

LOUISIANA-PACIFIC CORP
Form 10-Q
May 07, 2018

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 March 31, 2018
Commission File Number 1-7107

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

DELAWARE 93-0609074
(State or other jurisdiction of (IRS Employer
incorporation or organization) 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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: 145,177,391 shares of Common Stock, \$1 par value, outstanding as of May 3, 2018. 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,” “po,” “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 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)

| | March 31, 2018 | December 31, 2017 |
|--|-------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$895.7 | \$ 928.0 |
| Receivables, net of allowance for doubtful accounts of \$0.9 million at March 31, 2018 and December 31, 2017 | 149.3 | 142.5 |
| Inventories | 329.4 | 259.1 |
| Prepaid expenses and other current assets | 9.0 | 7.8 |
| Current portion of notes receivable from asset sales | 22.2 | 22.2 |
| Total current assets | 1,405.6 | 1,359.6 |
| Timber and timberlands | 53.9 | 55.7 |
| Property, plant and equipment, net | 932.1 | 926.1 |
| Goodwill and other intangible assets | 26.6 | 26.7 |
| Investments in and advances to affiliates | 8.5 | 7.8 |
| Restricted cash | 13.4 | 13.3 |
| Other assets | 56.6 | 56.8 |
| Deferred tax asset | 2.5 | 2.5 |
| Total assets | \$2,499.2 | \$ 2,448.5 |
| LIABILITIES AND EQUITY | | |
| Current portion of long-term debt | \$25.1 | \$ 25.1 |
| Accounts payable and accrued liabilities | 187.5 | 237.1 |
| Income taxes payable | 21.6 | 4.5 |
| Current portion of contingency reserves | 3.4 | 3.4 |
| Total current liabilities | 237.6 | 270.1 |
| Long-term debt, excluding current portion | 351.1 | 350.8 |
| Deferred income taxes | 39.6 | 33.4 |
| Contingency reserves, excluding current portion | 14.5 | 11.7 |
| Other long-term liabilities | 184.0 | 178.0 |
| Stockholders' equity: | | |
| Common stock, \$1 par value, 200,000,000 shares authorized, 153,358,542 shares issued | 153.4 | 153.4 |
| Additional paid-in capital | 462.7 | 470.6 |
| Retained earnings | 1,364.4 | 1,280.1 |
| Treasury stock, 8,181,151 shares and 8,462,949 shares, at cost | (173.2) | (177.5) |
| Accumulated comprehensive loss | (134.9) | (122.1) |
| Total stockholders' equity | 1,672.4 | 1,604.5 |
| Total liabilities and stockholders' equity | \$2,499.2 | \$ 2,448.5 |

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 | |
|---|---------------|---------|
| | March 31, | |
| | 2018 | 2017 |
| Net sales | \$691.3 | \$610.9 |
| Cost of sales | 514.5 | 482.8 |
| Gross profit | 176.8 | 128.1 |
| Selling, general and administrative expenses | 50.6 | 48.7 |
| (Gain) loss on sale or impairment of long lived assets, net | (0.6) | 0.6 |
| Other operating credits and charges, net | (0.4) | 3.4 |
| Income from operations | 127.2 | 75.4 |
| Non-operating income (expense): | | |
| Interest expense, net of capitalized interest | (4.4) | (5.0) |
| Investment income | 3.2 | 2.0 |
| Other non-operating items | (1.4) | (1.9) |
| Total non-operating income (expense) | (2.6) | (4.9) |
| Income from continuing operations before taxes | 124.6 | 70.5 |
| Provision for income taxes | 29.7 | 15.5 |
| Income from continuing operations | 94.9 | 55.0 |
| Loss from discontinued operations before tax | (5.3) | — |
| Benefit for income taxes | (1.3) | — |
| Loss from discontinued operations | (4.0) | — |
| Net income | \$90.9 | \$55.0 |
| Net income per share of common stock: | | |
| Income per share continuing operations | \$0.66 | \$0.38 |
| Loss per share discontinued operations | (0.03) | — |
| Net income per share - basic | \$0.63 | \$0.38 |
| Diluted net income per share of common stock: | | |
| Income per share continuing operations | \$0.65 | \$0.38 |
| Loss per share discontinued operations | (0.03) | — |
| Net income per share - diluted | \$0.62 | \$0.38 |
| Weighted average shares of stock outstanding - basic | 144.7 | 144.2 |
| Weighted average shares of stock outstanding - diluted | 146.7 | 145.9 |

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 March | |
| | 31, | |
| | 2018 | 2017 |
| Net income | \$90.9 | \$55.0 |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustments | 2.3 | 2.8 |
| Unrealized gain on investments, net of tax | 0.2 | 0.3 |
| Defined benefit pension plans: | | |
| Change in benefit obligations, translation adjustment | 0.2 | (0.2) |
| Amortization of amounts included in net periodic benefit cost: | | |
| Actuarial loss, net of tax | 1.1 | 0.9 |
| Prior service cost, net of tax | 0.1 | 0.2 |
| Other comprehensive income | 3.9 | 4.0 |
| Comprehensive income | \$94.8 | \$59.0 |

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)

| | Quarter Ended March 31, | |
|---|----------------------------|---------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$90.9 | \$55.0 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 31.0 | 30.6 |
| Equity in income of unconsolidated affiliates, including dividends | (0.8) | (0.6) |
| (Gain) loss on sale or impairment of long-lived assets, net | (0.6) | 0.6 |
| Other operating credits and charges, net | (0.4) | 3.4 |
| Stock-based compensation related to stock plans | 2.2 | 4.1 |
| Exchange (gain) loss on remeasurement | (0.1) | 0.2 |
| Cash settlements of warranties, net of accruals | (0.9) | (3.2) |
| Accrual of contingencies, net of cash settlements | 4.8 | — |
| Pension expense, net of contributions | 1.6 | 1.4 |
| Non-cash interest expense, net | 0.8 | 0.1 |
| Other adjustments, net | 0.1 | 0.3 |
| Changes in assets and liabilities: | | |
| Increase in receivables | (29.2) | (39.7) |
| Increase in inventories | (54.0) | (24.8) |
| Increase in prepaid expenses | (1.2) | (0.6) |
| Decrease in accounts payable and accrued liabilities | (38.0) | (19.9) |
| Increase in income taxes | 24.5 | 13.9 |
| Net cash provided by operating activities | 30.7 | 20.8 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property, plant and equipment additions | (43.2) | (26.1) |
| Proceeds from sales of assets | 0.8 | — |
| Other investing activities | (0.2) | 0.2 |
| Net cash used in investing activities | (42.6) | (25.9) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of long-term debt | (0.1) | (1.2) |
| Payment of cash dividend | (18.9) | — |
| Sale of common stock, net of cash payments under equity plans | 0.1 | 0.4 |
| Taxes paid related to net share settlement of equity awards | (5.7) | (4.7) |
| Other financing activities | 3.1 | — |
| Net cash used in financing activities | (21.5) | (5.5) |
| EFFECT OF EXCHANGE RATE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH | 1.2 | 0.7 |
| Net decrease in cash, cash equivalents and restricted cash | (32.2) | (9.9) |
| Cash, cash equivalents and restricted cash at beginning of period | 941.3 | 672.5 |
| Cash, cash equivalents and restricted cash at end of period | \$909.1 | \$662.6 |

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 Shares | Amount | Treasury Stock Shares | Amount | Additional Paid-in Capital | Retained Earnings | Accumulated Comprehensive Loss | Total Stockholders' Equity |
|--|---------------------------|----------|--------------------------|-----------|----------------------------------|----------------------|--------------------------------------|----------------------------------|
| Balance, December 31, 2017 | 153.4 | \$ 153.4 | 8.4 | \$(177.5) | \$ 470.6 | \$ 1,280.1 | \$ (122.1) | \$ 1,604.5 |
| Effect of adoption of ASU 2014-09 ¹ | | | | | | (4.4) | | (4.4) |
| Effect of adoption of ASU 2018-02 ¹ | | | | | | 16.7 | (16.7) | — |
| Net income | | | | | | 90.9 | | 90.9 |
| Dividends paid | | | | | | (18.9) | | (18.9) |
| Issuance of shares for stock plans and stock-based compensation | | | (0.5) | 10.1 | (10.1) | | | — |
| Compensation expense associated with stock-based compensation | | | | | 2.2 | | | 2.2 |
| Taxes paid related to net settlement of stock-based awards | | | 0.3 | (5.8) | | | | (5.8) |
| Other comprehensive income | | | | | | | 3.9 | 3.9 |
| Balance, March 31, 2018 | 153.4 | \$ 153.4 | 8.2 | \$(173.2) | \$ 462.7 | \$ 1,364.4 | \$ (134.9) | \$ 1,672.4 |

¹See Note 2 for additional detail regarding the adoption of new accounting standards

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

NOTES TO UNAUDITED 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, 2017.

