

# Louisiana - Pacific Corporation

UBS Global Paper and Forest Products Conference  
September 17, 2003



# Forward Looking Statements

This presentation contains statements concerning Louisiana-Pacific Corporation's (LP) future results and performance that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, including the level of interest rates and housing starts, market demand for the company's products, and prices for structural products; the effect of forestry, land use, environmental and other governmental regulations; the ability to obtain regulatory approvals, and the risk of losses from fires, floods and other natural disasters. These and other factors that could cause or contribute to actual results differing materially from such forward-looking statements are discussed in greater detail in the company's Securities and Exchange Commission filings.

# Overall Market Dynamics

- Continued strong demand will exist for commodity and specialty building products:
  - Demographics support sustained levels of housing starts and repair / remodel expenditures
  - Demand for innovative, low maintenance building materials is accelerating
  - Pressure on land and labor availability continues
- Consolidation of producers, channel partners and end customers will continue:
  - Big producers
  - “Big Boxes”
  - Big builders
  - Distribution channels

# LP at a Glance

- Completing a significant restructuring involving asset sales, product line divestitures and debt reduction
- Result is a very focused business model with four segments capable of generating sufficient cash to reward our investors and cover our investment plans
  - Retained businesses have scale, low cost and opportunities for growth
- Asset sales plan is well along in execution:
  - \$375 million in “value” captured through June 2003
  - On track to generate in excess of \$700 million in “value”
- Increased financial flexibility:
  - In 2002 and 2003 year to date, reduced debt and increased cash
  - Net debt <sup>(1)</sup> at June 30, 2003 under \$400 million

<sup>1</sup> See appendix for detailed reconciliation

# LP's Business Segments

## OSB

- Commodity panels
- Tech Shield
- Flooring

## Composite Wood

- SmartSide OSB siding
- Exterior Hardboard siding
- Specialty OSB

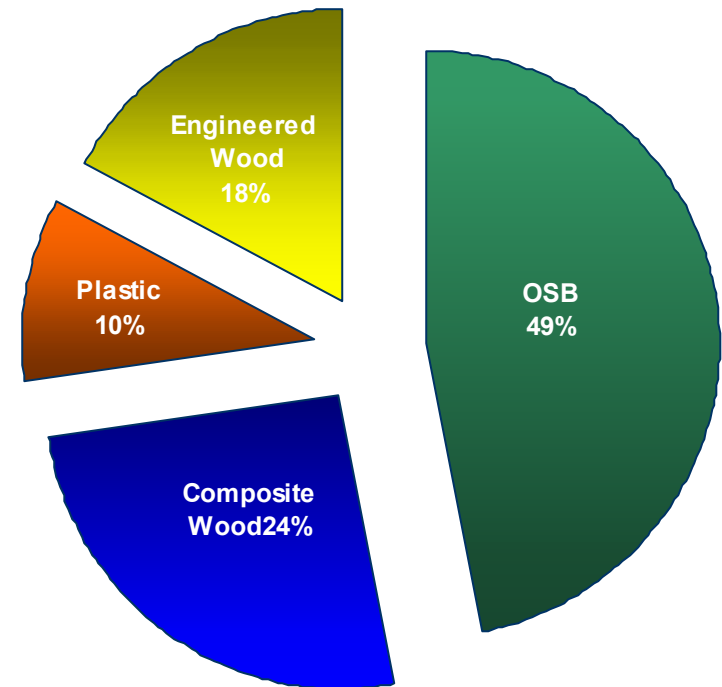
## Engineered Wood Products

- Laminated veneer lumber
- I - Joist

## Plastic Building Products

- Vinyl
- Moulding
- Composite Decking

2002 Revenue - \$1.6 Billion



# Engineered Wood Products



- #1 position in solid-sawn I-Joist
- #3 position in LVL / I-Joist
- Steady demand growth
- Aligned and supportive customer base
- Segment needs further consolidation

Mill capacities:

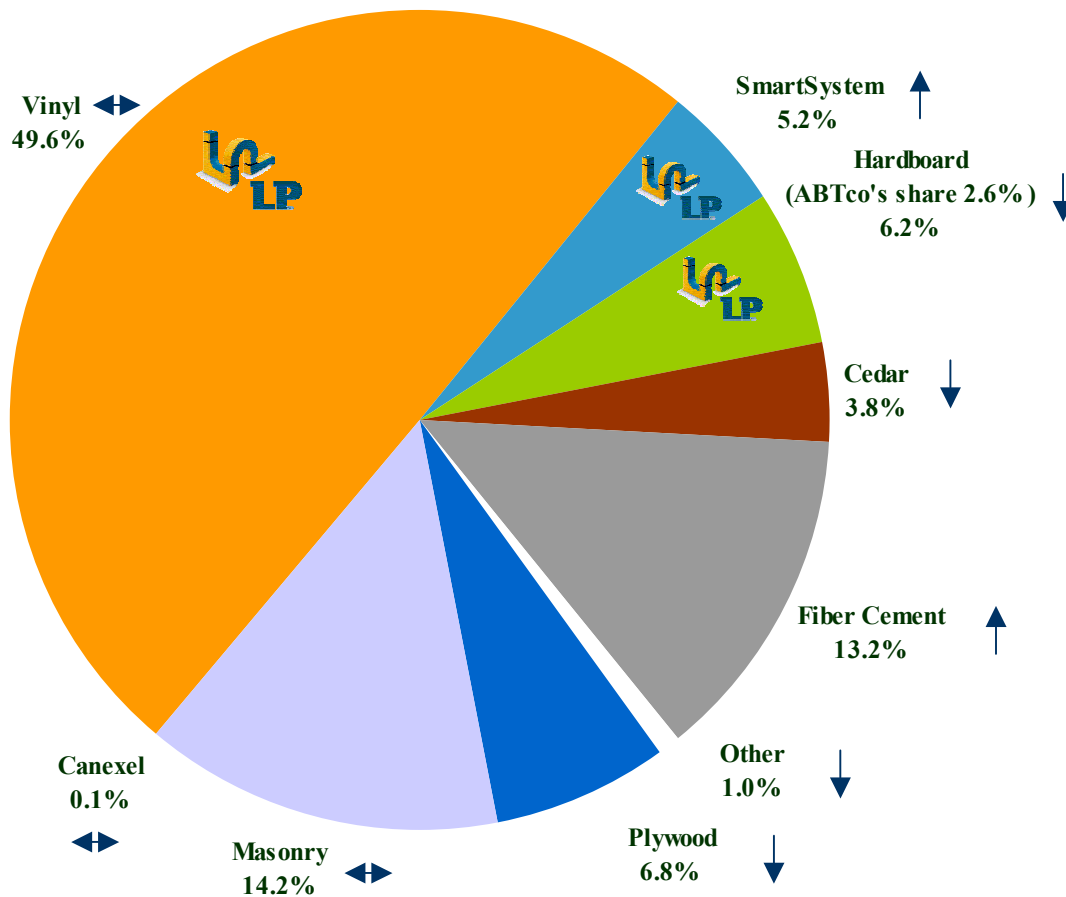
LVL - 10.6 million cubic feet

I-Joist - 106 million lineal feet

- 60 million lineal feet (Abitibi JV)

# Exterior Siding Market

## Market Share by Product Category - 2002



Total siding demand in North America in 2002 = 8.1 B sq. feet

LP currently participates in siding segments that represent 60% of the market

# Siding Market Drivers

- Proven performance and durability
- Easy installation resulting in low installed costs
- Low maintenance -- prefinished products
- Consolidation of channels and end users driving a shift to full product line suppliers



# Composite Wood Products



- Smart Side product line exhibiting strong growth:
  - Family of products – lap, panel, trim, fascia, soffet
  - Lowest installed cost
  - Curb appeal / outstanding performance
- Hardboard – lowest cost and broadest product line in the industry
- Chile – source of low cost, high quality specialty products and new markets

Mill capacities:

8 mills – 1.7 billion square feet

# Plastic Building Products



- Vinyl siding – growth through service and product development
- Profitable / growing mouldings business, alliance partner opportunities
- Composite decking – early stage, excellent products (good/better/best strategy), technology platform for expanded product line

Mill capacities:

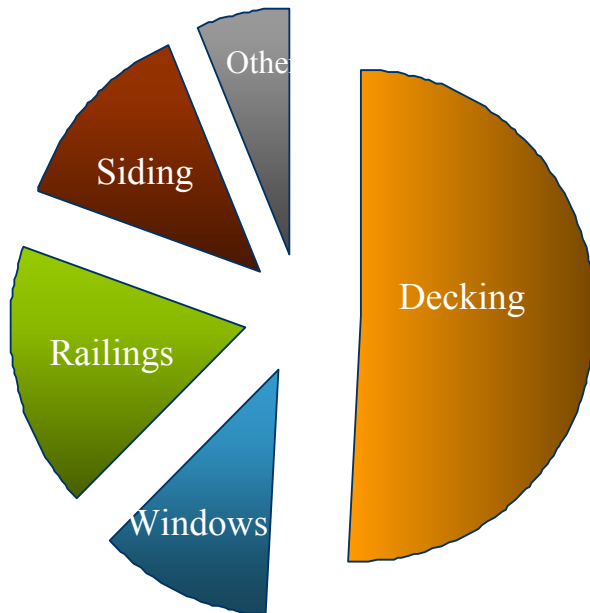
Vinyl – 3.2 million squares

Moulding – 290 million lineal feet

Decking – 50 million lineal feet

# Plastic Composite Market

Forecasted 2010



\$1.8 billion market

- The plastic composite market for building products is estimated to be \$600M in 2002 growing to \$1.8 billion by 2010
- Applications include:
  - Decking
  - Railings
  - Windows and doors
  - Siding accessories

# Asset Divestiture Plan - Progress Since May 2002

- Generated nearly \$375 million in “value” through June 2003
- Assets sold/divested through June 2003:
  - Plywood business
  - Industrial panels business
  - Distribution centers
  - Ireland OSB mill
  - Chetwynd and Samoa pulp mills
  - Timberlands... 400,000 acres - \$284 million

