

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

FORM 10-Q

**Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Quarterly Period Ended June 30, 2019
Commission File Number 1-7107**

LOUISIANA-PACIFIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

93-0609074
(IRS Employer
Identification No.)

414 Union Street, Nashville, TN 37219
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code:(615) 986 - 5600

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$1 par value	LPX	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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 123,612,522 shares of Common Stock, \$1 par value, outstanding as of August 5, 2019. *Except as otherwise specified and unless the context otherwise requires, references to "LP", the "Company", "we", "us", and "our" refer to Louisiana-Pacific Corporation and its subsidiaries.*

ABOUT FORWARD-LOOKING STATEMENTS

Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 provide a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about their businesses and other matters as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statements. This report contains, and other reports and documents filed by us with the Securities and Exchange Commission (SEC) may contain, forward-looking statements. These statements are or will be based upon the beliefs and assumptions of, and on information available to, our management.

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like “may,” “will,” “could,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “potential,” “continue” or “future” or the negative or other variations thereof and (2) other statements regarding matters that are not historical facts, including without limitation, plans for product development, forecasts of future costs and expenditures, possible outcomes of legal proceedings, capacity expansion and other growth initiatives and the adequacy of reserves for loss contingencies.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following:

- changes in governmental fiscal and monetary policies, including tariffs and levels of employment;
- changes in general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction and repair activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products;
- changes in the relationship between supply of and demand for raw materials, including wood fiber and resins, used in manufacturing our products;
- changes in the cost of and availability of energy, primarily natural gas, electricity and diesel fuel;
- changes in the cost of and availability of transportation;
- changes in other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar, Brazilian *real* and Chilean *peso*;
- changes in general and industry-specific environmental laws and regulations;
- changes in tax laws, and interpretations thereof;
- changes in circumstances giving rise to environmental liabilities or expenditures;
- the resolution of existing and future product-related litigation and other legal proceedings; and
- acts of public authorities, war, civil unrest, natural disasters, fire, floods, earthquakes, inclement weather and other matters beyond our control.

In addition to the foregoing and any risks and uncertainties specifically identified in the text surrounding forward-looking statements, any statements in the reports and other documents filed by us with the SEC that warn of risks or uncertainties associated with future results, events or circumstances identify important factors that could cause actual results, events and circumstances to differ materially from those reflected in the forward-looking statements.

ABOUT THIRD-PARTY INFORMATION

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

Item 1. Financial Statements.

CONSOLIDATED BALANCE SHEETS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS) (UNAUDITED)

	June 30, 2019	December 31, 2018
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 348	\$ 878
Receivables, net of allowance for doubtful accounts of \$2 million at June 30, 2019 and \$1 million at December 31, 2018	177	128
Inventories	293	273
Prepaid expenses and other current assets	11	8
Total current assets	828	1,287
Timber and timberlands	55	62
Property, plant and equipment, net	1,038	1,010
Goodwill and other intangible assets	51	26
Operating lease assets	22	—
Investments in and advances to affiliates	9	49
Restricted cash	14	13
Other assets	68	61
Deferred tax asset	4	4
Total assets	\$ 2,090	\$ 2,514
LIABILITIES AND EQUITY		
<i>Current liabilities:</i>		
Current portion of long-term debt	\$ 3	\$ 5
Accounts payable and accrued liabilities	223	233
Income taxes payable	1	21
Current portion of contingency reserves	2	2
Total current liabilities	229	262
Long-term debt, excluding current portion	348	347
Deferred income taxes	75	62
Non-current operating lease liabilities	14	—
Contingency reserves, excluding current portion	8	9
Other long-term liabilities	126	135
Redeemable noncontrolling interest	13	—
Stockholders' equity:		
Common stock, \$1 par value, 200,000,000 shares authorized, 141,413,786 shares issued at June 30, 2019 and 153,358,542 shares issued at December 31, 2018	141	153
Additional paid-in capital	374	458
Retained earnings	1,315	1,613
Treasury stock, 17,881,363 shares and 16,525,351 shares, at cost	(410)	(378)
Accumulated comprehensive loss	(143)	(146)
Total stockholders' equity	1,278	1,700
Total liabilities and stockholders' equity	\$ 2,090	\$ 2,514

The accompanying notes are an integral part of these unaudited financial statements.

CONSOLIDATED STATEMENTS OF INCOME
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales	\$ 588	\$ 811	\$ 1,170	\$ 1,502
Cost of sales	510	550	1,011	1,065
Gross profit	78	261	159	437
Selling, general and administrative expenses	58	50	114	101
(Gain) loss on sale or impairment of long lived assets, net	—	—	1	(1)
Other operating credits and charges, net	(3)	(5)	(1)	(5)
Income from operations	23	215	45	342
Interest expense, net	(2)	—	(1)	(1)
Other non-operating items	(2)	(1)	9	(2)
Income from continuing operations before taxes	19	215	52	339
Provision for income taxes	3	51	11	81
Equity in loss of unconsolidated affiliates	—	1	—	1
Income from continuing operations	15	163	42	258
Loss from discontinued operations before taxes	—	—	—	(6)
Benefit for income taxes	—	—	—	(1)
Loss from discontinued operations	—	—	—	(4)
Net income	\$ 16	\$ 163	\$ 42	\$ 254
Less: Net loss attributed to non-controlling interest	(2)	—	(2)	—
Net income attributed to Louisiana-Pacific Corporation	\$ 17	\$ 163	\$ 44	\$ 254
Amounts attributed to Louisiana-Pacific Corporation common shareholders:				
Income from continuing operations, net of tax	\$ 17	\$ 163	\$ 44	\$ 258
Income from discontinued operations, net of tax	—	—	—	(4)
	\$ 17	\$ 163	\$ 44	\$ 254
Net income per share of common stock:				
Income per share continuing operations	\$ 0.14	\$ 1.13	\$ 0.34	\$ 1.78
Loss per share discontinued operations	—	—	—	(0.03)
Net income per share - basic	\$ 0.14	\$ 1.13	\$ 0.34	\$ 1.75
Diluted net income per share of common stock:				
Income per share continuing operations	\$ 0.14	\$ 1.11	\$ 0.34	\$ 1.76
Loss per share discontinued operations	—	—	—	(0.03)
Net income per share - diluted	\$ 0.14	\$ 1.11	\$ 0.34	\$ 1.73
Average shares of common stock used to compute net income per share:				
Basic	123.4	144.6	126.9	144.7
Diluted	124.3	146.2	127.9	146.4

The accompanying notes are an integral part of these unaudited financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 16	\$ 163	\$ 42	\$ 254
Other comprehensive income (loss):				
Foreign currency translation adjustments	1	(14)	3	(12)
Unrealized gain (loss) on investments, net of tax	—	—	(1)	—
Defined benefit pension plans:				
Change in benefit obligations, translation adjustment	—	—	—	—
Amortization of amounts included in net periodic benefit cost:				
Actuarial loss, net of tax	1	1	2	2
Prior service cost, net of tax	—	—	—	—
Other	—	—	—	—
Other comprehensive income (loss)	2	(12)	4	(9)
Comprehensive income	17	150	46	245
Less: comprehensive loss attributed to redeemable non-controlling interest	(2)	—	(2)	—
Comprehensive income attributed to Louisiana-Pacific Corporation	<u>\$ 19</u>	<u>\$ 150</u>	<u>\$ 48</u>	<u>\$ 245</u>

The accompanying notes are an integral part of these unaudited financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 16	\$ 163	\$ 42	\$ 254
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	29	30	60	61
Equity in (income) loss of unconsolidated affiliates, including dividends	—	—	(2)	(1)
(Gain) loss on sale or impairment of long-lived assets, net	—	—	1	(1)
Other operating credits and charges, net	(3)	—	(1)	(1)
Gain on acquisition	—	—	(14)	—
Stock-based compensation related to stock plans	3	3	5	5
Exchange (gain) loss on remeasurement	—	—	2	—
Cash settlements of warranties, net of accruals	—	(6)	(1)	(2)
Accrual of contingencies, net of cash settlements	—	—	—	(2)
Pension contributions, net of expense	1	(2)	2	(1)
Other adjustments, net	(1)	(1)	(1)	1
Changes in assets and liabilities:				
Increase in receivables	(6)	(16)	(41)	(45)
(Increase) decrease in inventories	19	41	(17)	(13)
Increase in prepaid expenses	(3)	(4)	(3)	(5)
Increase (decrease) in accounts payable and accrued liabilities	(2)	19	(17)	(20)
Increase (decrease) in income taxes payable and deferred income taxes	(1)	13	(16)	37
Net cash provided by (used in) operating activities	54	237	—	268
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property, plant and equipment additions	(38)	(44)	(81)	(88)
Proceeds from sales of assets	1	—	1	1
Cash acquired (used in) acquisition	(7)	(45)	33	(45)
Receipt of proceeds from notes receivable from asset sales	—	22	—	22
Other investing activities	—	—	(1)	—
Net cash used in investing activities	(45)	(67)	(50)	(110)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of long-term debt	(3)	—	(3)	—
Payment of cash dividends	(17)	(19)	(33)	(38)
Purchase of stock	—	(39)	(438)	(39)
Taxes paid related to net share settlement of equity awards	—	(2)	(4)	(8)
Other financing activities	(3)	—	(3)	3
Net cash used in financing activities	(22)	(60)	(481)	(81)
EFFECT OF EXCHANGE RATE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH				
	1	(5)	1	(4)
Net decrease in cash, cash equivalents and restricted cash	(13)	105	(530)	73
Cash, cash equivalents and restricted cash at beginning of period	375	909	892	941
Cash, cash equivalents and restricted cash at end of period	\$ 362	\$ 1,014	\$ 362	\$ 1,014
Supplemental cash flow information:				
Cash paid for income taxes	\$ 7	\$ 37	\$ 28	\$ 41
Cash paid for interest, net of cash received	\$ —	\$ (5)	\$ 5	\$ 2