NOTE 2 - NEW ACCOUNTING STANDARDS AND CERTAIN RECLASSIFICATIONS

On January 1, 2018, we adopted ASU 2014-09, "Revenue from Contracts with Customers" (ASC 606), and all the related amendments to all contracts using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new revenue standard to be immaterial to our net income on an ongoing basis. Recognition of a portion of our sales revenue has been delayed due to the timing of satisfying the performance obligations. The new revenue standard also provided additional clarity that resulted in reclassifications to or from Net sales and Selling, general and administrative expenses.

On January 1, 2018, we adopted ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The guidance allows us to reclassify the stranded tax effects within Accumulated other comprehensive income to Retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recorded.

The cumulative effect of the changes made to our Consolidated Balance Sheet as of January 1, 2018 for the adoption of ASU 2014-09 and ASU 2018-02, were as follows:

| Dollar amounts in millions | Balance at December 31, 2017 | ASU 2014-09 | ASU 2018-02 | Balance at January 1, 2018 |
|---|------------------------------------|----------------|----------------|-------------------------------------|
| Receivables, net of allowance for doubtful accounts | \$ 142.5 | \$ (21.7) | \$ — | \$ 120.8 |
| Inventories | 259.1 | 15.8 | — | 274.9 |
| Deferred tax asset | 2.5 | 1.5 | — | 4.0 |
| Retained earnings | 1,280.1 | (4.4) | 16.7 | 1,292.4 |
| Accumulated comprehensive loss | (122.1) | — | (16.7) | (138.8) |

In accordance with the new revenue standard requirements, the disclosure of the impact on our Consolidated Statement of Income and Consolidated Balance Sheet is as follows:

| Dollar amounts in millions | Quarter Ended March 31, 2018 | | |
|--|---------------------------------|--|--|
| | As reported | Balances without adoption of ASC 606 | Effect of Change Higher (Lower) |
| Consolidated Statement of Income | | | |
| Net sales | \$691.3 | \$ 702.4 | \$(11.1) |
| Cost of sales | 514.5 | 521.0 | (6.5) |
| Selling, general and administrative expenses | 50.6 | 51.4 | (0.8) |
| Provision for income taxes | 29.7 | 30.6 | (0.9) |
| Net income | 90.9 | 93.8 | (2.9) |

Consolidated Balance Sheet

| | | | |
|---|---------|---------|---------|
| Receivables, net of allowance for doubtful accounts | 149.3 | 181.3 | (32.0) |
| Inventory | 329.4 | 307.1 | 22.3 |
| Income taxes payable | 21.6 | 22.5 | (0.9) |
| Retained earnings | 1,364.4 | 1,367.3 | (2.9) |

On January 1, 2018, we adopted ASU 2017-07, "Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (an amendment to ASC 715) to improve the presentation of net periodic pension and postretirement benefit costs. We retrospectively adopted the presentation of service cost separate from the other components of net periodic costs. The interest cost, expected return on assets, amortization of prior service costs, amortization of net actuarial losses and settlement costs have been reclassified from Cost of sales, Selling, general and administrative expenses and Other operating credits and charges to Non-operating income (expense). We elected to apply the practical expedient which allows us to reclassify amounts disclosed previously in the retirement benefits note as the basis for applying retrospective presentation for comparative periods as it is impracticable to determine the disaggregation of the cost components for amounts capitalized and amortized in those periods. On a prospective basis, the other components of net periodic benefit costs (excluding service cost) will not be included in amounts capitalized in inventory or property, plant, and equipment. In addition to the effects of ASU 2017-07, we have reclassified depreciation and amortization into the financial statement caption that reflects the category of the expense to be more comparable with our peers.

The effect of the retrospective presentation change related to the net periodic cost of our defined benefit pension and reclassification of depreciation and amortization on our Consolidated Statement of Income for the quarter ended March 31, 2017 is as follows:

| Dollar amounts in millions | Quarter Ended March 31, 2017 | | | |
|---|------------------------------|----------------|-------------------|----------------|
| | As reported | ASU 2017-07 | Reclassifications | As adjusted |
| Consolidated Statement of Income | | | | |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | \$453.9 | \$(1.0) | \$ 29.9 | \$482.8 |
| Depreciation and amortization | 30.6 | — | (30.6) | — |
| Selling, general and administrative expenses | 48.6 | (0.6) | 0.7 | 48.7 |
| Income from operations | 73.8 | 1.6 | — | 75.4 |
| Total non-operating income (expense) | (3.3) | (1.6) | — | (4.9) |

On January 1, 2018, we adopted ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The adoption of this standard requires the inclusion of the change in amounts described as restricted cash or restricted cash equivalents to be included as part of our Consolidated Statement of Cash Flows.

In accordance with disclosure requirements of this new accounting standard, the impact of adoption on our Consolidated Statement of Cash Flows for the quarter ended March 31, 2017 is as follows:

| Dollar amounts in millions | Quarter Ended March 31, 2017 | | |
|---|---------------------------------|----------------|----------------|
| | As reported | ASU 2016-18 | As adjusted |
| Consolidated Statement of Cash Flows | | | |
| Net cash provided by (used in) investing activities | \$(26.0) | 0.1 | \$(25.9) |
| Effect of exchange rate on cash, cash equivalents and restricted cash | \$0.9 | (0.2) | \$0.7 |
| Net decrease in cash, cash equivalents and restricted cash | \$(9.8) | (0.1) | \$(9.9) |
| Cash, cash equivalents and restricted cash at beginning of period | \$659.3 | 13.2 | \$672.5 |
| Cash, cash equivalents and restricted cash at end of period | \$649.5 | 13.1 | \$662.6 |

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. The expected costs associated with our warranties continue to be recognized as expense when the products are sold. We recognize revenue as of a point in time.

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 as deductions from net sales at the time the program is initiated. These reductions from revenue 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 product purchases, store sell-through and merchandising support. 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 March 31, 2018 and December 31, 2017, we had \$18.7 million and \$24.2 million accrued as customer rebates recorded in Accounts payable and accrued liabilities on our Consolidated Balance Sheets.

We ship some of our products to customers' distribution centers on a consignment basis. We retain title to our products stored at the distribution centers. As our products are removed from the distribution centers by retailers and shipped to retailers' stores, title passes from us to the retailers. At that time, we invoice the retailers and recognize revenue for these consignment transactions. We do not offer a right of return for products shipped to the retailers' stores from the distribution centers. The amount of consignment inventory as of March 31, 2018 and December 31, 2017 was \$19.0 million and \$18.3 million.

