

July 29, 2011

To our Shareholders,

Norbord's second quarter EBITDA result of \$10 million reflects both the continuing strong performance of our European operations and ongoing benefits from our expanded Margin Improvement Program (MIP). While I am pleased the EBITDA result was positive, persistent weaker-than-expected OSB pricing in North America created a challenging operating quarter for the Company.

In North America, disappointing housing starts and supply chain inventory reductions impacted demand and resulted in softer OSB prices in what usually is a seasonally strong quarter. North Central benchmark OSB prices averaged \$173/Msf in the second quarter, a significant drop from the exceptional pricing environment of the same period last year when prices averaged \$295. Fortunately, our diversified customer base continues to provide options for Norbord as orders from our home improvement, industrial and export customers all grew once again this quarter.

Europe is a much more positive story. Our European panels business performed well again this quarter, generating a first half EBITDA result that is almost double last year's. Shipments were 10% higher this quarter and prices for all panel products were 12-15% stronger year-over-year. Our UK-based mills continue to benefit from the weak Pound Sterling versus the Euro that both limits competing panel imports and allows us to expand exports to the Continent. This opportunity has been particularly timely and has effectively offset a slowdown in non-construction panel sales in the UK.

US housing continues to bounce along at cyclical lows without any immediate sign of improvement. Housing starts have decreased 5% year-over-year and economists are now predicting 2011 numbers to be in the 550,000 to 600,000 range. Persistent high unemployment, declining housing prices, foreclosures and tighter mortgage lending continue to be a drag on the market. Until these structural impediments are worked through, any turnaround in new home construction will be limited.

However, good things are happening at Norbord. Our MIP initiatives are expected to generate more than \$30 million in improvements this year. Almost one-half of this ambitious target will come from the successful conversion to a new resin technology that we started implementing in mid-2010. We are already seeing improved quarter-over-quarter manufacturing costs and a step change in daily production rates across all our North American OSB mills. We also continue to find opportunities to direct sales away from new home construction and to new customers in the home repair and remodeling and industrial market segments.

Our European mills continue to run at full capacity and panel shipments are up 20% year-to-date compared to last year. A significant upgrade to our European particleboard facility in Scotland was completed on time and on budget in June. We've had an excellent start-up and although it is still early days, the line is delivering material usage reductions and line speed improvements beyond our expectations. These early results suggest that this project will easily exceed the justification criteria set out when it was approved.

Looking ahead to the third quarter, I have a couple of concerns. First, I am becoming increasingly cautious about any potential for improved North American OSB prices in the near term. Although we have strong order files heading into Q3, the OSB market is likely to remain challenging in the face of unbalanced supply and the lagging pace of single family home construction. Second, discretionary consumer spending in the UK has dropped sharply and is now affecting our do-it-yourself kitchen sales. In response, we are moving quickly to reconfigure our South Molton manufacturing site to reduce overhead costs and balance production in light of what I believe is a structural change in demand for this product.

While we face obvious short-term headwinds, I am still positive about the long-term outlook for our business. New and innovative margin improvement initiatives are delivering gains that will continue to offset increases in raw material prices. Inventory levels remain low and operating working capital will remain tightly managed, as always. We have over \$300 million in liquidity and debt markets continue to be open for business. Things will get better, the long-term fundamentals supporting a more robust housing market are favourable and Norbord will perform well alongside any meaningful housing recovery.

I look forward to reporting on our progress next quarter.



This letter includes forward-looking statements, as defined by applicable securities legislation including statements related to our strategy, projects, plans, margin improvements, future financial or operating performance and other statements that express management's expectations or estimates of future performance. Often, but not always, forward-looking statements can be identified by the use of words such as "believe," "should," "expect," "suggest," "likely," "would," or variations of such words and phrases or statements that certain actions "may," "could," "must," "would," "might," or "will" be undertaken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Norbord to be materially different from any future results, performance or achievement expressed or implied by the forward-looking statements. See the cautionary language in the Forward-Looking Statements section of the 2010 Management's Discussion and Analysis dated January 28, 2011 and Q2 2011 Management's Discussion and Analysis dated July 29, 2011.

News Release

NORBORD REPORTS SECOND QUARTER 2011 RESULTS

Note: Financial references in US dollars unless otherwise indicated. All prior period comparative figures have been restated for IFRS.

Q2 2011 HIGHLIGHTS

- **Achieved positive EBITDA of \$10 million**
- **European operations generated positive EBITDA for 10th consecutive quarter**
- **North American OSB production costs declined 4% vs. the prior quarter due to improved productivity and raw material usages**
- **Cordele, Georgia recognized by APA as the industry's safest large mill for 2nd consecutive year**
- **Cowie, Scotland first European mill to achieve Norbord Safety Star certification**

TORONTO, ON (July 29, 2011) – Norbord Inc. (TSX: NBD, NBD.WT) today reported positive EBITDA of \$10 million in the second quarter of 2011 compared to \$14 million in the first quarter of 2011 and \$72 million in the second quarter of 2010. North American operations generated break-even EBITDA this quarter versus \$7 million in the prior quarter and \$64 million in the same quarter last year. European operations generated EBITDA of \$13 million this quarter versus \$11 million in the prior quarter and \$10 million in the same quarter last year.

Norbord recorded earnings of \$1 million or \$0.03 per share in the second quarter of 2011 compared to a loss of \$2 million or \$0.05 per share in the first quarter of 2011 and earnings of \$33 million or \$0.76 per share in the second quarter of 2010. Earnings in the second quarter of 2011 include a \$7 million or \$0.16 per share income tax recovery due to the recognition of a non-recurring income tax benefit.

“I am pleased with our positive EBITDA result in the second quarter, despite declining new home construction activity in the US and fragile North American OSB prices,” said Barrie Shingleton, President and CEO. “Our European mills ran exceptionally well this quarter and generated positive EBITDA for the tenth consecutive quarter. European panel markets remain strong and our UK-based business continues to benefit from a currency advantage that supports both domestic and export sales volume. In North America, OSB cash production costs are declining due to improved productivity and lower raw material usages, all the direct result of our Margin Improvement Program initiatives.”

“I expect our European business to continue to deliver solid results for the remainder of the year. And while I am cautious about North American OSB prices in the face of declining US housing numbers in the second quarter, I am confident that Norbord's diversified customer base and limited exposure to new home construction will minimize the impact of this uncertain pricing environment.”

Market Conditions

In North America, new home construction activity has continued to decline with housing starts 5% lower year-to-date compared to last year. More importantly for the OSB industry, single family housing starts are down 17% versus last year. North American OSB prices in the second quarter were significantly lower than the same quarter last year as the exceptional pricing environment of last year did not repeat

itself. Benchmark OSB prices were also lower than the prior quarter as the typical seasonal price increase did not materialize. North Central benchmark OSB prices averaged \$173 per thousand square feet (Msf) (7/16-inch basis) this quarter compared to \$198 per Msf in the prior quarter and \$295 per Msf in the same quarter last year. Expert forecasts for US housing starts in 2011 are being revised down and now range from 0.55 and 0.60 million, even lower than last year and well below the 25-year historical average of 1.5 million.

In Europe, panel markets continued to show strength and producers continued to increase prices to recover rising input costs. Quarter-over-quarter, average particleboard, MDF and OSB prices increased by approximately 12%, 8% and 6%, respectively. Year-over-year and year-to-date, average OSB, particleboard and MDF prices increased by an average of 15%.

Performance

In North America, year-to-date OSB shipment volumes were consistent with the prior year despite curtailing 10% more capacity this year. Norbord's operating OSB mills continued to run at approximately 85% of their capacity this quarter. Including the two indefinitely closed mills, the North American operations ran at approximately 65% of estimated capacity in the first and second quarters of 2011 compared to 75% in the second quarter of 2010.

Norbord's North American OSB cash production costs per unit decreased by 4% versus the prior quarter and 1% versus the same quarter last year. Higher productivity and lower raw material usages more than offset higher resin prices.

In Europe, panel shipment volume remained consistent with the prior quarter, but is up approximately 20% year-to-date compared to last year. Norbord's European mills ran full out except for three weeks of downtime related to the Cowie, Scotland particleboard mill upgrade. The European mills produced at approximately 105% of estimated capacity in the first and second quarters of 2011, or 115% excluding the Cowie project downtime. This compares to 100% in the second quarter of 2010. The European EBITDA improvement year-to-date was driven by higher panel prices and shipment volumes and lower raw material usages, which outpaced higher raw material prices.

Norbord's Margin Improvement Program (MIP) has realized \$12 million in net gains year-to-date. MIP contributions include improved production efficiencies and raw material usages as well as a richer sales mix and reduced overhead costs. These savings have helped offset the negative impact of higher raw material input prices, higher maintenance costs and weaker North American OSB prices.

Capital investments totaled \$4 million in the second quarter of 2011 compared to \$8 million in the prior quarter and \$5 million in the second quarter of 2010. Norbord's total 2011 capital investment is expected to be \$25 million, which is modestly higher than last year. This includes the Cowie particleboard mill upgrade that was completed on time and on budget during the second quarter, and will provide improved operating flexibility and reduced manufacturing costs. The line restarted successfully and is already exceeding project expectations.

The Company's operating working capital was consistent with the prior year. Finished goods inventory remains at minimal levels and accounts receivable performance is in line with prior periods. The Company's tangible net worth for financial covenant purposes was \$352 million and net debt to total capitalization on a book basis was 51%.

Additional Information

Norbord's Q2 2011 letter to shareholders, news release, management's discussion & analysis, consolidated unaudited financial statements and notes to the financial statements have been filed on SEDAR (www.sedar.com) and are available in the investor section of the Company's website at www.norbord.com. Shareholders are encouraged to read this material.

Conference Call

Norbord will hold a conference call for analysts and institutional investors on Friday, July 29, 2011 at 1:00 p.m. ET. The call will be broadcast live over the Internet via www.norbord.com and www.newswire.ca. A replay number will be available approximately one hour after completion of the call and will be accessible until August 29, 2011 by dialing 1-888-203-1112 or 647-436-0148. The passcode is 2274397. Audio playback and a written transcript will be available on the Norbord website.

Norbord Profile

Norbord Inc. is an international producer of wood-based panels with assets of \$1 billion, employing approximately 2,030 people at 13 plant locations in the United States, Europe and Canada. Norbord is one of the world's largest producers of oriented strand board (OSB). In addition to OSB, Norbord manufactures particleboard, medium density fibreboard (MDF) and related value-added products. Norbord is a publicly traded company listed on the Toronto Stock Exchange under the symbols NBD and NBD.WT.

-end-

Contact:

Heather Colpitts
Manager, Corporate Affairs
Tel. (416) 365-0705
info@norbord.com

This news release contains forward-looking statements, as defined in applicable legislation, including statements related to our strategy, projects, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance. Often, but not always, words such as "expect," "should," "will," "will not," "forecasts," "suggest," "expects," "confident," "may," and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Norbord to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Although Norbord believes it has a reasonable basis for making these forward-looking statements, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: general economic conditions; risks inherent with product concentration; effects of competition and product pricing pressures; risks inherent with customer dependence; effects of variations in the price and availability of manufacturing inputs; risks inherent with a capital intensive industry; and other risks and factors described from time to time in filings with Canadian securities regulatory authorities.

