J. Barrie Shineton
President & Chief Executive Officer

April 23, 2008

Dear Norbord Shareholder,

Norbord's results in the first quarter were impacted by very low OSB prices as demand from new home construction continued to fall. OSB prices were further pressured in the quarter as some producers liquidated large volumes of excess inventory into a very fragile market. The result was OSB prices that, at times, dropped prices below $100. In this very difficult market environment, we recorded an EBITDA loss of $24 million.

We recognize that we operate in a cyclical commodity business. We also appreciate that the US home construction industry drives the cycle. However, there are two additional factors that make this downturn unprecedented. First – the banks have tightened their lending practices and restricted mortgage approvals. Second – significant new, low cost OSB capacity is still ramping up.

We do not expect any near-term relief from the housing market as forecasts have been revised down again to 1.0 million or less. There are several important events that must occur before OSB prices and housing starts recover: today's high inventory of new and used homes needs to be absorbed; housing prices must return to the pre bubble norms; and the financial industry needs to put first time buyers back into the housing market. We believe all these things will happen, however, likely not before 2010.

Our European operations continued to provide the important earnings diversification in Q1 that we have spoken of in the past – albeit not to the same exceptional degree experienced in 2007. European mills contributed EBITDA of $7 million in the first quarter. Markets in Europe are now seeing some of the impact of the North American credit crisis. However, our excellent customer base, first-rate logistics system and UK-based asset locations will ensure we continue to benefit.

Norbord is widely-recognized as one of the lowest cost producers in the industry. Our focus on mix, volume and productivity has added $165 million of additional margin over the past five years. And this year we have taken additional aggressive actions to further contain our costs. Specifically, we have:

- Eliminated all management bonus payments in North America,
- Taken steps to further reduce our already lean corporate overhead,
- Limited capital to only projects required for environmental compliance and essential maintenance, and
- Curtailed mills when it becomes uneconomic to keep them running.

Norbord

As we move through what we now see as an extended downturn, we will continue to evaluate new alternatives to strengthen our liquidity and conserve cash.

The next two years will be tough. However, Norbord has the right plan, good management and the necessary support to emerge from this cycle a stronger company.

Thank you for your continuing support.

Barrie Shineton

NEWS RELEASE

NORBORD REPORTS Q1 2008 RESULTS

Note: Financial references in US dollars unless otherwise indicated

Q1 2008 HIGHLIGHTS

- **Arranged $100 million unsecured term debt facility**
- **Received a $74 million cash tax refund subsequent to quarter end**
- **Exported 15% of OSB volume from Quebec mills to Europe**
- **Secured new business with key home centre customer**

TORONTO, ON (April 23, 2008) – Norbord Inc. (TSX:NBD) today reported a loss of $31 million or $0.21 per share in the first quarter of 2008 due to continued weak North American OSB prices. Norbord reported a loss of $13 million or $0.09 per share in the prior quarter and a loss of $16 million or $0.11 per share in the first quarter of 2007.

Norbord recorded negative EBITDA of $24 million in Q1 2008 compared to negative $9 million in Q4 2007 and positive $4 million in Q1 2007. In addition, Norbord reported a $4 million pre-tax charge ($0.02 earnings per share) relating to severance for the permanent closure of the particleboard line at Genk, Belgium, announced on February 15, 2008. The Q1 2008 EBITDA contribution from European operations remained positive at $7 million.

“North American OSB pricing dropped to its lowest level in more than a decade and this was clearly reflected in our first quarter results,” said Barrie Shineton, Norbord’s President and CEO. “We do expect North American OSB prices to stabilize somewhat throughout the second and third quarters, however, we believe the industry will remain under considerable pressure in 2008 and 2009.”

Market Conditions

North Central benchmark OSB prices averaged $137 in Q1 2008 versus $165 in Q4 2007. In the South East region, where approximately 55% of Norbord’s North American capacity is located, prices averaged $121 in the quarter, down $11 from Q4 2007. OSB prices reflect the continued drop in US housing starts in the quarter – almost two-thirds of North American OSB production goes into new home construction.

In Europe, markets have returned to more normal levels following the exceptionally robust conditions experienced in 2007. The ongoing news relating to US credit concerns dampened UK home buyer and construction confidence and has resulted in slower panelboard sales. Many European OSB producers took between two and three weeks of market downtime during the holidays to manage high inventory levels at year end. At Norbord, 7% of European OSB capacity was curtailed in the quarter. European OSB prices retreated 6% relative to the fourth quarter, while key customer programs and solid order files helped keep particleboard and MDF prices constant.