The following tables disaggregate our revenue by product line and product type by segment for the quarters ended March 31, 2018 and March 31, 2017:

Quarter Ended March 31, 2018

| By Product family: | Siding | OSB | EWP | South America | Other | Inter-segment | Total |
|--------------------------|---------|---------|---------|------------------|--------|---------------|----------|
| SmartSide® Strand siding | \$165.1 | \$— | \$— | \$ 6.8 | \$— | \$ | —\$171.9 |
| SmartSide® Fiber siding | 25.9 | — | — | — | — | — | 25.9 |
| CanExel® siding | 13.9 | — | — | — | — | — | 13.9 |
| OSB - commodity | 8.7 | 181.1 | 2.8 | — | — | — | 192.6 |
| OSB - value-add | 9.2 | 129.1 | 4.1 | 34.9 | — | — | 177.3 |
| LVL | — | — | 36.6 | — | — | — | 36.6 |
| LSL | — | — | 13.3 | — | — | — | 13.3 |
| I-joist | — | — | 32.1 | — | — | — | 32.1 |
| Plywood | — | — | 7.6 | — | — | — | 7.6 |
| Other | 4.2 | 3.1 | 4.2 | 0.7 | 7.9 | — | 20.1 |
| | \$227.0 | \$313.3 | \$100.7 | \$ 42.4 | \$ 7.9 | \$ | —\$691.3 |
| By Product type: | | | | | | | |
| Commodity | \$8.7 | \$181.1 | \$10.4 | \$ — | \$ — | \$ | —\$200.2 |
| Value-add | 214.1 | 129.1 | 86.1 | 41.7 | — | — | 471.0 |
| Other | 4.2 | 3.1 | 4.2 | 0.7 | 7.9 | — | 20.1 |
| | \$227.0 | \$313.3 | \$100.7 | \$ 42.4 | \$ 7.9 | \$ | —\$691.3 |

Quarter Ended March 31, 2017

| By Product family: | Siding | OSB | EWP | South America | Other | Inter-segment | Total |
|--------------------------|---------|---------|--------|------------------|--------|---------------|---------|
| SmartSide® Strand siding | \$156.1 | \$— | \$— | \$ 6.2 | \$— | \$ — | \$162.3 |
| SmartSide® Fiber siding | 28.7 | — | — | — | — | — | 28.7 |
| CanExel® siding | 14.3 | — | — | — | — | — | 14.3 |
| OSB - commodity | 12.4 | 151.3 | 1.1 | — | — | — | 164.8 |
| OSB - value-add | — | 113.1 | 2.9 | 30.6 | — | — | 146.6 |
| LVL | — | — | 33.0 | — | — | — | 33.0 |
| LSL | — | — | 10.6 | — | — | — | 10.6 |
| I-joist | — | — | 25.7 | — | — | — | 25.7 |
| Plywood | — | — | 4.8 | — | — | — | 4.8 |
| Other | 2.5 | 4.0 | 4.0 | 1.0 | 8.7 | (0.1) | 20.1 |
| | \$214.0 | \$268.4 | \$82.1 | \$ 37.8 | \$ 8.7 | \$ (0.1) | \$610.9 |
| By Product type: | | | | | | | |
| Commodity | \$12.4 | \$151.3 | \$5.9 | \$ — | \$ — | \$ — | \$169.6 |
| Value-add | 199.1 | 113.1 | 72.2 | 36.8 | — | — | 421.2 |
| Other | 2.5 | 4.0 | 4.0 | 1.0 | 8.7 | (0.1) | 20.1 |
| | \$214.0 | \$268.4 | \$82.1 | \$ 37.8 | \$ 8.7 | \$ (0.1) | \$610.9 |

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). As of March 31, 2018, 2.4 million shares were available for grant under the 2013 Omnibus Plan.

| | Quarter Ended March 31, | |
|--|-------------------------------|-------|
| Dollar amounts in millions | 2018 | 2017 |
| Total stock-based compensation expense (cost of sales and general and administrative) | \$2.2 | \$4.1 |
| Income tax provision (benefit) related to stock-based compensation | \$(2.2) | \$— |
| Impact on cash flow due to taxes paid related to net share settlement of equity awards | \$5.7 | \$4.7 |

At March 31, 2018, \$20.0 million of compensation cost related to unvested performance shares, restricted stock and SSARs attributable to future service had not yet been recognized.

Grants of awards

During the first three months of 2018, we granted 164,546 performance units at an average grant date fair value of \$29.31 per share and 281,752 restricted stock awards (shares or units) at an average grant date fair value of \$26.72 per share.

NOTE 5 – FAIR VALUE MEASUREMENTS

We estimated our Senior Notes due in 2024 to have a fair value of \$350.9 million at March 31, 2018 and \$363.9 million at December 31, 2017 based upon market quotations.

Carrying amounts reported on the balance sheet for cash and cash equivalents, accounts receivables, current portion notes receivable from asset sales, accounts payable and current portion of limited recourse notes payable 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 restricted stock, restricted stock units, performance share awards and SSARs.

| Share amounts in millions | Quarter Ended | |
|--|-------------------|-------|
| | March 31, 2018 | 2017 |
| Denominator for basic earnings per share: | | |
| Weighted average common shares outstanding - basic | 144.7 | 144.2 |
| Effect of dilutive securities: | | |
| Dilutive effect of employee stock plans | 2.0 | 1.7 |
| Denominator for diluted earnings per share: | | |
| Weighted average shares outstanding - diluted | 146.7 | 145.9 |

For the quarter ended March 31, 2018, there were no restricted stock (shares or units), performance share awards and SSARs that were considered not in-the-money for purposes of our earnings per share calculation.

For the quarter ended March 31, 2017, restricted stock (shares or units), performance share awards and SSARs relating to approximately 0.6 million shares of our common stock were considered not in-the-money for purposes of our earnings per share calculation.

NOTE 7 – RECEIVABLES

Receivables consist of the following:

| Dollar amounts in millions | March 31, December 31, | |
|---------------------------------|------------------------|----------|
| | 2018 | 2017 |
| Trade receivables | \$ 132.3 | \$ 124.6 |
| Income tax receivable | 1.9 | 2.2 |
| Other receivables | 16.0 | 16.6 |
| Allowance for doubtful accounts | (0.9) | (0.9) |
| Total | \$ 149.3 | \$ 142.5 |

Other receivables at March 31, 2018 and December 31, 2017 primarily consist of sales tax receivables, vendor rebates, interest receivables, a receivable associated with an affiliate, receivables for tax credits and other miscellaneous receivables.

NOTE 8 – 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):

| Dollar amounts in millions | March 31, December 31, | |
|----------------------------|------------------------|----------|
| | 2018 | 2017 |
| Logs | \$ 88.1 | \$ 60.3 |
| Other raw materials | 24.0 | 20.8 |
| Semi-finished inventory | 22.1 | 24.3 |
| Finished products | 195.2 | 153.7 |
| Total | \$ 329.4 | \$ 259.1 |

NOTE 9 – INCOME TAXES

Accounting standards state that companies account for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carryforwards and other tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amount thereof that is more likely than not to be realized. The likelihood of realizing deferred tax assets is evaluated by, among other things, estimating future taxable income, considering the future reversal of existing deferred tax liabilities to which the deferred tax assets may be applied and assessing the impact of tax planning strategies.

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 the profitability estimates in various jurisdictions will impact our quarterly effective income tax rates.

For the first three months of 2018, the primary differences between the U.S. statutory rate of 21% and the effective rate applicable to our income relate to state income tax, foreign tax rates and tax deductions related to stock-based compensation. For the first three months of 2017, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to our continuing operations relate to foreign tax rates, changes in Canadian valuation allowances, and recognition of research and development tax credits from prior years.

