

Salomon Smith Barney Seventh Annual
Global Paper and Forest Products
Conference

Louisiana Pacific Corporation
December 5, 2002





Overall Market Dynamics

- Continued strong demand will exist for commodity and specialty building products:
 - Pressure on labor availability
 - Demand for innovative, low maintenance building materials
- Consolidation of producers, channel partners and end customers:
 - “Big Boxes”
 - Big builders
 - Distribution channels

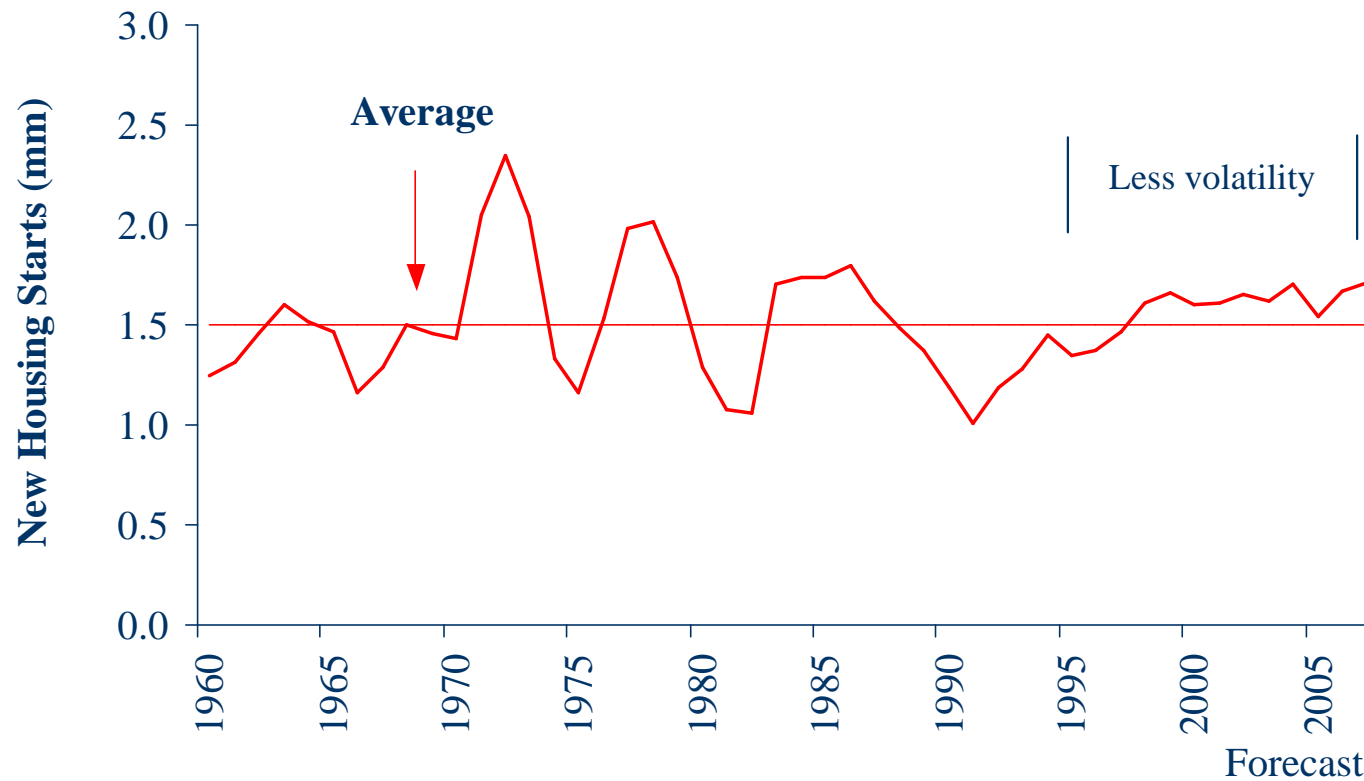
Long Term Leading Indicators of Demand Remain Strong