# Asset Divestiture Actions ... What's left?

- Timberlands:
  - Purchase and sale agreements signed for virtually all remaining acres
  - Estimated proceeds from these sales - \$370 million
  - Expected close Q3 / early Q4 2003
  - Installment sale treatment
- Lumber
  - Letters of Intent in place for all but one mill
  - Most are expected to close in Q4
  - Proceeds expected to be \$70 - \$80 million

# Financial / Capitalization Strategies

- Balance sheet strategies:
  - Build appropriate cash reserves
  - Review the cost / benefit of retiring tranches of long-term public debt
- Invest in remaining businesses:
  - Lower costs
  - Appropriate capacity additions
- Shareholder value strategies:
  - Optimize capital structure
  - Reinstate dividend
  - Consider share repurchase

# Restructuring of the Structural Panel Markets

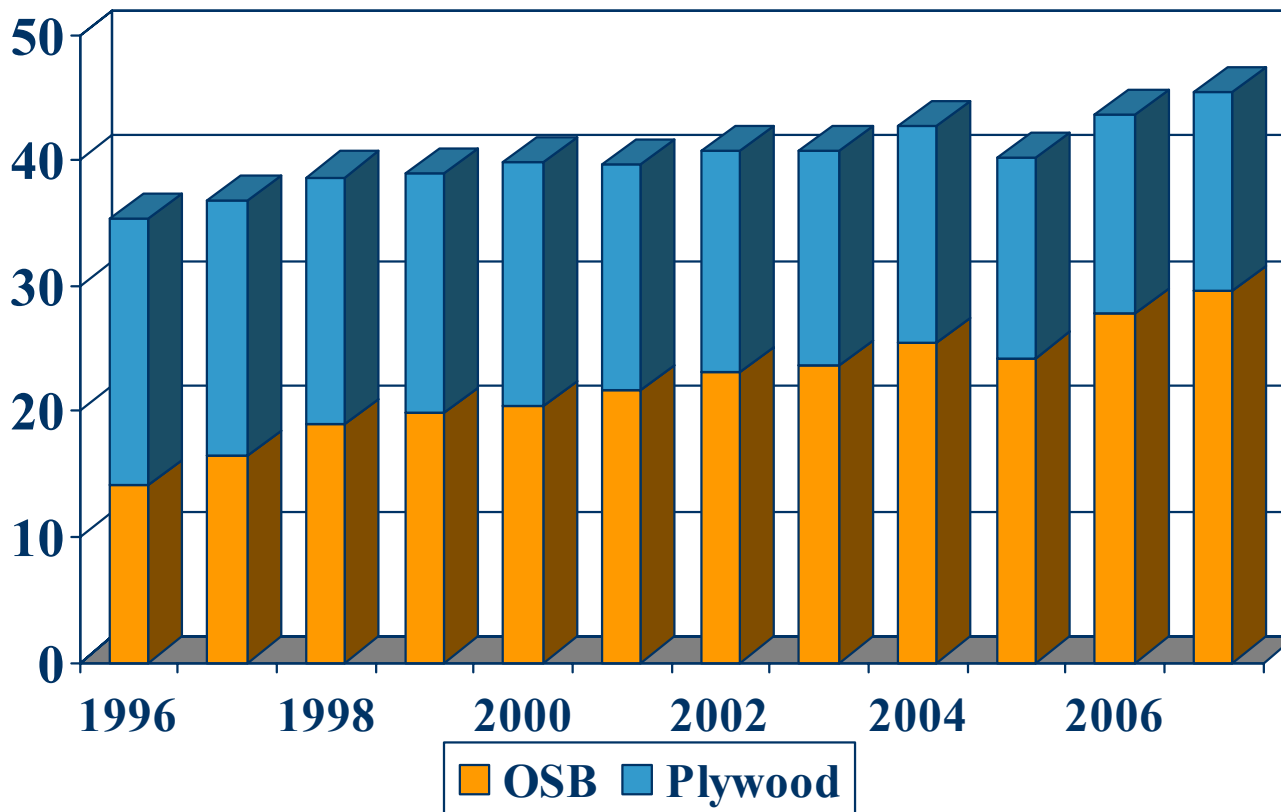
Has Consolidation Mattered ...