The accompanying notes are an integral part of these unaudited financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	153	\$ 153	17	\$ (378)	\$ 458	\$ 1,613	\$ (146)	\$ 1,700
Net income						27		27
Dividends paid (\$0.135 per share)						(17)		(17)
Issuance of shares under stock plans			—	8	(8)			—
Purchase of stock	(12)	(12)	2	(38)	(80)	(308)		(438)
Compensation expense associated with stock-based compensation					2			2
Taxes paid related to net settlement of stock-based awards			—	(4)				(4)
Other comprehensive loss							2	2
Balance, March 31, 2019	141	141	18	(412)	373	1,314	(144)	1,273
Net income						17		17
Dividends paid (\$0.135 per share)						(17)		(17)
Issuance of shares under stock plans			—	2	(1)			1
Compensation expense associated with stock-based compensation					2			2
Other comprehensive loss							2	2
Balance, June 30, 2019	141	\$ 141	18	\$ (410)	\$ 374	\$ 1,315	\$ (143)	\$ 1,278

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	153	\$ 153	8	\$ (178)	\$ 471	\$ 1,280	\$ (122)	\$ 1,605
Effect of adoption of ASU 2014-09						(4)		(4)
Effect of adoption of ASU 2018-02						17	(17)	—
Net income						91		91
Dividends paid (\$0.13 per share)						(19)		(19)
Issuance of shares under stock plans			(1)	10	(10)			—
Compensation expense associated with stock-based compensation					2			2
Taxes paid related to net settlement of equity awards			—	(6)				(6)
Other comprehensive income							4	4
Balance, March 31, 2018	153	153	8	(173)	463	1,364	(135)	1,672
Net income						163		163
Dividends paid (\$0.13 per share)						(19)		(19)
Issuance of shares under stock plans			—	8	(8)			—
Purchase of treasury stock			1	(39)				(39)
Compensation expense associated with stock-based compensation					3			3
Taxes paid related to net settlement of equity awards			—	(2)				(2)
Other comprehensive income							(12)	(12)
Balance, June 30, 2018	153	\$ 153	9	\$ (206)	\$ 458	\$ 1,508	\$ (147)	\$ 1,766

The accompanying notes are an integral part of these unaudited financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS FOR PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of us and our subsidiaries for the interim periods presented. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018. All dollar amounts are shown in millions except per share.

NOTE 2 - LEASES

On January 1, 2019, we adopted ASU 2016-02, "Leases (Topic 842)" (ASC 842), which supersedes the lease accounting requirements in ASC Topic 840, "Leases". The new standard requires entities to recognize, separately from each other, an asset for its right to use (ROU) the underlying asset equal to the liability for its finance and operating lease obligations. Further, the company is required to present separately the current and non-current portion of the ROU asset and corresponding lease liability.

In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842)" Targeted Improvements, which provides an additional (and optional) transition method whereby the new lease standard is applied at the adoption date and recognized as an adjustment to retained earnings. The amendments have the same effective date and transition requirements as the new lease standard. We have elected to adopt using this optional transition method.

We determine if an arrangement is a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

Our lease portfolio consists primarily of real estate, mobile equipment at our manufacturing facilities, railcars to transport our products, and a fleet of vehicles.

As part of our adoption of ASC 842, we have also elected to apply the following practical expedients as permitted under the new standard:

- Package of practical expedients - we will not reassess whether expiring or existing contracts contain a lease, will not reassess the classification of expired or existing leases, and will not reassess whether lease initial direct costs would qualify for capitalization under the new lease accounting standard.
- Lease and non-lease components as lessee - for leases across all asset classes in which we are a lessee, we will not separate non-lease components from lease components and instead will account for each separate lease component and the non-lease components associated with that lease component as a single lease component.
- Short-term leases - we have elected not to recognize ROU assets and lease liabilities for short-term leases across all asset classes that have a lease term of 12 months or less. We recognize the lease payments associated with our short-term leases as an expense on a straight-line basis over the lease term.

Key estimates and judgments include how we determined the discount rate used to record the unpaid lease payments at present value and lease term.

- ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. As most of our leases do not provide an implicit rate, we used our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

- The lease term for all of our leases includes the noncancellable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that we are reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Quantitative Information

		Classification	June 30, 2019	
Consolidated Balance Sheet				
Assets:				
Operating lease assets	Operating lease assets		\$	22
Finance lease assets	Property, plant, and equipment, net			1
Total lease assets			\$	24
Liabilities:				
Current				
Operating	Accounts payable and accrued liabilities		\$	8
Finance	Current portion of long-term debt			1
Noncurrent				
Operating	Noncurrent operating lease liabilities			14
Finance	Long-term debt, excluding current portion			1
Total lease liabilities			\$	24

		Classification	Quarter Ended June 30, 2019	Six Months Ended June 30, 2019
Consolidated Statement of Income				
Lease Cost:				
Operating lease cost	Cost of sales and Selling, general and administrative expenses		\$ 2	\$ 5
Finance lease cost				
Amortization of leased assets	Cost of sales		—	—
Interest on lease liabilities	Interest expense, net of capitalized interest		—	—
Total lease cost			\$ 3	\$ 5

Maturity of Lease Liabilities	Operating Leases	Finance Leases	Total	
2019	\$ 5	\$ —	\$	5
2020	8	1		9
2021	6	—		6
2022	3	—		3
2023	1	—		1
2024 and thereafter	—	—		—
Total lease payments	23	1		25
Less: Interest	(1)	—		(1)
Present value of lease liabilities	\$ 22	\$ 1	\$	24

Lease Term and Discount Rate	June 30, 2019
Weighted-average remaining lease term (years)	
Operating leases	3.1
Finance leases	3.2
Weighted-average discount rate	
Operating leases	3.5%
Finance leases	4.3%

Other Information	Quarter Ended June 30, 2019	Six Months Ended June 30, 2019
Short-term lease cost	\$ 1	\$ 2
Variable lease cost	7	14
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	—	—
Operating cash flows from operating leases	2	4
Financing cash flows from finance leases	—	—
Right-of-use assets obtained in exchange for new operating lease liabilities	—	6
Right-of-use assets obtained in exchange for new financing lease liabilities	—	1

Shown in the table below are future minimum operating lease commitments as of December 31, 2018, as disclosed in our 2018 Form 10-K, prior to adoption of the new lease standard.

Dollar amounts in millions	
Year ended December 31,	
2019	\$ 8
2020	7
2021	5
2022	2
2023	—
2024 and thereafter	—
Total	\$ 22

NOTE 3 - REVENUE

Revenue is recognized when obligations under the terms of a contract (purchase orders) with our customers are satisfied; generally, this occurs with the transfer of control of our products. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. Shipping cost incurred by us to deliver products to our customers are recorded in cost of sales. We recognize revenue as of a point in time.

The following tables disaggregate our revenue by product line and product type by segment for the quarter and six months ended June 30, 2019 and 2018:

By Product family:	Quarter Ended June 30, 2019							Total
	Siding	OSB	EWP	South America	Other	Inter-segment		
SmartSide® Strand siding	\$ 200	\$ —	\$ —	\$ 4	\$ —	\$ —	\$ 204	
SmartSide® Fiber siding	25	—	—	—	—	—	25	
CanExel® siding	7	—	—	—	—	—	7	
OSB - commodity	5	97	1	—	—	(2)	101	
OSB - value-add	—	100	2	35	—	—	138	
LVL	—	—	40	—	—	—	40	
LSL	—	—	14	—	—	—	14	
I-joist	—	—	38	—	—	—	38	
Plywood	—	—	6	—	—	—	6	
Other	2	1	5	1	5	—	16	
	\$ 238	\$ 199	\$ 107	\$ 40	\$ 5	\$ (2)	\$ 588	
By Product type:								
Commodity	\$ 5	\$ 97	\$ 7	\$ —	\$ —	\$ (2)	\$ 107	
Value-add	231	100	95	39	—	—	465	
Other	2	1	5	1	5	—	16	
	\$ 238	\$ 199	\$ 107	\$ 40	\$ 5	\$ (2)	\$ 588	

Six Months Ended June 30, 2019

By Product family:	Siding	OSB	EWP	South America	Other	Inter-segment	Total
SmartSide® Strand siding	\$ 387	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ 397
SmartSide® Fiber siding	51	—	—	—	—	—	51
CanExel® siding	24	—	—	—	—	—	24
OSB - commodity	8	204	3	—	—	(3)	212
OSB - value-add	—	199	4	73	—	—	276
LVL	—	—	71	—	—	—	71
LSL	—	—	28	—	—	(1)	28
I-joist	—	—	64	—	—	—	64
Plywood	—	—	12	—	—	—	12
Other	5	5	15	2	10	—	35
	<u>\$ 474</u>	<u>\$ 407</u>	<u>\$ 197</u>	<u>\$ 85</u>	<u>\$ 10</u>	<u>\$ (4)</u>	<u>\$ 1,170</u>
By Product type:							
Commodity	\$ 8	\$ 204	\$ 15	\$ —	\$ —	\$ (3)	\$ 225
Value-add	461	199	167	83	—	—	910
Other	5	5	15	2	10	(1)	35
	<u>\$ 474</u>	<u>\$ 407</u>	<u>\$ 197</u>	<u>\$ 85</u>	<u>\$ 10</u>	<u>\$ (4)</u>	<u>\$ 1,170</u>

