



**Norbord**

# Year-End 2009 Investor Presentation

February 2, 2010

# Forward Looking Statements and Non-GAAP Financial Measures

- All financial references are expressed in US\$ unless otherwise noted.
- This presentation contains forward looking statements and estimates.
- Actual company results could differ materially from a conclusion, forecast or projection in the forward-looking information.
- Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.
- Additional information can be found in the company's annual information form, annual MD&A, and on Norbord's web site ([www.norbord.com](http://www.norbord.com)) about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information, and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.
- During the course of this presentation, certain non-GAAP financial information will be presented. Definitions and reconciliation of terms can be found in the Company's annual and quarterly MD&A.

## Norbord in Brief

- Based in Toronto, Canada
- Listed on TSX (“NBD”)
- 1,950 employees across U.S., Canada and Europe
- 2009 Assets - \$1.0 billion
- 2009 Sales - \$0.7 billion
- 2008 EBITDA – breakeven (\$0)

# Norbord Assets Strategically Located

## NORTH AMERICA



● Oriented Strand Board    □ Particleboard    ○ Medium Density Fibreboard    ◆ Hardwood Plywood    ◇ Other

## Production Facilities

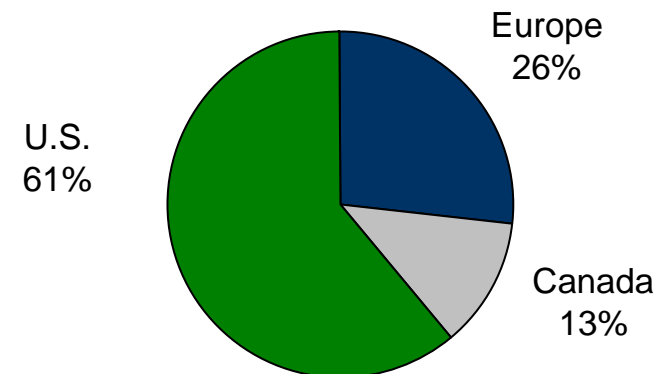
- 11 OSB
- 2 Particleboard
- 1 MDF
- 1 Hardwood Plywood (Joint Venture)

## EUROPE



● Oriented Strand Board    □ Particleboard    ○ Medium Density Fibreboard    ◆ Hardwood Plywood    ◇ Other

## Panel Capacity by Region



## Fourth Quarter 2009 Results

	<b><u>Q4</u></b> <b><u>2009</u></b>	<b><u>Q3</u></b> <b><u>2009</u></b>	<b><u>Q2</u></b> <b><u>2009</u></b>	<b><u>Q1</u></b> <b><u>2009</u></b>
Net Sales	<b>\$ 196</b>	\$ 192	\$ 174	\$ 156
EBITDA	<b>6</b>	10	(2)	(14)
Earnings	<b>(11)</b>	(7)	(18)	(22)
EPS	<b>(0.25)</b>	(0.16)	(0.42)	(0.52)
NC OSB Price (\$/msf)	<b>\$172</b>	\$178	\$146	\$154

**(\$US millions, except per share and price information, unless indicated)**

# 2009 Financial Performance

(\$US millions, except per share information unless indicated)

	<b>Year 2009</b>	Year 2008
Net Sales	<b>\$ 718</b>	\$ 943
EBITDA	<b>0</b>	(60)
Earnings	<b>(58)</b>	(115)
EPS	<b>(1.35)</b>	(7.62)
Cash provided by (used for) operating activities	<b>(35)</b>	(13)
Return on Equity	<b>(19)%</b>	(37)%
Return on Capital Employed	<b>0%</b>	(6)%

## Norbord Takes Early Action to Stabilize Balance Sheet

### **2007**

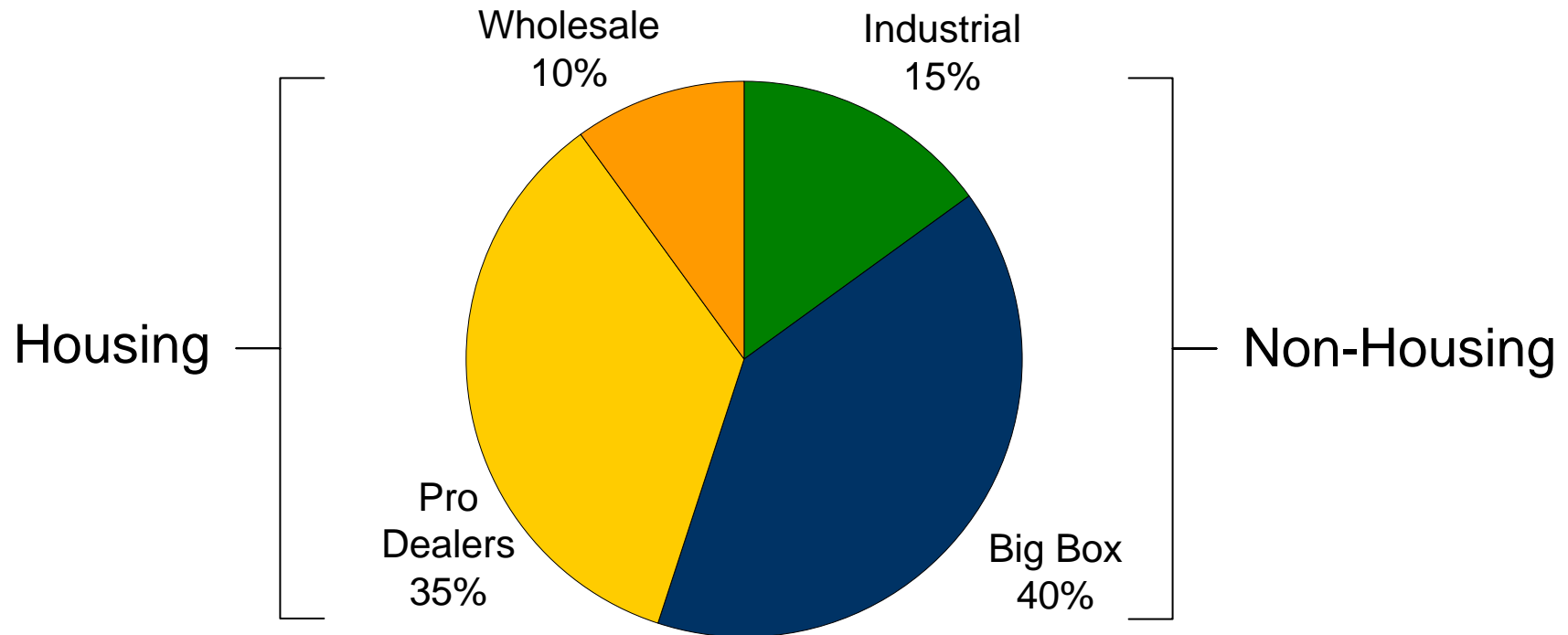
- Refinanced \$200 million of long-term debt
- Increased bank lines by \$35 million
- Securitized \$50 million of accounts receivable