# Structural Panel Market

Market size = \$10B <sup>(1)</sup>

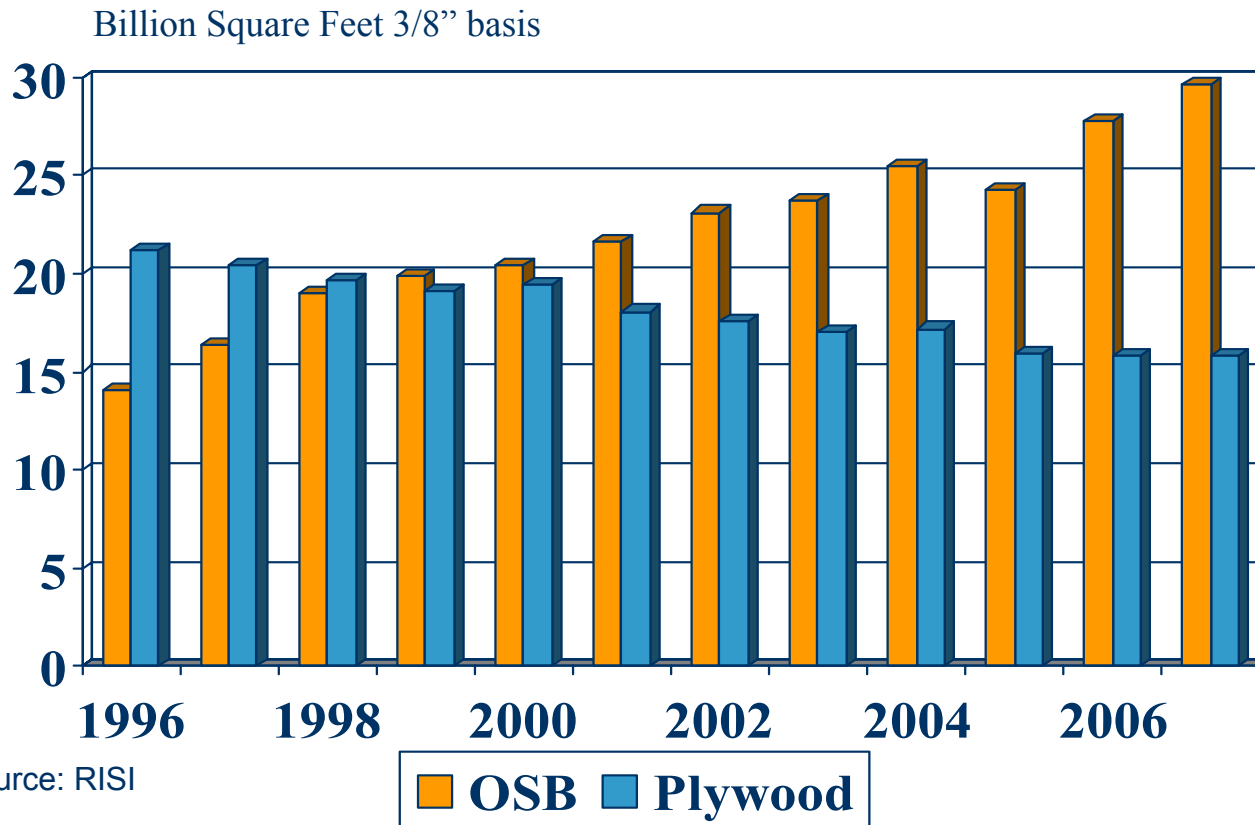
Billions square feet - 3/8" basis



<sup>1</sup> Based upon RISI composite panel average price for 98-02 and RISI's 2003 estimated demand