Quarter Ended June 30, 2018

By Product family:	Siding	OSB	EWP	South America	Other	Inter-segment	Total
SmartSide® Strand siding	\$ 194	\$ —	\$ —	\$ 7	\$ —	\$ —	\$ 200
SmartSide® Fiber siding	28	—	—	—	—	—	28
CanExel® siding	13	—	—	—	—	—	13
OSB - commodity	12	231	5	—	—	—	249
OSB - value-add	12	155	4	37	—	—	208
LVL	—	—	40	—	—	—	40
LSL	—	—	17	—	—	—	17
I-joist	—	—	32	—	—	—	32
Plywood	—	—	8	—	—	—	8
Other	3	1	7	1	3	—	15
	<u>\$ 262</u>	<u>\$ 387</u>	<u>\$ 113</u>	<u>\$ 45</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 811</u>
By Product type:							
Commodity	\$ 12	\$ 231	\$ 13	\$ —	\$ —	\$ —	\$ 257
Value-add	246	155	93	44	—	—	538
Other	3	1	7	1	3	—	15
	<u>\$ 262</u>	<u>\$ 387</u>	<u>\$ 113</u>	<u>\$ 45</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 811</u>

Six Months Ended June 30, 2018

By Product family:	Siding	OSB	EWP	South America	Other	Inter-segment	Total
SmartSide® Strand siding	\$ 359	\$ —	\$ —	\$ 14	\$ —	\$ —	\$ 372
SmartSide® Fiber siding	54	—	—	—	—	—	54
CanExel® siding	26	—	—	—	—	—	26
OSB - commodity	21	413	8	—	—	—	442
OSB - value-add	22	284	8	72	—	—	386
LVL	—	—	77	—	—	—	77
LSL	—	—	31	—	—	—	31
I-joist	—	—	64	—	—	—	64
Plywood	—	—	16	—	—	—	16
Other	7	4	16	2	6	—	36
	<u>\$ 489</u>	<u>\$ 701</u>	<u>\$ 219</u>	<u>\$ 88</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 1,502</u>
By Product type:							
Commodity	\$ 21	\$ 413	\$ 24	\$ —	\$ —	\$ —	\$ 457
Value-add	460	284	179	86	—	—	1,009
Other	7	4	16	2	6	—	36
	<u>\$ 489</u>	<u>\$ 701</u>	<u>\$ 219</u>	<u>\$ 88</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 1,502</u>

NOTE 4 - STOCK-BASED COMPENSATION

We have a Management Incentive Plan (MIP) that is administered by the Compensation Committee of the Board of Directors. The Compensation Committee authorizes the grants of restricted stock (shares or units), performance share awards payable in stock based upon the attainment of specified performance goals and stock-settled stock appreciation rights (SSARs). We also maintain an employee stock purchase plan which allows eligible employees to purchase shares of LP's common stock at a discount. As of June 30, 2019, 2.5 million shares were available for grant under the 2013 Omnibus Plan and 1.9 million shares were available under the 2019 Employee Stock Purchase Plan.

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Total stock-based compensation expense (cost of sales, selling, general and administrative and other operating credits and charges, net)	\$ 2	\$ 3	\$ 5	\$ 5
Income tax provision related to stock-based compensation	\$ —	\$ (1)	(1)	(3)
Impact on cash flow due to taxes paid related to net share settlement of equity awards	\$ —	\$ 2	4	8

At June 30, 2019, \$19 million of compensation cost related to unvested performance shares, restricted stock and SSARs attributable to future service had not yet been recognized.

During the first six months of 2019, we granted 195,452 performance units at an average grant date fair value of \$25.19 per share and 392,704 restricted stock units at an average grant date fair value of \$24.21 per share.

NOTE 5 – FAIR VALUE MEASUREMENTS

We estimated our Senior Notes due in 2024 to have a fair value of \$356 million at June 30, 2019 and \$338 million at December 31, 2018 based upon market quotations.

Carrying amounts reported on the balance sheet for cash and cash equivalents, accounts receivables, accounts payable and current portion of long-term debt approximate fair value due to the short-term maturity of these items.

NOTE 6 – EARNINGS PER SHARE

Basic earnings per share are based upon the weighted-average number of shares of common stock outstanding. Diluted earnings per share are based upon the weighted-average number of shares of common stock outstanding, plus all potentially dilutive securities that were assumed to be converted into common shares at the beginning of the period under the treasury stock method. Our potentially dilutive securities consist of stock options, SSARs, restricted stock or units and performance share awards.

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Denominator for basic earnings per share:				
Weighted average common shares outstanding - basic	123.4	144.6	126.9	144.7
Effect of dilutive securities:				
Dilutive effect of employee stock plans	0.9	1.6	1.0	1.7
Denominator for diluted earnings per share:				
Weighted average shares outstanding - diluted	124.3	146.2	127.9	146.4

For the quarter and six months ended June 30, 2019 and 2018, there were no SSARs that were considered not in-the-money for purposes of our earnings per share calculation.

NOTE 7 - SHARE REPURCHASE PROGRAM

During the quarter ended March 31, 2019, we announced that our Board of Directors authorized an additional \$600 million share repurchase program, including an accelerated share repurchase (ASR) program, which was initiated in February 2019. In connection with the ASR program, we entered into an agreement with Goldman, Sachs & Co. (GS) to repurchase \$400 million of our common stock. Under the ASR, we received approximately 12 million shares of our common stock during the quarter ended March 31, 2019.

At the final settlement of the ASR program, which is expected to occur prior to the end of the third quarter of 2019, GS may be required to deliver additional shares of common stock to us or, under certain circumstances, we may be required to deliver shares of our common stock or may elect to make a cash payment to GS, with the number of shares to be delivered or the amount of such payment based on the difference between the volume-weighted average price, less a discount, of our common stock during the term of the agreement and the initial \$400 million paid.

NOTE 8 – RECEIVABLES

Receivables consist of the following:

	June 30, 2019	December 31, 2018
Trade receivables	\$ 139	\$ 87
Income tax receivable	24	16
Other receivables	16	25
Allowance for doubtful accounts	(2)	(1)
Total	<u>\$ 177</u>	<u>\$ 128</u>

Other receivables at June 30, 2019 and December 31, 2018 primarily consist of sales tax receivables, vendor rebates, a receivable associated with an affiliate and other miscellaneous receivables.

NOTE 9 – INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Inventory cost includes materials, labor and operating overhead. The major types of inventories are as follows (work in process is not material):

	June 30, 2019	December 31, 2018
Logs	\$ 47	\$ 57
Other raw materials	30	25
Semi-finished inventory	21	23
Finished products	195	168
Total	<u>\$ 293</u>	<u>\$ 273</u>

NOTE 10 - ACQUISITIONS AND REDEEMABLE NONCONTROLLING INTEREST

Redeemable noncontrolling interest are interests in subsidiaries that are redeemable outside of our control either for cash or other assets. These interests are classified as mezzanine equity and measured at the greater of estimated redemption value at the end of each reporting period or the historical cost basis of the noncontrolling interest adjusted for cumulative earnings allocations. The resulting increases or decreases in the estimated redemption amount of redeemable preferred noncontrolling interest are affected by corresponding charges through income. Any adjustments recognized on redeemable common noncontrolling interest are affected by corresponding charges to accumulated paid in capital.

Entekra

During the second quarter of 2018, we invested \$45 million in Entekra Holdings, LLC (Entekra), a start-up design, engineering and manufacturing company that provides off-site framing for both residential and commercial construction. This investment was recorded as an equity investment based upon the joint control of Entekra's operations. We own 81.8% of the A units and 55% of the B units of Entekra. Our portion of the earnings and losses of Entekra was included in our Consolidated Statement of Income as income (loss) from unconsolidated affiliate.

During the first quarter of 2019, we obtained a controlling interest in Entekra. Entekra's results of operations have been fully consolidated for periods after December 31, 2018 and we established a redeemable noncontrolling interest related to the minority holders. Due to the pre-existing ownership interest in Entekra, this acquisition was accounted for as a step acquisition in accordance with ASC 805, "Business Combinations". We recognized a gain of \$14 million recorded within other non-operating items on our Consolidated Statements of Income in connection with this transaction to record our ownership interest in Entekra at fair value on the acquisition date based upon an appraisal.

Including our previously owned interest, we acquired net assets of \$56 million, consisting of \$41 million in current assets, \$6 million in fixed assets, \$25 million of goodwill and other intangible assets less \$1 million in current liabilities and \$15 million in non-controlling interest. Certain information about Entekra (e.g., pro forma financial information and allocation of purchase price) is not presented because such information is not material to our results of operations and financial position.

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Beginning balance	\$ 14	\$ —	\$ —	\$ —
Purchase of redeemable common and preferred stock	—	—	15	—
Net loss attributable to redeemable non-controlling interest	(2)	—	(2)	—
Adjustment to redemption value	—	—	—	—
Ending balance	\$ 13	\$ —	\$ 13	\$ —

As of June 30, 2019, Entekra has entered into a long-term lease associated with their manufacturing facility which is currently under construction. In accordance with ASC 842, Entekra does not yet control the underlying asset. When Entekra obtains control, we anticipate that we will increase our ROU assets by \$18 million and the related lease liability by a comparable amount.