We periodically review the need for valuation allowances against deferred tax assets and recognize these deferred tax assets to the extent that the realization is more likely than not. As part of our review, we consider all positive and negative evidence, including earnings history, the future reversal of deferred tax liabilities, and the relevant expirations of carryforwards. We believe that the valuation allowances provided are appropriate. If in future periods our earnings estimates differ from the estimates used to establish these valuation allowances, or other objective positive or negative evidence arises, we may be required to record an adjustment resulting in an impact on tax expense (benefit) for that period.

NOTE 10 - OTHER OPERATING CREDITS AND CHARGES

During the first quarter of 2018, we recorded a gain of \$0.4 million related to a previously-settled claim associated with our hardboard siding.

During the first quarter of 2017, we recorded an expense of \$3.4 million related to an increase in product-related warranty reserves associated with CanExel products sold in specific geographic locations and for a specific time period.

NOTE 11 – 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.

Other Proceedings

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

NOTE 12 – 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 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, 2017.

| Dollar amounts in millions | Quarter Ended | |
|---|---------------|---------|
| | 2018 | 2017 |
| Net Sales | | |
| Siding | \$227.0 | \$214.0 |
| OSB | 313.3 | 268.4 |
| EWP | 100.7 | 82.1 |
| South America | 42.4 | 37.8 |
| Other | 7.9 | 8.7 |
| Intersegment sales | — | (0.1) |
| | \$691.3 | \$610.9 |
| Operating profit (loss): | | |
| Siding | \$45.3 | \$40.7 |
| OSB | 97.4 | 60.8 |
| EWP | 2.8 | 0.8 |
| South America | 8.9 | 5.1 |
| Other | (0.9) | (0.2) |
| Other operating credits and charges, net | 0.4 | (3.4) |
| Gain (loss) on sale or impairment of long-lived assets, net | 0.6 | (0.6) |
| General corporate and other expenses, net | (27.3) | (27.8) |
| Interest expense, net of capitalized interest | (4.4) | (5.0) |
| Investment income | 3.2 | 2.0 |
| Other non-operating items | (1.4) | (1.9) |
| Income before taxes | 124.6 | 70.5 |
| Provision for income taxes | 29.7 | 15.5 |
| Income from continuing operations | \$94.9 | \$55.0 |

NOTE 13 – POTENTIAL IMPAIRMENTS

We continue to review certain operations and investments for potential impairments. We currently believe we have adequate support for the carrying value of each of these operations and investments based upon the anticipated cash flows that result from estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures.

We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, its strategic plan and other relevant circumstances. 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 14 – DEFINED BENEFIT PENSION PLANS

The following table sets forth the net periodic pension cost for our defined benefit pension and postretirement plans during the quarter ended March 31, 2018 and 2017. In accordance with ASU 2017-07, "Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (an amendment to ASC 715), all non-service related costs associated with our pension and post retirement plans are recorded outside of operating income. The net periodic pension cost included the following components:

| | Quarter Ended March 31, | |
|---|-------------------------------|--------|
| Dollar amounts in millions | 2018 | 2017 |
| Service cost | \$1.1 | \$1.4 |
| Other components of net periodic pension cost: | | |
| Interest cost | 2.9 | 3.2 |
| Expected return on plan assets | (3.4) | (3.3) |
| Amortization of prior service cost ¹ | 0.1 | 0.2 |
| Amortization of net loss ¹ | 1.6 | 1.4 |
| Net periodic pension cost | \$2.3 | \$2.9 |
| Net periodic pension cost included in cost of sales | \$0.7 | \$0.9 |
| Net periodic pension cost included in selling, general, and administrative expenses | 0.4 | 0.4 |
| Net periodic pension cost included in other non-operating items | 1.2 | 1.6 |
| | \$2.3 | \$2.9 |

¹The amortization of prior service costs and net loss are included in the amounts reclassified from accumulated other comprehensive income (loss). See Note 16 for additional details.

During the three months ended March 31, 2018, we made \$0.7 million in pension contributions to our defined benefit pension plans. We expect to contribute between \$10.0 million and \$12.0 million to our defined benefit pension plans in the remaining months of 2018.

NOTE 15 – PRODUCT WARRANTY

We provide warranties on the sale of most of our products and records 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 ended March 31, 2018 and 2017 are summarized in the following table:

| Dollar amounts in millions | Quarter Ended | |
|--|---------------|--------|
| | March 31, | |
| | 2018 | 2017 |
| Beginning balance | \$24.7 | \$24.1 |
| Accrued to expense | 0.2 | 0.2 |
| Accrued to other operating credits and charges | — | 3.4 |
| Foreign currency translation | 0.4 | 0.2 |
| Payments made | (1.1) | (3.4) |
| Total warranty reserves | 24.2 | 24.5 |
| Current portion of warranty reserves | (9.0) | (9.0) |
| Long-term portion of warranty reserves | \$15.2 | \$15.5 |

We continue to monitor warranty and other claims associated with these products and believe as of March 31, 2018 that the reserves associated with these matters are adequate. However, it is possible that additional charges 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 the caption “Other long-term liabilities” on our Consolidated Balance Sheets.

NOTE 16 - OTHER COMPREHENSIVE INCOME

Other comprehensive income activity, net of tax, is provided in the following table for the quarter ended March 31, 2018:

| Dollar amounts in millions | Foreign currency translation adjustments | Pension Adjustments | | Unrealized gain (loss) on investments | Other | Total |
|---|---|------------------------|---------------------------|--|---------|-----------|
| | | Actuarial losses | Prior service costs | | | |
| Balance at December 31, 2017 | \$ (39.7) | \$(79.5) | \$(4.9) | \$ 3.5 | \$(1.5) | \$(122.1) |
| Effect of adoption of ASU 2018-02 | — | (17.4) | — | 0.7 | — | (16.7) |
| Other comprehensive income before reclassifications | 2.3 | 0.2 | — | 0.2 | — | 2.7 |
| Income taxes | — | — | — | — | — | — |
| Net other comprehensive income before reclassifications | 2.3 | 0.2 | — | 0.2 | — | 2.7 |
| Amounts reclassified from accumulated comprehensive income | — | 1.5 | 0.1 | — | — | 1.6 |
| Income taxes | — | (0.4) | — | — | — | (0.4) |
| Net amounts reclassified from cumulative other comprehensive income | — | 1.1 | 0.1 | — | — | 1.2 |
| Total other comprehensive income | 2.3 | 1.3 | 0.1 | 0.2 | — | 3.9 |
| Balance at March 31, 2018 | \$ (37.4) | \$(95.6) | \$(4.8) | \$ 4.4 | \$(1.5) | \$(134.9) |

Other comprehensive income activity, net of tax, is provided in the following table for the quarter ended March 31, 2017:

| Dollar amounts in millions | Foreign currency translation adjustments | Pension Adjustments | | Unrealized gain (loss) on investments | Other | Total |
|---|---|------------------------|---------------------------|--|---------|-----------|
| | | Actuarial losses | Prior service costs | | | |
| Balance at December 31, 2016 | \$ (46.3) | \$(87.7) | \$(5.2) | \$ 2.7 | \$(0.7) | \$(137.2) |
| Other comprehensive income (loss) before reclassifications | 2.8 | (0.2) | — | 0.5 | — | 3.1 |
| Income taxes | — | — | — | (0.2) | — | (0.2) |
| Net other comprehensive income (loss) before reclassifications | 2.8 | (0.2) | — | 0.3 | — | 2.9 |
| Amounts reclassified from accumulated other comprehensive income | — | 1.4 | 0.3 | — | — | 1.7 |
| Income taxes | — | (0.5) | (0.1) | — | — | (0.6) |
| Net amounts reclassified from cumulative other comprehensive income | — | 0.9 | 0.2 | — | — | 1.1 |
| Total other comprehensive income | 2.8 | 0.7 | 0.2 | 0.3 | — | 4.0 |
| Balance at March 31, 2017 | \$ (43.5) | \$(87.0) | \$(5.0) | \$ 3.0 | \$(0.7) | \$(133.2) |

The amounts reclassified from accumulated other comprehensive income (loss) are included in the computation of net periodic pension cost; see Note 14 for additional details. The net periodic pension cost is included in the captions "Cost of sales", "Selling, general and administrative expenses" and "Other non-operating items" in the Consolidated Statements of Income.