Leading Indicator	Comment
<p>Macroeconomic Indicators</p> <ul style="list-style-type: none">• Demographics• Disposable income• Mortgage rates• Consumer confidence	<ul style="list-style-type: none">• Immigration will lead demand• Real wage and salary growth is healthy despite higher jobless rates• Remain below historical average levels• Weakening however consistent with historic trends during recovery period
<p>Home Building Demand Indicators</p> <ul style="list-style-type: none">• Housing starts• Cubic and square footage per home	<ul style="list-style-type: none">• Expected to remain strong in the 1.5-1.7mm range• Home sizes expected to continue to grow
<p>Repair and Remodeling Demand Indicators</p> <ul style="list-style-type: none">• Demographics• Aging housing stock	<ul style="list-style-type: none">• Boomers in peak period – upgrading and improving• High land prices driving improvement versus new building

Home Building Demand Indicators

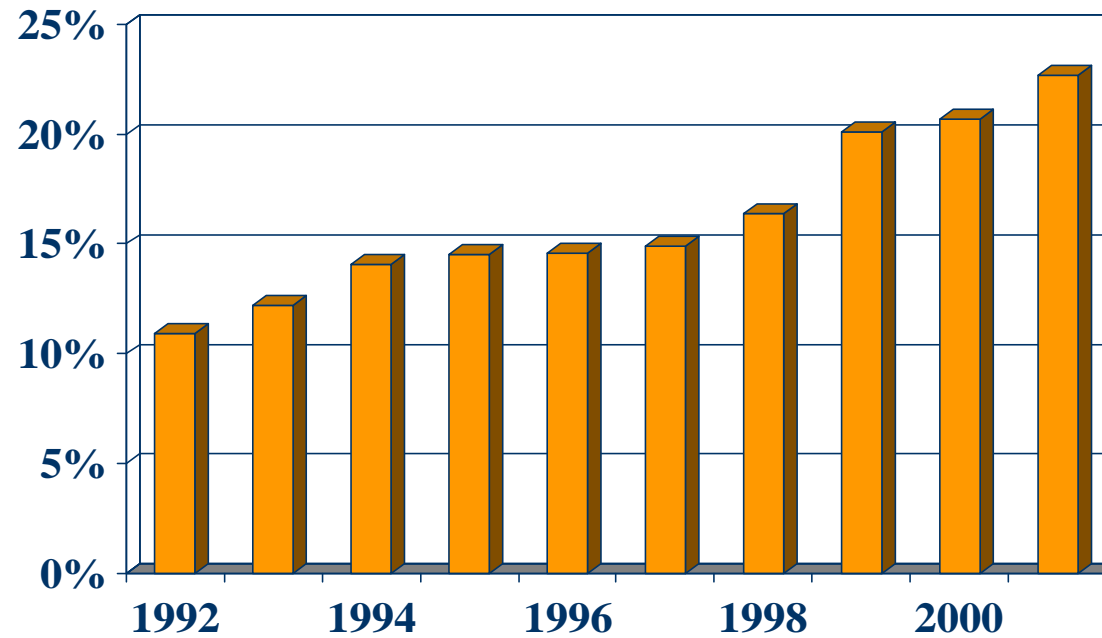
Housing Starts

⌘ Annual housing starts have averaged about 1.5 million since 1960 and are projected to remain strong in the 1.6 million range over the next 5 years.



