

LOUISIANA-PACIFIC CORP  
Form 10-Q  
August 04, 2006

**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, 2006**

**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**

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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: xxx,xxx,xxx shares of Common Stock, \$1 par value, outstanding as of August 4, 2006.

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.

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**ABOUT FORWARD-LOOKING STATEMENTS**

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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 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 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, completion of anticipated asset sales 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 general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products, including the effects of industry-wide increases in manufacturing capacity;
- 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 other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar, EURO and the Chilean peso;
- changes in general and industry-specific environmental laws and regulations;
- changes in circumstances giving rise to environmental liabilities or expenditures;
- the resolution of product-related litigation and other legal proceedings; and
- acts of God or public authorities, war, civil unrest, fire, floods, earthquakes 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 Commission 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

ABOUT FORWARD-LOOKING STATEMENTS

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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.

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Item 1. 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,	
	2006	2005	2006	2005
Net sales	\$ 652.7	\$ 692.0	\$ 1,331.0	\$ 1,353.4
Operating costs and expenses:				
Cost of sales	505.7	463.5	991.2	889.1
Depreciation, amortization and cost of timber harvested	32.4	32.4	66.9	65.3
Selling and administrative	40.8	36.1	82.8	73.7
(Gain) loss on sale or impairment of long-lived assets	0.1	(0.7)		(0.9)
Other operating credits and charges, net		1.4	0.1	1.1
Total operating costs and expenses	579.0	532.7	1,141.0	1,028.3
Income from operations	73.7	159.3	190.0	325.1
Non-operating income (expense):				
Foreign currency exchange (loss) gain	(10.6)	(1.4)	(8.5)	(2.0)
Interest expense, net of capitalized interest	(14.3)	(15.3)	(27.7)	(31.0)
Investment income	24.3	16.9	47.3	32.4
Total non-operating income (expense)	(0.6)	0.2	11.1	(0.6)
Income before taxes and equity in earnings of unconsolidated affiliates	73.1	159.5	201.1	324.5
Provision for income taxes	18.3	55.2	62.6	115.5
Equity in earnings of unconsolidated affiliates	(0.3)	(0.1)	(1.5)	(0.8)
Income from continuing operations	55.1	104.4	140.0	209.8
Discontinued operations:				
Loss from discontinued operations before taxes		(6.6)	(2.0)	(12.6)
Income tax benefit		(2.5)	(0.8)	(4.8)
Loss from discontinued operations		(4.1)	(1.2)	(7.8)
Net income	\$ 55.1	\$ 100.3	\$ 138.8	\$ 202.0
Net income per share of common stock (basic):				
Income from continuing operations	\$ 0.52	\$ 0.94	\$ 1.32	\$ 1.90
Loss from discontinued operations		(0.04)	(0.01)	(0.07)
Net income per share - basic	\$ 0.52	\$ 0.90	\$ 1.31	\$ 1.83
Net income per share of common stock (diluted):				
Income from continuing operations	\$ 0.52	\$ 0.94	\$ 1.32	\$ 1.89
Loss from discontinued operations		(0.04)	(0.01)	(0.07)
Net income per share - diluted	\$ 0.52	\$ 0.90	\$ 1.31	\$ 1.82
Cash dividends per share of common stock	\$ 0.15	\$ 0.125	\$ 0.30	\$ 0.225
Average shares of stock outstanding - basic	105.3	110.9	105.6	110.5
Average shares of stock outstanding - diluted	105.8	111.5	106.2	111.3

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



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CONDENSED CONSOLIDATED BALANCE SHEETS  
LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS) (UNAUDITED)

