Aisa and Europe translated into a significant decline in selling prices for ammonia and derivative products in 2023.

Continued Balance Sheet Strength

Despite these headwinds, the solid cash flow we generated enabled us to further improve the strength of our balance sheet. During the year we not only returned approximately \$29 million to shareholders through stock repurchases, but we also reduced our debt level by buying back \$125 million of our Senior Secured notes. We finished the year with net debt of approximately \$275 million, down from more than \$315 million at the end of 2022.

IN CONCLUSION

We have much to be pleased about in 2023 and there is even more to be excited about in 2024. In 2024, we are focused on executing our strategy to deliver increased value to our shareholders. The market for fertilizer is attractive as current and expected grain prices support farmer profitability. This should motivate farmers to optimize their fertilizer applications during the year to support a strong planting season. Our industrial and mining business remains steady, supported by solid domestic market dynamics. Demand for our industrial products is reflective of the resilience of the U.S. economy and the shift of production by global manufacturers from international facilities to their U.S. operations. Our mining end market activity is robust due, in part, to strong demand for copper for use in electric vehicles and aggregates needed for infrastructure build. Collectively, this leads us to expect a year of healthy demand for our products.

In 2024, we have scheduled planned turnarounds at our Pryor and Cherokee facilities. While our production and sales volumes will be constrained by the turnarounds, the work we are performing during the turnarounds will benefit our future operating performance and help us towards our operating goals. We expect this work to lead to

⁽¹⁾ Adjusted EBITDA is a non-GAAP measure; see reconciliation at end of this letter.

greater safety and reliability, higher volumes, and greater profitability in the coming years. At the same time, we expect to achieve meaningful advancements in the development of our low-carbon ammonia projects, paving the way for accelerating our long-term growth.

Our strong balance sheet will continue to provide the financial flexibility necessary to ensure our investment decisions align with the best interests of our shareholders while our ongoing focus to build a Culture of Excellence will continue to deliver impactful results across our organization. Lastly, our commitment to being a leader in the energy transition will provide meaningful long-term growth opportunities for the company.

We have an exciting future ahead of us—and I'm thankful for your support.

Mark Behrman President & Chief Executive Officer,

March 2024

Non-GAAP Reconciliation

EBITDA and Adjusted EBITDA Reconciliation

EBITDA is defined as net income (loss) plus interest expense and interest income, net, less gain on extinguishment of debt, plus depreciation and amortization (D&A) (which includes D&A of property, plant and equipment and amortization of intangible and other assets), plus provision (benefit) for income taxes. Adjusted EBITDA is reported to show the impact of non-cash stock-based compensation, one time/non-cash or non-operating items—such as, one-time income or fees, loss (gain) on sale of a business and/or other property and equipment, certain fair market value (FMV) adjustments, and consulting costs associated with reliability and purchasing initiatives (Initiatives). We historically have performed turnaround activities on an annual basis; however, we have moved towards extending turnarounds to a two or three-year cycle. Rather than being capitalized and amortized over the period of benefit, our accounting policy is to recognize the costs as incurred. Given these turnarounds are essentially investments that provide benefits over multiple years, they are not reflective of our operating performance in a given year.

We believe that certain investors consider EBITDA a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. In addition, we believe that certain investors consider adjusted EBITDA as more meaningful to further assess our performance. We believe that the inclusion of supplementary adjustments to EBITDA is appropriate to provide additional information to investors about certain items.

EBITDA and adjusted EBITDA have limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of EBITDA and adjusted EBITDA may not be comparable to a similarly titled measure of other companies. The following table provides a reconciliation of net income (loss) to EBITDA and adjusted EBITDA for the periods indicated.

LSB Consolidated (\$ In Thousands)	Year Ended December 31,	
	2023	2022
Net (loss) income	\$ 27,923	\$230,347
Plus:		
Interest expense and interest income, net	26,500	41,407
Net (gain) loss on extinguishment of debt	(8,644)	113
Depreciation and amortization	68,922	68,019
Provision for income taxes	5,973	39,174
EBITDA	\$120,674	\$379,060
Stock-based compensation	5,353	4,025
Legal fees (Leidos)	594	1,114
Loss on disposal and impairment of assets	3,613	1,219
Turnaround costs	2,430	29,235
Adjusted EBITDA	\$132,664	\$414,653



2023 FORM 10-K

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

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
(State of or other Jurisdiction
Incorporation or Organization)
3503 NW 63rd Street, Suite 500,
Oklahoma City, Oklahoma
(Address of Principal Executive Offices)

73-1015226
(I.R.S. Employer
Identification No.)

73116
(Zip Code)

Registrant's Telephone Number, Including Area Code: (405) 235-4546

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 file such reports submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of the Registrant's voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which the voting common stock was last sold as of June 30, 2023, was approximately \$518 million. As a result, the Registrant is an accelerated filer as of December 31, 2023. For purposes of this computation, shares of the Registrant's common stock beneficially owned by each executive officer and director of the Registrant, LSB Funding LLC and SBT Investors LLC were deemed to be owned by affiliates of the Registrant as of June 30, 2023. Such determination should not be deemed an admission that such executive officers, directors or entity of our common stock are, in fact, affiliates of the Registrant or affiliates as of the date of this Form 10-K.

As of March 1, 2024, the Registrant had 72,995,775 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for its annual meeting of stockholders will be filed with the Securities and Exchange Commission within 120 days after the end of its 2023 fiscal year, are incorporated by reference in Part III.

Auditor Firm Id: 00042

Auditor Name: Ernst & Young LLP

Auditor Location: Oklahoma City, OK, United States

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The information required by Part III, shall be incorporated by reference from our definitive proxy statement to be filed pursuant to Regulation 14A which involves the election of directors that we expect to be filed with the Securities and Exchange Commission not later than 120 days after the end of its 2023 fiscal year covered by this report.	
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PART I

ITEM 1. BUSINESS

Overview

All references to “LSB Industries,” “LSB,” “the Company,” “we,” “us,” and “our” refer to LSB Industries, Inc. and its subsidiaries, except where the context makes clear that the reference is only to LSB Industries, Inc. itself and not its subsidiaries. Notes referenced throughout this document refer to consolidated financial statement footnote disclosures that are found in Item 8 of this report.

LSB is a Delaware corporation, formed in 1968, and headquartered in Oklahoma City, Oklahoma. LSB is committed to playing a leadership role in the energy transition through the production of low and no carbon products that build, feed and power the world. We seek to accomplish this through the manufacture and marketing of essential products for the agricultural, industrial and mining markets, and in the future, energy markets, all with an emphasis on a culture of excellence in customer experience. The Company manufactures ammonia and ammonia-related products in El Dorado, Arkansas (the “El Dorado Facility”), Cherokee, Alabama (the “Cherokee Facility”), and Pryor, Oklahoma (the “Pryor Facility”), and operates a facility on behalf of Covestro LLC (“Covestro”) in Baytown, Texas (the “Baytown Facility”). Our products are sold through distributors and directly to end customers throughout the United States and other parts of North America.




Our Business

Our business manufactures products for three principal markets:

- **Agricultural Markets:** ammonia, fertilizer grade high density ammonium nitrate (“HDAN”) and urea ammonia nitrate (“UAN”);
- **Industrial Markets:** high purity and commercial grade ammonia, ammonium nitrate, sulfuric acids, concentrated, blended and regular nitric acid, mixed nitrating acids, carbon dioxide, and diesel exhaust fluid (“DEF”); and
- **Mining Markets:** low density ammonium nitrate (“LDAN”) and ammonium nitrate (“AN”) solutions.

The products we manufacture at our facilities are primarily derived from natural gas (a raw material feedstock). Our facilities and production processes have been designed to produce products that are marketable at nearly each stage of production. This design has allowed us to develop and deploy a business model optimizing the mix of products to capture the value opportunities in the end markets we serve with a focus on balancing our production.

The chart below highlights representative products and applications in each of our end markets.

	Key products	End markets	Application
Agricultural	▪ Urea ammonium nitrate solutions (UAN)	▪ Liquid fertilizer for corn and other crops	
	▪ Ammonium nitrate (AN)	▪ High-efficacy fertilizer for corn, other crops, and pastures and key nitrogen components in nitrogen, phosphorus, and potassium (NPK) fertilizer blends	
	▪ Ammonia	▪ High nitrogen content fertilizer primarily used for corn	
Industrial	▪ Ammonia	▪ Chemical feedstock, emissions abatement, water treatments, refrigerants	
	▪ Nitric Acid	▪ Semiconductor, nylon and polyurethane intermediates, ammonium nitrate, metals processing	
	▪ Sulfuric Acid	▪ Pulp and paper, aluminum, water treatment, metals (lithium), and vanadium processing	
	▪ CO ₂	▪ Food refrigeration, dry ice, enhanced oil recovery	
Mining	▪ Ammonium nitrate	▪ Explosives for mining, quarries, and other blasting activities	

The following table summarizes net sales information relating to our products:

	2023	2022
Percentage of consolidated net sales:		
AN & Nitric acid	37%	35%
Urea ammonium nitrate (UAN)	26%	27%
Ammonia	28%	31%
Other	9%	7%
	<u>100%</u>	<u>100%</u>

For information regarding our net sales, operating results and total assets for the past three fiscal years, see the Consolidated Financial Statements included in this report.

Our Strategy

We aim to be a leader in the energy transition in the chemical industry through the production of low and no carbon products that build, feed and power the world. We plan to accomplish this by leveraging our existing business platform and portfolio of assets to produce low carbon products, utilizing our significant manufacturing expertise and experience in ammonia and hydrogen plant operations, optimizing our liquidity and free cash flows to generate growth, and creating a network of partners that bring additional knowledge, expertise and relationships.

With respect to our current portfolio of products, we pursue a strategy of balancing the sale of product as fertilizer into the agriculture markets at spot prices or short duration pre-sales and developing industrial and mining customers that purchase substantial quantities of products, primarily under contractual obligations and/or pricing arrangements that generally provide for the pass through of some raw material and other manufacturing costs. We believe this product and market diversification strategy allows us to have more consistent levels of production compared to some of our competitors and helps reduce the volatility risk inherent in the prices of our raw material feedstock and/or the changes in demand for our products.

The strategy of developing industrial and mining customers helps to moderate the risk inherent in the agricultural markets where spot sales prices of our agricultural products may not have a correlation to the natural gas feedstock costs but rather reflect market conditions for like and competing nitrogen sources. This volatility of sales pricing in our agricultural products may, from time to time, compromise our ability to recover our full cost to produce the product. Additionally, the lack of sufficient non-seasonal agricultural sales volume to operate our manufacturing facilities at optimum levels can preclude us from balancing production and storage capabilities. Looking forward, we remain focused on upgrading margins by maximizing downstream production. Our strategy calls for further development of industrial customers who assume the volatility risk associated with the raw material costs and mitigate the effects of seasonality in the agricultural sector.

Our strategy also includes evaluating further investments in low carbon opportunities, potential acquisitions of strategic assets or companies, mergers with other companies and investment in additional production capacity where we believe those acquisitions, mergers or expansion of production capacity will enhance the value of the Company and provide appropriate returns.

Key Operating Initiatives for 2024

As discussed in more detail under “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations–Key Operating Initiatives*,” we believe our future results of operations and financial condition will depend significantly on our ability to successfully implement 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.*
- *Continue Broadening the Distribution and Optimization of our Product Mix.*
- *Development of Low-Carbon Ammonia and Clean Energy Projects.*
- *Evaluate Acquisitions of Strategic Assets or Companies.*

As for our liquidity, we had approximately \$353 million of combined cash, restricted cash, short-term investments and borrowing capacity at the end of 2023, which we believe provides us with ample liquidity to fund our operations and meet our current obligations. Also see discussions in “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources*”.

Our Competitive Strengths

Strategically Located Chemical Assets and Long-Standing Customer Relationships

Our business benefits from highly advantageous locations with logistical and distribution benefits. We have access to the Nustar ammonia pipeline from the U.S. Gulf at our El Dorado Facility, which provides low-cost transportation to distribution points. The El Dorado Facility also has rail access providing favorable freight logistics to our industrial and agricultural customers and cost advantaged when selling a number of our products West of the Mississippi River. Our Cherokee Facility is located east of the Mississippi River, allowing it to reach customers that are not freight logical for others. Our Cherokee Facility sits adjacent to the Tennessee River, providing barge receipt and shipping access, in addition to truck and rail delivery access. Our Pryor Facility is located in the heart of the Southern Plains with strategic rail and truck delivery access.

Advantaged Raw Material Cost Position

We have access to low-cost, relative to international markets, natural gas in the United States, which allows for significant cost advantages as compared to comparable production facilities in Europe and other parts of the world.

Diversified Sources of Revenue

Our business serves a broad range of end markets, which we believe diminishes the cyclicity of our financial performance. Our business serves the agricultural, industrial and mining markets. The flexible nature of our production process and storage capability allows us the ability to shift our product mix based on end market demand.

Agricultural Market Conditions

As discussed in more detail under “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Industry Factors*”, 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.

Looking forward to 2024, we believe that while prices for ammonia are anticipated to moderate, prices for other nitrogen products such as urea and UAN could see improvements due to Chinese urea export limitations in the first half of 2024, which should support urea prices and indirectly support UAN prices through the Spring 2024 planting season. Fertilizer prices, however, should remain attractive to retailers and farmers during the 2024 planting season which, combined with anticipated high planting levels in the U.S., should lead to healthy demand for nitrogen fertilizers. Additionally, we believe that corn prices will remain at a level that will further support demand for fertilizers during 2024.

Agricultural Products

We produce and sell UAN, HDAN and ammonia, all of which are nitrogen-based fertilizers. We sell these agricultural products to farmers, ranchers, fertilizer dealers and distributors primarily in the ranch land and grain production markets in the U.S. Our nitrogen-based fertilizers are used to grow food crops, biofuel feedstock crops, pasture land for grazing livestock and forage production. We maintain long-term relationships with wholesale agricultural distributors and retailers and also sell directly to agricultural end-users through our network of wholesale and retail distribution centers.

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 combined with 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.

We sell our agricultural products at the current spot market price for either immediate shipment or as part of a forward sales commitments, depending on fertilizer seasonality and our forward pricing point of view.

Industrial and Mining Market Conditions

As discussed in more detail in “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Industry Factors*,” in our industrial markets, our sales volumes are typically driven by changes in general economic conditions, energy prices, metals market prices and our contractual arrangements with certain large customers. In our mining markets, our sales volumes are typically driven by changes in the overall North American consumption levels of mining products that can be impacted by weather. Additionally, changes in natural gas prices and demand in renewable power sources, such as wind and solar in the electrical generation sector, will impact demand for our mining products and impact competition within the other sectors of this market.

Looking forward to 2024, despite global economic challenges, our industrial business has been solid and demand for our products is steady, supported by the resilience of the U.S. economy. Nitric acid demand has remained stable as global producers have shifted production from international facilities to their U.S. operations in order to take advantage of lower domestic input costs. Demand for AN for use in mining applications has remained steady due to attractive market fundamentals for quarrying and aggregate production and U.S. metals offsetting any reductions resulting from lower coal production. While economic concerns persist, we believe that we have a meaningful degree of downside protection from the potential impacts of a recession 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.

Industrial and Mining Products

We manufacture and sell industrial acids and other chemical products primarily to the polyurethane intermediates, paper, fibers, emission control, and electronics industries. In addition, we produce and sell blended and regular nitric acid and industrial and high purity ammonia for many specialty applications, including the reduction of air emissions from power plants.

Sales of our industrial and mining products are generally made to customers pursuant to sales contracts or pricing arrangements on terms that include the cost of the primary raw materials as a pass-through component in the sales price. These contractual sales stabilize the effect of commodity cost changes and fluctuations in demand for these products due to the cyclicity of the end markets.

We operate the Baytown Facility on behalf of Covestro and we believe it is one of the largest and most technologically advanced nitric acid manufacturing units in the U.S. We operate and maintain this facility pursuant to a long-term operating contract. The term of this agreement runs until October 2029 with options for renewal.

Our industrial products sales volumes are dependent upon general economic conditions primarily in the housing, automotive, and paper industries. Our sale prices generally vary with the market price of ammonia, sulfur or natural gas, as applicable, in our pricing arrangements with customers.

Our industrial business competes based upon service, price and location of production and distribution sites, product quality and performance and provides inventory management as part of the value-added services offered to certain customers.

We also produce and sell LDAN, HDAN and AN solution to the mining industry, which are primarily used as AN fuel oil and specialty emulsions for usage in the quarry and the construction industries and for metals mining. We have signed long-term contracts with certain customers that provide for the annual sale of LDAN mostly under natural gas cost pass through pricing arrangements. One of our customers has a plant located at our El Dorado Facility.

Raw Materials

The products we manufacture at our facilities are primarily derived from natural gas. This raw material feedstock is a commodity and subject to price fluctuations. Natural gas is the primary raw material for producing ammonia, UAN, nitric acid and acid blends and other products at our El Dorado, Cherokee and Pryor Facilities. During 2023, we purchased approximately 29.8 million MMBtus of natural gas.

The chemical facilities' natural gas feedstock requirements are generally purchased at spot market price. Periodically, we enter into volume purchase commitments and/or forward contracts to lock in the cost of certain of the expected natural gas requirements primarily to match quantities needed to produce product that has been sold forward. As of December 31, 2023, we did not have any volume purchase commitments or forward contracts.

See further discussion relating to the outlook for our business under "Key Industry Factors."

Competition

We operate in a highly competitive market with many other larger chemical companies, such as CF Industries Holdings, Inc., CVR Partners, Dyno Nobel, a subsidiary of Incitec Pivot Limited, Eurochem North America, Helm AG, Koch Industries, Macro-Source L.L.C., Nutrien, Orica Limited, and Yara International (some of whom are our customers), many of whom have greater financial and other resources than we do. We believe that competition within the markets we serve is primarily based upon service, price, location of production and distribution sites, and product quality and performance.

NOL Rights Agreement

On August 22, 2023, we entered into an Amended and Restated Section 382 Rights Agreement (as amended, the "NOL Rights Agreement"), which amended and restated the Section 382 Rights Agreement, dated as of July 6, 2020 (the "Original Rights Agreement"), between LSB and Computershare Trust Company, N.A., as rights agent.

During 2023, the Original Rights Agreement was ratified by our shareholders at our annual meeting of shareholders held on May 11, 2023. The NOL Rights Agreement remains in effect as of December 31, 2023.

The purpose of the NOL Rights Agreement is to facilitate our ability to preserve our NOLs and other tax attributes in order to be able to offset potential future income taxes for federal income tax purposes. Our ability to use these NOLs and other tax attributes would be

substantially limited if we experience an “ownership change,” as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). A company generally experiences an ownership change if the percentage of the value of its stock owned by certain 5% shareholders, as defined in Section 382 of the Code, increases by more than 50% points over a rolling three-year period. The NOL Rights Agreement is intended to reduce the likelihood of an ownership change under Section 382 of the Code by deterring any person (as defined in the NOL Rights Agreement) or group of affiliated or associated persons (“Group”) from acquiring beneficial ownership of 4.9% or more of our outstanding common shares.

The rights issued under the NOL Rights Agreement will expire on the earliest to occur of (i) the close of business on the day following the certification of the voting results of our 2024 annual meeting of stockholders, or other duly held stockholders’ meeting, (ii) the date on which our Board determines in its sole discretion that (x) the NOL Rights Agreement is no longer necessary for the preservation of material valuable NOLs or tax attributes or (y) the NOLs and tax attributes have been fully utilized and may no longer be carried forward and (iii) the close of business on August 22, 2026.

Our Board may, in its discretion, determine that a person, entity or a certain transaction is exempt from the operation of the NOL Rights Agreement or amend the terms of the rights.

Human Capital Resources

As of December 31, 2023, we employed 586 persons, 163 whom are represented by unions under collective bargaining agreements. We have three 3-year union contracts which were each successfully ratified in 2022.

Oversight & Management

Our success depends on the capabilities and strength of our workforce. Our Chief Human Resources Officer is responsible for developing and executing our human capital strategy. This strategy includes the acquisition, development, and retention of talent as well as the enhancement of benefits and employee experience to deliver on our overall strategy. Our Chief Executive Officer (“CEO”) regularly updates our Board of Directors (“Board”) on the operation and status of these human capital activities including:

- *Training & Development*– We are committed to the continued development of our employees. Quarterly reviews of operations and talent occur across all operational business units and corporate functions. It is the responsibility of the CEO and the executive staff to review talent data on an annual basis and plan development actions to ensure succession and continuous improvement and growth.
- *Engagement* – We believe that we have favorable relations with our employees. Approximately 28% of our employees are represented under collective bargaining agreements. We take proactive measures, such as conducting employee surveys to understand and drive employee engagement. Additionally, we conduct benefit surveys annually in an effort to ensure that any changes to benefits are improvements or add value for employees. Each of our business units conducts roundtable discussions to develop action plans to improve the work environment and culture. We have continued to increase our communication and recognition efforts with employees, which our workforce has recognized favorably.
- *Health and Safety* – Our Health and Safety Management System continues to build to establish a consistent and robust approach to enhance safety and a culture of compliance at each business unit. This system is guided by an executive committee that provides focus and priority to compliance and industry best practices that protect our employees while performing work within our operations. Each business team is responsible for evaluating its unique operations and applying the defined controls to engage employees and manage injury risk. We use leading and lagging metrics, such as near miss tracking, assigning potential risk consequences to events, incident tracking, and releases to monitor our performance and effectiveness across our operations and individual business teams. Events are investigated based on risk using root cause analysis tools and corrective actions are tracked to ensure prevention. In addition, the management system includes periodic third-party audits and internal self-assessment to continuously improve.

Government Laws and Regulations

Our facilities and operations are subject to numerous federal, state and local laws and regulations, including matters regarding environmental, health and safety, many of which provide for certain performance obligations, substantial fines and criminal sanctions for violations. Certain of these laws and regulations 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.

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. These laws and regulations (including enforcement policies thereunder) 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. Historically, our subsidiaries have incurred significant expenditures in order to comply with these laws and regulations and are reasonably expected to do so in the future. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our chemical facilities should we discontinue the operations of a facility.

Also see discussions concerning our risk factors under Item 1A of this report.

Available Information

We make available free of charge through our Internet website (www.lsbindustries.com) or by calling Investor Relations (405) 510-3550 our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition to the reports filed or furnished with the SEC, we publicly disclose material information from time to time in press releases, at annual meetings of stockholders, in publicly accessible conferences and investor presentations, and through our website. The information included on our website does not constitute part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Risks Relating to Our Liquidity

We may not be able to generate sufficient cash to service our debt and may be required to take other actions to satisfy the obligations under our debt agreements, which may not be successful.

Our ability to make scheduled payments on our debt obligations depends on our financial condition and operating performance, prevailing economic and competitive conditions, and certain financial, business and other factors, some of which may be beyond our control. We may not be able to maintain a level of cash flows sufficient to pay the principal and interest on our debt, including the \$575 million principal amount of our 6.25% senior secured notes due 2028 (the “Senior Secured Notes”).

If cash flows and capital resources are insufficient to fund our debt obligations, we could face substantial liquidity problems and will need to seek additional capital through the issuance of debt, the issuance of equity, asset sales or a combination of the foregoing. If we are unsuccessful, we will need to reduce or delay investments and capital expenditures, or to dispose of other assets or operations, seek additional capital, or restructure or refinance debt. These alternative measures may not be successful, may not be completed on economically attractive terms, or may not be adequate for us to meet our debt obligations when due. Additionally, our debt agreements limit the use of the proceeds from many dispositions of assets or operations. As a result, we may not be permitted to use the proceeds from these dispositions to satisfy our debt obligations. If we cannot make scheduled payments on our debt, we will be in default and the outstanding principal and interest on our debt could be declared to be due and payable, in which case we could be forced into bankruptcy or liquidation or required to substantially restructure or alter our business operations or debt obligations. In such an event, we may not have sufficient assets to repay all of our debt.

Further, if we suffer or appear to suffer from a lack of available liquidity, the evaluation of our creditworthiness by counterparties and rating agencies and the willingness of third parties to do business with us could be materially and adversely affected. In particular, our credit ratings could be lowered, suspended or withdrawn entirely at any time by the rating agencies. Downgrades in our long-term debt ratings generally cause borrowing costs to increase and the potential pool of investors and funding sources to decrease and could trigger liquidity demands pursuant to the terms of contracts, leases or other agreements. Any future transactions by us, including the issuance of additional debt, the sale of any operating assets, or any other transaction to manage our liquidity, could result in temporary or permanent downgrades of our credit ratings.

Our substantial indebtedness level could limit our financial and operating activities, and adversely affect our ability to incur additional debt to fund future needs.

We currently have a substantial amount of indebtedness. As a result, this level could, among other things:

- require us to dedicate a substantial portion of our cash flow to the payment of principal and interest, thereby reducing the funds available for operations and future business opportunities;
- make it more difficult for us to satisfy our obligations, including our repurchase obligations;
- limit our ability to borrow additional money if needed for other purposes, including working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes, on satisfactory terms or at all;
- limit our ability to adjust to changing economic, business and competitive conditions;
- place us at a competitive disadvantage with competitors who may have less indebtedness or greater access to financing;
- make us more vulnerable to an increase in interest rates, a downturn in our operating performance or a decline in general economic conditions; and
- make us more susceptible to changes in credit ratings, which could affect our ability to obtain financing in the future and increase the cost of such financing.