Developments

On January 31, 2008, Norbord completed a $100 million unsecured term debt facility with its major shareholder, $55 million of which was drawn at the end of the quarter. Subsequent to quarter end, Norbord received a $74 million cash tax refund relating to losses incurred in 2007. The Company expects to receive an additional tax refund of approximately $16 million later in the year.

Performance

Norbord announced the permanent closure of the particleboard line at Genk, Belgium during the quarter. Production on the OSB line at Genk was not affected. No write-down of particleboard asset values was required as a result of the line closure. The particleboard line comprises older technology and has always been considered non-core.

Norbord exported approximately 15% of the OSB volume from its mills in Quebec into Mediterranean Europe during the first quarter. Norbord expects its export program to remain at this reduced level throughout 2008 as prices return to more average levels in Europe.

In the quarter, Norbord's North American per unit OSB cash production costs were up 6% over the fourth of 2007. The majority of this increase was due to higher key input prices and the negative impact on per unit costs of the market-related downtime taken in the quarter.

In North America, Norbord curtailed 20% or 170 mill days of its OSB production during the quarter. Norbord will continue its practice of monitoring the financial performance of each mill and will suspend operations when cash losses exceed shutdown costs.

Investments in property, plant and equipment totaled $5 million in the quarter. Norbord's net debt was 35% of capitalization on a market basis and 61% on a book basis.

Quarterly Dividend

The Board of Directors declared a quarterly dividend of CAD$0.10 per common share, payable on June 21, 2008 to shareholders of record on June 1, 2008.

Conference Call

Norbord will hold a conference call for investors on Thursday, April 24, 2008 at 11:00 a.m. ET. The call will be broadcast live over the Internet via www.norbord.com and www.newswire.ca. A replay will be available one hour following the call until May 24, 2008 by dialing 1-888-203-1112 or 647-436-0148. The pass code is 7974470. Audio playback will be available on the Norbord website.

Norbord Profile

Norbord Inc. is an international producer of wood-based panels with assets of $1.3 billion, employing approximately 2,700 people at 15 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), hardwood plywood and related value-added products. Norbord is a publicly traded company listed on the Toronto Stock Exchange under the symbol NBD.

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This news release and attached Shareholders Letter contain forward-looking statements, as defined in applicable legislation. Often, but not always, words such as "expect," "believes," "will," "should," 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 and the US Securities and Exchange Commission.

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, 2008 Annual Information Form and the cautionary statement contained in the "Forward-Looking Statements" section of the 2007 Management's Discussion and Analysis dated January 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FIRST QUARTER 2008

April 22, 2008

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. Norbord's significant accounting policies and other financial disclosures are contained in the audited annual financial statements and accompanying notes. 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.

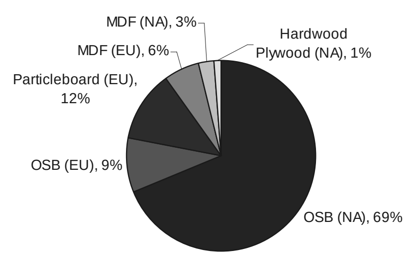
Some of the statements included or incorporated by reference in this MD&A constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on various assumptions and are subject to various risks. See the cautionary statement contained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

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

BUSINESS OVERVIEW AND STRATEGY

Norbord is an international producer of wood-based panels with 15 plant locations in the US, the UK, Canada and Belgium. It is one of the world's largest producers of oriented strand board (OSB) with annual capacity of 5.0 billion square feet (3/8-inch basis). The core of Norbord's OSB business is located in the South East region of the US. The Company is a significant producer of wood-based panels in Europe. The geographical breakdown of panel production capacity is 73% North America and 27% Europe.

OSB Accounts for Almost 80% of Norbord's Business



Production Capacity by Product
NA = North America
EU = 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. Norbord believes that it has met this target in four of the past five years.

Protecting the balance sheet is an important element of Norbord's financing strategy. Norbord believes that its record of superior operational performance and prudent balance sheet management should enable it to access public and private capital markets. At the end of the quarter, the Company had a net debt to capitalization of 35% on a market basis and 61% on a book basis.

