



First Quarter 2016 Update

May 5, 2016

Agenda



Overview

- Dan Greenwell, President and Chief Executive Officer

Financial Review

- Mark Behrman, Executive Vice President and Chief Financial Officer

Q&A

Forward-Looking Statements

The information contained in the presentation materials contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All of these statements, other than statements of historical fact, are forward-looking statements.

These forward-looking statements generally are identifiable by use of the words “believe,” “expect,” “intend,” “plan to,” “estimate,” “project” or similar expressions, and include but are not limited to: our belief that we have accurately revised the cost projections and timing of completion for the El Dorado project; our expectation of increased reliability and production consistency at our facilities, including our Cherokee and Pryor facilities; our projections of trends in the fertilizer market; our outlook for commercial and residential construction; our expectation of continued success of our operational excellence initiatives; our belief in stronger profitability and expectation of cash flow generation; opportunities to improve our overall capitalization and liquidity; and our planned capital additions for 2016.

Investors are cautioned that such forward-looking statements are not guarantees of future performance and involve risk and uncertainties. Though we believe that expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectation will prove to be correct. Actual results may differ materially from the forward-looking statements as a result of various factors. We incorporate the risks and uncertainties discussed under the headings “Risk Factors” and “A Special Note Regarding Forward-looking Statements” in our Form 10-K for the fiscal year ended December 31, 2015 and if applicable, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, which contain a discussion of a variety of factors which could cause future outcomes to differ materially from the forward-looking statements discussed in this conference call presentation. We undertake no duty to update the information contained in this presentation and discussed on the conference call. All forward looking statements included in this presentation are expressly qualified in their entirety by such cautionary statements. We expressly disclaim any obligation to update, amend or clarify any forward-looking statement to reflect events, new information or circumstances occurring after the date of this presentation except as required by applicable law.

Please see the EBITDA Reconciliations and Other Non-GAAP Reconciliations slides included in this presentation for other important information.

First Quarter 2016 and Operating Highlights

First quarter operating results

- Chemical sales decreased approximately \$34.8 million or 26% compared to the prior year period; driven primarily from lower product selling prices coupled with a slower start to the quarter from residual inventory carry-over from the prior period
- Climate Control sales increased \$1.4 million or 2% and Gross Profit and Operating Income improved 120 and 170 basis points respectively driven by material and productivity savings generated by the implementation of our operational efficiency initiatives

Chemical operational update

- El Dorado Expansion Project - announced ammonia plant mechanical completion and currently in final stages of start-up
- Cherokee Facility achieved 96% ammonia on-stream rate during the quarter
- Pryor Facility achieved 92% ammonia on-stream rate during the quarter

Financing update

- Refinanced \$12.0 million of the Zena promissory note on April 1, 2016
- Received \$10.0 million in February 2016 related to the cogeneration facility equipment

New UAN distribution Agreement at Pryor

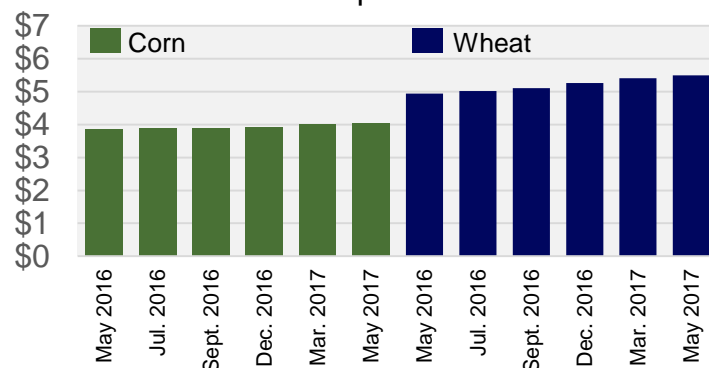
- CVR Partners commencing June 1, 2016

Chemical Market Outlook

Agricultural

- ↑ Planted corn acreage ~93.6 million in 2016 (vs. 88 million in 2015)
- ↑ US farmers expected to shift towards corn away from wheat during 2016/17
- ↑ Overall fertilizer pricing expected to slightly increase in the near term
- ↑ Natural gas feedstock costs expected to remain low
- ↔ Corn prices projected to increase slightly at ~\$4.00/bushel range over next 12 months
- ↓ Corn production increased over prior years, stocks ended at all-time highs
- ↓ Long term trends of lower energy and crop prices
- ↓ Nitrogen capacity expansion in North America

Forward Crop Prices / Bushel



Industrial and Mining

- Industrial markets expected to be flat in 2016, due to a stronger US dollar and global softness in commodities pricing
- Worsening Mining market driven by coal usage, which is expected to continue decreasing throughout 2016

↓ Coal supply

EIA estimates that U.S. coal production for March 2016 was 52 million short tons, a 36% decrease from March 2015.

Forecast production declines continue, with coal production expected to decrease by 16% in 2016, and then rebound moderately in 2017 by 3%.


↓ Coal consumption

EIA estimates that coal consumption will decrease by 7% in 2016 for the electric power sector, which accounts for more than 90% of total U.S. coal consumption. Consumption for 2017 is forecast to increase roughly 2%.

↓ Coal Trade


Slower growth in world coal demand and lower international coal prices have contributed to a decline in U.S. coal exports. Coal exports in the beginning of 2016 were 44% lower than the same period 2015. EIA forecasts U.S. coal exports to decline by 21% during 2016.