### **2008**

- Completed \$100 million term debt facility with Brookfield
- Increased accounts receivable securitization program limit to \$85 million

# Norbord's Customer Strategy Provides 'Shock Absorber'

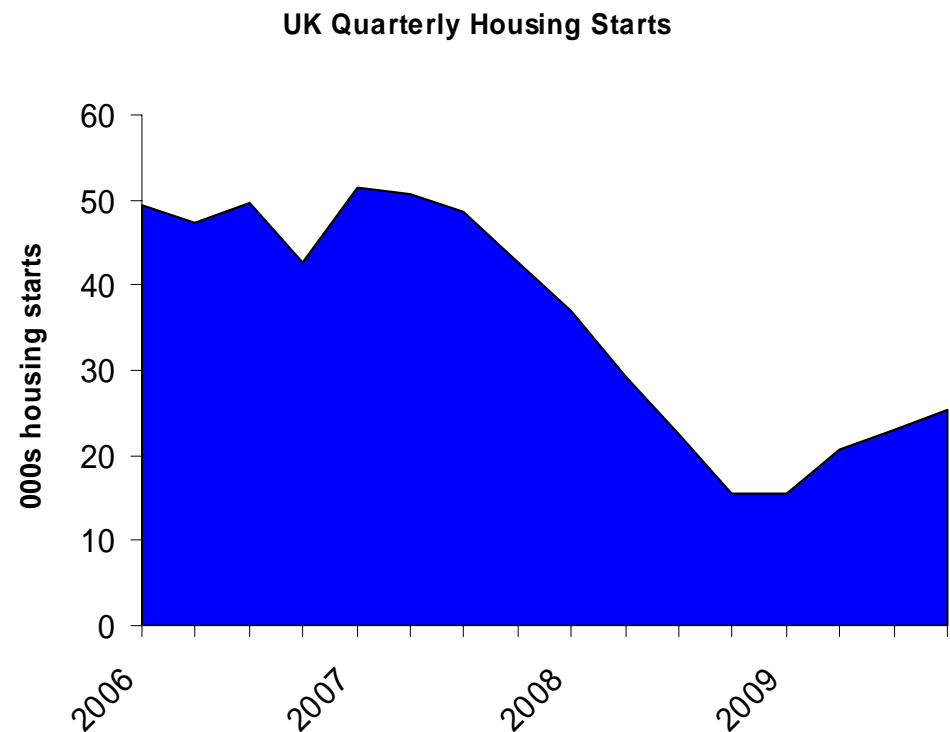
North American OSB Sales Segments 2009



**Sales to Pro Dealers will Expand with Housing Recovery**

# Global Economic Downturn Impacts European Housing

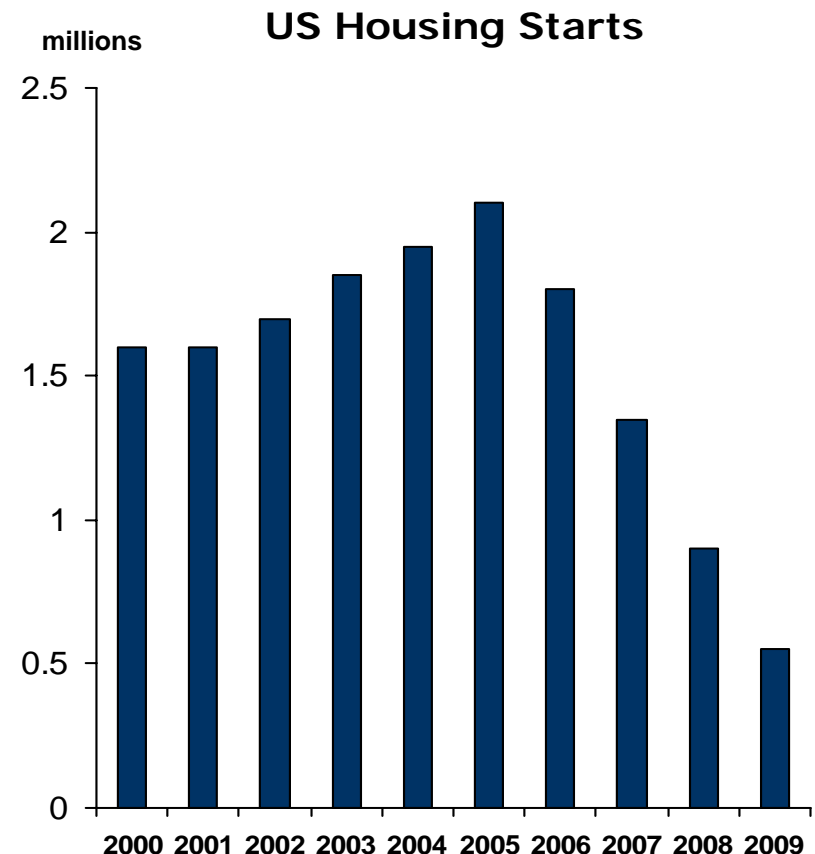
- UK housing market recovered from the lows of Q4 08, but still far below previous peak
- House prices show signs of stability - improved mortgage availability still needed for robust housing recovery to occur



Sources: National House-building Council & Nationwide UK House Price Index

# OSB Demand Impacted by Drop in US Housing Starts

- 2009 US housing starts were .55 million.
- US housing starts of 0.6 million to 0.9 million expected in 2010.
- Limited mortgage availability and high unemployment and foreclosures remain an issue near-term.