Prefinished Staining Product Incorporated (PSPI)

During the second quarter of 2019, we acquired certain assets and liabilities of Prefinished Staining Product Incorporated (PSPI), a prefinished siding company located in Green Bay, Wisconsin. The purchase resulted in us recording intangible assets of \$4 million. Our assessment of fair value and the purchase price allocation related to this acquisition is final. Certain information about PSPI (e.g., pro forma financial information and allocation of purchase price) is not presented because such information is not material to our results of operations and financial position.

NOTE 11 - GOODWILL AND OTHER INTANGIBLES

Changes in goodwill and other intangible assets for the six months ended June 30, 2019 is provided in the following table:

Dollar amounts in millions	2019				
	Timber and timberlands	Goodwill	Developed Technology	Other Assets	Total
Beginning balance December 31,	\$ 41	\$ 16	\$ 10	\$ —	\$ 67
Acquisitions (Note 10)	—	14	12	3	29
Amortization	(1)	—	(1)	—	(2)
Total goodwill and other intangibles	\$ 39	\$ 30	\$ 21	\$ 3	\$ 93

NOTE 12 – INCOME TAXES

For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate to year-to-date results, unless this method does not result in a reliable estimate of year-to-date income tax expense. Each period, the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter. Changes in profitability estimates in various jurisdictions will impact our quarterly effective income tax rates.

For the first six months of 2019, our income tax expense on continuing operations reflects a rate of 20% as compared to 24% in the comparable period of 2018. For the first six months of 2019, the primary differences between the U.S. statutory rate of 21% and the effective rate of 20% relates to increases in tax deductions related to stock-based compensation and the effects of foreign and state tax rates. For the first six months of 2018, the primary differences between the U.S. statutory rate of 21% and the effective rate of 24% relates to state income tax, discretionary pension payments, foreign tax rates and tax deductions related to stock-based compensation.

NOTE 13 - OTHER OPERATING CREDITS AND CHARGES

During the second quarter of 2019, we reduced our product related warranty reserves by \$4 million and recorded a gain of \$1 million in insurance recoveries associated with property damage from prior years. Additionally, we recorded a charge of \$1 million related to severance associated with certain reorganizations within the corporate office and \$1 million related to severance and other charges associated with our recently announced planned curtailment of an OSB mill in British Columbia, Canada.

During the first quarter of 2019, we recorded a charge of \$2 million on severance and other charges related to certain reorganizations within the corporate offices and property damage sustained by our Wilmington facility during a hurricane occurring in the fall of 2018.

During the second quarter of 2018, we recorded a gain of \$8 million related to the settlement of previously-paid environmental costs or the liability for future environmental costs to be paid by a third party associated with a non-operating site. Additionally, we recorded a charge of \$4 million in severance and other charges related to certain reorganizations within the corporate offices, including the costs associated with the retirement of our previous chief financial officer.

NOTE 14 – LEGAL AND ENVIRONMENTAL MATTERS

Certain environmental matters and legal proceedings are discussed below.

Environmental Matters

We maintain a reserve for undiscounted estimated environmental loss contingencies. This reserve is primarily for estimated future costs of remediation of hazardous or toxic substances at numerous sites currently or previously owned by the Company. Our estimates of our environmental loss contingencies are based on various assumptions and judgments, the specific nature of which varies in light of the particular facts and circumstances surrounding each environmental loss contingency. These estimates typically reflect assumptions and judgments as to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect assumptions and judgments as to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. Due to the numerous uncertainties and variables associated with these assumptions and judgments, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time.

Recorded in Other assets is \$1 million related to a receivable for reimbursements of environmental costs associated with a non-operating site as of June 30, 2019.

Other Proceedings

We and our subsidiaries are parties to other legal proceedings. Based on the information currently available, management believes the resolution of such proceedings will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

NOTE 15 – SELECTED SEGMENT DATA

We operate in four segments: Siding, North America Oriented Strand Board (OSB), Engineered Wood Products (EWP) and South America. Our business units have been aggregated into these four segments based upon the similarity of economic characteristics, customers and distribution methods. Our results of operations attributed to LP are summarized below for each of these segments separately as well as for the “other” category which comprises other products that are not individually significant. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 of the Notes to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. During the first quarter of 2019, certain timber operations were reclassified from other to EWP and we have reclassified a significant portion of our unallocated expenses to the business segments effective during the first quarter of 2019. All prior periods presented have been adjusted for comparability.

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net sales				
Siding	\$ 238	\$ 262	\$ 474	\$ 489
OSB	199	387	407	701
EWP	107	113	197	219
South America	40	45	85	88
Other	5	3	10	6
Intersegment sales	(2)	—	(4)	—
	<u>\$ 588</u>	<u>\$ 811</u>	<u>\$ 1,170</u>	<u>\$ 1,502</u>
Operating profit (loss):				
Siding	37	\$ 53	\$ 70	\$ 89
OSB	(18)	149	(25)	238
EWP	6	6	9	6
South America	7	10	15	19
Other	(2)	(2)	(5)	(4)
Other operating credits and charges, net	3	5	1	5
Gain (loss) on sale or impairment of long-lived assets, net	—	—	(1)	1
General corporate and other expenses, net	(8)	(6)	(16)	(12)
Interest expense, net	(2)	—	(1)	(1)
Other non-operating items	(2)	(1)	9	(2)
Income from continuing operations before taxes	21	214	54	339
Provision for income taxes	3	51	11	81
Income from continuing operations attributed to LP	<u>\$ 17</u>	<u>\$ 163</u>	<u>\$ 44</u>	<u>\$ 258</u>

NOTE 16 – POTENTIAL IMPAIRMENTS

We continue to review asset groupings and investments for potential impairments. Management currently believes we have adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of June 30, 2019, there were no indications of impairment for the asset grouping that included our indefinitely curtailed facilities and supports the conclusion that no impairment is necessary for those facilities.

We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant factors. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, we may be required to record impairment charges in connection with decisions to dispose of assets.

NOTE 17 – PRODUCT WARRANTY

We provide warranties on the sale of most of our products and record an accrual for estimated future claims. Such accruals are based upon historical experience and management’s estimate of the level of future claims. The activity in warranty reserves for the quarter and six months ended June 30, 2019 and 2018 are summarized in the following table:

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Beginning balance	\$ 13	\$ 29	\$ 14	\$ 25
Accrued to expense	1	—	1	1
Reduced to other operating credits and charges	(4)	—	(4)	—
Accrued to discontinued operations	—	—	—	5
Foreign currency translation	—	(1)	—	—
Payments made	—	(6)	(1)	(7)
Total warranty reserves	9	23	9	23
Current portion of warranty reserves	(2)	(4)	(2)	(4)
Long-term portion of warranty reserves	\$ 7	\$ 19	\$ 7	\$ 19

We continue to monitor warranty and other claims associated with these products and believe as of June 30, 2019 that the reserves associated with these matters are adequate. However, it is possible that additional changes may be required in the future.

The current portion of the warranty reserve is included in the caption “Accounts payable and accrued liabilities” and the long-term portion is included in Other long-term liabilities on our Consolidated Balance Sheets.

NOTE 18 - DISCONTINUED OPERATIONS

LP has adopted and implemented plans to sell selected businesses and assets in order to improve its operating results. For all periods presented, these operations include residual losses of mills divested in past years and associated warranty and other liabilities associated with these operations.

Included in the operating losses of discontinued operations for the six months ended June 30, 2018 was an increase in warranty reserves associated with our discontinued composite decking products of \$5 million.

NOTE 19 – DEFINED BENEFIT PENSION PLANS

The following table sets forth the net periodic pension cost for our defined benefit pension and postretirement plans during the six months ended June 30, 2019 and 2018:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Other components of net periodic pension cost ¹ :				
Interest cost	3	3	6	6
Expected return on plan assets	(4)	(3)	(7)	(7)
Amortization of prior service cost	—	—	—	—
Amortization of net loss	1	2	2	3
Net periodic pension cost	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 5</u>
Net periodic pension cost included in cost of sales	1	1	1	1
Net periodic pension cost included in selling, general and administrative	—	1	1	1
Net periodic pension costs included in other non-operating items	1	1	1	2

¹Other components of net periodic pension cost are included in Other non-operating items on our Consolidated Statements of Income.

For the six months ended June 30, 2019, \$1 million of net periodic pension cost was included in Cost of sales and \$1 million included in Selling, general and administrative expenses. For the six months ended June 30, 2018, \$1 million of net periodic pension cost was included in Cost of sales and \$1 million included in Selling, general and administrative expenses.

During the six months ended June 30, 2019, we made \$4 million in pension contributions to our defined benefit pension plans. We expect to contribute about \$1 million to our defined benefit pension plans in the remaining months of 2019.