Climate Control Market Outlook

-  Continued growth in commercial and institutional construction markets expected over the next two to three years
 - Total dollar value of construction starts forecasted to increase 5% in 2016 with buildings forecasted at 11%
 - Nonresidential sector* to grow 8% to \$228 billion in 2016
 - Office and Lodging are expected to grow by double digits while Education and Healthcare are forecasted to grow high single digits in 2016

-  Continued trend towards higher energy efficient green products in commercial/institutional sector
 - Net zero energy designs
 - Focus on lowering energy costs
 - Meet or exceed building efficiency standards

-  Single-family residential sector to grow 16% to \$217 billion in 2016; however, low natural gas prices continue to impact residential geothermal sales

-  Potential expiration of Residential Energy Efficient Property credit at the end of 2016 could have an impact on total geothermal heat pump sales

Sources: Dodge Data & Analytics Construction Market Forecasting Service, Q1 2016

* Includes multi-family, education, healthcare, office, public and lodging which accounted for approximately 78% of total Climate Control sales and 93% of commercial and institutional sales in 2015.

LSB Consolidated Financial Highlights

First Quarter 2016



(\$ in millions except EPS)	Three Months Ended Mar. 31,		
	2016	2015	Change
Net Sales	\$ 165.6	\$ 198.8	\$ (33.2)
Gross Profit	\$ 15.0	\$ 40.8	\$ (25.8)
<i>% of net sales</i>	9.1%	20.5%	(11.4)%
Selling, General and Administrative	\$ 26.9	\$ 26.6	\$ 0.3
<i>% of net sales</i>	16.2%	13.4%	2.8%
Operating Income (Loss)	\$ (12.2)	\$ 14.2	\$ (26.4)
<i>% of net sales</i>	(7.4)%	7.1%	(14.5)%
Net Income (Loss)	\$ (14.9)	\$ 6.6	\$ (21.5)
<i>% of net sales</i>	(9.0)%	3.3%	(12.3)%
Diluted EPS	\$ (1.08)	\$ 0.28	\$ (1.36)
EBITDA	\$ (2.0)	\$ 23.6	\$ (25.6)
Adjusted Operating Income ⁽¹⁾	\$ 1.2	\$ 14.2	\$ (13.0)
Adjusted Net Income (Loss) Applicable to Common Stock ⁽¹⁾	\$ (10.7)	\$ 6.3	\$ (17.0)
Adjusted Diluted EPS ⁽¹⁾	\$ (0.47)	\$ 0.28	\$ (0.75)
Adjusted EBITDA ⁽¹⁾	\$ 14.6	\$ 24.2	\$ (9.6)

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

Chemical Business

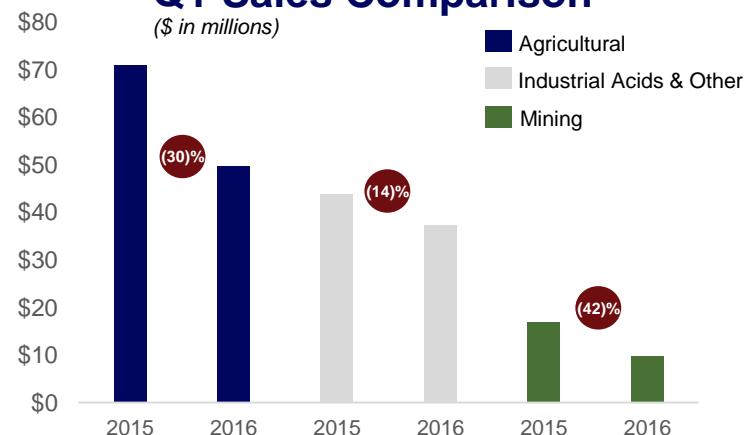
First Quarter 2016 Highlights



(\$ in millions)	Three Months Ended Mar. 31,		
	2016	2015	Change
Net Sales	\$ 97.0	\$ 131.8	\$ (34.8)
Gross Profit	\$ (7.0)	\$ 20.2	\$ (27.2)
% of net sales	(7.2)%	15.3%	(22.5)%
Segment SG&A	\$ 3.1	\$ 3.7	\$ (0.6)
Operating Income (Loss)	\$ (10.2)	\$ 16.7	\$ (26.9)
% of net sales	(10.5)%	12.7%	(23.2)%
Segment EBITDA	\$ 0.5	\$ 24.5	\$ (24.0)
Capital Additions (PP&E)	\$ 94.7	\$ 76.7	\$ 18.0
Adjusted Operating Income ⁽¹⁾	\$ 3.2	\$ 16.7	\$ (13.5)
Adjusted Segment EBITDA ⁽¹⁾	\$ 13.9	\$ 24.5	\$ (10.6)

- Net sales decreased due to:
 - 20-35% declines in selling prices of our key products including Urea ammonium nitrate (UAN), High density ammonium nitrate (HDAN) and Ammonia
 - Lower demand from mining customers for low-density ammonium nitrate (LDAN) coupled with the expiration of the Company's take-or-pay contract with Orica (in Apr 2015) and overall softening in the coal markets
 - Lower sales volumes for HDAN and UAN resulting from a slower start to the quarter from residual inventory carry-over from the prior period coupled with reluctance of customers to buy given the declining price environment and unplanned downtime in at the Pryor facility
- Gross Profit as % of sales decreased due to a \$12.1 million one-time consulting services cost associated with the reduction of assessed property values for the El Dorado projects, coupled with one time costs associated with start-up and commissioning of the Ammonia Plant at the El Dorado facility. Gross profit also declined due to lower absorption of fixed overhead costs, offset in part by lower natural gas pricing at Cherokee and Pryor Facilities
- Adjusted operating income and adjusted segment EBITDA decreased due to the items discussed above