Any of the foregoing could adversely affect our liquidity, operating results and financial condition.

Our debt agreements and the Exchange Agreement contain covenants and restrictions that could restrict or limit our financial and business operations. A breach of these covenants or restrictions could result in an event of default under one or more of our debt agreements or contracts at different entities within our capital structure, including as a result of cross acceleration or default provisions.

Our debt agreements and the Exchange Agreement contain various covenants and other restrictions that, among other things, limit flexibility in operating our businesses. A breach of any of these covenants or restrictions could result in a significant portion of our debt becoming due and payable or could result in significant contractual liability. These covenants and other restrictions limit our ability to, among other things:

- incur additional debt or issue preferred shares;
- pay dividends on, repurchase or make distributions in respect of capital stock, make other restricted payments;
- make investments or certain capital expenditures;
- sell or transfer assets;

- create liens on assets to secure debt;
- engage in certain fundamental corporate changes or changes to our business activities;
- make certain material acquisitions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with affiliates;
- designate subsidiaries as unrestricted subsidiaries; and
- repay, repurchase or modify certain subordinated and other material debt.

The New Revolving Credit Facility Loan also contains certain affirmative covenants and requires the borrowers to comply with a fixed charge coverage ratio (as defined in the New Revolving Credit Facility Loan) if their excess availability (as defined in the New Revolving Credit Facility Loan) falls below a certain level.

These covenants and restrictions could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. Additionally, our ability to comply with these covenants may be affected by events beyond our control, including general economic and credit conditions and industry downturns.

In addition, certain failures to make payments when due on, or the acceleration of, significant indebtedness constitutes a default under some of our debt instruments, including the Indenture governing the Senior Secured Notes. Further, a breach of any of the covenants or restrictions in a debt instrument could result in an event of default under such debt instrument. Upon the occurrence of an event of default under one of these debt instruments, our lenders or noteholders could elect to declare all amounts outstanding under such debt instrument to be immediately due and payable and/or terminate all commitments to extend further credit. Such actions by those lenders or noteholders could cause cross defaults or accelerations under our other debt. If we were unable to repay those amounts, the lenders or noteholders could proceed against any collateral granted to them to secure such debt. In the case of a default under debt that is guaranteed, holders of such debt could also seek to enforce the guarantees. If lenders or noteholders accelerate the repayment of all borrowings, we would likely not have sufficient assets and funds to repay those borrowings. Such occurrence could result in our or our applicable subsidiary going into bankruptcy, liquidation or insolvency.

The age of our chemical manufacturing facilities increases the risk for unplanned downtime, which may be significant.

Our business is comprised of operating units of various ages and levels of automated control. While we have continued to make significant annual capital improvements, potential age or control related issues have occurred in the past and may occur in the future, which could cause damage to the equipment and ancillary facilities. As a result, we have experienced and may continue to experience additional downtime at our chemical facilities in the future.

The equipment required for the manufacture of our products is specialized, and the time for replacement of such equipment can be lengthy, resulting in extended downtime in the affected unit. In addition, the cost for such equipment could be influenced by changes in regulatory policies (including tariffs) of foreign governments, as well as the U.S. laws and policies affecting foreign trade and investment.

Although we use various reliability and inspection programs and maintain a significant inventory of spare equipment, which are intended to mitigate the extent of production losses, unplanned outages may still occur. As a result, these planned and unplanned downtime events at our chemical facilities have in the past and could in the future adversely affect our liquidity, operating results and financial condition.

Risks Relating to Our Business

Pandemics or other public health crises have and may in the future disrupt our business, which could adversely affect our financial performance.

The impact of global pandemics will depend on future developments that are uncertain and cannot be accurately predicted, including new information that may emerge concerning the pandemic and the actions to contain the pandemic or treat its impact. In addition, a significant downturn in global economic growth, or recessionary conditions in major geographic regions as a result of a resurgence of the pandemic or the emergence of a similar pandemic, may lead to reduced demand for a portion or all our products. Legislative, regulatory, judicial or social influences related to the pandemic may affect our financial performance and our ability to conduct our business.

An extended period of remote work arrangements due to a pandemic or other public health crises, including as a result of government and business responses to such events, could also exacerbate cybersecurity risks. Our business depends on the proper functioning and availability of our information technology platform, including communications and data processing systems. We are also required to effect electronic transmissions with third parties including clients, vendors and others with whom we do business, and with our Board. We believe we have implemented appropriate security measures, controls and procedures to safeguard our information technology systems and to prevent unauthorized access to such systems and any data processed or stored in such systems, and we periodically evaluate and test the adequacy of such systems, measures, and controls and procedures; however, there can be no guarantee that such systems, measures, controls and procedures will be effective, that we will be able to establish secure capabilities with all of third

parties, or that third parties will have appropriate controls in place to protect the confidentiality of our information. Security breaches could expose us to a risk of loss or misuse of our information, litigation and potential liability.

Terrorist attacks and other acts of violence or war, such as Russia’s occupation of Ukraine and ongoing conflict in the Middle East, and natural disasters (such as hurricanes, etc.), have negatively affected and could negatively affect U.S. and foreign companies, the financial markets, the industries where we operate, our operations and our profitability.

Terrorist attacks in the U.S and elsewhere, including Russia’s occupation of Ukraine and ongoing conflict in the Middle East, and natural disasters (such as hurricanes or pandemic health crises) have in the past and can in the future negatively affect our operations. We cannot predict further terrorist attacks and natural disasters in the U.S. and elsewhere. These attacks or natural disasters have contributed to economic instability in the U.S. and elsewhere, and further acts of terrorism, violence, war or natural disasters could affect the industries where we operate, our ability to purchase raw materials, our business, results of operations and financial condition. In addition, terrorist attacks and natural disasters may directly affect our physical facilities, especially our chemical facilities, or those of our suppliers or customers and could affect our sales, our production capability and our ability to deliver products to our customers. In the past, hurricanes affecting the Gulf Coast of the U.S. have negatively affected our operations and those of our customers. As previously noted, some scientists have concluded that increasing concentrations of greenhouse gases in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects, whether anthropogenic or otherwise, were to occur in areas where we or our clients operate, they could have an adverse effect on our business, financial condition and results of operations.

The Russian invasion of the Ukraine may expand into a broader international conflict that could adversely affect multiple channels of commerce and markets.

While the occupation of Ukraine has had an effect on commodity prices and fertilizer supply (primarily ammonia and urea from Russia), there is no guarantee that the current conflict will not draw military intervention from other countries or further retaliation from Russia, which, in turn, could lead to a much larger conflict. It is possible that supply chain, trade routes and the markets we currently serve could be further adversely affected, which, in turn, could materially, adversely affect our business operations and financial performance.

A major factor underlying the current high level of demand for our nitrogen-based fertilizer products is the production of ethanol. A decrease in ethanol production or an increase in ethanol imports could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

A major factor underlying the solid level of demand for our nitrogen-based fertilizer products is the production of ethanol in the United States and the use of corn in ethanol production. Ethanol production in the United States is highly dependent upon a myriad of federal statutes and regulations and is made significantly more competitive by various federal and state incentives and mandated usage of renewable fuels pursuant to the federal renewable fuel standards (“RFS”). To date, the RFS has been satisfied primarily with fuel ethanol blended into gasoline. However, a number of factors, including the continuing “food versus fuel” debate and studies showing that expanded ethanol usage may increase the level of greenhouse gases in the environment as well as be unsuitable for small engine use, have resulted in calls to reduce subsidies for ethanol, allow increased ethanol imports and to repeal or waive (in whole or in part) the current RFS, any of which could have an adverse effect on corn-based ethanol production, planted corn acreage and fertilizer demand. Therefore, ethanol incentive programs may not be renewed, or if renewed, they may be renewed on terms significantly less favorable to ethanol producers when compared with current incentive programs. Consequently, a decrease in ethanol production or an increase in ethanol imports could have a material adverse effect on our overall business, results of operations, financial condition and liquidity.

We are reliant on a limited number of key facilities.

Our nitrogen production is concentrated in four separate complexes. The suspension of operations at any of these complexes, or significant impacts on any of their operations as a result of a supply chain disruption, could adversely affect our ability to produce our products and fulfill our commitments and could have a material adverse effect on liquidity, financial condition, results of operations and business.

Seasonality can adversely affect our business.

If seasonal demand is less than we expect, we may be left with excess inventory that will have to be stored (in which case our results of operations will be negatively affected by any related increased storage costs) or liquidated (in which case the selling price may be below our production, procurement and storage costs). The risks associated with excess inventory and product shortages are exacerbated by the volatility of natural gas and nitrogen fertilizer prices and the relatively brief periods during which farmers can apply nitrogen fertilizers. If prices for our products rapidly decrease, we may be subject to inventory write-downs, adversely affecting our operating results. If seasonal demand is greater than we expect, we may experience product shortages, and customers of ours may turn to our competitors for products that they would otherwise have purchased from us.

Weather conditions adversely affect our business.

The products (primarily agricultural) produced and sold by us have been in the past, and could be in the future, materially affected by adverse weather conditions (such as excessive rain or drought) in the primary markets for our fertilizer and related agricultural products. In addition, weather can cause an interruption to the operations of our chemical facilities. Many scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. These climate changes might also occur as the result of other phenomena that human activity is unable to influence, including changes in solar activity and volcanic activity. Regardless of the cause, if any of these adverse weather events occur, or occur with greater frequency, during the primary seasons for sales of our agricultural products (March-June and September-November), this could have a material adverse effect on our agricultural sales and our financial condition and results of operations.

Climate change may adversely affect our business.

Over the course of the past several years, global climate conditions have become increasingly inconsistent, volatile and unpredictable. Many of the regions in which we do business have variously experienced excessive moisture, cold, drought and/or heat of an unprecedented nature at various times of the year. In some cases, these conditions have either reduced or obviated the need for our products, particularly in the agriculture space, whether pre-plant, at-plant, post-emergent or at harvest. Due to the unpredictable nature of these conditions, we have observed growers and distributors becoming increasingly conservative in procurement practices and the accumulation of inventory. Further, the unpredictable nature of climactic change has made it increasingly difficult to forecast market demand and, consequently, financial performance, from year-to-year. There is no guarantee that climate change or its impacts will abate in the near future, and it is possible that such change will continue to hinder, or significantly further hinder, our ability to forecast sales performance with accuracy and otherwise adversely affect our financial performance.

Our business and customers are sensitive to adverse economic cycles.

Our business can be affected by cyclical factors such as inflation, currency exchange rates, global energy policy and costs, regulatory policies (including tariffs), global market conditions and economic downturns in specific industries. Certain sales are sensitive to the level of activity in the agricultural, mining, automotive and housing industries. Therefore, substantial changes in these factors could adversely affect our operating results, liquidity, financial condition and capital resources.

There is intense competition in the markets we serve.

Substantially all of the markets in which we participate are highly competitive with respect to product quality, price, distribution, service, and reliability. We compete with many companies, domestic and foreign, that have greater financial, marketing and other resources. Competitive factors could require us to reduce prices or increase spending on product development, marketing and sales, which could have a material adverse effect on our business, results of operation and financial condition.

We compete with many U.S. producers and producers in other countries, including state-owned and government-subsidized entities. Some competitors have greater total resources and are less dependent on earnings from chemical sales, which make them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities. Our competitive position could suffer to the extent we are not able to expand our own resources sufficiently either through investments in new or existing operations or through acquisitions, joint ventures or partnerships. An inability to compete successfully could result in the loss of customers, which could adversely affect our sales and profitability.

An increase of imported agricultural products could adversely affect our business.

Russia, Ukraine and Trinidad have substantial capacity to produce and export fertilizers. Producers in these countries also benefit from below-market prices for natural gas, due to government regulation and other factors.

In addition, producers in China have substantial capacity to produce and export urea. Depending on various factors, including prevailing prices from other exporters, the price of coal and regulatory policies, including the price of China's export tariff, higher volumes of urea from China could be imported into the U.S. at prices that could have an adverse effect on the selling prices of other nitrogen products, including the nitrogen products we manufacture and sell.

A substantial portion of our sales is dependent upon a limited number of customers.

For 2023, five customers accounted for approximately 32% of our consolidated net sales. The loss of, or a material reduction in purchase levels by, one or more of these customers could have a material adverse effect on our business, results of operations, financial condition and liquidity if we are unable to replace a customer with other sales on substantially similar terms.

A change in the volume of products that our customers purchase on a forward basis, or the percentage of our sales volume that is sold to our customers on a forward basis, could increase our exposure to fluctuations in our profit margins and materially adversely affect our business, financial condition, results of operations and cash flows.

From time-to-time, we offer our customers the opportunity to purchase products from us on a forward basis at prices and delivery dates we propose. Under our forward sales programs, customers generally make an initial cash down payment at the time of order and pay the remaining portion of the contract sales under their usual invoice terms when the performance obligation is satisfied. Forward sales improve our liquidity due to the cash payments received from customers in advance of shipment of the product and allow us to improve our production scheduling and planning and the utilization of our manufacturing and distribution assets. Any cash payments received in advance from customers in connection with forward sales are reflected on our consolidated balance sheets as a current liability until the related performance obligations are satisfied, which can take up to several months. We believe the ability to purchase products on a forward basis is most appealing to our customers during periods of generally increasing prices for nitrogen fertilizers. Our customers may be less willing, or even unwilling, to purchase products on a forward basis during periods of generally decreasing or stable prices or during periods of relatively high fertilizer prices due to the expectation of lower prices in the future or limited capital resources. In periods of rising fertilizer prices, selling our nitrogen fertilizers on a forward basis may result in lower profit margins than if we had not sold fertilizer on a forward basis. Conversely, in periods of declining fertilizer prices, selling our nitrogen fertilizers on a forward basis may result in higher profit margins than if we had not sold fertilizer on a forward basis. In addition, fixing the selling prices of our products, often 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 the performance obligation is satisfied.

Domestic and regional inflation trends, increased interest rates and other factors could lead to the erosion of economies and adversely impact us.

Both the U.S. and many other countries are experiencing inflation, which, in turn, is leading to increase costs in multiple industry segments, including agriculture and related industries. The persistence of inflation has led central bankers to increase interest rates within their regions. There is no guarantee that these measures will arrest the inflationary trend. Further, these factors, taken together with reduced productivity and constraints on the labor supply could lead to recessionary periods in the regions in which the Company does business. While we will take measures within our control to manage the effects of inflation, higher interest rates and other factors, ultimately, they are outside of our control. Further, the persistence and/or severity of one or more of them could adversely affect our financial performance and/or operations.

Cost and the lack of availability of raw materials could materially affect our profitability and liquidity.

Our sales and profits are heavily affected by the costs and availability of primary raw materials. These primary raw materials are typically subject to considerable price volatility, and recent global supply chain disruptions and increased inflation in the United States have led to further heightened volatility. Historically, when there have been rapid increases in the cost of these primary raw materials, we have sometimes been unable to timely increase our sales prices to cover all of the higher costs incurred. While we periodically enter into futures/forward contracts to economically hedge against price increases in certain of these raw materials, there can be no assurance that we will effectively manage against price fluctuations in those raw materials.

Natural gas represents the primary raw material feedstock in the production of most of our chemical products. Although we enter into contracts with certain customers that provide for the pass-through of raw material costs, we have a substantial amount of sales that do not provide for the pass-through of raw material costs. Also, the spot sales prices of our agricultural products may not correlate to the cost of natural gas but rather reflect market conditions for similar and competing nitrogen sources. This lack of correlation can compromise our ability to recover our full cost to produce the products in this market. As a result, in the future, we may not be able to pass along to all of our customers the full amount of any increases in raw material costs. Future price fluctuations in our raw materials may have an adverse effect on our business, financial condition, liquidity and results of operations.

Additionally, we depend on certain vendors to deliver natural gas and other key components that are required in the production of our products. Any disruption in the supply of natural gas and other key components could result in lost production or delayed shipments.

The price of natural gas in North America and worldwide has been volatile in recent years and had declined on average due in part to the development of significant natural gas reserves, including shale gas, and the rapid improvement in shale gas extraction techniques, such as hydraulic fracturing and horizontal drilling. However, recent disruptions in the global supply chain may continue to have an impact in the near term in fiscal year 2024. Future production of natural gas from shale formations could be reduced by regulatory changes that restrict drilling or hydraulic fracturing or increase its cost or by reduction in oil exploration and development prompted by lower oil prices and resulting in production of less associated natural gas. Additionally, increased demand for natural gas, particularly in the Gulf Coast Region, due to increased industrial demand and increased natural gas exports could result in increased natural gas prices.

We have suspended in the past, and could suspend in the future, production at our chemical facilities due to, among other things, the high cost or lack of availability of natural gas and other key components, which could adversely affect our competitiveness in the markets we serve. Accordingly, our business, financial condition, liquidity and results of operations could be materially affected in the

future by the lack of availability of natural gas and other key components and increase costs relating to the purchase of natural gas and other key components.

Our business is subject to risks involving derivatives and the risk that our hedging activities might not be effective.

We may utilize natural gas derivatives to economically hedge our financial exposure to the price volatility of natural gas, the principal raw material used in the production of nitrogen-based products. We may use futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges to hedge our risk. Our use of derivatives can result in volatility in reported earnings due to the unrealized mark-to-market adjustments that occur from changes in the value of the derivatives that do not qualify for, or to which we do not apply, hedge accounting. To the extent that our derivative positions lose value, we may be required to post collateral with our counterparties, adversely affecting our liquidity. We have also used fixed-price, physical purchase and sales contracts to hedge our exposure to natural gas price volatility. Hedging arrangements are imperfect and unhedged risks will always exist. In addition, our hedging activities may themselves give rise to various risks that could adversely affect us. For example, we are exposed to counterparty credit risk when our derivatives are in a net asset position. The counterparties to our derivatives are multi-national commercial banks, major financial institutions or large energy companies. Our liquidity could be negatively impacted by a counterparty default on settlement of one or more of our derivative financial instruments or by the trigger of any cross-default provisions or credit support requirements. Additionally, the International Swaps and Derivative Association master netting arrangements for most of our derivative instruments contain credit-risk-related contingent features, such as cross-default and/or acceleration provisions and credit support requirements. In the event of certain defaults or a credit ratings downgrade, our counterparty may request early termination and net settlement of certain derivative trades or may require us to collateralize derivatives in a net liability position. At other times we may not utilize derivatives or derivative strategies to hedge certain risks or to reduce the financial exposure of price volatility. As a result, we may not prevent certain material adverse impacts that could have been mitigated through the use of derivative strategies.

Our transportation and distribution activities rely on third-party providers, which subject us to risks and uncertainties beyond our control that may adversely affect our operations.

We rely on railroad, trucking, pipeline and other transportation service providers to transport raw materials to our manufacturing facilities, to coordinate and deliver finished products to our storage and distribution system and our retail centers and to ship finished products to our customers. These transportation operations, equipment and services are subject to various hazards, including adverse operating conditions, extreme weather conditions, system failures, work stoppages, equipment and personnel shortages, delays, accidents such as spills and derailments and other accidents and operating hazards.

In the event of a disruption of existing transportation or terminaling facilities for our products or raw materials, alternative transportation and terminaling facilities may not have sufficient capacity to fully serve all of our customers or facilities. An extended interruption in the delivery of our products to our customers or the supply of natural gas, ammonia or sulfur to our production facilities could adversely affect sales volumes and margins.

These transportation operations, equipment and services are also subject to environmental, safety, and regulatory oversight. Due to concerns related to accidents, terrorism or increasing concerns regarding transportation of potentially hazardous substances, local, provincial, state and federal governments could implement new regulations affecting the transportation of raw materials or our finished products. If transportation of our products is delayed or we are unable to obtain raw materials as a result of any third party's failure to operate properly or the other hazards described above, or if new and more stringent regulatory requirements are implemented affecting transportation operations or equipment, or if there are significant increases in the cost of these services or equipment, our revenues and cost of operations could be adversely affected. In addition, we may experience increases in our transportation costs, or changes in such costs relative to transportation costs incurred by our competitors.

Future technological innovation could affect our business.

Future technological innovation, such as the development of seeds that require less crop nutrients, or developments in the application of crop nutrients, if they occur, could have the potential to adversely affect the demand for our products and results of operations.

Cyber security risks could adversely affect our business.

As we continue to increase our dependence on information technologies to conduct our operations the risks associated with cyber security also increase. Cybersecurity breaches may be the result of, among other things, negligent or unauthorized activity by our employees or by third parties who use cyber-attack techniques involving malware, ransomware, hacking and phishing. Such cyber-attacks continue to increase in frequency and potential harm, and the methods used to gain unauthorized access evolve, making it increasingly difficult to anticipate, prevent, and detect incidents. We rely on our enterprise resource planning software and other information systems, among other things, to manage our manufacturing, supply chain, accounting and financial functions. Additionally, third parties on whose systems we place significant reliance for the conduct of our business are also subject to cybersecurity risks. We are significantly dependent upon internet connectivity and a third-party cloud hosting vendor. We have implemented security procedures and measures in order to protect our information from being vulnerable to theft, loss, damage or interruption from a number of potential sources or events. Although we believe these measures and procedures are appropriate, we

may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to our information systems could have an adverse effect on our business, results of operations, liquidity and financial condition.

We may engage in certain strategic transactions which may adversely affect our financial condition.

An important part of our business strategy is the acquisition of strategic assets or companies. Our management is currently evaluating and pursuing certain such opportunities, and from time to time separately provides indications of interest in respect of similar transactions, which may be significant. Any such discussions may or may not result in the consummation of a transaction, and we may not be able to identify or complete any of these potential acquisitions. We cannot predict the effect, if any, that any announcement or consummation of a transaction would have on the price of our securities. While the documents governing our indebtedness include certain restrictions on our ability to finance any acquisitions of new assets, such restrictions contain various exceptions and limitations.

There is no guarantee that any such transactions will be successful or, even if consummated, improve our operating results. We may incur costs, breakage fees or other expenses in connection with any such transactions or may not be able to obtain the necessary financing for such transactions on acceptable terms. Accordingly, any such transactions may ultimately have a material adverse effect on our operating results.

In addition, any future acquisitions could present a number of risks, including:

- the risk of using management time and resources to pursue acquisitions that are not successfully completed;
- the risk of incorrect assumptions regarding the future results of acquired operations or business;
- the risk of failing to integrate the operations or management of any acquired operations or assets successfully and timely; and
- the risk of diversion of management's attention from existing operations or other priorities.

If we are unsuccessful in integrating acquisitions in a timely and cost-effective manner, our financial condition and results of operations could be adversely affected.

There can be no assurance that we will repurchase shares of common stock or that we will repurchase shares at favorable prices.

In May 2023, our Board authorized a \$150 million stock repurchase program. Total repurchase authority remaining under the repurchase program was \$121 million as of December 31, 2023. 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. 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 2023, we repurchased approximately 3.1 million shares of common stock at an average cost of \$9.21 per share.

Our stock repurchases will depend upon, among other factors, our cash balances and potential future capital requirements, results of operations, financial condition, and other factors that we may deem relevant. We can provide no assurance that we will repurchase stock at favorable prices, if at all.

We may not be successful in the development and implementation of our low-carbon ammonia projects in a timely or economic manner, or at all.

We are currently evaluating and developing projects and other investments that could enable us to become a producer and marketer of low-carbon ammonia and other derivative products. The success of these projects is dependent on a number of factors, many of which are beyond our control.

For example, the market for low-carbon ammonia remains nascent, and is continuing to develop and evolve. We cannot be certain that the market will grow to the size or at the rate we expect. The demand for low-carbon ammonia is dependent in part on the developing market for low-carbon hydrogen, for which ammonia can serve as a transport and storage molecule. These markets are heavily influenced by demand for clean energy, technology advancement and a range of domestic and international laws, regulations and policies related to carbon emissions, clean energy, tax benefits and other incentives and corporate accountability.

Recently, many other proposed low-carbon ammonia projects have been announced or considered, and future hydrogen, energy, or environmental/carbon policies may support development of additional nitrogen production in locations outside North America, including Europe, Australia, and the Middle East. In the event that the growth in supply of low-carbon ammonia and low-carbon hydrogen exceeds the growth in demand for those products, the resulting unfavorable supply and demand balance could lead to lower selling prices than we expect, which could negatively affect our business, financial condition, results of operations and cash flows. The recognition and acceptance of low-carbon ammonia as a transport and storage molecule for low-carbon hydrogen, the use of low-carbon ammonia as a fuel in its own right, and the development and growth of end market demand and applications for hydrogen and

ammonia are uncertain. Such matters depend on many factors outside of our control, such as the extent and rate at which cost competitive global renewable energy capacity increases, the price of traditional and alternative sources of energy, the implementation of taxes on carbon emissions, the realization of technological improvements required to increase the efficiency and lower the costs of production of ammonia, the regulatory environment, and the success of the projects described above to provide ammonia offerings cost-effectively. In addition, further development of alternative decarbonization technologies may result in viable alternatives to the use of low-carbon ammonia for many potential decarbonization applications, resulting in lower than expected market demand growth relative to our current expectations.