NOTE 17 - DISCONTINUED OPERATIONS

Over the last several years, 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 is an increase in reserves associated with our discontinued composite decking products of \$5.0 million for the quarter ended March 31, 2018.

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

GENERAL

LP is a leading building products solutions company that manufactures sustainable, quality engineered wood building materials including Siding, Oriented Strand Board (OSB) and engineered wood products (EWP). Our products are used primarily in new home construction, repair and remodeling, and outdoor structures. 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, but 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 cyclicity. For the first quarter of 2018, the U.S. Department of Census reported that U.S. single and multi-family housing starts were 8% higher than for the same quarter of 2017. 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 25% higher for the first quarter of 2018 compared to the first quarter of 2017.

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, 2017 and to "About Forward-Looking Statements" and "Risk Factors" in this report.

EXECUTIVE SUMMARY

We recorded a 13% increase in sales to \$691.3 million for the quarter ended March 31, 2018 from \$610.9 million reported for the quarter ended March 31, 2017. We recorded income from operations of \$127.2 million for the quarter ended March 31, 2018 compared to \$75.4 million for the quarter ended March 31, 2017. We recorded net income of \$90.9 million (\$0.62 per diluted share) for the quarter ended March 31, 2018 compared to \$55.0 million (\$0.38 per diluted share) for the quarter ended March 31, 2017. We reported an increase of \$45.3 million in Adjusted EBITDA for the first quarter of 2018 as compared to the first quarter of 2017. Improvements in OSB pricing in all North American operations had a positive impact on our operating results of \$50.1 million for the quarter ended March 31, 2018 as compared to the quarter ended March 31, 2017.

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, 2017 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 2018, these significant accounting estimates and judgments include:

Long-lived Assets

Long-lived asset (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.

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 March 31, 2018 and December 31, 2017, we had liabilities for unrecognized tax benefits pertaining to uncertain tax positions totaling \$42.5 million and \$42.3 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 net 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 net 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 March 31, 2018 and December 31, 2017, we had \$18.7 million and \$24.2 million accrued as customer rebates.

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, we disclose segment earnings (loss) from continuing operations before interest expense, taxes, depreciation and amortization (EBITDA from continuing operations) which is a non-GAAP financial measure. Additionally, we disclose Adjusted segment EBITDA from continuing operations (Adjusted EBITDA from continuing operations) which further adjusts EBITDA from continuing operations to 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. We also disclose adjusted income from continuing operations which excludes (gain) loss on sale or impairment of long-lived assets, other operating credits and charges, net and adjusts for a normalized tax rate. Neither EBITDA from continuing operations, Adjusted EBITDA from continuing operations nor adjusted income from continuing operations are a substitute for the GAAP measure of net income or for any other GAAP measures of operating performance.

We have included EBITDA from continuing operations and Adjusted EBITDA from continuing operations in this report because we use them as important supplemental measures of our performance and believe that they are frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We use EBITDA from continuing operations and Adjusted EBITDA from continuing operations to evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates. It should be noted that companies calculate EBITDA and Adjusted EBITDA differently and, therefore, our EBITDA and Adjusted EBITDA measures may not be comparable to EBITDA and Adjusted EBITDA reported by other companies. Our EBITDA and Adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, income tax 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 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 (loss) 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.

The following table represents significant items by operating segment and reconciles earnings results to EBITDA from continuing operations and Adjusted EBITDA from continuing operations:

| Quarter Ended March 31, 2018 (Dollar amounts in millions) | Siding | OSB | EWP | South America | Other | Corporate | Total |
|---|--------|---------|-------|---------------|---------|-----------|---------|
| Income from continuing operations | \$45.3 | \$97.4 | \$2.8 | \$8.9 | \$(0.9) | \$(58.6) | \$94.9 |
| Provision for income taxes | — | — | — | — | — | 29.7 | 29.7 |
| Interest expense, net of capitalized interest | — | — | — | — | — | 4.4 | 4.4 |
| Depreciation and amortization | 8.2 | 14.8 | 4.4 | 2.3 | 0.5 | 0.8 | 31.0 |
| EBITDA from continuing operations | 53.5 | 112.2 | 7.2 | 11.2 | (0.4) | (23.7) | 160.0 |
| Stock-based compensation expense | 0.2 | 0.3 | 0.1 | — | — | 1.6 | 2.2 |
| Gain on sale or impairment of long lived assets, net | — | — | — | — | — | (0.6) | (0.6) |
| Investment income | — | — | — | — | — | (3.2) | (3.2) |
| Other operating credits and charges, net | — | — | — | — | — | (0.4) | (0.4) |
| Other non-operating items | — | — | — | — | — | 1.4 | 1.4 |
| Adjusted EBITDA from continuing operations | \$53.7 | \$112.5 | \$7.3 | \$11.2 | \$(0.4) | \$(24.9) | \$159.4 |
| Adjusted EBITDA Margin | 23.7 % | 35.9 % | 7.2 % | 26.4 % | (5.1) % | NA | 23.1 % |
| Quarter Ended March 31, 2017 (Dollar amounts in millions) | Siding | OSB | EWP | South America | Other | Corporate | Total |
| Income from continuing operations | \$40.7 | \$60.8 | \$0.8 | \$5.1 | \$(0.2) | \$(52.2) | \$55.0 |
| Provision for income taxes | — | — | — | — | — | 15.5 | 15.5 |
| Interest expense, net of capitalized interest | — | — | — | — | — | 5.0 | 5.0 |
| Depreciation and amortization | 8.1 | 14.7 | 3.8 | 2.2 | 0.9 | 0.9 | 30.6 |
| EBITDA from continuing operations | 48.8 | 75.5 | 4.6 | 7.3 | 0.7 | (30.8) | 106.1 |
| Stock-based compensation expense | 0.2 | 0.2 | 0.1 | — | — | 3.6 | 4.1 |
| Loss on sale or impairment of long lived assets, net | — | — | — | — | — | 0.6 | 0.6 |
| Investment income | — | — | — | — | — | (2.0) | (2.0) |
| Other operating credits and charges, net | — | — | — | — | — | 3.4 | 3.4 |
| Other non-operating items | — | — | — | — | — | 1.9 | 1.9 |
| Adjusted EBITDA from continuing operations | \$49.0 | \$75.7 | \$4.7 | \$7.3 | \$0.7 | \$(23.3) | \$114.1 |
| Adjusted EBITDA Margin | 22.9 % | 28.2 % | 5.7 % | 19.3 % | 8.0 % | NA | 18.7 % |

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

| | Quarter Ended | |
|--|---------------|---------|
| | March 31, | |
| | 2018 | 2017 |
| Net income | \$90.9 | \$55.0 |
| Add (deduct): | | |
| Loss from discontinued operations | 4.0 | — |
| (Gain) loss on sale or impairment of long-lived assets, net | (0.6) | 0.6 |
| Other operating credits and charges, net | (0.4) | 3.4 |
| Reported tax provision | 29.7 | 15.5 |
| Normalized tax provision at 25% for 2018 and 35% for 2017 | (30.9) | (26.1) |
| Adjusted income from continuing operations | \$92.7 | \$48.4 |
| Diluted shares outstanding | 146.7 | 145.9 |
| Adjusted income from continuing operations per diluted share | \$0.63 | \$0.33 |

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 12 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 produces and markets wood-based siding (strand and fiber based) and related accessories and commodity OSB product.