Q1 Sales Comparison



(1) Refer to Appendix for reconciliation of adjusted operating income and adjusted Segment EBITDA

Climate Control Business

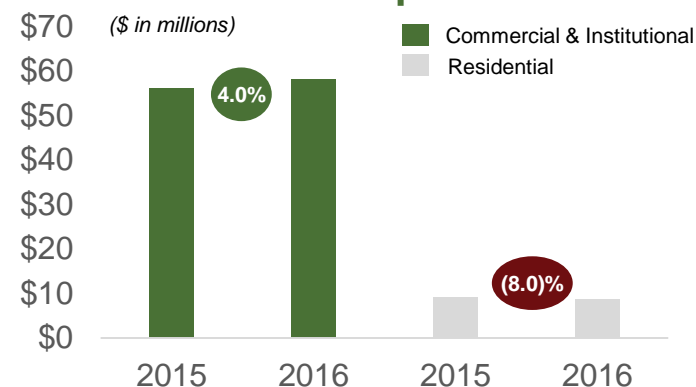
First Quarter 2016 Highlights



(\$ in millions)	Three Months Ended Mar. 31,		
	2016	2015	Change
Net Sales	\$ 66.6	\$ 65.2	\$ 1.4
Gross Profit	\$ 21.2	\$ 20.0	\$ 1.2
<i>% of net sales</i>	31.8%	30.6%	1.2%
Segment SG&A	\$ 15.4	\$ 15.3	\$ 0.1
Operating Income	\$ 5.5	\$ 4.3	\$ 1.2
<i>% of net sales</i>	8.3%	6.6%	1.7%
Segment EBITDA	\$ 6.7	\$ 5.5	\$ 1.2
Capital Additions (PP&E)	\$ 0.2	\$ 0.1	\$ 0.1

- Net sales increased primarily due to
 - Higher sales of custom air handlers reflecting a higher beginning backlog relative to backlog for these projects at the beginning of the prior period
 - Net sales of water source and geothermal heat pumps also increased in the first quarter of 2016 as an increase in sales to the healthcare market more than offset declines in our residential sector
- Gross Profit as a percentage of sales increased approximately 120 basis points as a result of operational improvements being made throughout the business
- Operating income and EBITDA increased due to the items discussed above

Q1 Sales Comparison



Remaining 2016 Planned Capital Spending



Total Projects (\$ in millions)	Planned Capital Additions
Chemical Business:	
El Dorado Facility Expansion Projects	\$ 29 – \$ 59
Other ⁽¹⁾	36 – 44
Total Chemical	\$ 65 – \$ 103
Climate Control Business ⁽²⁾	4 – 6
Corporate and Other	3 – 5
Total Projects	\$ 72 – \$ 114

El Dorado Expansion Projects	Expenditures to Date	Remainder to Completion	Project Total
Ammonia Plant	\$496	\$14	\$ 510
Nitric Acid Plant and Concentrator	124	–	124
Other Support Infrastructure	124	11	135
Capitalized Interest	52	4	56
Contingency	–	0 – 30	0 – 30
Total El Dorado Projects planned spending as of March 31, 2016	\$796	\$ 29 – \$ 59	\$ 825 – \$ 855

(1) Includes cost associated with renewal and improvement projects, environmental projects and the development of natural gas leaseholds

(2) Includes cost associated with savings initiatives, new market development, and other capital projects

Free Cash Flow

(\$ in millions)	Three Months Ended Mar. 31,		
	2016	2015	Change
Net Income (Loss)	\$ (14.9)	\$ 6.6	\$ (21.5)
Depreciation, Depletion and Amortization (PP&E)	11.7	9.0	2.7
Change in Working Capital and Other ⁽¹⁾	17.3	(3.0)	20.3
Net Cash from Continuing Operating Activities	\$ 14.1	\$ 12.6	\$ 1.5
Capital Expenditures (PP&E)	(104.3)	(66.8)	(37.5)
Free Cash Flow from Operations ⁽²⁾	\$ (90.2)	\$ (54.2)	\$ (36.0)
Debt and Financing Payments	(7.0)	(6.4)	0.6
Other	(0.6)	(0.9)	(0.3)
Proceeds from Debt, net of fees	10.0	—	10.0
Change in Cash and Cash Equivalents (Current and Noncurrent)	\$ (87.8)	\$ (61.5)	\$ (26.3)

(1) Working capital and other includes changes in accounts receivable, inventory, prepaids, accounts payable, accrued liabilities, customer deposits, and deferred taxes.

(2) Free Cash Flow is a non-GAAP measure. The reconciliation above reconciles free cash flow with cash provided by operating activities, which is the most directly comparable GAAP financial measure.

Capital Structure

(\$ in millions)

As of March 31, 2016	
Cash and Cash Equivalents	\$39.5
Senior Secured Notes	475.0
Other Debt	61.7
Unamortized discount and debt issuance costs	(8.2)
Total long-term debt, including current portion, net	\$528.5
Series E and F redeemable preferred stock (\$219.6 million liquidation preference including accrued dividends)	\$186.9
Total stockholders' equity	\$398.1

Overview of Outstanding Debt

Senior Secured Notes

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

ABL Facility

- \$100 million (Prime + 50)
- \$69.3 million availability
- Expires April 2018

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

Liquidity Position at March 31, 2016 *(\$ in millions)*



Uses of Funds:	Expected Range
Completion of El Dorado Expansion Project	\$ 29 – \$ 59
Other Capex	43 – 55
Total Capital Expenditures	\$ 72 – \$ 114
Interest on Senior Secured Notes	29
Other Principal and Interest Payments	5
Total Uses of Funds	\$ 106 – \$ 148