SUMMARY

Results of operations are most affected by the volatility in North American OSB prices. The relative strength of European panel markets also affects results, although to a lesser degree. European markets were solid in the quarter after pricing moderated from the exceptionally robust levels seen in 2007. In contrast, North American markets remained challenging. North American OSB prices reflect the sharp decline in US housing starts. Norbord's European business is exposed to different market dynamics than the North American business. Management believes that this provides meaningful earnings diversification, while capitalizing on Norbord's strength as a panel producer.

Norbord recorded EBITDA of negative $24 million in the quarter, versus negative $9 million in the previous quarter and positive $4 million in the first quarter of 2007. The contribution from European operations was $7 million, despite the traditional softness in shipment volumes seen in European markets heading into the first quarter.

The Company recorded a loss of $31 million in the first quarter of 2008 or $0.21 per share compared to a loss of $13 million or $0.09 per share and $16 million or $0.11 per share in the fourth and first quarters of 2007, respectively. Included in this result is a $4 million pre-tax charge ($0.02 earnings per share) relating to severance for the permanent closure of the particleboard line at Genk, Belgium. In addition, softer earnings in the quarter were due to lower OSB prices in North America and Europe.

Net sales in the quarter were $234 million, compared to $263 million and $261 million in the fourth and first quarters of 2007, respectively. Lower OSB shipment volume and pricing, particularly in North America, are primarily responsible for the lower net sales level.

Fluctuation in North American OSB price is the most significant variable affecting Norbord's results. Demand and pricing for North American OSB is expected to remain weak in the near term. However, the long term fundamentals supporting North American housing and OSB demand are forecast to be strong. Management continues to believe that OSB will remain one of the best growth products in the forest products industry.

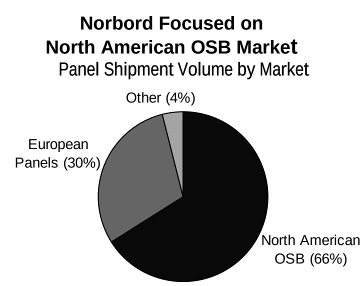
RESULTS OF OPERATIONS

(US$ millions, except per share information, unless otherwise noted)	1st Qtr 2008	4th Qtr 2007	1st Qtr 2007
Return on capital employed (ROCE)	(9)%	(3)%	2%
Return on equity (ROE)	(37)%	(14)%	(15)%
Earnings per share – diluted	$ (0.21)	$ (0.09)	$ (0.11)
Net sales	$ 234	$ 263	$ 261
EBITDA	(24)	(9)	4
Depreciation	19	18	24
Investment in property, plant and equipment	5	7	9
Shipments (MMsf 3/8")			
OSB	959	1,130	1,112
Particleboard (1)	131	128	169
MDF	111	113	126
Hardwood plywood	15	13	20
Indicative OSB Prices			
Average OSB price – North Central ($/Msf 7/16")	137	165	145
Average OSB price – South East ($/Msf 7/16")	121	132	138
Average OSB price – Europe (€/m^3)	220	234	234

(1) Excludes particleboard consumed internally (35 MMsf, 35 MMsf, 34 MMsf for each period, respectively).

Markets

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. Comprising almost 30% of shipments by volume, the relative strength of European panel markets also affect results, although to a lesser degree.



In the quarter, North American North Central benchmark OSB prices averaged $137 versus $165 and $145 in the fourth and first quarters of 2007, respectively. In the South East region, where approximately 55% of Norbord's North American capacity is located, prices averaged $121 in the quarter, down $11 and $17 from the fourth and first quarters of 2007.

The decline in North American OSB prices, which began in the second quarter of 2006, is the result of lower housing starts in the US. New home construction is the principal end use for OSB, accounting for about 65% of demand in 2007. North American OSB prices have also been impacted by an increase in low cost production capacity as a number of new mills have come on stream. Relatively weak pricing levels are expected to persist through 2008 as a result of weaker overall demand and the impact of additional low cost capacity.

In Europe, market conditions returned to more normal levels following the exceptionally robust market conditions experienced in 2007. The ongoing unfavourable economic news relating to US credit concerns dampened consumer and business confidence levels and resulted in weaker first quarter panelboard sales. Many European OSB producers took market downtime to manage high inventory levels. At Norbord, approximately 7% of European capacity was curtailed. Norbord's European OSB prices retreated by 6% relative to the fourth quarter while particleboard and MDF prices held constant.