The success of our low-carbon ammonia projects also depend on the realization of certain technical improvements required to increase the efficiency and lower the costs of production of low-carbon ammonia. Over time, we may face operational difficulties and execution risks related to design, development and construction. If our assumptions about the engineering and project execution requirements necessary to successfully build or convert the facility capacity that we are contemplating and to scale up to larger production quantities prove to be incorrect, we may be unable to produce substantial quantities of low-carbon ammonia, and the cost to construct such low-carbon ammonia facilities, or the production costs associated with the operation of such facilities, may be higher than we project. The production of low-carbon ammonia depends to a large extent upon the ability of third parties to develop class VI carbon sequestration wells, which currently do not exist at large scale and are subject to a permitting process and operational risks, which may result in delays, impact viability in some or all situations, or create long-term liabilities.

Risks Relating to Legal, Regulatory and Compliance Matters

Our operations and the production and handling of our products involve significant risks and hazards.

Our operations are subject to hazards inherent in the manufacture, transportation, storage and distribution of chemical products, including some products that are highly toxic and corrosive. These hazards include, among other things, explosions; fires; severe weather and natural disasters; train derailments, collisions, vessel groundings and other transportation and maritime incidents; leaks and ruptures involving storage tanks, pipelines and rail cars; spills, discharges and releases of toxic or hazardous substances or gases; deliberate sabotage and terrorist incidents; mechanical failures; unscheduled plant downtime; labor difficulties and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage and may result in suspension of operations for an extended period of time and/or the imposition of civil or criminal penalties and liabilities. We periodically experience minor releases of ammonia related to leaks from our equipment. Similar events may occur in the future. As a result, such events could have a material adverse effect on our results of operations and financial condition.

Current and future legislative or regulatory requirements affecting our business may result in increased costs and decreased revenues, cash flows and liquidity or could have other negative effects on our business.

Our business is subject to numerous health, safety, security and environmental laws and regulations. The manufacture and distribution of chemical products are activities that entail health, safety and environmental risks and impose obligations under health, safety and environmental laws and regulations, many of which provide for substantial fines and potential criminal sanctions for violations. Although we believe we have established processes to monitor, review and manage our businesses to comply with the numerous health, safety and environmental laws and regulations, we previously were, and in the future, may be, subject to fines, penalties and sanctions for violations and substantial expenditures for cleanup costs and other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of effluents at or from our chemical facilities. Further, a number of our chemical 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 results of operation and financial condition. These operating permits are subject to modification, renewal and revocation. In addition, third parties may contest our ability to receive or renew certain permits that we need to operate, which can lengthen the application process or even prevent us from obtaining necessary permits. We regularly monitor and review our operations, procedures and policies for compliance with permits, laws and regulations. Despite these compliance efforts, risk of noncompliance or permit interpretation is inherent in the operation of our business.

There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. We try to anticipate future regulatory requirements that might be imposed and plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of compliance.

Changes to the production equipment at our chemical facilities that are required in order to comply with health, safety and environmental regulations may require substantial capital expenditures.

Explosions and/or losses at other chemical facilities that we do not own (such as the April 2013 explosion in West, Texas) could also result in new or additional legislation or regulatory changes, particularly relating to public health, safety or any of the products manufactured and/or sold by us or the inability on the part of our customers to obtain or maintain insurance as to certain products manufactured and/or sold by us, which could have a negative effect on our revenues, cash flow and liquidity.

In summary, new or changed laws and regulations or the inability of our customers to obtain or maintain insurance in connection with any of our chemical products could have an adverse effect on our operating results, liquidity and financial condition.

We may not have adequate insurance.

While we maintain liability, property and business interruption insurance, including certain coverage for environmental contamination, it is subject to coverage limits and policies that may exclude coverage for some types of damages. Although there may currently be sources from which such coverage may be obtained, the coverage may not continue to be available to us on commercially reasonable terms or the possible types of liabilities that may be incurred by us may not be covered by our insurance. In addition, our insurance carriers may not be able to meet their obligations under the policies, or the dollar amount of the liabilities may exceed our policy limits. Even a partially uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our business, results of operations, financial condition and liquidity.

Furthermore, we are subject to litigation for which we could be obligated to bear legal, settlement and other costs, which may be in excess of any available insurance coverage. If we are required to incur all or a portion of the costs arising out of any litigation or investigation as a result of inadequate insurance proceeds, if any, our business, results of operations, financial condition and liquidity could be materially adversely affected. For further discussion of our litigation, please see “Other Pending, Threatened or Settled Litigation” in Note 7 – Commitments and Contingencies to the Consolidated Financial Statements included in this report.

We may be required to modify or expand our operating, sales and reporting procedures and to install additional equipment in order to comply with current and possible future government regulations.

The chemical industry in general, and producers and distributors of ammonia and AN specifically, are scrutinized by the government, industry and public on security issues. Under current and proposed regulations, we may be required to incur substantial additional costs relating to security at our chemical facilities and distribution centers, as well as in the transportation of our products. These costs could have a material effect on our results of operations, financial condition, and liquidity. The cost of such regulatory changes, if significant, could lead some of our customers to choose other products over ammonia and AN, which may have a significant adverse effect on our business.

The “Secure Handling of Ammonium Nitrate Act of 2007” was enacted by the U.S. Congress, and subsequently the U.S. Department of Homeland Security (“DHS”) published a notice of proposed rulemaking in 2011. This regulation proposes to require sellers, buyers, their agents and transporters of solid AN and certain solid mixtures containing AN to possess a valid registration issued by DHS, keep certain records, report the theft or unexplained loss of regulated materials, and comply with certain other new requirements. We and others affected by this proposal have submitted appropriate comments to DHS regarding the proposed regulation. It is possible that DHS could significantly revise the requirements currently being proposed. Depending on the provisions of the final regulation to be promulgated by DHS and on our ability to pass these costs to our customers, these requirements may have a negative effect on the profitability of our AN business and may result in fewer distributors who are willing to handle the product. DHS has not finalized this rule, and has indicated that its next action, and the timing of such an action, is undetermined.

On August 1, 2013, U.S. President Obama issued an executive order addressing the safety and security of chemical facilities in response to recent incidents involving chemicals such as the explosion at West, Texas. The President directed federal agencies to enhance existing regulations and make recommendations to the U.S. Congress to develop new laws that may affect our business. In January 2016, the U.S. Chemical Safety and Hazard Investigation Board (“CSB”) released its final report on the West, Texas incident. The CSB report identifies several federal and state regulations and standards that could be strengthened to reduce the risk of a similar incident occurring in the future. While the CSB does not have authority to directly regulate our business, the findings in this report, and other activities taken in response to the West, Texas incident by federal, state, and local regulators may result in additional regulation of our processes and products.

In January 2017, the U.S. EPA finalized revisions to its Risk Management Program (“RMP”). The revisions include new requirements for certain facilities to perform hazard analyses, third-party auditing, incident investigations and root cause analyses, emergency response exercises, and to publicly share chemical and process information. Compliance with many of the rule’s new requirements became required beginning in 2021. The EPA temporarily delayed the rule’s effective date however, the delay was subsequently vacated with an immediate effective date. On December 3, 2018, the EPA published a final rule that incorporates amendments to the RMP under 40 CFR Part 68. However, on November 21, 2019, EPA finalized its Risk Management Program Reconsideration Rule which rescinded third-party auditing, incident investigation and root cause analysis, and the public sharing of specific chemical and process information. The passage of the Reconsideration Rule has reduced the potential negative effect on the profitability of our AN business compared to the January 2017 RMP amendments. The Occupational Safety and Health Administration is likewise considering changes to its Process Safety Management standards. In addition, DHS, the EPA, and the Bureau of Alcohol, Tobacco, Firearms and Explosives updated a joint chemical advisory on the safe storage, handling, and management of AN. While these actions may result in additional regulatory requirements or changes to our operators, it is difficult to predict at this time how these and any other possible regulations, if and when adopted, will affect our business, operations, liquidity or financial results.

Proposed and existing governmental laws and regulations relating to greenhouse gas and other air emissions may subject certain of our operations and customers to significant new costs and restrictions on their operations and may reduce sales of our products.

Our chemical manufacturing facilities use significant amounts of electricity, natural gas and other raw materials necessary for the production of their chemical products that result, or could result, in certain greenhouse gas emissions into the environment. Federal and state legislatures and administrative agencies, including the EPA, are considering the scope and scale of greenhouse gas or other air emission regulation. Legislation and administrative actions have been considered that would regulate greenhouse gas emissions at some point in the future for our facilities, and existing and possible actions have already affected certain of our customers, leading to closure or rate reductions of certain facilities.

In response to findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and the environment, the EPA adopted regulations pursuant to the federal Clean Air Act to reduce greenhouse gas emissions from various sources. For example, the EPA requires certain large stationary sources to obtain preconstruction and operating permits for pollutants regulated under the Prevention of Significant Deterioration and Title V programs of the Clean Air Act. Facilities required to obtain preconstruction permits for such pollutants are also required to meet “best available control technology” standards that are being established by the states. These regulatory requirements could adversely affect our operations and restrict or delay our ability to obtain air permits for new or modified sources.

Although greenhouse gas regulation could: increase the price of the electricity and other energy sources purchased by our chemical facilities; increase costs for natural gas and other raw materials (such as ammonia); potentially restrict access to or the use of certain raw materials necessary to produce our chemical products; and require us to incur substantial expenditures to retrofit our chemical facilities to comply with the proposed new laws and regulations regulating greenhouse gas emissions. Federal, state and local governments may also pass laws mandating the use of alternative energy sources, such as wind power and solar energy, which may increase the cost of energy use in certain of our chemical and other manufacturing operations. For instance, the EPA published a rule, known as the “Clean Power Plan,” to limit greenhouse gases from electric power plants. The EPA is currently reviewing the Clean Power Plan however, it could result in increased electricity costs due to increased requirements for use of alternative energy sources, and a decreased demand for coal-generated electricity.

Laws, regulations or other issues related to climate change could have a material adverse effect on us.

If we, or other companies with which we do business become subject to laws or regulations related to climate change, it could have a material adverse effect on us. The United States may enact new laws, regulations and interpretations relating to climate change, including potential cap-and-trade systems, carbon taxes and other requirements relating to reduction of carbon footprints and/or greenhouse gas emissions. Other countries have enacted climate change laws and regulations, and the United States has been involved in discussions regarding international climate change treaties. The federal government and some of the states and localities in which we operate have enacted certain climate change laws and regulations and/or have begun regulating carbon footprints and greenhouse gas emissions. Although these laws and regulations have not had any known material adverse effect on us to date, they could result in substantial costs, including compliance costs, monitoring and reporting costs and capital. Furthermore, our reputation could be damaged if we violate climate change laws or regulations. We cannot predict how future laws and regulations, or future interpretations of current laws and regulations, related to climate change will affect our business, results of operations, liquidity and financial condition. Lastly, the potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages and changing temperatures. Any of these matters could have a material adverse effect on us.

Risks Relating to Debt

Despite our current levels of debt, we may still incur more debt ranking senior or equal in right of payment with our existing obligations, including secured debt, which would increase the risks described herein.

The agreements relating to our debt, including the Indenture governing the Senior Secured Notes and the credit agreement governing our New Revolving Credit Facility Loan, limit but do not prohibit our ability to incur additional debt, including additional secured debt. Notwithstanding the fact that the Indenture governing the Senior Secured Notes and the credit agreement governing our New Revolving Credit Facility Loan limit our ability to incur additional debt or grant certain liens on our assets, the restrictions on the incurrence of additional indebtedness and liens are subject to a number of important qualifications and exceptions, and the additional indebtedness and liens incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Borrowings under our New Revolving Credit Facility Loan bear interest at a variable rate, which subjects us to interest rate risk and could cause our debt service obligations to increase.

All of our borrowings under our New Revolving Credit Facility Loan are at variable rates of interest and expose us to interest rate risk. If interest rates continue to increase, our debt service obligations on this variable rate indebtedness would increase even though the

amount borrowed remained the same. Although we may enter into interest rate swaps to reduce interest rate volatility, we cannot provide assurances that we will be able to do so or that such swaps will be effective.

Risks Relating to Human Capital

Loss of key personnel and other employees could negatively affect our business.

Our performance has been and will continue to be dependent upon the efforts of our principal executive officers. We cannot ensure that our principal executive officers will continue to be available. Although we have employment agreements with certain of our principal executive officers, including Mark T. Behrman and Cheryl A. Maguire, we do not have employment agreements with all of our key personnel. The loss of any of our principal executive officers could have a material adverse effect on us. We believe that our future success will depend in large part on our continued ability to attract and retain highly skilled and qualified personnel.

In recent years, as competition for employees in our industry has increased, we may experience higher than anticipated levels of employee attrition. Employee turnover and associated costs of rehiring, the loss of human capital and expertise through attrition and the reduced ability to attract talent could impair our ability to operate our business.

We are subject to collective bargaining agreements with certain employees.

Approximately 28% of our employees are covered by collective bargaining agreements. We may not be able to renew our collective bargaining agreements on terms similar to current terms or renegotiate collective bargaining agreements on terms acceptable to us. The prolonged failure to renew or renegotiate a collective bargaining agreement could result in work stoppages. Additionally, if a collective bargaining agreement is negotiated at higher-than-anticipated cost, absorbing those costs or passing them through to customers in the form of higher prices may make us less competitive.

Risks Relating to Shareholders

An affiliate of Todd Boehly (“Boehly”) has significant influence over us, which could limit your ability to influence the outcome of key transactions, including a change of control.

TLB-LSB, LLC (“TLB-LSB”), which is an affiliate of Boehly, beneficially owns, in the aggregate approximately 21% of our outstanding common stock as of December 31, 2023. Additionally, pursuant to the Board Representation and Standstill Agreement, as amended, TLB-LSB has certain board member nomination rights based on the size of our Board and its holdings. For as long as TLB-LSB continues to beneficially own a substantial percentage of the voting power of our outstanding common stock, Boehly and his affiliates will continue to have significant influence over us. For example, they will be able to strongly influence the election of all of the members of our Board and our business and affairs, including certain determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of additional indebtedness, the issuance of additional shares of common stock or other equity securities, the repurchase or redemption of shares of our common stock and the payment of dividends.

Additionally, Boehly and his affiliates manage businesses across a range of industries and may acquire and hold interests in businesses that compete directly or indirectly with us. Boehly and his affiliates may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

We are subject to a variety of factors that could discourage other parties from attempting to acquire us.

Our certificate of incorporation provides for a staggered Board and, except in limited circumstances, a two-thirds vote of outstanding voting shares to approve a merger, consolidation or sale of all, or substantially all, of our assets. In addition, we have entered into severance agreements with our executive officers and some of the executive officers of certain subsidiaries that provide, among other things, that if, within a specified period of time after the occurrence of a change in control of LSB, these officers are terminated, other than for cause, or the officer terminates his employment for good reason, the officer would be entitled to certain severance benefits. Certain of our preferred stock series and debt instruments also provide special rights in a change of control, including in some cases the ability to be repaid in full or redeemed.

We have authorized and unissued (including shares held in treasury) approximately 76.9 million shares of common stock and approximately 5.2 million shares of preferred stock as of December 31, 2023. These unissued shares could be used by our management to make it more difficult, and thereby discourage an attempt to acquire control of us.

The foregoing provisions and agreements may discourage a third-party tender offer, proxy contest, or other attempts to acquire control of us and could have the effect of making it more difficult to remove incumbent management. In addition, Boehly, through his affiliates, and the Golsen Holders have significant voting power and rights to designate board representatives, all of which may further discourage a third-party tender offer, proxy contest, or other attempts to acquire control of us.

Delaware has adopted an anti-takeover law which, among other things, will delay for three years business combinations with acquirers of 15% or more of the outstanding voting stock of publicly-held companies (such as us), unless:

- prior to such time the Board of the corporation approved the business combination that results in the stockholder becoming an invested stockholder;

- the acquirer owned at least 85% of the outstanding voting stock of such company prior to commencement of the transaction;
- two-thirds of the stockholders, other than the acquirer, vote to approve the business combination after approval thereof by the Board; or
- the stockholders of the corporation amend its articles of incorporation or by-laws electing not to be governed by this provision.

We have not paid cash dividends on our outstanding common stock in many years.

We have not paid cash dividends on our outstanding common stock in many years, and we do not currently anticipate paying cash dividends on our outstanding common stock in the near future. Our Board has not made a decision whether or not to pay dividends on our common stock in 2024. In addition, there are certain limitations contained in our loan agreements that may limit our ability to pay dividends on our outstanding common stock.

Future issuances or potential issuances of our common stock or preferred stock could adversely affect the price of our common stock and our ability to raise funds in new stock offerings and could dilute the percentage ownership or voting power of our common stockholders.

Future sales of substantial amounts of our common stock, preferred stock or equity-related securities in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could dilute the value of common stock held by our existing stockholders. No prediction can be made as to the effect, if any, that future sales of common stock, preferred stock, or equity-related securities, or the availability of shares of common stock for future sale will have on the trading price of our common stock. Such future sales could also significantly reduce the percentage ownership and voting power of our existing common stockholders.

General Risk Factors

Deterioration of global market and economic conditions could have a material adverse effect on our business, financial condition, results of operations and cash flow.

A slowdown of, or persistent weakness in, economic activity caused by a deterioration of global market and economic conditions could adversely affect our business in the following ways, among others: conditions in the credit markets could impact the ability of our customers and their customers to obtain sufficient credit to support their operations; the failure of our customers to fulfill their purchase obligations could result in increases in bad debts and affect our working capital; and the failure of certain key suppliers could increase our exposure to disruptions in supply or to financial losses. We also may experience declining demand and falling prices for some of our products due to our customers' reluctance to replenish inventories. The overall impact of a global economic downturn or reduced overall global trade on us is difficult to predict, and our business could be materially adversely impacted.

In addition, conditions in the international market for nitrogen fertilizer significantly influence our operating results. The international market for fertilizers is influenced by such factors as the relative value of the U.S. currency and its impact on the importation of fertilizers, foreign agricultural policies, the existence of, or changes in, import or foreign currency exchange barriers in certain foreign markets and other regulatory policies (including tariffs) of foreign governments, as well as the U.S. laws and policies affecting foreign trade and investment.

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 and mining industries;
- 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;
- 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;
- 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;

- 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” contained in this report.

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.

Defined Terms

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

AN	- Ammonium nitrate.
ASC	- Accounting Standard Codification.
Baytown Facility	- The nitric acid production facility located in Baytown, Texas.
Board	- The Board of Directors of the Company.
CEO	- Chief Executive Officer.
Cherokee Facility	- Our chemical production facility located in Cherokee, Alabama.
Cherokee Nitrogen Co.	- Cherokee Nitrogen Company (now merged into LSB Chemical, L.L.C.)
Covestro	- Covestro LLC.
COVID-19	- The novel coronavirus disease of 2019.
EDA	- El Dorado Ammonia L.L.C. (now merged into LSB Chemical, L.L.C.).
EDC	- El Dorado Chemical Company (now merged into LSB Chemical, L.L.C.).
El Dorado Facility	- Our chemical production facility located in El Dorado, Arkansas.
EPA	- The U.S. Environmental Protection Agency.
Eldridge	- Eldridge Industries, L.L.C.
Exchange Agreement	- A Securities Exchange Agreement between LSB Funding L.L.C. and affiliate of Eldridge Industries, L.L.C. and LSB.
FASB	- Financial Accounting Standards Board.
February Report	- WASDE report dated February 8, 2024.
Financial Covenant	- Certain springing financial covenants associated with the loan.
GAAP	- U.S. Generally Accepted Accounting Principles.

Global	- Global Industrial, Inc., a subcontractor asserting mechanics liens for work rendered to LSB and EDC.
Golsen Holders	- Jack E. Golsen, Barry H. Golsen and certain of their related parties, as defined in the Board Representation and Standstill Agreement, as amended.
HDAN	- High density ammonium nitrate prills used in the agricultural industry.
Indenture	- The agreement governing the Senior Secured Notes, dated as of October 14, 2021, by and among LSB, the subsidiary guarantors which includes all of LSB's consolidated subsidiaries named therein, and Wilmington Trust, National Association, a national banking association, as trustee and collateral agent.
J. Golsen	- Jack E. Golsen.
LDAN	- Low density ammonium nitrate prills used in the mining industry.
LSB	- LSB Industries, Inc.
MD&A	- Management's Discussion and Analysis of Financial Condition and Results of Operations found in Item 7 of this report.
New Revolving Credit Facility-	Our new secured revolving credit facility entered into during December 2023 which provides for a secured revolving credit facility in an initial maximum principal amount of up to \$75 million, with an option to increase the maximum principal amount by up to \$25 million (which amount is uncommitted).
NOL	- Net Operating Loss.
Note	- A note in the accompanying notes to the consolidated financial statements.
NPK	- Compound fertilizer products which are a solid granular fertilizer product for which the nutrient content is a combination of nitrogen, phosphorus, and potassium.
Old Notes	- The senior secured notes issued on April 28, 2018 with an interest rate of 9.625%, which were due to mature in May 2023 but were redeemed in October 2021.
PBRSU	- Performance-based restricted stock unit.
PCC	- Pryor Chemical Company (now merged into LSB Chemical, L.L.C.).
PP&E	- Plant, property and equipment.
PPP	- Paycheck Protection Program
Prior Revolving Credit Facility	- Our prior secured revolving credit facility replaced during December 2023 by our New Secured Revolving Credit Facility. In connection with the closing of the New Revolving Credit Facility, all outstanding amounts under the Prior Revolving Credit Facility, were repaid in full and such facility and all commitments thereunder were terminated.
Pryor Facility	- Our chemical production facility located in Pryor, Oklahoma.
RSU	- Restricted stock unit.
SEC	- The U.S. Securities and Exchange Commission.
Secured Financing due 2023	- A secured financing arrangement between EDC and an affiliate of LSB Funding, which was repaid in April 2023.
Secured Financing Agreement due 2025	- A secured financing arrangement between EDA and an affiliate of LSB Funding which matures in August 2025.
Secured Loan Agreement due 2025	- A secured loan agreement between EDC and an affiliate of LSB Funding which matures in March 2025.
Senior Secured Notes	- The senior secured notes issued on October 14, 2021 and March 8, 2022, with an interest rate of 6.25%, which mature in October 2028.
Series B Preferred	- The Series B 12% cumulative convertible Class C Preferred stock.
Series D Preferred	- The Series D 6% cumulative convertible Class C preferred stock.
Series E Redeemable Preferred	- The 14% Series E Redeemable Preferred stock with participating rights and liquidating distributions based on a certain number of shares of our common stock.

Series F Redeemable Preferred	- The Series F Redeemable Preferred stock with one share to vote as a single class on all matters with our common stock equal to 456,225 shares of our common stock.
SG&A	- Selling, general and administrative expense.
Special Dividend	- A stock split in the form of a common stock dividend declared by our Board in 2021.
Turnaround	- A planned major maintenance activity.
UAN	- Urea ammonia nitrate.
USDA	- United States Department of Agriculture.
WASDE	- World Agricultural Supply and Demand Estimates Report.
West Fertilizer	- West Fertilizer Company.
2005 Agreement	- A death benefit agreement with Jack E. Golsen.
2016 Plan	- The 2016 Long Term Incentive Plan.
2022 Crop	- Corn crop marketing year (September 1 - August 31), which began in 2021 and ended in 2022 and primarily relates to corn planted and harvested in 2021.
2023 Crop	- Corn crop marketing year (September 1 - August 31), which began in 2022 and will end 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of developing, implementing, and maintaining robust cybersecurity measures to maintain the security, confidentiality, integrity, and availability of our business systems and commercially sensitive or confidential information. Our business depends on the proper functioning and availability of our information technology platform, including communications and data processing systems. We are also required to effect electronic transmissions with third parties including clients, vendors and others with whom we do business, and with our Board. We also recognize that, as we continue to increase our dependence on information technologies to conduct our operations the risks associated with cyber security also increase.

LSB utilizes an enterprise-wide risk management process to identify, assess and manage risks faced by our organization. The Company's Enterprise Risk Management Committee ("ERM Committee"), is designated with the responsibility to direct our risk management program and to execute our risk management strategy, including cyber and technology risk. To protect our information systems and operations from risks and to execute our cyber strategy, we use various security processes and technology tools that help identify, investigate, assess, prevent, and resolve potential vulnerabilities and security incidents in a timely manner. These include, but are not limited to, detection, monitoring and reporting tools. Our team uses widely adopted methods and models to identify, prioritize and manage cyber and technology risks and develop related information security controls and safeguards. In partnership with third party advisors and consultants, we conduct regular reviews and tests of our program and leverage audits, penetration and vulnerability testing, cyber risk tabletops and security awareness trainings, and other cyber exercises to evaluate the effectiveness of our program and improve our security measures. Our information security policies are designed to address current applicable legal requirements and to align with recognized frameworks for cyber risk management. These standards cover physical, administrative, and technical controls and address a wide range of current cyber threats. These policies and standards are reviewed and updated on a regular basis in order to respond to the constantly changing threat landscape.