Sources of Funds:	
Cash on Hand at 3/31/16	\$ 40
Additional Cogen Facility Financing	10
Remaining ammonia storage tank funding	5
2016 operating cash flow and the use of the ABL credit facility, if needed	51 – 93
Total Sources of Funds	\$ 106 – \$ 148

Note: Assumes no dividend payments as they will be accrued in 2016

Chemical Facilities Operational Status

El Dorado

- Ammonia plant construction complete
 - Start-up activities are underway
 - In final stages of starting the ammonia synthesis loop
 - Ammonia production expected within 2 weeks



Pryor

- Ammonia plant currently running at rates of ~690 TPD
- Annual turnaround planned for September/ October 2016
- Achieved 92% Ammonia On-Stream rate in Q1



Cherokee

- Current ammonia production of ~515 TPD
- Bi-annual turnaround planned for August/ September 2016
- Achieved 96% Ammonia On-Stream rate in Q1



Baytown

- Achieved record production levels in 2015 and also for January 2016
- Turnaround completed in April and additional turnaround planned for October 2016



Focus for 2016



- Complete El Dorado Construction (on-time and within current cost estimates)
- Increase Chemical Plant Reliability (on-stream rates)
- Continue to Execute Operational Excellence Activities in Climate Control
- Consolidate Climate Control Footprints (production and warehouse)
- Refinance the Capital Structure to Obtain a Lower Cost of Capital

Appendix

EBITDA Reconciliations



Reconciliation of Consolidated Net Income (Loss) and Segment Operating Income (Loss) to Non-GAAP measurement

EBITDA. Operating income (loss) by business segment represents gross profit (loss) by business segment less selling, general and administrative expenses incurred by each business segment plus other income and other expense earned/incurred by each business segment before general corporate expenses. The term EBITDA, as used in this presentation, is defined as net income plus interest expense, depreciation, depletion and amortization of property, plant and equipment (which includes amortization of other assets and excludes interest included in amortization) plus provision (benefit) for income taxes. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to GAAP measurement. The following table provides a reconciliation of net income (loss) to EBITDA for the periods indicated.

	(\$ in millions)	
	Three months ended Mar. 31,	
	2016	2015
LSB Industries, Inc. Consolidated		
Net income (loss)	\$ (14.9)	\$ 6.6
Plus:		
Interest expense	1.3	3.4
Depreciation and amortization	12.2	9.4
Provision (benefit) for income taxes	(0.6)	4.2
EBITDA	\$ (2.0)	\$ 23.6
Chemical Business		
Operating income (loss)	\$ (10.2)	\$ 16.7
Plus:		
Depreciation and amortization	10.7	7.8
EBITDA	\$ 0.5	\$ 24.5
Climate Control Business		
Operating income	\$ 5.5	\$ 4.3
Plus:		
Depreciation and amortization	1.2	1.2
EBITDA	\$ 6.7	\$ 5.5

Other Non-GAAP Reconciliations



Reconciliation of Operating Income (Loss), EBITDA, Net Income (Loss) Applicable to Common Stock, and Earnings (Loss) per Share to Non-GAAP Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income (Loss) Applicable to Common Stock, and Adjusted income (loss) per diluted share. We believe that the inclusion of supplementary adjustments to operating income (loss), EBITDA, net income (loss) applicable to common stock, and earnings (loss) per share are appropriate to provide additional information to investors about certain unusual items that are not expected to reoccur in the future. The following tables provide reconciliations of operating income (loss), EBITDA, net income (loss) applicable to common stock, and earnings (loss) per share excluding the impact of the supplementary adjustments noted below. Adjusted Operating Income (Loss), Adjusted EBITDA, Adjusted Net Income (Loss) Applicable to Common Stock and Adjusted Income (Loss) per Diluted Share are not measures of financial performance under GAAP and should not be considered as an alternative to GAAP measurements.

(\$ in millions except EPS)	Three months ended Mar. 31,	
	2016	2015
LSB Industries, Inc. Consolidated		
Operating income (loss)	\$ (12.2)	\$ 14.2
Plus:		
Consulting Fee- Negotiated Property tax savings at El Dorado	12.1	—
Start-up/ Commissioning costs at El Dorado	1.3	—
Adjusted operating income	\$ 1.2	\$ 14.2
Net income (loss) applicable to common stock	\$ (24.6)	\$ 6.3
Plus:		
Consulting Fee- Negotiated Property tax savings at El Dorado (net of tax)	7.4	—
Start-up/ Commissioning costs at El Dorado (net of tax)	0.8	—
Fair market value adjustment on participation rights (non-tax deductible)	2.5	—
Delaware unclaimed property (net of tax)	0.2	—
Valuation allowance on State Net operating losses	3.7	—
Life insurance recovery (non-tax deductible)	(0.7)	—
Adjusted net income (loss) applicable to common stock	\$ (10.7)	\$ 6.3
Weighted-average common shares (in thousands)	22,868	23,047
Adjusted income (loss) per diluted share	\$ (0.47)	\$ 0.28
EBITDA	\$ (2.0)	\$ 23.6
Plus:		
Consulting Fee- Negotiated Property tax savings at El Dorado	12.1	—
Start-up/ Commissioning costs at El Dorado	1.3	—
Fair market value adjustment on participation rights	2.5	—
Stock based compensation	1.1	0.6
Delaware unclaimed property	0.3	—
Life insurance recovery	(0.7)	—
Adjusted EBITDA	\$ 14.6	\$ 24.2

Other Non-GAAP Reconciliations



Reconciliation of Operating Income (Loss), EBITDA, Net Income (Loss) Applicable to Common Stock, and Earnings (Loss) per Share to Adjusted Non-GAAP Operating Income, Adjusted EBITDA, Adjusted Net Income (Loss) Applicable to Common Stock, and Adjusted income (loss) per diluted share. We believe that the inclusion of supplementary adjustments to operating income (loss), EBITDA, net income (loss) applicable to common stock, and earnings (loss) per share are appropriate to provide additional information to investors about certain unusual items that are not expected to reoccur in the future. The following tables provide reconciliations of operating income (loss), EBITDA, net income (loss) applicable to common stock, and earnings (loss) per share excluding the impact of the supplementary adjustments noted below.