Operating Results

The benefit of market conditions in Europe were partially offset by continued pressures on key input prices. A number of initiatives have been undertaken to address these cost pressures including the permanent closure of the Genk particleboard line during the quarter and the installation of biomass heat energy systems at Genk OSB and Cowie, Scotland MDF in 2007. Norbord expects that these initiatives will result in higher overall margin contribution from the European mills. Norbord's European operations recorded EBITDA of $7 million in the quarter, despite the traditional softness in shipment volumes seen in European markets heading into the first quarter.

European results provided a timely contribution as North American OSB prices have retreated from the highs of recent years. The North American OSB oversupply situation continued in the first quarter and most producers, Norbord included, took market-related downtime. Norbord's North American OSB mills operated at approximately 80% of capacity in the quarter, compared to approximately 85% and 100% in the fourth and first quarters of 2007.

Throughout the cycle, Norbord took steps to prepare itself for this cyclical downturn by focusing on cost containment and a higher margin product mix. The Margin Improvement Program (MIP) has helped Norbord to concentrate on improving its competitive position, generating over $165 million of savings in the past five years. These gains have helped to offset the impact of industry-wide rising input costs and management believes its relative competitive position has improved over this time. MIP gains from prior years have been maintained and in the quarter, MIP gains resulting from key input usage improvements and from marketing and sales initiatives were successful in offsetting the impact of the production curtailments taken in the quarter.

In the quarter, Norbord's North American per unit OSB cash production costs, including employee profit share, were up 6% and 10% over the fourth and first quarters of 2007 respectively. The increase in cash cost is principally due to higher key input prices, primarily resin, and the negative impact on per unit costs of the market-related downtime taken in the quarter.

Major components of the change in EBITDA versus comparative periods are summarized in the following variance table.

EBITDA Variance (US$ millions)		1st Qtr 2008 vs. 4th Qtr 2007		1st Qtr 2008 vs. 1st Qtr 2007
EBITDA – current period	$	(24)	$	(24)
EBITDA – comparative period		(9)		4
Variance	$	(15)	$	(28)
Mill nets (1)	$	(8)	$	7
Volume (2)		2		(16)
Key input prices (3)		(11)		(13)
Key input usage (3)		-		1
Other (4)		2		(7)
	$	(15)	$	(28)

(1) The mill net variance represents the change in realized pricing across all products. Mill net is calculated as net sales divided by shipment volume.
(2) The volume variance represents the impact of shipment volume changes across all products.
(3) Key inputs include fibre, resin and energy.
(4) Other category covers all remaining variances including, supplies and maintenance, labour and benefits, and the impact of foreign exchange.

INTEREST, DEPRECIATION AND INCOME TAX

(US$ millions)	1st Qtr 2008	4th Qtr 2007	1st Qtr 2007
Interest and other income	$ 1	$ 1	$ 1
Interest expense	(15)	(13)	(9)
Depreciation	(19)	(18)	(24)
Income tax recovery (expense)	30	26	12

Interest and other income was $1 million in the quarter, in line with prior quarters. Interest expense of $15 million was higher than prior quarters due to additional interest on borrowings under the Company's committed bank lines. In addition, $3 million of interest was capitalized in the first quarter of 2007 relating to the new OSB line at Cordele.

Depreciation in the first quarter of 2008 was in line with the fourth quarter of 2007 and lower relative to the first quarter of 2007 as management's estimate of the useful life for its OSB assets was changed from 15 years to 25 years effective July 1, 2007. The impact of this change in estimate on depreciation was a reduction of $9 million per quarter. Depreciation expense increased in the second quarter of 2007 by $3 million as depreciation of the new OSB line at Cordele commenced in that quarter.

A tax recovery of $30 million was recorded in the quarter on a pre-tax loss of $61 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 2005 and 2006, Norbord paid $163 million in income and income-related taxes, principally in North America. Losses incurred in 2007 can be carried back and applied against taxes paid for a cash refund in 2008. The Company believes that losses incurred in 2007 will result in a cash refund of approximately $90 million in 2008, of which $74 million was received subsequent to period end.