Segment sales, operating income and Adjusted EBITDA from continuing operations for this segment are as follows:

| | Quarter Ended March 31, | | |
|--|-------------------------|---------|--------|
| | 2018 | 2017 | Change |
| Net sales | \$227.0 | \$214.0 | 6 % |
| Operating income | \$45.3 | \$40.7 | 11 % |
| Adjusted EBITDA from continuing operations | \$53.7 | \$49.0 | 10 % |
| Adjusted EBITDA margin | 23.7 % | 22.9 % | |

Sales in this segment by product line are as follows:

| | Quarter Ended March | | |
|--------------------------|---------------------|---------|--------|
| | 31, | | |
| | 2018 | 2017 | Change |
| SmartSide® strand siding | \$165.1 | \$156.1 | 6 % |
| SmartSide® fiber siding | 25.9 | 28.7 | (10)% |
| CanExel siding | 13.9 | 14.3 | (3)% |
| OSB | 17.9 | 12.4 | 44 % |
| Other | 4.2 | 2.5 | 68 % |
| Total | \$227.0 | \$214.0 | 6 % |

Percent changes in average sales prices and unit shipments for the quarter ended March 31, 2018 compared to the quarter ended March 31, 2017 are as follows:

| | Quarter Ended March 31, 2018 versus 2017 | |
|--------------------------|---|-----------|
| | Average Net Selling Price | Shipments |
| SmartSide® strand siding | 5 % (1)% | |
| SmartSide® fiber siding | 5 % (16)% | |
| CanExel siding | 8 % (9)% | |
| OSB | 26 % | 16 % |

For the quarter ended March 31, 2018 compared to the corresponding period in 2017, sales volumes declined in our SmartSide strand product line primarily due to transportation issues for products produced in Canada. Sales prices in our SmartSide strand product line for the quarter ended March 31, 2018 as compared to the corresponding period in 2017 were higher due to a price increases which were implemented in the first quarter of 2018 and the second quarter of 2017.

For the quarter ended March 31, 2018 compared to the corresponding period in 2017, sales volumes declined in our SmartSide fiber product line due our decision to raise price which slowed demand. Sales prices in our SmartSide fiber product line for the quarter ended March 31, 2018 as compared to the corresponding period in 2017 were higher due to a price increase implemented in the first quarter of 2018.

For CanExel, sales volumes decreased in the first quarter of 2018 as compared to the corresponding period in 2017 due to decreased demand in Canada due to customers re-balancing their inventories after a stronger fourth quarter of 2017. Sales prices were higher for the first quarter of 2018 as compared to the corresponding period in 2017 due to changes in our product mix, price increases implemented in 2017 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 March 31, 2018 compared to the corresponding period in 2017, sales prices increased as compared to the same period in the prior year, as discussed in the OSB segment below. Sales volumes increased due to the movement of our Dawson Creek OSB mill to the siding segment as of January 1, 2018 as we prepare for the expected conversion of this mill to siding later this year. We estimated adjusted EBITDA from continuing operations associated with OSB produced and sold in the siding segment for the quarter ended March 31, 2018 was \$4.2 million as compared to the comparable period in 2017 of \$1.6 million. Overall, the improvement in the siding segment for the first quarter of 2018 compared to the same period of 2017 was due to higher pricing on our SmartSide strand products and increases in OSB pricing which were partially offset by increases in raw materials, primarily resin and reductions in our SmartSide fiber 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 from continuing operations for this segment are as follows:

| | Quarter Ended March 31, | | |
|--|-------------------------|---------|--------|
| | 2018 | 2017 | Change |
| Net sales | \$313.3 | \$268.4 | 17 % |
| Operating income | \$97.4 | \$60.8 | 60 % |
| Adjusted EBITDA from continuing operations | \$112.5 | \$75.7 | 49 % |
| Adjusted EBITDA Margin | 35.9 % | 28.2 % | |

Sales in this segment by product line are as follows:

| | Quarter Ended March 31, | | |
|-----------------|-------------------------|---------|--------|
| | 2018 | 2017 | Change |
| OSB - commodity | \$181.1 | \$151.3 | 20 % |
| OSB - value add | 129.1 | 113.1 | 14 % |
| Other | 3.1 | 4.0 | (23)% |
| Total | \$313.3 | \$268.4 | 17 % |

Percent changes in average sales prices and unit shipments for the quarter ended March 31, 2018 compared to the quarter ended March 31, 2017 are as follows:

| | Quarter Ended March 31, 2018 versus 2017 | |
|-----------------|--|----------------|
| | Average Unit Selling Price | Unit Shipments |
| OSB - commodity | 18 % | 2 % |
| OSB - value-add | 15 % | (2)% |

For the quarter ended March 31, 2018, OSB prices increased compared to the corresponding period in 2017. The increase in OSB prices was likely due to higher demand compared to the supply available in the market. The increase in selling price favorably impacted operating results and Adjusted EBITDA from continuing operations by \$45.6 million for the quarter ended March 31, 2018 as compared to the same period in 2017. Sales volumes of OSB value-add products are lower due to the movement of our Dawson Creek OSB mill as of January 1, 2018 to siding in anticipation of our conversion of this plant to siding later this year.

Overall the improvements in our OSB segment results for the quarter ended March 31, 2018 as compared to the same period in 2017 was due to increased sales prices partially offset by increases in raw material costs (primarily resin) and increases in manufacturing costs due to downtime related to logistics associated with our Canadian operations. 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 with Murphy Plywood. A plywood mill associated with our LVL operations in British Columbia and minor amounts of commodity OSB are included in this segment.

Segment sales, operating results and Adjusted EBITDA from continuing operations for this segment are as follows:

| | Quarter Ended March 31, | | |
|--|-------------------------|--------|--------|
| | 2018 | 2017 | Change |
| Net sales | \$100.7 | \$82.1 | 23 % |
| Operating income | \$2.8 | \$0.8 | 250 % |
| Adjusted EBITDA from continuing operations | \$7.3 | \$4.7 | 55 % |
| Adjusted EBITDA margin | 7.2 | % 5.7 | % |

Sales in this segment by product line are as follows:

| | Quarter Ended March 31, | | |
|-----------------|-------------------------|--------|--------|
| | 2018 | 2017 | Change |
| LVL | \$36.6 | \$33.0 | 11 % |
| LSL | 13.3 | 10.6 | 25 % |
| I-Joist | 32.1 | 25.7 | 25 % |
| OSB - commodity | 2.8 | 1.1 | 155 % |
| OSB - value add | 4.1 | 2.9 | 41 % |
| Plywood | 7.6 | 4.8 | 58 % |
| Other | 4.2 | 4.0 | 5 % |
| Total | \$100.7 | \$82.1 | 23 % |

Percent changes in average sales prices and unit shipments for the quarter ended March 31, 2018 compared to the quarter ended March 31, 2017 are as follows:

| | Quarter Ended March 31, 2018 versus 2017 | | | |
|---------|--|------|----------------|--|
| | Average Unit Selling Price | | Unit Shipments | |
| LVL | 9 % | 4 % | | |
| LSL | 10 % | 18 % | | |
| I-Joist | 7 % | 19 % | | |
| OSB | 14 % | 54 % | | |
| Plywood | 25 % | 30 % | | |

For the quarter ended March 31, 2018 compared to the same period in 2017, sales volumes increased across all of our product lines due to improved market demand due to increased housing starts. Net average selling prices increased due to price increases implemented across all product lines. The increase in selling prices for OSB and plywood favorably impacted operating results and Adjusted EBITDA from continuing operations by \$0.8 million for OSB and \$1.5 million for plywood for the quarter ended March 31, 2018 as compared to the same period in 2017.

For the quarter ended March 31, 2018, compared to the same period in 2017, results of operations improved due to increased sales volume, price and reductions in manufacturing costs due to higher utilization across all EWP mills.