(\$ in millions)	Three months ended Mar. 31,	
	2016	2015
Chemical Business		
Operating income (loss)	\$ (10.2)	\$ 16.7
Plus:		
Consulting Fee- Negotiated Property tax savings at El Dorado	12.1	–
Start-up/ Commissioning costs at El Dorado	1.3	–
Adjusted operating income	\$ 3.2	\$ 16.7
EBITDA	\$ 0.5	\$ 24.5
Plus:		
Consulting Fee- Negotiated Property tax savings at El Dorado	12.1	–
Start-up/ Commissioning costs at El Dorado	1.3	–
Adjusted EBITDA	\$ 13.9	\$ 24.5

Chemical EBITDA

2017 Sensitivity Analysis *(\$ in millions)*



		Natural Gas Price per mmbtu				
		\$ 2.00	\$ 2.50	\$ 3.00	\$ 3.50	\$ 4.00
Ammonia price (per mt)	\$ 500	\$ 267	\$ 257	\$ 247	\$ 236	\$ 226
	\$ 450	\$ 239	\$ 229	\$ 219	\$ 209	\$ 198
	\$ 400	\$ 212	\$ 201	\$ 191	\$ 181	\$ 171
	\$ 350	\$ 185	\$ 174	\$ 163	\$ 153	\$ 143
	\$ 300	\$ 158	\$ 147	\$ 136	\$ 126	\$ 115

Key factors in model above:

- Average ammonia plants' on-stream rate above 95% (excluding turnarounds)
- Assumes sales from the Mining sector are replaced with sales from the Agricultural sector
- El Dorado ammonia plant and nitric acid plant are producing for the entire year
- Assumes that a \$50 per ton change in ammonia price is equivalent to a \$21 per ton change in UAN price and a \$23 per ton change in AN price

Chemical Commodity Prices

Feedstocks & End Products



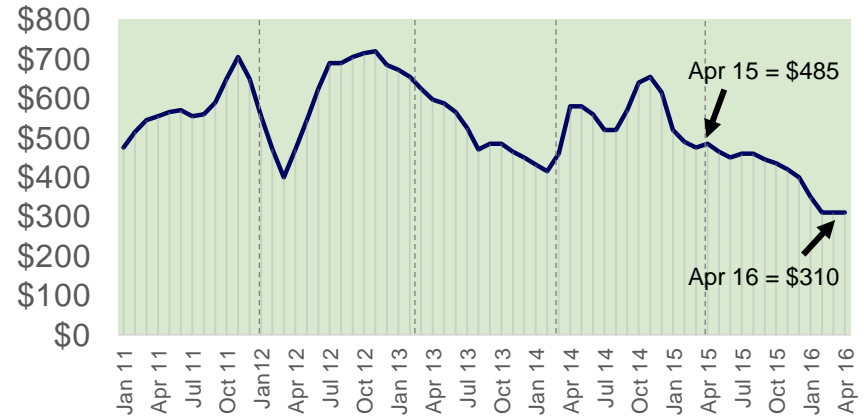
Natural Gas

(Tennessee 500 \$/mmbtu)



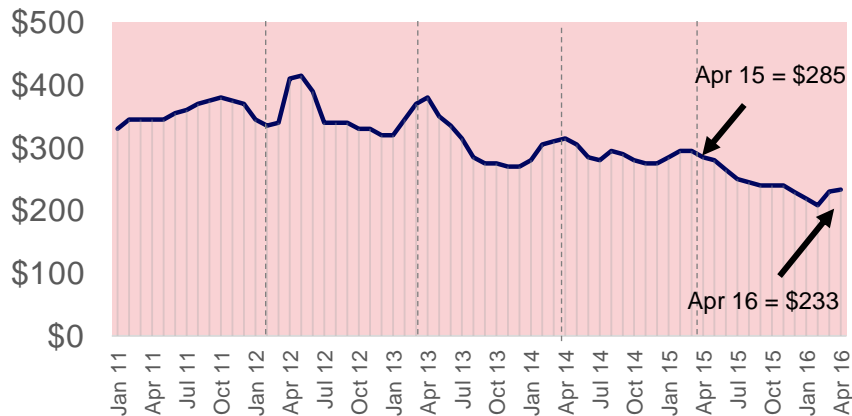
Ammonia

(Tampa \$/metric ton)