LIQUIDITY AND CAPITAL RESOURCES

(US$ millions, except per share information, unless otherwise noted)	1st Qtr 2008	4th Qtr 2007	1st Qtr 2007
Cash provided by (used for) operating activities	$ (81)	$ 72	$ (50)
Cash provided by (used for) operating activities per share	(0.55)	0.49	(0.34)
Operating working capital	58	23	76
Total working capital	179	240	304
Investment in property, plant and equipment	5	7	9
Net debt to capitalization, market basis	35%	30%	31%
Net debt to capitalization, book basis	61%	60%	56%

During the quarter, the Company concluded a $100 million unsecured term debt facility with its major shareholder at an interest rate equal to the greater of 8% and US base rate plus ½%. The facility matures in 2010 and is subordinated to the Company's committed unsecured revolving bank lines. Any drawings under the facility are treated as equity and included in the determination of tangible net worth for bank line covenant purposes. At March 29, 2008, $45 million was available under this facility with $55 million drawn.

In addition to the term debt facility, the Company has cash and cash equivalents of $25 million, and $235 million of committed unsecured revolving bank lines available to support short-term liquidity requirements. At March 29, 2008, $47 million of the revolving bank lines was available and $188 million was utilized – $184 million drawn as cash and $4 million utilized for letters of credit. These committed bank lines mature in 2010, bear interest at money market rates plus a margin that varies with the Company's credit rating, and contain the following financial covenants which the Company must comply with on a quarterly basis: minimum tangible net worth of $300 million; and maximum net debt to total capitalization, book basis of 65%. At period end, the Company's tangible net worth was $375 million versus the minimum $300 million covenant; and net debt to total capitalization, book basis was 61% versus the maximum 65% covenant.

Operating activities consumed $81 million of cash in the quarter; $24 million in EBITDA losses, $15 million in interest expense; and the balance principally due to the seasonal build in operating working capital. Cash used for operating activities is higher when compared to the first quarter of 2007, principally due to higher earnings and a cash tax recovery in the comparable period. Relative to the fourth quarter of 2007, cash used for operations is higher in the quarter principally due to a seasonal reduction in operating working capital in the comparable period and proceeds from the $50 million securitization facility established in the fourth quarter of 2007.

Operating working capital, consisting of accounts receivable and inventory less accounts payable and accrued liabilities was $58 million at period end compared to $23 million at December 31, 2007 and $76 million at the end of the first quarter of 2007. The first quarter 2007 balance is higher as $50 million of accounts receivable were sold under a $50 million securitization facility established in the fourth quarter of 2007. Norbord's accounts receivable pool will support up to a $100 million securitization and the Company will pursue opportunities to increase the facility in the future. The increased operating working capital relative to the prior quarter is principally seasonal in nature.

Total working capital at March 29, 2008 was $179 million including $25 million in cash and cash equivalents and $96 million of tax receivable.

Cash dividends of $8 million were paid in the quarter, reflecting continued increased participation in the Company's Dividend Reinvestment Program (DRIP). The DRIP permits Canadian shareholders to elect to receive their dividends in the form of common shares. During the period the Company realized a loss of $15 million on its matured net investment hedges. The realized loss was offset by an unrealized gain on the net investments being hedged.

Norbord's net debt stood at $599 million at period end, representing 35% of capitalization on a market basis and 61% of capitalization on a book basis. Norbord believes its record of superior operational performance and prudent balance sheet management should enable it to retain access to public and private capital markets.

INVESTMENTS AND DIVESTITURES

Investment in Property, Plant and Equipment

Investment in property, plant and equipment was $5 million in the first quarter of 2008. Norbord's 2008 investment in property, plant and equipment has been limited to reflect market conditions and is expected to be $30 million.

Provision for Non-Core Operation

In the first quarter of 2008, the Company recorded a $4 million provision relating to severance arising on the permanent closure of the particleboard line at Genk. Operations at the Genk OSB line were not impacted. The particleboard line comprises older technology and was considered non-core at the time the site was acquired in 2004. The Genk mill was acquired to expand Norbord's OSB presence in Europe and accordingly the majority of the purchase price was allocated to the OSB line.

CAPITALIZATION

Long-Term Debt Repurchase

In March 2008, the 8 1/8% debentures with a principal value of $197 million were repurchased. The repurchase was pre-funded by the February 2007 issuance of $200 million of senior notes due in 2017 which was completed one year early to mitigate potential refinancing risk.

