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

Form 10-Q

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

For the quarterly period ended June 30, 2026

OR

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

For the transition period from ________ to

Commission File Number: 1-7677

LSB Industries, Inc.
(Exact name of registrant as specified in its charter)

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

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report.)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares outstanding of the registrant's common stock was 71,997,504 shares as of July 24, 2026.

FORM 10-Q OF LSB INDUSTRIES, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

LSB INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Information at June 30, 2026 is unaudited)

	June 30, 2026	December 31, 2025
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 20,356	$ 19,511
Short-term investments	197,624	128,960
Accounts receivable	53,058	57,609
Allowance for doubtful accounts	(366)	(401)
Accounts receivable, net	52,692	57,208
Inventories:		
Finished goods	13,819	16,705
Raw materials	2,032	1,605
Total inventories	15,851	18,310
Supplies, prepaid items and other:		
Prepaid insurance	5,544	12,588
Precious metals	13,532	14,538
Supplies	33,241	33,399
Other	5,731	5,380
Total supplies, prepaid items and other	58,048	65,905
Assets held for sale	1,000	3,400
Total current assets	345,571	293,294
Property, plant and equipment, net	833,243	833,525
Other assets:		
Operating lease assets	44,601	45,571
Intangible and other assets, net	1,185	1,149
Total other assets	45,786	46,720
Total assets	$ 1,224,600	$ 1,173,539
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	102,591	64,514
Short-term financing	3,624	10,686
Accrued and other liabilities	35,478	29,551
Current portion of long-term debt	774	760
Total current liabilities	142,467	105,511
Long-term debt, net	440,575	440,295
Noncurrent operating lease liabilities	36,497	37,668
Other noncurrent accrued and other liabilities	535	535
Deferred income taxes, net	65,309	69,557
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, $.10 par value per share; 150 million shares authorized, 91.2 million shares issued	9,117	9,117
Capital in excess of par value	508,493	506,821
Retained earnings	245,771	232,275
	763,381	748,213
Less treasury stock, at cost:		
Common stock, 19.2 million shares (19.5 million shares at December 31, 2025)	224,164	228,240
Total stockholders' equity	539,217	519,973
Total liabilities and stockholders’ equity	$ 1,224,600	$ 1,173,539

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In Thousands, Except Per Share Amounts)			
Net sales	$ 168,092	$ 151,296	$ 337,579	$ 294,728
Cost of sales	156,631	128,123	290,324	257,171
Gross profit	11,461	23,173	47,255	37,557
Selling, general and administrative expense	12,931	9,844	26,756	19,997
Other expense, net	1,272	2,836	85	2,599
Operating (loss) income	(2,742)	10,493	20,414	14,961
Interest expense, net	7,070	7,886	14,187	15,950
Loss on extinguishment of debt	—	59	—	59
Non-operating other income, net	(1,706)	(1,542)	(3,222)	(3,215)
(Loss) income before income taxes	(8,106)	4,090	9,449	2,167
(Benefit) provision for income taxes	(1,917)	1,084	(4,047)	801
Net (loss) income	$ (6,189)	$ 3,006	$ 13,496	$ 1,366
Net (loss) income per common share:				
Basic:				
Net (loss) income	$ (0.09)	$ 0.04	$ 0.19	$ 0.02
Diluted:				
Net (loss) income	$ (0.09)	$ 0.04	$ 0.18	$ 0.02

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Common Stock Shares	Treasury Stock-Common Shares	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock-Common	Total
				(In Thousands)			
Balance at December 31, 2025	91,168	(19,505)	$ 9,117	$ 506,821	$ 232,275	$ (228,240)	$ 519,973
Net income					19,685		19,685
Stock-based compensation				4,788			4,788
Vesting of equity compensation		338		(3,954)		3,954	—
Shares withheld upon vesting of equity compensation		(152)				(1,497)	(1,497)
Balance at March 31, 2026	91,168	(19,319)	9,117	507,655	251,960	(225,783)	542,949
Net (loss)					(6,189)		(6,189)
Stock-based compensation				2,880			2,880
Employee stock purchase plan		16		(32)		193	161
Vesting of equity compensation		172		(2,010)		2,010	—
Shares withheld upon vesting of equity compensation		(40)				(584)	(584)
Balance at June 30, 2026	91,168	(19,171)	$ 9,117	$ 508,493	$ 245,771	$ (224,164)	$ 539,217
Balance at December 31, 2024	91,168	(19,528)	$ 9,117	$ 504,578	$ 207,662	$ (229,717)	491,640
Net (loss)					(1,640)		(1,640)
Stock-based compensation				1,733			1,733
Vesting of equity compensation		369		(4,344)		4,344	—
Shares withheld upon vesting of equity compensation		(133)				(1,170)	(1,170)
Balance at March 31, 2025	91,168	(19,292)	9,117	501,967	206,022	(226,543)	490,563
Net income					3,006		3,006
Stock-based compensation				2,088			2,088
Employee stock purchase plan		22		(105)		262	157
Vesting of equity compensation		39		(454)		453	(1)
Shares withheld upon vesting of equity compensation		(2)				(13)	(13)
Balance at June 30, 2025	91,168	(19,233)	$ 9,117	$ 503,496	$ 209,028	$ (225,841)	$ 495,800

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2026	2025
	(In Thousands)	
Cash flows from operating activities		
Net income	$ 13,496	$ 1,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(4,248)	711
Loss on extinguishment of debt	—	59
Depreciation and amortization of property, plant and equipment	42,865	40,765
Stock-based compensation	7,667	3,821
Write-downs of property, plant and equipment	327	2,599
Other	190	1,578
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	4,552	(12,564)
Inventories	3,035	190
Prepaid insurance	7,045	8,420
Supplies, prepaid items and other	2,526	(2,937)
Accounts payable	29,702	(15,967)
Accrued interest	(2,284)	(2,745)
Other assets and other liabilities	6,281	(295)
Net cash provided by operating activities	111,154	25,001
Cash flows from investing activities		
Expenditures for property, plant and equipment	(46,241)	(39,347)
Development of carbon capture and sequestration facility	(10,819)	—
Proceeds from short-term investments	147,665	154,565
Purchases of short-term investments	(215,777)	(110,281)
Recovery of property, plant and equipment costs	20,884	—
Other investing activities	3,335	(111)
Net cash (used) provided by investing activities	(100,953)	4,826
Cash flows from financing activities		
Repurchases of 6.25% Senior Secured Notes	—	(32,076)
Payments on other long-term debt	—	(3,004)
Payments on short-term financing	(7,062)	(8,019)
Acquisition of treasury stock, net	161	157
Taxes paid on equity awards	(2,081)	(1,182)
Other financing activities	(374)	(319)
Net cash used by financing activities	(9,356)	(44,443)
Net increase (decrease) in cash and cash equivalents	845	(14,616)
Cash and cash equivalents at beginning of period	19,511	20,230
Cash and cash equivalents at end of period	$ 20,356	$ 5,614

See accompanying notes to the unaudited condensed consolidated financial statements.

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

1. Summary of Significant Accounting Policies

All references to "LSB Industries," "LSB," the "Company," "we," "us," and "our" refer to LSB Industries, Inc. and its subsidiaries on a consolidated basis, except where the context makes clear that the reference is only to LSB Industries, Inc. itself and not its subsidiaries. The accompanying unaudited condensed consolidated interim financial statements and notes of LSB have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") have been omitted. The accompanying unaudited condensed consolidated interim financial statements and notes should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 (our "2025 Form 10-K"), filed with the SEC on February 26, 2026. The accompanying unaudited interim financial statements in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company's results of operations and cash flows for the three and six months ended June 30, 2026 and 2025 and the Company's financial position as of June 30, 2026.

Basis of Consolidation – LSB Industries, Inc. and its subsidiaries are consolidated in the accompanying unaudited condensed consolidated interim financial statements. All intercompany accounts and transactions have been eliminated. Certain prior period amounts reported in our unaudited condensed consolidated interim 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 (i) ammonia and urea ammonia nitrate ("UAN") for agricultural applications, and (ii) high purity and commercial grade ammonia, high purity ammonium nitrate, sulfuric acids, concentrated, blended and regular nitric acid, mixed nitrating acids, carbon dioxide, and industrial grade ammonium nitrate ("LDAN") and ammonium nitrate ("AN") solutions for industrial applications. We manufacture and distribute products in four facilities; three of which we own and are located in El Dorado, Arkansas (the "El Dorado Facility"); Cherokee, Alabama (the "Cherokee Facility"); and Pryor, Oklahoma (the "Pryor Facility"); and one of which we operate on behalf of Covestro LLC in Baytown, Texas.

Our customers include farmers, ranchers, fertilizer dealers and distributors primarily in the ranch land and grain production markets in the United States; industrial users of acids throughout the United States and parts of Canada; and explosives manufacturers in United States and other parts of North America.

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

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

Equity Awards – Equity award transactions with employees are measured based on the estimated fair value of the equity awards issued. For equity awards with only a service condition, the grant date fair value is based on the market price of our common stock and compensation is recognized so long as the service condition is met. For equity awards with simultaneous service, market and performance conditions, the grant date fair value is based on a Monte Carlo simulation, and compensation is recognized so long as the service condition is met and it is probable the performance condition will be achieved without regard to the outcome of the market condition. For equity awards with a service and market condition, the grant date fair value is based on a Monte Carlo simulation, and compensation cost is recognized so long as the service condition is met, without regard to the outcome of the market condition. 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.

On February 10, 2026, we entered into a side letter agreement (the "Side Letter") with our Chief Executive Officer, Mark T. Behrman, which modifies all of Mr. Behrman's outstanding equity awards to incorporate qualifying retirement provisions. Pursuant to the Side Letter, upon a qualifying retirement, all of Mr. Behrman's outstanding time-based restricted stock units ("RSU") will accelerate and vest in full. Additionally, all outstanding performance-based RSUs will accelerate and vest at the greater of (i) target or (ii) actual performance through the retirement date, as determined by our Compensation Committee of the Board of Directors. For the purposes of the Side Letter, a "qualifying retirement" is defined as a voluntary retirement occurring (i) on or after age 63 with at least five years of service, (ii) more than one year after the applicable grant date, and (iii) absent of any determination by us of grounds for termination for cause. All future equity awards granted to Mr. Behrman shall also include the same qualifying retirement provisions, unless otherwise agreed in writing by us and Mr. Behrman.