Governance

Our Board of Directors considers cybersecurity to be a business risk and oversees enterprise-wide risks through the Audit Committee. The Audit Committee is designated by the Board with the responsibility for monitoring and reporting on management's cybersecurity and risk management processes. The ERM Committee is the management-entity designated by the Chief Executive Officer with the responsibility to direct and execute our risk governance and strategy, including cyber risk. This ERM Committee is composed of the Company's Executive Vice Presidents and each of the Company's Senior Vice Presidents. Our Senior Vice President and Treasurer chairs the ERM Committee. The Vice President for Information Technology ("IT") leads the information security program, manages cyber governance and incident management. The Vice President of IT and the Director of Infrastructure and Security have over forty-five years of combined information technology experience and over a decade of cybersecurity experience. The ERM Committee and

Vice President for IT assess cyber risk and provide recommendations for management. The Chair of the ERM Committee and the Vice President for IT brief the Audit Committee regularly. These updates include an overview of cyber risk management activities, cyber threats, and key information security processes and mitigation efforts. The Chair of the Audit Committee provides regular reports to the Board of Directors on critical cyber risk and security topics presented to the Committee by management.

Incident Management

We have implemented security procedures and measures in order to protect our information from being vulnerable to theft, loss, damage or interruption from a number of potential sources or events. LSB maintains and tests an incident response plan that outlines steps for the containment, investigation of, response to and recovery from cyber events. The plan also includes information pertaining to roles, responsibilities, and reporting process. This plan is a part of our formal, enterprise-wide crisis management process, which outlines a communication plan with executive leadership as well as guidelines for communication with the Board of Directors. Although we make efforts to maintain the security and integrity of our information systems and technology operations, these systems are subject to the cyber risk of incident or disruption, and there can be no assurance that our security safeguards, and those of our third-party providers, will prevent incidents to our or our third-party providers' systems that could adversely affect our business. For a discussion of these risks, see "Item 1A. Risk Factors—General Risk Factors."

ITEM 2. PROPERTIES

The following table presents our significant properties for 2023:

Facility	El Dorado Facility	Cherokee Facility	Pryor Facility	Chemical Distribution Centers
Location	El Dorado, AR	Cherokee, AL	Pryor, OK	(A)
Plant Area (acres)	150	160	47	
Site Area (acres)	1,400	1,300	104	
Site Status	Owned	Owned	Owned	(A)
Annual Ammonia Production Capacity (tons) (E)	493,000 (B)	188,000 (C)	246,000 (D)	

(A) We distribute our agricultural products through 6 wholesale and retail distribution centers, with 5 of the centers located in Texas (all of which we own); and 1 center located in Missouri (owned).

(B) The ammonia production capacity is based on 1,350 tons per day of production for the year.

(C) The ammonia production capacity is based on 515 tons per day of production for the year.

(D) The ammonia production capacity is based on 675 tons per day of production for the year.

(E) Reflects production at full daily capacity throughout the entire year. There were no Turnarounds performed in 2023 at any of our facilities.

For 2023, our facilities produced approximately 816,000 tons of ammonia.

In addition, we currently lease the office space housing our headquarters in Oklahoma City, Oklahoma.

Most of our real property and equipment located at our chemical facilities are being used to secure our long-term debt. All of the properties utilized by our businesses are suitable and adequate to meet the current needs of that business and relate to domestic operations.

ITEM 3. LEGAL PROCEEDINGS

See Legal Matters under Note 7 – Commitments and Contingencies to the Consolidated Financial Statements included in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is trading on the New York Stock Exchange under the symbol "LXU."

Stockholders

As of February 16, 2024, we had approximately 336 record holders of our common stock which was obtained from our transfer agent. This number does not include investors whose ownership is recorded in the name of their brokerage company.

Equity Compensation Plans

Discussions relating to our equity compensation plans under Item 12 of Part III are incorporated by reference to our definitive proxy statement which we intend to file with the SEC on or before April 9, 2024.

Dividends

We have not paid cash dividends on our outstanding common stock in many years, and we do not currently anticipate paying cash dividends on our outstanding common stock in the near future. Our Board has not made a decision whether or not to pay dividends on our common stock in 2024.

Sale of Unregistered Securities

During 2023, we repurchased approximately 3.1 million shares at an average cost of \$9.21 per share. During our fiscal quarter ended December 31, 2023, we repurchased approximately 1.2 million shares at an average cost of \$8.64 per share.

The following table summarizes the Company's purchase of its common stock for the year ended December 31, 2023:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(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
May 1 – May 31, 2023	1,173,778	\$ 9.49	1,173,778	\$ 138,855,631
June 1 – June 30, 2023	621,581	\$ 9.77	621,581	132,781,963
July 1 – July 31, 2023	59,911	\$ 9.78	59,911	132,195,998
August 1 – August 31, 2023	—	—	—	132,195,998
September 1 – September 30, 2023	—	—	—	132,195,998
October 1 - October 31, 2023	—	—	—	132,195,998
November 1 - November 30, 2023	934,867	8.50	934,867	124,249,670
December 1 - December 31, 2023	304,155	9.07	304,155	121,489,988
Total	<u>3,094,292</u>	<u>\$ 9.21</u>	<u>3,094,292</u>	

1. In May 2023, our Board authorized a \$150 million stock repurchase program. The stock repurchase program is discussed in *Item 7. Management Discussion and Analysis – 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 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following MD&A should be read in conjunction with the consolidated financial statements and related notes included in Item 8. Financial Statements and Supplementary Data. Notes referenced in this discussion and analysis refer to the notes to consolidated financial statements that are found in Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements. Certain statements contained in this MD&A may be deemed to be forward-looking statements. See “Special Note Regarding Forward-Looking Statements.”

Overview

LSB is headquartered in Oklahoma City, Oklahoma and we manufacture and sell chemical products for the agricultural, mining, and industrial 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 currently underway focused on continuing to improve the reliability of our plants as we advance towards our 95% ammonia on-stream operating rate goal and increase our production volumes of downstream products. Progress towards these goals 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 Broadening the Distribution and Optimization of our Product Mix.* In January of 2023, we took over direct distribution of our Pryor facility's UAN production, and in July 2023 we did the same for our Cherokee facility's UAN production, following several years of working with third parties to sell the product. We believe that this, 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. 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, a low-carbon ammonia project on the Houston Ship Channel in conjunction with INPEX Corporation (“INPEX”), Air Liquide Group (“Air Liquide”) and Vopak Moda Houston LLC (“Vopak Moda”) and a green ammonia project at our Pryor Facility. 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. Green ammonia is ammonia produced using renewable energy to power electrolyzers that extract hydrogen from water, resulting in zero-carbon production of ammonia, which we believe can also be sold at a premium to a variety of customers and industries around the world.

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:
 - 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;
 - Construction of 5,000 tons of additional nitric acid storage at our El Dorado facility to help us optimize our product sales mix; and
 - 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.
- *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 October 2023, we announced a collaboration with INPEX, Air Liquide and Vopak Moda 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 the end of 2027, with options for future production expansions.

The parties completed a feasibility study on the project earlier this year and the preferred facility's location on the Houston Ship Channel, the second largest petrochemical corridor in the world, leverages existing infrastructure assets. Vopak Moda 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 CO₂ emissions from hydrogen production with approximately 1.6 million metric tons per year of CO₂ captured and permanently sequestered from this project. Air Liquide would 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. We led the selection of KBR as the ammonia loop technology provider, and will lead the pre-FEED, engineering, procurement and construction of the facility. We 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 some volumes 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 Moda 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 Moda will maintain its ownership of the existing infrastructure and plans to build additional storage capacity as required to handle the low-carbon ammonia production of 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 May 2022, we entered into agreements with Thyssenkrupp Uhde USA, LLC and Bloom Energy Corporation, to develop a project to produce approximately 30,000 metric tons of zero-carbon or "green" ammonia per year at our Pryor, Oklahoma facility. The green hydrogen produced from the electrolyzers could qualify for federal incentive programs such as the production and tax credit under Internal Revenue Code Section 45V. In November 2023, the uncertainty of the Internal Revenue Code Section 45V tax credits combined with the project's current capital costs, caused us to place this project on hold. In December 2023, the 45V tax credit guidance was released requiring renewable electricity input consumption to be strictly matched to the hydrogen production output on an hourly basis. This requirement deems the design of our green ammonia project, as initially contemplated, economically unfeasible. We continue to have discussions with potential partners to redesign the project so that it qualifies for the recently released 45V tax credit guidance.

In April 2022, we entered into an agreement with Lapis Energy to develop a project to capture and permanently sequester CO₂ 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 by 2025, subject to the approval of a Class VI permit, at which time CO₂ injections are expected to begin. Once operational, the project at the El Dorado site will initially capture and permanently sequester more than 450,000 metric tons of CO₂ per year in underground saline aquifers. The permanently sequestered CO₂ 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 CO₂ captured and pay us a fee for each ton of CO₂ captured and permanently sequestered beginning in 2026. Once in operation, the sequestered CO₂ is expected to reduce our scope 1 GHG emissions by approximately 25% from current levels. In addition, sequestering more than 450,000 metric tons of CO₂ annually is expected to enable LSB to produce over 375,000 metric tons of low-carbon ammonia annually, a product that could potentially be sold at higher price levels than conventional ammonia. In February 2023, we achieved a key milestone 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 our application as complete in March 2023 and is currently in the review process.

Lower Product Selling Prices Partially Offset by Stronger Sales Volume

Sales volumes of our products increased in 2023 as compared to 2022 during which we performed Turnarounds on our Pryor, Oklahoma and El Dorado, Arkansas facilities while we had no significant Turnarounds during 2023. In 2024, we have Turnarounds planned to take place during the third quarter at our Pryor, Oklahoma and Cherokee, Alabama facilities.

With respect to our 2023 profitability, higher sales volumes were more than offset by the impact of lower selling prices relative to the very high pricing levels of 2022. The decline in fertilizer prices was the result of a variety of domestic and international factors. A key factor in the weakening of nitrogen fertilizer prices through the first half of 2023 was the decline in natural gas costs in Europe. Natural gas is the primary feedstock for the production of ammonia. Natural gas prices in Europe dropped due to a reduction in demand primarily related to warmer than expected temperatures throughout Europe during the 2023 winter combined with ample supply and high storage inventories resulting from imports of liquified natural gas from the U.S. After having production largely curtailed for much of 2022, lower natural gas costs enabled a majority of European ammonia facilities to resume operations over the course of 2023, increasing global supply for nitrogen products. With that said, natural gas costs in Europe remain higher than those in the U.S. and European operators remain the high cost, or marginal producers, with production costs at levels above those in the U.S.

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

Nitrogen pricing increased during the second half of 2023, rebounding from July lows, driven by a combination of global factors including production outages at several large international ammonia plants, low inventory levels as a result of de-stocking throughout the nitrogen distribution channel, and the delayed start-up of new production capacity. During 2024, we expect ammonia pricing to moderate from late-2023 levels for a variety of reasons, including: heavy ammonia application by U.S. farmers during the Fall of 2023; natural gas prices in Europe are currently near their lowest levels since 2021 and appear unlikely to rise significantly in the coming months; and global industrial sector demand for nitrogen products remains depressed. Upside to our 2024 pricing expectations could be driven by a variety of factors, including: an increase in energy prices, various global geopolitical disruptions to trade flows, a strengthening industrial environment in China, delays in new production capacity coming online and supportive weather dynamics.

We believe that while prices for ammonia are anticipated to moderate, prices for other nitrogen products such as urea and UAN could see improvements due to Chinese urea export limitations in the first half of 2024, which should support urea prices and indirectly support UAN prices through the Spring 2024 planting season. Fertilizer prices, however, should remain attractive to retailers and farmers during the 2024 planting season which, combined with anticipated high planting levels in the U.S., should lead to healthy demand for nitrogen fertilizers. Additionally, we believe that corn prices will remain at a level that will further support demand for fertilizers during 2024.

Despite global economic challenges, our industrial business has been solid and demand for our products is steady, supported by the resilience of the U.S. economy. Nitric acid demand has remained stable as global producers have shifted production from international facilities to their U.S. operations in order to take advantage of lower domestic input costs. Demand for AN for use in mining applications is steady due to attractive market fundamentals for quarrying and aggregate production and U.S. metals offsetting any reductions resulting from lower coal production. While economic concerns persist, we believe that we have a meaningful degree of downside protection from the potential impacts of a recession 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.

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 farmers’ perspective, the demand for fertilizer is affected by the aggregate crop planting decisions and 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 and those of 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 effecting prices.

According to the February Report, farmers planted approximately 94.6 million acres of corn in 2023, up 7% compared to the 2022 planting season. According to the February Report, the USDA estimates the U.S. ending stocks for the 2023 Harvest will be approximately 55 million metric tons, an almost 60% increase from the 2022 Harvest. The USDA also raised the expected yield for the 2023 Harvest, up approximately 2% from a year ago.

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

	2024 Crop (2023 Harvest) February Report (1)	2023 Crop (2022 Harvest) February Report (1)	Percentage Change (2)	2022 Crop (2021 Harvest) February Report (1)	Percentage Change (3)
U.S. Area Planted (<i>Million acres</i>)	94.6	88.2	7.3%	92.9	1.8%
U.S. Yield per Acre (<i>Bushels</i>)	177.3	173.4	2.2%	176.7	0.3%
U.S. Production (<i>Million bushels</i>)	15,342	13,651	12.4%	15,018	2.2%
U.S. Ending Stocks (<i>Million metric tons</i>)	55.2	34.6	59.5%	35.0	57.7%
World Ending Stocks (<i>Million metric tons</i>)	322.1	300.3	7.3%	310.5	3.7%

(1) Information obtained from WASDE report dated February 8, 2024 (“February Report”) for the 2023/2024 (“2024 Crop”), 2022/2023 (“2023 Crop”) and 2021/2022 (“2022 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 2024 Crop amounts compared to the 2023 Crop amounts.
- (3) Represents the percentage change between the 2024 Crop amounts compared to the 2022 Crop amounts.

According to the February Report, the USDA corn outlook for the U.S. is for lower food, seed, and industrial use and larger ending stocks. Corn used for glucose and dextrose was reduced 10 million bushels based on indicated usage to date. With no other use changes, U.S. corn ending stocks are up 10 million bushels from the previous month report. From a demand perspective, we believe that corn prices will remain at a level that will further support demand for fertilizers during 2024.

Industrial and Mining Products. Our industrial products sales volumes are dependent upon general economic conditions primarily in the housing, automotive, and paper industries. According to the American Chemistry Council, the U.S. economic indicators will remain mostly unchanged year over year in 2024 before ramping up to a growth rate of 3%–4% annually in 2025–2026. 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 is robust due to attractive market fundamentals for quarrying and aggregate production and U.S. metals.

While economic concerns persist for 2024, we believe that for both our industrial and mining products we have a meaningful degree of downside protection from the potential impacts of a recession given 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 resource for conversion and manufacturing production of our nitrogen products. 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. As of December 31, 2023, we do not have any natural gas forward contracts outstanding. The following table shows the annual volume of natural gas we purchased and the average cost per MMBtu:

	2023	2022
Natural gas volumes (MMBtu in millions)	29.8	27.8
Natural gas average cost per MMBtu	\$ 4.16	\$ 6.58

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, where 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 is 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 from lost sales of our products, lost fixed cost absorption from lower production of our products and increased costs related to repairs and maintenance, which repair and maintenance costs are expensed as incurred.

Our Cherokee Facility is currently on a three-year ammonia plant Turnaround cycle with the next ammonia plant Turnaround planned in the third 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. 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.

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.

Total ammonia production in 2023 was 816,000 tons. For 2024, we are targeting total ammonia production of approximately 790,000 tons to 810,000 tons. Ammonia production is expected to be lower in 2024 as a result of planned Turnaround activities at the Pryor Facility and the Cherokee Facility in the second half of the year.

We believe that our focus on continuous improvement in reliability as discussed in our key operating initiatives underscores our focused goal of achieving a 95% ammonia on-stream operating rate goal and increasing our production volumes of downstream products.

Forward Sales Contracts

In certain instances, we may 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 12 months. 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 for 2023

Our consolidated net sales for 2023 were \$593.7 million compared to \$901.7 million for 2022. Our consolidated operating income for 2023 was \$51.8 million compared to \$308.4 million for 2022. The items affecting our operating results are discussed below and under "Results of Operations."

Items Affecting Comparability of Results

Selling Prices

Our 2023 average selling prices for our ammonia, AN & Nitric Acid, and UAN decreased compared to 2022. 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.

Our 2023 average industrial selling prices for most of our products were also lower compared to the same period of 2022, primarily driven by the \$655 per metric ton decrease in the average annual Tampa Ammonia benchmark price, as many of our industrial contracts are indexed to the Tampa Ammonia benchmark price.

Other Income from Railcar Sublease

During 2023, we subleased on a short-term basis certain railcars and recognized the corresponding revenue as a component of "Other (income) expense, net" in our consolidated statement of operations, which we discuss in Note 14 – Leases.

Gain on Extinguishment of Senior Secured Notes

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.

Settlement of Life Insurance (2022 only)

In the second quarter of 2022, we recognized a \$3.0 million settlement on our company owned life insurance resulting from the approval by our insurer of a death benefit relating to the death of J. Golsen as discussed in Note 10 – Employee Savings and Stock Purchase Plans, Collective Bargaining Agreements and Executive Benefit Agreement. Upon receipt of the settlement, we paid \$2.5 million to the designated beneficiary pursuant to a death benefit agreement with J. Golsen. The amount paid was accrued prior to 2022.

Turnaround Activities (2022 only)

When a Turnaround is performed, overall results for the period are negatively impacted. This impact includes lost contribution margin from lost sales, lost fixed cost absorption from lower production, and increased costs associated with repairs and maintenance. No ammonia plant Turnarounds were performed at any of our facilities during 2023. The effects of our ammonia plant Turnaround activity during 2022, excluding the impacts on downstream production from lost ammonia, are shown below and do not reflect all Turnaround activity during 2022:

Facility	Related Period	Turnaround Downtime	Turnaround Expense (In Thousands)	Estimated Lost Production (In Tons)
El Dorado	3 rd Quarter 2022	27 days	\$ 8,414	36,000
Pryor	3 rd & 4 th Quarter 2022	38 days	14,952	26,000
			<u>\$ 23,366</u>	<u>62,000</u>

Results of Operations

The following Results of Operations should be read in conjunction with our consolidated financial statements for the years ended December 31, 2023 and 2022 and accompanying notes and the discussions under “Overview” and “Liquidity and Capital Resources” included in this MD&A. You should carefully review and consider the information in the MD&A of our 2022 Form 10-K, filed with the SEC on February 23, 2023 for an understanding of our results of operations and liquidity discussions and analysis comparing 2022 to 2021.

We present the following information about our results of operations. Net sales to unaffiliated customers are reported in the 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.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

The following table contains certain financial information:

	2023	2022	Change	Percentage Change
	(Dollars In Thousands)			
Net sales:				
AN & Nitric Acid	\$ 221,818	\$ 315,679	\$ (93,861)	(30)%
Urea ammonium nitrate (UAN)	154,206	239,463	(85,257)	(36)%
Ammonia	166,581	284,005	(117,424)	(41)%
Other	51,104	62,564	(11,460)	(18)%
Total net sales	<u>\$ 593,709</u>	<u>\$ 901,711</u>	<u>\$ (308,002)</u>	<u>(34)%</u>
Gross profit:				
Adjusted gross profit (1)	157,075	444,384	(287,309)	(65)%
Depreciation and amortization (2)	(68,385)	(66,782)	(1,603)	2 %
Turnaround expense	(2,430)	(29,235)	26,805	N/M
Total gross profit	86,260	348,367	(262,107)	(75)%
Selling, general and administrative expense	36,580	39,428	(2,848)	(7)%
Other (income) expense, net	(2,097)	561	(2,658)	(474)%
Operating income	51,777	308,378	(256,601)	(83)%
Interest expense, net	41,136	46,827	(5,691)	(12)%
(Gain) loss on extinguishments of debt	(8,644)	113	(8,757)	N/M
Non-operating other income, net	(14,611)	(8,083)	(6,528)	81 %
Provision for income taxes	5,973	39,174	(33,201)	N/M
Net income	<u>\$ 27,923</u>	<u>\$ 230,347</u>	<u>\$ (202,424)</u>	<u>(88)%</u>
Other information:				
Gross profit percentage (3)	14.5 %	38.6 %	(24.1)%	
Adjusted gross profit percentage (3)	26.5 %	49.3 %	(22.8)%	
Property, plant and equipment expenditures	<u>\$ 67,603</u>	<u>\$ 45,833</u>	<u>\$ 21,770</u>	48 %

N/M Not meaningful.

- (1) Represents a non-GAAP measure. The amounts exclude unallocated depreciation and amortization and Turnaround expenses which we believe are not reflective of our operating performance in a given period.
- (2) Represents amount classified as cost of sales.
- (3) As a percentage of total net sales.

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

Product (tons sold)	2023	2022	Change	Percentage Change
AN & Nitric Acid	528,895	589,081	(60,186)	(10)%
Urea ammonium nitrate (UAN)	483,139	448,978	34,161	8 %
Ammonia	375,478	276,176	99,302	36 %
Total	<u>1,387,512</u>	<u>1,314,235</u>	<u>73,277</u>	6 %

Gross Average Selling Prices (price per ton)	2023	2022	Change	Percentage Change
AN & Nitric Acid	\$ 419	\$ 536	\$ (117)	(22)%
Urea ammonium nitrate (UAN)	\$ 319	\$ 533	\$ (214)	(40)%
Ammonia	\$ 444	\$ 1,028	\$ (584)	(57)%

Average Benchmark Prices (price per ton)	2023	2022	Change	Percentage Change
Tampa Ammonia Benchmark	\$ 510	\$ 1,165	\$ (655)	(56)%
NOLA UAN	\$ 263	\$ 535	\$ (272)	(51)%

Net Sales

As noted in the table above, we recorded net sales of \$593.7 million in 2023, compared to \$901.7 million for the same period in 2022, or a \$308.0 million reduction. Net sales of our primary products decreased during 2023 compared to 2022 driven by the impact of lower selling prices relative to 2022 for all of our products and lower AN and acids sales volumes. Partially offsetting weaker pricing was an increase in sales volume of agricultural products driven largely by stronger production at our facilities as we returned to a typical level of planned maintenance activities compared to 2022 and also reflecting the investments made in plant reliability over the past several years.

Demand for our industrial and mining products remains stable despite growing global recessionary forces. Our contractual agreements with industrial customers that 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 \$86.3 million for 2023 compared to \$348.4 million for the same period in 2022, or a \$262.1 million reduction. Overall, our gross profit percentage was 15% for 2023 compared to 39% for 2022. Our adjusted gross profit percentage decreased to 27% for 2023 from 49% for 2022.

The decrease in gross profit was primarily driven by lower sales prices for our products partially offset by higher volumes for our agricultural products and lower natural gas costs during 2023 compared to 2022. Gross profit was also negatively impacted by higher natural gas costs in our beginning inventory produced and higher plant fixed costs.

Selling, General and Administrative

Our SG&A expenses were \$36.6 million for 2023, a decrease of \$2.8 million compared to the same period in 2022. The net decrease was primarily driven by higher costs in the prior year of approximately \$2.2 million of expense relating to nonrecurring transaction fees and \$2.7 million in other professional fees, depreciation and amortization and other miscellaneous expenses partially offset by an increase for compensation and benefits related items in the current year of \$2.0 million.

Other (Income) Expense, net

Other income, net for 2023, primarily relates to rental income we received on railcar subleases (discussed in Note 14 – Leases) partially offset by asset write-downs related to disposals, abandonment and impairment.

Interest Expense, net

Interest expense for 2023 was \$41.1 million compared to \$46.8 million for 2022. The decrease was driven by the repurchase of \$125.0 million in principal value of Senior Secured Notes during the second quarter of 2023, a lower outstanding principal balance on our Secured Financing due 2025 and the reversal of damages accrued from a previous judgment awarded to Global in the litigation discussed in Note 7 – Commitments and Contingencies, which included an interest component.

Gain on Extinguishment of Debt

During the second quarter 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.

Non-operating Other Income, net

Non-operating other income for 2023 was \$14.6 million, primarily relating to interest income from our short-term investments. For the same period of 2022, we had non-operating other income of \$8.1 million, primarily relating to a \$3.0 million recognized settlement on our company owned life insurance resulting from a death benefit from an insurer relating to the death of J. Golsen as discussed in Note 10 – Employee Savings and Stock Purchase Plans, Collective Bargaining Agreements and Executive Benefit Agreement and approximately \$5.3 million in interest income primarily from our short-term investments.

Provision for Income Taxes

The provision for income taxes for 2023 was \$6.0 million compared to \$39.2 million for 2022. The resulting effective tax rate for 2023 was 17.7% on pre-tax income compared to 14.6% for 2022 on pre-tax income. For 2023, the effective tax rate is less than the statutory rate primarily due to the impact of state tax law changes and the remeasurement of state deferred balances. For 2022, the effective tax rate is less than the statutory rate primarily due to the impact of valuation allowances releases. Also see discussion in Note 6 – Income Taxes.

Liquidity and Capital Resources

The following table summarizes our cash flow activities for 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
		(In Thousands)	
Net cash flows - operating activities	<u>\$ 137,521</u>	<u>\$ 345,654</u>	<u>\$ (208,133)</u>
Net cash flows - investing activities	<u>\$ 57,400</u>	<u>\$ (369,735)</u>	<u>\$ 427,135</u>
Net cash flows - financing activities	<u>\$ (157,658)</u>	<u>\$ 5,706</u>	<u>\$ (163,364)</u>

Net Cash Flow from Operating Activities

Net cash provided by operating activities was \$137.5 million for 2023 compared to \$345.7 million for 2022, a decrease of \$208.1 million. The decrease was a result of a reduction in net sales partially offset by lower cost of sales, higher interest income from short term investments, sublease income received in the current year, and working capital changes.