NOTE 20 - ACCUMULATED COMPREHENSIVE INCOME (LOSS)

Other comprehensive income activity, net of tax, is provided in the following table for the quarter and six months ended June 30, 2019 and 2018:

	Foreign currency translation adjustments	Pension Adjustments		Unrealized gain (loss) on investments	Other	Total
		Actuarial losses	Prior service costs			
Balance at March 31, 2019	\$ (55)	\$ (87)	\$ (4)	\$ 4	\$ (1)	\$ (144)
Other comprehensive income (loss) before reclassifications	1	—	—	—	—	1
Income taxes	—	—	—	—	—	—
Net other comprehensive income (loss) before reclassifications	1	—	—	—	—	1
Amounts reclassified from accumulated comprehensive income (loss)	—	1	—	—	—	1
Income taxes	—	—	—	—	—	—
Net amounts reclassified from cumulative other comprehensive income (loss)	—	1	—	—	—	1
Total other comprehensive income (loss)	1	1	—	—	—	2
Balance at June 30, 2019	\$ (54)	\$ (87)	\$ (4)	\$ 4	\$ (1)	\$ (143)

	Foreign currency translation adjustments	Pension Adjustments		Unrealized gain (loss) on investments	Other	Total
		Actuarial losses	Prior service costs			
Balance at December 31, 2018	\$ (57)	\$ (88)	\$ (5)	\$ 4	\$ (1)	\$ (146)
Other comprehensive income (loss) before reclassifications	3	—	—	(1)	—	2
Income taxes	—	—	—	—	—	—
Net other comprehensive income (loss) before reclassifications	3	—	—	(1)	—	2
Amounts reclassified from accumulated comprehensive income (loss)	—	2	—	—	—	3
Income taxes	—	(1)	—	—	—	(1)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	2	—	—	—	2
Total other comprehensive income (loss)	3	2	—	(1)	—	4
Balance at June 30, 2019	\$ (54)	\$ (87)	\$ (4)	\$ 4	\$ (1)	\$ (143)

	Foreign currency translation adjustments	Pension Adjustments		Unrealized gain (loss) on investments	Other	Total
		Actuarial losses	Prior service costs			
Balance at March 31, 2018	\$ (37)	\$ (96)	\$ (5)	\$ 4	\$ (2)	\$ (135)
Other comprehensive income (loss) before reclassifications	(14)	—	—	—	—	(14)
Income taxes	—	—	—	—	—	—
Net other comprehensive income (loss) before reclassifications	(14)	—	—	—	—	(14)
Amounts reclassified from accumulated other comprehensive income (loss)	—	2	—	—	—	2
Income taxes	—	—	—	—	—	—
Net amounts reclassified from cumulative other comprehensive income (loss)	—	1	—	—	—	1
Total other comprehensive income (loss)	(14)	1	—	—	—	(12)
Balance at June 30, 2018	\$ (51)	\$ (94)	\$ (5)	\$ 4	\$ (1)	\$ (147)

	Foreign currency translation adjustments	Pension Adjustments		Unrealized gain (loss) on investments	Other	Total
		Actuarial losses	Prior service costs			
Balance at December 31, 2017	\$ (40)	\$ (80)	\$ (5)	\$ 4	\$ (2)	\$ (122)
Effect of adoption of ASU 2018-02	—	(17)	—	1	—	(17)
Other comprehensive income (loss) before reclassifications	(12)	—	—	—	—	(11)
Income taxes	—	—	—	—	—	—
Net other comprehensive income (loss) before reclassifications	(12)	—	—	—	—	(11)
Amounts reclassified from accumulated other comprehensive income (loss)	—	3	—	—	—	3
Income taxes	—	(1)	—	—	—	(1)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	2	—	—	—	3
Total other comprehensive income (loss)	(12)	3	—	—	—	(9)
Balance at June 30, 2018	\$ (51)	\$ (94)	\$ (5)	\$ 4	\$ (1)	\$ (147)

The amounts reclassified from accumulated other comprehensive income (loss) are included in the computation of net periodic pension cost; see Note 19 for additional details. The net periodic pension cost is included in Cost of sales, Selling, general and administrative expenses and Other non-operating items in the Consolidated Statements of Income.

NOTE 21 - NON-OPERATING INCOME (EXPENSE)

Components of non-operating income and expense are as follows:

Dollar amounts in millions	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest income	\$ 2	\$ 5	\$ 6	\$ 8
SERP market adjustments	—	—	1	—
Interest expense	(5)	(5)	(9)	(10)
Amortization of debt charges	(1)	—	(1)	—
Capitalized interest	1	1	2	2
Interest expense, net	(2)	—	(1)	(1)
Net periodic pension cost, excluding service cost	(1)	(1)	(1)	(2)
Gain on acquisition of controlling interest	—	—	14	—
Foreign currency gain (loss)	(1)	1	(4)	—
Other non-operating items	(2)	(1)	9	(2)
Total non-operating expense	\$ (4)	\$ —	\$ 8	\$ (3)

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

GENERAL

We are a leading provider of high-performing building solutions. We design, manufacture and market a broad range of products for the new home construction, repair and remodeling and outdoor structures markets. We also market and sell our products in light industrial and commercial construction and we have a modest export business. Our manufacturing facilities are primarily located in the U.S. and Canada, and we also operate two facilities in Chile and one facility in Brazil.

To serve these markets, we operate in four segments: Siding; North America Oriented Strand Board (OSB); Engineered Wood Products (EWP); and South America.

Demand for our products correlates to a significant degree to the level of new home construction activity in North America, which historically has been characterized by significant cyclicality. The U.S. Department of Census reported that U.S. single housing starts were 6% lower for the second quarter of 2019 and 5% lower for the first six months of 2019 as compared to the same periods of 2018.

OSB is sold as a commodity for which sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of our OSB products will remain at current levels or increase or decrease in the future. OSB prices (NC 7/16"), as reported by Random Lengths, were 56% lower for the second quarter and 49% lower for the first six months of 2019 as compared to the same periods in 2018.

For additional factors affecting our results, refer to the Management Discussion and Analysis of Financial Condition and Results of Operations overview contained in our Annual Report on Form 10-K for the year ended December 31, 2018 and to "About Forward-Looking Statements" and "Risk Factors" in this report.

EXECUTIVE SUMMARY

We recorded a 27% decrease in sales to \$588 million for the quarter ended June 30, 2019 from \$811 million reported for the quarter ended June 30, 2018. We recorded income from operations of \$23 million for the quarter ended June 30, 2019 compared to \$215 million for the quarter ended June 30, 2018. We recorded net income attributed to LP of \$17 million (\$0.14 per diluted share) for the quarter ended June 30, 2019 compared to \$163 million (\$1.11 per diluted share) for the quarter ended June 30, 2018. We reported a decrease of \$189 million in Adjusted EBITDA from continuing operations for the second quarter of 2019 as compared to the second quarter of 2018. Declines in OSB pricing in all North American operations had a negative impact on our operating results of \$166 million for the quarter ended June 30, 2019 as compared to the quarter ended June 30, 2018.

We recorded a 22% decrease in sales to \$1.2 billion for the six months ended June 30, 2019 from \$1.5 billion reported for the six months ended June 30, 2018. We recorded income from operations of \$45 million for the six months ended June 30, 2019 compared to \$342 million for the six months ended June 30, 2018. We recorded net income attributed to LP of \$44 million (\$0.34 per diluted share) for the six months ended June 30, 2019 compared to \$254 million (\$1.73 per diluted share) for the six months ended June 30, 2018. We reported a decrease of \$290 million in Adjusted EBITDA from continuing operations for the six months ended June 30, 2019 as compared to the first six months of 2018. Declines in OSB pricing in all North American operations had a negative impact on our operating results of \$264 million for the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

These changes are discussed further in "Our Operating Results" below.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Presented in Note 1 of the Notes to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 is a discussion of our significant accounting policies and significant accounting

estimates and judgments. Throughout the preparation of the financial statements, we employ significant judgments in the application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For 2019, these significant accounting estimates and judgments include:

Long-lived Assets

Long-lived assets (including amortizable identifiable intangible assets) or asset group held for use is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, we compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of a long-lived asset or asset group. The cash flows are based on our best estimate of future cash flows derived from the most recent business projections. If this comparison indicates that there is an impairment, the amount of the impairment is calculated based on fair value. Fair value is estimated primarily using discounted expected future cash flows on a market-participant basis.

Defined Benefit Plans

We have a number of pension plans in the U.S. and Canada, covering many of the Company's employees. Benefit accruals under our defined benefit pension plan in the U.S. were frozen as of January 1, 2010.

We account for the consequences of our sponsorship of these plans based upon assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. Net actuarial gains and losses occur when actual experience differs from any of the assumptions used to value defined benefit plans or when assumptions change as they may each year. The primary factors contributing to actuarial gains and losses are changes in the discount rate used to value obligations as of the measurement date and the differences between expected and actual returns on pension plan assets. This accounting method results in the potential for volatile and difficult to forecast gains and losses.

We record amounts relating to these defined benefit plans based on various actuarial assumptions, including discount rates, assumed rates of return, compensation increases and life expectancy. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current economic conditions and trends. We believe that the assumptions utilized in recording our obligations under our plans are reasonable based on our experience and on advice from our independent actuaries; however, differences in actual experience or changes in the assumptions may materially affect our financial condition or results of operations.

A 50 basis point change in our discount rate assumption would lead to an increase or decrease in our pension liability of approximately \$15 million. A 50 basis point change in the long-term rate of return on plan assets used in accounting for our pension plans would have a \$1 million impact on pension expense and a 50 basis point change in the discount rate would have a \$0 million impact on pension expense. It is not possible to forecast or predict whether there will be actuarial gains and losses in future periods, and if required, the magnitude of any such adjustment. These gains and losses are driven by differences in actual experience or changes in the assumptions that are beyond our control, such as changes in interest rates and the actual return on pension plan assets.

Income Taxes

We establish deferred tax liabilities or assets for temporary differences between financial and tax reporting bases and subsequently adjust them to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance reducing deferred tax assets when it is more likely than not that such assets will not be realized.