Upon the execution of the Side Letter, Mr. Behrman met the criteria for a qualifying retirement with respect to his equity awards granted in 2024 and 2025. As a result of the shortened amount of time that Mr. Behrman would be required to serve in order to be eligible for vesting, we accelerated recognition of the remaining compensation cost associated with those grants in the amount of $3.1 million during the first quarter of 2026. The modification impacted the timing of expense recognition for the impacted awards by bringing it forward but did not increase total compensation cost.

On April 24, 2026, the Company made a one-time retention grant of 706,880 time-based RSUs to Mr. Behrman under the 2025 Long-Term Incentive Plan. The RSUs are subject to cliff vesting and will vest on March 31, 2029, subject to Mr. Behrman's continued service with the Company.

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

Short-Term Investments – Investments, which consist of U.S. treasury securities with remaining maturity at the time of purchase greater than three months but less than 12 months, are considered short-term investments and are classified as Level 1 under the fair value hierarchy. These investments are classified as held to maturity, consistent with our intent to hold these investments to maturity. U.S. treasury bills with remaining maturity at the time of purchase of three months or less are included in cash and cash equivalents. Due to the nature of these investments as U.S. treasury securities, no impairment is anticipated. See "Note 6. Financial Instruments" for more information regarding our short-term investments.

Accounts Receivable – Substantially all of our accounts receivable consists of trade receivables from customers. We have recognized an appropriate allowance for estimated uncollectible accounts to reflect any estimate of expected credit losses. Our estimate is based on historical experience and periodic assessment, particularly on accounts that are past due (based upon the terms of the sale). Our periodic assessment is based on our best estimate of amounts that are not recoverable, which includes a present collectability review and forward-looking assessment, where applicable. We write off accounts receivable when we deem them uncollectible and record recoveries of accounts receivable previously written off when received.

Property, Plant and Equipment – Property, plant and equipment ("PP&E") are stated at cost or fair market value in the case of assets acquired through acquisitions, or otherwise at reduced values to the extent there have been asset impairment write-downs, net of accumulated depreciation and 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 expense within the condensed consolidated statements of operations consistent with the utilization of the underlying assets.

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 condensed consolidated statements of operations.

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

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.

For the three and six months ended June 30, 2026, asset write-downs were not material. For the three and six months ended June 30, 2025, we recorded asset write-downs in the amount of $2.5 million and $2.6 million, respectively. These asset write-downs are included in "Other (income) expense, net" on our condensed consolidated statements of operations.

Assets Held For Sale – In general, assets held for sale are reported at the lower of the carrying amounts of the assets or fair values less costs to sell.

In December 2025, we received an offer with respect to a parcel of land we own, for which we are currently negotiating a purchase and sale agreement. As the offer price was less than the carrying value of the land at the time, we recorded an impairment of $1.5 million on the parcel of land.

Assets classified as held for sale on the condensed consolidated balance sheet as of June 30, 2026, reflect the net book value of the parcel of land for which a sale is pending.

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

Contingencies – Certain conditions may exist which may result in a loss, but which will only be resolved when future events occur. We 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 loss when such loss 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).

Partial Settlement of Global Industrial Matter and Related Claims

As previously disclosed, since 2016, the Company has been involved in litigation with respect to engineering and procurement contracts related to the construction of the ammonia plant at the El Dorado Facility. On April 2, 2026, the Company, certain of the Company's wholly owned subsidiaries, and Benham Constructors, LLC (f/k/a Leidos Constructors, LLC, f/k/a SAIC Constructors, LLC) ("Benham") entered into a Settlement and Mutual Release Agreement (the "Settlement Agreement"), effective March 26, 2026 ("Settlement Effective Date"), to settle certain claims asserted in the following matters: *Global Industrial, Inc. d/b/a Global Turnaround (Plaintiff) v. Benham Constructors, LLC, et al (Defendants)*, and *LSB Industries, Inc. et al. (Cross-Claimants and Counter Cross-Defendants) v. Benham Constructors, LLC, et al. (Cross-Defendants and Counter Cross-Claimants)*, Union County Circuit Court, Civil Division, Case No. 70CV-16-76 (collectively, the "Action").

Pursuant to the terms of the Settlement Agreement, Benham agreed to pay the Company approximately $20.9 million within 60 days of the Settlement Effective Date. Subject to the terms of the Settlement Agreement, the Company and Benham agreed to dismiss their respective claims in the Action against each other, with prejudice. In addition to the cash component, the dismissal allowed us to reverse $2.9 million of payables related to this matter. The Settlement Agreement does not include any admission of liability by any party. The settlement payment was received during the second quarter of 2026 and recorded as a reduction in the carrying value of plant, property and equipment, which will reduce depreciation expense on a prospective basis.

The Settlement Agreement did not release or otherwise discharge any claims, rights or remedies the Company has, may have had or may have in the future against Leidos Inc. (f/k/a Science Applications International Corporation) or Leidos Engineering, LLC ("Leidos Engineering"), including its claims for fraud and breach of contract. The Company plans to continue its vigorous prosecution of its filed claims against Leidos Inc. and Leidos Engineering and continues to seek actual and punitive damages in excess of $300 million. The trial for the Company's claims against Leidos Inc. and Leidos Engineering is scheduled to begin in October 2026. We can provide no assurance as to the ultimate outcome of the pending litigation.

Derivatives, Hedges and Financial Instruments – 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 assets and liabilities classified as Level 1 are based on quoted prices in active markets for identical contracts.

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

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

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

An operating lease asset represents our right to use the underlying asset as a lessee for the lease term and an operating lease liability represents our obligation to make lease payments arising from the lease. Currently, most of our leases are classified as operating leases and primarily relate to railcars, other equipment and office space. Our leases that are classified as finance leases primarily relate to railcars. 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.

As a lessee, we use our incremental borrowing rate based on the lease term and other information available at the commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the applicable lease term.

From time to time when we have excess freight capacity, we may sublease a portion of our railcars fleet on a short-term basis to other parties. The income from these subleases is recorded as a component of “Other income, net” in our condensed consolidated statements of operations. For the six months ended June 30, 2026 and 2025, sublease income was not material.

As of June 30, 2026, we had an executed operating lease for railcars with a lease that has not yet commenced. The lease has a term greater than one year, with aggregate lease payments of approximately $6.8 million.

Recently Adopted Accounting Pronouncements

ASU 2025-05 - In July 2025, the Financial Accounting Standards Board (“FASB”) issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurements of Credit Losses for Accounts Receivable and Contract Assets* (“ASU 2025-05”). The amendments in this ASU provide a practical expedient related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from our sales transactions. The practical expedient permits us to assume current conditions as of the balance sheet date that do not change for the remaining life of the current accounts receivable and current contract assets. Public business entities are not permitted to elect the optional accounting policy to consider subsequent cash collections. We adopted ASU 2025-05 on January 1, 2026, on a prospective basis. The adoption did not have a material impact on our condensed consolidated financial statements. No changes were made to our credit-loss estimation methodologies.

Recently Issued Accounting Pronouncements

ASU 2024-03 - In November 2024, the FASB issued Accounting Standards Update (“ASU”) 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This ASU requires an entity to disclose the amounts of purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense caption. It also requires an entity to include certain amounts that are already required to be disclosed under current U.S. GAAP in the same disclosure. Additionally, it requires an entity to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and to disclose the total amount of selling expenses and, in annual reporting periods, an entity’s definition of selling expenses. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. An entity may apply the amendments prospectively for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. While we are currently evaluating the effect of adopting this ASU on the disclosures in our financial statements, we do not expect this ASU to impact our financial condition and results of operations.

ASU 2025-11 - In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. The update provides clarifications intended to improve the consistency and usability of interim disclosure requirements, including a comprehensive listing of required interim disclosures and a new disclosure principle for reporting material events occurring after the most recent annual period. The amendments do not change the underlying objectives of interim reporting but are designed to enhance clarity in application. The guidance is effective for us beginning in the fiscal year ending December 31, 2027, including interim periods within those fiscal years. While we are currently evaluating the effect of adopting this ASU on the disclosures in our financial statements, we do not expect this ASU to impact our financial condition and results of operations.

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, 2026 through the date of these financial statements and determined them not to be applicable or materially impact our financial statements other than those ASUs specifically addressed above.

2. Net (Loss) Income per Common Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In Thousands, Except Per Share Amounts)			
Numerator:				
Net (loss) income	$ (6,189)	$ 3,006	$ 13,496	$ 1,366
Numerator for basic and diluted net (loss) income per common share	$ (6,189)	$ 3,006	$ 13,496	$ 1,366
Denominator:				
Denominator for basic net (loss) income per common share - adjusted weighted-average shares	72,439	71,910	72,259	71,874
Effect of dilutive securities:				
Unvested restricted stock and stock units	—	236	876	263
Dilutive potential common shares	—	236	876	263
Denominator for diluted net (loss) income per common share - adjusted weighted-average shares	72,439	72,146	73,135	72,137
Basic net (loss) income per common share	$ (0.09)	$ 0.04	$ 0.19	$ 0.02
Diluted net (loss) income per common share	$ (0.09)	$ 0.04	$ 0.18	$ 0.02

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Restricted stock and stock units	921,145	1,289,035	592,296	1,321,184
	921,145	1,289,035	592,296	1,321,184

3. Accrued and Other Liabilities

	June 30, 2026	December 31, 2025
	(In Thousands)	
Accrued interest	$ 3,426	$ 5,711
Current portion of operating lease liabilities	8,179	7,976
Accrued payroll and benefits	12,187	9,896
Other [1]	12,221	6,503
	36,013	30,086
Less noncurrent portion	535	535
Current portion of accrued and other liabilities	$ 35,478	$ 29,551

(1) Includes accrued legal fees of $2.1 million.

4. Long-Term Debt

Our long-term debt consists of the following:

	June 30, 2026	December 31, 2025
	(In Thousands)	
Revolving Credit Facility (A)	$ —	$ —
Senior Secured Notes due 2028, with an interest rate of 6.25% (B)	438,580	438,580
Finance Leases (C)	5,857	6,233
Unamortized debt issuance costs [1]	(3,088)	(3,758)
	441,349	441,055
Less current portion of long-term debt	774	760
Long-term debt due after one year, net	$ 440,575	$ 440,295

(1) Debt issuance costs as of June 30, 2026 and December 31, 2025 of approximately $0.4 million and $0.5 million, respectively, relating to our Revolving Credit Facility (defined below) are not included in Unamortized debt issuance costs. Such costs are included in our condensed consolidated balance sheet in "Intangible and other assets, net."