Net Cash Flow from Investing Activities

Net cash provided by investing activities was \$57.4 million for 2023 compared to \$369.7 million used for 2022, a change of \$427.1 million.

For 2023, the net cash provided primarily relates to proceeds from maturities of short-term investments of \$389.9 million, partially offset by purchases of short-term investments of \$264.4 million and expenditures for PP&E of \$67.6 million.

For 2022, net cash used primarily relates to purchases of short-term investments of \$486.1 million and expenditures for PP&E of \$45.8 million partially offset by short-term investment maturities of \$158.9 million.

Net Cash Flow from Financing Activities

Net cash used by financing activities was \$157.7 million for 2023 compared to \$5.7 million provided in 2022, a change of \$163.4 million.

For 2023, the net cash used primarily consists of repurchases of our 6.25% Senior Secured Notes of \$114.3, payments on other long-term debt and short-term financing of \$30.1 million, payments of \$28.3 million for the purchase of treasury stock and other payments of \$2.8 million partially offset by proceeds from short-term financing of \$17.8 million.

For 2022, net cash provided primarily consists of proceeds of \$200 million from the New Notes and \$20.1 million from short-term financing partially offset by payments of \$179.0 million for the purchase of treasury stock, payments of \$30.5 million on other long-term debt and short-term financing, and payments of \$4.9 million for debt-related costs.

Capitalization

The following is our total current cash, cash equivalents and short-term investments long-term debt and stockholders' equity:

	December 31,	
	2023	2022
	(In Millions)	
Cash and cash equivalents	\$ 98.5	\$ 63.8
Short-term investments	207.4	330.6
Total cash, cash equivalents and short-term investments	<u>\$ 305.9</u>	<u>\$ 394.4</u>
Revolving credit facility and long-term debt:		
New Revolving Credit Facility	\$ —	\$ —
Prior Revolving Credit Facility	—	—
Senior Secured Notes due 2028 (1)	575.0	700.0
Secured Financing Agreement due 2025	14.1	19.3
Secured Financing due 2023	—	4.2
Finance Leases	1.0	1.1
Unamortized debt issuance costs (2)	(8.4)	(12.3)
Total long-term debt, including current portion, net	<u>\$ 581.7</u>	<u>\$ 712.3</u>
Total stockholders' equity	<u>\$ 518.3</u>	<u>\$ 515.9</u>

(1) See discussion below under “Loan Agreements” relating to the debt agreement.

(2) Debt issuance costs of approximately \$0.5 million relating to our New Revolving Credit Facility are not included in Unamortized discount and debt issuance cost. They are included in our consolidated balance sheet in Intangible and other assets, net.

Credit Facility – On December 21, 2023, we entered into a secured revolving credit facility (the “New Revolving Credit Facility”) with the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent. The New 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 under the New Revolving Credit Facility is subject to a borrowing base and is subject to 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 “Availability Block”). The New 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 the closing of the New Revolving Credit Facility, no amounts were drawn by us. The facility remains undrawn as of December 31, 2023, while availability under the facility was \$44.5 million on that date. See Note 5 for further discussion on the facility. In connection with the entry into the New Revolving Credit Facility, effective as of December 21, 2023, we satisfied and discharged all obligations under, and terminated all commitments under, our then existing \$65 million secured revolving credit facility (the “Prior Revolving Credit Facility”) except for obligations expressly contemplated to survive payment of the obligations thereunder (including certain existing letters of credit and bank product obligations, all of which were fully cash collateralized at the closing of the New Revolving Credit Facility using cash on hand by us.). We incurred no termination penalties in connection with the early termination of the Prior Revolving Credit Facility.

The New Revolving Credit Facility contains a financial covenant (the “Financial Covenant”), which requires that, solely if we elect to remove the Availability Block, then the Borrowers 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 December 31, 2023.

Senior Secured Notes due 2028 – LSB has \$575 million outstanding in aggregate principal amount of the Senior Secured Notes, which originated from the issuance at par of two tranches of \$500 million and \$200 million in aggregate principal of such notes in October 2021 and March 2022, respectively. During the second quarter of 2023 we repurchased \$125 million in principal amount of our Senior Secured Notes for approximately \$114.3 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 \$8.6 million. The Senior Secured Notes have an interest rate of 6.25%, to be paid semiannually in arrears on May 15th and October 15th, and matures on October 15, 2028.

Secured Financing due 2025 – El Dorado Ammonia L.L.C. (“EDA”) is 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.

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

Capital Expenditures – Our capital expenditures during 2023 relating to PP&E were \$67.6 million. The capital expenditures were funded primarily from cash and working capital. We expect capital expenditures to be approximately \$60 million to \$80 million for 2024.

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

As of December 31, 2023, we have approximately \$305.9 million of cash and short-term investments. Our capital allocation strategy includes, from time to time, seeking to deploy capital through additional share repurchases or the retirement or purchase of outstanding debt. Such repurchases, those of which we describe below for 2023, 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.

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 2023, we repurchased approximately 3.1 million shares of common stock at an average cost of \$9.21 per share for a total of \$28.5 million. During our fiscal quarter ended December 31, 2023, we repurchased approximately 1.2 million shares at an average cost of \$8.64 per share. Total repurchase authority remaining under the repurchase program was \$121 million as of December 31, 2023. The repurchase program may be suspended, terminated or modified at any time for any reason.

During 2023, we repurchased \$125 million in principal value of our Senior Secured Notes for approximately \$114.3 million. The debt repurchase was intended as a means to deleverage our balance sheet and reduce future interest costs while maintaining a balanced capital allocation strategy that provides an appropriate level of liquidity to fund our operations and future growth opportunities.

Expenses Associated with Environmental Regulatory Compliance

We are subject to numerous federal, state and local laws and regulations, including matters regarding environmental, health and safety matters. As a result, we incurred expenses of \$4.3 million in 2023 in connection with environmental projects, compared with \$3.9 million in 2022. For 2024, we expect to incur expenses ranging from \$3.9 million to \$4.5 million in connection with additional environmental projects. However, it is possible that the actual costs could be significantly different than our estimates.

Dividends

See discussions under Note 1 – Summary of Significant Accounting Policies regarding the common stock Special Dividend completed in 2021.

We have not paid cash dividends on our outstanding common stock in many years, and we do not currently anticipate paying cash dividends on our outstanding common stock in the near future. Our Board has not made a decision whether or not to pay dividends on our common stock in 2024.

See discussion under Note 11 – Related Party Transactions regarding the conversion and payment of the accumulated dividends during 2021 relating to the Series D 6% cumulative convertible Class C preferred stock (the “Series D Preferred”) and Series B 12% cumulative convertible Class C Preferred Stock (the “Series B Preferred”).

Seasonality

We believe fertilizer products sold to the agricultural industry are seasonal while sales into the industrial and mining sectors generally are less susceptible. The 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 in the geographical markets we distribute the majority of our agricultural 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 December 31, 2023, 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.

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 Securities Exchange Act of 1934.

Aggregate Contractual Obligations

As of December 31, 2023 our aggregate contractual obligations are summarized in the following table:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Payments Due in the Year Ending December 31,</u>					<u>Thereafter</u>
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	
(In Thousands)							
Long-term debt:							
Senior Secured Notes	\$ 575,000	\$ —	\$ —	\$ —	\$ —	\$ 575,000	\$ —
Secured financing and finance leases	15,086	5,847	8,809	180	125	73	52
Total long-term debt	590,086	5,847	8,809	180	125	575,073	52
Interest payments on long-term debt (1)	163,254	37,027	36,340	35,961	35,950	17,975	1
Operating leases	29,562	10,443	6,526	4,147	2,993	1,661	3,792
Natural gas pipeline commitment (2)	1,620	720	720	180	—	—	—
Other contractual obligations	7,365	2,596	2,388	1,567	163	163	488
Total	<u>\$ 791,887</u>	<u>\$ 56,633</u>	<u>\$ 54,783</u>	<u>\$ 42,035</u>	<u>\$ 39,231</u>	<u>\$ 594,872</u>	<u>\$ 4,333</u>

- (1) The estimated interest payments are all based on fixed interest rates. As of December 31, 2023, we do not have any outstanding borrowings based on variable interest rates.
- (2) Our proportionate share of the minimum costs to ensure capacity relating to a gathering and pipeline system.

New Accounting Pronouncements

Refer to Note 1 – Summary of Significant Accounting Policies for recently adopted and issued accounting standards.

Critical Accounting Policies and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and disclosures of contingencies and fair values. It is reasonably possible that the estimates and assumptions utilized as of December 31, 2023, could change in the near term. The more critical areas of financial reporting affected by management's judgment, estimates and assumptions include the following:

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 realizable and earned.

We are involved in various legal matters that require management to make estimates and assumptions as discussed in Note 7.

It is reasonably possible that the actual costs could be significantly different than our estimates.

Regulatory Compliance – As discussed under “Government Laws and Regulations” in Item 1 of this report, we are subject to numerous federal, state, and local laws and regulations, including matters regarding environmental, health and safety matters. We have developed policies and procedures related to regulatory compliance. We must continually monitor whether we have maintained compliance with such laws and regulations and the operating implications, if any, and amount of penalties, fines and assessments that may result from noncompliance. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our chemical facilities should we discontinue the operations of a facility. However, certain conditions exist which may result in a loss, but which will only be resolved when future events occur relating to these matters. We are involved in various environmental matters that require management to make estimates and assumptions, including matters discussed in Note 7 – Commitments and Contingencies. As of December 31, 2023 and 2022, liabilities totaling \$0.4 million and \$0.5 million, respectively, have been accrued relating to these matters. It is also reasonably possible that the estimates and assumptions utilized as of December 31, 2023 could change in the near term. Actual results could differ materially from these estimates and judgments, as additional information becomes known.

Income Tax – As discussed under “Income Taxes” in Note 1 – Summary of Significant Accounting Policies and in Note 6 – 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. As of December 31, 2023 and 2022, our valuation allowance on deferred tax assets was \$15.2 million and \$14.9 million, respectively.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Our results of operations and operating cash flows are affected 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. As of December 31, 2023, 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, these contracts are exempt from the accounting and reporting requirements relating to derivatives. As of December 31, 2023, we had no outstanding natural gas contracts.

Interest Rate Risk

We are exposed to variable interest rate risk with respect to our New Revolving Credit Facility. As of December 31, 2023, we had no outstanding borrowings on the New Revolving Credit Facility and no other variable rate borrowings.

We have a substantial amount of short-term investments in treasury securities. As these securities mature, to the extent that the proceeds are not required to fund operations, we may roll the funds over by purchasing additional securities. When interest rates fluctuate, there is no assurance that future purchases of short term debt instruments will provide similar yields to the yields of those that have matured.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

We have included the financial statements and supplementary financial information required by this item immediately following Part IV of this report and hereby incorporate by reference the relevant portions of those statements and information into this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that 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. Based upon that evaluation, our Principal Executive Officer and our Principal Financial Officer have concluded that our disclosure controls and procedures were effective. There were no changes to our internal control over financial reporting during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Our internal control system is a process, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework). Based on our assessment, we believe that, as of December 31, 2023, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on the following page.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of LSB Industries, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited LSB Industries, Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, LSB Industries, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2023 consolidated financial statements of the Company and our report dated March 6, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Oklahoma City, Oklahoma

March 6, 2024

ITEM 9B. OTHER INFORMATION

Other Information

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

During our fiscal quarter ended December 31, 2023, one of our directors (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) entered into a contract, instruction or written plan for the purchase or sale of our securities that is 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 this contract, instruction, and written plan as a “Rule 10b5-1 trading plan.” We describe the material terms of this Rule 10b5-1 trading plan below.

John P. Burns, Executive Vice President – Manufacturing

On December 8, 2023, John P. Burns, our Executive Vice President – Manufacturing, entered into a Rule 10b5-1 trading plan that is intended to satisfy the affirmative defense of Rule 10b5-1(c) and provides that Mr. Burns, acting through a broker, may sell up to an aggregate of 66,486 shares of our common stock, subject to adjustments for stock splits, stock combinations, stock dividends and other similar changes to our common stock. The total vested and unvested common shares held by Mr. Burns currently is 197,771. Sales of shares under the plan may only occur from March 8, 2024 to September 8, 2024. The plan is scheduled to terminate on September 8, 2024, 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. Burns or the broker, or as otherwise provided in the plan.

Lynn F. White, Member Board of Directors

On November 9, 2023, Lynn F. White, a member of our board of directors, entered into a Rule 10b5-1 trading plan that is intended to satisfy the affirmative defense of Rule 10b5-1(c) and provides that Mr. White, acting through a broker, may sell up to an aggregate of 40,000 shares of our common stock, subject to adjustments for stock splits, stock combinations, stock dividends and other similar changes to our common stock in certain trust's which he is trustee over. The total vested common shares held by Mr. White 205,653. Sales of shares under the plan may only occur from February 8, 2024 to November 8, 2024. The plan is scheduled to terminate on November 8, 2024, 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. White or the broker, or as otherwise provided in the plan.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

Item 10, Item 11, Item 12, Item 13 and Item 14 are incorporated by reference to our definitive proxy statement which we intend to file with the SEC on or before April 9, 2024.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following consolidated financial statements of the Company appear immediately following this Part IV:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2023 and 2022	F-3
Consolidated Statements of Operations for each of the three years in the period ended December 31, 2023	F-4
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2023	F-5
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2023	F-6
Notes to Consolidated Financial Statements	F-7

(a) (2) Financial Statement Schedule

The Company has included the following schedule in this report:

II - Valuation and Qualifying Accounts	F-29
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We have omitted all other schedules because the conditions requiring their filing do not exist or because the required information appears in our Consolidated Financial Statements, including the notes to those statements.

(a)(3) Exhibits

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).1	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 19, 2021
4.1	Specimen Certificate for the Company's Common Stock	Exhibit 4.3 to the Company's Registration Statement on Form S-3 ASR filed November 16, 2012
4.2	Amended and Restated Section 382 Rights Agreement, dated as of August 22, 2023, between LSB Industries, Inc. and Computershare Trust Company, N.A., as rights agent	Exhibit 4.1 to the Company's Form 8-K filed August 25, 2023
4.3	Intercreditor Agreement, dated August 7, 2013, by and among Wells Fargo Capital Finance, Inc., as agent and UMB Bank, n.a., as collateral agent, and acknowledged and agreed to by LSB Industries, Inc. and the other grantors named therein	Exhibit 99.1 to the Company's Form 8-K filed August 14, 2013
4.4	Indenture, dated as of October 14, 2021, among LSB Industries, Inc., the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent.	Exhibit 4.1 to the Company's Form 8-K filed October 15, 2021
4.5	Form of 6.250% Senior Secured Notes due 2028 (included in Exhibit 4.4).	Exhibit 4.2 to the Company's Form 8-K filed October 15, 2021
4.6(a)	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Exhibit 4.17(a) to the Company's Form 10-K filed February 24, 2022
10.1*	LSB Industries, Inc. 2016 Long Term Incentive Plan	Exhibit 4.8 to the Company's Form S-8 filed June 28, 2016
10.2*	Form of LSB Industries, Inc. 2016 Long Term Incentive Plan Stock Option Agreement	Exhibit 4.9 to the Company's Form S-8 filed June 28, 2016
10.3*	Form of LSB Industries, Inc. 2016 Long Term Incentive Plan Restricted Stock Unit Agreement (Director Award)	Exhibit 4.10 to the Company's Form S-8 filed June 28, 2016
10.4*	Form of LSB Industries, Inc. 2016 Long Term Incentive Plan Restricted Stock Agreement	Exhibit 4.11 to the Company's Form S-8 filed June 28, 2016
10.5*	Form of Time-Based Restricted Stock Agreement of LSB Industries, Inc.	Exhibit 10.4 to the Company's Form 8-K filed January 3, 2019
10.6*	Form of Performance-Based Restricted Stock Agreement of LSB Industries, Inc.	Exhibit 10.5 to the Company's Form 8-K filed January 3, 2019
10.7*	Employment Agreement, dated December 30, 2018, between LSB Industries, Inc. and Mark T. Behrman	Exhibit 10.1 to the Company's Form 8-K filed January 3, 2019
10.8*	Employment Agreement, dated December 30, 2018, between LSB Industries, Inc. and Michael J. Foster	Exhibit 10.3 to the Company's Form 8-K filed January 3, 2019
10.9*	Employment Agreement, dated December 30, 2018, between LSB Industries, Inc. and Cheryl Maguire	Exhibit 10.2 to the Company's Form 8-K filed January 3, 2019
10.10*	Employment Agreement, dated December 20, 2019 and to be effective not later than February 3, 2020, between LSB Industries, Inc. and John Burns	Exhibit 10.30 to the Company's Form 10-K filed February 25, 2019

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.11*	Severance and Change in Control Agreement, dated April 6, 2020, between LSB Industries, Inc. and Kristy Carver	Exhibit 10.1 to the Company's Form 10-Q filed May 7, 2020
10.12	Indemnification Agreement, dated October 14, 2015, by and between the Company and Jack E. Golsen, together with a schedule identifying other substantially identical agreements between the Company and each of the other directors identified on the schedule	Exhibit 10.1 to the Company's Form 8-K filed October 19, 2015
10.13	Indemnification Agreement, dated October 14, 2015 by and between the Company and David M. Shear, together with a schedule identifying other substantially identical agreements between the Company and each of its executive officers identified on the schedule	Exhibit 10.2 to the Company's Form 8-K filed October 19, 2015
10.14	Indemnification Agreement, dated as of December 4, 2015, by and between LSB Industries, Inc. and Jonathan S. Bobb, together with a schedule identifying other substantially identical agreements between the Company and each of the other directors identified on the schedule	Exhibit 10.5 to the Company's Form 8-K filed December 8, 2015
10.15	Asset Purchase Agreement, dated as of December 6, 2002, by and among Energetic Systems Inc. LLC, UTeC Corporation, LLC, SEC Investment Corp. LLC, DetaCorp Inc. LLC, Energetic Properties, LLC, Slurry Explosive Corporation, Universal Tech Corporation, El Dorado Chemical Company, LSB Chemical Corp., LSB Industries, Inc. and Slurry Explosive Manufacturing Corporation, LLC	Exhibit 2.1 to the Company's Form 8-K dated December 27, 2002
10.16	Exhibits and Disclosure Letters to the Asset Purchase Agreement, dated as of December 6, 2002, by and among Energetic Systems Inc. LLC, UTeC Corporation, LLC, SEC Investment Corp. LLC, DetaCorp Inc. LLC, Energetic Properties, LLC, Slurry Explosive Corporation, Universal Tech Corporation, El Dorado Chemical Company, LSB Chemical Corp., LSB Industries, Inc. and Slurry Explosive Manufacturing Corporation, LLC	Exhibit 10.1b to the Company's Form 10-Q filed August 6, 2010
10.17	Ammonia Purchase and Sale Agreement by and between El Dorado Chemical Company and Koch Fertilizer, LLC, dated as of November 2, 2015	Exhibit 10.49 to the Company's Form 10-K filed February 29, 2016 CERTAIN INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED AS IT IS THE SUBJECT OF A COMMISSION ORDER CF #33502, DATED APRIL 4, 2016, GRANTING REQUEST BY THE COMPANY FOR CONFIDENTIAL TREATMENT BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT.
10.18	Second Amendment to Ammonia Purchase and Sale Agreement Between Koch Fertilizer, LLC and El Dorado Chemical Company, dated as of September 30, 2019	Exhibit 10.1 to the Company's Form 10-Q filed October 29, 2019 CERTAIN CONFIDENTIAL INFORMATION WITHIN THIS EXHIBIT HAS BEEN OMITTED.

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.19	Stock Purchase Agreement by and among Consolidated Industries L.L.C. The Climate Control Group, Inc., NIBE Energy Systems Inc. and, solely for purposes of Sections 6.8, 6.19 and 11.15 therein, LSB Industries, Inc., and solely for purposes of Section 11.16 therein, NIBE Industrier AB (publ), dated as of May 11, 2016.	Exhibit 10.1 to the Company's Form 8-K filed May 13, 2016
10.20	Contract on the supply of Basic Engineering Package, Detail Engineering Package, Tagged Major Equipment and related Advisory Services, between Weatherly Inc. and El Dorado Chemical Company, dated November 30, 2012	Exhibit 99.2 to the Company's Form 8-K filed December 6, 2012
10.21	Engineering, Procurement and Construction Agreement, dated August 12, 2013, between El Dorado Ammonia L.L.C. and SAIC Constructors, LLC	Exhibit 10.1 to the Company's Form 8-K filed August 15, 2013
10.22	Construction Agreement-DMW2, dated November 6, 2013, between El Dorado Chemical Company and SAIC Constructors, LLC	Exhibit 99.1 to the Company's Form 8-K filed November 12, 2013
10.23	Construction Agreement – NACSAC, dated November 6, 2013, between El Dorado Chemical Company and SAIC Constructors, LLC	Exhibit 99.2 to the Company's Form 8-K filed November 12, 2013
10.24	Engineering, Procurement and Construction Agreement, dated December 31, 2013, between El Dorado Chemical Company and SAIC Constructors, LLC	Exhibit 99.1 to the Company's Form 8-K filed January 7, 2014
10.25	Engineering, Procurement and Construction Contract, Amendment No. 1 dated October 20, 2015, by and between El Dorado Ammonia LLC and SAIC Constructors, LLC	Exhibit 10.1 to the Company's Form 8-K filed October 26, 2015
10.26	Settlement Agreement, dated April 26, 2015, by and among the Company and Starboard Value LP and its certain affiliates and associates	Exhibit 99.1 to the Company's Form 8-K filed April 30, 2015
10.27	Consent Decree, dated May 28, 2014, by and among, LSB Industries, Inc., El Dorado Chemical Co., Cherokee Nitrogen Co., Pryor Chemical Co., El Dorado Nitrogen, L.P., the U.S. Department of Justice, the U.S. Environmental Protection Agency, the Alabama Department of Environmental Management, and the Oklahoma Department of Environment Quality	Exhibit 99.1 to the Company's Form 8-K filed June 3, 2014
10.28	Third Amended and Restated Loan and Security Agreement, dated as of January 17, 2017, by and among LSB Industries, Inc., the subsidiaries of LSB Industries, Inc. party thereto, the lenders party thereto, and Wells Fargo Capital Finance, LLC, as the arranger and administrative agent.	Exhibit 10.1 to the Company's Form 8-K filed January 20, 2017
10.29	First Amendment to Third Amended and Restated Loan and Security Agreement, dated as of April 16, 2018, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors.	Exhibit 10.1 to the Company's Form 8-K filed April 20, 2018

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.30	Second Amendment to Third Amended and Restated Loan and Security Agreement, dated as of February 26, 2019, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors.	Exhibit 4.1 to the Company's Form 8-K filed February 28, 2019
10.31	Third Amendment to Third Amended and Restated Loan and Security Agreement, dated as of April 20, 2020, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors	Exhibit 10.3 to the Company's Form 10-Q filed May 7, 2020
10.32	Consent and Fourth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of September 22, 2021, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors	Exhibit 10.1 to the Company's Form 8-K filed September 27, 2021
10.33	Consent and Fifth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of March 2, 2022, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors	Exhibit 10.1 to the Company's Form 8-K filed March 3, 2022
10.34	Sixth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of May 26, 2023, by and among Wells Fargo Capital Finance, LLC, as the arranger and administrative agent, the lenders party thereto, LSB Industries, Inc. and its subsidiaries identified on the signature pages thereto as borrowers and the Company's subsidiaries identified on the signature pages thereto as guarantors	Exhibit 10.1 to the Company's Form 10-Q filed on July 27, 2023
10.35	Joinder Agreement to Intercreditor Agreement, dated November 9, 2015, by and among LSB Funding LLC, Wells Fargo Capital Finance, Inc., as ABL Agent, UMB Bank, N.A., as Notes Agent, LSB Industries, Inc. and the guarantors party thereto	Exhibit 10.4 to the Company's Form 8-K filed November 16, 2015
10.36	Amendment No. 1 to Intercreditor Agreement, dated as of April 25, 2018, among Wells Fargo Capital Finance, LLC, UMB Bank, n.a. and Wilmington Trust, National Association, and acknowledged by LSB Industries, Inc. and the subsidiary guarantors party thereto.	Exhibit 10.1 to the Company's Form 8-K filed April 25, 2018
10.37	Joinder Agreement to Intercreditor Agreement, dated as of December 21, 2023, by JPMorgan Chase Bank, N.A., as New ABL Agent, and acknowledged by Wells Fargo	Exhibit 10.3 to the Company's Form 8-K filed December 26, 2023