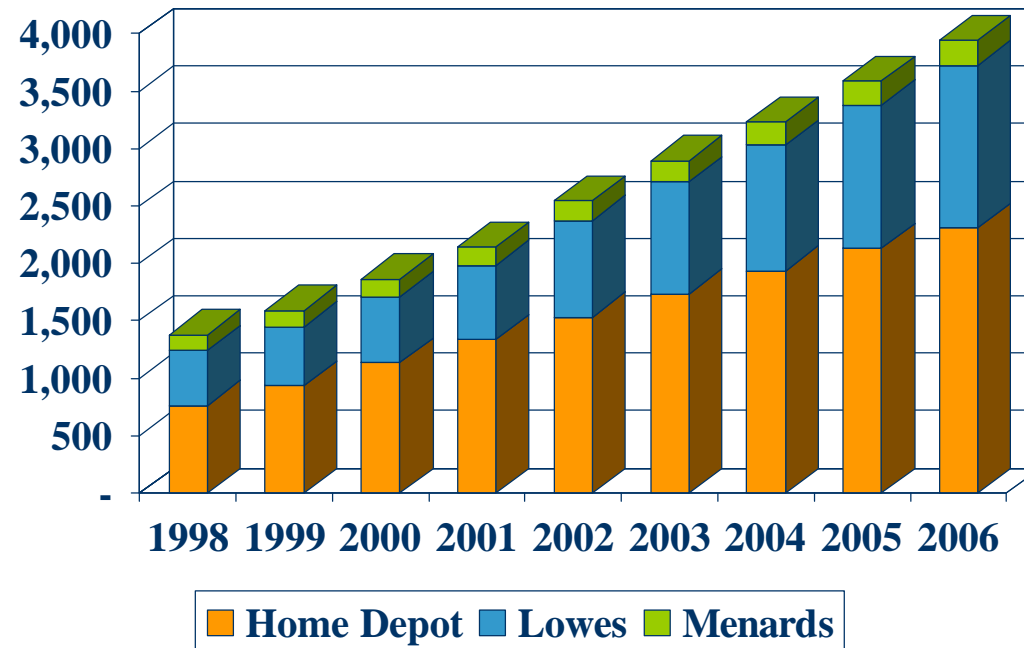
Source: US Department of Commerce and RISI.

Top 20 Builder Share of New Home Sales



Source: Homebuilding Industry Update, Banc of America Securities, May 2002

Home Center – Number of Stores



Source: LP Management



Competitive Dynamics

- Suppliers remain fragmented
- To win, we must:
 - Build sustainable cost advantages in commodity products
 - Respond rapidly to new product needs
 - Consolidate where possible
- Requires:
 - Swift action
 - Financial flexibility
 - Relentless cost reduction
 - Gain “good market share” by offering products and services



LP Strategy

- Last May, we announced a major asset divestiture and debt reduction plan
- Retained businesses have scale, path to low cost position and opportunities for growth:
 - OSB, Structural Framing (EWP and lumber), Composite Wood and Plastic Building Products
- Divestiture process commenced immediately:
 - Sales to be finalized within 12 to 18 months
 - Net proceeds expected to be between \$600 and \$700 million
- Proceeds to be used to restore financial flexibility and resume internal investments in businesses

LP's Businesses ... Post Divestiture

OSB

- Commodity panels
- Techshield
- TNHP

Structural Framing Products

- Lumber
- Laminated veneer lumber
- I - Joist

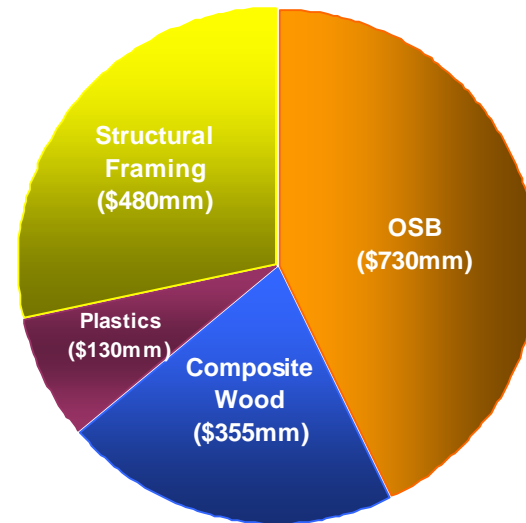
Composite Wood

- SmartStart OSB siding
- Exterior Hardboard siding
- Specialty OSB

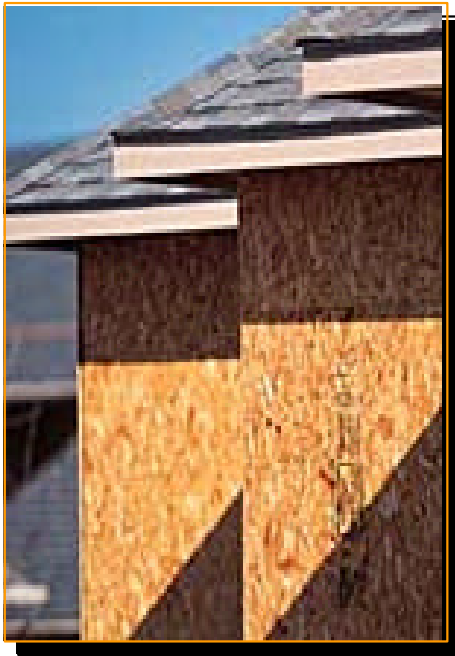
Plastic Building Products

- Vinyl
- Moulding
- Composite Decking

2001 Revenue
by Retained Segment



Oriented Strand Board (OSB)