Except as required by applicable laws, Norbord does not undertake to update any forward-looking statements, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information. See the "Caution Regarding Forward-Looking Information" statement in the March 1, 2010 Annual Information Form and the cautionary statement contained in the "Forward-Looking Statements" section of the 2010 Management's Discussion and Analysis dated January 28, 2011 and Q2 2011 Management's Discussion and Analysis dated July 29, 2011.

JULY 29, 2011

Management's Discussion and Analysis

INTRODUCTION

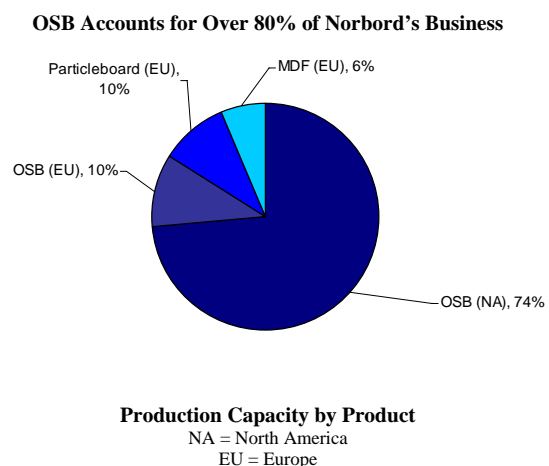
The Management's Discussion and Analysis (MD&A) provides a review of the significant developments that impacted Norbord's performance during the period. The information in this section should be read in conjunction with the financial statements, which follow this MD&A. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Effective January 1, 2011, Norbord adopted IFRS as the Company's basis of financial reporting commencing with the interim financial statements for the three months ended April 2, 2011 and using January 1, 2010 as the transition date. Except where otherwise noted, all prior period comparative figures have been restated for IFRS. Additional information on Norbord, including documents publicly filed by the Company, is available on the Company's website at www.norbord.com or the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. All financial references in the MD&A are stated in US dollars, unless otherwise noted.

Some of the statements included or incorporated by reference in this MD&A constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on various assumptions and are subject to various risks. See the cautionary statement contained in the Forward-Looking Statements section.

EBITDA, operating working capital, total working capital, capital employed, ROCE, ROE, net debt, tangible net worth, net debt to capitalization, book basis and net debt to capitalization, market basis are non-IFRS financial measures described in the Non-IFRS Financial Measures section. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Where appropriate, a quantitative reconciliation of the non-IFRS financial measure to the most directly comparable IFRS measure is also provided.

BUSINESS OVERVIEW & STRATEGY

Norbord is an international producer of wood-based panels with 13 plant locations in the United States, Europe, and Canada. Norbord is one of the world's largest producers of oriented strand board (OSB) with an annual capacity of 5.0 billion square feet (3/8-inch basis). The core assets of Norbord's OSB business are located in the South East region of the US. The Company is also a significant producer of wood-based panels in the United Kingdom. The geographical breakdown of panel production capacity is 74% North America and 26% Europe. Norbord's business strategy is focused entirely on the wood panels sector – in particular OSB – in North America and Europe.



Norbord's financial goal is to achieve top quartile return on equity (ROE) and cash return on capital employed (ROCE) among North American forest products companies. As Norbord operates in a cyclical commodity business, Norbord interprets its financial goals over the cycle.

Protecting the balance sheet is an important element of Norbord's financing strategy. Management believes that its record of superior operational performance and prudent balance sheet management should enable it to access public and private capital markets, subject to financial market conditions. At period end, Norbord had unutilized liquidity of \$337 million, comprised of \$260 million in revolving bank lines, and \$77 million in cash and cash equivalents.

SUMMARY

Norbord continues to generate positive EBITDA primarily attributed to geographic diversification. New home construction activity in the United States continues to decline and North American benchmark OSB prices remain fragile. On the other hand, European panel markets remain robust. Norbord's European operations generated positive EBITDA for the tenth consecutive quarter. The Company's relative currency advantage as a UK-based manufacturer is supporting both domestic and export sales volume. Year-to-date European panel sales volume increased by approximately 20% compared to the prior year. Norbord's European mills ran exceptionally well this quarter and benefitted from production efficiency improvements. Higher European panel prices, shipment volumes, and improved raw material usages more than offset the impact of higher key input prices. In North America, OSB cash production costs declined as a result of improved productivity and usages attributed to operational initiatives undertaken as part of the Margin Improvement Program. Year-to-date OSB production and shipment volumes remained relatively consistent with 2010 despite curtailing 10% more capacity this year. Norbord's operating North American OSB mills ran at approximately 85% of capacity compared to 95% in the prior year.

Norbord recorded earnings of \$1 million in the second quarter of 2011 (\$0.03 per share) compared to a loss of \$2 million in the first quarter of 2011 (\$0.05 per share) and earnings of \$33 million in the second quarter of 2010 (\$0.76 per share). Year-to-date, the Company recorded a loss of \$1 million (\$0.02 per share) compared to earnings of \$26 million (\$0.60 per share) in the prior year. Year-over-year earnings decreased primarily due to significantly lower North American OSB prices. Average North Central OSB benchmark prices in the second quarter were \$122 per Msf (7/16-inch basis) lower than the same quarter last year when the expiry of the US Home Buyer Tax Credit pulled housing demand forward and outstripped the ability of OSB producers and distributors to supply product to the market.

Housing market activity, particularly in the US, influences OSB demand and pricing. Fluctuation in North American OSB demand and prices significantly affect Norbord's results. North Central benchmark OSB prices averaged \$173 per Msf in the second quarter compared to \$198 per Msf in the first quarter of 2011 and \$295 per Msf in the second quarter of 2010. Management believes a sustainable upward trend in OSB prices is unlikely until a meaningful recovery of the US housing market takes hold. However, only 40% of Norbord's North American OSB sales volume goes directly into the new home construction sector. The other 60% goes into repair and remodeling, light commercial construction and industrial applications, leaving the Company less exposed to the more volatile new home construction segment. On the cost side, fluctuations in raw material input prices significantly impact operating costs. Management expects modest upward pressure on global resin prices and moderately declining fibre prices in North America to continue for the remainder of the year.

The long term fundamentals that support North American housing and OSB demand such as immigration and new household formation are predicted to be strong. Norbord's European operations are exposed to different market dynamics relative to the North American operations and this has provided meaningful market and geographic diversification for the Company. Combined with Norbord's strong financial liquidity and solid customer partnerships, the Company is well positioned for the eventual recovery in housing markets.

RESULTS OF OPERATIONS

	Q2	Q1	Q2	6 mos	6 mos
(US \$ millions, except per share information, unless otherwise noted)	2011	2011	2010	2011	2010
Return on capital employed (ROCE)	5%	6%	32%	6%	18%
Return on equity (ROE)	2%	-2%	41%	0%	16%
Earnings	1	(2)	33	(1)	26
Earnings per share: - basic	0.03	(0.05)	0.76	(0.02)	0.60
- diluted	0.03	(0.05)	0.72	(0.02)	0.56
Sales ¹	241	253	296	494	493
EBITDA	10	14	72	24	80
Depreciation	13	14	14	27	25
Investment in property, plant and equipment	4	8	5	12	6
Shipments (MMsf-38")					
North America	721	721	827	1,442	1,450
Europe	380	376	345	756	637
Indicative Average OSB Price					
North Central (\$/Msf-7/16")	173	198	295	186	253
South East (\$/Msf-7/16")	162	177	277	170	237
Europe (€/m ³) ²	256	248	242	252	226

¹ Outbound freight costs are no longer netted against sales; restated as a result of the adoption of IFRS.

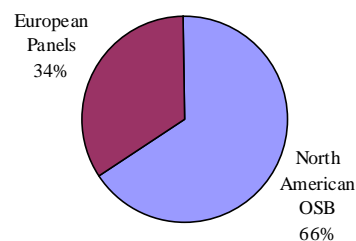
² European indicative average OSB price represents the delivered price to the largest Continental market; restated as a result of the adoption of IFRS.

Sales in the quarter were \$241 million, compared to \$253 million in the previous quarter and \$296 million in the second quarter of 2010. Year-to-date, sales remained relatively flat compared to 2010 as higher European panel prices and shipment volumes and more fiscal days in the first quarter of 2011 offset the impact of lower North American OSB prices. Quarter-over-quarter, sales decreased by 5% due to lower North American OSB prices which were partially offset by higher European panel prices. Shipment volumes in both North America and Europe were relatively consistent. Year-over-year, sales decreased by 19% due to lower North American OSB prices and shipment volumes which were partially offset by higher European panel prices and shipment volumes.

Earnings in the second quarter of 2011 include a \$7 million (\$0.16 per share) income tax recovery due to the recognition of a non-recurring income tax benefit. Earnings in the first quarter of 2011 included a \$5 million (\$0.11 per share) non-recurring income tax recovery due to the favorable resolution of a tax authority audit previously provided for in the Company's deferred income tax provision.

Markets

North America is the principal market destination for Norbord's products. North American OSB comprises 66% of Norbord's panel shipments by volume. Therefore, results of operations are most affected by volatility in North American OSB prices and demand. Europe comprises 34% of shipments by volume. European panel prices are less volatile than North American prices and therefore, affect Norbord's results to a lesser degree.

Norbord Focused on North American OSB Market
Panel Shipment Volume by Market


In North America, new home construction activity has continued to decline with housing starts 5% lower year-to-date compared to last year. More importantly for the OSB industry, single family housing starts are down 17% versus last year. North American OSB benchmark prices in the second quarter were significantly lower than the same quarter last year when the expiry of the US Home Buyer Tax Credit pulled housing demand forward and outstripped the ability of OSB producers and distributors to supply product to the market. OSB prices in the second quarter were lower than the prior quarter as housing demand continued to soften and the typical seasonal price increase did not materialize. North Central benchmark OSB prices averaged \$173 per Msf in the second quarter compared to \$198 per Msf in the prior quarter and \$295 per Msf during the same quarter last year. In the South East region, where approximately 55% of Norbord's North American capacity is located, prices averaged \$162 per Msf in the second quarter, a \$15 decrease from the prior quarter and a \$115 per Msf decrease from the same quarter last year.

Expert forecasts for US housing starts in 2011 are being revised down and now range from 0.55 million to 0.60 million, even lower than last year and well below the 25-year historical annualized average of 1.5 million. It is important to note that only about 40% of Norbord's North American OSB sales volume goes directly into the new home construction sector, while the other 60% goes into repair and remodeling, light commercial construction and industrial applications. Management believes that this limits the Company's relative exposure to the new home construction segment and provides meaningful distribution channel benefits.

In Europe, panel markets continued to show strength and producers increased prices to reflect rising input costs. In the quarter, panel prices increased compared to both the prior quarter and same quarter last year. Quarter-over-quarter, average particleboard, MDF, and OSB prices increased by approximately 12%, 8%, and 6%, respectively. Year-over-year, average OSB, particleboard, and MDF prices increased by an average of 15%.

Historically, the UK has been a net importer of panel products. The weak Pound relative to the Euro has been advantageous to Norbord's primarily UK-based operations as it has improved sales opportunities within the UK and slowed the flow of Continental European imports. This currency trend also supports Norbord's expanding export program into the Continent.