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
	Capital Finance, LLC, as Existing ABL Agent, Wilmington Trust, National Association, as Notes Agent, LSB Industries, Inc. and the subsidiary guarantors party thereto.	
10.38	Joinder Agreement to Security Agreement, dated November 9, 2015, by and among LSB Funding LLC, UMB Bank, N.A., as Collateral Agent, LSB Industries, Inc. and the guarantors party thereto	Exhibit 10.5 to the Company's Form 8-K filed November 16, 2015
10.39	Credit Agreement, dated December 21, 2023, by and among LSB Industries, Inc., the other loan parties from time to time party thereto, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as the administrative agent.	Exhibit 10.1 to the Company's Form 8-K filed December 26, 2023
10.40	Pledge and Security Agreement dated December 21, 2023, among LSB Industries, Inc., each of the other Guarantors and JPMorgan Chase Bank, N.A., as administrative agent for the secured parties.	Exhibit 10.2 to the Company's Form 8-K filed December 26, 2023
10.41	Board Representation and Standstill Agreement by and among LSB Industries, Inc., LSB Funding LLC, Security Benefit Corporation, Todd Boehly and the Golsen Holders (as defined therein), dated as of December 4, 2015	Exhibit 10.3 to the Company's Form 8-K filed December 8, 2015
10.42(a)	Joinder Agreement to Board Representation and Standstill Agreement, dated November 14, 2023, by and between LSB Industries, Inc. and TLB-LSB, LLC	
10.43	Registration Rights Agreement by and between LSB Industries, Inc. and LSB Funding LLC, dated as of December 4, 2015	Exhibit 10.4 to the Company's Form 8-K filed December 8, 2015
10.44	Letter Agreement, dated as of August 12, 2016, by and among LSB Industries, Inc., LSB Funding LLC and Security Benefit Corporation	Exhibit 10.1 to the Company's Form 8-K filed August 12, 2016
10.45*	Transition Agreement dated June 30, 2017 by and between Jack E. Golsen and LSB Industries, Inc.	Exhibit 10.1 to the Company's Form 8-K filed on June 30, 2017
10.46	Amendment, dated October 26, 2017, to the Board Representation and Standstill Agreement by and between LSB Industries, Inc., LSB Funding LLC, Security Benefit Corporation, Todd Boehly, Jack E. Golsen, Barry H. Golsen, Linda Golsen Rappaport, Golsen Family LLC, SBL LLC and Golsen Petroleum Corp., dated as of December 4, 2015	Exhibit 10.1. to the Company's Form 8-K Filed on October 26, 2017
10.47	Amendment to Board Representation and Standstill Agreement, dated as of October 18, 2018, by and among LSB Industries, Inc., LSB Funding LLC, Security Benefit Corporation, Todd Boehly and the Golsen Holders (as defined therein)	Exhibit 10.2 to the Company's Form 8-K filed October 19, 2018

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
10.48	Amendment and Waiver to Board Representation and Standstill Agreement, dated as of September 27, 2021, by and among the Company, the Holder and the other parties thereto	Exhibit 10.1 to the Company's Form 8-K filed September 27, 2021
10.49	Securities Exchange Agreement, dated July 19, 2021, by and between LSB Industries, Inc. and LSB Funding LLC	Exhibit 10.1 to the Company's Form 8-K filed July 19, 2021
10.50	Written Consent of LSB Funding LLC approving of the incurrence of indebtedness by LSB Industries, Inc., dated September 22, 2021, as amended September 28, 2021, provided pursuant to the Securities Exchange Agreement, dated as of July 19, 2021, between LSB Industries, Inc. and LSB Funding LLC	Exhibit 10.45 to the Company's Form 10-K filed February 23, 2023
10.51	Joinder Agreement to Intercreditor Agreement, dated as of October 14, 2021, by Wilmington Trust, National Association, as Notes Trustee, and acknowledged by Wilmington Trust, National Association, as Existing Notes Trustee, Wells Fargo Capital Finance, LLC, LSB Industries, Inc. and the subsidiary guarantors party thereto.	Exhibit 10.1 to the Company's Form 8-K filed October 15, 2021
10.52	Written Consent of LSB Funding LLC approving of the incurrence of indebtedness by LSB Industries, Inc., dated March 2, 2022, provided pursuant to the Securities Exchange Agreement, dated as of July 19, 2021, between LSB Industries, Inc. and LSB Funding LLC	Exhibit 10.47 to the Company's Form 10-K filed February 23, 2023
10.53	Board Representation Letter Agreement, dated as of August 10, 2022, by and among the Company, LSB Funding LLC, SBT Investors LLC and the other parties thereto	Exhibit 10.1 to the Company's Form 8-K filed on August 15, 2022
10.54	Rights Letter Agreement, dated as of August 10, 2022, by and among the Company, LSB Funding LLC and SBT Investors LLC	Exhibit 10.2 to the Company's Form 8-K filed on August 15, 2022
10.55(a)	Rights Letter Agreement, dated as of November 14, 2023, by and among the Company, LSB Funding LLC, SBT Investors LLC and TLB-LSB, LLC	
21.1(a)	Subsidiaries of the Company	
23.1(a)	Consent of Independent Registered Public Accounting Firm	
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	
97.1(a)	Policy for Recoupment of Incentive Compensation	
101.INS(a)	Inline XBRL Instance Document	

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
101.SCH(a)	Inline XBRL Taxonomy Extension Schema With Embedded Linkbases Document	
104(a)	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

* Executive Compensation Plan or Arrangement

(a) Filed herewith

LSB Industries, Inc.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: By: /s/ Mark T. Behrman
March 6, 2024 Mark T. Behrman, President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: By: /s/ Mark T. Behrman
March 6, 2024 Mark T. Behrman, President and Chief Executive Officer (Principal Executive Officer) and Director

Dated: By: /s/ Cheryl A. Maguire
March 6, 2024 Cheryl A. Maguire, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Dated: By: /s/ Richard W. Roedel
March 6, 2024 Richard W. Roedel, Chairman of the Board of Directors

Dated: By: /s/ Jonathan S. Bobb
March 6, 2024 Jonathan S. Bobb, Director

Dated: By: /s/ Barry H. Golsen
March 6, 2024 Barry H. Golsen, Director

Dated: By: /s/ Kanna Kitamura
March 6, 2024 Kanna Kitamura, Director

Dated: By: /s/ Steven L. Packebush
March 6, 2024 Steven L. Packebush, Director

Dated: By: /s/ Diana M. Peninger
March 6, 2024 Diana M. Peninger, Director

Dated: By: /s/ Richard S. Sanders Jr.
March 6, 2024 Richard S. Sanders Jr., Director

Dated: By: /s/ Lynn F. White
March 6, 2024 Lynn F. White, Director

LSB Industries, Inc.
Consolidated Financial Statements
And Schedule for Inclusion in Form 10-K
For the Fiscal Year ended December 31, 2023

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of LSB Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LSB Industries, Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and the financial statement schedule listed in the index at Item 15(a)2 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 6, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. We determined that there are no critical audit matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

Oklahoma City, Oklahoma

March 6, 2024

LSB Industries, Inc.
Consolidated Balance Sheets

	December 31,	
	2023	2022
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 98,500	\$ 63,769
Restricted cash	2,532	—
Short-term investments	207,434	330,553
Accounts receivable	40,749	75,494
Allowance for doubtful accounts	(364)	(699)
Accounts receivable, net	40,385	74,795
Inventories:		
Finished goods	26,329	28,893
Raw materials	1,799	1,990
Total inventories	28,128	30,883
Supplies, prepaid items and other:		
Prepaid insurance	14,846	17,429
Precious metals	12,094	13,323
Supplies	30,486	27,501
Other	2,337	8,346
Total supplies, prepaid items and other	59,763	66,599
Total current assets	436,742	566,599
Property, plant and equipment, net	835,298	848,661
Other assets:		
Operating lease assets	24,852	22,682
Intangible and other assets, net	1,292	1,877
Total other assets	26,144	24,559
Total assets	<u>\$ 1,298,184</u>	<u>\$ 1,439,819</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	68,323	78,182
Short-term financing	13,398	16,134
Accrued and other liabilities	30,961	38,470
Current portion of long-term debt	5,847	9,522
Total current liabilities	118,529	142,308
Long-term debt, net	575,874	702,733
Noncurrent operating lease liabilities	16,074	14,896
Other noncurrent accrued and other liabilities	523	522
Deferred income taxes	68,853	63,487
Commitments and contingencies (Note 7)		
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	501,026	497,179
Retained earnings	227,015	199,092
Total stockholders' equity	737,158	705,388
Less treasury stock, at cost:		
Common stock, 18.1 million shares (14.9 million shares at December 31, 2022)	218,827	189,515
Total stockholders' equity	518,331	515,873
Total liabilities and stockholders' equity	<u>\$ 1,298,184</u>	<u>\$ 1,439,819</u>

See accompanying Notes to the Consolidated Financial Statements.

LSB Industries, Inc.
Consolidated Statements of Operations

	Year Ended December 31,		
	2023	2022	2021
	(In Thousands, Except Per Share Amounts)		
Net sales	\$ 593,709	\$ 901,711	\$ 556,239
Cost of sales	507,449	553,344	417,260
Gross profit	86,260	348,367	138,979
Selling, general and administrative expense	36,580	39,428	38,028
Other (income) expense, net	(2,097)	561	(97)
Operating income	51,777	308,378	101,048
Interest expense, net	41,136	46,827	49,378
(Gain) loss on extinguishments of debt	(8,644)	113	10,259
Non-operating other (income) expense, net	(14,611)	(8,083)	2,422
Income before provision (benefit) for income taxes	33,896	269,521	38,989
Provision (benefit) for income taxes	5,973	39,174	(4,556)
Net income	27,923	230,347	43,545
Dividends on convertible preferred stocks	—	—	298
Dividends on Series E redeemable preferred stock	—	—	29,914
Accretion of Series E redeemable preferred stock	—	—	1,523
Deemed dividend on Series E and Series F redeemable preferred stocks	—	—	231,812
Net income (loss) attributable to common stockholders	\$ 27,923	\$ 230,347	\$ (220,002)
Income (loss) per common share			
Basic:			
Net income (loss)	\$ 0.37	\$ 2.72	\$ (4.40)
Diluted:			
Net income (loss)	\$ 0.37	\$ 2.68	\$ (4.40)

See accompanying Notes to the Consolidated Financial Statements.

LSB Industries, Inc.
Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Treasury Stock- Common Shares	Non- Redeemable Preferred Stock	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Treasury Stock- Common	Total
	(In Thousands)							
Balance as of December 31, 2020	39,926	(2,075)	\$ 3,000	\$ 3,993	\$ 197,350	\$ (41,487)	\$ (13,213)	\$ 149,643
Net income						\$ 43,545		43,545
Issuance of common stock in exchange for redeemable preferred stocks	49,066			4,907	526,232			531,139
Deemed dividend on redeemable preferred stocks					(231,812)			(231,812)
Dividend accrued on redeemable preferred stock prior to exchange						(29,914)		(29,914)
Accretion of redeemable preferred stock prior to exchange						(1,523)		(1,523)
Dividend paid on non-redeemable preferred stock upon conversion						(1,876)		(1,876)
Conversion of non-redeemable preferred stock into common stock	1,192		(3,000)	119	2,881			—
Stock-based compensation					5,516			5,516
Issuance of restricted and unrestricted stock, net	984	700		98	(7,006)		2,680	(4,228)
Balance as of December 31, 2021	91,168	(1,375)	-	9,117	493,161	(31,255)	(10,533)	460,490
Net income						230,347		230,347
Stock-based compensation					4,025			4,025
Purchase of common stock		(13,168)					(175,083)	(175,083)
Other	—	(345)			(7)		(3,899)	(3,906)
Balance as of December 31, 2022	91,168	(14,888)	-	9,117	497,179	199,092	(189,515)	515,873
Net income						27,923		27,923
Stock-based compensation					5,353			5,353
Purchase of common stock		(3,094)					(28,510)	(28,510)
Other		(69)			(1,506)		(802)	(2,308)
Balance as of December 31, 2023	<u>91,168</u>	<u>(18,051)</u>	<u>\$ -</u>	<u>\$ 9,117</u>	<u>\$ 501,026</u>	<u>\$ 227,015</u>	<u>\$ (218,827)</u>	<u>\$ 518,331</u>

See accompanying Notes to the Consolidated Financial Statements.

LSB Industries, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2023	2022 (In Thousands)	2021
Cash flows from operating activities			
Net income	\$ 27,923	\$ 230,347	\$ 43,545
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	5,366	36,854	(4,306)
Depreciation and amortization of property, plant and equipment	68,414	66,937	68,689
Amortization of intangible and other assets	508	1,082	1,254
(Gain) loss on extinguishments of debt	(8,644)	113	10,259
Amortization of debt issuance costs, including discounts and premiums	1,924	2,073	6,067
Stock-based compensation	5,353	4,025	5,516
Gain associated with commodity contracts	—	—	(2,706)
Other	1,160	(4,638)	2,653
Cash provided (used) by changes in assets and liabilities:			
Accounts receivable	35,113	10,197	(42,913)
Inventories	2,755	(14,300)	3,261
Supplies, prepaid items and other	5,528	(8,548)	(8,642)
Accounts payable	(264)	18,821	932
Other assets and other liabilities	(7,615)	2,691	4,018
Net cash provided (used) by operating activities	137,521	345,654	87,627
Cash flows from investing activities			
Expenditures for property, plant and equipment	(67,603)	(45,833)	(35,128)
Proceeds from short-term investments	389,856	158,879	—
Purchases of short-term investments	(264,448)	(486,091)	—
Other investing activities	(405)	3,310	434
Net cash provided (used) by investing activities	57,400	(369,735)	(34,694)
Cash flows from financing activities			
Proceeds from revolving debt facilities	—	—	12,000
Payments on revolving debt facilities	—	—	(12,000)
Proceeds from 6.25% senior secured notes	—	200,000	500,000
Repurchases of 6.25% senior secured notes	(114,320)	—	—
Payments on 9.625% senior secured notes	—	—	(435,000)
Payments on other long-term debt	(9,536)	(13,750)	(10,472)
Payments of debt-related costs, including extinguishment costs	(94)	(4,840)	(27,254)
Proceeds from short-term financing	17,805	20,143	16,689
Payments on short-term financing	(20,542)	(16,725)	(17,549)
Acquisition of treasury stock, net	(28,305)	(174,975)	—
Taxes paid on equity awards	(2,666)	(4,012)	(4,228)
Payments of costs to exchange redeemable preferred stocks for common stock	—	(135)	(7,363)
Payments of dividends on non-redeemable preferred stocks	—	—	(1,876)
Net cash (used) provided by financing activities	(157,658)	5,706	12,947
Net increase (decrease) in cash, cash equivalents and restricted cash	37,263	(18,375)	65,880
Cash, cash equivalents and restricted cash at beginning of year	63,769	82,144	16,264
Cash, cash equivalents and restricted cash at end of year	\$ 101,032	\$ 63,769	\$ 82,144

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Basis of Consolidation – LSB Industries, Inc. (“LSB”) and its subsidiaries (the “Company”, “we”, “us”, or “our”) are consolidated in the accompanying consolidated financial statements. All material intercompany accounts and transactions have been eliminated. Certain prior period amounts reported in our 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 the mining industry. 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”).

Our 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 North America.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“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.

Stock 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 \$121 million as of December 31, 2023. 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 2023, we repurchased approximately 3.1 million shares of common stock at an average cost of \$9.21 per share.

Increase in Authorized Shares of Common Stock and a Stock Dividend – In 2021, our stockholders approved an increase the number of authorized shares of our common stock to 150 million shares of common stock. The stockholders also approved the issuance and sale of up to approximately 60.4 million shares of common stock of the Company upon the exchange of all of the outstanding shares of Series E and Series F Redeemable Preferred stock. The stockholders also amended the certificate of designations of the Series E Redeemable Preferred to eliminate the right to participate in connection with the declaration of a proposed common stock dividend with respect to our common stock at the time of amendment.

In August 2021, our Board declared a common stock dividend (“Special Dividend”), the Special Dividend was completed in the form of a stock dividend of 0.3 shares of our common stock, for each outstanding share of common stock (excluding common stock held in the treasury and the common shares issued as part of the exchange of all of the outstanding shares of Series E and Series F Redeemable Preferred). The Special Dividend was paid through the issuance of approximately 9.1 million shares of common stock on October 8, 2021 to holders of record of common stock, including certain stock-based awards, on September 24, 2021. Our common stock began trading on a stock dividend-adjusted basis on October 13, 2021.

As the result of the exchange transaction discussed above, a change of control event occurred as defined in certain equity award agreements outstanding at the time which are discussed in Note 9 – Stock-based Compensation.

Equity Awards – Equity award transactions with employees are measured based on the estimated fair value of the equity awards issued. For equity awards with service conditions that have a graded vesting period, we recognize compensation cost on a straight-line basis over the requisite service period for the entire award. Forfeitures are accounted for as they occur. We may issue new shares of common stock or may use treasury shares to meet the settlement requirements upon vesting of equity awards.

Cash and Cash Equivalents – Investments, which consist of highly liquid investments with original maturities of three months or less, are considered cash equivalents.

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

Restricted Cash – We classify cash that has been segregated or is otherwise limited in use as restricted. Our restricted cash as of December 31, 2023, relates primarily to certain cash collateral held by Wells Fargo under the terminated Old Revolving Credit Facility discussed in Note 5 – Long-Term Debt for letters of credit outstanding as we transition these items to our New Revolving Credit Facility. 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:

	December 31,	
	2023	2022
	(in Thousands)	
Cash and cash equivalents	\$ 98,500	\$ 63,769
Restricted cash	2,532	—
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>101,032</u>	<u>63,769</u>

Short-Term Investments – Investments, which consist of U.S. treasury bills with an original maturity up to and less than 52 weeks, are considered short-term investments and are classified as Level 1. We intend and have the ability to hold these investments until maturity. These investments are carried at cost which approximated fair value for the period ended December 31, 2023. See Note 8 – Derivatives, Hedges and Financial Instruments.

Accounts Receivable – Substantially all of our accounts receivable consists of trade receivables from customers. Our accounts receivable are generally unsecured and presented at original invoiced amount less an estimate made for expected credit losses. We develop our estimate of expected credit losses by evaluating individual customer receivables and considering the customer's financial condition, credit history, whether any amounts are currently past due and the length of time accounts may be past due. We also consider current economic conditions and industry trends as part of our overall evaluation. We write off accounts receivable when we deem them uncollectible and records recoveries of accounts receivable previously written off when received.

A summary of our accounts receivable - allowance for doubtful accounts activity is presented below:

Accounts receivable - allowance for doubtful accounts:	Balance at Beginning of Year	Additions- Charges to (Recovery of) Costs and Expenses	Deductions- Write- offs/Costs Incurred	Balance at End of Year
	(In Thousands)			
2023	\$ 699	\$ (164)	\$ 171	\$ 364
2022	\$ 474	\$ 485	\$ 260	\$ 699
2021	\$ 378	\$ 96	\$ —	\$ 474

Credit is extended to customers based on an evaluation of the customer's financial condition and other factors. Customer payments are generally due thirty to sixty days after the invoice date. Concentrations of credit risk with respect to trade receivables are monitored and this risk is reduced due to short-term payment terms relating to most of our significant customers. Three customers (including their affiliates) account for approximately 36% of our total net receivables as of December 31, 2023.

Inventories – Inventories are stated at the lower of cost (determined using the first-in, first-out basis) or net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, transportation or disposal. Finished goods include material, labor, and manufacturing overhead costs.

Inventory reserves associated with cost exceeding net realizable value were not material as of December 31, 2023 and 2022.

Property, Plant and Equipment – Property, plant and equipment (“PP&E”) are stated at cost or fair market value in the case of the assets acquired through acquisitions, or otherwise at reduced values to the extent there have been asset impairment write-downs, net of accumulated depreciation amortization. Major renewals and improvements that increase the life, value, or productive capacity of assets are capitalized in PP&E while maintenance, repairs and minor renewals, including planned maintenance turnarounds, are expensed as incurred. Interest cost related to the construction of qualifying assets is capitalized as part of the construction costs.

For financial reporting purposes, depreciation of the costs of PP&E is computed using the straight-line method over the estimated useful lives of the assets. No provision for depreciation is made on construction in progress or capital spare parts until such time as the relevant assets are put into service. Depreciation expense is recognized in cost of sales or selling, general and administrative expenses within the consolidated statements of operations consistent with the utilization of the underlying assets.

Notes to Consolidated Financial Statements (continued)

When PP&E is retired, sold, or otherwise disposed, the asset's carrying amount and related accumulated depreciation and amortization is removed from the accounts and any gain or loss is included in other (income) expense, net in our consolidated statements of operations.

Operating leases are included in operating lease assets, accrued and other liabilities and noncurrent operating lease liabilities in our consolidated balance sheets. Financing leases are included in property, plant and equipment, current-portion of long-term debt, and long-term debt, net, in our consolidated balance sheets.

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, and depending on the event or change in circumstances, our asset groups are reviewed for impairment on a facility-by-facility basis (such as the Cherokee, El Dorado or Pryor Facility).

In addition, if the event or change in circumstance relates to the probable sale of an asset (or group of assets), the specific asset (or group of assets) is reviewed for impairment.

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 represent 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.

Concentration of Credit Risks for Cash and Cash Equivalents and Sales – Financial instruments relating to cash and cash equivalents potentially subject us to concentrations of credit risk. These financial instruments were held by financial institutions within the U.S.

Net sales to one customer represented more than 10% our total net sales on an individual basis, in 2023, 2022 and 2021, of approximately 14%, 21% and 15% of our total net sales for those years, respectively.

Short-Term Financing – Our short-term financing represents the short-term note related to financing of our insurance premiums, which are renewed annually.

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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. 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.

In addition, we do not recognize a tax benefit unless we conclude that it is more likely than not that the benefit will be sustained on audit by the relevant taxing authorities based solely on the technical merits of the associated tax position. If the recognition threshold is met, we recognize a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is greater than 50% likely to be realized. We record interest related to unrecognized tax positions in interest expense and penalties in operating other expense.

Notes to Consolidated Financial Statements (continued)

Income tax benefits associated with amounts that are deductible for income tax purposes are recorded through the statement of operations. These benefits are principally generated from the vesting of restricted stock. We reduce income tax expense for investment tax credits in the period the credit arises and is earned.

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 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).

Asset Retirement Obligations – In general, we record the estimated fair value of an asset retirement obligation (“ARO”) associated with tangible long-lived assets in the period it is incurred and when there is sufficient information available to estimate the fair value. An ARO associated with long-lived assets is a legal obligation under existing or enacted law, statute, written or oral contract or legal construction. AROs, which are initially recorded based on estimated discounted cash flows, are accreted to full value over time through charges to cost of sales. In addition, we capitalize the corresponding asset retirement cost as PP&E, which cost is depreciated or depleted over the related asset’s respective useful life. We do not have any assets restricted for the purpose of settling our AROs. As of December 31, 2023 and 2022, our asset retirement obligations were not material.

Revenue Recognition and Other Information***Revenue Recognition and Performance Obligations***

We determine revenue recognition through the following steps:

- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Generally, satisfaction occurs when control of the promised goods is transferred to the customer or as services are rendered or completed in exchange for consideration in an amount for which we expect to be entitled. We generally determine transfer of control based on when risk of loss is transferred, which could be at our facility or when the product reaches the buyer’s destination. Most of our contracts contain a single performance obligation with the promise to transfer a specific product.

Performance obligations from product sales are satisfied at a point in time, however, we have a performance obligation to perform certain services that are satisfied over a period of time. Revenue is recognized from this type of performance obligation as services are rendered and are based on the amount for which we have a right to invoice, which reflects the amount of expected consideration that corresponds directly with the value of the services performed.

Transaction Price Constraints and Variable Consideration

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. These contract prices are often based on published commodity prices (such as NYMEX natural gas price or the Tampa ammonia price) and the contract quantities are typically based on estimated ranges. The quantities become fixed and determinable over a period of time as each sale order is received from the customer.

The nature of our contracts also gives rise to other types of variable consideration, including volume discounts and rebates, make-whole provisions, other pricing concessions, short-fall charges and storage charges. We estimate these amounts based on the expected amount to be provided to customers, which result in a transaction price adjustment reducing revenue (net sales) with the offset increasing contract or refund liabilities. These estimates are based on historical experience, anticipated performance and our best judgment at the time. We reassess these estimates on a quarterly basis.

The aforementioned constraints over transaction prices in conjunction with the variable consideration included in our material contracts prevent a practical assignment of a specific dollar amount to performance obligations at the beginning and end of the period. Therefore, we have applied the variable consideration allocation exception.

Practical Expedients and Other Information

We have applied the following practical expedients and policy elections:

- to recognize revenue in the amount we have the right to invoice relating to certain services that are performed for customers and, not disclosing the value of unsatisfied performance obligations related to such services.
- not disclosing the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.
- expense as incurred any incremental costs of obtaining a contract if the associated period of benefit is one year or less.
- to exclude from the measurement of the transaction price all taxes assessed by a governmental authority.
- to account for shipping and handling as activities to fulfill the promise to transfer the good.

All net sales and long-lived assets relate to domestic operations for the periods presented. Our net sales were mainly to customers in the U.S. and other parts of North America.

Cost of Sales – Cost of sales includes materials, labor and overhead costs, including depreciation, to manufacture the products sold plus inbound freight, purchasing and receiving costs, inspection costs, internal transfer costs, loading and handling costs, warehousing costs, railcar lease costs and outbound freight. Precious metals used as a catalyst and consumed during the manufacturing process are included in cost of sales. Recoveries and gains from precious metals and business interruption insurance claims, if any, are reductions to cost of sales.