(A) The revolving credit facility pursuant to a credit agreement, dated December 21, 2023, between us, the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent (the "Revolving Credit Facility"), provides for borrowings up to an initial maximum of $75 million, with an option to increase the maximum by an additional $25 million (which amount is uncommitted). Availability under the Revolving Credit Facility is subject to a borrowing base and is also subject to an availability block of $7.5 million (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 Revolving Credit Facility provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $10 million, with the outstanding amount of any such letters of credit reducing availability for borrowings. As of June 30, 2026, our Revolving Credit Facility was undrawn and had approximately $51 million of availability, based on our eligible collateral.

The 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 Senior Secured Notes (defined below), which is currently October 15, 2028 (unless such Senior Secured Notes have been repaid or redeemed in full prior thereto). Borrowings outstanding under the Revolving Credit Facility will bear interest at a rate per annum equal to, at our option, 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 its subsidiaries (collectively, the "Borrowers") are co-borrowers under the Revolving Credit Facility. Obligations under the 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 Revolving Credit Facility contains a 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 June 30, 2026.

(B) We previously issued at par an aggregate total of $700 million principal value of our Senior Secured Notes due 2028 ("Senior Secured Notes"). The Senior Secured Notes, which mature in October 2028, bear interest at a rate of 6.25% paid in arrears on

May 15 and October 15 of each year. From time to time, we have engaged in open market repurchases to extinguish a portion of the outstanding balance. We did not repurchase any of our Senior Secured Notes during the three and six months ended June 30, 2026. During the six months ended June 30, 2025, we repurchased $32.4 million in principal amount of our Senior Secured Notes for approximately $32.1 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 loss on extinguishment of debt of approximately $0.1 million.

(C) Finance leases consist primarily of leases on railcars.

5. Commitments and Contingencies

Outstanding Natural Gas Purchase Commitments – Certain of our natural gas contracts qualify for the NPNS exception under U.S. GAAP and thus are not financial instruments for which we mark-to-market. We did not have any natural gas contracts outstanding at June 30, 2026. From time to time, when we exceed the funding threshold in our natural gas purchase commitments, we are required to fund cash collateral to our counterparty. As of June 30, 2026, we had no counterparty cash collateral funding requirements.

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

A. Environmental Matters

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

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

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

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

As of June 30, 2026, our accrued liabilities for environmental matters totaled approximately $0.4 million relating primarily to the matters discussed below. Estimates of the most likely costs for our environmental matters are generally based on preliminary or completed assessment studies, preliminary results of studies, or our experience with other similar matters. It is reasonably possible that a change in the estimate of our liability could occur in the near term.

1. Discharge Water Matters

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

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

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

2. Other Environmental Matters

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

As the successor to a prior owner of the Hallowell Facility, Chevron Environmental Management Company ("Chevron") 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 periodic review with the KDHE. At this time there is no review scheduled.

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.

B. Other Pending, Threatened or Settled Litigation

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.

Performance and Payment Bonds

We are contingently liable to sureties in respect of insurance bonds issued by the sureties in connection with certain contracts entered into by subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of June 30, 2026, we have agreed to indemnify the sureties for payments, up to $10.2 million, made by them in respect of such bonds.

6. Financial Instruments

Natural Gas Contracts

Periodically, we enter into certain forward natural gas contracts or volume purchase commitments, which are derivatives. We utilize these natural gas contracts as economic hedges for risk management purposes, but the contracts are not designated as hedging instruments. At June 30, 2026 and December 31, 2025, we had no outstanding forward natural gas contracts or volume purchase commitments accounted for as derivatives. When present in the past, the valuations of the natural gas contracts were classified as a Level 2 fair value measurement.

Financial Instruments

At June 30, 2026 and December 31, 2025, we did not have any financial instruments with fair values materially different from their carrying amounts (which excludes issuance costs, if applicable) except for our Senior Secured Notes. Fair value of our Senior Secured Notes is classified as a Level 2 fair value measurement while the treasury securities that comprise our short-term investments are a Level 1 fair value measurement. The fair value of financial instruments is not indicative of the overall fair value of our assets and liabilities since financial instruments do not include all assets, including intangibles, and all liabilities.

	June 30, 2026		December 31, 2025	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In Millions)			
Senior Secured Notes [1]	$ 439	$ 434	$ 439	$ 436
Short-Term Investments	$ 198	$ 197	$ 129	$ 129

(1) Based on a quoted price of 99.0 at June 30, 2026 and 99.5 at December 31, 2025. Also see discussion in Note 4 (B).

7. Income Taxes

(Benefit) Provision for income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In Thousands)			
Current:				
Federal	$ —	$ —	$ —	$ —
State	(124)	37	201	90
Total Current	$ (124)	$ 37	$ 201	$ 90
Deferred:				
Federal	$ (1,583)	$ 983	$ 2,415	$ 775
State	(210)	64	(6,663)	(64)
Total Deferred	$ (1,793)	$ 1,047	$ (4,248)	$ 711
(Benefit) provision for income taxes	$ (1,917)	$ 1,084	$ (4,047)	$ 801

The income tax benefit for the six months ended June 30, 2026, was $4.0 million (42.8% benefit on pre-tax income). The tax provision for the six months ended June 30, 2025, was $0.8 million (37.0% provision on pre-tax income). For 2026, the effective tax rate was lower than the statutory tax rate primarily due to the release of state valuation allowances described below, partially offset by nondeductible compensation expense. For 2025, the effective tax rate was higher than the statutory tax rate primarily due to nondeductible compensation expense and state taxes.

We considered both positive and negative evidence in our determination of the need for valuation allowances for deferred tax assets. Information evaluated includes our financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and tax carrybacks, as well as an evaluation of currently available information about future years. Valuation allowances are reflective of our quarterly analysis of the four sources of taxable income, including the calculation of the reversal of existing tax assets and liabilities, the impact of financing activities and our quarterly results. Based on our analysis, we have determined that it is more-likely-than-not that all of our federal deferred tax assets and a portion of our state deferred tax assets will be utilized.

During the first quarter of 2026, our results of operations and expected results for the remainder of 2026 and future years significantly improved compared to our prior year-end forecast, primarily due to a favorable shift in pricing conditions across our product portfolio resulting from global supply constraints. This improvement supported the inclusion of future taxable income in our quarterly analysis of the four sources of taxable income and represented a change in the weight of positive evidence relative to the negative evidence that had existed at year-end. As a result of this change, we recognized a discrete income tax benefit of $6.2 million during the first quarter of 2026, representing the release of a portion of our beginning-of-year state valuation allowances. As of June 30, 2026, our remaining state valuation allowance of $8.0 million relates to net operating loss carryforwards and interest expense limitation carryforwards in certain states.

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

LSB Industries, Inc. and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the 2022-2025 years remain open for all purposes of examination by the U.S. Internal Revenue Service and other major tax jurisdictions. Additionally, the 2015-2020 years remain subject to examination for determining the amount of net operating loss and other carryforwards.

8. Net Sales

Disaggregated Net Sales

We primarily derive our revenues from the sales of various chemical products. The Company's net sales disaggregation is consistent with other financial information utilized or provided outside of our condensed consolidated financial statements. Accordingly, this approach is reflected in disaggregated net sales, mirroring how the Company manages its net sales by product through contracts with customers.

The following table presents our net sales disaggregated by our products, which disaggregation is consistent with other financial information utilized or provided outside of our condensed consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In Thousands)			
Net sales:				
AN & Nitric Acid	$ 69,539	$ 61,707	$ 144,886	$ 119,325
Urea ammonium nitrate (UAN)	62,488	52,262	111,659	96,127
Ammonia	25,511	26,830	62,325	60,102
Other	10,554	10,497	18,709	19,174
Total net sales	$ 168,092	$ 151,296	$ 337,579	$ 294,728

Other Information

For our contracts with a duration greater than one year at contract inception, the average remaining expected duration was approximately 35 months at June 30, 2026.

Liabilities associated with contracts with customers (contract liabilities) primarily relate to deferred revenue and customer deposits associated with cash payments received in advance from customers for product shipments.

Our contract liabilities as of June 30, 2026 and December 31, 2025 were minimal. For the three and six months ended June 30, 2026, revenues recognized from contract liabilities included in the balances as of March 31, 2026 and December 31, 2025, respectively, were minimal. For the three and six months ended June 30, 2025, we recognized revenues of $10.3 million and $1.1 million, respectively, from amounts included in contract liabilities as of March 31, 2025 and December 31, 2024, respectively. Our contract assets consist of unconditional rights to payment from our customers, which are reflected as accounts receivable in our condensed consolidated balance sheets.

For most of our contracts with customers, the transaction price from the inception of a contract is limited to a short period of time (generally one month) as these contracts contain terms with variable consideration related to both price and quantity. At June 30, 2026, we had remaining performance obligations with certain customer contracts, excluding contracts with original durations of less than one year and for service contracts for which we have elected the practical expedient for consideration recognized in revenue as invoiced. As of June 30, 2026, the remaining performance obligations totaled approximately $158.0 million, of which approximately 66% relates to 2026 through 2028, approximately 21% relates to 2029 through 2030, with the remainder thereafter.

9. Supplemental Cash Flow Information

The following provides additional information relating to cash flow activities:

	Six Months Ended June 30,	
	2026	2025
	(In Thousands)	
Cash payments (refunds/reduction) for:		
Interest on long-term debt and other	$ 16,506	$ 18,503
Capitalized interest	$ (785)	$ (611)
Income taxes, net	$ 727	$ 321
Noncash investing and financing activities:		
Property, plant and equipment acquired and not yet paid at end of period	$ 35,492	$ 19,066
Loss on extinguishment of debt	$ —	$ 59

10. Segment

The Company is managed on a consolidated basis with a single reportable segment, chemical manufacturing, which is not an aggregation of individual operating segments. There have been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss since the filing of our 2025 Form 10-K. Information about reported segment revenue, measures of a segment's profit or loss, significant segment expenses, and measure of a segment's assets:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In Thousands)			
Net sales	$168,092	$151,296	$337,579	$294,728
Less:				
Cost of sales excluding depreciation, amortization and turnaround expense	105,952	104,867	214,904	211,857
Depreciation and amortization	21,878	20,617	42,725	40,680
Turnaround expense	28,801	2,639	32,695	4,634
Total cost of sales	156,631	128,123	290,324	257,171
Selling, general and administrative				
Wages and benefits	7,981	6,037	18,316	12,257
Other selling general and administrative	4,950	3,807	8,440	7,740
Total selling general and administrative	12,931	9,844	26,756	19,997
Interest expense	7,070	7,886	14,187	15,950
Loss on extinguishment of debt	—	59	—	59
Loss from asset write-down and disposals	1,718	2,528	929	2,599
Income tax benefit	(1,917)	1,084	(4,047)	801
Other segment (income) expense, net (a)	(2,152)	(1,234)	(4,066)	(3,215)
Segment net income (loss)	(6,189)	3,006	13,496	1,366
Reconciliation of profit or loss				
Adjustments and reconciling items	—	—	—	—
Consolidated net (loss) income	$(6,189)	$3,006	$13,496	$1,366

(a) For the periods presented, amount consisted primarily of interest income.