# Overall Structural Panel Demand



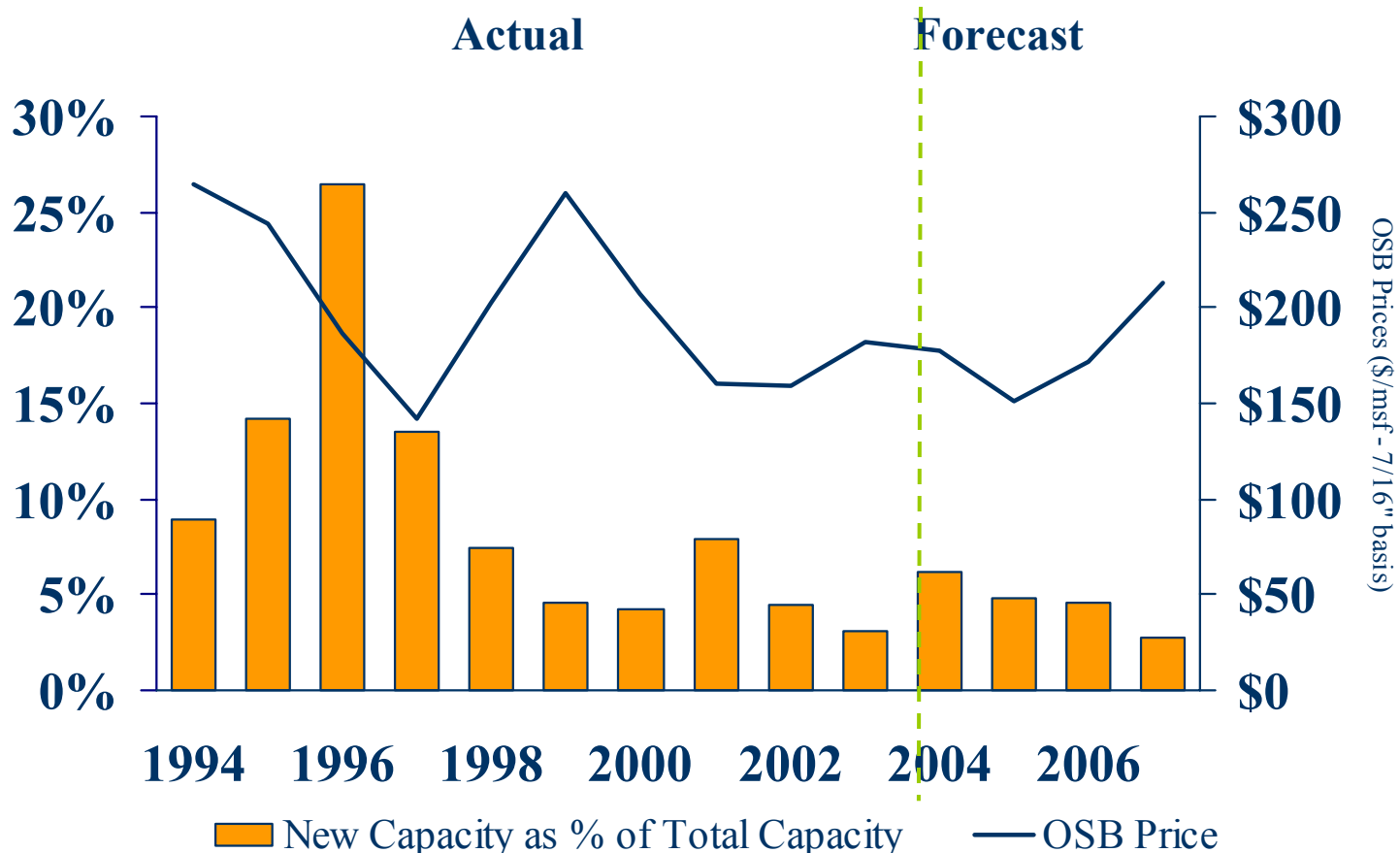
1996  
OSB – 40%  
Plywood – 60%

2002  
OSB – 57%  
Plywood – 43%

2007  
OSB – 65%  
Plywood – 35%

# Favorable OSB Supply Outlook

## New Additions and OSB Prices

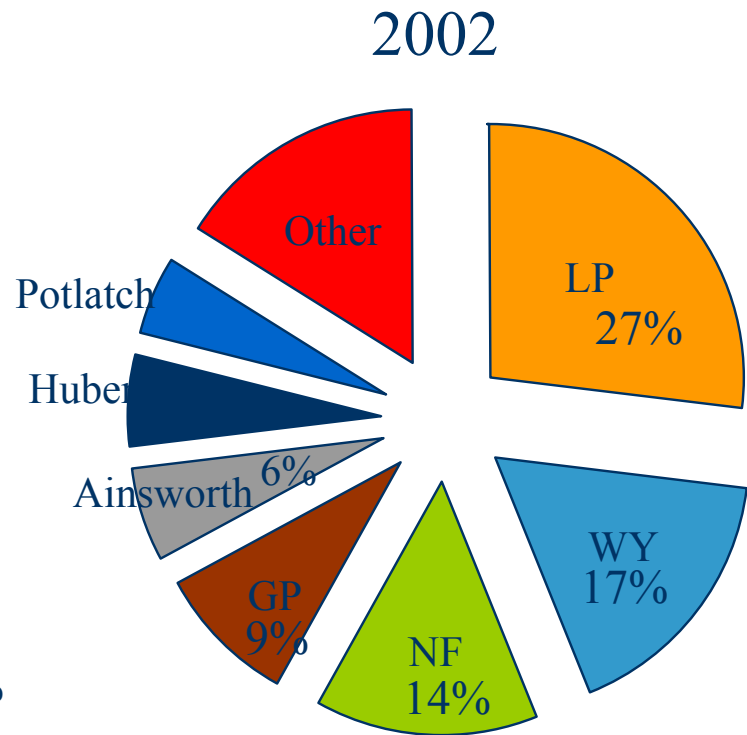
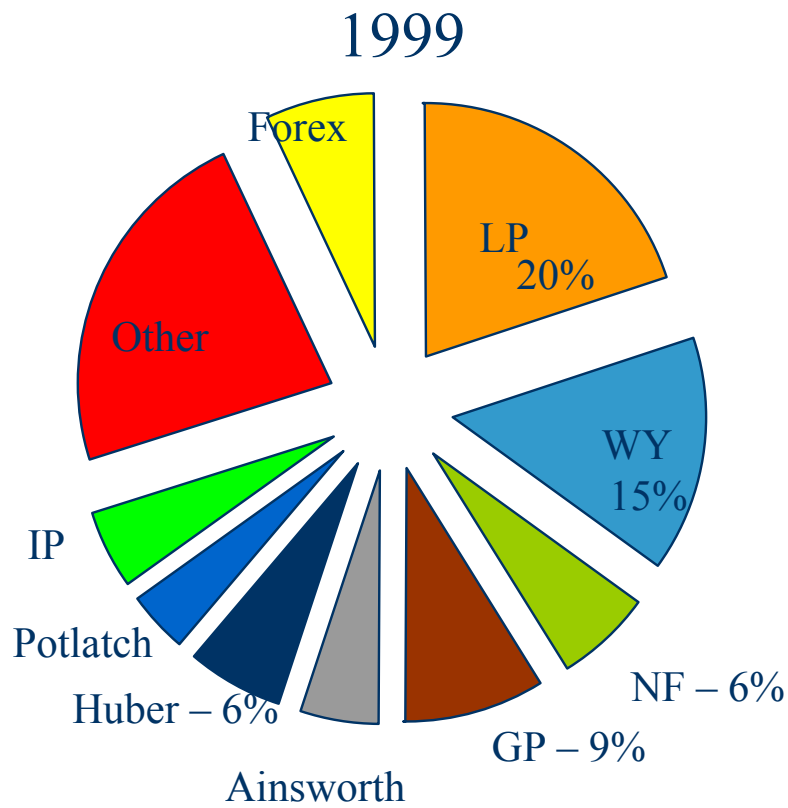