Turnarounds represent major maintenance activities that require the shutdown of significant parts of a plant to perform necessary inspections, cleanings, repairs, and replacements of assets. Maintenance, repairs and minor renewal costs relating to turnarounds are included in cost of sales in our consolidated statements of operations as they are incurred. Planned turnaround activities vary in frequency, but generally occur every two to three years.

Selling, General and Administrative Expense – Selling, general and administrative expense (“SG&A”) includes costs associated with the sales, marketing and administrative functions. Such costs include personnel costs, including benefits, professional fees, office and occupancy costs associated with the sales, marketing and administrative functions. Also included in SG&A are any distribution fees paid to third parties to distribute our products.

Derivatives and Fair Value – In order to mitigate a portion of the commodity price risk associated with natural gas, which we utilize in our manufacturing process, we periodically enter into natural gas forward contracts or volume purchase commitments. Such contracts are required to be accounted for as derivatives under applicable accounting guidance unless they are eligible for and we elect the normal purchase normal sale (“NPNS”) exception. We are eligible for the NPNS exception when these contracts 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 are documented as such. In the event that we have natural gas derivatives that we do not elect or do not qualify for the NPNS exception, we would account for such contracts as derivatives by recognizing them in the balance sheet at fair value with changes in fair value recognized in the statement of operations. Such derivatives are not designated as hedges for accounting purposes.

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.

Segment Information - We operate in one principal business segment – our chemical business.

Recently Issued Accounting Pronouncements

ASU 2023-06 - In October 2023, the FASB issued accounting standards updates (“ASUs”) 2023-06, *Disclosure Improvements—Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*, which modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements. For all entities, if by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. These amendments should be applied prospectively. We are currently evaluating the timing and the effect of adoption of this ASU on our consolidated financial statements and related disclosures.

ASU 2023-07 - In November 2023, the 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 ASU will be effective for us on January 1, 2024 and for interim periods beginning January 1, 2025, however early adoption is permitted. We are currently evaluating the adoption timing of the interim provisions and the effect of adoption of this ASU on our consolidated financial statements and related disclosures.

ASU 2023-09 - In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which focuses on income tax disclosures around effective tax rates and cash income taxes paid. This ASU will be effective for us for on a prospective basis for annual periods beginning after December 15, 2024. We do not expect the impact of this update to be material as the improvements are enhancements to existing disclosures in the financial statements.

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, 2023 through the date of these financial statements and determined them not to be applicable or materially impact our financial statements other than those ASU's specifically addressed above.

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

2. Net Income (Loss) per Common Share

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In Thousands, Except Per Share Amounts)		
Numerator:			
Net income (loss)	\$ 27,923	\$ 230,347	\$ 43,545
Adjustments for basic and diluted net loss per common share:			
Dividend requirements on Series E Redeemable Preferred	—	—	(29,914)
Deemed dividend on Series E and Series F Redeemable Preferred	—	—	(231,812)
Dividend and dividend requirements on Series B Preferred	—	—	(239)
Dividend and dividend requirements on Series D Preferred	—	—	(59)
Accretion of Series E Redeemable Preferred	—	—	(1,523)
Net income attributable to participating securities	—	—	—
Numerator for basic and diluted net income (loss) per common share	<u>\$ 27,923</u>	<u>\$ 230,347</u>	<u>\$ (220,002)</u>
Denominator:			
Denominator for basic net income (loss) per common share - weighted- average shares (1)	74,536	84,753	49,963
Effect of dilutive securities:			
Unvested restricted stock and stock units	564	1,272	—
Dilutive potential common shares	564	1,272	—
Denominator for diluted net income (loss) per common share - adjusted weighted-average shares (1)	<u>75,100</u>	<u>86,025</u>	<u>49,963</u>
Basic net income (loss) per common share	<u>\$ 0.37</u>	<u>\$ 2.72</u>	<u>\$ (4.40)</u>
Diluted net income (loss) per common share	<u>\$ 0.37</u>	<u>\$ 2.68</u>	<u>\$ (4.40)</u>

(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 loss per common share as their effect would have been antidilutive:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In Thousands)		
Restricted stock and stock units	388	80	1,531
Stock options	13	13	13
	<u>401</u>	<u>93</u>	<u>1,544</u>

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

3. Property, Plant and Equipment

	Range of useful lives in years	December 31,	
		2023	2022
(In Thousands)			
Machinery, equipment and automotive (1)	3 - 25	\$ 1,324,323	\$ 1,283,429
Buildings and improvements	15 - 30	38,086	38,021
Land improvements	20 - 35	8,692	8,384
Furniture, fixtures and store equipment	3 - 30	2,726	2,438
Construction in progress	N/A	41,086	28,029
Capital spare parts	N/A	21,256	22,300
Land	N/A	4,567	4,567
		1,440,736	1,387,168
Less accumulated depreciation and amortization		605,438	538,507
		<u>\$ 835,298</u>	<u>\$ 848,661</u>

- (1) Machinery, equipment and automotive primarily includes the categories of property and equipment and estimated useful lives as follows: processing plants and plant infrastructure (15-25 years); certain processing plant components (3-10 years); and trucks, automobiles, trailers, and other rolling stock (4-7 years).

4. Accrued and Other Liabilities

	December 31,	
	2023	2022
(In Thousands)		
Accrued payroll and benefits	\$ 9,400	\$ 12,440
Current portion of operating lease liabilities	8,795	7,259
Accrued interest	7,487	11,196
Other	5,802	8,097
	31,484	38,992
Less noncurrent portion	523	522
Current portion of accrued and other liabilities	<u>\$ 30,961</u>	<u>\$ 38,470</u>

5. Long-Term Debt

	December 31,	
	2023	2022
(In Thousands)		
New Revolving Credit Facility, with a current interest rate of 7.07%	\$ —	\$ —
Prior Revolving Credit Facility	—	—
Senior Secured Notes due 2028, with an interest rate of 6.25%	575,000	700,000
Secured Financing Agreement due 2025, with an interest rate of 8.75%	14,133	19,277
Secured Financing due 2023, with an interest rate of 8.32%	—	4,161
Finance Leases	953	1,138
Unamortized debt issuance costs (1)	(8,365)	(12,321)
	581,721	712,255
Less current portion of long-term debt	5,847	9,522
Long-term debt due after one year, net	<u>\$ 575,874</u>	<u>\$ 702,733</u>

- (1) Debt issuance costs of approximately \$0.5 million relating to our New Revolving Credit Facility are not included in Unamortized discount and debt issuance cost. They are included in our consolidated balance sheet in Intangible and other assets, net.

New Revolving Credit Facility - On December 21, 2023, we entered into a secured revolving credit facility (the “New Revolving Credit Facility”) with the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent. The New 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 under the New Revolving Credit Facility is subject to a borrowing base and is subject to 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 “Availability Block”). The Availability Block is applied against the \$75 million maximum. The New 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 the closing of the New Revolving Credit Facility, no amounts were drawn by the Borrowers thereunder. As of December 31, 2023, availability under the facility was \$44.5 million, based on our eligible collateral.

The New Revolving Credit Facility matures on December 21, 2028, subject to springing maturity to the date that is 90 days prior to the stated maturity date of our existing 6.250% senior secured notes, which is currently October 15, 2028, (unless such senior secured notes have been repaid or redeemed in full prior thereto). Borrowings outstanding under the New Revolving Credit Facility will bear interest 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%.

LSB Industries, Inc and all of our subsidiaries (collectively, the “Borrowers”) are co-borrowers under the New Revolving Credit Facility. Obligations under the New Revolving Credit Facility are secured by a first priority security interest in substantially all of our current assets, including accounts receivable and inventory, subject to certain exceptions.

The New Revolving Credit Facility contains a financial covenant (the “Financial Covenant”), which requires that, solely if we elect to remove the Availability Block, then the Borrowers 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 December 31, 2023.

The New Revolving Credit Facility includes other customary representations and warranties, affirmative covenants, negative covenants and events of default. Upon the occurrence of events of default, the obligations under the New Revolving Credit Facility may be accelerated and the revolver commitments thereunder may be terminated.

In connection with the entry into the New Revolving Credit Facility, JPMorgan Chase Bank, N.A, as administrative agent, entered into a joinder agreement, dated as of December 21, 2023, to the Intercreditor Agreement, dated as of August 7, 2013 (as amended), by and between the Existing Revolving Agent under the Existing Revolving Credit Facility, and Wilmington Trust, National Association, as trustee and collateral agent under the Company’s existing senior secured notes, to, among other things, replace the existing administrative agent under the Prior Revolving Credit Facility.

Prior Revolving Credit Facility - In connection with the closing of the New Revolving Credit Facility, effective as of December 21, 2023, we satisfied and discharged all obligations under, and terminated all commitments under, our then existing \$65 million secured revolving credit facility (the “Prior Revolving Credit Facility”) except for obligations expressly contemplated to survive payment of the obligations thereunder (including certain existing letters of credit and bank product obligations, all of which were fully cash collateralized at the closing of the New Revolving Credit Facility using cash on hand by us.). We incurred no termination penalties in connection with the early termination of the Prior Revolving Credit Facility.

The Prior Revolving Credit Facility provided for borrowings of up to \$65 million, based on specific percentages of eligible accounts receivable and inventories and up to \$10 million of letters of credit.

Senior Secured Notes - On October 14, 2021, we completed the issuance and sale of \$500 million in aggregate principal amount of 6.25% Senior Secured Notes due 2028 (the “Notes”). The Notes were issued pursuant to an indenture, dated as of October 14, 2021 (the “Indenture”), by and among LSB, the subsidiary guarantors which includes all of our consolidated subsidiaries named therein, and Wilmington Trust, National Association, a national banking association, as trustee and collateral agent. The Notes were issued at a price equal to 100% of their face value. Most of the proceeds from the Notes were used to redeem all of our existing Senior Secured Notes due 2023 (the “Old Notes”), to pay related transaction fees, and the remaining portion to be used for general corporate purposes. The redemption was completed on October 29, 2021.

Redemption of the Old Notes was accounted for as an extinguishment of debt, which resulted in an extinguishment loss of approximately \$20.3 million in 2021, primarily consisting of the contractual redemption premium paid and the expensing of unamortized debt issuance costs associated with the Old Notes.

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

On March 8, 2022, we completed the issuance and sale of an additional \$200 million aggregate principal amount of the Notes (the “New Notes”), which were issued pursuant to the Indenture (the Notes together with the New Notes, the “Senior Secured Notes”). The New Notes were issued at a price equal to 100% of their face value, plus accrued interest from October 14, 2021 to March 7, 2022.

During the second quarter of 2023 we repurchased \$125 million in principal amount of our Senior Secured Notes for approximately \$114.3 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 \$8.6 million.

The Senior Secured Notes mature on October 15, 2028, ranking senior in right of payment to all of our debt that is expressly subordinated in right of payment to the notes, and will rank pari passu in right of payment with all of our liabilities that are not so subordinated, including the New Revolving Credit Facility. Our obligations under the Senior Secured Notes are jointly and severally guaranteed by the subsidiary guarantors named in the Indenture on a senior secured basis.

Interest on the Senior Secured Notes accrues at a rate of 6.25% per annum and is payable semi-annually in arrears on May 15 and October 15 of each year.

Pursuant to the Indenture, LSB may redeem the Senior Secured Notes at its option, in whole or in part, at certain redemption prices, including a “make-whole” premium, as set forth in the Indenture but also includes redemption requirements associated with a change of control (as defined in the Indenture). The Senior Secured Notes do not have any conversion features. In addition, the Indenture contains customary covenants that limit, among other things, LSB and certain of its subsidiaries’ ability to engage in certain transactions and also provides for customary events of default (subject in certain cases to customary grace and cure periods). Generally, if an event of default occurs and is continuing, the trustee or holders of at least 25% in principal amount of the then outstanding Senior Secured Notes may declare the principal of and accrued but unpaid interest on all the Senior Secured Notes to be due and payable.

The Indenture contains covenants that limit, among other things, LSB and certain of its subsidiaries’ ability to (1) incur additional indebtedness; (2) declare or pay dividends, redeem stock or make other distributions to stockholders; (3) make other restricted payments, including investments; (4) create dividend and other payment restrictions affecting its subsidiaries; (5) create liens or use assets as security in other transactions; (6) merge or consolidate, or sell, transfer, lease or dispose of all or substantially all of our assets; and (7) enter into transactions with affiliates. Further, during any such time when the Senior Secured Notes are rated investment grade by each of Moody’s Investors Service, Inc. and Standard & Poor’s Investors Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, certain of the covenants will be suspended with respect to the Senior Secured Notes.

Obligations in respect of the Senior Secured Notes are secured by a first priority security interest in substantially all of our fixed assets, subject to certain customary exceptions.

Secured Financing Agreement due 2025 - In August 2020, we entered into 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.

Secured Financing Agreement due 2023 - During the second quarter 2023, we made the final balloon payment of approximately \$3 million on a 48-month secured financing arrangement with an affiliate of Eldridge.

Finance leases - Finance leases consists primarily of leases on railcars.

Maturities of long-term debt for each of the five years after December 31, 2023 are as follows (in thousands):

2024	\$	5,847
2025		8,809
2026		180
2027		125
2028		575,073
Thereafter		52
Less: Debt issuance costs		8,365
	\$	<u>581,721</u>

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

6. Income Taxes

Provision (benefit) for income taxes are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In Thousands)		
Current:			
Federal	\$ —	\$ —	\$ —
State	607	2,320	(250)
Total Current	<u>\$ 607</u>	<u>\$ 2,320</u>	<u>\$ (250)</u>
Deferred:			
Federal	\$ 7,767	\$ 43,217	\$ (6,217)
State	(2,401)	(6,363)	1,911
Total Deferred	<u>\$ 5,366</u>	<u>\$ 36,854</u>	<u>\$ (4,306)</u>
Provision (benefit) for income taxes	<u>\$ 5,973</u>	<u>\$ 39,174</u>	<u>\$ (4,556)</u>

The current provision (benefit) for federal and state income taxes shown above includes federal and state income tax after the consideration of permanent and temporary differences between income for GAAP and tax purposes.

The deferred tax provision (benefit) results from the recognition of changes in our prior year deferred tax assets and liabilities, and the utilization of federal and state NOL carryforwards and other temporary differences. We reduce income tax expense for tax credits in the year they arise and are earned. On December 31, 2023, our gross amount of tax credits available to offset state income taxes was \$4.2 million (\$3.3 million net of federal benefit). Most of these tax credits carryforward for 9 years and begin expiring in 2024. The gross amount of federal tax credits was \$8.1 million. These credits carryforward for 20 years and begin expiring in 2034.

In 2023, we utilized approximately \$76.7 million and \$66.0 million of federal and state NOL carryforwards, respectively, to reduce tax liabilities. In 2022, we utilized approximately \$240.0 million and \$243.0 million of federal and state NOL carryforwards, respectively, to reduce tax liabilities. In 2021, we utilized approximately \$64.0 million and \$56.0 million of federal and state NOL carryforwards, respectively, to reduce tax liabilities. On December 31, 2023, we have remaining federal and state tax NOL carryforwards of \$274.9 million and \$360.7 million, respectively. The federal NOL carryforwards begin expiring in 2036 and the state NOL carryforwards began expiring in 2024.

We considered both positive and negative evidence in our determination of the need for valuation allowances for the deferred tax assets associated with federal and state NOLs and federal credits and in conjunction with the IRC Section 382 limitation. 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 annual utilization limitations of interest expense and net operating losses and our results of operations. Based on our analysis, we believe that it is more-likely-than-not that all of our federal deferred tax assets will be utilized and a portion of our state deferred tax assets will not be able to be utilized. Information relating to our valuation allowance are included in the tables below. In 2023, the provision for income taxes includes a net increase of approximately \$0.3 million of state valuation allowance primarily due to lower future income. There is no federal valuation allowance remaining as of December 31, 2023 or 2022.

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

Deferred tax assets and liabilities include temporary differences and carryforwards as follows:

	December 31,	
	2023	2022
	(In Thousands)	
Deferred compensation	\$ 2,515	\$ 2,354
Other accrued liabilities	283	1,813
Lease liability	5,941	5,215
Interest expense carryforward	14,375	16,025
Net operating loss	73,891	93,201
Other	11,649	11,950
Less valuation allowance on deferred tax assets	(15,175)	(14,916)
Total deferred tax assets	\$ 93,479	\$ 115,642
Property, plant and equipment	(152,802)	(169,507)
Right-of-use-assets	(5,937)	(5,340)
Prepaid and other insurance reserves	(3,593)	(4,282)
Total deferred tax liabilities	\$ (162,332)	\$ (179,129)
Net deferred tax liabilities	\$ (68,853)	\$ (63,487)

All of our income (loss) before taxes relates to domestic operations. Detailed below are the differences between the amount of the provision (benefit) for income taxes and the amount which would result from the application of the federal statutory rate to "Income (loss) before benefit for income taxes."

	2023	2022	2021
	(In Thousands)		
Provision (benefit) for income taxes at federal statutory rate	\$ 7,118	\$ 56,543	\$ 8,187
State current and deferred income tax provision (benefit)	1,238	9,374	1,833
Valuation allowance - Federal	—	(12,701)	(13,400)
Valuation allowance - State	259	(19,351)	(4,286)
State tax rate changes	(3,499)	2,824	7,360
Tax credits	—	—	(2,835)
PPP loan forgiveness	—	—	(2,456)
Other	857	2,485	1,041
Provision (benefit) for income taxes	\$ 5,973	\$ 39,174	\$ (4,556)

A reconciliation of the beginning and ending amount of uncertain tax positions is as follows:

	2023	2022	2021
	(In Thousands)		
Balance at beginning of year	\$ —	\$ —	\$ 464
Additions based on tax positions related to the current year	—	—	—
Reductions for tax positions of prior years	—	—	(464)
Balance at end of year	\$ —	\$ —	\$ —

We expect that the amount of unrecognized tax benefits may change as the result of ongoing operations, the outcomes of audits, and the expiration of statute of limitations. This change is not expected to have a significant effect on our results of operations or financial condition. As of December 31, 2023, there is no remaining uncertain tax position.

We record interest related to unrecognized tax positions in interest expense and penalties in operating other expense. For 2023, 2022 and 2021, the amounts for interest and penalties associated with unrecognized tax positions were minimal. As of December 31, 2023, there was no accrued interest or penalties (none as of December 31, 2022).

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 and other major tax jurisdictions. Additionally, the 2014-2019 years remain subject to examination for determining the amount of net operating loss and other carryforwards.

7. Commitments and Contingencies

Purchase and Sales Commitments – We have the following significant purchase and sales commitments.

Nitric acid supply agreement – EDC is party to an agreement with a customer to supply nitric acid. Under the agreement, EDC agreed to supply between 70,000 to 100,000 tons of nitric acid annually. The initial contract term began in 2021 and extends through 2027 but includes automatic one-year renewal terms unless terminated by either party in writing 180 days before the current contract expiration date.

Settlements and Outstanding Natural Gas Purchase Commitments – In February 2021, our manufacturing facility in Pryor, Oklahoma, experienced a service disruption after extreme cold weather caused a surge in natural gas prices in the region, along with the curtailment of gas distribution by the operator of the pipeline that supplies natural gas to the facility. Also, as a result of unprecedented cold weather conditions, the primary natural gas supplier to our manufacturing facility in El Dorado, Arkansas, asserted a claim of force majeure and materially restricted the supply of gas to the facility. At the time of the weather event, we had outstanding natural gas forward contracts and volume purchase commitments that locked in the cost of certain volumes of natural gas. During 2021, as a result of the extreme conditions previously described, we settled all of our natural gas forward contracts and certain volume purchase commitments at that time and recognized a realized gain of approximately \$6.8 million, which includes the realized gain discussed under “Natural Gas Contracts” in Note 8 – Derivatives, Hedges and Financial Instruments and was classified as a reduction to cost of sales. As of December 31, 2023 we did not have any natural gas volume purchase commitments.

We had standby letters of credit outstanding of approximately \$1.7 million as of December 31, 2023.

Wastewater Pipeline Operating Agreement – EDC is party to an operating agreement for the right to use a pipeline to dispose its wastewater. EDC is contractually obligated to pay a portion of the operating costs of the pipeline, as incurred, which portion is estimated to be \$60,000 to \$90,000 annually. The initial term of the operating agreement is through December 2053.

Performance and Payment Bonds – We are contingently liable to sureties in respect of certain insurance bonds issued by the sureties in connection with certain contracts entered into by certain subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of December 31, 2023, 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.

Employment and Severance Agreements - We have employment and severance agreements with several of our officers. The agreements, as amended, provide for annual base salaries, bonuses and other benefits commonly found in such agreements. In the event of termination of employment due to a change in control (as defined in the agreements), the agreements provide for payments aggregating \$11.1 million as of December 31, 2023. Also see Note 10 – Employee Savings and Stock Purchase Plans, Collective Bargaining Agreements and Executive Benefit Agreement.

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

Notes to Consolidated Financial Statements (continued)

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 December 31, 2023, 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.

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 PCC filed a Permit Renewal Application for its Non-Hazardous Injection Well Permit at the Pryor Facility. Although the Injection Well Permit expired in 2018, PCC continues to operate the injection well pending the Oklahoma Department of Environmental Quality (“ODEQ”) action on the Permit Renewal Application. Since that time, PCC and ODEQ engaged in ongoing discussions related to the renewal of the injection well to address the wastewater stream. In 2022, ODEQ responded to the application in the form of an information request. PCC submitted a formal response to the information request. In November 2023, PCC and the ODEQ signed a Consent Order setting out the timeline for the review and development of an alternative method of disposing of the wastewater at Pryor. PCC continues to work ODEQ under the terms of the Consent Order to develop options for the treatment and disposal or process water from the facility. We are unable to estimate the costs related to the replacement of the disposal well at this time as there are various alternatives that we plan to explore for which feasibility and cost efficiency have yet to be determined.

In 2006, the El Dorado Facility entered into a Consent Administrative Order (“CAO”) that recognizes the presence of nitrate contamination in the shallow groundwater. The CAO required EDC 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 El Dorado Chemical 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. No liability has been established as of December 31, 2023, in connection with this ADEQ matter.

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.

Cherokee Nitrogen Company received a Notice of Potential Violation ("NOV") for ten findings identified from an inspection conducted by the U.S. Environmental Protection Agency ("EPA") Region IV 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, which we accrued as of December 31, 2023.

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 fertilizer grade ammonium nitrate ("AN") 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.

Subsequently, we and EDC have entered into confidential settlement agreements (with approval of our insurance carriers) with several plaintiffs that had claimed wrongful death and bodily injury and insurance companies asserting subrogation claims for damages from the explosion. While these settlements resolve the claims of a number of the claimants in this matter, we continue to be party to litigation related to the explosion. We continue to defend these lawsuits vigorously and we are unable to estimate a possible range of loss at this time if there is an adverse outcome in this matter. As of December 31, 2023, no liability reserve has been established in connection with this matter.

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 have 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 late summer 2024.

No liability was established as of December 31, 2023, in connection with the cross-claims in Part (2) of the matter, except for certain invoices held in accounts payable.

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.

8. Derivatives, Hedges and Financial Instruments

For the periods presented, the following significant instruments are accounted for on a fair value basis:

Natural Gas Contracts

Periodically, we enter into certain forward natural gas contracts or volume purchase commitment, which are within the scope of derivative accounting. As of December 31, 2023, we had no outstanding forward natural gas contracts. Our natural gas contracts throughout 2023 and 2022 were not accounted for as derivatives as we elected the normal purchase and normal sales scope exception on those contracts. In 2021, we had a combination of contracts that were accounted for as derivatives as well as contracts under the scope exception and therefore not accounted for as derivatives. Please see our discussion in Note 1 – Summary of Significant Accounting Policies regarding derivatives.

For 2021, we recognized a gain of \$2.7 million (including a realized gain of \$1.5 million) attributed to natural gas contracts held at the reporting date. The gain is classified as a reduction of cost of sales.

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 December 31, 2023, we had no counterparty cash collateral funding requirements.

Financial Instruments

As of December 31, 2023 and 2022, 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 and the U.S. treasury securities that comprise the short-term investments on our consolidated balance sheet. Fair value of our Senior Secured Notes is classified as a Level 2 fair value measurement while the treasury securities 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.

	2023		2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In Millions)			
Senior Secured Notes (1)	\$ 575	\$ 543	\$ 700	\$ 637
Short-Term Investments	\$ 207	\$ 207	\$ 331	\$ 329

1. Based on a quoted price of 94.50 as of December 31, 2023 and 91.00 as of December 31, 2022.

9. Stock-based Compensation

2016 Long Term Incentive Plan – Our equity award grants during the periods presented below were granted under the 2016 Long Term Incentive Plan (the "2016 Plan"), which replaced the 2008 Incentive Stock Plan. The 2016 Plan was approved by our shareholders in 2016 and subsequently amended in 2021. No awards may be granted under the 2016 Plan on and after the tenth anniversary of its effective date. As of December 31, 2023, the maximum aggregate number of shares currently authorized for issuance under the 2016 Plan is 5,750,000 shares with 1,851,202 shares available to be issued. The 2016 Plan is administered by the compensation committee (the "Committee") of our Board and allows for, among others, the following types of awards: restricted stock, restricted stock units, and other stock and cash-based awards, stock appreciation rights and stock options.