Operating Results

	Q2		Q1	Q2	6 mos	6 mos
EBITDA (US \$ millions)	2011	2011	2011	2010	2011	2010
North America	\$ -	\$ 7	\$ 64	\$ 7	\$ 72	
Europe	13	11	10	24	14	
Unallocated	(3)	(4)	(2)	(7)	(6)	
Total	\$ 10	\$ 14	\$ 72	\$ 24	\$ 80	

Norbord generated positive EBITDA of \$10 million in the second quarter of 2011 compared to \$72 million in the same quarter last year. Year-to-date, the Company generated positive EBITDA of \$24 million compared to \$80 million in the prior year. The benefit of higher European panel prices and shipment volumes and lower raw material usages in both North America and Europe was offset by the significantly lower North American OSB benchmark prices and higher European raw material prices.

Quarter-over-quarter, Norbord generated positive EBITDA of \$10 million in the second quarter of 2011 compared to \$14 million in the first quarter of 2011. The benefit of higher European panel prices and lower raw material usages in both North America and Europe was offset by lower North American OSB benchmark prices and lower European shipment volume of the Company's furniture products.

Major components of the change in EBITDA versus comparative periods are summarized in the variance table below:

	Q2 2011		Q2 2011		6 mos 2011
	vs.		vs.		vs.
EBITDA variance (US \$ millions)	Q1 2011		Q2 2010		6 mos 2010
EBITDA – current period	\$	10	\$	10	\$ 24
EBITDA – comparative period		14		72	80
Variance	\$	(4)	\$	(62)	\$ (56)
Mill nets ¹	\$	(5)	\$	(43)	\$ (40)
Volume ²		(3)		(10)	8
Key input prices ³		(2)		(12)	(21)
Key input usage ³		5		4	8
Other ⁴		1		(1)	(11)
Total	\$	(4)	\$	(62)	\$ (56)

¹ The mill nets variance represents the change in realized pricing across all products. Mill nets are calculated as sales divided by shipment volume.

² The volume variance represents the impact of shipment volume changes across all products.

³ The key inputs include fibre, resin, and energy.

⁴ The other category covers all remaining variances including labour and benefits, supplies and maintenance, and the impact of foreign exchange.

North America

North American operations generated break-even EBITDA in the second quarter of 2011 versus \$64 million in the second quarter of 2010. Year-to-date, North American operations generated EBITDA of \$7 million in 2011 versus \$72 million in 2010. Lower OSB prices and shipment volumes were only partially offset by the benefit of lower resin and fibre usages. Average North Central OSB benchmark prices in the second quarter decreased by 41% or \$122 per Msf versus the same quarter last year. Year-to-date, average North Central OSB benchmark prices decreased by 26% or \$67 per Msf versus the prior year. Norbord's North American OSB cash production costs per unit decreased by 1% versus the same quarter last year. The benefit of lower resin and fibre usages, lower profit sharing costs as a result of lower earnings, and lower overhead costs more than offset the negative impact of higher resin and energy prices, higher labour and maintenance costs and the stronger Canadian dollar.

Quarter-over-quarter, North American operations generated break-even EBITDA in the second quarter of 2011 versus \$7 million in the first quarter of 2011. Lower OSB prices and higher resin prices were only partially offset by lower resin, fibre, and energy usages. Average North Central OSB benchmark prices in the second quarter decreased by 13% or \$25 per Msf versus the prior quarter. Norbord's North American OSB cash production costs per unit decreased 4% from the prior quarter primarily due to lower resin, fibre, and energy usages, and lower maintenance and overhead costs. This was only partially offset by higher resin prices and the stronger Canadian dollar. The lower raw material usages are primarily attributed to operational initiatives under the Company's Margin Improvement Program.

US housing starts remain at cycle bottom levels. Until a meaningful US housing market recovery takes hold, Norbord expects to continue curtailing production to conserve cash, manage inventory levels, and maximize operating results. Norbord's North American OSB mills continued to run at approximately 65% of estimated capacity in the first and second quarters of 2011 compared to 75% in the second quarter of 2010. In the first quarter of 2009, Norbord indefinitely shut OSB mills in Huguley, Alabama and Jefferson, Texas to contain costs and manage operating working capital. The two mills represent approximately 20% of Norbord's annual OSB production capacity in North America. Subject to market conditions, Norbord does not expect to restart these two mills this year. Excluding these two mills, Norbord ran at approximately 85% of capacity in the second quarter.

Europe

European operations generated EBITDA of \$13 million in the second quarter of 2011 versus \$10 million in the second quarter of 2010, a year-over-year improvement of \$3 million. Year-to-date, European operations generated EBITDA of \$24 million in 2011 versus \$14 million in 2010, an improvement of \$10 million. Higher panel prices and shipment volumes and lower resin and fibre usages more than offset the impact of higher resin, fibre and energy prices. The lower raw material usages are primarily attributed to operational initiatives under the Company's Margin Improvement Program. Panel prices increased, on average, 15% for year-over-year and year-to-date. Panel markets remained robust, supporting an increase in year-to-date shipment volume of approximately 20% compared to last year.

Quarter-over-quarter, European operations generated EBITDA of \$13 million in the second quarter of 2011 versus \$11 million in the first quarter of 2011. Higher panel prices and lower fibre and energy usages were only partially offset by lower shipment volume on the Company's furniture business segment. Panel prices for particleboard, MDF and OSB increased, on average, by 8% quarter-over-quarter and shipment volumes remained relatively consistent.

Norbord's European mills produced at approximately 105% of estimated capacity in the first and second quarters of 2011 and 100% in the second quarter of 2010. Excluding the impact of downtime related to the capital project at the Company's particleboard mill in Cowie, Scotland, which started in the first quarter of 2011 and was completed in the second quarter of 2011, European mills produced at 115% of capacity in both quarters. The project provides added operating flexibility, a broader product mix, product quality improvements, and lower manufacturing costs. Start-up went extremely well and project return on investment should meet or exceed expectations.

Margin Improvement Program

Margin improvement represents the Company's single most important operating focus in these challenging markets. The prices of resin, fibre, and energy, which account for approximately 65% of Norbord's OSB production costs, are determined by economic and market conditions and are, to a large degree, uncontrollable. These costs increased sharply over the five-year period preceding 2009 and resin prices, in particular, have risen in the past several quarters. Realized Margin Improvement Program gains of \$12 million year-to-date, measured relative to 2010 at constant prices and exchange rates, limited the impact that higher raw material prices had on year-to-date earnings. Contributions to the Margin Improvement Program included a richer added-value product mix, improved production efficiencies, and key input usage reduction initiatives. In addition, cost-reduction initiatives undertaken on controllable and discretionary expenses resulted in lower selling, general and administrative costs.

INTEREST, DEPRECIATION AND INCOME TAX

	Q2		Q1		Q2		6 mos	
(US \$ millions)	2011		2011		2010		2011	
Interest expense	\$	8	\$	8	\$	9	\$	16
Depreciation		13		14		14		27
Income tax (recovery) expense		(12)		(6)		16		(18)
								17
								25
								12

Depreciation

The Company uses the units of production depreciation method for its production equipment. The fluctuation in quarterly depreciation expense reflects relative changes in production levels by mill.

Income Tax

An income tax recovery of \$12 million was recorded on a pre-tax loss of \$11 million in the second quarter of 2011. Year-to-date, an income tax recovery of \$18 million was recorded on a pre-tax loss of \$19 million. The effective tax rate differs from the statutory rate principally due to rate differences on foreign activities and fluctuations in relative currency values. In addition, the income tax recovery includes \$7 million (\$0.16 per share) due to the recognition of a

non-recurring income tax benefit in the second quarter of 2011, and a \$5 million (\$0.11 per share) reversal of a deferred income tax provision due to the favorable resolution of a tax authority audit during the first quarter of 2011.

LIQUIDITY AND CAPITAL RESOURCES

	Q2	Q1	Q2	6 mos	6 mos
(US \$ millions, except per share information, unless otherwise noted)	2011	2011	2010	2011	2010
Cash provided by (used for) operating activities	\$ 3	\$ (33)	\$ 70	\$ (30)	\$ 80
Cash provided by (used for) operating activities per share	0.05	(0.76)	1.61	(0.71)	1.84
Operating working capital	52	51	56		
Total working capital	133	139	132		
Investment in property, plant and equipment	4	8	5	12	6
Net debt to capitalization, market basis ¹	39%	37%	37%		
Net debt to capitalization, book basis ¹	51%	51%	51%		

¹ The measures for Q2-2010 have not been restated for IFRS and are the originally disclosed measure under Canadian GAAP.

At period end, the Company had unutilized liquidity of \$337 million consisting of cash and cash equivalents of \$77 million and unutilized revolving bank lines of \$260 million. Of the total \$270 million of bank lines, \$10 million was utilized for letters of credit and \$260 million was available to support short-term liquidity requirements.

Revolving Bank Lines

The Company has committed revolving bank lines of \$270 million which mature in May 2014 and bear interest at money market rates plus a margin that varies with the Company's credit rating. The bank lines are secured by a first lien on the Company's North American OSB inventory and property, plant and equipment. This lien is shared *pari passu* with holders of the 2012 debentures and 2017 senior notes.

The bank lines contain two quarterly financial covenants: minimum tangible net worth of \$250 million and maximum net debt to total capitalization, book basis, of 60%. Net debt for financial covenant purposes includes total debt (excluding cash proceeds from the accounts receivable securitization program) less cash and cash equivalents plus letters of credit issued. As at period end, the Company's tangible net worth was \$352 million for financial covenant purposes and net debt for financial covenant purposes was \$373 million. Net debt to total capitalization, book basis, was 51%.

Accounts Receivable Securitization Program

The Company has an \$85 million accounts receivable securitization program to sell its receivables to a third-party trust, sponsored by a highly rated Canadian financial institution. The program has an evergreen commitment that is subject to termination on 12 months' notice. Under the program, Norbord has transferred substantially all of its trade accounts receivable to the trust, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. At period end, Norbord recorded cash proceeds of \$69 million relating to this program.

The securitization program contains no financial covenants; however, the program is subject to minimum credit-rating requirements. The Company must maintain a long-term issuer credit rating of at least single B (mid) or the equivalent. As at July 29, 2011, Norbord's ratings were BB (low) (DBRS), BB- (Standard & Poor's) and Ba3 (Moody's). All three rating agencies have a stable outlook on the Company's ratings.

Other Liquidity and Capital Resources

Operating working capital, consisting of accounts receivable and inventory less accounts payable and accrued liabilities, was \$52 million at period-end compared to \$51 million in the prior quarter and \$56 million in the prior year. Quarter-over-quarter, operating working capital was relatively consistent as lower accounts receivable and inventory were offset by lower accounts payable. Lower accounts receivable is attributed to timing of sales and collections.

Lower inventory and trade accounts payable is the result of the drawdown of the first quarter seasonal log inventory build in North America and Europe.

Year-over-year, operating working capital was relatively consistent as higher European inventory was offset by higher trade accounts payable and lower North American receivables. Interest payable, which is included in trade accounts payable, is lower compared to the second quarter of 2010 as the Company had a bond coupon payment on July 1st which fell within the second quarter in 2011 instead of the third quarter. In 2011, the second quarter ended on July 2nd.

The Company aims to continuously minimize the amount of capital held as operating working capital and takes actions to manage it at minimal levels. In addition, despite the current economic environment Norbord's accounts receivable performance metrics remain in line with prior periods.