The measure of our chemical manufacturing segment assets is reported on the condensed consolidated balance sheet as total assets. Expenditures for long-lived chemical manufacturing segment assets are reported on our condensed consolidated statement of cash flows.

11. Asset Acquisition

On May 18, 2026, we acquired full ownership of the carbon capture and sequestration project currently underway at our El Dorado, Arkansas facility (the “Project”) from Lapis Carbon Solutions. The total purchase price and remaining completion capital associated with the Project are estimated at approximately $95 million. The acquisition was accounted for as an asset acquisition.

Under the purchase and sale agreement for the acquisition, the contingent purchase consideration becomes payable in three separate installments upon achievement of three defined Project milestones and completion activities, none of which had occurred as of June 30, 2026. No amount of the purchase price was paid during the three and six months ended June 30, 2026. As of June 30, 2026, management concluded that the contractual conditions giving rise to the contingent purchase consideration had not met the applicable recognition criteria. Accordingly, no liability for the contingent purchase consideration has been recognized as of June 30, 2026.

We continue to incur development and construction costs associated with the Project, which are capitalized as incurred in accordance with the Company’s accounting policies. For the three and six months ended June 30, 2026, our cash expenditure on the Project was $10.8 million. This amount did not include any portion of the acquisition purchase price. We will recognize the contingent purchase consideration as an additional cost of the acquired assets when payment becomes probable and reasonably estimable.

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

This discussion is intended to provide a reader of our financial statements with management's perspective on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Investors should read the following discussion and analysis in conjunction with the consolidated financial statements and related notes included in "*Item 1. Financial Statements*." Notes referenced in this discussion and analysis refer to the notes to consolidated financial statements that are found in "*Item 1. Financial Statements—Notes to Condensed Consolidated Financial Statements*." Certain statements contained in this discussion may be deemed to be forward-looking statements. See "*Special Note Regarding Forward-Looking Statements*." Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and in our Annual Report on Form 10-K for the year ended December 31, 2025, particularly in the section entitled "*Risk Factors*." Unless we state otherwise or the context otherwise requires, the terms "LSB," "we," "us," "our" and the "Company" refer to LSB Industries, Inc. and its consolidated subsidiaries.

Overview

General

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

Key Operating Initiatives for 2026

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

- *Invest to improve Environmental, Health & Safety at our Facilities.* We prioritize high safety standards that not only enable us to protect what matters, which is the well-being of our employees, but also translates into improved plant performance. We remain focused on our safety programs to move closer to attaining zero injuries. We continue to invest additional capital across our facilities to build upon the progress we have made in implementing enhanced safety programs during the last several years.
- *Improve the Reliability at our Facilities while Supplying our Customers with Products of the Highest Quality.* Improving the reliability of our facilities while supplying customers with high-quality products remains a key operational focus. We have several initiatives underway aimed at increasing production volumes of ammonia and downstream products through improved operational execution and asset reliability. Progress in these areas is expected to support higher available production and improved unit cost performance over time, while we continue to maintain a strong focus on product quality and customer requirements.
  - *Turnaround Excellence:* We will continue to focus on the safe and effective execution of scheduled Turnarounds, with an emphasis on schedule adherence, cost control, and minimizing operational risk. We will continue to apply our standardized Turnaround management practices across all sites, including our revised Turnaround standardization, to support consistent execution and long-term asset reliability.
    - During the second quarter we successfully completed an extensive and complex Turnaround of our El Dorado ammonia plant on time, within budget and injury free.
    - In addition, we began Turnaround work at our Pryor Facility in the second quarter, accelerating the commencement date from its originally scheduled third quarter timeframe. The shift forward in the commencement of the Turnaround moved the majority of the costs and lost production from the Turnaround from the third quarter to the second quarter. The Turnaround at the Pryor Facility was completed during the third quarter.
  - *Mechanical Integrity:* We will continue to enhance mechanical integrity through ongoing refinement of our inspection programs, with the objective of reducing fixed equipment failures and unplanned downtime.
  - *Asset Care Strategies:* We will continue to advance our machinery and asset care strategies, with a focus on reducing unplanned downtime, optimizing the scope and duration of planned outages, and improving the effectiveness of startup operations.
  - *Culture of Excellence*: We will continue to strengthen operational discipline and accountability across the organization, supporting improved productivity and overall operational reliability.

- *Advance Productivity Improvement.* We are accelerating productivity improvements through a comprehensive focus on fixed and variable cost optimization, procurement-driven savings, automation, and process changes with multiple initiatives underway to identify, assess, and pursue cost-reduction opportunities.
- *Continued Optimization and Increase the Breadth of Distribution of our Product Mix.* We have initiatives underway to increase the distribution of our products within our industrial and agricultural end markets, among other product mix optimization strategies. We believe that these initiatives and strategies, combined with continued expansion of our customer relationships, the robust market analysis capabilities we have developed, and the establishment of in-market tank storage and distribution terminals, will make us more effective in identifying and capitalizing on the most profitable distribution opportunities for our products, while making our financial results more stable and predictable. Additionally, we have completed and 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.
- *Grow Our Platform.* We continue to evaluate opportunities across all our facilities to increase production capacity through the implementation of several potential debottlenecking and other margin enhancement projects. Additionally, from time to time, we evaluate opportunities to acquire strategic assets or companies where we believe those acquisitions will enhance our value and provide attractive returns to our stockholders. We also 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.

Summary of Low Carbon Ammonia Initiatives

In May 2026, we reached an agreement to assume full ownership of our project to capture and sequester CO_2 at our El Dorado Facility (the “Project”) from Lapis Carbon Solutions (“Lapis”). The milestone-based structure of the agreement aligns our capital deployment with Project advancement, while limiting upfront capital exposure. The Project is expected to be completed and operational in the first quarter of 2027, subject to United States Environmental Protection Agency (“EPA”) approval of our Class VI permit, at which time CO_2 injections are expected to begin.

Once operational, the Project will initially capture and sequester approximately 400,000 to 500,000 metric tons of CO_2 per year in underground saline aquifers. The sequestered CO_2 is expected to reduce our overall scope 1 GHG emissions by approximately 25% from current levels. In addition, the Project is expected to enable us to produce between 305,000 and 380,000 metric tons per year of low carbon ammonia, a product that could potentially be sold at higher price levels than conventional ammonia.

Key Project milestones include:

- In April 2022, we entered into an agreement with Lapis to develop the Project.
- In February 2023, a pre-construction Class VI permit application was filed with the EPA. The EPA recognized the application as complete in March 2023 and is currently in the review process.
- In May 2024, we announced an agreement to supply, for a five-year period commencing January 1, 2025, up to 150,000 short tons per year of low carbon ammonium nitrate solution (“ANS”) to Freeport Minerals Corporation (“Freeport”). In early 2025, we began supplying conventional ANS to Freeport from our El Dorado Facility and expect to phase-in the low carbon contracted volume in early 2027, once the Project is operational. Freeport intends to use the low carbon ANS purchased from us for its United States copper mining operations.
- In June 2025, a stratigraphic injection well was drilled at the El Dorado site and data has been gathered to support the EPA in its continuing technical review of our Class VI application. The pre-construction Class VI permit application was resubmitted to the EPA in December 2025. Once the Project receives EPA approval, we intend to use this well for CO_2 injections.
- In May 2026, we reached an agreement to take full ownership of the Project. The sequestered CO_2 generated from the facility's ammonia production is expected to qualify for the enhanced federal tax credit, currently \$85 per metric ton of CO_2, under Internal Revenue Code Section 45Q. Based on expected capture volumes, the Company estimates the Project could generate approximately \$25 million to \$30 million of annual earnings when fully operational, net of operating costs, over the 12-year credit period, subject to continued qualification. Although the credits are expected to be recognized in earnings as they are earned, the timing of related cash inflows may vary depending on the tax credit monetization method selected. As a result, cash receipts may not coincide with earnings recognition.

Market Outlook

Demand for our industrial products remains strong, including demand for AN, supported by continued mining-sector investment across North America and globally, as well as broader capital spending tied to AI-related infrastructure, data centers, power generation and electrification. Favorable supply / demand fundamentals, further supported by producer outages, continue to underpin both spot and contract pricing, while new mining and aggregate projects are expected to support medium to longer-term demand for explosives used in copper, iron ore, quarrying and infrastructure-related production.

We believe our industrial business provides a meaningful degree of downside protection from risks associated with economic uncertainty, including those related to tariffs, fluctuating oil and commodity prices, concerns about inflation and the ongoing instability in the Middle East, including the U.S.-Iran conflict. A significant portion of our volumes are already contracted, our customer base is diverse and located almost entirely in the United States, and we have the ability to optimize our product mix. In addition, we expect European marginal cost of production to be higher throughout the remainder of 2026, driven by elevated natural gas costs and a tight global market for nitrogen products, particularly as demand for fertilizers in India remains strong and export capacity from China and other sources continues to be limited.

The fertilizer markets remain constructive as conditions continue to evolve following the Strait of Hormuz disruption earlier this year. Ammonia prices remain elevated relative to historical averages, although they have moderated from first-half highs as seasonal demand normalizes and supply conditions improve. Urea Ammonium Nitrate (UAN) pricing remains favorable even as prices normalize from elevated levels, with a constructive demand outlook expected to support increased demand in the second half of 2026. Other developments that could impact product pricing include the continued attacks affecting Russian nitrogen plants, ports, and ships, as well as the ongoing risk related to instability in the Middle East, including the U.S. – Iran conflict.