SOUTH AMERICA

Our South America segment manufactures and distributes OSB structural panel and siding products in South America and selected export markets. This segment operates in two countries, Chile and Brazil.

Segment sales, operating income and Adjusted EBITDA from continuing operations for this segment are as follows:

| | Quarter Ended March 31, | | |
|--|-------------------------|--------|--------|
| | 2018 | 2017 | Change |
| Net sales | \$42.4 | \$37.8 | 12 % |
| Operating income | \$8.9 | \$5.1 | 75 % |
| Adjusted EBITDA from continuing operations | \$11.2 | \$7.3 | 53 % |
| Adjusted EBITDA margin | 26.4 % | 19.3 % | |

Sales in this segment by product line are as follows:

| | Quarter Ended | | |
|-------------------------|---------------|--------|--------|
| | March 31, | | |
| | 2018 | 2017 | Change |
| OSB | \$34.9 | \$30.6 | 14 % |
| SmartSide strand siding | 6.8 | 6.2 | 10 % |
| Other | 0.7 | 1.0 | (30)% |
| Total | \$42.4 | \$37.8 | 12 % |

Percent changes in average sales prices and unit shipments for the quarter ended March 31, 2018 compared to the quarter ended March 31, 2017 are as follows:

| | Quarter | |
|--|------------------|-----------|
| | Ended March 31, | |
| | 2018 versus 2017 | |
| | Average Unit | Unit |
| | Selling Price | Shipments |

OSB 25 % (8)%

Siding 8 % 1 %

OSB sales volumes decreased for the quarter ended March 31, 2018 as compare to the corresponding period in 2017 due to reduced imports from our North America operations. Sales prices for OSB increase for the quarter ended March 31, 2018 as compared to the corresponding period in 2017 due to price increases implemented in South America. Siding volume remained flat between periods with sales prices increasing due to a price increase implemented during the first quarter of 2018.

For the quarter ended March 31, 2018, compared to the same period in 2017, results of operations were higher due to increases in sales prices partially offset by increases product costs, primarily resins.

OTHER PRODUCTS

Our other products segment includes our 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 from continuing operations for this category are as follows:

| | Quarter Ended March | | |
|--|---------------------|---------|--------|
| | 31, | | |
| | 2018 | 2017 | Change |
| Net sales | \$7.9 | \$8.7 | (9)% |
| Operating losses | \$(0.9) | \$(0.2) | (350)% |
| Adjusted EBITDA from continuing operations | \$(0.4) | \$0.7 | NM |

GENERAL CORPORATE AND OTHER EXPENSE, NET

For the quarter ended March 31, 2018 compared to the same period in 2017, general corporate expenses were 2% lower due to reductions in incentive compensation expense due to changes in compensation plans and lower stock compensation expense. Partially offsetting these decreases are an increase in costs associated with corporate initiatives related to supply chain activities. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits, professional fees, insurance and other expenses for corporate functions including certain executive officers, public company costs, information technology, financial services, environmental and safety, legal, supply management, human resources and other corporate functions.

NON-OPERATING INCOME AND EXPENSE

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

| | Quarter Ended March 31, | |
|---|-------------------------------|---------|
| Dollar amounts in millions | 2018 | 2017 |
| Interest income | \$3.5 | \$1.7 |
| SERP market adjustments | (0.3) | 0.3 |
| Investment income | 3.2 | 2.0 |
| Interest expense | (5.1) | (5.2) |
| Amortization of debt charges | (0.2) | (0.2) |
| Capitalized interest | 0.9 | 0.4 |
| Interest expense, net of capitalized interest | (4.4) | (5.0) |
| Net periodic pension cost, excluding service cost | (1.2) | (1.6) |
| Foreign currency gain (loss) | (0.2) | (0.3) |
| Other non-operating items | (1.4) | (1.9) |
| Total non-operating expense | \$(2.6) | \$(4.9) |

INCOME TAXES

For the first three months of 2018, we recorded an income tax expense on continuing operations of 24% as compared to 22% in the comparable period of 2017. The primary differences between the U.S. statutory rate of 21% and the effective rate applicable to our income for the first three months of 2018 relate to state income tax, foreign tax rates and tax deductions related to stock-based compensation. For the first three months of 2017, the primary differences between the U.S. statutory rate of 35% and the effective rate applied to our continuing operations relate to foreign tax rates, changes in Canadian valuation allowances and recognition of research and development tax credits from prior years.

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, 2017 and Note 11 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 and making capital expenditures. We may also from time to time prepay or repurchase outstanding indebtedness, pay dividends 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 three months of 2018, operating activities provided \$30.7 million of cash compared to \$20.8 million during the first three months of 2017. This change was primarily related to improvements in operating results (higher OSB pricing) offset by increases in inventory and decreases in accounts payable and accrued liabilities which were partially offset by increases in accounts receivable.

INVESTING ACTIVITIES

During the first three months of 2018, cash used in investing activities was approximately \$42.6 million. Capital expenditures in the first three months of 2018 were \$43.2 million. Included in "Accounts payable" is \$10.4 million related to capital expenditures that had not yet been paid as of March 31, 2018.

During the first three months of 2017, cash used in investing activities was approximately \$25.9 million. Capital expenditures in the first three months of 2017 were \$26.1 million. Included in "Accounts payable" was \$6.9 million related to capital expenditures that had not yet been paid as of March 31, 2017.

Capital expenditures in 2018 are expected to be approximately \$200 million to \$250 million related to expansions in our siding business, growth and maintenance projects and our South American expansion.

FINANCING ACTIVITIES

During the first three months of 2018, cash used in financing activities was \$21.5 million. We used \$18.9 million to pay a cash dividend and \$5.7 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 three months of 2018, we received a grant from the Investments in Forest Industry Transformation program in Canada for \$3.1 million in connection with our conversion of the Dawson Creek OSB mill.

During the first three months of 2017, cash used in financing activities was \$5.5 million. We used \$1.2 million to repay outstanding debt in the first three months of 2017 and \$4.7 million to repurchase stock from employees in connection with income tax withholding requirements associated with our employee stock-based compensation plans.

POTENTIAL IMPAIRMENTS

We continue to review mills 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 March 31, 2018, the fair value of facilities that have not been indefinitely curtailed was in excess of their carrying value 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 \$4.2 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 March 31, 2018, 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 March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 9 – Legal and Environmental Matters” to the Notes to the financial statements contained herein is incorporated herein by reference.

Item 1A. Risk Factors.

You should be aware that the occurrence of any of the events described in this Risk Factors section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below and the matters described in “About Forward-Looking Statements.”

Our business primarily relies on North American new home construction and repair which are impacted by risks associated with fluctuations in the housing market. Downward changes in the general economy, the housing market or other business conditions could adversely affect our results of operations, cash flows and financial condition. The housing market is sensitive to changes in economic conditions and other factors, such as the level of employment, access to labor, consumer confidence, consumer income, availability of financing and interest rate levels. Adverse changes in any of these conditions generally, or in any of the markets where we operate, could decrease demand and could adversely impact our businesses by: causing consumers to delay or decrease homeownership; making consumers more price conscious resulting in a shift in demand to smaller homes; making consumers more reluctant to make investments in their existing homes; or making it more difficult to secure loans for major renovations or new home construction. Although the U.S. new home construction market is improving, demand for new homes is still recovering after the 2007-2009 U.S. economic recession and continues to remain below historical levels.

We have a high degree of product concentration in OSB. OSB accounted for about 54%, 51% and 47% of our North American sales in 2017, 2016 and 2015 and we expect OSB sales to continue to account for a substantial portion of our revenues and profits in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. Historical prices for our commodity products have been volatile, and we, like other participants in the building products industry, have limited influence over the timing and extent of price changes for our products. Commodity product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors, including the level of new residential construction activity and home repair and remodeling activity, changes in the availability and cost of mortgage financing. In this competitive environment with so many variables for which we do not control, we cannot assure you that pricing for OSB will not decline from current levels.