Total working capital, which includes operating working capital plus cash and cash equivalents and income tax receivable, was \$133 million at the end of the second quarter of 2011 compared to \$139 million in the prior quarter and \$132 million in the comparable prior year quarter. Total working capital was relatively consistent with the comparative quarters.

Operating activities generated \$3 million in cash (\$0.05 per share) in the second quarter of 2011 and consumed \$30 million (\$0.71 per share) year-to-date, primarily as a result of EBITDA results and the first quarter seasonal increase in operating working capital. In the prior quarter, operating activities consumed \$33 million in cash (\$0.76 per share) as a result of the seasonal increase in operating working capital.

In the prior year, operating activities generated \$70 million in cash (\$1.61 per share) in the second quarter of 2010, and \$80 million (\$1.84 per share) year-to-date primarily due to strong second quarter EBITDA results which contributed to the generation of cash and the receipt of an income tax refund of \$57 million in the first quarter.

INVESTMENTS AND DIVESTITURES

Investment in Property, Plant and Equipment

Investment in property, plant and equipment was \$4 million in the second quarter of 2011 compared to \$8 million in the prior quarter and \$5 million in the second quarter of 2010. Year-to-date, investment in property, plant and equipment was \$12 million in 2011 compared to \$6 million in 2010. The increase versus last year is due to the completion of the Company's infrastructure investment program at the Cowie, Scotland particleboard mill. Norbord's total investment in property, plant and equipment is expected to be modestly higher than last year at \$25 million in 2011, unless market conditions warrant investments at a different level.

SELECTED QUARTERLY INFORMATION

(US \$ millions, except per share information, unless otherwise noted)	2011				2010		2009 ¹	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
KEY PERFORMANCE METRICS								
Return on capital employed (ROCE)	5%	6%	6%	6%	32%	4%	3%	5%
Return on equity (ROE)	2%	-2%	-10%	-5%	41%	-9%	-12%	-8%
Cash provided by (used for) operating activities	3	(33)	41	9	70	10	16	15
Cash provided by (used for) operating activities per share	0.05	(0.76)	0.94	0.21	1.61	0.23	0.37	0.35
SALES AND EARNINGS								
Sales ²	241	253	240	229	296	197	196	192
EBITDA	10	14	14	13	72	8	6	10
Earnings	1	(2)	(9)	(4)	33	(7)	(11)	(7)
PER COMMON SHARE EARNINGS								
Basic	0.03	(0.05)	(0.21)	(0.09)	0.76	(0.16)	(0.25)	(0.16)
Diluted	0.03	(0.05)	(0.21)	(0.09)	0.72	(0.16)	(0.25)	(0.16)
KEY STATISTICS								
Shipments (MMsf-38")								
North America	721	721	763	751	827	623	726	750
Europe	380	376	326	335	345	292	302	291
Indicative Average OSB Price								
North Central (\$/Msf-7/16")	173	198	191	180	295	212	172	178
South East (\$/Msf-7/16")	162	177	165	156	277	197	154	157
Europe (€m ³) ³	256	248	261	254	242	210	198	190

¹ Quarterly financial information for 2009 has been prepared in accordance with Canadian GAAP.

² Outbound freight costs are no longer netted against sales; restated as a result of the adoption of IFRS.

³ European indicative average OSB price represents the delivered price to the largest Continental market; restated as a result of the adoption of IFRS.

Quarterly results are impacted by seasonal factors such as weather and building activity. Market demand varies seasonally, as homebuilding activity and repair and renovation work, the principal end uses of Norbord's products, are generally stronger in the spring and summer months. Adverse weather can also limit access to logging areas, which can affect the supply of fibre to Norbord's operations. Shipment volumes and commodity prices are affected by these factors as well as by global supply and demand conditions.

Operating working capital is typically built up in the first quarter of the year due primarily to log inventory purchases in the Northern regions of North America and Europe. Logs are generally consumed in the spring and summer months. Operating working capital also fluctuates based on the timing of bond coupon payments that normally occur in the first and third quarters. As a result of the period end cut-off date for the second quarter of 2011 (July 2nd), the bond coupon payment that would have normally been paid and reported in the third quarter (July 1st) was settled on a date that fell within the second quarter of 2011.

The price of and demand for OSB in North America are significant variables affecting the comparability of Norbord's results over the past eight quarters. Fluctuations in earnings during that time largely mirror fluctuations in the price of and demand for OSB in North America. The Company estimates a \$10 per Msf change in the North American OSB price impacts EBITDA by approximately \$36 million on an annualized basis (\$0.83 per share) when operating at

capacity. Regional pricing variations, particularly in the Southern US, make the North Central benchmark price a useful, albeit imperfect, proxy for overall North American OSB pricing. Further, value-added products, the pricing lag effect of order files, and volume and trade discounts cause realized prices to differ from the benchmark.

Global commodity prices directly impact the prices of key input costs, primarily resin and wax, energy and fibre. Downward trends in global energy prices provided significant input cost relief in the first half of 2009, with prices at the bottom during the second half of 2009. In 2010, input prices increased in the first half of the year and then leveled off for the remainder of the year. Input prices are trending up thus far in 2011, particularly for fibre and resin in Europe, although they are not expected to return to the peak levels experienced at the end of 2008.

Norbord has relatively low exposure to the Canadian dollar due to a comparatively small manufacturing base in Canada, which comprises 13% of its panel production capacity. The Company estimates that a US one cent increase in the Canadian dollar would negatively impact annual EBITDA by approximately \$1 million, when Norbord's Canadian OSB mills operate at capacity.

Items not related to ongoing business operations that had a significant impact on quarterly results include:

Provision for non-core operation – In the fourth quarter of 2010, the Company recorded a provision of \$6 million pre-tax (\$0.14 per share) related to its 50% interest in a non-core hardwood plywood joint-venture operation. In the third and fourth quarters of 2009, the Company recorded a provision of \$3 million pre-tax (\$0.04 per share) and \$1 million pre-tax (\$0.02 per share), respectively, related to the sale of its non-core MDF mill in Deposit.

Income tax recovery – In the second quarter of 2011, the Company recorded an income tax recovery of \$7 million (\$0.16 per share) related to the recognition of a non-recurring income tax benefit. In the first quarter of 2011, the Company recorded an income tax recovery of \$5 million (\$0.11 per share) related to the reversal of a deferred income tax provision due to the favorable resolution of a tax authority audit during the quarter.

COMMON SHARES

At July 29, 2011, there were 43.6 million common shares outstanding. In addition, 2.0 million stock options were outstanding, of which approximately 32% were fully vested, and warrants to purchase 13.6 million common shares were outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company utilizes various derivative financial instruments to manage risk and make better use of capital. The fair values of these instruments are reflected on the Company's balance sheet and are disclosed in Note 13 to the consolidated financial statements.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and are recognized in the consolidated financial statements. The following transactions have occurred between the Company and Brookfield during the normal course of business.

The Company provides certain administrative services to Brookfield or its affiliates which are charged on a cost recovery basis. In addition, the Company periodically engages the services of Brookfield or its affiliates for various financial, real estate and other business advisory services. In 2011, the fees for these services were less than \$1 million and were charged at market rates.

FUTURE CHANGES IN ACCOUNTING POLICIES

(i) Transfers of Financial Assets

In October 2010, the IASB amended IFRS 7, *Financial Instruments: Disclosures* and added additional disclosure requirements for financial assets that have been transferred but not derecognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). The amendments are effective for annual periods beginning on or after July 1, 2011, so will be effective for the year ending December 31, 2012. The Company is currently assessing the impact of these amendments on its financial statements.

(ii) Financial Instruments

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, so will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 9 on its financial statements.

(iii) Consolidation

In May 2011, the IASB issued the following new standards:

- IFRS 10, *Consolidated Financial Statements*, which will replace SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*;
- IFRS 11, *Joint Arrangements* which will replace IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers*; and
- IFRS 12, *Disclosure of Interests in Other Entities*

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company and also require additional disclosure of all forms of interests that an entity holds. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these standards on its financial statements.

(iv) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* (“IFRS 13”) which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

(v) Employee Future Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits* (“IAS 19”). The main amendments include the requirement to immediately recognize actuarial gains and losses in Other Comprehensive Income (“OCI”), the replacement of the calculation of both the expected return on the plan assets and the interest cost of the pension obligation with the interest cost on the net deficit, the clarification on specific measurement issues, and enhanced disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these amendments on its financial statements.

(vi) **Other Comprehensive Income**

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* (“IAS 1”) to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS replaced Canadian generally accepted accounting principles (“Canadian GAAP”) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the Company has adopted IFRS effective January 1, 2011 and has prepared its current interim financial statements using IFRS accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. Prior to the adoption of IFRS, the Company’s financial statements were prepared in accordance with Canadian GAAP. The Company’s financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure on the consolidated financial statements. The impact of the adoption of IFRS on the Company’s January 1, 2010 opening balance sheet compared to the December 31, 2009 balance sheet prepared under Canadian GAAP was a decrease to shareholders’ equity of \$13 million. In addition, the impact of adoption of IFRS on the Company’s December 31, 2010 balance sheet compared to the balance sheet prepared under Canadian GAAP was a decrease to shareholders’ equity of \$21 million.

Note 3 of the interim financial statements provides detailed reconciliations between Canadian GAAP and IFRS for shareholders’ equity as at June 26, 2010, and for net income and comprehensive income for the three and six months ended June 26, 2010. These reconciliations provide explanations of each major difference. There were no material adjustments to the cash flow statement as a result of the conversion to IFRS.

IMPACT OF IFRS ON THE BALANCE SHEET AND STATEMENT OF EARNINGS

The following discussion highlights the significant new standards that the Company has adopted under IFRS and the effect on the comparative period earnings and financial position as previously reported under Canadian GAAP as well as the possible effects going forward.

(i) **Employee Benefits**

Unfunded Pension Obligation

Under Canadian GAAP, accrued pension benefit obligation in excess of plan assets for defined benefit pension plans was only required to be disclosed in the notes to the consolidated financial statements. Under IAS 19, *Employee Benefits* the obligation in excess of plan assets was required to be recorded as a liability on the balance sheet. The Company recorded an increase to other liabilities and decrease to retained earnings of \$18 million on January 1, 2010 (December 31, 2010 – increase to other liabilities of \$28 million, decrease to retained earnings of \$28 million as noted below).

Actuarial Gains and Losses

Under Canadian GAAP, actuarial gains and losses were recognized on a systematic and consistent basis, subject to a minimum required amortization based on a “corridor” approach. Unrecognized actuarial gains and losses below the “corridor” were deferred. Under IFRS, in accordance with the Company’s IFRS 1 election, any deferred actuarial gains and losses were recognized in shareholders’ equity and the Company recorded an actuarial loss of \$3 million to retained earnings on January 1, 2010. Post-adoption, the Company elected to immediately recognize all actuarial gains

and losses as a component of shareholders' equity in retained earnings and the Company recorded additional actuarial losses of \$10 million for the year ended December 31, 2010.

ii) Plant, Property and Equipment

Deemed Cost

Upon transition to IFRS, the Company elected to measure its property, plant and equipment at fair value as its deemed cost. Certain items of property, plant and equipment in the North American operations had a fair value of \$30 million above their book value under Canadian GAAP, and certain items of property, plant and equipment in the European operations had a fair value of \$30 million below their book value under Canadian GAAP. The net effect of these fair value measurements was nil on a consolidated basis on January 1, 2009. The measurement was based on fair value as at January 1, 2009, Brookfield's IFRS transition date. The Company determined the fair value of certain items of property, plant and equipment using an income approach. Fair value measurements were prepared internally using a discounted cash flow model, taking into consideration forecasts and assumptions concerning future cash flows and a discount rate based on the Company's weighted average cost of capital as at the measurement date. All subsequent depreciation under IFRS will be based on the new deemed cost.