Source: RISI, includes greenfield and creep capacity

# Changes to Structural Panel Industry

- Plywood closures continue – 1.5B square feet since 2000
- Significant consolidation has occurred within OSB in the last five years
  - WY – MacBlo; LPX - Forex; WY - WLL; Nexfor - IP
  - Top five producers account for over 70% of production
- Development of “value-added” products has increased the off-take for OSB manufacturing
  - Roofing, improved flooring products
  - Growth of SmartSide family of siding and trim products
  - Webstock and rimboard
- More difficult to site and wood mills
  - Natural enemies and size
  - Environmental pressures

# OSB Market Share



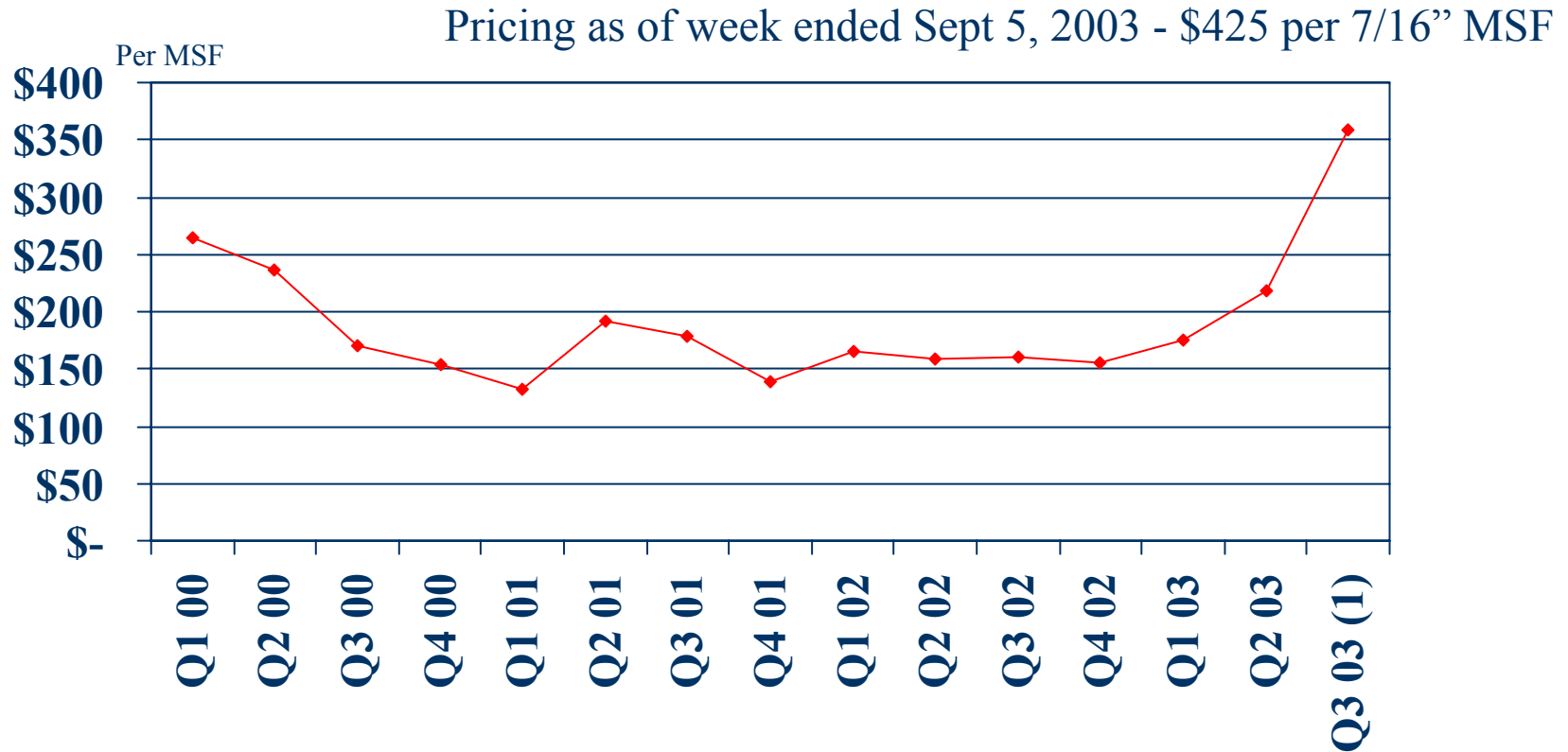
Source: RISI

# Implications

- Market leaders appear to be more focused on matching production levels to demand
- Capacity expansion has slowed to better match expected future demand
- With construction of new mills and the application of technologies, industry cost curve has “flattened” out
- Reduction of pulp capacity has flattened the shape of the wood cost curve