We record liabilities for uncertain income tax positions based on a two-step process. The first step is recognition, where we evaluate whether an individual tax position has a likelihood of greater than 50% of being sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation processes. For tax positions that are currently estimated to have a less than 50% likelihood of being sustained, no tax

benefit is recorded. For tax positions that have met the recognition threshold in the first step, we perform the second step of measuring the benefit (expense) to be recorded. The actual benefits (expense) ultimately realized may differ from our estimates. In future periods, changes in facts, circumstances, and new information may require us to change the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recorded in the consolidated statement of income and consolidated balance sheet in the period in which such changes occur. As of June 30, 2019 and December 31, 2018, we had liabilities for unrecognized tax benefits (including interest) pertaining to uncertain tax positions totaling \$38 million and \$41 million.

Customer Program Costs

Customer programs and incentives are a common practice in our businesses. Our businesses incur customer program costs to obtain favorable product placement, to promote sales of products and to maintain competitive pricing. Customer program costs and incentives, including rebates and promotion and volume allowances, are accounted for in either sales or the category selling and administrative expenses at the time the program is initiated and/or the revenue is recognized. The costs are predominantly recognized in sales and include, but are not limited to, volume allowances and rebates, promotional allowances, and cooperative advertising programs. These costs are recorded at the later of the time of sale or the implementation of the program based on management's best estimates. Estimates are based on historical and projected experience for each type of program or customer. Volume allowances are accrued based on management's estimates of customer volume achievement and other factors incorporated into customer agreements, such as new products, store sell-through, merchandising support and customer training. Management periodically reviews accruals for these rebates and allowances, and adjusts accruals when circumstances indicate (typically as a result of a change in volume expectations). As of June 30, 2019 and December 31, 2018, we had \$22 million and \$30 million accrued as customer rebates.

Inventory valuation

We record inventories at the lower of cost or estimated net realizable value. Inventory cost includes an overhead component that can be affected by levels of production and actual costs incurred. We evaluate the need to record adjustments for impairment of inventory at least quarterly. If in our judgment persuasive evidence exists that the net realizable value of inventory is lower than its cost, the inventory value is written-down to its estimated net realizable value. Significant judgments regarding future events and market conditions must be made when estimating net realizable value.

NON-GAAP FINANCIAL MEASURES

In evaluating our business, we utilize several non-GAAP financial measures. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included under applicable GAAP guidance. In this report on Form 10-Q, we disclose segment earnings (loss) from continuing operations before interest expense, taxes, depreciation and amortization and exclude stock-based compensation expense, (gain) loss on sales or impairment of long-lived assets, other operating credits and charges, net, investment income and other non-operating items as Adjusted EBITDA from continuing operations (Adjusted EBITDA) which is a non-GAAP financial measure. We also disclose Adjusted income from continuing operations which excludes (gain) loss on sale or impairment of long-lived assets, gain on acquisition, interest outside of normal operations, other operating credits and charges, net, early debt extinguishment and adjusts for a normalized tax rate. Neither Adjusted EBITDA nor Adjusted income from continuing operations is a substitute for the GAAP measure of net income or for any other GAAP measures of operating performance.

We have included Adjusted EBITDA in this report because we use it as important supplemental measures of our performance and believe that it is frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present Adjusted EBITDA when reporting their results. We use Adjusted EBITDA to evaluate our performance as compared to other companies in our industry that have different financing and capital structures. It should be noted that companies calculate Adjusted EBITDA differently and, therefore, our Adjusted EBITDA measures may not be comparable to Adjusted EBITDA reported by other

companies. Our Adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, income tax (benefit) expense and depreciation and amortization which are necessary to operate our business or which we otherwise incur or experience in connection with the operation of our business.

We believe that Adjusted income from continuing operations, which excludes (gain) loss on sale or impairment of long-lived assets, interest outside of normal operations, and other operating credits and charges, net, adjusted for a normalized tax rate is a useful measure for evaluating our ability to generate earnings and that providing this measure will allow investors to more readily compare the earnings for past and future periods. It should be noted that other companies may present similarly-titled measures differently and, therefore, as presented by us may not be comparable to similarly-titled measures reported by other companies. In addition, Adjusted income from continuing operations has material limitations as a performance measure because it excludes items that are actually incurred or experienced in connection with the operations of our business.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 16	\$ 163	\$ 42	\$ 254
Add (deduct):				
Loss from noncontrolling interest	2	—	2	—
Loss from discontinued operations	—	—	—	4
Income from continuing operations attributable to LP	17	163	44	258
Provision for income taxes	3	51	11	81
Depreciation and amortization	29	30	60	61
Stock-based compensation	3	2	5	4
Loss on sale or impairment of long-lived assets, net	—	—	1	(1)
Other operating credits and charges, net	(3)	(5)	(1)	(5)
Interest expense, net	2	—	1	1
Non-operating items	2	1	(9)	2
Adjusted EBITDA	\$ 53	\$ 242	\$ 111	\$ 401
Siding	\$ 46	\$ 63	\$ 88	\$ 108
OSB	(3)	163	5	268
EWP	10	11	17	16
South America	9	12	19	23
Other	(2)	(2)	(5)	(4)
Corporate	(7)	(5)	(14)	(10)
Adjusted EBITDA	\$ 53	\$ 242	\$ 111	\$ 401

The following table provides the reconciliation of net income to Adjusted income from continuing operations:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 16	\$ 163	\$ 42	\$ 254
Add (deduct):				
Loss from noncontrolling interest	2	—	2	—
Loss from discontinued operations	—	—	—	4
(Gain) loss on sale or impairment of long-lived assets, net	—	—	1	(1)
Other operating credits and charges, net	(3)	(5)	(1)	(5)
Gain on acquisition of controlling interest	—	—	(14)	—
Reported tax provision	3	51	11	81
Adjusted income from continuing operations before tax	18	210	40	333
Normalized tax provision at 25%	4	52	9.9	83
Adjusted income from continuing operations	\$ 13	\$ 157	\$ 30	\$ 250
Diluted shares outstanding	124.3	146.2	127.9	146.4
Adjusted income from continuing operations per diluted share	\$ 0.11	\$ 1.08	\$ 0.23	\$ 1.71

OUR OPERATING RESULTS

Our results of operations for each of our segments are discussed below, as are results of operations for the “other” category which comprises other products that are not individually significant. See Note 15 of the Notes to the consolidated financial statements included in item 1 of this report for further information regarding our segments.

SIDING

Our siding segment manufactures and markets wood-based siding and related accessories and OSB products.

Segment sales, operating income and Adjusted EBITDA for this segment were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Net sales	\$ 238	\$ 262	(9)%	\$ 474	\$ 489	(3)%
Operating income	37	53	(31)%	70	89	(22)%
Adjusted EBITDA	46	63	(27)%	88	108	(18)%
Adjusted EBITDA margin	19%	24%		19%	22%	

Sales in this segment by product line were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
SmartSide® strand siding	\$ 200	\$ 194	3 %	\$ 387	\$ 359	8 %
SmartSide® fiber siding	25	28	(11)%	51	54	(6)%
CanExel siding	7	13	(46)%	24	26	(11)%
OSB - commodity	5	12	(61)%	8	21	(63)%
OSB - value-add	—	12	(100)%	—	22	(100)%
Other	2	3	(17)%	5	7	(25)%
Total	\$ 238	\$ 262	(9)%	\$ 474	\$ 489	(3)%

Percent changes in average gross sales prices and unit shipments for the quarter and six months ended June 30, 2019 compared to the quarter and six months ended June 30, 2018 are as follows:

	Quarter Ended June 30, 2019 versus 2018		Six Months Ended June 30, 2019 versus 2018	
	Average Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
SmartSide® strand siding	2 %	— %	4 %	4 %
SmartSide® fiber siding	3 %	(12)%	5 %	(8)%
CanExel siding	(1)%	(46)%	1 %	(12)%
OSB	(54)%	(59)%	(51)%	(63)%

For the quarter ended June 30, 2019 compared to the corresponding period in 2018, sales volumes were flat in our SmartSide strand product line with an increase for the six month period ended June 30, 2019 due to increased market penetration in key markets and introduction of new products. Sales prices in our SmartSide strand product line for the quarter and six months ended June 30, 2019 as compared to the corresponding periods in 2018 were higher due to price increases which were implemented in the first quarter of 2019 and 2018.

For the quarter and six months ended June 30, 2019 compared to the corresponding periods in 2018, sales volumes declined in our SmartSide fiber product line due to our decision to raise prices which slowed demand. Sales prices in our SmartSide fiber product line for the quarter and six month period ended June 30, 2019 as compared to the corresponding periods in 2018 were higher due to a price increase implemented in 2018.

For CanExel, sales volumes decreased in the second quarter and first six months of 2019 as compared to the corresponding period in 2018 due to decreased demand in Canada as customers re-balance their inventories. Sales prices changed for the second quarter and first six months of 2019 as compared to the corresponding periods in 2018 due to changes in our product mix and the fluctuations in the U.S. to Canadian dollar as a majority of these sales are denominated in Canadian dollars.

For our OSB produced in the siding segment for the quarter ended June 30, 2019 compared to the corresponding period in 2018, sales prices changed as discussed in the OSB segment below. Sales volumes were lower for the quarter and six months ended June 30, 2019 compared to the corresponding periods in 2018 due to the conversion of our Dawson Creek OSB mill to siding which occurred during the later portion of 2018. We estimate Adjusted EBITDA from continuing operations associated with OSB produced and sold in the siding segment for the quarter and six months ended June 30, 2019 was negative \$1 million in both periods as compared to the comparable periods in 2018 of positive \$10 million and positive \$15 million.