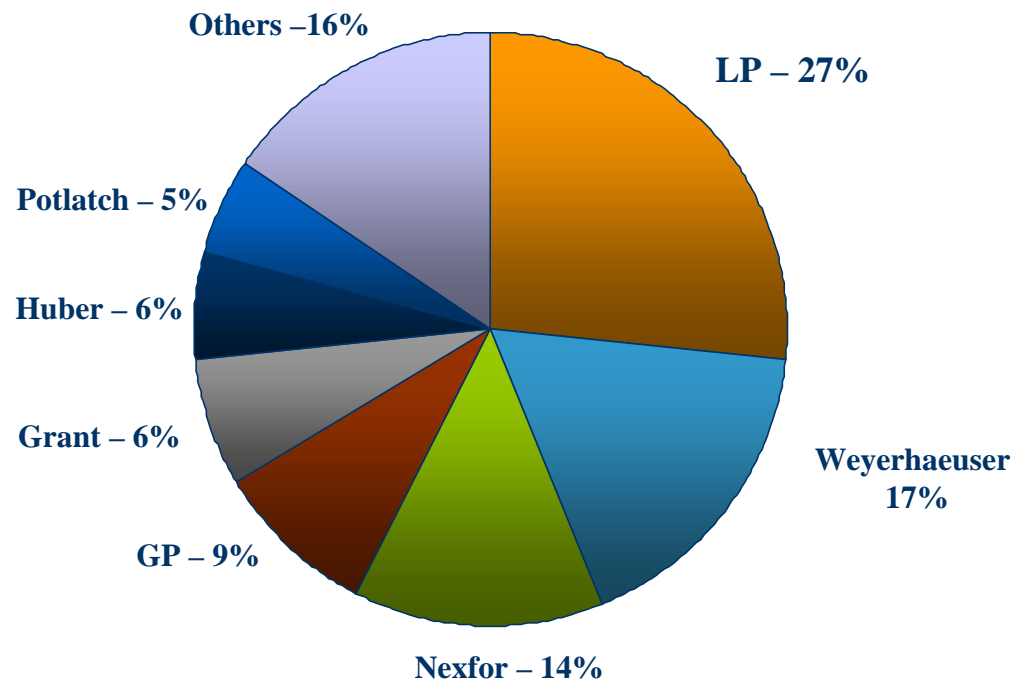


- #1 North American producer with greater than 25% market share
- Lowest cost / highest margin producer
- Growth through substitution

Mill capacities:

15 mills – 6.1 billion square feet

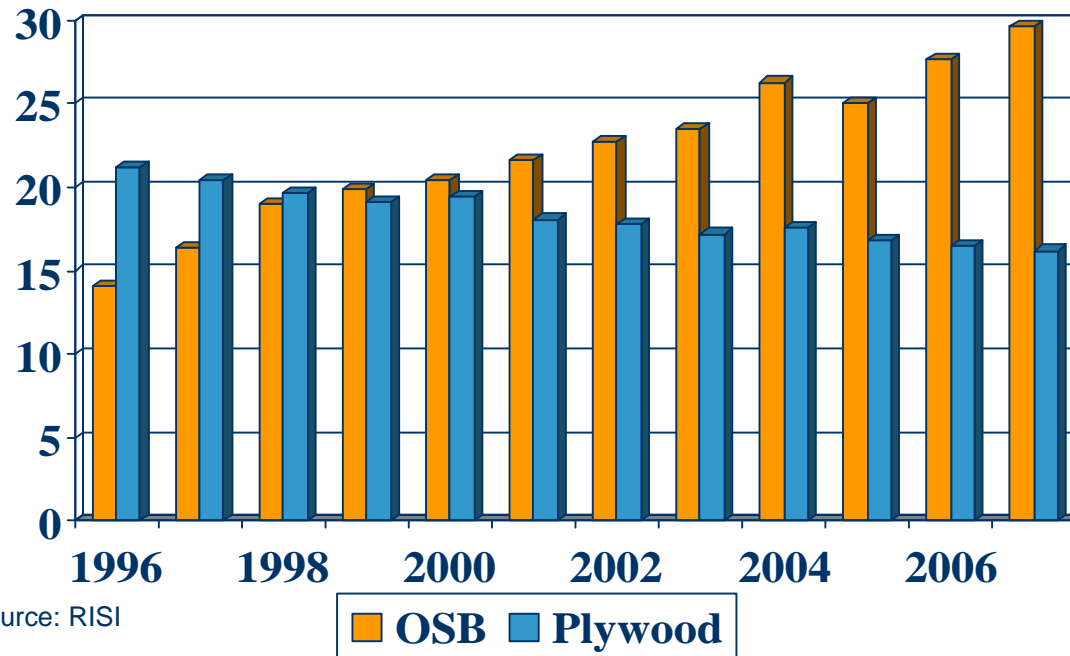
OSB Market Share



Source: RISI

Overall Structural Panel Demand

Billion Square Feet 3/8" basis



Source: RISI

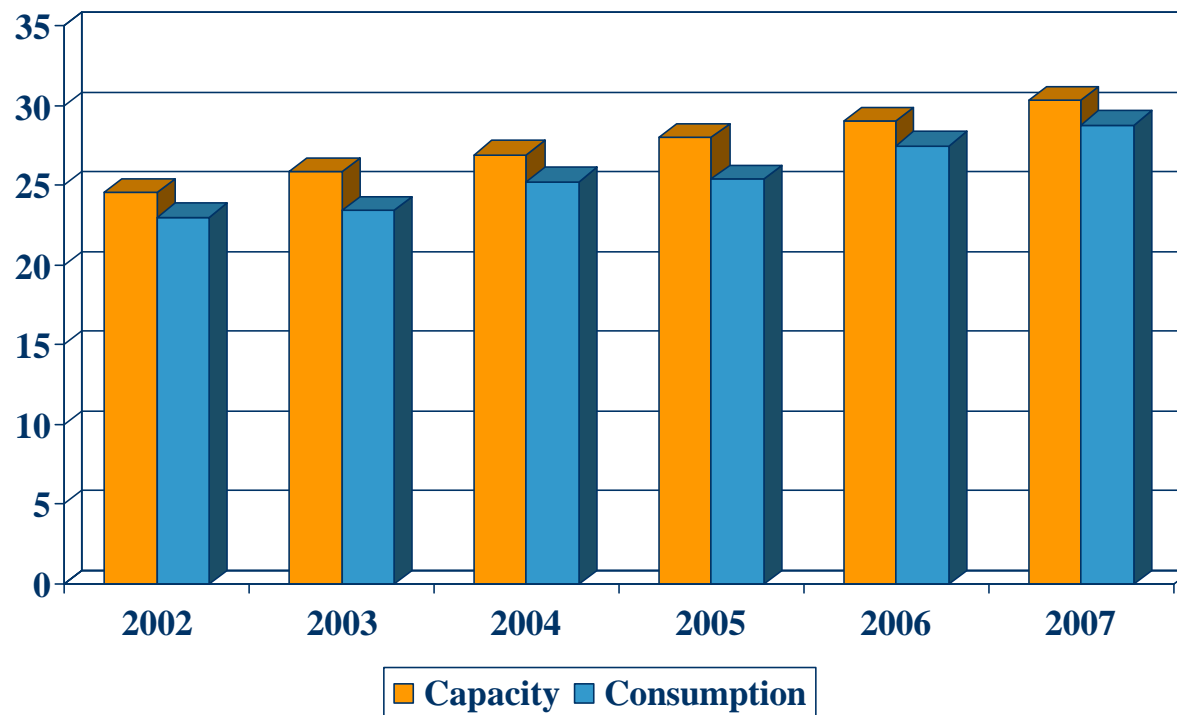
1996
OSB – 40%
Plywood – 60%

2001
OSB – 55%
Plywood – 45%

2007
OSB – 65%
Plywood – 35%

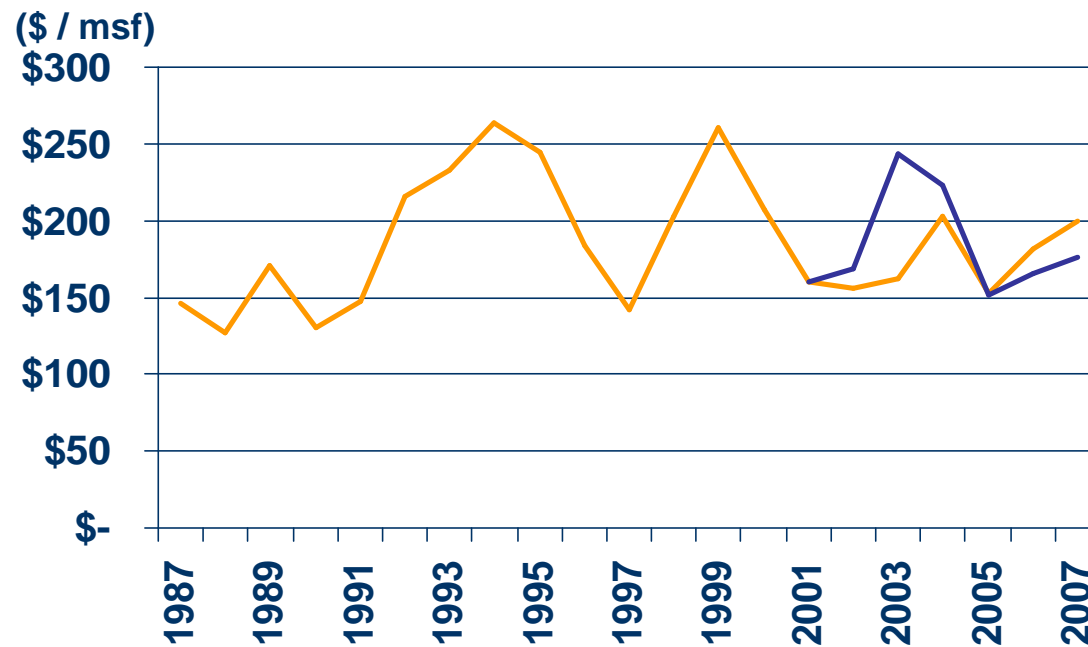
OSB Demand / Capacity Forecast

Billion Sq Ft 3/8



Source: RISI, APA and LP Management estimates

OSB Pricing, 7/16" North Central



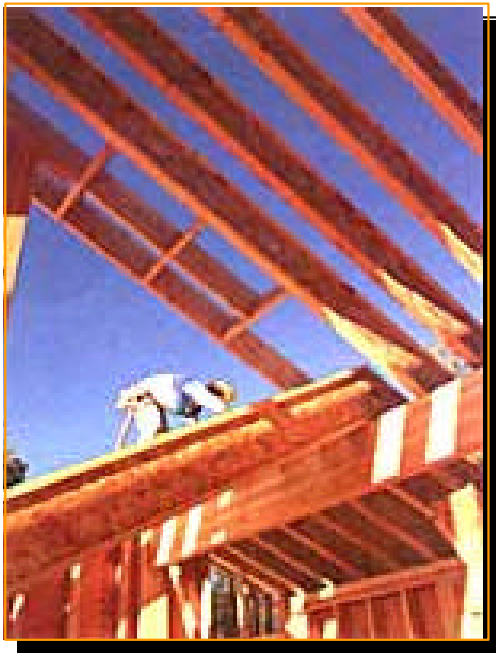
Sources: Random Length - 1987 through 2001
— RISI - 2002 through 2007 (Oct 2002 data)
— Clear Vision - 2002 through 2007



OSB Investment Priorities

- Investments in existing mills:
 - Substantially lower cost (reductions in energy, materials, yield and resin costs)
 - Improved product properties:
 - lower swell
 - greater surface stability
 - Greater throughput
- Greenfield “opportunities”:
 - Canada –British Columbia
 - U.S. – fiber supply near growing markets
 - South America
- Acquire competitive facilities

Structural Framing Products



- #1 position in stud lumber
- #1 position in Solid Sawn I-Joist
- #3 position in LVL / I-Joist
- Markedly improving cost position

