

# Louisiana-Pacific Corporation

Q2 2004 Results

July 28, 2004

These slides were prepared and should be read in conjunction with a webcast presentation and earnings release by LP's management on July 28, 2004 relating to LP's financial condition and results of operations as of and for the quarter and six months ended June 30, 2004. LP does not intend to update these slides. Accordingly, you should not assume that the information contained in these slides will continue to be accurate as of any date after July 28, 2004.



# Forward Looking Statement

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

# Statement relating to the Use of Non-GAAP Financial Measures

During the course of this presentation, certain non-U.S. GAAP financial information will be presented. Reconciliation of those numbers to U.S. GAAP financial measures are available on the company's website at [www.lpcorp.com](http://www.lpcorp.com) under the Investor Relations Presentations section.

# Financial Results – Quarterly

Dollars in millions, except per share amounts

	<u>2004</u>	<u>2003</u>
<u>Quarterly (June 30)</u>		
Net sales	\$ 825	\$ 473
Income from continuing operations	\$ 189	\$ 9
Income (loss) from discontinued operations	\$ 3	\$ (26)
Net income (loss)	\$ 192	\$ (17)
Diluted EPS from continuing operations	\$1.72	\$ 0.09
Diluted EPS	\$1.75	\$(0.16)

# Financial Results – Six Months Ended

Dollars in millions, except per share amounts

	<u>2004</u>	<u>2003</u>
<u>Six Months Ended June 30,</u>		
Net sales	\$ 1,521	\$ 880
Income from continuing operations	\$ 302	\$ 11
Loss from discontinued operations	\$ (3)	\$ (27)
Net income (loss)	\$ 299	\$ (16)
Diluted EPS from continuing operations	\$ 2.76	\$ 0.11
Diluted EPS	\$ 2.73	\$ (0.15)

# Reconciliation of Special Items

	<u>Q2 2004</u>	<u>Q2 2003</u>	Six Months	
			<u>2004</u>	<u>2003</u>
Income (loss) from continuing operations	\$ 189	\$ 9	\$302	\$ 11
<b>Less “special items”:</b>				
(Gain) loss on sale or impairment of long-lived assets	-	(29)	10	(41)
Other operating credits and charges	2	25	9	25
Loss on early extinguishment of debt	<u>2</u>	<u>--</u>	<u>41</u>	<u>-</u>
	4	(4)	60	( 16)
Provision (benefit) for income taxes	<u>1</u>	<u>(2)</u>	<u>23</u>	<u>( 6)</u>
After tax effect of “special items”	<u>3</u>	<u>(2)</u>	<u>37</u>	<u>(10)</u>
Adjusted income from operations excluding “special items”	<u>\$192</u>	<u>\$ 7</u>	<u>\$339</u>	<u>\$ 1</u>
Adjusted income from operations excluding “special items” per diluted share	<u>\$1.74</u>	<u>\$0.07</u>	<u>\$3.10</u>	<u>\$0.01</u>