# Historic OSB Pricing

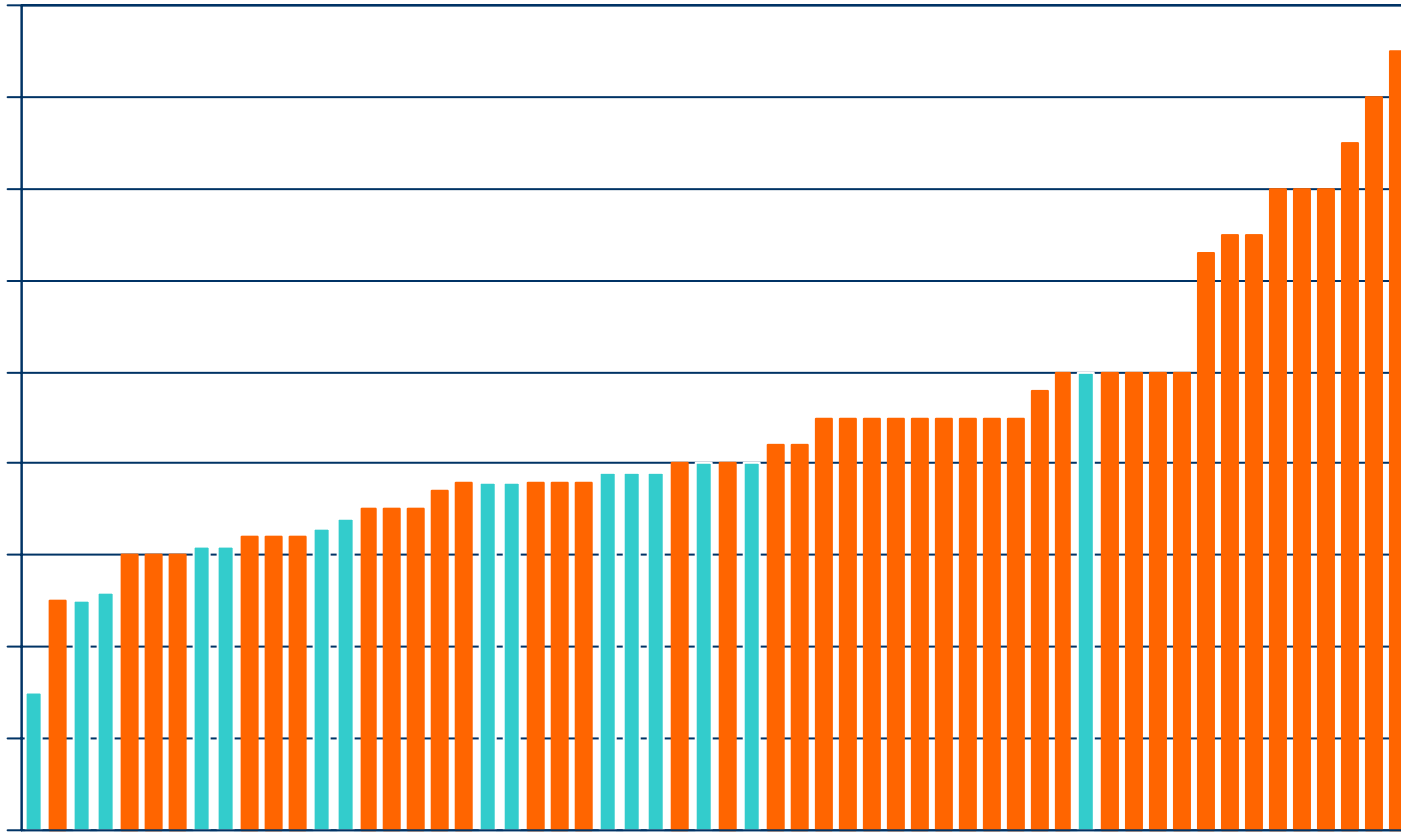
## North Central 7/16”



Source: Random Lengths

<sup>1</sup> Average Random Lengths pricing through September 5, 2003

# OSB Cost Curves – 2002 Delivered Costs<sup>1</sup>



Source: 2002 Beck Group Study

<sup>1</sup> Assumes delivered cost to most proximate market.