The outlook for U.S. corn calls for approximately 95 million planted acres of corn for the 2026/2027 marketing season with global ending stocks projected to be at the lowest levels in over a decade supporting improved corn prices. We believe this will support strong fertilizer application rates and we anticipate robust nitrogen demand through the fall fertilizer application season.

Key Industry Factors

Supply and Demand

Industrial Products

Our industrial products sales volumes are dependent upon general economic conditions, primarily in the housing, automotive, mining and paper industries. Demand for our industrial products is robust across all commodities, particularly with copper and gold miners as they maximize production to take advantage of strong supply and demand fundamentals.

Our LDAN and AN solutions are primarily used to produce AN fuel oil and specialty emulsions for use in explosives in the quarry and the construction industries, for metals mining and to a lesser extent, for coal.

Fertilizer

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

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

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

According to the World Agricultural Supply and Demand Estimates Report dated July 10, 2026 (the "July Report"), farmers planted approximately 95.3 million acres of corn in the 2026 planting season, down 3.5% compared to the 2025 planting season. According to the July Report, the U.S. Department of Agriculture ("USDA") estimates the U.S. ending stocks for the 2026 Harvest will be approximately 45.5 million metric tons, a 11.3% decrease from the 2025 Harvest. The USDA's expected yield per acre for the 2026 Harvest is 183.0 bushels, down approximately 1.9% from a year ago.

The following July 2026 estimates are associated with the corn market:

	2027 Crop (2026 Harvest) July Report (1)	2026 Crop (2025 Harvest) July Report (1)	Percentage Change (2)	2025 Crop (2024 Harvest) July Report (1)	Percentage Change (3)
U.S. Area Planted *(Million acres)*	95.3	98.8	(3.5%)	90.9	4.8%
U.S. Yield per Acre *(Bushels)*	183.0	186.5	(1.9%)	179.3	2.1%
U.S. Production *(Million bushels)*	16,000	17,021	(6.0%)	14,892	7.4%
U.S. Ending Stocks *(Million metric tons)*	45.5	51.3	(11.3%)	39.4	15.5%
World Ending Stocks *(Million metric tons)*	275.3	298.7	(7.8%)	296.2	(7.1%)

1. Information obtained from the July Report for the 2026/2027 ("2027 Crop"), 2025/2026 ("2026 Crop") and 2024/2025 ("2025 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 2027 Crop amounts compared to the 2026 Crop amounts.
3. Represents the percentage change between the 2027 Crop amounts compared to the 2025 Crop amounts.

The current USDA corn outlook compared to the prior report for the U.S. is for smaller supplies, greater exports, and reduced ending stocks. Corn beginning stocks were reduced reflecting an increase in feed and residual use that is partly offset by a reduction in corn used for ethanol. The yield is unchanged at 183.0 bushels per acre from the prior month's report.

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.

Historically, we 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.

Natural gas costs increased during the February settlement period primarily due to elevated market prices driven by Winter Storm Fern, which caused significant weather-related supply constraints and heightened regional demand, resulting in a higher average cost of natural gas for the period. Since that time, natural gas prices have moderated as market conditions normalized and weather-related constraints eased.

The following table shows the volume of natural gas utilized to produce the goods we sold and the associated average cost per MMBtu:

	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025
Natural gas volumes (MMBtu in millions)	6.4	7.3
Natural gas average cost per MMBtu	$ 2.96	$ 3.50

Transportation Costs

Costs for transporting nitrogen-based products can be significant relative to their selling price. We continue to evaluate the 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, 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. Planned downtime, including a planned major maintenance activity (each such activity, a "Turnaround"), and unplanned downtime can adversely affect results of operations through reduced sales volumes, lower fixed cost absorption, and increased repair and maintenance costs, which are expensed as incurred.

We recently completed the scheduled ammonia plant Turnaround at our El Dorado Facility, which commenced during the second quarter of 2026. Additionally, we made the decision to pull forward the commencement of scheduled Turnaround work at our Pryor Facility from the third quarter into the second quarter of 2026. We did not perform any major planned ammonia Turnaround events during 2025.

Ammonia Production

Ammonia is the basic product used to produce all of our upgraded products. The ammonia production rates of our plants affect the total cost per ton of each product produced and the overall sales of our products.

For 2026, we are targeting total ammonia production of approximately 780,000 tons to 810,000 tons, which reflects planned Turnaround work at our El Dorado and Pryor Facilities during 2026.

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 of the Second Quarter of 2026

Our consolidated net sales for the second quarter of 2026 were $168.1 million compared to $151.3 million for the same period in 2025. Our consolidated operating loss for the second quarter of 2026 was $2.7 million compared to operating income of $10.5 million for the same period in 2025. The items impacting our operating results are discussed in more detail below and under “Results of Operations.”

Items Affecting Comparability of Results of the Second Quarter

Selling Prices

For the second quarter of 2026, average selling prices for all of our major products increased compared to the second quarter of 2025.

Turnaround Activities

As discussed above, during the second quarter of 2026, we performed major Turnaround activities at our El Dorado Facility and started a full plant Turnaround at our Pryor Facility. The Pryor Facility Turnaround was completed during the third quarter of 2026. When such activities are performed, overall results 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. In addition, Turnaround-related costs may be incurred in periods earlier than the actual outage of the plant for activities such as planning and procurement of materials. Turnaround costs for the three months ended June 30, 2026 and 2025, were $28.8 million and $2.6 million, respectively, while Turnaround costs for the six months ended June 30, 2026 and 2025, were $32.7 million and $4.6 million, respectively.

Chief Executive Officer One-Time Retention Award (2026 only)

During the second quarter of 2026,we granted a one-time retention award of 706,880 restricted stock units (“RSUs”) to Mark T. Behrman, our Chief Executive Officer, which award is subject to cliff vesting and will vest on March 31, 2029. This award will increase stock-based compensation expense on a quarterly basis by approximately $0.9 million. See our discussion in “Equity Awards” in Note 1.

Plant, Property and Equipment Impairments (2025 only)

For the second quarter of 2025, we recorded asset write-downs primarily related to assets no longer in use in the amount of $2.5 million. These write-downs are included in “Other expense, net” on our condensed consolidated statements of operations.

Loss on Extinguishment of Senior Secured Notes (2025 only)

During the second quarter of 2025 we repurchased $32.4 million in principal amount of our Senior Secured Notes due 2028 (“Senior Secured Notes”) for approximately $32.1 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 loss on extinguishment of debt of approximately $0.1 million.

Shift in Production Mix

In 2025, we transitioned our production from fertilizer grade ammonium nitrate ("HDAN"), an agricultural product, to ANS, a product used in industrial and mining applications. The transition was completed during the third quarter of 2025, at which time we ceased production of HDAN. This shift in production mix is consistent with our strategy to transition a portion of our sales from agricultural sales made at spot market pricing, which can be volatile, to sales under multi-year contracts that provide the pass-through of natural gas feedstock costs.

Results of Operations

The following is a discussion and analysis of our condensed consolidated results of operations for the three and six months ended June 30, 2026 and 2025.

Net sales to unaffiliated customers are reported in the condensed consolidated financial statements. Gross profit represents net sales less cost of sales. Net sales are reported on a gross basis with the cost of freight being recorded in cost of sales.

Three Months Ended June 30, 2026 Compared to Three Months Ended June 30, 2025

The following table sets forth certain financial information for the three months ended June 30, 2026 and 2025, the increase or decrease between those periods, and the percentage increase or decrease between those periods with respect to each line item:

	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Change	Percentage Change
	(Dollars In Thousands)			
Net sales:				
AN & Nitric Acid	$ 69,539	$ 61,707	$ 7,832	13 %
Urea ammonium nitrate (UAN)	62,488	52,262	10,226	20 %
Ammonia	25,511	26,830	(1,319)	(5)%
Other	10,554	10,497	57	1 %
Total net sales	$ 168,092	$ 151,296	$ 16,796	11 %
Gross profit	11,461	23,173	(11,712)	(51)%
Depreciation and amortization [1]	21,878	20,617	1,261	6 %
Turnaround expense	28,801	2,639	26,162	991 %
Adjusted gross profit [2]	$ 62,140	$ 46,429	$ 15,711	34 %
Selling, general and administrative expense	12,931	9,844	3,087	31 %
Other expense, net	1,272	2,836	(1,564)	(55)%
Operating (loss) income	(2,742)	10,493	(13,235)	N/M
Interest expense, net	7,070	7,886	(816)	(10)%
Loss on extinguishment of debt	—	59	(59)	N/M
Non-operating other income, net	(1,706)	(1,542)	(164)	11 %
(Benefit) provision for income taxes	(1,917)	1,084	(3,001)	N/M
Net (loss) income	$ (6,189)	$ 3,006	$ (9,195)	N/M
Other information:				
Gross profit percentage [3]	6.8 %	15.3 %	(8.5)%	
Adjusted gross profit percentage [3]	37.0 %	30.7 %	6.3 %	
Property, plant and equipment expenditures	$ 29,265	$ 18,480	$ 10,785	
Development of carbon capture and sequestration facility	$ 10,819	$ —	$ 10,819	

N/M-Not meaningful.
1. Represents amount classified as cost of sales.
2. Represents a non-GAAP measure since the amount excludes unallocated depreciation, amortization and Turnaround expenses.
3. As a percentage of the total net sales.

The following tables provide key operating metrics for the fertilizer and major industrial products, the increase or decrease between those periods, and the percentage increase or decrease between those periods with respect to each line item:

Product (tons sold)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Change	Percentage Change
AN & Nitric Acid	179,339	161,509	17,830	11 %
Urea ammonium nitrate (UAN)	130,818	151,807	(20,989)	(14)%
Ammonia	35,667	66,069	(30,402)	(46)%
Total	345,824	379,385	(33,561)	(9)%

Gross Average Selling Prices (price per ton)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Change	Percentage Change
AN & Nitric Acid	$ 388	$ 382	$ 6	2 %
Urea ammonium nitrate (UAN)	$ 478	$ 344	$ 134	39 %
Ammonia	$ 715	$ 406	$ 309	76 %

Average Benchmark Prices (price per ton)	Three Months Ended June 30, 2026		2025		Change		Percentage Change
Tampa Ammonia Benchmark	$	787	$	416	$	371	89 %
NOLA UAN	$	494	$	344	$	150	44 %

Net Sales

We recorded net sales of $168.1 million during the second quarter of 2026 compared to $151.3 million for the second quarter of 2025, representing an increase of $16.8 million. The increase was primarily due to higher sales prices on all our products partially offset by volume decreases resulting from of Turnarounds at two of our facilities. In addition to the impact of the Turnarounds, UAN volumes were lower as production shifted to AN and Nitric Acid as part of our product mix strategy in response to tight market conditions.