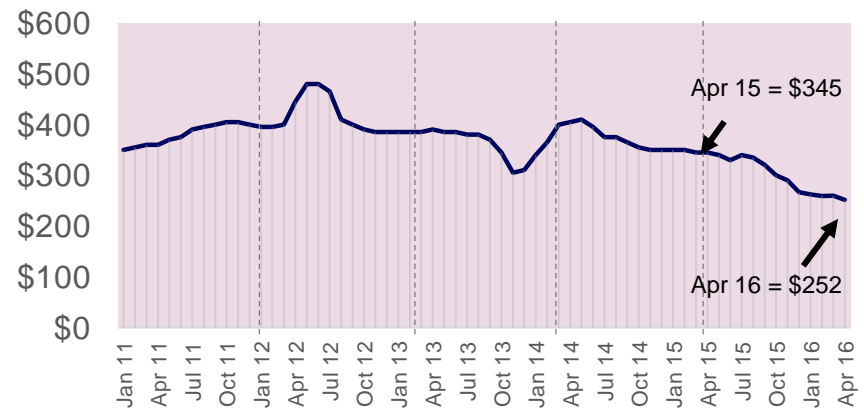
UAN – Southern Plains

(Green Markets \$/ton)



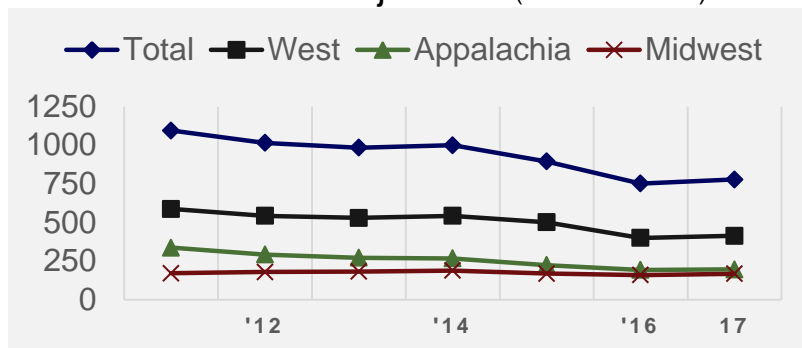
HDAN / AGAN – Southern Plains

(Green Markets \$/ton)



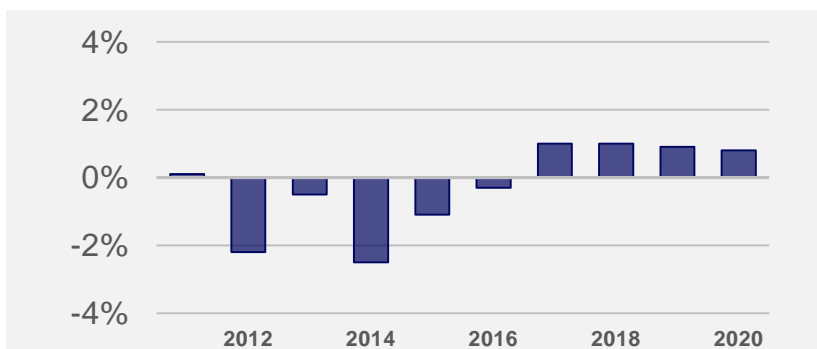
Chemical Market Outlook: Industrial & Mining

Coal Production Projections (millions of tons):



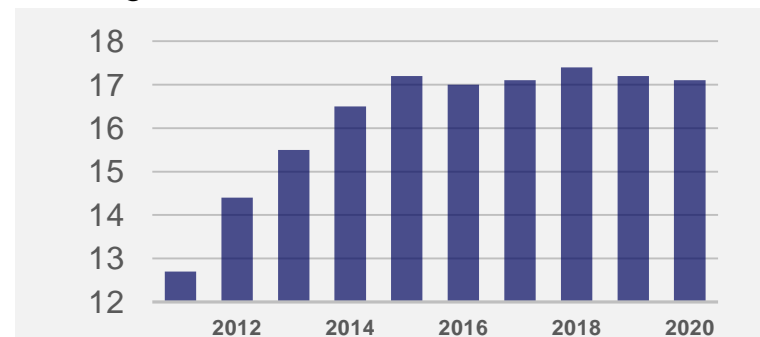
Coal – AN and AN solution are used for surface mining. Ammonia is used for NOx abatement. For 2016, EIA expected additional retirements of coal-fired power plants in 2016. Coal production for 2016 is now forecast to decline 16% in 2016, with a moderate 3% rebound for 2017. This is mainly due to the continued relative low prices for natural gas vs. coal for electricity generation.

U.S. Paper Production (% change, Y/Y):



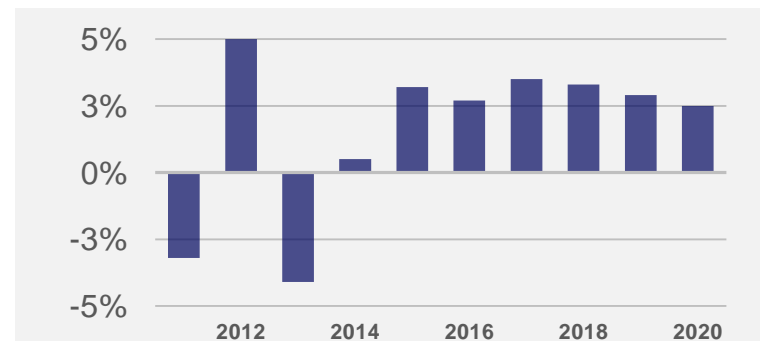
Paper Products – Sulfuric acid is used for paper bleaching and water treatment. LSB's sulfuric acid markets are regionalized, and a balanced North American market has benefited us, with steady demand. Future growth will be a function of domestic demand for consumer goods.