Overall, the decline in the siding segment for the second quarter of 2019 compared to the same period of 2018 was due to expenses associated with the Dawson Creek conversion project (\$6 million for the quarter ended June 30, 2019 and \$15 million for the six months ended June 30, 2019), lower OSB sales prices and volume and increases in sales and marketing expenses which were partially offset by higher pricing on our SmartSide strand products.

OSB

Our OSB segment manufactures and distributes OSB structural panel products in North America and certain export markets.

Segment sales, operating income and Adjusted EBITDA for this segment were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Net sales	\$ 199	\$ 387	(49)%	\$ 407	\$ 701	(42)%
Operating income	(18)	149	(112)%	(25)	238	(111)%
Adjusted EBITDA	(3)	163	(102)%	5	268	(98)%
Adjusted EBITDA Margin	(2)%	42%		1%	38%	

Sales in this segment by product line were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
OSB - commodity	\$ 97	\$ 231	(58)%	\$ 204	\$ 413	(51)%
OSB - value-add	100	155	(35)%	199	284	(30)%
Other	1	1	18 %	5	4	7 %
Total	\$ 199	\$ 387	(49)%	\$ 407	\$ 701	(42)%

Percent changes in average gross sales prices and unit shipments for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 are as follows:

	Quarter Ended June 30, 2019 versus 2018		Six Months Ended June 30, 2019 versus 2018	
	Average Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB - commodity	(49)%	(17)%	(43)%	(12)%
OSB - value-add	(38)%	5 %	(32)%	3 %

For the quarter and six months ended June 30, 2019, OSB prices decreased compared to the corresponding periods in 2018 likely due to the overall demand compared to the supply available in the market. Sales volumes for the quarter and six months ended June 30, 2019 are higher in value-add and lower in commodity compared to the corresponding periods of 2018. The decrease in selling price negatively impacted operating results and Adjusted EBITDA by \$159 million for the quarter and by \$253 million for the six months ended June 30, 2019 as compared to the same periods in 2018.

Overall the decline in our OSB segment results for the quarter ended June 30, 2019 as compared to the same period in 2018 was due to decreased sales prices and volume, offset by improved operating efficiencies.

EWP

Our EWP segment manufactures and distributes laminated veneer lumber (LVL), I-Joists, laminated strand lumber (LSL) and other related products. This segment also includes the sale of I-Joist and LVL products produced by our joint venture with Resolute Forest Products and LVL sold under a contract manufacturing relationship. Included in this segment is a plywood mill, which primarily produces plywood as a by-product from the LVL production process. OSB is also produced by our LSL facility.

Segment sales, operating results and Adjusted EBITDA for this segment were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Net sales	107	113	(6)%	197	219	(10)%
Operating income	6	6	3 %	9	6	38 %
Adjusted EBITDA	10	11	(10)%	17	16	2 %
Adjusted EBITDA margin	9%	10%		8%	7%	

Sales in this segment by product line were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
LVL	\$ 40	\$ 40	— %	\$ 71	\$ 77	(8)%
LSL	14	17	(17)%	28	31	(10)%
I-Joist	38	32	19 %	64	64	1 %
OSB - commodity	1	5	(77)%	3	8	(64)%
OSB - value-add	2	4	(39)%	4	8	(44)%
Plywood	6	8	(30)%	12	16	(21)%
Other	5	7	(23)%	15	16	(9)%
Total	\$ 107	\$ 113	(5)%	\$ 197	\$ 219	(10)%

Percent changes in average gross sales prices and unit shipments for the quarter ended June 30, 2019 compared to the quarter ended June 30, 2018 are as follows:

	Quarter Ended June 30, 2019 versus 2018		Six Months Ended June 30, 2019 versus 2018	
	Average Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL	— %	— %	3 %	(10)%
LSL	5 %	(20)%	7 %	(15)%
I-Joist	(1)%	21 %	2 %	(2)%
OSB	(25)%	(50)%	(22)%	(41)%
Plywood	(30)%	(3)%	(19)%	(2)%

For the quarter and six months ended June 30, 2019 compared to the same periods in 2018, sales volumes decreased due to market weakness. Average selling prices increased due to price increases implemented across all product lines, except plywood and OSB. The decrease in selling prices for OSB and plywood negatively impacted operating results and Adjusted EBITDA from continuing operations by \$1 million for OSB and \$2 million for plywood for the quarter and by \$2 million and \$3 million for the six months ended June 30, 2019 as compared to the same periods in 2018. For the quarter and six months ended June 30, 2019, compared to the same periods in 2018, results of operations improved due to increased sales prices partially offset by higher manufacturing costs due to lower volumes and lower OSB and plywood pricing.

SOUTH AMERICA

Our South America segment manufactures and distributes OSB structural panel and siding products in South America and selected export markets. This segment has manufacturing operations in two countries, Chile and Brazil and operates sales offices in Chile, Brazil, Peru, Colombia and Argentina.

Segment sales, operating income and Adjusted EBITDA for this segment were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Net sales	\$ 40	\$ 45	(11)%	\$ 85	\$ 88	(3)%
Operating income	7	10	(32)%	15	19	(22)%
Adjusted EBITDA	9	12	(23)%	19	23	(16)%
Adjusted EBITDA margin	23%	26%		23%	26%	

Sales in this segment by product line were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
OSB - value-add	\$ 35	\$ 37	(6)%	\$ 73	\$ 72	1 %
Siding	4	7	(42)%	10	14	(25)%
Other	1	1	8 %	2	2	(16)%
Total	\$ 40	\$ 45	(11)%	\$ 85	\$ 88	(3)%

Percent changes in average gross sales prices and unit shipments for the quarter ended June 30, 2019 compared to the quarter ended June 30, 2018 are as follows:

	Quarter Ended June 30, 2019 versus 2018		Six Months Ended June 30, 2019 versus 2018	
	Average Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB	(12)%	8 %	(15)%	15 %
Siding	— %	(42)%	(2)%	(23)%

OSB sales volumes increased for the quarter and six months ended June 30, 2019 as compared to the corresponding periods in 2018 due to increased demand across South America due to improved economic conditions. Sales prices for OSB and siding decreased for the quarter ended June 30, 2019 as compared to the corresponding period in 2018 due to increased imports at a lower price, which created downward pricing pressure and the impact of the change of foreign currency rates on local sales prices.

For the quarter and six months ended June 30, 2019, compared to the same periods in 2018, results of operations are lower due to reduced sales prices and increased operating costs associated with start up of the third mill in Chile.

OTHER PRODUCTS

Our other products segment includes our off-site framing operation, remaining timber and timberlands and other minor products, services and closed operations which are not classified as discontinued operations.

Segment sales, operating losses and Adjusted EBITDA for this category were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Net sales	\$ 5	\$ 3	69 %	\$ 10	\$ 6	63 %
Operating losses	(2)	(2)	10 %	(5)	(4)	(23)%
Adjusted EBITDA	(2)	(2)	(6)%	(5)	(4)	(21)%

NON-OPERATING INCOME AND EXPENSE

Components of non-operating income and expense are as follows:

Dollar amounts in millions	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest income	\$ 2	\$ 5	\$ 6	\$ 8
SERP market adjustments	—	—	1	—
Interest expense	(5)	(5)	(9)	(10)
Amortization of debt charges	(1)	—	(1)	—
Capitalized interest	1	1	2	2
Interest expense, net	(2)	—	(1)	(1)
Net periodic pension cost, excluding service cost	(1)	(1)	(1)	(2)
Gain on acquisition of controlling interest	—	—	14	—
Foreign currency gain (loss)	(1)	1	(4)	—
Other non-operating items	(2)	(1)	9	(2)
Total non-operating expense	\$ (4)	\$ —	\$ 8	\$ (3)

INCOME TAXES

For the first six months of 2019, our income tax expense on continuing operations reflects a rate of 20% as compared to 24% in the comparable period of 2018. For the first six months of 2019, the primary differences between the U.S. statutory rate of 21% and the effective rate of 20% relates to increases in tax deductions related to stock-based compensation and the effects of foreign and state tax rates. For the first six months of 2018, the primary differences between the U.S. statutory rate of 21% and the effective rate of 24% relates to state income tax, discretionary pension payments, foreign tax rates and tax deductions related to stock-based compensation.

Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is recorded in the current quarter.

LEGAL AND ENVIRONMENTAL MATTERS

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Items 3, 7 and 8 in our Annual Report on Form 10-K for the year ended December 31, 2018 and Note 14 to the Notes to the financial statements contained herein.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our principal sources of liquidity are existing cash and investment balances, cash generated by our operations and our ability to borrow under such credit facilities as we may have in effect from time to time. We may also from time to time issue and sell equity, debt or hybrid securities or engage in other capital market transactions.

Our principal uses of liquidity are paying the costs and expenses associated with our operations, servicing outstanding indebtedness, dividends and making capital expenditures. We may also from time to time prepay or repurchase outstanding indebtedness or shares or acquire assets or businesses that are complementary to our operations. Any such repurchases may be commenced, suspended, discontinued or resumed, and the method or methods of effecting any such repurchases may be changed at any time or from time to time without prior notice.

OPERATING ACTIVITIES

During the first six months of 2019, we used \$0 million in operating activities compared to \$268 million provided during the first six months of 2018. This change was primarily related to declines in operating results (lower OSB pricing) offset by reductions in working capital changes.