Gross Profit

We recognized a gross profit of $11.5 million for the second quarter of 2026 compared to $23.2 million for the same period in 2025, or an $11.7 million reduction. Overall, our gross profit percentage for the second quarter of 2026 was 6.8% compared to 15.3% for the same period in 2025. Our adjusted gross profit percentage increased to 37.0% for the second quarter of 2026 from 30.7% for the second quarter of 2025. Our gross profit for the second quarter of 2026 was lower compared to the same period of 2025 primarily due to the cost of the two major Turnarounds, partially offset by an increase in sales, as discussed above.

Selling, General and Administrative

Our SG&A expenses were higher for the second quarter of 2026 compared to the same period of 2025, primarily due to an increase in salaries and wages, short term incentive compensation, stock-based compensation from a one-time retention grant (see “Equity Awards” in Note 1) and professional fees.

Other Expense, net

Other expense, net, during the second quarter of 2026 consisted primarily of asset write-offs partially offset by sales and use tax recoveries resulting from our ongoing review whereas other expense, net, during the second quarter of 2025 consisted primarily of asset write-downs.

Interest Expense

Interest expense for the second quarter of 2026 was $7.1 million compared to $7.9 million for the same period in 2025. The decrease was primarily due to a lower outstanding balance on our Senior Secured Notes as a result of repurchases in 2025.

Loss on Extinguishment of Debt

During the second quarter of 2025, we repurchased $32.4 million in principal amount of our Senior Secured Notes for approximately $32.1 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 loss on extinguishment of debt of approximately $0.1 million. There were no repurchases during the second quarter of 2026.

Non-operating Other Income, net

Non-operating other income, net for the second quarter of 2026 was $1.7 million compared to $1.5 million for the same period of 2025, primarily related to interest income earned during both periods from our short-term investments. Our average short-term investments balance including cash equivalents, was higher during the second quarter of 2026 but interest rates were lower during this period compared to the second quarter of 2025.

(Benefit) Provision for Income Taxes

The benefit for income taxes for the second quarter of 2026 was $1.9 million compared to a provision for income taxes of $1.1 million for the same period of 2025. The resulting effective tax rate for the second quarter of 2026 was a benefit on pre-tax loss of 23.7% compared to a provision for income taxes of 26.5% for the same period of 2025. For the second quarter of 2026, the effective tax rate was higher than the statutory rate primarily due to state taxes and deferred benefits from state tax law changes, partially offset by nondeductible compensation expense. For the second quarter of 2025, the effective tax rate was higher than the statutory rate primarily due to nondeductible compensation expense and state taxes. See discussion in Note 7.

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

The following table contains certain financial information for the six months ended June 30, 2026 and 2025, the increase or decrease between those periods, and the percentage increase or decrease between those periods with respect to each line item:

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change	Percentage Change
	(Dollars In Thousands)			
Net sales:				
AN & Nitric Acid	$ 144,886	$ 119,325	$ 25,561	21 %
Urea ammonium nitrate (UAN)	111,659	96,127	15,532	16 %
Ammonia	62,325	60,102	2,223	4 %
Other	18,709	19,174	(465)	(2)%
Total net sales	$ 337,579	$ 294,728	$ 42,851	15 %
Gross profit	$ 47,255	$ 37,557	$ 9,698	26 %
Depreciation and amortization [(1)]	42,725	40,680	2,045	5 %
Turnaround expense	32,695	4,634	28,061	606 %
Adjusted gross profit [(2)]	$ 122,675	$ 82,871	$ 39,804	48 %
Selling, general and administrative expense	26,756	19,997	6,759	34 %
Other expense, net	85	2,599	(2,514)	(97)%
Operating income	20,414	14,961	5,453	36 %
Interest expense, net	14,187	15,950	(1,763)	(11)%
Loss on extinguishment of debt	—	59	(59)	N/M
Non-operating other income, net	(3,222)	(3,215)	(7)	0 %
(Benefit) provision for income taxes	(4,047)	801	(4,848)	N/M
Net income	$ 13,496	$ 1,366	$ 12,130	888 %
Other information:				
Gross profit percentage [(3)]	14.0 %	12.7 %	1.3 %	
Adjusted gross profit percentage [(3)]	36.3 %	28.1 %	8.2 %	
Property, plant and equipment expenditures	$ 46,241	$ 39,347	$ 6,894	
Development of carbon capture and sequestration facility	$ 10,819	$ —	$ 10,819	

N/M-Not meaningful.
1. Represents amount classified as cost of sales.
2. Represents a non-GAAP measure since the amount excludes unallocated depreciation, amortization and Turnaround expenses.
3. As a percentage of the total net sales.

The following tables provide key operating metrics for the fertilizer and major industrial products, the increase or decrease between those periods, and the percentage increase or decrease between those periods with respect to each line item:

Product (tons sold)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change	Percentage Change
AN & Nitric Acid	357,201	312,040	45,161	14 %
Urea ammonium nitrate (UAN)	259,441	300,372	(40,931)	(14)%
Ammonia	101,707	139,472	(37,765)	(27)%
Total	718,349	751,884	(33,535)	(4)%

Gross Average Selling Prices (price per ton)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change	Percentage Change
AN & Nitric Acid	$406	$382	$24	6 %
Urea ammonium nitrate (UAN)	$430	$320	$110	34 %
Ammonia	$613	$431	$182	42 %

Average Benchmark Prices (price per ton)	Six Months Ended June 30, 2026	2025	Change	Percentage Change
Tampa Ammonia Benchmark	$704	$455	$249	55 %
NOLA UAN	$421	$310	$111	36 %

Net Sales

Net sales of our primary products increased during the first half of 2026 compared to the prior year period primarily due to higher sales prices on all our products partially offset by volume decreases resulting from Turnarounds at two of our facilities. In addition to the impact of the Turnarounds, UAN volumes were lower as production shifted to AN and Nitric Acid as part of our product mix strategy in response to current market conditions, while ammonia volumes were lower as more was utilized downstream on upgraded product.

Gross Profit

As noted in the table above, we recognized a gross profit of $47.3 million for the first half of 2026 compared to $37.6 million for the same period in 2025, a $9.7 million increase. Overall, our gross profit percentage was 14.0% compared to a gross profit percentage of 12.7% for the same period in 2025. Our adjusted gross profit percentage was 36.3% for the first half of 2026 compared to 28.1% for the same period in 2025. Our gross profit for the first half of 2026 was higher compared to the same period of 2025 primarily due to the increase in sales discussed above, partially offset by Turnaround costs, higher natural gas and sulfur costs and higher depreciation due to recent investments in our facilities.

Selling, General and Administrative

Our SG&A expenses were higher for the first half of 2026 compared to the same period of 2025, primarily due to an increase in salaries and wages, short-term incentive compensation and stock-based compensation (see discussion of the Side Letter and retention grant within “Equity Awards” in Note 1) and professional fees.

Interest Expense

Interest expense for the first half of 2026 was $14.2 million compared to $16.0 million for the same period in 2025. The decrease primarily related to reduced interest expense as a result of repurchases of Senior Secured Notes made during the second and fourth quarters of 2025.

Loss on Extinguishment of Debt

During the first half of 2025, we repurchased $32.4 million in principal amount of our Senior Secured Notes for approximately $32.1 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 loss on extinguishment of debt of approximately $0.1 million. There have been no repurchases so far during 2026.

Other Expense, net

Other expense, net during the first half of 2026 includes write-downs of assets no longer being used in operations, partially offset by gains from the sale of real estate and tangible property of certain former agricultural retail locations that had ceased operations and sales and use tax recoveries resulting from our ongoing review. Other expense, net, during the first half of 2025 consisted of asset write-downs related to assets no longer being used in operations.

Non-operating Other Income, net

Non-operating other income, net for the first half of 2026 and 2025 was $3.2 million for both periods and primarily related to interest income earned during both periods from our short-term investments. Our average short-term investments balance including cash equivalents, was higher during the first half of 2026 but interest rates were lower during this period compared to the first half of 2025.

(Benefit) Provision for Income Taxes

The benefit for income taxes for the first half of 2026 was $4.0 million compared to a provision for income taxes of $0.8 million for the same period of 2025. The resulting effective tax rate for the first half of 2026 was a benefit of 42.8% compared to a provision for income taxes of 37.0% for the same period of 2025. For the first half of 2026, the effective tax rate was lower than the statutory rate primarily due to the release of state valuation allowances, partially offset by nondeductible compensation expense. For the first half of 2025, the effective tax rate was higher than the statutory rate primarily due to nondeductible compensation expense and state taxes. See discussion in Note 7.

LIQUIDITY AND CAPITAL RESOURCES

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

	2026	2025	Change
		(In Thousands)	
Net cash flows from operating activities	$ 111,154	$ 25,001	$ 86,153
Net cash flows from investing activities	$ (100,953)	$ 4,826	$ (105,779)
Net cash flows from financing activities	$ (9,356)	$ (44,443)	$ 35,087

Net Cash Flow from Operating Activities

Net cash provided by operating activities was $111.2 million for the first six months of 2026 compared to $25 million for the same period of 2025, a change of $86.2 million. The increase was primarily a result of improved operating income and changes in working capital.

Net Cash Flow from Investing Activities

Net cash used by investing activities was $101.0 million for the first six months of 2026 compared to net cash provided by investing activities of $4.8 million for the same period of 2025, a change of $105.8 million.

For the first six months of 2026, the net cash used by investing activities primarily related to purchases of short-term investments of $215.8 million, expenditures for property, plant and equipment of $46.2 million and development of our CO_2 capture and sequestration project of $10.8 million partially offset by proceeds from short-term investments, a recovery of PP&E costs and proceeds from sales of property, plant and equipment totaling $171.8 million.

For the first six months of 2025, the net cash provided by investing activities primarily related to proceeds from short-term investments of $154.6 million, partially offset by purchases of short-term investments of $110.3 million and expenditures for property, plant and equipment of $39.3 million.

Net Cash Flow from Financing Activities

Net cash used by financing activities was $9.4 million for the first six months of 2026 compared to $44.4 million for the same period of 2025, a change of $35.1 million.

For the first six months of 2026, the net cash used by financing activities primarily consisted of payments on short-term financing and finance leases of $7.4 million and $2.1 million for tax withholding obligations related to the vesting of equity awards.