**45% of OSB production consumed by new home construction**

\* Source = U.S. Census Bureau

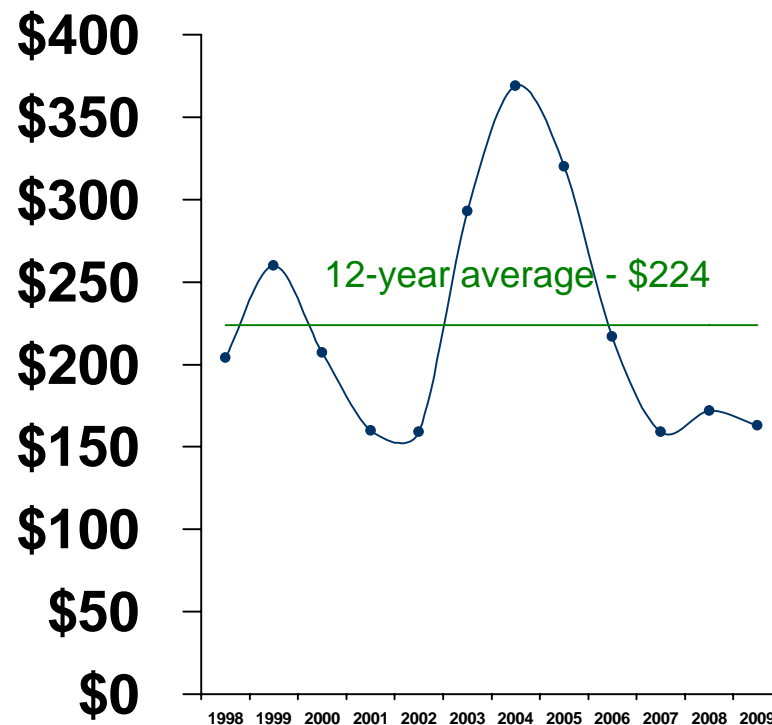
## Recapitalization Completed in 2008; Adequate Access to Liquidity

- Reached an agreement to widen bank line covenants
- Suspended quarterly dividend (\$56 million annually)
- Raised CAD\$240 million through Rights Offering
- Reduced operating schedule
- Constrained capital investments
- Reduced already lean overhead costs

# OSB Producers Under Pressure

- Instability in financial markets
- Tighter lending practices
- High inventory of homes for sale
- Rising production input costs

Historical OSB Pricing – NC 7/16"

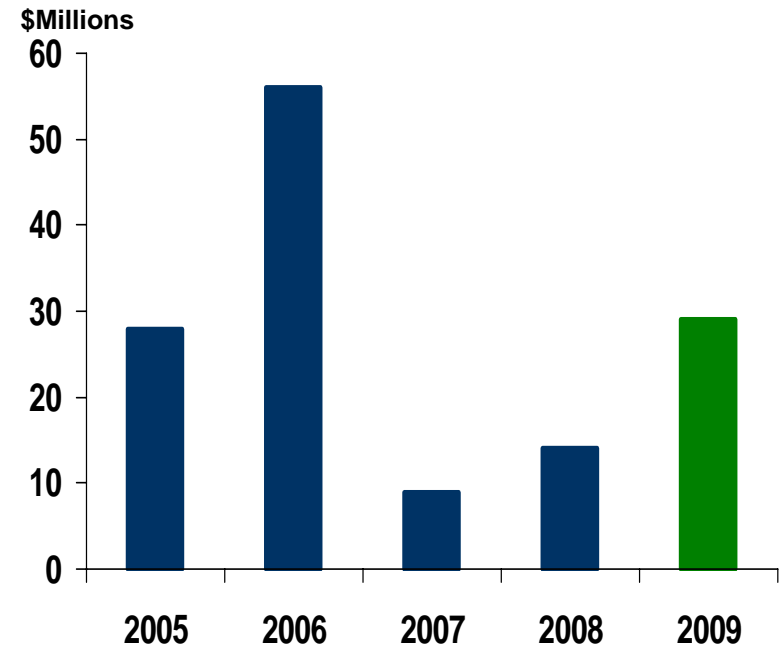


**North Central OSB price averaged \$163 in 2009**

## Low Cost Position Key to Long-Term Success

- Visibility of 2009 MIP limited by reduced operating rates
- Expect to maintain and progress gains realized in prior years