INVESTING ACTIVITIES

During the first six months of 2019, cash used in investing activities was approximately \$50 million. Capital expenditures in the first six months of 2019 were \$81 million and cash acquired in connection with the consolidation of Entekra was \$33 million net of other acquisitions. Included in "Accounts payable" is \$15 million related to capital expenditures that had not yet been paid as of June 30, 2019.

During the first six months of 2018, cash used in investing activities was approximately \$110 million. Capital expenditures in the first six months of 2018 were \$88 million. Included in "Accounts payable" was \$17 million related to capital expenditures that had not yet been paid as of June 30, 2018.

Capital expenditures in 2019 are expected to be approximately \$160 million to \$170 million related to expansions in our siding business, growth and maintenance projects and our South American expansion.

FINANCING ACTIVITIES

During the first six months of 2019, cash used in financing activities was \$481 million. We used \$3 million to pay long-term debt, \$33 million to pay cash dividends, \$438 million to repurchase stock through our share repurchase program and \$4 million to repurchase stock from employees in connection with income tax withholding requirements associated with our employee stock-based compensation plans.

During the first six months of 2018, cash used in financing activities was \$81 million. We used \$38 million to pay a cash dividend and \$8 million to repurchase stock from employees in connection with income tax withholding requirements associated with our employee stock-based compensation plans. Additionally, during the first six months of 2018, we received a grant from the Investments in Forest Industry Transformation program in Canada for \$3 million in connection with our conversion of the Dawson Creek OSB mill.

POTENTIAL IMPAIRMENTS

We continue to review asset groupings and investments for potential impairments. Management currently believes we have adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of June 30, 2019, there were no indications of impairment for the asset grouping that included our indefinitely curtailed facilities and supports the conclusion that no impairment is necessary for those facilities.

We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant factors. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, we may be required to record impairment charges in connection with decisions to dispose of assets.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar, Brazilian real and the Chilean peso. Although we have in the past entered into foreign exchange contracts associated with certain of our indebtedness and may continue to enter into foreign exchange contracts associated with major equipment purchases to manage a portion of the foreign currency rate risk, we historically have not entered into material currency rate hedges with respect to our exposure from operations, although we may do so in the future.

Some of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. The most significant commodity product we sell is OSB. Based upon an assumed annual production capacity of 4.9 billion square feet (3/8" basis) or 4.2 billion square feet (7/16" basis), a \$1 change in the annual average price per thousand square feet on 7/16" basis would change annual pre-tax profits by approximately \$4 million.

We historically have not entered into material commodity futures and swaps, although we may do so in the future.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2019, our Chief Executive Officer and Chief Financial Officer have carried out, with the participation of the Company's Disclosure Practices Committee and the Company's management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that LP's disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

We had no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
KEY STATISTICS

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Housing starts¹:				
Single Family	241	258	430	453
Multi-Family	111	95	188	189
	<u>352</u>	<u>353</u>	<u>618</u>	<u>641</u>

¹ Actual U.S. Housing starts data reported by U.S. Census Bureau

The following tables set forth North American sales volume for the quarter ended June 30, 2019 and 2018:

Sales Volume	Quarter Ended June 30, 2019				Quarter Ended June 30, 2018			
	Siding	OSB	EWP	Total	Siding	OSB	EWP	Total
SmartSide® Strand siding (MMSF)	309	—	—	309	309	—	—	309
SmartSide® fiber siding (MMSF)	51	—	—	51	58	—	—	58
CanExel® siding (MMSF)	7	—	—	7	12	—	—	12
OSB - commodity (MMSF)	26	549	7	582	34	663	14	711
OSB - value added (MMSF)	1	420	5	427	31	400	11	442
LVL (MCF)	—	—	1,953	1,953	—	—	1,949	1,949
LSL (MCF)	—	—	869	869	—	—	1,088	1,088
I-joist (MMLF)	—	—	26	26	—	—	22	22

Sales Volume	Six Months Ended June 30, 2019				Six Months Ended June 30, 2018			
	Siding	OSB	EWP	Total	Siding	OSB	EWP	Total
SmartSide® Strand siding (MMSF)	593	—	—	593	571	—	—	571
SmartSide® fiber siding (MMSF)	104	—	—	104	113	—	—	113
CanExel® siding (MMSF)	22	—	—	22	25	—	—	25
OSB - commodity (MMSF)	43	1,120	16	1,180	65	1,279	25	1,369
OSB - value added (MMSF)	2	810	11	823	58	783	21	862
LVL (MCF)	—	—	3,457	3,457	—	—	3,849	3,849
LSL (MCF)	—	—	1,666	1,666	—	—	1,964	1,964
I-joist (MMLF)	—	—	45	45	—	—	46	46

INDUSTRY PRODUCT TRENDS

The following table sets forth the average wholesale price of OSB in the United States for the periods specified in dollars per 1,000 square feet.

Average	OSB Western Canada 7/16" Basis	OSB Southwest 7/16" Basis	OSB N. Central 7/16" Basis
2018 1st Qtr. Avg.	\$356	\$346	\$367
2018 2nd Qtr. Avg.	\$408	\$435	\$423
2019 1st Qtr. Avg.	\$161	\$194	\$213
2019 2nd Qtr. Avg.	\$149	\$174	\$187

Source: *Random Lengths*

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

The description of certain legal and environmental matters involving LP set forth in Part I of this report under “Note 14 – Legal and Environmental Matters” to the Notes to the financial statements contained herein is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

The following amount of our common stock was repurchased during the quarter ended June 30, 2019:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as part of Publicly Announced Purchase Plan or Program	Maximum Dollar Value of Shares That May Yet be Purchased under the Plans or Programs
April 1, 2019 - April 30, 2019	—	—	—	\$ 280
May 1, 2019 - May 31, 2019	—	—	—	\$ 280
June 1, 2019 - June 30, 2019	—	—	—	\$ 280
	—	—	—	

On February 13, 2019, we announced that our Board of Directors authorized an additional \$600 million share repurchase program. On February 19, 2019, we entered an accelerated share repurchase (ASR) agreement with Goldman Sachs & Co. LLC to repurchase \$400 million of our common stock. Under the ASR agreement, LP received an initial delivery of 11,944,756 million shares on February 21, 2019, representing approximately 80 percent of the number of shares of common stock initially underlying the ASR agreement, based on the closing price of LP’s common stock of \$26.79 on February 15, 2019. The final number of shares to be repurchased under the ASR will be based on LP’s volume-weighted average price of LP’s common stock during the term of the ASR, less a discount, and will be completed no later than the end of the third quarter of 2019.

Additional repurchases of common stock may be made through open market, block and privately-negotiated transactions, including Rule 10b5-1 plans, at times and in such amounts as management deems appropriate, subject to market and business conditions, regulatory requirements and other factors.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

- 10.1 Amended and Restated Credit Agreement, dated June 27, 2019, among Louisiana-Pacific Corporation, as borrower, certain subsidiaries of the borrower from time to time party thereto, as guarantors, American AgCredit, PCA, as administrative agent and sole lead arranger, CoBank, ACB, as L/C Issuer, and lenders party thereto. Incorporated herein by reference to Exhibit 10.1 on LP Current Report on Form 8-K filed on June 27, 2019.
- 10.2 Amended and Restated Security Agreement, dated June 27, 2019, among Louisiana-Pacific Corporation and American AgCredit, PCA. Incorporated herein by reference to Form 8K filed on June 27, 2019. Incorporated herein by reference to Exhibit 10.1 on LP Current Report on Form 8-K filed on June 27, 2019.
- 31.1 [Certification of Chief Executive Officer Pursuant to Rule 13a-14\(a\).](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Rule 13a-14\(a\).](#)
- 32.1 [Certifications pursuant to § 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS 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 XBRL Taxonomy Extension Schema Document.*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.*

*Filed herewith.

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.

LOUISIANA-PACIFIC CORPORATION

Date: August 6, 2019

By: /S/ W. BRADLEY SOUTHERN

W. Bradley Southern
Chief Executive Officer

Date: August 6, 2019

By: /S/ ALAN J.M. HAUGHIE

Alan J.M. Haughie
Executive Vice President and
Chief Financial Officer

CERTIFICATION

I, W. Bradley Southern, certify that:

1. I have reviewed this report on Form 10-Q of Louisiana-Pacific Corporation;
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 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 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 registrant's board of directors (or persons performing the equivalent function):
 - 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: August 6, 2019

/S/ W. BRADLEY SOUTHERN

W. BRADLEY SOUTHERN
Chief Executive Officer

CERTIFICATION

I, Alan Haughie, certify that:

1. I have reviewed this report on Form 10-Q of Louisiana-Pacific Corporation;
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 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 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 registrant's board of directors (or persons performing the equivalent function):
 - 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: August 6, 2019

/s/ Alan J.M. Haughie

Alan J.M. Haughie
Chief Financial Officer

LOUISIANA-PACIFIC CORPORATION
411 Union Street, Suite 2000
Nashville, TN 37219-1700
(615)986-5600

August 6, 2019

Securities and Exchange Commission
100 F Street NE.
Washington, D.C. 20549

Re: Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of Louisiana-Pacific Corporation (the "Company") for the quarter and six months ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (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 the Company as of the dates and for the periods expressed in the Report.

/S/ W. BRADLEY SOUTHERN

Name: W. BRADLEY SOUTHERN
Title: Chief Executive Officer

/S/ ALAN J.M. HAUGHIE

Name: Alan J.M. Haughie
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Louisiana-Pacific Corporation and will be retained by Louisiana-Pacific Corporation and furnished to the Securities and Exchange Commission or its staff upon request.