Restricted Stock and Restricted Stock Units – During 2023, time-based restricted stock units ("RSU") and performance-based restricted stock units ("PBRSU") were granted to certain executives and employees. Certain time-based (i.e. a "service condition") restricted stock units had graded vesting provisions of equal annual increments over three years while others had cliff vesting provisions of 100% at the end of three years. The PBRsUs granted in 2023 vest in three years and are based on a market condition. The equity awards granted in 2022 have similar vesting timeframes to those granted in 2023 while the PBRsUs granted in that year include units that vest based on a performance condition tied to the Company's cost structure and units that vest based on a market condition. Details of the market and performance conditions are discussed further below.

During 2021, restricted stock and performance-based restricted stock were granted to certain executives and restricted stock units were granted to certain employees. Pursuant to the terms of the performance-based awards outstanding as of the change of control event associated with the exchange of the Series E and Series F Redeemable Preferred discussed in Note 1 – Summary of Significant Accounting Policies, additional shares of restricted stock were issued including the satisfaction of certain performance conditions above the target performance level. Also, such performance-based restricted stock subsequent to the change of control event, were thereafter subject only to the time-based vesting conditions set forth in the applicable award agreement and the 2016 Plan.

We generally grant RSUs to our non-employee directors annually. Vesting of our director grants occurs upon the earliest of: (i) the director's separation from service, (ii) the first anniversary of the grant date, or (iii) the occurrence of a change of control, as defined by the agreement. Since the separation from service vesting provision effectively allows an award to vest with no minimum service requirement, these awards are fully expensed on the date they were granted. Pursuant to the terms of these RSU awards all of these RSU awards outstanding during 2021 immediately vested as a result of the change of control event discussed in Note 1 – Summary of Significant Accounting Policies.

A summary of equity award activity during 2023 is presented below:

	Restricted Stock ⁽¹⁾		Performance-Based Restricted Stock ⁽¹⁾⁽²⁾		Restricted Stock Units		Performance Based Restricted Stock Units	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Unvested outstanding beginning of year	546,494	\$ 2.72	312,639	\$ 2.71	422,447	\$ 10.50	161,922	\$ 10.40
Granted	—	\$ —	—	\$ —	442,116	\$ 10.87	171,641	\$ 20.62
Vested	(279,997)	\$ 2.70	(170,244)	\$ 2.69	(124,740)	\$ 11.12	—	\$ —
Cancelled or forfeited	—	\$ —	—	\$ —	(35,254)	\$ 9.31	(4,329)	\$ 16.78
Unvested outstanding end of year	<u>266,497</u>	\$ 2.73	<u>142,395</u>	\$ 2.73	<u>704,569</u>	\$ 10.33	<u>329,234</u>	\$ 17.03
Additional Information:								
Weighted-average fair value per stock/unit granted in 2022		\$ —		\$ —		\$ 13.15		\$ 13.22
Weighted-average fair value per stock/unit granted in 2021		\$ 3.55		\$ 3.09		\$ 5.05		\$ —

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

	Total Fair Value	Total Fair Value	Total Fair Value	Total Fair Value
	In Thousands			
Stock/unit vested in 2023	\$ 3,485	\$ 2,113	\$ 1,343	\$ —
Stock/unit vested in 2022	\$ 4,394	\$ 4,976	\$ —	\$ —
Stock/unit vested in 2021	\$ 2,729	\$ 6,671	\$ 2,209	\$ —

(1) We did not grant any restricted stock or performance based restricted stock awards during 2023 or 2022.

(2) Upon the change of control event associated with the exchange of the Series E and Series F Redeemable Preferred discussed in Note 1 – Summary of Significant Accounting Policies, during 2021 such PBRS are subject only to the time-based vesting conditions set forth in the applicable award agreement and the 2016 Plan.

The payout on our 2023 PBRSU grants, which vest in three years, is based on our total shareholder return feature (“TSR”) relative to our peer group. The vesting criteria is measured annually relative to annual targets (with a minimum threshold and a maximum ceiling) with a final adjustment in the third year. Each annual measurement results in a number of shares that are independently earned (i.e. “banked”) and are not affected by the measurement in the other periods. Banked shares are used in the final calculation to determine the vested shares at the end of the three-year period. As a result, the number of shares earned annually could be lower or higher than the annual target PRBSU shares. These awards granted require the grantee to be continuously employed through the end of the term for vesting purposes.

The 2022 PBRSU grants, which vest in three years, include units that vest based on a performance condition tied to the company’s cost structure and units that vest based on a market condition as measured by our TSR on an absolute basis. Both performance condition and market condition units are measured annually relative to annual targets for each respective criteria (with a minimum threshold and a maximum ceiling) with a final adjustment in the third year. Each annual measurement results in a number of shares that are independently earned (i.e. “banked”) and are not affected by the measurement in the other periods. Banked shares are used in the final calculation to determine the vested shares at the end of the three-year period. As a result, the number of shares earned annually could be lower or higher than the annual target PRBSU shares. These awards granted require the grantee to be continuously employed through the end of the term for vesting purposes.

The fair value of our service condition and performance condition awards are based on the market price of our common stock. We estimate the fair value of our market condition awards using a Monte Carlo simulation with the following assumptions:

- the closing stock price on the day preceding the grant,
- the prediction time horizon, the vesting term of the grant,
- the three-year Treasury yield curve rate on the grant date,
- the standard deviation of historical daily returns for the length of the vesting term of the grant.

Valuation assumptions of market condition PBRSUs	Valuation Date	
	January 25, 2023	January 20, 2022
Risk free rate	3.77%	1.34%
Volatility	95.06%	97.92%
Simulation period	2.93 years	2.92 years
Fair value	\$ 20.62	\$ 15.94

Stock Options – We have had no activity or stock-based compensation expense related to stock options during the past three years. As of December 31, 2023, we had 13,000 options at a weighted average exercise price of \$25.66, all of which were out of the money and are scheduled to expire in 0.92 years.

Stock-based Compensation Expense – A summary of our stock-based compensation expense recognized and related income tax benefit for each of the three years we present our income statement is presented below:

	Stock Based Compensation		
	2023	2022	2021
	(In Thousands)		
Stock-based compensation expense - Cost of sales	845	512	371
Stock-based compensation expense - SG&A	3,983	3,513	5,145
Income tax benefit	(1,128)	(947)	(1,355)

As of December 31, 2023, unrecognized compensation cost related to outstanding awards was \$6,597,000 with a weighted-average remaining vesting period of 1.7 years.

10. Employee Savings and Stock Purchase Plans, Collective Bargaining Agreements and Executive Benefit Agreement

Death Benefit Agreement - We were party to a death benefit agreement (“2005 Agreement”) with Jack E. Golsen (“J. Golsen”), who retired effective December 31, 2017.

The 2005 Agreement provided that, upon J. Golsen’s death, we would pay to the designated beneficiary, a lump-sum payment of \$2.5 million. J. Golsen passed away in April 2022. Further, we maintained and owned a life insurance policy with a face value of \$3.0 million for which we were the beneficiary. The policy did not have any cash surrender value, premium payments were current, and the policy was in force at the time of J. Golsen’s death. We received the settlement payment of \$3.0 million and paid the death benefit of \$2.5 million in July 2022. We have recorded \$3.0 million in a settlement of life insurance presented within non-operating other expense (income), net within our consolidated statements of operations for the twelve months ended December 31, 2022. The settlement of life insurance is included in our consolidated statement of cash flows in “Other” investing activities.

Employee Savings Plans - We sponsor a savings plan under Section 401(k) of the Internal Revenue Code under which participation is available to substantially all full-time employees. For full-time employees not covered by a collective bargaining agreement, beginning in April 2023 we match dollar for dollar of an employee’s contribution, up to a total of 5% of pre-tax earnings for substantially all full-time employees. Prior to this we matched 50% of an employee’s contribution, up to 8%. For 2023, 2022 and 2021, the amounts contributed to this plan were approximately \$1.9 million, \$1.3 million, and \$1.0 million respectively.

Employee Stock Purchase Plan - During 2022 our Board adopted and our shareholders approved our 2022 Employee Stock Purchase Plan (“ESPP”), which provides for payroll deductions by employees to purchase LSB stock direct from the Company at a discount to market price. The maximum number of shares reserved and available for issuance under the ESPP shall not exceed 4,500,000 shares. As of December 31, 2023 there were approximately 4,467,000 shares available for subsequent issuance under the ESPP. Eligibility in the ESPP is limited to our employees who have been continuously employed for a period of at least 30 days as of the first day of an offering and satisfy other requirements set forth in the ESPP. The ESPP offering period under the ESPP will be 6 months in duration and commence on the first business day of January and July of each year. Participants in the ESPP are subject to individual limits on (a) percentage of eligible compensation allocated toward purchases; (b) number of shares purchased and (c) in the event the participant holds stock option awards, total fair market value of purchases. The purchase price of each share will be 90 percent of the closing price of a share of our common stock on the exercise date. Shares purchased by the participant are issued from our treasury stock. During 2023, we had two offerings and approximately 24,000 shares were issued from our treasury stock to participants at an average closing price of \$9.59. During 2022, we had one offering and approximately 9,000 shares were issued from our treasury stock to participants at a closing price of \$13.30.

Collective Bargaining Agreements - As of December 31, 2023, we employed 586 persons, 163 whom are represented by unions under collective bargaining agreements. We have three 3-year union contracts which were successfully ratified in 2022.

11. Related Party Transactions

As of December 31, 2023 TLB-LSB, LLC, which is an affiliate of Todd Boehly beneficially owns, approximately 15.3 million shares of our outstanding common stock, or approximately 21% of our outstanding common stock.

As discussed in Note 1 – Summary of Significant Accounting Policies, as the result of the stockholders’ approval, the Series E and Series F Redeemable Preferred exchange transaction was consummated during 2021. Pursuant to the terms of the exchange agreement, an affiliate of Eldridge exchanged all of the shares of the Series E and Series F Redeemable Preferred for approximately 49.1 million shares of our common stock.

Also, as part of the exchange transaction, our Board declared the Special Dividend that was paid through the issuance of approximately 9.1 million shares of common stock in 2021, which amount included approximately 1.2 million shares to LSB Funding and approximately 0.7 million shares to certain of the Golsen Holders. In addition, pursuant to the anti-dilution terms of the Series B and Series D Preferred, which shares were held by certain of the Golsen Holders, the conversion ratio of the 12% Cumulative, Convertible Preferred Stock, par value \$100 (“Series B Preferred”) increased to 43.3333 to 1 from 33.3333 to 1 and Series D 6% Cumulative, Convertible Class C Preferred Stock, no par value (“Series D Preferred”) increased to 0.325 to 1 from 0.25 to 1.

Following the exchange transaction in 2021, certain of the Golsen Holders who held all of the outstanding shares of Series B Preferred and Series D Preferred provided notice to convert all of their shares of Series B Preferred and Series D Preferred into approximately 1.2 million shares of our common stock, pursuant to the terms of these securities. Pursuant to the terms of these securities, our Board declared and we paid the accumulated dividends totaling approximately \$1.9 million on the Series B and Series D Preferred. As a result, no shares of the Series B Preferred and Series D Preferred remain outstanding as of December 31, 2021.

As of December 31, 2023, we have one outstanding financing arrangement with an affiliate of Eldridge as discussed in Note 5 – Long-Term Debt. In addition, an affiliate of Eldridge held approximately \$30 million of our Senior Secured Notes.

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Notes to Consolidated Financial Statements (continued)

During 2022, we exhausted our stock repurchase authorization, including by repurchasing 9.0 million shares at an average cost of \$12.58 per share in connection with a public offerings by LSB Funding and SBT Investors, each of which is an affiliate of Eldridge.

Pursuant to the terms of the Board Representation and Standstill Agreement, as amended, our Board includes two directors that are employees of affiliates of LSB Funding and SBT Investors. During 2023, we incurred director fees associated with these directors totaling approximately \$0.4 million and approximately \$0.3 million for 2022 and 2021 for each respective year.

During 2023, 2022 and 2021, we incurred director fees associated with Barry H. Golsen totaling approximately \$0.2 million during 2023 and approximately \$0.1 million for 2022 and 2021 for each respective year.

As the result of J. Golsen informing the Board of his election to retire as Executive Chairman effective December 31, 2017, we determined not to extend the employment agreement with J. Golsen beyond its then current term that expired on December 31, 2017 and, in accordance with the terms his employment agreement, delivered a notice of non-renewal to J. Golsen. Following his retirement, J. Golsen served as Chairman Emeritus of our Board.

In 2017, we entered into a transition agreement with J. Golsen that commenced on January 1, 2018 and ends upon the earlier of his death or a change in control as defined in the agreement. During the term, J. Golsen received an annual cash retainer of \$480,000 and an additional monthly amount of \$4,400 to cover certain expenses. In accordance with the terms of the Transition Agreement, we also reimburse J. Golsen for his cost of certain medical insurance coverage until his death. J. Golsen passed away in April 2022.

We were party to the 2005 Agreement with J. Golsen. See discussion in Note 10 – Employee Savings and Stock Purchase Plans, Collective Bargaining Agreements and Executive Benefit Agreement.

12. Supplemental Cash Flow Information

The following provides additional information relating to cash flow activities:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In Thousands)		
Cash payments (refunds) for:			
Interest on long-term debt and other, net of capitalized interest	\$ 42,921	\$ 41,956	\$ 43,583
Income taxes, net	\$ 1,689	\$ 1,508	\$ (182)
Noncash investing and financing activities:			
Property, plant and equipment acquired and not yet paid at end of period	\$ 25,017	\$ 28,394	\$ 17,649
(Gain) loss on extinguishment of debt	\$ (8,644)	\$ 113	\$ —
Accounts payable associated with debt-related costs	\$ 450	\$ —	\$ —
Series E and Series F Redeemable Preferred and related dividends, accretion, and embedded derivative exchanged for common stock, net of related costs in accounts payable	\$ —	\$ —	\$ 306,690
Gain on extinguishment of PPP loan	\$ —	\$ —	\$ 10,000
Series B and Series D preferred converted into common stock	\$ —	\$ —	\$ 3,000

13. Net Sales***Disaggregated Net Sales***

As discussed in Note 1 – Summary of Significant Accounting Policies, we primarily derive our revenues from the sales of various chemical products. The following table presents our net sales disaggregated by our principal markets, which disaggregation is consistent with other financial information utilized or provided outside of our consolidated financial statements:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(In Thousands)		
Net sales:			
AN & Nitric Acid	\$ 221,818	\$ 315,679	\$ 228,754
Urea ammonium nitrate (UAN)	154,206	239,463	123,840
Ammonia	166,581	284,005	155,159
Other	51,104	62,564	48,486
Total net sales	<u>\$ 593,709</u>	<u>\$ 901,711</u>	<u>\$ 556,239</u>

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 36 months as of December 31, 2023.

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 volume shortfall charges and product shipments. We had approximately \$1.0 million and \$2.0 million of contract liabilities as of December 31, 2023 and 2022, respectively which are reflected as accrued liabilities in our consolidated balance sheets. During 2023 and 2022, deferred revenues of \$1.6 million and \$1.5 million, respectively were recognized and included in the balance as of December 31, 2023 and 2022. Our contract assets consists of unconditional rights to payment from our customers, which are reflected as accounts receivable in our 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. As of December 31, 2023, we have remaining performance obligations with certain customer contracts, excluding contracts with original durations of less than one year and contracts with variable consideration for which we have elected the practical expedient for consideration recognized in revenue as invoiced. The remaining performance obligations total approximately \$70.2 million, of which approximately 66% of this amount relates to 2024 through 2026, approximately 17% relates to 2027 through 2028, with the remainder thereafter.

14. Leases

Our leasing activity primarily consists being a lessee of railcars and office space. We have in excess of 1,300 railcars under lease. Typically, the initial term for such leases ranges from 2 years to 10 years, and the majority do not include any renewal options. Substantially all our railcar leases are operating leases with a limited number classified as financing leases.

We currently lease the office space housing our headquarters in Oklahoma City, Oklahoma. In November 2023, we modified the then existing lease by extending the lease term, adding additional square footage and revising the rental rate. The modified lease, which is an operating lease, has a term that ends in February 2031 with a five-year renewal option. The incremental lease liability recognized as a result of the modification was \$1.9 million with a corresponding increase to the right of use asset.

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 consolidated statement of operations.

LSB Industries, Inc.

Notes to Consolidated Financial Statements (continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	(Dollars In Thousands)		
Components of lease expense:			
Operating lease cost	\$ 11,071	\$ 10,692	\$ 9,998
Short-term lease cost	3,399	3,634	2,243
Other cost (1)	391	275	157
Sublease income	(5,632)	—	—
Total lease cost	<u>\$ 9,229</u>	<u>\$ 14,601</u>	<u>\$ 12,398</u>
Supplemental cash flow information related to leases:			
Operating cash flows from operating leases	\$ 10,948	\$ 10,552	\$ 10,290
Operating cash flows from finance leases	78	56	33
Financing cash flows from finance leases	231	168	92
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 11,257</u>	<u>\$ 10,776</u>	<u>\$ 10,415</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 11,969</u>	<u>\$ 4,347</u>	<u>\$ 9,549</u>
Right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ 46</u>	<u>\$ 932</u>	<u>\$ —</u>
Other lease-related information:			
Weighted-average remaining lease term - operating leases (in years)	4.3	3.3	4.0
Weighted-average remaining lease term - finance leases (in years)	4.0	4.9	3.2
Weighted-average discount rate - operating leases	8.26%	8.25%	8.44%
Weighted-average discount rate - finance leases	7.53%	7.54%	8.69%

(1) Includes variable and finance lease costs.

As of December 31, 2023, future minimum lease payments due under ASC 842 are summarized by fiscal year in the table below:

	<u>Operating Leases</u>	<u>Finance Leases</u>
	(In Thousands)	
2024	\$ 10,443	\$ 292
2025	6,526	335
2026	4,147	204
2027	2,993	137
2028	1,661	79
Thereafter	3,792	53
Total lease payments	29,562	1,100
Less imputed interest	(4,693)	(147)
Present value of lease liabilities	<u>\$ 24,869</u>	<u>\$ 953</u>

As of December 31, 2023, we have executed operating leases with lease terms greater than one year, totaling approximately \$0.8 million which have not yet commenced.

LSB Industries, Inc.
Schedule II - Valuation and Qualifying Accounts
Years ended December 31, 2023, 2022, and 2021

Description (1)	Balance at Beginning of Year	Additions- Charges to (Recovery of) Costs and Expenses	Deductions- Write- offs/Costs Incurred	Balance at End of Year
	(In Thousands)			
Accounts receivable - allowance for doubtful accounts:				
2023	\$ 699	\$ (164)	\$ 171	\$ 364
2022	\$ 474	\$ 485	\$ 260	\$ 699
2021	\$ 378	\$ 96	\$ —	\$ 474
Deferred tax assets - valuation allowance:				
2023	\$ 14,916	\$ 274	\$ 15	\$ 15,175
2022	\$ 46,968	\$ (28,268)	\$ 3,784	\$ 14,916
2021	\$ 64,655	\$ (17,687)	\$ —	\$ 46,968

(1) Reduction in the consolidated balance sheet from the related assets to which the reserve applies.

Other valuation and qualifying accounts are detailed in our notes to consolidated financial statements.

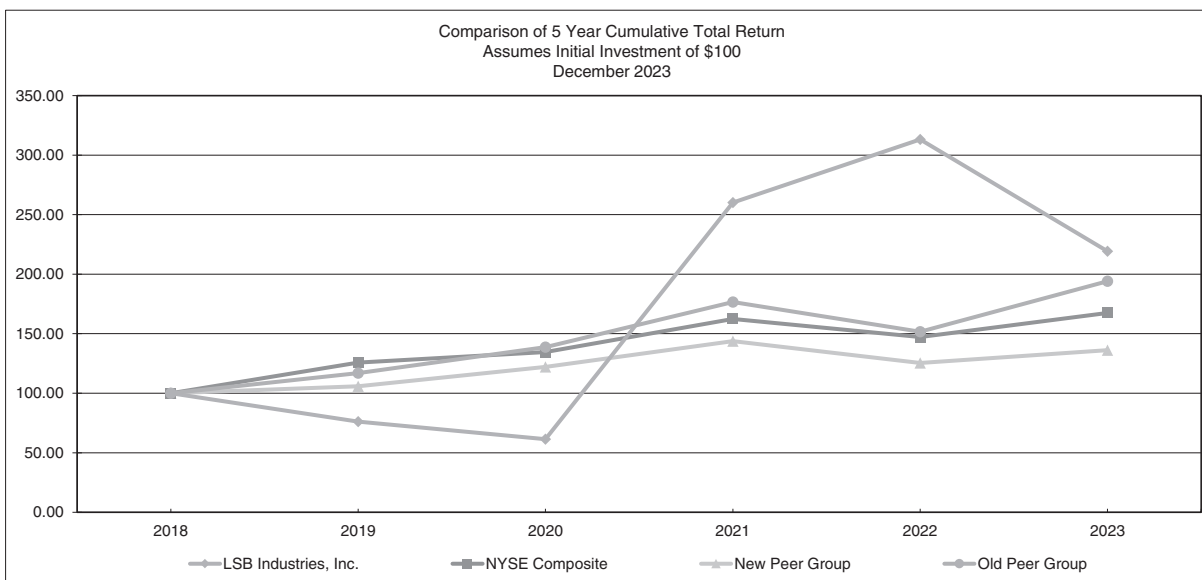
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PERFORMANCE GRAPH & PEER GROUP LIST

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Stock Performance Graph



		2018	2019	2020	2021	2022	2023
LSB Industries, Inc.	Return %		-23.91	-19.29	323.75	20.35	-30.01
	Cum \$	100.00	76.09	61.41	260.24	313.18	219.20
NYSE Composite	Return %		25.74	6.99	20.68	-9.35	13.77
	Cum \$	100.00	125.74	134.53	162.34	147.16	167.43
New Peer Group	Return %		5.90	15.25	17.78	-12.78	8.66
	Cum \$	100.00	105.90	122.05	143.75	125.39	136.24
New Peer Group + LSB Industries, Inc.	Return %		5.66	15.05	19.05	-11.64	7.10
	Cum \$	100.00	105.66	121.56	144.72	127.88	136.95
Old Peer Group	Return %		16.89	18.66	27.30	-14.08	27.93
	Cum \$	100.00	116.89	138.70	176.56	151.71	194.08
Peer Group + LSB Industries, Inc.	Return %		16.23	18.28	29.36	-12.26	24.23
	Cum \$	100.00	116.23	137.47	177.83	156.02	193.83

2023 (New) Peer Group

<u>Company Name</u>	<u>Ticker</u>
Ingevity Corporation	NGVT
Ecovyst, Inc.	ECVT
Quaker Chemical Corporation	KWR
Livent Corp.	LTHM
Intrepid Potash, Inc.	IPI
CVR Partners, LP	UAN
Advansix Inc.	ASIX
Orion Engineered Carbons S.A.	OEC
Hawkins, Inc.	HWKN
Haynes International, Inc.	HAYN
Balchem Corporation	BCPC
US Silica Holdings, Inc.	SLCA
American Vanguard Corporation	AVD
Compass Minerals International, Inc.	CMP
CSW Industrials, Inc.	CSWI

2022 (Old) Peer Group

<u>Company Name</u>	<u>Ticker</u>
Quaker Chemical Corporation	KWR
United States Lime & Minerals, Inc.	USLM
CVR Partners, LP	UAN
Balchem Corporation	BCPC
American Vanguard Corporation	AVD
AdvanSix Inc.	ASIX
CSW Industrials, Inc.	CSWI
Chase Corporation	CCF
Flotek Industries, Inc.	FTK
Hawkins, Inc.	HWKN
Haynes International, Inc.	HAYN
Intrepid Potash, Inc.	IPI

LSB DIRECTORS

Mark T. Behrman
President and Chief Executive Officer

Jonathan S. Bobb
Director, Eldridge Industries

Barry H. Golsen
GOL Capital, LLC
Former President and CEO LSB Industries, Inc.

Kanna Kitamura
Senior Director and Head of Human Resources,
Eldridge Industries

Steven L. Packebush
Founder and Principal,
Elevar Partners LLC
Former President Koch Ag & Energy Solutions

Diana M. Peninger
CEO, Geneva Lake Partners LLC
Former Vice President,
Celanese Corp.

Richard W. Roedel
Chairman of the Board
Retired Chairman and CEO
BDO Seidman, LLP

Richard S. Sanders, Jr.
President, Circle S Consulting, Inc.
Former Vice President of Manufacturing,
Terra Industries, Inc.

Lynn F. White
Founder and Managing Director,
Twemlow Group, LLC

LSB EXECUTIVE OFFICERS

Mark T. Behrman
President and Chief Executive Officer

Cheryl A. Maguire
Executive Vice President and Chief Financial
Officer

Michael J. Foster
Executive Vice President, General Counsel,
and Secretary

John P. Burns
Executive Vice President, Manufacturing

Damien J. Renwick
Executive Vice President and Chief Commercial
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WEBSITE

www.lsbindustries.com
Visit our website for details about our plants,
products, operations and policies.

SECURITY LISTING

Common Stock listed on the New York Stock
Exchange, NYSE Ticker Symbol: LXU



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