The Company recorded a decrease to retained earnings for additional depreciation expense related to the deemed cost adjustment to property, plant and equipment of \$4 million on January 1, 2010 (December 31, 2010 – \$10 million cumulative decrease to retained earnings).

Component Accounting

Both IFRS and Canadian GAAP require property, plant and equipment to be disaggregated into components and depreciated separately. Under Canadian GAAP, component accounting was interpreted and applied more generally. The Company has applied the guidance under IAS 16, *Property, Plant and Equipment*, and disaggregated its property, plant and equipment into components and reviewed the useful life of each separate component. For certain components of property, plant and equipment, useful lives were reassessed, and the effect of these changes in estimates will accelerate the expected depreciation expense under IFRS. The impact of this change on subsequent depreciation expense is immaterial.

Impairments

Under both Canadian GAAP and IFRS, an asset or group of assets is tested for impairment only when there is an indication of impairment. Under Canadian GAAP, impairment testing of an asset or group of assets is a two-step approach. First, the carrying value of an asset or group of assets is compared to the undiscounted future cash flows to determine whether impairment exists. If impairment exists, then the second step is to measure the impairment by comparing the carrying value of the asset or group of assets to its fair value, as calculated using the present value of future cash flows. Under IAS 36, *Impairment of Assets*, impairment testing is a one-step approach for both testing and measurement, with the carrying value of the asset or group of assets compared directly to the higher of fair value less costs to sell, and value in use. Fair value is measured at the sales price of the asset or group of assets in an arm's length transaction. Value in use is based on the discounted future cash flows of the asset or group of assets. This approach could potentially result in write-downs where the carrying value of an asset or group of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis. Furthermore, while Canadian GAAP prohibits the reversals of impairment losses recognized in prior periods, IFRS requires such reversals to be recognized for assets other than goodwill if certain criteria are met.

Under IFRS, the Company assessed impairment for property, plant and equipment as at December 31, 2010 and January 1, 2010 (one year following the Company's IFRS measurement date of January 1, 2009), and concluded that no impairment existed.

iii) Consistency in Accounting Policies

IFRS requires consistency in accounting policies across subsidiaries. The Company aligned the accounting policies of all of its subsidiaries under IFRS. The Company recorded an increase to inventory and shareholders' equity of \$5 million on January 1, 2010 (December 31, 2010 – \$5 million).

iv) Share-Based Payments

The Company issues share-based awards in the form of stock options that vest evenly over a five-year period. Under Canadian GAAP, the Company recognized the fair value of the award, determined at the time of the grants, on a straight-line basis over the five-year vesting period. Under IFRS 2, *Share-Based Payments*, the fair value of each tranche of the award is considered to be a separate grant based on its vesting period. The fair value of each tranche is determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, compensation expense under IFRS will be recognized at an accelerated rate compared to Canadian GAAP. The Company recorded additional compensation expense of \$1 million through an increase to contributed surplus and a decrease to retained earnings on January 1, 2010 (December 31, 2010 – less than \$1 million).

v) Income Taxes***Tax Effect of IFRS Accounting Adjustments***

Deferred income tax is adjusted to reflect the change in temporary differences resulting from the IFRS adjustments described above. The Company recorded a net increase to deferred tax liability of \$1 million on January 1, 2010 (December 31, 2010 - \$4 million net decrease).

Translation of Non-Monetary Balances

The Company has certain non-monetary assets and liabilities for which the tax-reporting currency is different than its functional currency. Under Canadian GAAP, any translation gains or losses arising due to the remeasurement of these items, at current exchange rates versus historic exchange rates, do not give rise to a deferred income tax asset or liability. Under IAS 12, *Income Taxes*, such translation gains or losses do give rise to a temporary difference that is recorded as a deferred tax asset or liability. The Company recorded a decrease to deferred tax liability of \$5 million on January 1, 2010 (December 31, 2010 – \$5 million).

vi) Cumulative Translation Account

Upon transition to IFRS, Norbord elected under IFRS 1 to reset all cumulative translation differences to zero as at January 1, 2009 and the Company recorded a \$13 million adjustment to accumulated other comprehensive income and retained earnings.

vii) Accounts Receivable Securitization

Under Canadian GAAP, the Company's accounts receivable securitization program was treated as a true sale of accounts receivable, as the Company transferred substantially all of its present and future trade accounts receivable to a third-party trust, sponsored by a highly rated Canadian financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. Under IAS 39, the securitization program does not meet the criteria for a sale transaction and is treated as a financing arrangement. Accordingly, an adjustment to the balance sheet, to gross-up accounts receivable and long-term debt, was required and the Company recorded an increase of \$62 million to accounts receivable and long-term debt on January 1, 2010 (December 31, 2010 - \$60 million).

viii) Investment in a Joint Venture

In 2009 and 2010, the Company held a 50% interest in a joint-venture hardwood plywood business. This operation was non-core and represented less than 1% of total assets. Under Canadian GAAP, the Company proportionately

consolidated its 50% interest in the joint venture in the consolidated financial statements. Under IAS 31, *Interests in Joint Ventures*, the Company elected to account for its investment under the equity method. The Company recorded a decrease in assets of \$1 million and a decrease in liabilities of \$1 million on January 1, 2010. In the fourth quarter of 2010, the business ceased operation and therefore, the Company recorded a provision for the write-down of its 50% investment in the joint venture.

ix) Revenue Recognition

Under Canadian GAAP, the Company presented outbound freight costs as a net against revenues. Under IFRS, IAS 18, *Revenues*, the Company revenues should only take into account trade discounts and volume rebates. As a consequence, the Company has presented revenues exclusive of outbound freight costs. Total sales increased by \$86 million for the year ended December 31, 2010.

IMPACT ON FINANCIAL COVENANTS – IFRS TRANSITION

The Company has committed revolving bank lines that contain two quarterly financial covenants – minimum tangible net worth of \$250 million, and maximum net debt to total capitalization on a book basis of 60%. Net debt includes total debt less cash and cash equivalents plus letters of credit issued. The Company's lending agreement provides for the following adjustments to its covenant calculations as a result of the changeover to IFRS on January 1, 2011: (i) the exclusion of accounts receivable securitization proceeds from the net debt calculation; (ii) the add-back of IFRS transitional adjustments to shareholders' equity, as at January 1, 2011 (to a maximum of \$30 million), for the purposes of the tangible net worth calculation; and (iii) the exclusion of cumulative other comprehensive income from the tangible net worth calculation, subsequent to January 1, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting during the three months ended July 2, 2011 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. The conversion to IFRS from Canadian GAAP impacts the presentation of financial results and accompanying disclosures. The Company evaluated the impact of the conversion on financial reporting systems, processes, and controls and determined no material changes were required to its internal control and disclosure control environment.

NON-IFRS FINANCIAL MEASURES

The following non-IFRS financial measures have been used in this MD&A. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Each non-IFRS financial measure is defined below. Where appropriate, a quantitative reconciliation of the non-IFRS financial measure to the most directly comparable IFRS measure is provided.

EBITDA is earnings determined in accordance with IFRS before interest, provision for non-core operation, income tax, depreciation, and amortization. As Norbord operates in a cyclical commodity business, Norbord interprets EBITDA over the cycle as a useful indicator of the Company's ability to incur and service debt and meet capital expenditure requirements. In addition, Norbord views EBITDA as a measure of gross profit and interprets EBITDA trends as indicators of relative operating performance.

The following table reconciles EBITDA to the most directly comparable IFRS measure:

(US \$ millions)	Q2 2011	Q1 2011	Q2 2010	6 mos 2011	6 mos 2010
Earnings	\$ 1	\$ (2)	\$ 33	\$ (1)	\$ 26
Add: Interest expense	8	8	9	16	17
Add: Depreciation	13	14	14	27	25
Less: Income tax (recovery) expense	(12)	(6)	16	(18)	12
EBITDA	\$ 10	\$ 14	\$ 72	\$ 24	\$ 80

Operating working capital is accounts receivable plus inventory less accounts payable and accrued liabilities. Operating working capital is a measure of the investment in accounts receivable, inventory, accounts payable, and accrued liabilities required to support operations. The Company aims to minimize its investment in operating working capital, however, the amount will vary with seasonality, and sales expansions and contractions.

(US \$ millions)	Jul 2 2011	Apr 2 2011	Dec 31 2010	Jun 26 2010
Accounts receivable	\$ 106	\$ 114	\$ 90	\$ 110
Inventory	99	102	84	88
Accounts payable and accrued liabilities	(153)	(165)	(164)	(142)
Operating working capital	\$ 52	\$ 51	\$ 10	\$ 56

Total working capital is operating working capital plus cash and cash equivalents and tax receivable less bank advances, if any.

(US \$ millions)	Jul 2 2011	Apr 2 2011	Dec 31 2010	Jun 26 2010
Operating working capital	\$ 52	\$ 51	\$ 10	\$ 56
Cash and cash equivalents	77	83	111	73
Tax receivable	4	5	6	3
Total working capital	\$ 133	\$ 139	\$ 127	\$ 132

Capital employed is the sum of property, plant and equipment, operating working capital, tax receivable and other assets less any unrealized balance sheet losses included in other liabilities. Capital employed is a measure of the total investment in a business in terms of property, plant, equipment, operating working capital, tax receivable, and other assets.

(US \$ millions)	Jul 2 2011	Apr 2 2011	Dec 31 2010	Jun 26 2010
Property, plant and equipment	\$ 805	\$ 814	\$ 814	\$ 822
Accounts receivable	106	114	90	110
Tax receivable	4	5	6	3
Inventory	99	102	84	88
Accounts payable and accrued liabilities	(153)	(165)	(164)	(142)
Other assets	6	5	13	20
Unrealized net investment hedge losses ¹	(2)	(2)	-	-
Capital employed	\$ 865	\$ 873	\$ 843	\$ 901

¹ Included in other liabilities.

ROCE (return on capital employed) is EBITDA divided by average capital employed. ROCE is a measurement of financial performance, focusing on cash generation and the efficient use of capital. As Norbord operates in a cyclical commodity business, it interprets ROCE over the cycle as a useful means of comparing businesses in terms of

efficiency of management and viability of products. Norbord targets top-quartile ROCE among North American forest products companies over the cycle.

ROE (return on equity) is earnings available to common shareholders divided by common shareholders' equity. ROE is a measure that allows common shareholders to determine how effectively their invested capital is being employed. As Norbord operates in a cyclical commodity business, it looks at ROE over the cycle and targets top-quartile performance among North American forest products companies.

Net debt is the principal value of long-term debt, including the current portion and bank advances, less cash and cash equivalents. Net debt is a useful indicator of a company's debt position. Net debt comprises:

(US \$ millions)	Jul 2 2011	Apr 2 2011	Dec 31 2010 ¹	Jun 26 2010 ¹
Long-term debt, principal value	\$ 440	\$ 440	\$ 440	\$ 440
Less: Cash and cash equivalents	(77)	(83)	(113)	(74)
Net debt	\$ 363	\$ 357	\$ 327	\$ 366
Add: Letters of credit	10	10	10	8
Net debt for financial covenant purposes	\$ 373	\$ 367	\$ 337	\$ 374

¹ Dec 31, 2010 and Jun 26, 2010 have not been restated for IFRS and are the originally disclosed amounts under Canadian GAAP.