Intense competition in the building products industry could prevent us from increasing or sustaining our net sales and profitability. The markets for our products are highly competitive. Our competitors range from very large, fully integrated forest and building products firms to smaller firms that may manufacture only one or a few types of products. Many of our competitors have greater financial and other resources than we do, and certain of the mills operated by our competitors may be lower-cost producers than the mills operated by us.

Our results of operations may be harmed by potential shortages of raw materials and increases in raw material costs. The most significant raw material used in our operations is wood fiber. Wood fiber is subject to commodity pricing, which fluctuates on the basis of market factors over which we have no control. In addition, the cost of various types of wood fiber that we purchase in the market has at times fluctuated greatly because of governmental, economic or industry conditions, and may be affected by increased demand resulting from initiatives to increase the use of biomass materials in the production of heat, power, bio-based products and bio-fuels. In addition to wood fiber, we also use a significant quantity of various resins in our manufacturing processes. Resin product costs are influenced by changes in the prices or availability of raw materials used to produce resins, primarily petroleum products, as well as demand for

and availability of resin products. Selling prices of our products have not always increased in response to raw material cost increases. We are unable to determine to what extent, if any, we will be

able to pass any future raw material cost increases through to our customers through product price increases. Our inability to pass increased costs through to our customers could have a material adverse effect on our financial condition, results of operations and cash flows.

Many of the Canadian forestlands from which we obtain wood fiber also are subject to the constitutionally protected treaty or common-law rights of the aboriginal peoples of Canada. Most of British Columbia is not covered by treaties and, as a result, the claims of British Columbia's aboriginal peoples relating to forest resources are largely unresolved, although many aboriginal groups are actively engaged in treaty discussions with the governments of British Columbia and Canada. Final or interim resolution of claims brought by aboriginal groups are expected to result in additional restrictions on the sale or harvest of timber and may increase operating costs and affect timber supply and prices in Canada.

We mostly depend on third parties for transportation services and increases in costs and the availability of transportation could materially and adversely affect our business and operations. Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties for transportation of the products we manufacture and/or distribute as well as for delivery of our raw materials. In particular, a significant portion of the goods we manufacture and raw materials we use are transported by railroad or trucks, which are highly regulated. If any of our third-party transportation providers were to fail to deliver the goods we manufacture or distribute in a timely manner, we may be unable to sell those products at full value or at all. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at reasonable cost. Any failure of a third-party transportation provider to deliver raw materials or finished products in a timely manner could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial condition and results of operations. In addition, an increase in transportation rates or fuel surcharges could materially and adversely affect our sales and profitability.

We are subject to significant environmental regulation and environmental compliance expenditures and liabilities. Our businesses are subject to many environmental laws and regulations, particularly with respect to discharges of pollutants and other emissions on or into land, water and air, and the disposal and remediation of hazardous substances or other contaminants and the restoration and reforestation of timberlands. Compliance with these laws and regulations is a significant factor in our business. We have incurred and expect to continue to incur significant expenditures to comply with applicable environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which we are subject could become more stringent in the future. Our failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions.

Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. In addition, we occasionally evaluate various alternatives with respect to our facilities, including possible dispositions or closures. Investigations undertaken in connection with these activities may lead to discoveries of contamination that must be remediated, and closures of facilities may trigger compliance requirements that are not applicable to operating facilities. Consequently, we cannot assure you that existing or future circumstances or developments with respect to contamination will not require significant expenditures by us.

We are involved in various environmental matters, product liability and other legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties. The conduct of our business involves the use of hazardous substances and the generation of contaminants and pollutants. In addition,

the end-users of many of our products are members of the general public. We currently are or from time to time in the future may be involved in a number of environmental matters and legal proceedings, including legal proceedings involving anti-trust, warranty or non-warranty product liability claims, negligence and other claims, including claims for wrongful death, personal injury and property damage alleged to have arisen out of the use by others of our or our predecessors' products or the release by us or our predecessors of hazardous substances.

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Environmental matters and legal matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject to inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation 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. We may incur costs in respect of existing and future environmental matters and legal proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

We have not independently verified the results of third-party research or confirmed assumptions or judgments upon which it may be based, and the forecasted and other forward-looking information contained therein is subject to inherent uncertainties. We refer in this report and other documents that we file with the SEC to historical, forecasted and other forward-looking information published by sources such as RISI (Resource Information Systems, Inc.), FEA (Forest Economic Advisors, LLC), Random Lengths and the U.S. Census Bureau that we believe to be reliable. However, we have not independently verified this information and, with respect to the forecasted and forward-looking information, have not independently confirmed the assumptions and judgments upon which it is based. Forecasted and other forward looking information is necessarily based on assumptions regarding future occurrences, events, conditions and circumstances and subjective judgments relating to various matters, and is subject to inherent uncertainties. Actual results may differ materially from the results expressed or implied by, or based upon, such forecasted and forward-looking information.

Cyber security risks related to the technology used in our operations and other business processes, as well as security breaches of company, customer, employee, and vendor information, could adversely affect our business. We rely on various information technology systems to capture, process, store, and report data and interact with customers, vendors, and employees. Despite careful security and controls design, implementation, updating, and internal and independent third-party assessments, our information technology systems, and those of our third-party providers, could become subject to cyber-attacks. Network, system, and data breaches could result in misappropriation of sensitive data or operational disruptions, including interruption to systems availability and denial of access to and misuse of applications required by our customers to conduct business with us. In addition, hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the systems. Misuse of internal applications; theft of intellectual property, trade secrets, or other corporate assets; and inappropriate disclosure of confidential information could stem from such incidents. A security failure of that technology could impact our ability to operate our businesses effectively, adversely affect our reported financial results, impact our reputation and expose us to potential liability or litigation.

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

On October 31, 2014, LP's Board of Directors authorized LP to repurchase up to \$100 million of LP's common stock. Repurchases 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. The authorization does not obligate LP to repurchase any particular amount of common stock and may be suspended or discontinued at any time without notice. As of May 7, 2018, no purchases have occurred under this authorization.

Item 3. Defaults Upon Senior Securities.

None.

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Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

LP held its annual meeting on May 4, 2018, at which the stockholders of LP voted on the following:

The election of two directors, the ratification of the selection of LP's outside independent auditor for 2018 and an advisory vote to approve named executive officer compensation.

The voting with respect to each of these matters was as follows:

1. Election of Directors

| | For | Withheld | Broker Non-Votes |
|---------------------|-------------|-----------|---------------------|
| Ozey K. Horton, Jr. | 116,598,899 | 3,485,431 | 10,424,200 |
| W. Bradley Southern | 119,280,484 | 814,585 | 10,424,200 |

| | For | Against | Abstain |
|--|-------------|-----------|---------|
| 2. Ratification of LP's outside independent auditor for 2018 | 129,268,921 | 1,197,446 | 108,639 |

| | For | Against | Abstain |
|--|-------------|-----------|---------|
| 3. Advisory vote to approve named executive officer compensation | 110,965,525 | 8,865,754 | 319,527 |

Item 6. Exhibits.

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.

100.INS XBRL Instance Document

100.SCHXBRL Taxonomy Extension Schema Document

100.CALXBRL Taxonomy Extension Calculation Linkbase Document

100.DEF XBRL Taxonomy Extension Definition Linkbase Document

100.LABXBRL Taxonomy Extension Label Linkbase Document

100.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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: May 7, 2018 BY: /S/ W. BRADLEY SOUTHERN
W. Bradley Southern
Chief Executive Officer

Date: May 7, 2018 BY: /S/ SALLIE B. BAILEY
Sallie B. Bailey
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)