SELECTED QUARTERLY INFORMATION

	2008	2007				2006		
(US$ millions, except per share information, unless otherwise noted)	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr
Cash provided by (used for) operating activities	(81)	72	(18)	11	(50)	54	37	70
Cash provided by (used for) operating activities per share	(0.55)	0.49	(0.12)	0.07	(0.34)	0.37	0.26	0.49
Return on capital employed (ROCE)	(9)%	(3)%	11%	6%	2%	8%	15%	33%
Return on equity (ROE)	(37)%	(14)%	(1)%	(15)%	(15)%	(1)%	6%	27%
Net Sales	234	263	292	288	261	259	291	334
EBITDA	(24)	(9)	30	17	4	22	35	79
Earnings	(31)	(13)	(1)	(15)	(16)	(1)	7	33
Earnings per share								
Basic	(0.21)	(0.09)	0.00	(0.11)	(0.11)	0.00	0.05	0.23
Diluted	(0.21)	(0.09)	0.00	(0.11)	(0.11)	(0.01)	0.05	0.23
OSB shipments (MMsf 3/8")	959	1,130	1,060	1,161	1,112	1,083	1,076	1,048
Average OSB price – North Central ($/Msf 7/16")	137	165	177	156	145	166	181	238
Average OSB price – South East ($/Msf 7/16")	121	132	149	153	138	141	181	249
Average OSB price – Europe (€/m^3)	220	234	246	249	234	219	213	204

The price of OSB is the primary variable affecting the comparability of Norbord's results over the past eight quarters. Fluctuations in earnings during that time mirror fluctuations in the price of OSB in North America. The Company estimates the annualized impact of a $10 per Msf (7/16-inch basis) change in the North American OSB price on EBITDA is approximately $34 million or approximately $0.15 per share. Regional pricing variations, particularly in the US South, make the North Central benchmark price a useful, albeit imperfect, proxy for overall North American OSB pricing. Further, premiums obtained on value added products, the pricing lag effect of maintaining an order file, and volume and trade discounts cause realized prices to differ from the benchmark.

Norbord has a relatively low exposure to the Canadian dollar due to a comparatively small manufacturing base in Canada, comprising 12% of panel production capacity. The Company estimates the unfavourable impact of a US one cent increase in the Canadian dollar to negatively impact annual EBITDA by approximately $1 million.

Quarterly results are also impacted by seasonal factors such as weather and building activity. Market demand varies seasonally, as home building activity and repair and renovation work, the principal end use for 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.

Items not related to ongoing business operations that had a significant impact on first quarter results include the $4 million pre-tax ($0.02 earnings per share) provision for non-core operation relating to the closure of the Genk particleboard line. In addition, the rate of depreciation has not been constant over the past eight quarters as management changed its estimate of the useful life of its OSB assets from 15 years to 25 years effective in the third quarter of 2007. The impact of this change in estimate on depreciation expense was approximately a $9 million reduction per quarter. In addition, in the second quarter of 2007, depreciation expense increased $3 million as depreciation commenced on the new OSB line at Cordele.

COMMON SHARES

At April 22, 2008, there were 148.2 million common shares outstanding. In addition, 3.3 million stock options were outstanding, of which approximately 35% were fully vested.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1535, Capital Disclosures, Section 3031, Inventories, Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation.

Section 1535 specifies the requirements for the disclosure of both qualitative and quantitative information that enable users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. This disclosure is contained in note 11 to the interim consolidated financial statements.

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The impact of adopting this new standard was a $1 million adjustment to opening retained earnings and a $3 million reclassification of certain capital spare parts from operating and maintenance supplies inventory to property, plant and equipment. The opening retained earnings adjustment arises due to prior years' depreciation on the reclassified capital spare parts and a lower opening carrying value of certain finished goods and raw material inventory. Inventories of raw materials and operating maintenance supplies are valued at the lower of cost and net realizable value, with cost determined on an average cost basis. Previously, the Company valued these inventories at the lower of cost and replacement cost. The capital spare parts reclassified to property, plant and equipment from operating and maintenance supplies inventory are recorded as production equipment at cost and are depreciated on a straight line basis. The rates of depreciation are intended to fully depreciate the assets over two to five years, which approximate their useful lives.

Section 3862 and Section 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, and revise and enhance the disclosure requirements and carry forward the presentation requirements. This disclosure is contained in note 12 to the interim consolidated financial statements.