Tangible net worth consists of shareholders' equity. A minimum tangible net worth is one of two financial covenants contained in the Company's committed bank lines. For financial covenant purposes, effective January 1, 2011, tangible net worth excludes all IFRS transitional adjustments and all movement in cumulative other comprehensive income subsequent to January 1, 2011.

(US \$ millions)	Jul 2 2011	Apr 2 2011	Dec 31 2010 ¹	Jun 26 2010 ¹
Shareholders' equity	\$ 336	\$ 335	\$ 352	\$ 360
Add: IFRS transitional adjustments	21	21	-	-
Exclude: Movement in cumulative other comprehensive income subsequent to January 1, 2011	(5)	(5)	-	-
Tangible net worth	\$ 352	\$ 351	\$ 352	\$ 360

¹ Dec 31, 2010 and Jun 26, 2010 have not been restated for IFRS and are the originally disclosed amounts under Canadian GAAP.

Net debt to capitalization, book basis is net debt divided by the sum of net debt and tangible net worth. Net debt to capitalization on a book basis is a measure of a company's relative debt position. Norbord interprets this measure as an indicator of the relative strength and flexibility of its balance sheet. In addition, a maximum net debt to capitalization, book basis is one of two financial covenants contained in the Company's committed bank lines.

Net debt to capitalization, market basis is net debt divided by the sum of net debt and market capitalization. Market capitalization is the number of common shares outstanding at period end multiplied by the trailing 12-month average per share market price. Market basis capitalization is intended to correct for the low historical book value of Norbord's asset base relative to its fair value. Net debt to capitalization, market basis is a key measure of a company's relative debt position and Norbord interprets this measure as an indicator of the relative strength and flexibility of its balance sheet. While the Company considers both book and market basis metrics, it believes the market basis to be superior to the book basis in measuring the true strength and flexibility of its balance sheet.

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements, as defined by applicable securities legislation. Often, but not always, forward-looking statements can be identified by the use of words such as “believes,” “expects,” “does not expect,” “is expected,” “targets,” “outlook,” “plans,” “scheduled,” “estimates,” “forecasts,” “intends,” “predicts,” “aims,” “anticipates” or “does not anticipate” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “should,” “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Norbord to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Examples of such statements include, but are not limited to, comments with respect to: (1) outlook for the markets for products; (2) expectations regarding future product pricing; (3) outlook for operations; (4) expectations regarding mill capacity; (5) objectives; (6) strategies to achieve those objectives; (7) expected financial results; (8) sensitivity to changes in product prices, such as the price of OSB; (9) sensitivity to key input prices, such as the price of natural gas; (10) sensitivity to changes in foreign exchange rates; (11) expectations regarding income tax rates; (12) expectations regarding compliance with environmental regulations; (13) expectations regarding contingent liabilities and guarantees, including the outcome of pending litigation; and (14) expectations regarding the amount, timing and benefits of capital investments.

Although Norbord believes it has a reasonable basis for making these forward-looking statements, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to: (1) assumptions in connection with the economic and financial conditions in the US, Europe, Canada and globally; (2) risks inherent to product concentration; (3) effects of competition and product pricing pressures; (4) risks inherent to customer dependence; (5) effects of variations in the price and availability of manufacturing inputs, including continued access to fibre resources at competitive prices; (6) various events which could disrupt operations, including natural events and ongoing relations with employees; (7) impact of changes to, or non-compliance with, environmental regulations; (8) impact of any product liability claims in excess of insurance coverage; (9) risks inherent to a capital intensive industry; (10) impact of future outcome of certain tax exposures; and (11) effects of currency exposures and exchange rate fluctuations.

The above list of important factors affecting forward-looking information is not exhaustive. Additional factors are noted elsewhere, and reference should be made to the other risks discussed in filings with Canadian securities regulatory authorities. Except as required by applicable law, Norbord does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by, or on behalf of, the Company, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information. See the “Caution Regarding Forward-Looking Information” statement in the March 1, 2011 Annual Information Form and the cautionary statement contained in the “Forward-Looking Statements” section of the 2010 Management’s Discussion and Analysis dated January 28, 2011.

Consolidated Balance Sheets

(unaudited) (US \$ millions)	Note	Jul 2 2011	Dec 31 2010
Assets			
Current assets			
Cash and cash equivalents		\$ 77	\$ 111
Accounts receivable	4	106	90
Tax receivable		4	6
Inventory	5	99	84
		286	291
Non-current assets			
Property, plant and equipment		805	814
Other assets	6	6	13
		811	827
		\$ 1,097	\$ 1,118
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 153	\$ 164
Current portion of long-term debt	7	245	-
		398	164
Non-current liabilities			
Long-term debt	7	196	443
Other long-term debt	4	69	60
Other liabilities	8	33	35
Deferred income taxes		65	85
		363	623
Shareholders' equity			
		336	331
		\$ 1,097	\$ 1,118

(See accompanying notes)

Consolidated Statements of Earnings

(unaudited) Periods ended July 2 and June 26 (US \$ millions, except per share information)	Q2 2011	Q2 2010 ¹	6 mos 2011	6 mos 2010 ¹
Sales	\$ 241	\$ 296	\$ 494	\$ 493
Earnings before interest, income tax and depreciation	10	72	24	80
Interest expense	(8)	(9)	(16)	(17)
Earnings before income tax and depreciation	2	63	8	63
Depreciation	(13)	(14)	(27)	(25)
Income tax	12	(16)	18	(12)
Earnings	\$ 1	\$ 33	\$ (1)	\$ 26
Earnings per common share				
Basic	\$ 0.03	\$ 0.76	\$ (0.02)	\$ 0.60
Diluted	0.03	0.72	(0.02)	0.56

¹ Refer to Note 3 for effects of adoption of IFRS

(See accompanying notes)

Consolidated Statements of Comprehensive Income/(Loss)

(unaudited) Periods ended July 2 and June 26 (US \$ millions)	Q2 2011	Q2 2010 ¹	6 mos 2011	6 mos 2010 ¹
Earnings	\$ 1	\$ 33	\$ (1)	\$ 26
Other comprehensive (loss) income, net of tax				
Foreign currency translation gain (loss) on foreign operations	1	(2)	9	(16)
Net gain (loss) on hedge of net investment in foreign operations	1	2	(4)	10
Actuarial loss on defined benefit pension obligation	(2)	(3)	-	(5)
	-	(3)	5	(11)
Comprehensive income	\$ 1	\$ 30	\$ 4	\$ 15

¹ Refer to Note 3 for effects of adoption of IFRS

(See accompanying notes)

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) Periods ended July 2 and June 26 (US \$ millions)	Note	Q2 2011	Q2 2010 ¹	6 mos 2011	6 mos 2010 ¹
Share capital					
Balance, beginning of period		\$ 340	\$ 335	\$ 340	\$ 335
Issue of common shares, net		-	5	-	5
Balance, end of period		\$ 340	\$ 340	\$ 340	\$ 340
Contributed surplus					
Balance, beginning of period		\$ 42	\$ 40	\$ 41	\$ 40
Stock-based compensation	9	-	1	1	1
Balance, end of period		\$ 42	\$ 41	\$ 42	\$ 41
Retained earnings					
Balance, beginning of period		\$ (54)	\$ (69)	\$ (54)	\$ (60)
Earnings		1	33	(1)	26
Other comprehensive loss		(2)	(3)	-	(5)
Balance, end of period		\$ (55)	\$ (39)	\$ (55)	\$ (39)
Accumulated Other Comprehensive Income					
Balance, beginning of period		\$ 7	\$ -	\$ 4	\$ 6
Other comprehensive income (loss)		2	-	5	(6)
Balance, end of period	9	\$ 9	\$ -	\$ 9	\$ -
Shareholders' equity		\$ 336	\$ 342	\$ 336	\$ 342

¹ Refer to Note 3 for effects of adoption of IFRS

(See accompanying notes)

Consolidated Statements of Cash Flows

(unaudited) Periods ended July 2 and June 26 (US \$ millions)	Note	Q2 2011	Q2 2010 ¹	6 mos 2011	6 mos 2010 ¹
CASH PROVIDED BY (USED FOR):					
Operating Activities					
Earnings		\$ 1	\$ 33	\$ (1)	\$ 26
Items not affecting cash:					
Depreciation		13	14	27	25
Income tax		(12)	16	(18)	12
Other items		(2)	(2)	3	1
		-	61	11	64
Net change in non-cash operating working capital balances	11	2	12	(43)	(38)
Net change in tax receivable		1	(3)	2	54
		3	70	(30)	80
Investing Activities					
Investment in property, plant and equipment		(1)	(5)	(9)	(6)
Realized net investment hedge (loss) gain	13	(3)	8	(2)	9
Other		(2)	(2)	-	(2)
		(6)	1	(11)	1
Financing Activities					
Accounts receivable securitization (repayments) proceeds		(2)	5	8	(3)
Debt issue costs		(1)	-	(1)	-
Revolving bank lines repaid		-	(18)	-	(27)
Issue of shares		-	2	-	2
		(3)	(11)	7	(28)
Cash and Cash Equivalents					
(Decrease) increase during the period		(6)	60	(34)	53
Balance, beginning of period		83	13	111	20
Balance, end of period	11	\$ 77	\$ 73	\$ 77	\$ 73

¹ Refer to Note 3 for effects of adoption of IFRS

(See accompanying notes)

Notes to the Consolidated Financial Statements

(unaudited)
(in US \$, unless otherwise noted)

In these notes, “Norbord” means Norbord Inc. and all of its consolidated subsidiaries and affiliates, and “Company” means Norbord Inc. as a separate corporation, unless the context implies otherwise. “Brookfield” means Brookfield Asset Management Inc. or any of its consolidated subsidiaries and affiliates, a related party, by virtue of a controlling equity interest in the Company.

NOTE 1. NATURE AND DESCRIPTION OF THE COMPANY

Norbord is an international producer of wood-based panels with 13 plant locations in the United States, Europe and Canada. Norbord is a publicly traded company listed on the Toronto Stock Exchange under the symbols NBD and NBD.WT. The Company is incorporated under the Canada Business Corporations Act and is headquartered in Toronto, Ontario, Canada.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Statements*, as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Company expects to adopt in its consolidated financial statements as at, and for the year ending December 31, 2011. The accounting policies the Company expects to adopt in its financial statements as at, and for the year ending December 31, 2011, are disclosed in Note 2 of the Company’s interim financial statements as at, and for the quarter ended April 2, 2011.

These interim financial statements should be read in conjunction with the Company’s 2010 annual financial statements and in consideration of the International Financial Reporting Standards (“IFRS”) transition disclosures included in Note 3 of these financial statements, and the Company’s interim financial statements as at, and for the quarter ended April 2, 2011.

These financial statements were authorized for issuance by the Board of Directors of the Company on July 28, 2011.

(b) Future Changes in Accounting Policies

(i) Transfers of Financial Assets

In October 2010, the IASB amended IFRS 7, *Financial Instruments: Disclosures* and added additional disclosure requirements for financial assets that have been transferred but not derecognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). The amendments are effective for annual periods beginning on or after July 1, 2011, so will be effective for the year ending December 31, 2012. The Company is currently assessing the impact of these amendments on its financial statements.