Margin Improvement Program (MIP) Gains



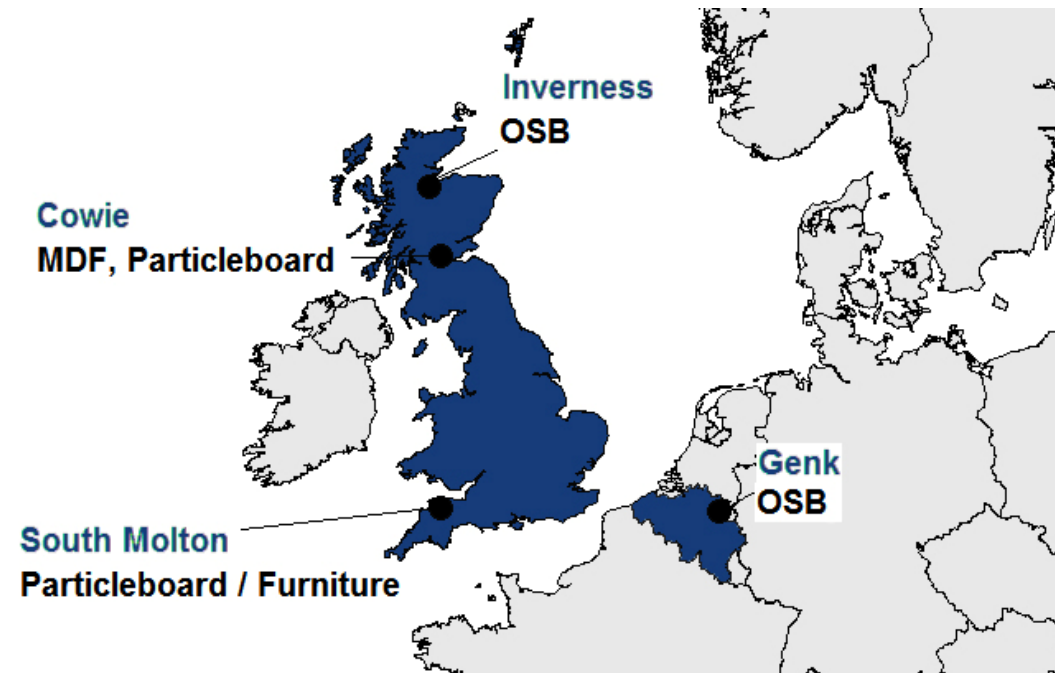
**\$136 million in margin improvements over 5 years**

## Norbord Implements One for Ten Share Consolidation

- Effective date - October 16, 2009
- One post consolidated common share issued for every ten pre-consolidated common shares
- Post consolidated shares began trading on the TSX on October 21, 2009
- No fractional shares issued
- Ticker symbol remained the same - NBD
- New CUSIP number – 65548P403
- New warrant conversion calculation:  
$$10 \text{ warrants} + \$13.60 = 1 \text{ common share}$$
- Higher share price expected to attract additional institutional investment interest and improve trading liquidity

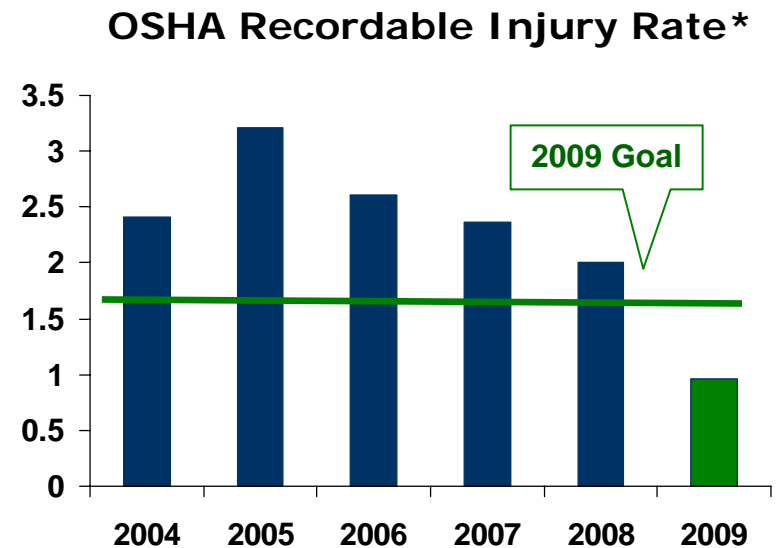
# UK Asset Base Provides Competitive Advantage

- Systemic lack of available housing in the UK
- Pent up demand continues to grow



# Strong Safety Results Continue in 2009

- 2009 OSHA rate of 0.96 was a best ever result
- Three mills completed 2009 with zero recordable injuries.