Mill capacities:

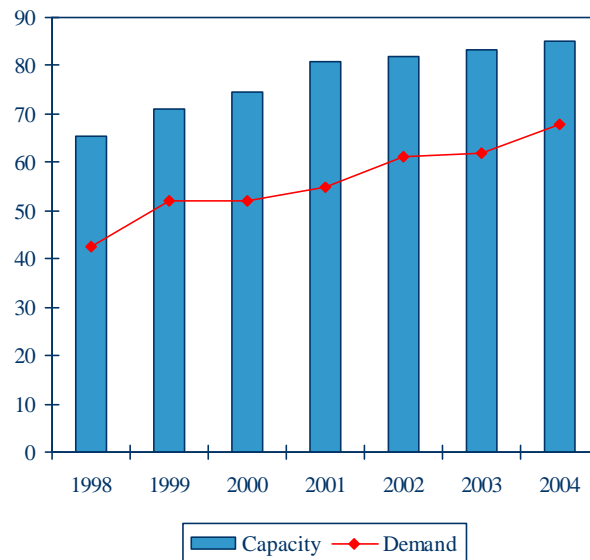
LVL – 9.9 million cubic feet

I-Joist – 120 million lineal feet

Lumber – 1.1 billion bf

EWP Demand / Capacity Forecast

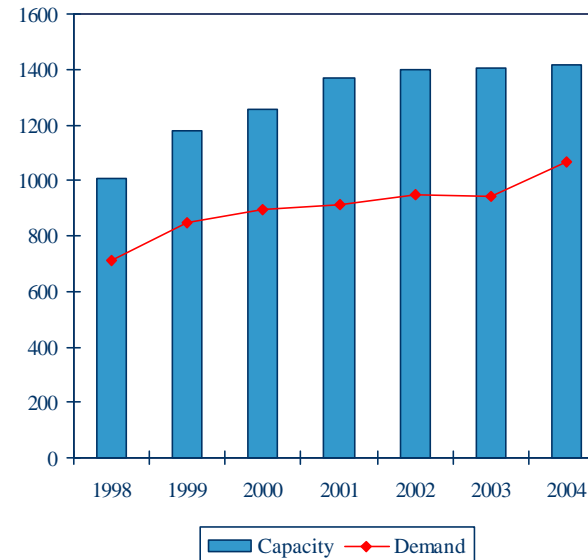
LVL Capacity vs. Demand



Million cubic feet

LP Market share = 9%

IJ Capacity vs. Demand



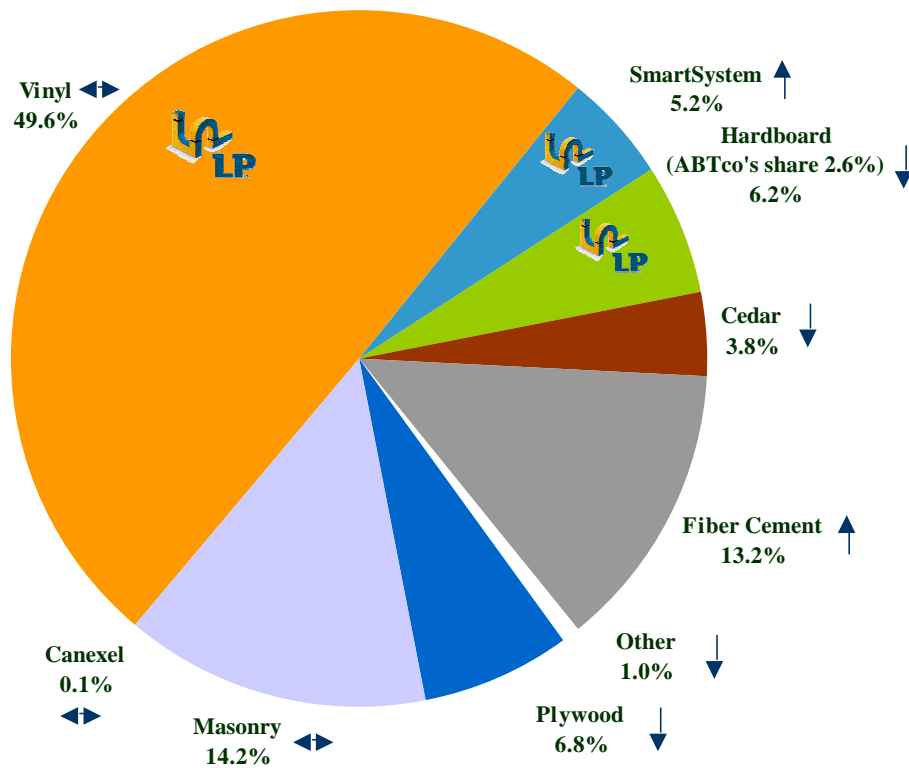
Million lineal feet

LP Market share = 13%

Source: RISI

Exterior Siding Market

Market Share by Product Category - 2002



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

LP currently participates over 60% of siding segments

Source: VSI, AHA, LP



Siding Market Drivers

- Proven performance and durability
- Easy installation resulting in low installed costs
- Multiple patterns providing various looks
- Demand for complete siding systems/solutions
- Low maintenance -- prefinished products
- Consolidation of channels and end users driving more demand to full product line suppliers
- Multiple product offerings cover multiple price points

Composite Wood Products



- Smart System OSB exhibiting strong growth
 - Family of products – lap, panel, trim, fascia, soffet
 - Lowest installed cost
 - Curb appeal / outstanding performance
- Hardboard – lowest cost and broadest product line
- LP Chile – Source of low cost specialty products
- Decorative panels - #1 position, strong retail presence

Mill capacities:

7 mills – 1 billion square feet

Plastic Building Products



- Vinyl siding – growth through service and product development
- Profitable / growing mouldings business
- Composite decking – early stage, excellent products, technology platform

Mill capacities:

Vinyl – 3.2 million squares

Decking – 31 million lineal feet

Moulding

Assets to be Divested

- **Timberlands** - Up to 935,000 acres of timberlands in Texas, Louisiana and Idaho:
 - Closed Urania sale of 95,000 acres for \$68 million
 - Working on sales of three additional blocks in Louisiana and Idaho... potentially close in Q4 2002 and Q1 2003
 - Marketing “big block” (705,000 acres):