(ii) Financial Instruments

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, so

will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 9 on its financial statements.

(iii) Consolidation

In May 2011, the IASB issued the following new standards:

- IFRS 10, *Consolidated Financial Statements*, which will replace SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*;
- IFRS 11, *Joint Arrangements* which will replace IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers*; and
- IFRS 12, *Disclosure of Interests in Other Entities*

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company and also require additional disclosure of all forms of interests that an entity holds. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these standards on its financial statements.

(iv) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* (“IFRS 13”) which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

(v) Employee Future Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits* (“IAS 19”). The main amendments include the requirement to immediately recognize actuarial gains and losses in Other Comprehensive Income/(Loss) (“OCI”), the replacement of the calculation of both the expected return on the plan assets and the interest cost of the pension obligation with the interest cost on the net deficit, the clarification on specific measurement issues, and enhanced disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these amendments on its financial statements.

(vi) Other Comprehensive Income

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* (“IAS 1”) to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012, and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

NOTE 3. TRANSITION TO IFRS

The Company has adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP. The Company’s financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. The Company’s transition date is January 1, 2010 (the “transition date”) and the Company has prepared its opening IFRS balance sheet as at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Company’s financial statements as at, and for the quarter ended April 2, 2011. The Company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying

existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements.

(a) Reconciliation of Shareholders' Equity as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's shareholders' equity reported in accordance with Canadian GAAP to its shareholders' equity in accordance with IFRS at June 26, 2010.

Shareholders' Equity (US \$ millions)	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
As reported under Canadian GAAP – Jun 26, 2010	\$ 340	\$ 40	\$ –	\$ (20)	\$ 360
IFRS adjustments ¹					
(i) Employee benefits	–	–	(25)	–	(25)
(ii) Property, plant and equipment					
Depreciation on deemed cost adjustment	–	–	(7)	–	(7)
Foreign exchange on deemed cost adjustment	–	–	–	6	6
(iii) Consistency in accounting policies	–	–	3	1	4
(iv) Share-based compensation	–	1	(1)	–	–
(v) Deferred income tax	–	–	4	–	4
(vi) Cumulative translation account	–	–	(13)	13	–
Total IFRS adjustments	–	1	(39)	20	(18)
As reported under IFRS – Jun 26, 2010	\$ 340	\$ 41	\$ (39)	\$ –	\$ 342

¹ Refer to Notes for Canadian GAAP to IFRS Reconciliations

(b) Reconciliation of Earnings as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's earnings reported in accordance with Canadian GAAP to its earnings in accordance with IFRS for the three month and six month periods ended June 26, 2010.

(US \$ millions)	Q2 2010	6 mos 2010
Earnings as reported under Canadian GAAP	\$ 37	\$ 32
IFRS adjustments ¹		
(ii) Property, plant and equipment		
Depreciation on deemed cost adjustment	(2)	(3)
(iii) Consistency in accounting policies	–	(1)
(v) Deferred income tax	(2)	(2)
Total IFRS adjustments	(4)	(6)
Earnings as reported under IFRS	\$ 33	\$ 26

¹ Refer to Notes for Canadian GAAP to IFRS Reconciliations

(c) Reconciliation of Comprehensive Income as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive loss in accordance with IFRS for the three month and six month periods ended June 26, 2010.

(US \$ millions)	Q2 2010	6 mos 2010
Comprehensive income as reported under Canadian GAAP	\$ 32	\$ 20
IFRS adjustments ¹		
Differences in Canadian GAAP to IFRS earnings noted in 3(b)	(4)	(6)
(i) Employee benefits	(4)	(7)
(ii) Property, plant and equipment		
Foreign exchange on deemed cost adjustment	5	6
(v) Deferred income tax	1	2
Total IFRS adjustments	(2)	(5)
Comprehensive income as reported under IFRS	\$ 30	\$ 15

¹ Refer to Notes for Canadian GAAP to IFRS Reconciliations

(d) Reconciliation of Cash Flows as Reported Under Canadian GAAP to IFRS

There were no material adjustments to the cash flow statement as a result of the conversion to IFRS.

Notes for Canadian GAAP to IFRS Reconciliations

(i) Employee Benefits

Unfunded Pension Obligation

Under Canadian GAAP, accrued pension benefit obligation in excess of plan assets for defined benefit pension plans only required disclosure in the notes to the consolidated financial statements. Under IAS 19, the obligation in excess of plan assets is recorded as a liability on the balance sheet.

Actuarial Gains and Losses

Under Canadian GAAP actuarial gains and losses were recognized in earnings on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. Unrecognized actuarial gains and losses below the corridor were deferred. Under IFRS, in accordance with the Company's IFRS 1 election, any deferred actuarial gains and losses as at the Company's IFRS measurement date of January 1, 2009, Brookfield's IFRS transition date, were recognized immediately through a component of shareholders' equity in retained earnings. Post-adoption, the Company elected to recognize all actuarial gains and losses immediately through OCI and as a component of shareholders' equity in retained earnings. In the Company's interim financial statements as at, and for the quarter ended April 2, 2011, these gains and losses were presented as a component of shareholders' equity in accumulated other comprehensive income instead of retained earnings.

(ii) Plant, Property and Equipment

Deemed Cost

Upon transition to IFRS, the Company elected to measure its property, plant and equipment at fair value as its deemed cost. Certain items of property, plant and equipment in the North American operations had a fair value of \$30 million above their book value under Canadian GAAP and certain items of property, plant and equipment in the European operations had a fair value of \$30 million below their book value under Canadian GAAP. The net effect of these fair value measurements was nil on a consolidated basis on January 1, 2009. The fair value measurement was based on January 1, 2009. The Company determined the fair value of certain items of

property, plant and equipment using an income approach. Fair value measurements were prepared internally using a discounted cash flow model taking into consideration forecasts and assumptions of future cash flows and a discount rate based on the Company's weighted average cost of capital as at the measurement date. All subsequent depreciation under IFRS is based on this deemed cost.

Component Accounting

Both IFRS and Canadian GAAP require property, plant and equipment to be disaggregated into components and depreciated separately. Under Canadian GAAP, component accounting was interpreted and applied more generally. The Company has applied the guidance under IFRS, IAS 16, *Property, Plant and Equipment*, and disaggregated its property, plant and equipment into components and reviewed the useful life of each separable component. For certain components of property, plant & equipment, useful lives were reassessed and the effect of these changes in estimates will accelerate the expected depreciation expense under IFRS.

Impairments

Under both Canadian GAAP and IFRS, an asset or group of assets is tested for impairment only when there is an indication of impairment. Under Canadian GAAP, impairment testing of an asset or group of assets is a two-step approach: first, the carrying value of an asset or group of assets is compared to the undiscounted future cash flows to determine whether impairment exists. If impairment exists, then the second step is the measurement of the impairment by comparing the carrying value of the asset or group of assets to their fair value, as calculated using the present value of future cash flows. Under IFRS, IAS 36, *Impairment of Assets*, impairment testing is a one-step approach for both testing and measurement, with the carrying value of the asset or group of assets compared directly with the higher of fair value less costs to sell and value in use. Fair value is measured at the sales price of the asset or group of assets in an arm's length transaction. Value in use is based on the discounted future cash flows of the asset or group of assets. This may potentially result in write-downs where the carrying value of an asset or group of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis. Furthermore, while Canadian GAAP prohibits the reversals of impairment losses recognized in prior periods, IFRS requires such reversals to be recognized if certain criteria are met.

The Company assessed impairment under IFRS for property, plant and equipment as at December 31, 2010 and December 31, 2009, and concluded no impairment existed.

(iii) Consistency in Accounting Policies

IFRS requires consistency of accounting policies across subsidiaries. The Company aligned the accounting policies of all of its subsidiaries under IFRS resulting in an adjustment on the Company's IFRS measurement date of January 1, 2009 and in subsequent periods.

(iv) Share-Based Payments

The Company issues share-based awards in the form of stock options that vest evenly over a five-year period. Under Canadian GAAP, the Company recognized the fair value of the award, determined at the time of the grants, on a straight-line basis over the five-year vesting period. Under IFRS 2, *Share-Based Payments*, the fair value of each tranche of the award is considered to be a separate grant based on its vesting period. The fair value of each tranche is determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, compensation expense under IFRS will be recognized at an accelerated rate compared to under Canadian GAAP.

(v) Income Taxes

Tax Effect of IFRS Accounting Adjustments

Deferred income tax is adjusted to reflect the change in temporary differences resulting from the IFRS adjustments described above.

Translation of Non-Monetary Assets and Liabilities

The Company has certain non-monetary assets and liabilities for which the tax reporting currency is different from its functional currency. Under Canadian GAAP, any translation gains or losses arising on the remeasurement of these items at current exchange rates versus historic exchange rates do not give rise to a deferred income tax asset or liability. Under IFRS, IAS 12, *Income Taxes*, such translation gains or losses do give rise to a temporary difference that is recorded as a deferred tax asset or liability.

(vi) Cumulative Translation Account

Upon transition to IFRS, Norbord elected under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, to reset all cumulative translation differences to zero as at January 1, 2009, Brookfield's IFRS transition date.

(vii) Accounts Receivable Securitization

Under Canadian GAAP, the Company's accounts receivable securitization program was treated as a true sale of accounts receivable and the receivables were derecognized as the Company had transferred substantially all of its present and future trade accounts receivable to a third party trust sponsored by a highly rated Canadian financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. Under IAS 39, the securitization program does not meet the criteria for a sale transaction and is treated as a financing arrangement. Accordingly an adjustment to the balance sheet to recognize the related accounts receivable and long-term debt is required.

(viii) Investment in a Joint Venture

The Company has a 50% interest in a joint-venture hardwood plywood business which ceased operations effective December 2010. This operation was non-core and represented less than 1% of total assets. Under Canadian GAAP, the Company proportionately consolidated its 50% interest in the joint venture in the consolidated financial statements. Under IAS 31, *Interests in Joint Ventures*, the Company elected to account for its investment under the equity method.

(ix) Revenue recognition

Under Canadian GAAP, the Company presented outbound freights costs as a reduction of sales. Under IFRS, IAS 18, *Revenues*, the Company revenues should only take into account trade discounts and volume rebates. As a consequence, the Company has presented sales exclusive of outbound freight costs.

NOTE 4. ACCOUNTS RECEIVABLE

The Company has an \$85 million accounts receivable securitization program with a third party trust sponsored by a highly rated Canadian financial institution. The program has an evergreen commitment subject to termination on twelve months notice. Under the program, Norbord has transferred substantially all of its present and future trade accounts receivable to the financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. However, the asset derecognition criteria under IFRS have not been met and the transferred accounts receivables remain recorded as an asset.

At period-end, Norbord recorded cash proceeds of \$69 million (December 31, 2010 – \$60 million) relating to this program. The cash proceeds are presented as other long-term debt on the balance sheet and are excluded from the net debt to capitalization calculation for financial covenant purposes (Note 12).

The securitization program contains no financial covenants. However, the program is subject to minimum credit-rating requirements. The Company must maintain a long-term issuer credit rating of at least single B (mid) or the equivalent. As at July 28, 2011, Norbord's ratings were BB (low) (DBRS), BB- (Standard & Poor's) and Ba3 (Moody's).