For the first six months of 2025, the net cash used by financing activities primarily consisted of repurchases of our Senior Secured Notes of $32.1 million, payments on a secured financing due 2025 and short-term financing of $11.3 million and $1.2 million for tax withholding obligations related to the vesting of equity awards.

Capitalization

The following table summarizes our total cash and cash equivalents, short-term investments, long-term debt and stockholders' equity as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	(In Millions)	
Cash and cash equivalents	$ 20.4	$ 19.5
Short-term investments	197.6	129.0
Total cash, cash equivalents and short-term investments	$ 218.0	$ 148.5
Long-term debt:		
Revolving Credit Facility	$ —	$ —
Senior Secured Notes due 2028 (1)	438.6	438.6
Finance Leases	5.8	6.2
Unamortized debt issuance costs (2)	(3.1)	(3.7)
Total long-term debt, including current portion, net	$ 441.3	$ 441.1
Total stockholders' equity	$ 539.2	$ 520.0

(1) See discussion contained in Note 4.

(2) Debt issuance costs as of June 30, 2026 and December 31, 2025 of approximately $0.4 million and $0.5 million, respectively, relating to our Revolving Credit Facility are not included in Unamortized debt issuance costs. These costs are included in our condensed consolidated balance sheets in Intangible and other assets, net.

We currently have a revolving credit facility pursuant to a credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent (the "Revolving Credit Facility"), with a borrowing base up to an initial maximum of $75 million, with an option to increase the maximum by an additional $25 million (which amount is uncommitted). Availability under the Revolving Credit Facility is subject to a borrowing base and an availability block of $7.5 million which is applied against the $75 million initially reducing the maximum (which can be removed by us at our sole discretion, subject to the satisfaction of certain conditions). The Revolving Credit Facility provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $10 million, with the outstanding amount of any such letters of credit reducing availability for borrowings. As of June 30, 2026, our Revolving Credit Facility was undrawn and had approximately $51 million of availability. See Note 4 for further discussion of the Revolving Credit Facility.

For the full year of 2026, we expect capital expenditures for our core nitrogen-based business to be approximately $80 million, of which $63 million is expected to be spent on sustaining production and the remainder spent on growth initiatives. Additionally, we also expect to expend approximately $95 million on the acquisition and development of our CO_2 capture and sequestration project, with a significant majority of that cost incurred in 2026.

As of June 30, 2026, we had approximately $218.0 million of cash and short-term investments. From time to time, we may seek to deploy capital through common stock repurchases or the repurchase of outstanding debt. Such repurchases may be made in open market purchases, privately negotiated transactions or otherwise and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe that the combination of our cash and cash equivalents, short-term investments, the availability under our Revolving Credit Facility and our cash flow from operations will be sufficient to fund our anticipated liquidity needs for the next twelve months. Additionally, we expect our long-term liquidity position will be sufficient to meet our long-term liquidity needs with cash flows from operations and financing arrangements. However, in the event of changes in business conditions or other developments, including a sustained market deterioration, unanticipated regulatory developments, significant acquisitions, competitive pressures, or to the extent our liquidity needs prove to be greater than expected or cash generated from operations is less than anticipated, we may need additional liquidity. To the extent we elect to finance our long-term liquidity needs, we believe that the potential financing capital available to us in the future will be sufficient.

Compliance with Long-Term Debt Covenants

As discussed in Note 4, the Revolving Credit Facility does not include financial covenant requirements unless a defined covenant trigger event has occurred and is continuing. As of June 30, 2026, no trigger event had occurred.

Loan Agreements

Senior Secured Notes due 2028 – We had $438.6 million aggregate principal amount of Senior Secured Notes outstanding as of June 30, 2026. Interest is to be paid semiannually in arrears on May 15th and October 15th. The Senior Secured Notes mature on October 15, 2028.

Revolving Credit Facility – At June 30, 2026, our Revolving Credit Facility was undrawn and had approximately $51 million of availability, based on our eligible collateral, less outstanding letters of credit as of that date. Also see discussion above under "Compliance with Long-Term Debt Covenants."

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

Capital Expenditures – First Half of 2026

For the first half of 2026, capital expenditures relating to property, plant and equipment were $46.2 million. Of the expenditures for the first half of 2026, approximately $41.6 million was spent on projects to sustain our production capacity while approximately $4.7 million was spent on growth initiatives. In addition, we expended $10.8 million for the development of our CO_2 capture and sequestration project. The capital expenditures were funded primarily from cash and working capital.

See discussion above under "Capitalization" for our total expected capital expenditures for the remainder of 2026.

Expenses Associated with Environmental Regulatory Compliance

We are subject to specific federal and state environmental compliance laws, regulations and guidelines. As a result, our expenses were $2.7 million for the first six months ended June 30, 2026 in connection with environmental projects. For the remainder of 2026, we expect to incur expenses ranging from $2.6 million to $2.9 million in connection with additional environmental projects. However, it is possible that the actual costs could be significantly different than our estimates.

Seasonality

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

Performance and Payment Bonds

We are contingently liable to sureties in respect of insurance bonds issued by the sureties in connection with certain contracts entered into by subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of June 30, 2026, we have agreed to indemnify the sureties for payments, up to $10.2 million, made by them in respect of such bonds.

New Accounting Pronouncements

Refer to Note 1 for recently issued accounting standards.

Critical Accounting Policies and Estimates

See "Critical Accounting Policies and Estimates," Item 7 of our Form 10-K for the year ended December 31, 2025, filed with the SEC on February 26, 2026 (the "2025 Form 10-K"). In addition, the preparation of financial statements requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosures of contingencies and fair values, including, but not limited to, various environmental and legal matters, including matters discussed under footnote A of Note 5.

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

It is also reasonably possible that the estimates and assumptions utilized as of June 30, 2026, could change in the near term. Actual results could differ materially from these estimates and judgments, as additional information becomes known.

Non-GAAP Financial Measures

Management uses adjusted gross profit as a supplemental measure to review and assess the performance of our core business operations and for planning purposes. We define adjusted gross profit as gross profit (loss) excluding depreciation and amortization and Turnaround expenses included in our cost of sales, which we believe are not reflective of our operating performance in a given period.

Adjusted gross profit is a metric that provides investors with greater transparency to the information used by management in its financial and operational decision-making. We believe this metric is useful to investors because it facilitates comparisons of our core business operations across periods on a consistent basis. Management believes that the non-GAAP measure presented in this Form 10-Q, when viewed in combination with our results prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), provides a more complete understanding of the factors and trends affecting our business and performance.

Adjusted gross profit is not a measure of financial performance under U.S. GAAP, and should not be considered a substitute for gross profit, which we consider to be the most directly comparable U.S. GAAP measure. Adjusted gross profit has limitations as an analytical tool, and when assessing our operating performance, investors should not consider adjusted gross profit in isolation, or as a substitute for gross profit prepared in accordance with U.S. GAAP. Adjusted gross profit may not be comparable to similarly titled measures of other companies and other companies may not calculate such measure in the same manner as we do.

The following table reconciles gross profit to adjusted gross profit.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In Thousands)		(In Thousands)	
Reconciliation of Gross Profit to Adjusted Gross Profit:				
Gross profit	$11,461	$23,173	$47,255	$37,557
Depreciation and amortization	21,878	20,617	42,725	40,680
Turnaround expenses	28,801	2,639	32,695	4,634
Adjusted gross profit	$62,140	$46,429	122,675	82,871

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, as amended (the "Exchange Act").

Item 3. Quantitative and Qualitative Disclosures about Market Risk

General

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

Forward Sales Commitments Risk

Periodically, we enter into forward firm sales commitments for products to be delivered in future periods. As a result, we could be exposed to embedded losses should our product costs exceed the firm sales prices at the end of a reporting period. At June 30, 2026, we had no embedded losses associated with sales commitments with firm sales prices.

Commodity Price Risk

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. Since we are exposed to commodity price risk, we periodically enter into contracts to purchase natural gas for anticipated production needs to manage risk related to changes in prices of natural gas commodities. Generally, these contracts are considered normal purchases because they provide for the purchase of natural gas that will be delivered in quantities expected to be used over a reasonable period of time in the normal course of business, and as such, are exempt from derivative accounting requirements. At June 30, 2026, we had no outstanding natural gas contracts which are subject to derivative accounting requirements.

Interest Rate Risk

We may be exposed to variable interest rate risk with respect to our Revolving Credit Facility when there are outstanding borrowings. As of June 30, 2026, we had no outstanding borrowings on this credit facility and no other variable rate borrowings and, as a result, we currently do not hedge our interest rate risk associated with any variable interest rate loan.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rule 13a-15 under the Exchange Act designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2026. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2026, at the reasonable assurance level. There were no changes to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to invest in projects that will generate the best returns for our stockholders;
- our future liquidity outlook;
- the outlook of our chemical products and related markets;
- our ability to successfully leverage our existing business platform and portfolio of assets to produce low carbon products and execute our strategy to become a leader in the energy transition in the chemical industry;
- the amount, timing and effect on the nitrogen market from current nitrogen expansion projects;
- the effect from the lack of non-seasonal volume;
- our belief that competition is based upon service, price, location of production and distribution sites, and product quality and performance;
- the outlook for the industrial end markets;
- the availability of raw materials;
- our ability to broaden the distribution of our products, including our ability to leverage our nitric acid production capacity at our El Dorado Facility;
- our ongoing initiatives to increase the distribution of our products within our industrial end markets;
- the execution and success of our advanced low carbon ammonia initiatives, including the Project;
- our expectations regarding future ammonia pricing;
- 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, including the Project;
- certain costs covered under warranty provisions;
- our ability to pass cost increases to our customers in the form of higher prices;
- our belief as to whether we have sufficient sources for materials and components;
- our belief regarding our estimates and contingencies with respect claims and legal actions in the ordinary course of our business and their effect on our business, financial condition, results of operations or cash flows;
- annual natural gas requirements;
- the development of the market and demand for low carbon ammonia;
- compliance by our facilities with the terms of our permits;
- the costs of compliance with environmental laws, health laws, security regulations and transportation regulations;
- our belief as to when Turnarounds will be performed and completed;
- expenses in connection with environmental projects;
- the effect of litigation and other contingencies;
- 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; and
- our belief 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;
- our ability to obtain required regulatory approvals and satisfy other requirements for our carbon capture and sequestration project at our El Dorado Facility;
- changes in competition;
- the loss of any significant customer;
- increases in cost to maintain internal control 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 United States;
- adverse effects from regulatory policies, including tariffs;
- geopolitical concerns;
- 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 *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in this report; and
- other factors described in *Item 1A. Risk Factors* in our 2025 Form 10-K.