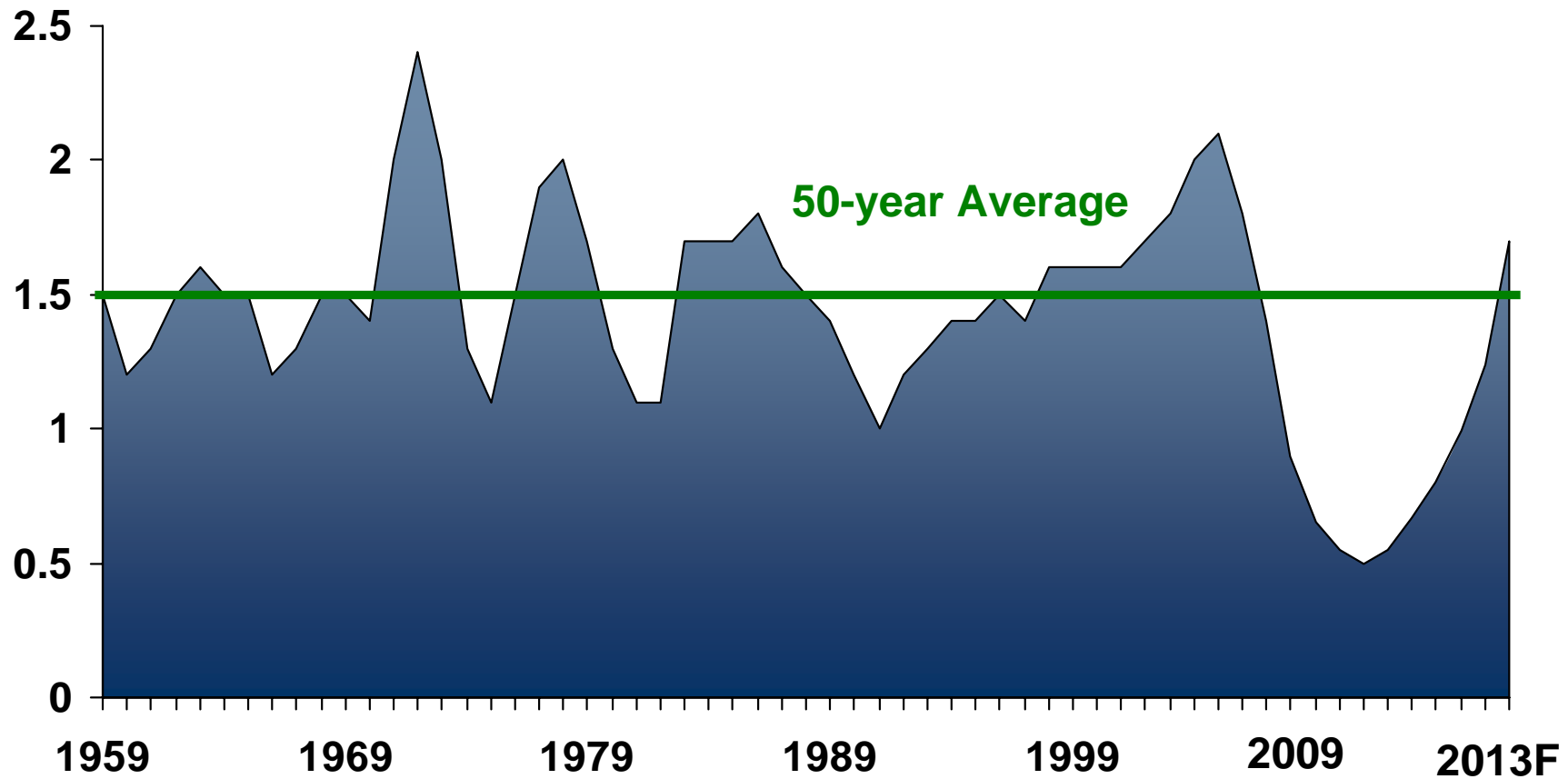
\* Per 200,000 hours worked

**Improved OSHA safety rate 50% Year-Over-Year**

2009 results do not include True North Hardwood Plywood

# Demographics Support a US Housing Recovery

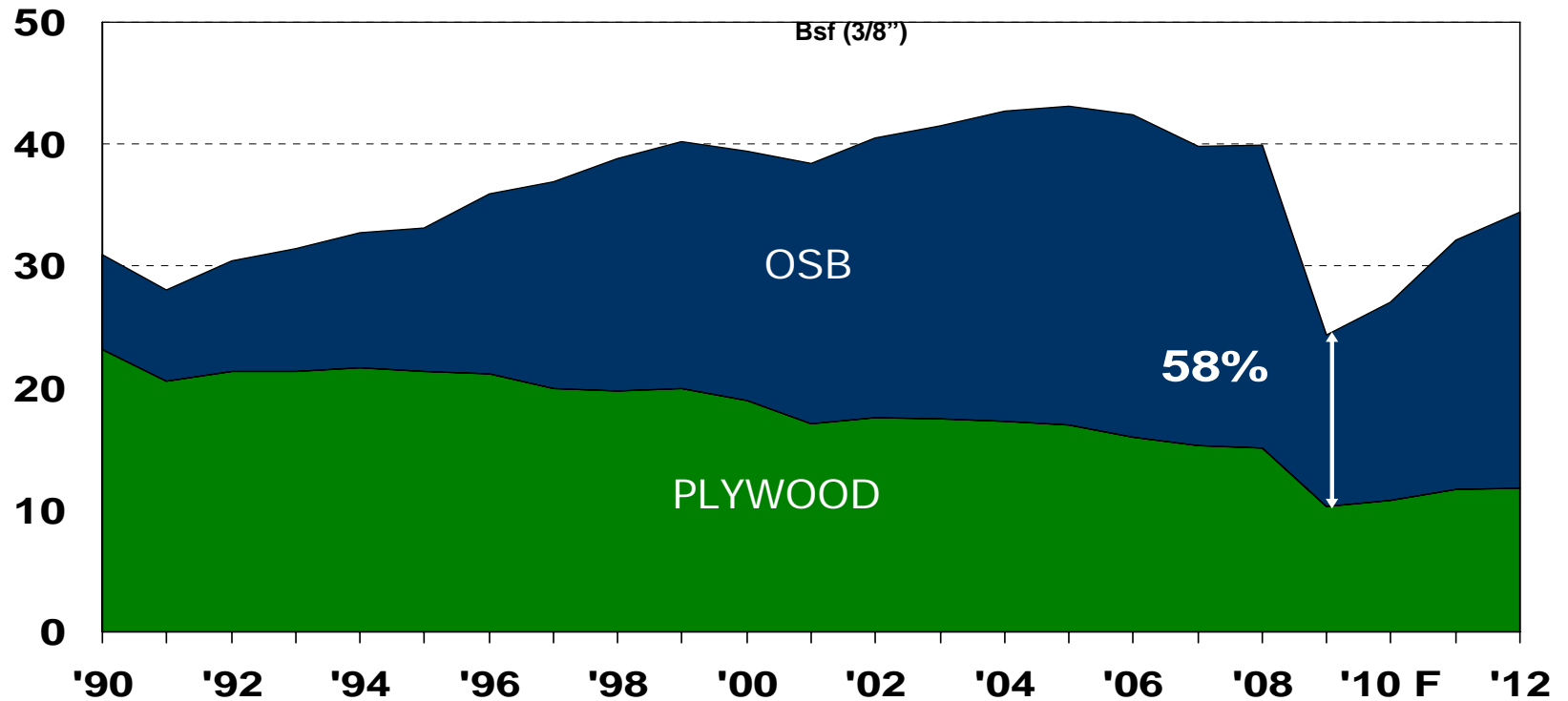
US Housing Starts  
(millions)



Source: US Census & APA- The Engineered Wood Association

# Long-term Outlook for OSB Demand Still Positive

North American  
Structural Panel Consumption



Source – APA The Engineered Wood Association

# Strategic Priorities

## Strategic Priority

## 2009 Performance

1. Develop world class safety culture

- Improved safety performance by 50% to a best ever OSHA recordable rate of 0.96.

2. Pursue growth in OSB

- Monitored opportunities for growth in OSB through acquisition.
- Completed significant equipment rebuild at the Joanna, South Carolina mill to improve production efficiency.

3. Own high-quality assets with low cost positions

- Divested non-core MDF assets (Deposit, N.Y.)
- Formed joint venture for non-core hardwood plywood assets (Cochrane, ON)
- Continued to reduce corporate overheads with a 30% decrease from 2007.

4. Maintain a margin-focused operating culture

- Generated margin improvements of \$29 million including selling, general and administrative cost reductions, in spite of 20% lower production volume.

5. Focus on growth customers

- Limited exposure to housing-related OSB by increasing sales volume to strategic big box retailers and industrial customers.
- Launched Pinnacle™, a performance flooring product and Trubord™, a commodity wall sheathing product.