	June 30, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 376.1	\$ 607.6
Short-term investments	834.3	717.3
Receivables, net	128.4	146.8
Inventories	255.8	240.3
Prepaid expenses and other current assets	15.8	14.4
Deferred income taxes	30.5	
Current portion of notes receivable from asset sales		70.8
Total current assets	1,640.9	1,797.2
Timber and timberlands	92.1	92.9
Property, plant and equipment	1,898.3	1,848.9
Accumulated depreciation	(1,128.3	) (1,065.6
Net property, plant and equipment	770.0	783.3
Goodwill, net of amortization	273.5	273.5
Notes receivable from asset sales	333.0	333.0
Long-term investments	64.5	13.5
Restricted cash	39.6	55.6
Investments in and advances to affiliates	221.0	211.0
Other assets	36.0	38.0
Total assets	\$ 3,470.6	\$ 3,598.0
<b>LIABILITIES AND EQUITY</b>		
Current portion of long-term debt	\$ 0.6	\$ 18.9
Current portion of limited recourse notes payable		69.7
Accounts payable and accrued liabilities	227.1	245.5
Current portion of contingency reserves	12.0	12.0
Total current liabilities	239.7	346.1
Long-term debt, excluding current portion:		
Limited recourse notes payable	326.8	326.8
Other long-term debt	319.9	408.0
Total long-term debt, excluding current portion	646.7	734.8
Contingency reserves, excluding current portion	24.1	31.4
Other long-term liabilities	62.3	65.8
Deferred income taxes	365.1	377.0
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock	116.9	116.9
Additional paid-in capital	433.4	435.5
Retained earnings	1,916.8	1,809.7
Treasury stock	(265.5	) (257.0
Accumulated comprehensive loss	(68.9	) (62.2
Total stockholders' equity	2,132.7	2,042.9
Total liabilities and equity	\$ 3,470.6	\$ 3,598.0

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)

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	Six Months Ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 138.8	\$ 202.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and cost of timber harvested	66.9	66.4
Earnings of unconsolidated affiliates	(1.5 )	0.8
(Gain) loss on sale or impairment of long-lived assets	(0.4 )	
Tax effect of exercise of stock options		3.5
Stock-based compensation related to stock plans	3.2	
Excess tax benefits from stock-based compensation	(3.3 )	
Exchange loss on remeasurement	15.8	6.3
Cash settlement of contingencies	(7.7 )	(4.7 )
Other adjustments, net	0.2	(2.7 )
Decrease in receivables	20.5	5.6
Increase in inventories	(16.6 )	(9.6 )
Increase in prepaid expenses	(2.0 )	(0.1 )
Decrease in accounts payable and accrued liabilities	(9.8 )	(50.9 )
Increase (decrease) in deferred income taxes	(48.0 )	34.7
Net cash provided by operating activities	156.1	251.3
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property, plant and equipment additions	(64.7 )	(67.0 )
Proceeds from asset sales	1.5	30.1
Receipt of proceeds from notes receivable	70.8	
Investments and advances to joint ventures	(8.8 )	(52.1 )
Proceeds from sales of investments	3,439.3	2,421.4
Cash paid for purchase of investments	(3,602.3 )	(2,452.8 )
Decrease (increase) in restricted cash under letters of credit	16.0	(0.9 )
Other investing activities, net		0.1
Net cash used in investing activities	(148.2 )	(121.2 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of debt	(189.1 )	
Sale of common stock under equity plans	5.5	8.7
Excess tax benefits from stock-based compensation	3.3	
Purchase of treasury stock	(22.3 )	
Payment of cash dividends	(31.8 )	(24.9 )
Net cash used in financing activities	(234.4 )	(16.2 )
<b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS:</b>		
	(5.0 )	(2.1 )
Net increase (decrease) in cash and cash equivalents	(231.5 )	111.8
Cash and cash equivalents at beginning of period	607.6	544.7
Cash and cash equivalents at end of period	\$ 376.1	\$ 656.5

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) (UNAUDITED)

	Common Stock		Treasury Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in	Earnings	Comprehensive	Stockholders
					Capital		Loss	Equity
Balance, December 31, 2005	116.9	\$ 116.9	11.2	\$ (257.0)	\$ 435.5	\$ 1,809.7	\$ (62.2)	\$ 2,042.9
Net income						138.8		138.8
Issuance of shares for employee stock plans and other purposes and other transactions			(0.6)	13.8	(7.5)			6.3
Purchase of shares for treasury			1.2	(22.3)				(22.3)
Stock-based compensation related to stock plans					2.1			2.1
Excess tax benefits of stock-based compensation					3.3			3.3
Cash dividends						(31.7)		(31.7)
Other comprehensive loss							(6.7)	(6.7)
Balance, June 30, 2006	116.9	\$ 116.9	11.8	\$ (265.5)	\$ 433.4	\$ 1,916.8	\$ (68.9)	\$ 2,132.7

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,	
	2006	2005	2006	2005
Net income	\$ 55.1	\$ 100.3	\$ 138.8	\$ 202.0
Other comprehensive income (loss), net of tax				