 - Conducted “limited auction” with select group of buyers... yielded several favorable bids
 - Final bids due end of December / early January
 - Estimated close (if single buyer) – Q2 2003

Assets to be Divested

- **Plywood** - 4 plants with total capacity 800 million square feet
 - Traded all of our plywood plants, plus MDF, to GP for Woodlands Maine OSB plant
 - Closed in Q3 2002
- **Industrial Panels:**
 - Particleboard - 3 plants - total capacity of 360 million square feet
 - Missoula - announced letter of intent - close Q4
 - Silsbee – Closed
 - Arcata – SOLD
 - Medium density fiberboard - 1 plant with 50 million square feet capacity – GP transaction



Assets to be Divested

- **Distribution** - 2 distribution centers
 - Rocklin, CA – SOLD
 - Conroe – announced closure – liquidation
- **Summary** – generated nearly \$145 million in value (cash proceeds, working capital and liability avoidance) since January 1, 2002



Use of Proceeds

- Reduce short-term and revolving debt
- Amortize other debt and contingencies as appropriate
- Longer term:
 - Review the cost / benefit of retiring long-term public debt
 - Build appropriate cash reserves
 - Reinvest in businesses

LP's Financial Strategy / Objectives

- Adopt conservative financial policy (cycle average):
 - Debt / total capitalization of < 30 - 35%
 - Debt to EBITDA < 2 – 2 ½ X
 - Regain investment grade status
- Achieve a cycle-average EBITDA of > \$400 million (after corporate unallocated):
 - \$125 - \$150 million of relatively stable EBITDA from Composite Wood and Plastics
 - \$250 - \$300 million of EBITDA from OSB and Structural Framing
- Manage through the cycle:
 - Adjust capital spending
 - Actively and aggressively manage working capital
 - Adjust operating schedules with demand



Conclusion...

LP has....

- Focused business model
- Unrelenting focus on being low cost producer
- Growth will come primarily from OSB (commodity and specialty) and exterior siding
- Appropriate level of SGA
- Continuous discipline in capital deployment



Questions