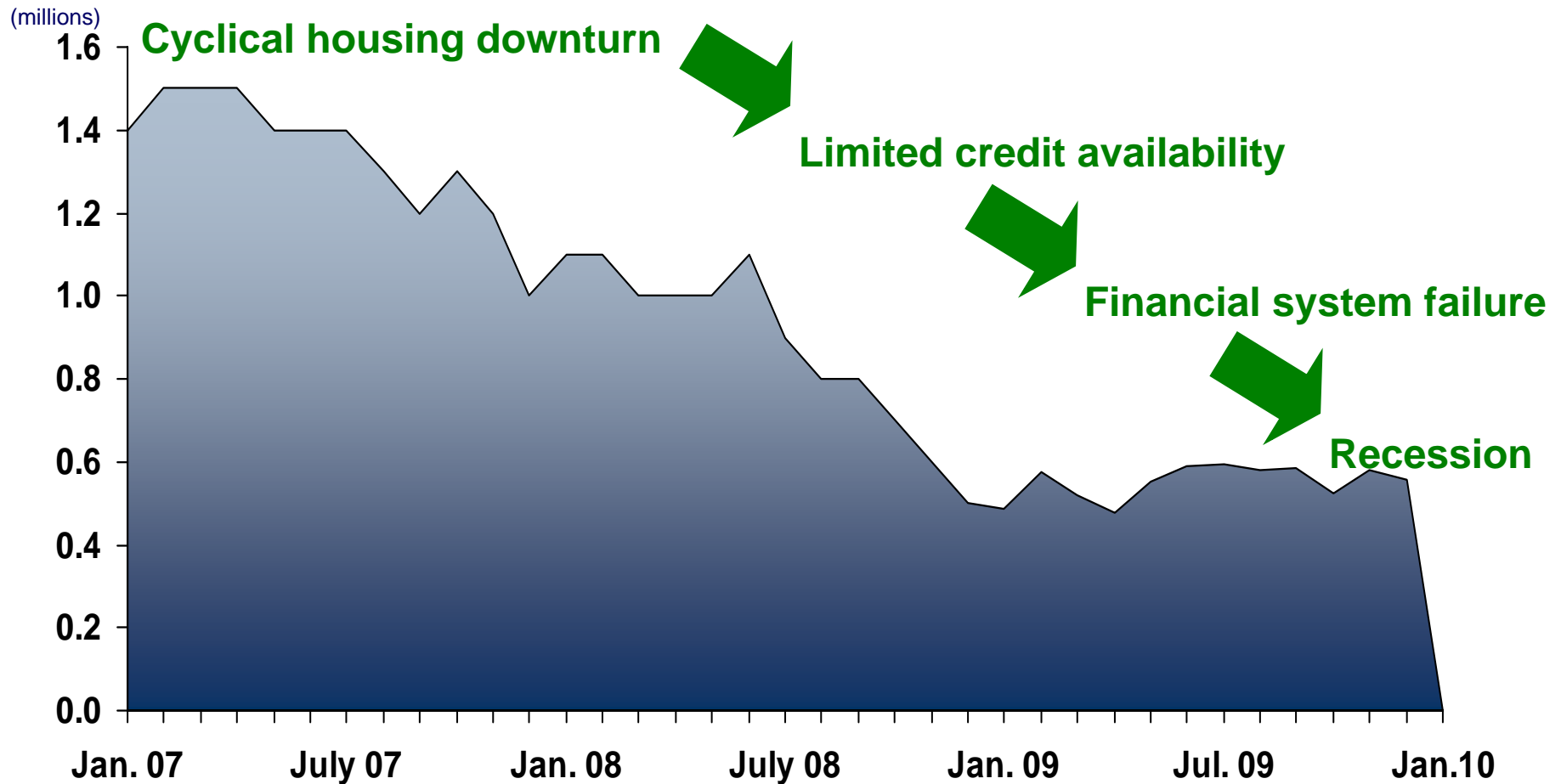
6. Allocate capital with discipline

- Constrained capital program to \$14 million.

# *Appendix*

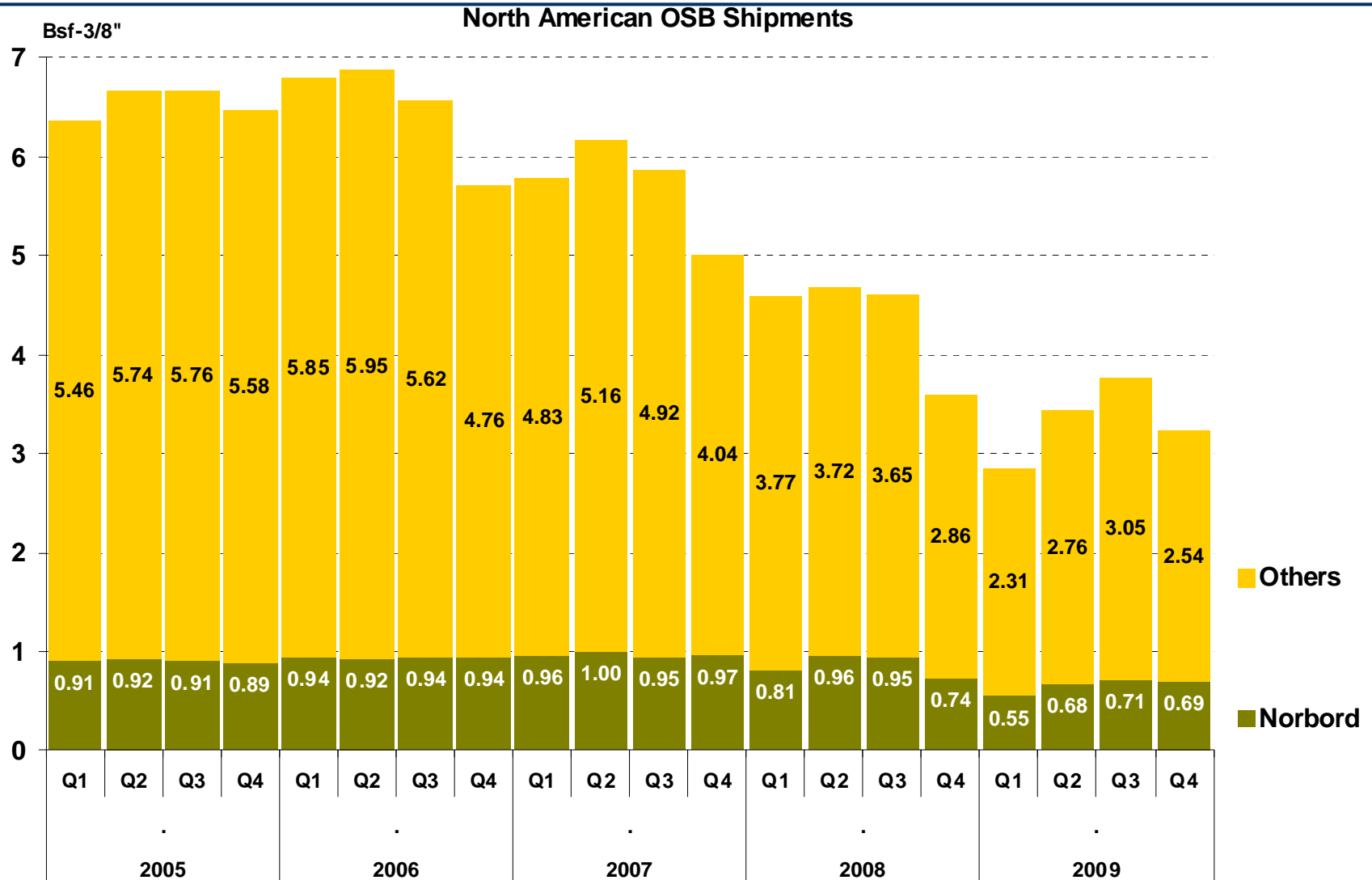
# US Housing Collapse Triggers Recession