Light Vehicle Sales (millions of units):



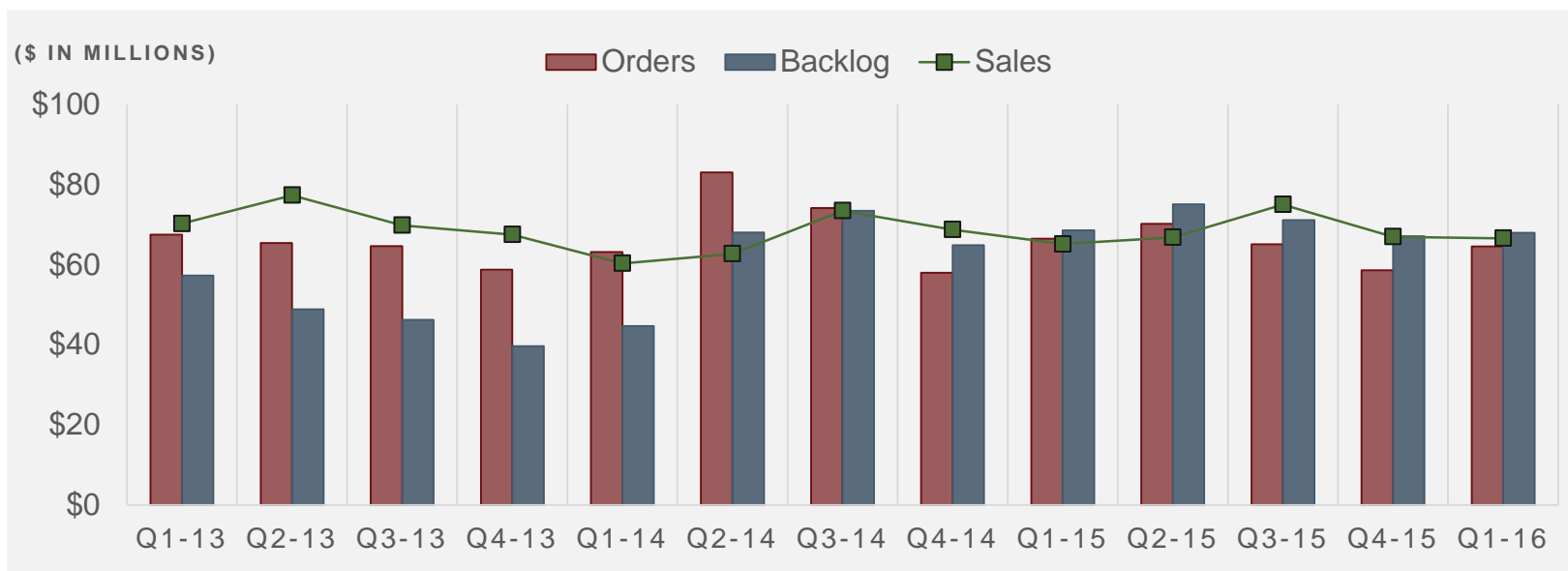
Polyurethane Intermediates – LSB's chemical business supplies nitric acid for polyurethane intermediates used in many automotive applications. U.S. light vehicle sales are expected to rise only slightly in 2016 after a strong improvement in 2015 over the prior year.

Basic Chemicals – Inorganics (% change, Y/Y):



Basic Chemicals: Inorganics – These industry statistics provide a good overall indicator of LSB's industrial chemical business. As expansions come on line in 2016 and 2017, growth in the basic chemicals sector will be driven in part by expanded exports. The most dynamic growth will be in the Gulf Coast.

Climate Control Orders, Sales & Backlog



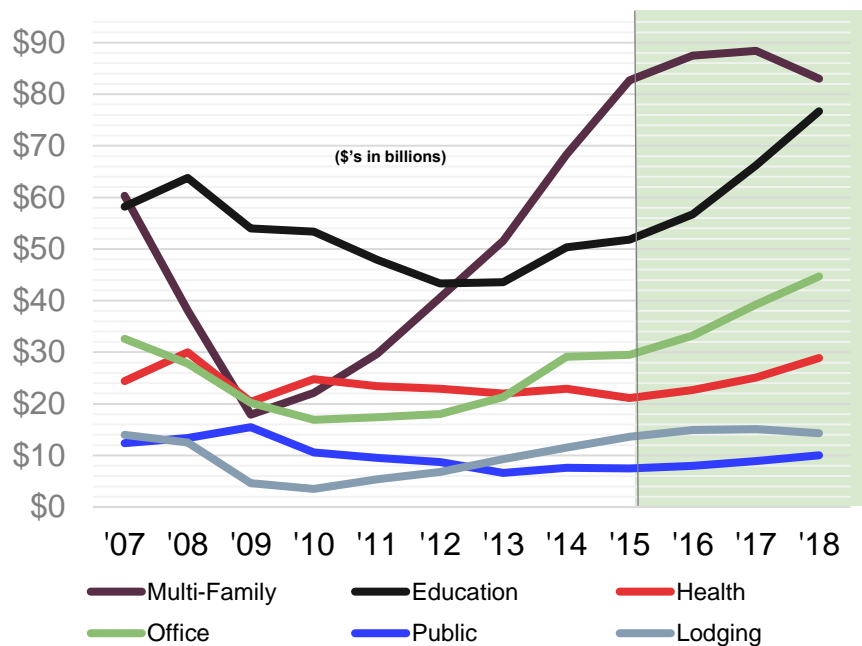
Changes from 2015 to 2016	Commercial & Institutional	Single Family Residential	Total
Q1 New Orders	(1)%	(16)%	(3)%
Q1 Sales	4%	(8)%	2%
Ending Backlog at 3-31	0%	(51)%	(1)%

- As of March 31, 2016, backlog had risen to \$68.0 million from \$67.1 million at December 31, 2015