NOTE 5. INVENTORY

(US \$ millions)	Jul 2 2011	Dec 31 2010
Raw materials	\$ 26	\$ 18
Finished goods	44	38
Operating & maintenance supplies	29	28
	\$ 99	\$ 84

At period-end, the provision to reflect inventories at the lower of cost and net realizable value was \$1 million (December 31, 2010 – less than \$1 million).

The amount of inventory recognized as an expense was as follows:

(US \$ millions)	Q2 2011	Q2 2010	6 mos 2011	6 mos 2010
Cost of inventories	\$ 220	\$ 218	\$ 446	\$ 402
Depreciation on property, plant & equipment	13	14	27	25
	\$ 233	\$ 232	\$ 473	\$ 427

NOTE 6. OTHER ASSETS

(US \$ millions)	Jul 2 2011	Dec 31 2010
Unrealized interest rate swap gains (<i>note 13</i>)	\$ 4	\$ 5
Unrealized monetary hedge gains (<i>note 13</i>)	1	2
Unrealized net investment hedge gains (<i>note 13</i>)	1	3
Other	-	3
	\$ 6	\$ 13

Unrealized interest rate swap gains, unrealized monetary hedge gains and the unrealized net investment hedge gains are offset by unrealized losses on the underlying exposures being hedged.

NOTE 7. LONG-TERM DEBT

(US \$ millions)	Jul 2 2011	Dec 31 2010
Principal value		
7 1/4% debentures due 2012	\$ 240	\$ 240
Senior notes due 2017	200	200
	440	440
Debt issue costs	(5)	(5)
Deferred interest rate swap gains	2	3
Unrealized interest rate swap gains	4	5
	441	443
Less: Current portion	(245)	-
	\$ 196	\$ 443

Revolving Bank Lines

The Company has aggregate committed revolving bank lines of \$270 million which mature in May 2014 and bear interest at money market rates plus a margin that varies with the Company's credit rating. At period-end, none of the revolving bank lines was drawn as cash, \$10 million was utilized for letters of credit, and \$260 million was available to support short-term liquidity requirements.

The bank lines contain two quarterly financial covenants; minimum tangible net worth of \$250 million and maximum net debt to total capitalization, book basis of 60%. As a result of the bank line renewal completed in 2010, the IFRS transitional adjustments to shareholders' equity of \$21 million at January 1, 2011 are added back for the purposes of the tangible net worth calculation. In addition, cumulative other comprehensive income is excluded from the tangible net worth calculation subsequent to January 1, 2011. Net debt includes total debt, principal value, less cash and cash equivalents plus letters of credit issued. At period-end, the Company's tangible net worth for financial covenant purposes was \$352 million and net debt for financial covenant purposes was \$373 million (Note 12). Net debt to total capitalization was 51% on a book basis.

Interest Rate Swaps

At period-end, the Company had outstanding interest rate swaps of \$115 million (December 31, 2010 – \$115 million). The terms of these swaps correspond to the terms of the underlying hedged debt. The unrealized interest rate swap gains are offset by unrealized losses on the underlying exposures being hedged within interest expense.

NOTE 8. OTHER LIABILITIES

(US \$ millions)	Jul 2 2011	Dec 31 2010
Defined benefit pension obligation	\$ 26	\$ 28
Accrued employee benefits	4	6
Unrealized net investment hedge loss (note 13)	2	-
Other	1	1
	\$ 33	\$ 35

The unrealized net investment hedge loss is offset by unrealized gains on the underlying exposures being hedged.

NOTE 9. SHAREHOLDERS' EQUITY

Stock Options

Year-to-date, 0.6 million options were granted under the stock option plan. Earnings include \$1 million related to stock-based compensation expense. Year-to-date, 0.1 million common shares were issued as a result of options exercised under the stock option plan for proceeds of less than \$1 million.

Accumulated Other Comprehensive Loss

(US \$ millions)	Jul 2 2011	Dec 31 2010
Foreign currency translation gain on foreign operations	\$ 20	\$ 11
Net loss on hedge of net investment in foreign operations	(11)	(7)
Accumulated other comprehensive loss	\$ 9	\$ 4

NOTE 10. EARNINGS PER COMMON SHARE

(US \$ millions, except share and per share information, unless otherwise noted)	Q2 2011	Q2 2010	6 mos 2011	6 mos 2010
Earnings available to common shareholders	\$ 1	\$ 33	\$ (1)	\$ 26
Common shares (millions):				
Weighted average number of common shares outstanding	43.6	43.5	43.6	43.4
Stock options ¹	0.3	0.4	-	0.4
Warrants ¹	-	1.9	-	2.3
Diluted number of common shares	43.9	45.8	43.6	46.1
Earnings per common share:				
Basic	\$ 0.03	\$ 0.76	\$ (0.02)	\$ 0.60
Diluted	0.03	0.72	(0.02)	0.56

¹ Applicable if dilutive and when the weighted average share price for the period was greater than the exercise price for vested stock options and warrants.

NOTE 11. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balance comprises:

(US \$ millions)	Q2 2011	Q2 2010	6 mos 2011	6 mos 2010
Cash used for				
Accounts receivable	\$ 9	\$ (17)	\$ (16)	\$ (30)
Inventory	(3)	5	(20)	(18)
Accounts payable and accrued liabilities	(4)	24	(7)	10
	\$ 2	\$ 12	\$ (43)	\$ (38)

Cash income taxes and interest comprises:

(US \$ millions)	Q2 2011	Q2 2010	6 mos 2011	6 mos 2010
Cash interest paid	\$ 9	\$ 1	\$ 25	\$ 17
Cash taxes received (paid), net	1	(5)	1	53

Cash and cash equivalents comprises:

(US \$ millions)	Jul 2 2011	Jun 26 2010
Cash	\$ 46	\$ 73
Cash equivalents	31	-
	\$ 77	\$ 73

NOTE 12. CAPITAL MANAGEMENT

Norbord's capital structure at period-end consisted of the following:

(US \$ millions)	Jul 2 2011	Dec 31, 2010 ¹
Long-term debt, principal value (<i>note 7</i>)	\$ 440	\$ 440
Less: Cash and cash equivalents	(77)	(113)
Net debt	363	327
Add: Letters of credit	10	10
Net debt for financial covenant purposes	373	337
Shareholders' equity	336	352
Add: IFRS transitional adjustments	21	-
Less: Cumulative other comprehensive income subsequent to January 1, 2011	(5)	-
Tangible net worth for financial covenant purposes	352	352
Total capitalization	\$ 725	\$ 689
Net debt to capitalization, book basis	51%	49%
Net debt to capitalization, market basis	39%	35%

¹ Figures have not been restated for IFRS. Effective January 1, 2011, the Company's lending agreement provides for the following adjustments to covenant calculations as a result of the changeover to IFRS : (i) the exclusion of accounts receivable securitization proceeds from the net debt calculation; (ii) the add-back of IFRS transitional adjustments to shareholders' equity, as at January 1, 2011 (to a maximum of \$30 million), for the purposes of the tangible net worth calculation; and (iii) the exclusion of cumulative other comprehensive income from the tangible net worth calculation, subsequent to January 1, 2011.

NOTE 13. FINANCIAL INSTRUMENTS
Non-Derivative Financial Instruments

The net book values and fair values of non-derivative financial instruments were as follows:

(US \$ millions)	Financial Instrument Category	Jul 2 2011		Dec 31 2010	
		Net Book Value	Fair Value	Net Book Value	Fair Value
Financial assets:					
Cash and cash equivalents	Fair value through profit or loss	\$ 77	\$ 77	\$ 111	\$ 111
Accounts receivable	Loans and Receivables	106	106	90	90
		\$ 183	\$ 183	\$ 201	\$ 201
Financial liabilities:					
Accounts payable and accrued liabilities	Amortized cost	\$ 153	\$ 153	\$ 164	\$ 164
Long-term debt	Amortized cost	441	450	443	447
Other long-term debt	Amortized cost	69	69	60	60
Other liabilities	Amortized cost	33	33	35	35
		\$ 696	\$ 705	\$ 702	\$ 706

Derivative Financial Instruments

Information about derivative financial instruments was as follows:

(US \$ millions, unless otherwise noted)	Jul 2 2011		Dec 31 2010	
	Notional Value	Unrealized (Loss) Gain at Period-End ¹	Notional Value	Unrealized Gain at Period-End ¹
Currency hedges:				
Net investment				
Belgium	€25	\$ (2)	€40	\$ 1
UK	£51	1	£47	2
Monetary position				
Canadian dollar	CAD \$82	1	CAD \$78	2
Interest rate hedges:				
Interest rate swaps	\$115	4	\$115	5

¹ The carrying values of the derivative financial instruments are equivalent to the unrealized gain (loss) at period-end.

The gains (losses) recognized on the Company's matured currency hedges were:

(US \$ millions)	Q2 2011	Q2 2010	6 mos 2011	6 mos 2010
Net investment				
Belgium	\$ (1)	\$ 5	\$ -	\$ 5
UK	(2)	3	(2)	4
Monetary position				
Canadian Dollar	(1)	-	3	-
	\$ (4)	\$ 8	\$ 1	\$ 9

Realized and unrealized gains and losses on derivative financial instruments are offset by realized and unrealized losses and gains on the underlying exposures being hedged.

NOTE 14. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company enters into various transactions on market terms with related parties which have been measured at exchange value and recognized in the consolidated financial statements. The following transactions have occurred between the Company and Brookfield during the normal course of business.

Year-to-date, the Company provided certain administrative services to Brookfield or its affiliates which was charged on a cost recovery basis. In addition, the Company periodically engaged the services of Brookfield or its affiliates for various financial, real estate and other business advisory services. Year-to-date, the fees for these services were less than \$1 million (2010 – less than \$1 million) and were charged at market rates.

NOTE 15. GEOGRAPHIC SEGMENTS

The Company has a single reportable segment. The Company operates principally in North America and Europe. Sales by geographic segment are determined based on the origin of shipment and therefore include export sales.

Q2 2011				
(US \$ millions)	North America	Europe	Unallocated	Total
Sales	\$ 124	\$ 117	\$ -	\$ 241
EBITDA ¹	-	13	(3)	10
Depreciation	9	4	-	13
Investment in property, plant and equipment	2	2	-	4
Q2 2010				
(US \$ millions)	North America	Europe	Unallocated	Total
Sales	\$ 204	\$ 92	\$ -	\$ 296
EBITDA ¹	64	10	(2)	72
Depreciation	10	4	-	14
Investment in property, plant and equipment	4	1	-	5
6 mos 2011				
(US \$ millions)	North America	Europe	Unallocated	Total
Sales	\$ 257	\$ 237	\$ -	\$ 494
EBITDA ¹	7	24	(7)	24
Depreciation	17	10	-	27
Investment in property, plant and equipment	5	7	-	12
Property, plant and equipment ²	653	152	-	805
6 mos 2010				
(US \$ millions)	North America	Europe	Unallocated	Total
Sales	\$ 320	\$ 173	\$ -	\$ 493
EBITDA ¹	72	14	(6)	80
Depreciation	17	8	-	25
Investment in property, plant and equipment	5	1	-	6
Property, plant and equipment ²	665	148	1	814

¹ EBITDA is earnings before interest, income tax and depreciation.

² Balance as at December 31, 2010.