US Housing Starts



Source: US Census

# Norbord Share Increasing During OSB Market Decline



## Investment Dynamics <sup>(1)</sup>

- Market capitalization – CAD \$539 million
- Average daily trading volume during 2009 – 54,298 shares
- Total of 43.2 million common shares and 136 million warrants<sup>(2)</sup> issued and outstanding
- Brookfield Asset Management ownership – 75%

*(1) Information as at October 30, 2009, post share consolidation, unless otherwise noted.*

*(2) 10 warrants = 1 common share*

# Analyst Coverage of Norbord

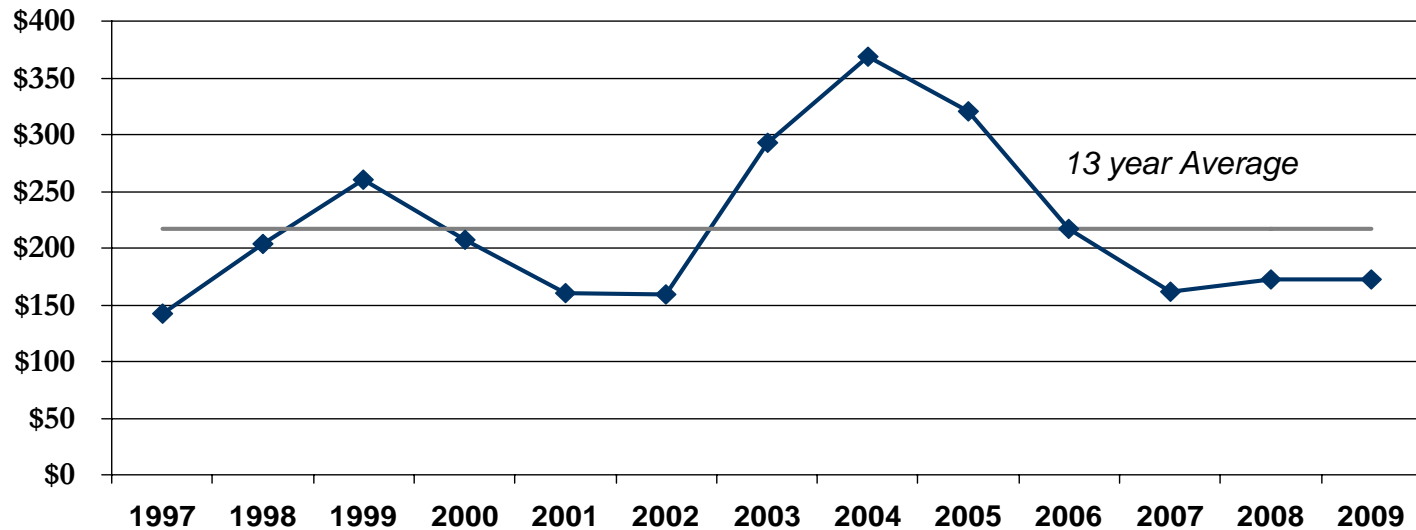
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CIBC World Markets	Jonathan uthbridge	(415) 847-6423    jonathan.lethbridge@cibc.ca
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TD Newcrest	Sean Steuart	(416) 308-3399    sean.steuart@tdsecurities.com

# Financial Sensitivities

<b>Exposure</b>	<b>Change</b>	<b>Impact on EBITDA<sup>(1)</sup> (\$ millions)</b>
North American OSB	\$10 per Msf 7/16"	± \$36
European OSB	€10 per m <sup>3</sup>	± \$7
Canadian dollar	\$0.01 per Cdn\$	± \$1
Pound sterling	£0.01 per €	± \$2

(1) Assumes operation at full capacity levels.

# Historical OSB Pricing – NC 7/16”



<b>Q1</b>	134	157	217	261	132	163	175	423	364	285	145	137	154
<b>Q2</b>	126	195	291	240	190	159	215	443	297	238	156	179	146
<b>Q3</b>	144	287	301	171	180	159	381	351	303	181	177	201	178
<b>Q4</b>	164	178	230	155	140	156	401	264	317	166	165	170	172
<b>Average</b>	142	204	260	207	160	159	293	369	320	217	161	172	163

Source: *Random Lengths*

# Forecast OSB Pricing – NC 7/16”

- Norbord does not provide guidance regarding its expectations of future prices. The following is a sample of price forecasts by analysts and other institutions as at **February 2, 2010**. It is not exhaustive.*

	<b>2010</b>
BMO Capital Markets	165
CIBC World Markets	190
Desjardins Securities	195
Dundee Securities	174
Goldman Sachs	175
Raymond James	190
RBC Capital Markets	185
Salman Partners	190
Scotia Capital	200
TD Newcrest	190
<b>Average</b>	<b>\$185</b>
<b>Range</b>	<b>\$165-\$200</b>