Climate Control Market Outlook

Commercial & Institutional Construction

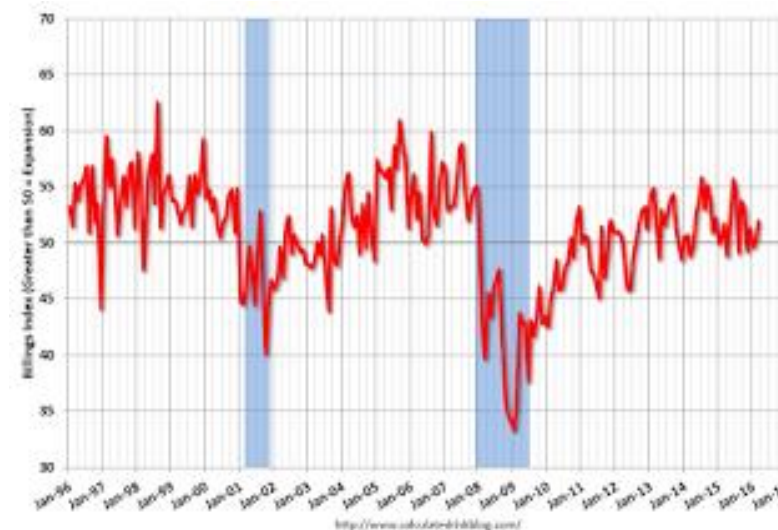
Construction Awards



- In 2015, these combined markets accounted for approximately 78% of total Climate Control sales and 93% of sales of commercial and institutional products.
- Aggregate increase from 2015 to 2018 in these markets forecasted to be 25%.

Source: Dodge Data & Analytics Construction Market Forecasting Service, Q1 2016

Architecture Billings Index ends Q1 on Positive Note: Overall Trend Shows Billings Growth

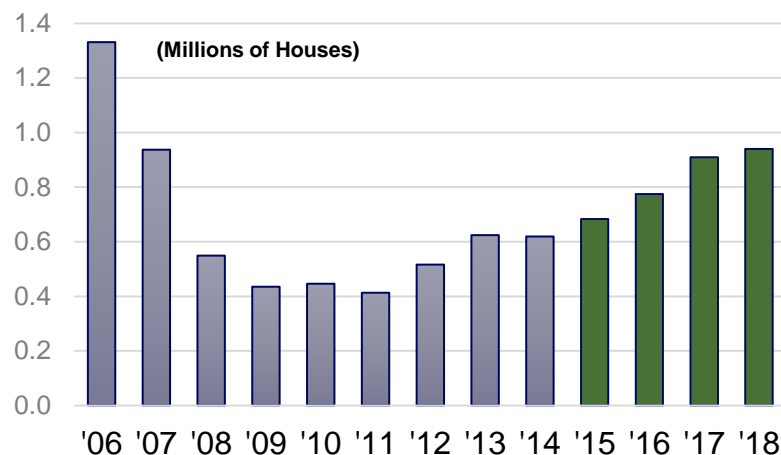


“The first quarter was somewhat disappointing in terms of the growth of design activity, but fortunately expanded a bit entering the traditionally busy spring season said AIA Chief Economist, Kermit Baker, Hon. AIA, PhD. **As the institutional market has cooled somewhat after a surge in design activity a year ago, the multi-family sector is reaccelerating at a healthy pace.**”

The Architectural Billings Index (ABI), produced by the American Institute of Architects (AIA) Economics & Market Research Group, is the leading economic indicator for non-residential construction spending nine to twelve months in the future. Scores above 50 indicate an aggregate increase in billings and scores below 50 indicate a decline.

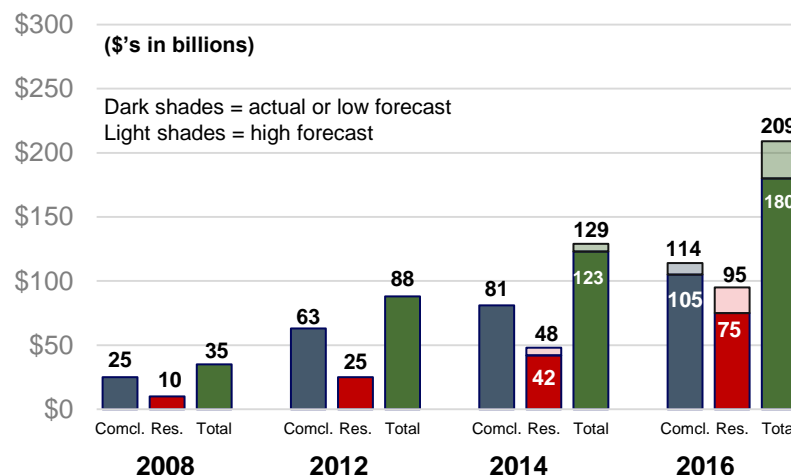
Climate Control Market Outlook

Single Family Residential Construction Starts



- Single family residential products (geothermal heat pumps) accounted for approximately 13% of Climate Control sales during 2015.
- This market is forecast to grow significantly over the next two years and flatten in 2018, still below pre-2007 levels.

Green Construction Market Forecast to Grow



- The total green building market size is forecast to be from \$180 billion to \$209 billion in 2016.
- Dodge estimates that in 2016, 47% to 51% of new non-residential construction starts and 26% to 33% of residential construction starts (by value) will be green.
- Energy efficiency and savings continue to be key drivers for green construction.

Sources: Building Contract Activity Source Dodge Data & Analytics Construction Market Forecasting Service, Q1 2016; 2014 Green Market Size Dodge Data & Analytics