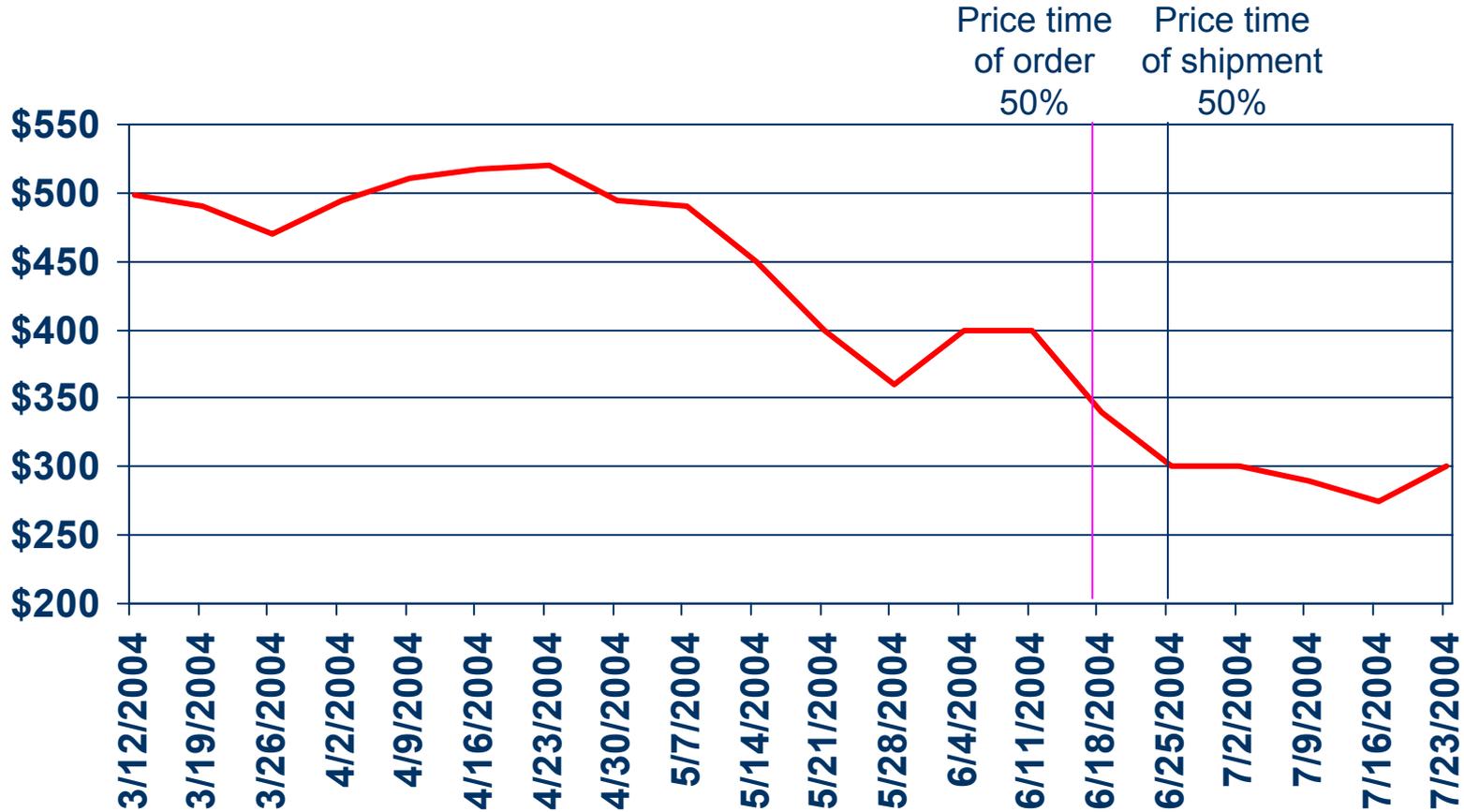
# OSB

	<u>Q2 04</u>	<u>Q2 03</u>	<u>Change</u>	<u>Six Months Ended June 30,</u>		
				<u>2004</u>	<u>2003</u>	<u>Change</u>
Sales	\$ 531	\$ 229	132%	\$ 986	\$424	133%
Profit <sup>a</sup>	\$ 309	\$ 35	783%	\$ 563	\$ 51	1004%
DDA	\$ 20	\$ 17		\$ 41	\$ 36	
Volume			10%			8%
Price			107%			154%

<sup>a</sup> Profit equals sales less cost of sales, depreciation, amortization and cost of timber harvest and selling and administration directly associated with the segment

# OSB Weekly Random Lengths Price

7/16" BASIS NORTH CENTRAL



Using Random Lengths' reported averages –  
 open market (assuming 1 week order file) = \$453  
 contract wood - \$450  
 overall Random Lengths' average - \$437

# Composite Wood Products

	Six Months Ended June 30,					
	Q2 04	Q2 03	Change	2004	2003	Change
Sales	\$ 119	\$ 101	18%	\$ 223	\$190	17%
Profit <sup>a</sup>	\$ 19	\$ 12	58%	\$ 33	\$ 21	57%
DDA	\$ 4	\$ 4		\$ 9	\$ 8	
Volume:						
Smart Side			31%			32%
Commodity OSB			-98%			-94%
Hardboard			20%			11%
Price:						
Smart Side			2%			2%
Commodity OSB			107%			154%
Hardboard			2%			8%