# LP's OSB Strategies

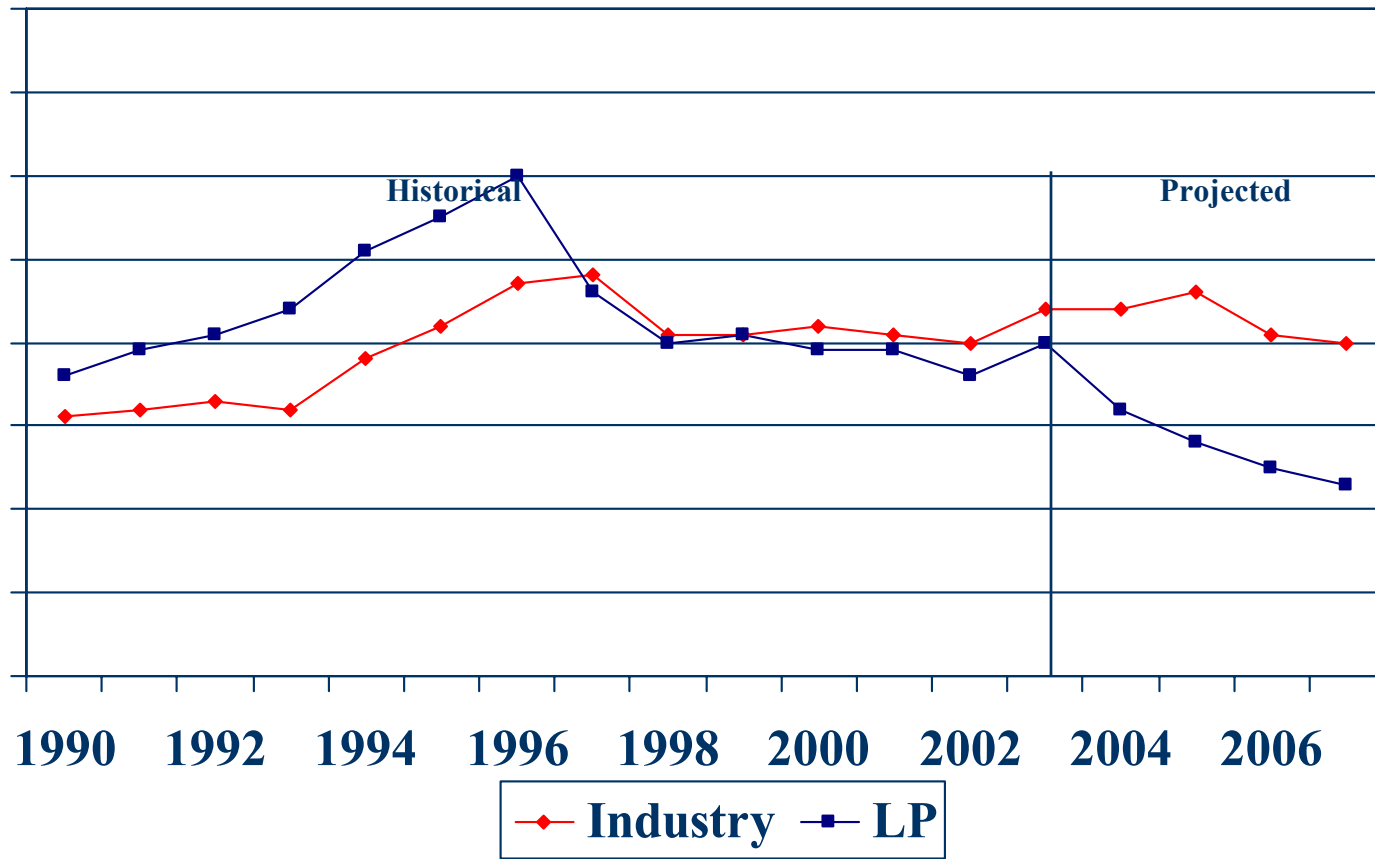
- Provide the best delivered value through reliable and consistent product quality and excellent order fulfillment
- Continue to reduce costs in real terms versus the industry through selective reinvestment in existing plants to be the “low cost provider” of commodity OSB
- Maintain current production share (over 25%) from “brownfield build out” and grow share with either acquisition or greenfield capacity
- Promote OSB substitution for plywood with premium and improved products



# OSB Investment Priorities

- \$250 million investment plan in existing mills over the next 3 – 5 years:
  - Reduce cost (energy, materials, resin costs and improved yield)
  - Improved product properties
  - Greater throughput - + 1 BSF
  - 10% reduction in cost
- Acquire competitive facilities “at the right price”
- Greenfield “opportunities:
  - Canada –British Columbia ... sooner rather than later
  - U.S. – fiber supply near growing markets
  - South America (Chile)

# OSB Industry Cost Curve



Source: RISI, LP Management

# Conclusions

LP has ...

- Lots of cash and more to come
- An unquestioned leadership position in OSB with exceptional geographic distribution
- A very focused business model
- Unrelenting drive to be the low cost producer
- Growth opportunities in OSB (commodity and specialty), EWP and specialty exterior products
- Discipline in capital deployment
- Financial flexibility

# Questions

# APPENDIX



	<u>6/30/03</u>	<u>12/31/02</u>
<u>Calculation of "Net Debt":</u>		
Long term debt	\$ 1,040	\$1,070
Current portion long term debt	1	35
Notes receivable from asset sales	(404)	(404)
Restricted cash	(93)	( 47)
Cash and cash equivalents	<u>(158)</u>	<u>(137)</u>
Net debt	\$ 386	\$ 517