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.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time subject to various legal proceedings and claims arising in the ordinary course of business. For further discussion of our legal matters, see "Note 5. Commitments and Contingencies—Legal Matters" in the notes to the condensed consolidated financial statements in this report.

Item 1A. Risk Factors

Reference is made to Item 1A of our 2025 Form 10-K filed with the SEC on February 26, 2026. Except as set forth below, there were no material changes from the risk factors disclosed in our 2025 Form 10-K.

Geopolitical conditions, including political turmoil and volatility, regional conflicts, terrorism and war have negatively affected and could negatively affect United States and foreign companies, the financial markets, the industries where we operate, our operations and our profitability and could increase the volatility of our stock price.

Geopolitical events, including political turmoil, regional conflicts, instability and terrorist attacks in the United States and elsewhere have in the past, and can in the future negatively affect our operations and could increase the volatility of our stock price. For example, Russia's invasion of Ukraine and the ongoing conflict in the Middle East, including the military conflict between Iran and the United States, have impacted our financial results. These conflicts have had an effect on commodity prices and fertilizer supply, and there is no guarantee that such conflicts will not draw military intervention from other countries or further retaliation, which, in turn, could lead to a much larger conflict. Furthermore, such military conflicts and the resulting geopolitical instability have caused, and may continue to cause, (i) disruptions to international shipping routes (including through the Strait of Hormuz and other critical transit corridors), (ii) disruptions in global energy markets and significant fluctuations in the prices of oil, natural gas and fertilizer and (iii) substantial disruption to global financial markets, leading to heightened investor uncertainty, reduced risk tolerance and increased market volatility.

It is possible that production volumes, supply chain and trade routes for our products that are traded globally, and the markets we currently serve, could be further adversely affected, which, in turn, could materially, adversely affect our business operations and financial performance. In addition, the market prices of our common stock have recently experienced, and may continue to experience, volatility.

Further, like other companies with major industrial facilities, we may be targets of terrorist activities. Many of our plants and facilities store significant quantities of ammonia and other materials that can be dangerous if mishandled. Any damage to infrastructure facilities, such as electric generation, transmission and distribution facilities, or injury to employees, who could be direct targets or indirect casualties of an act of terrorism, may affect our operations. Any disruption of our ability to produce or distribute our products could result in a significant decrease in revenues and significant additional costs to replace, repair or insure our assets, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to obtain required regulatory approvals and satisfy other requirements for our carbon capture and sequestration project at our El Dorado Facility, we may not realize the anticipated benefits of the project, and our business, financial condition, results of operations and cash flows could be adversely affected.

In May 2026, we acquired full ownership of the carbon capture and sequestration project at our El Dorado Facility (the "Project") from Lapis Carbon Solutions. The Project is designed to capture and sequester CO_2 generated from our El Dorado Facility ammonia production in underground saline aquifers, and its completion and the commencement of CO_2 injections are conditioned upon our receipt of a Class VI permit from the United States Environmental Protection Agency (the "EPA"). A pre-construction Class VI permit application was filed with the EPA in February 2023, which the EPA recognized as complete in March 2023. The application was resubmitted in December 2025 following the EPA's continuing technical review. Obtaining a Class VI permit is a rigorous, multi-year regulatory process that requires extensive EPA review of the suitability of the proposed storage reservoir.

The EPA may not grant a Class VI permit for the Project, or may not do so on the timeline we currently anticipate. Unless necessary EPA approvals are obtained, we will be unable to complete construction of the Project or commence CO_2 injections as planned, and we may be unable to recover some or all of the capital we have invested or expect to invest in the Project. The total purchase price and remaining completion capital associated with the Project is currently estimated at approximately $95 million.

Even if the EPA ultimately approves the Class VI permit application, the approval process may take significantly longer than we currently anticipate. We currently expect the Project to be completed and operational in the first quarter of 2027, subject to EPA approval of our Class VI permit, at which time CO_2 injections are expected to begin. Although we drilled a stratigraphic injection well at the El Dorado site in June 2025 to gather data supporting the EPA's technical review, our application remains subject to further review. The timing of EPA approval is largely outside of our control and could be affected by, among other things, the EPA's internal review procedures and resource constraints, requests for additional information, legal or administrative challenges to the permit or changes in applicable regulatory policy.

A failure to obtain necessary EPA approvals would prevent us from realizing the anticipated benefits of the Project, including our ability to produce low carbon ammonia and upgraded products, such as the sale of low carbon ammonium nitrate under our existing supply agreement with Freeport Minerals Corporation, and our eligibility for tax credits under Section 45Q of the Internal Revenue Code (the "Code"). In addition, a significant delay in receiving the Class VI permit approval could increase the costs of completing the Project, require us to incur additional capital expenditures and postpone the commencement of CO_2 injections and our production of low carbon ammonium nitrate. Any such failure or delay could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Even if the required EPA approvals are obtained, the Project remains subject to construction, commissioning, operational and third-party performance risks. Successful completion of the Project depends on the performance of the construction manager, construction contractors, equipment suppliers and other third parties involved in engineering, design, procurement, construction, installation, drilling, completion, testing and commissioning. Construction delays, cost overruns, contractor disputes, safety incidents, force majeure events, equipment failures, inability to satisfy completion tests, or failure to achieve commercial operation at expected volumes could delay or prevent the Project from becoming operational, increase our capital expenditures or reduce the Project's expected benefits.

Furthermore, our ability to claim, monetize or retain Section 45Q tax credits depends on our ability to comply with applicable sequestration standards, monitoring and reporting requirements, prevailing wage and apprenticeship requirements, recordkeeping obligations and other guidance or regulations issued by the U.S. Department of the Treasury or the Internal Revenue Service. If we fail to satisfy applicable Section 45Q requirements, or if applicable law or guidance changes, we may be unable to claim tax credits at the anticipated amount or timing, or such credits could be reduced, delayed, disallowed or subject to recapture. If any of these regulatory, construction, operational or tax contingencies are not satisfied, or are satisfied later or on less favorable terms than we expect, we may be unable to complete, place in service or operate the Project as planned. In that event, we may experience delays in the commencement of CO_2 injections, fail to realize some or all of the anticipated benefits of the Project, and be unable to recover some or all of the purchase price, completion capital and other costs associated with the Project. Any such developments could adversely affect our business, financial condition, results of operations and cash flows.

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

None.

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

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

Damien J. Renwick, Executive Vice President and Chief Commercial Officer

On May 13, 2026, Damien J. Renwick, our Executive Vice President and Chief Commercial Officer, 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. Renwick, acting through a broker, may sell up to an aggregate of 15,890 shares of our common stock, subject to adjustments for stock splits, stock combinations, stock dividends and other similar changes to our common stock. Sales of shares under the plan may only occur from August 12, 2026 to June 30, 2027. The plan is scheduled to terminate on June 30, 2027, 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. Renwick or the broker, or as otherwise provided in the plan.

Jonathan Z. Ackerman, Member of the Board of Directors

On May 13, 2026, Jonathan Z. Ackerman, a member of our board of directors, entered into Rule 10b5-1 trading plan that is intended to satisfy the affirmative defense of Rule 10b5-1(c) and provides that Mr. Ackerman, acting through a broker, may purchase up to an aggregate of 9,000 shares of our common stock, subject to adjustments for stock splits, stock combinations, stock dividends and other similar changes to our common stock. Purchases of shares under the plan may begin on August 12, 2026. The plan will terminate upon the earliest to occur of the purchase of all shares subject to the plan, upon termination by Mr. Ackerman or the broker, or as otherwise provided in the plan.

Other than as described above, during the three months ended June 30, 2026, none of the Company's directors or executive officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

See “Index to Exhibits” on page 39.

Index to Exhibits Item 6.

Exhibit Number	Exhibit Title	Incorporated by Reference to the Following
3(i).1	Restated Certificate of Incorporation of LSB Industries, Inc., dated January 21, 1977, as amended August 27, 1987	Exhibit 3(i).1 to the Company’s Form 10-K filed on February 28, 2013
3(i).2	Certificate of Amendment to the Restated Certificate of Incorporation of LSB Industries, dated September 23, 2021	Exhibit 3(i).2 to the Company’s Registration Statement on Form S-3 filed on November 16, 2021
3(ii).1	Third Amended and Restated Bylaws of LSB Industries, Inc.	Exhibit 3(ii).1(a) to the Company’s Form 10-Q filed on April 30, 2026
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)(b)	Certification of Mark T. Behrman, Chief Executive Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906	
32.2(a)(b)	Certification of Cheryl A. Maguire, Chief Financial Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906	
101.INS(a)	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	
101.SCH(a)	Inline XBRL Taxonomy Extension Schema Document	
101.CAL(a)	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF(a)	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB(a)	Inline XBRL Taxonomy Extension Labels Linkbase Document	
101.PRE(a)	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104(a)	Cover Page Interactive Data File (embedded within the Inline XBRL document)	

(a) Filed herewith or furnished herewith.
(b) The certifications attached as Exhibits 32.1 and 32.2 are not deemed “filed” with the SEC and are not to be incorporated by reference into any filing of LSB Industries, Inc. under the Securities Act of 1933, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	LSB INDUSTRIES, INC.
Date: July 30, 2026	/s/ Cheryl A. Maguire
	Cheryl A. Maguire Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Mark T. Behrman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LSB Industries, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2026

/s/ Mark T. Behrman
Mark T. Behrman
President, Chief Executive Officer
and Chairman of the Board of Directors

Exhibit 31.2

CERTIFICATION

I, Cheryl A. Maguire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LSB Industries, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2026

/s/ Cheryl A. Maguire
Cheryl A. Maguire
Executive Vice President
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LSB Industries, Inc. (“LSB”) on Form 10-Q for the period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark T. Behrman, President and Chief Executive Officer of LSB, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LSB.

/s/ Mark T. Behrman
Mark T. Behrman
President, Chief Executive Officer
(Principal Executive Officer) and
Chairman of the Board of Directors

July 30, 2026

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein, and not for any other purpose.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LSB Industries, Inc. (“LSB”) on Form 10-Q for the period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Cheryl A. Maguire, Executive Vice President and Chief Financial Officer of LSB, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LSB.

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

July 30, 2026

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein and not for any other purpose.