<sup>a</sup> Profit equals sales less cost of sales, depreciation, amortization and cost of timber harvest and selling and administration directly associated with the segment

# Plastic Building Products

				Six Months Ended June 30,		
	Q2 04	Q2 03	Change	2004	2003	Change
Sales	\$ 62	\$ 58	7%	\$ 116	\$ 100	16%
Profit <sup>a</sup>	\$ 3	\$ 7	(57%)	\$ 6	\$ 10	(40%)
DDA	\$ 2	\$ 2		\$ 4	\$ 4	
Volume:						
Vinyl			-1%			2%
Moulding			-7%			4%
Decking			23%			32%
Price:						
Vinyl			2%			12%
Moulding			1%			2%
Decking			3%			1%

<sup>a</sup> Profit equals sales less cost of sales, depreciation, amortization and cost of timber harvest and selling and administration directly associated with the segment

# Engineered Wood Products

				Six Months Ended June 30,		
	<u>Q2 04</u>	<u>Q2 03</u>	<u>Change</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Sales	\$ 103	\$ 70	47%	\$ 181	\$ 130	39%
Profit <sup>a</sup>	\$ -	\$ -	-%	\$ (1)	\$ (1)	-%
DDA	\$ 4	\$ 3		\$ 7	\$ 6	
Volume:						
LVL			37%			27%
I-Joist			31%			33%
Plywood			43%			52%
Price:						
LVL			8%			7%
I-Joist			12%			7%
Plywood			25%			41%

<sup>a</sup> Profit equals sales less cost of sales, depreciation, amortization and cost of timber harvest and 11 selling and administration directly associated with the segment

# Annual Tax Rates

Applied to year-to-date income (loss)

	Tax (Benefit) <u>Provision</u>	Annual <u>Rate</u>
Continuing operations	\$ 171	36%
Discontinued operations	<u>( 2 )</u>	39%
Total provision	<u>\$ 169</u>	<u>36%</u>

Of this amount, \$76 million is estimated to be currently payable or has been paid.

# Balance Sheet & Other Statistics

(in millions, except per share amounts)

	June 30, <u>2004</u>	December 31, <u>2003</u>
Total cash and investments	\$1,167	\$1,037
Working capital	\$1,217	\$1,022
Net debt	(\$735)	(\$405)
Capital expenditures YTD (includes JVs)	\$62	
Depreciation, amortization and cost of timber harvested (continuing operations)	\$66	
Book value per share	\$14.90	\$12.31

See appendix for reconciliations

# Financial / Cash Strategies

- Operating cash balances to accommodate normal cyclicity of \$250 - \$300 million
- Cash pegged to retire \$215 million of debt due or callable in 2005
- Discretionary cash uses could include (subject to Board decisions):
  - Increase regular dividend (over time) to approximately 30-40% of normalized earnings
  - Acceleration of high return capital projects
  - Selective acquisitions at the right time and price
  - Opportunistic share repurchases

# Appendix

	<u>6/30/04</u>	<u>12/31/03</u>
<u>Calculation of "Working Capital":</u>		
Current assets	\$ 1,480	\$ 1,325
Current liabilities	<u>263</u>	<u>303</u>
Working capital	\$ <u>1,216</u>	\$ <u>1,022</u>
<u>Calculation of "Net Debt":</u>		
Long term debt	\$ 820	\$ 1,021
Current portion long term debt	9	8
Notes receivable from asset sales	(397)	(397)
Total cash and investments(see pg 17)	<u>(1,167)</u>	<u>(1,037)</u>
Net debt	\$ <u>( 735)</u>	\$ <u>(405)</u>

Calculation of “Total Cash and Investments”:

	<u>6/30/04</u>	<u>12/31/03</u>
Restricted cash	\$ 82	\$ 111
Long-term investments	33	---
Short-term investments	113	---
Cash and cash equivalents	<u>939</u>	<u>926</u>
Total cash and investments	<u>\$1,167</u>	<u>\$1,037</u>

# Glossary

DDA -- depreciation, depletion (cost of timber harvested) and amortization

OSB -- oriented strand board

LVL -- laminated veneer lumber