The CICA issued a new accounting standard, Section 3064, Goodwill and intangible assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company will adopt this new standard in the first quarter 2009 and is currently assessing the impact of adoption on its consolidated financial statements.

In February 2008, the CICA's Accounting Standard Board (AcSB) announced that Canadian public companies will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. The Company is currently assessing the impact of adoption on its consolidated financial statements.

CLASS ACTION LAWSUIT

Norbord and eight other North American OSB producers have been named as defendants in several lawsuits filed in the US District Court for the Eastern District of Pennsylvania. The lawsuits allege that these nine North American OSB producers violated US and various state antitrust and other laws by allegedly agreeing to fix prices and reduce the supply of OSB from June 1, 2002 through the present.

The Court has certified the following classes: A nationwide class of persons and entities that purchased OSB in the US directly from any of the defendant North American OSB producers between June 1, 2002 and February 24, 2006; a nationwide class of persons who, as end users, indirectly purchased in the US for their own use, and not for resale, new OSB manufactured and sold by one or more of the defendant North American OSB producers between June 1, 2002 and February 24, 2006 (other than persons who purchased OSB only as part of a house or other structure); and a multi-state class of residents of seventeen States who, as end users, indirectly purchased in the US for their own use, and not for resale, new OSB manufactured and sold by one or more of the defendant North American OSB producers between June 1, 2002 and February 24, 2006 (other than persons who purchased OSB only as part of a house or other structure).

All three classes seek damages or injunctive or other relief under applicable laws. The direct purchaser class trial date is set for June 3, 2008 and no trial date has been set for the two indirect purchaser classes. By Court order, potential members of the certified class of direct purchasers that wish to opt out of the class must declare their intent to opt out by May 9, 2008. Purchasers that do opt out may separately pursue claims against Norbord and the other defendants.

Norbord believes that the lawsuits are entirely without merit. The Court ordered Norbord and certain other defendants to participate in settlement conferences in March and April, 2008. The Court has directed that the substance of these proceedings is to be kept confidential. The outcome of litigation is subject to inherent uncertainties and an adverse outcome to these litigations has the potential to materially and adversely affect Norbord’s business, financial condition, and results of operations.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with Canadian GAAP. There have been no changes in Norbord’s internal controls over financial reporting during the interim period ended March 29, 2008 that have materially affected or are reasonably likely to materially affect its internal controls over financial reporting.

NON-GAAP FINANCIAL MEASURES

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

EBITDA is earnings determined in accordance with GAAP 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 an indicator of relative operating performance. The following table reconciles EBITDA to the most directly comparable GAAP measure:

(US$ millions)	1st Qtr 2008	4th Qtr 2007	1st Qtr 2007
Earnings	$ (31)	$ (13)	$ (16)
Add: Provision for non-core operation	4	-	-
Add: Interest expense	15	13	9
Less: Interest and other income	(1)	(1)	(1)
Add: Income tax	(30)	(26)	(12)
Add: Depreciation	19	18	24
EBITDA	$ (24)	$ (9)	$ 4

Operating working capital is accounts receivable plus inventory less accounts payable. Operating working capital is a measure of the investment in accounts receivable, inventory and accounts payable 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.

Total Working capital is operating working capital plus cash and cash equivalents and tax receivable less bank advances.

Capital employed is the sum of property, plant and equipment, operating working capital and other assets less any unrealized net investment hedge loss 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 and other assets. The following table details the composition of capital employed:

(US$ millions)	Mar 29 2008	Dec 31 2007	Dec 31 2006
Property, plant and equipment	$ 965	$ 968	$ 1,008
Accounts receivable	97	83	130
Tax receivable	96	89	33
Inventory	140	131	98
Accounts payable and accrued liabilities	(179)	(191)	(228)
Other assets	6	5	7
Unrealized net investment hedge loss (1)	(6)	(8)	(25)
Capital employed	$ 1,119	$ 1,077	$ 1,023

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

Net debt consists of the principal value of long-term debt including the current portion and bank advances less cash and cash equivalents and drawings under the term debt facility. Consistent with the treatment under the Company's bank line financial covenants, drawings under the term debt facility are excluded from net debt and treated as a component of tangible net worth. Net debt is a useful indicator of a company's debt position. Net debt comprises:

(US$ millions)		Mar 29 2008		Dec 31 2007		Dec 31 2006
Long-term debt	$	679	$	478	$	480
Less: Drawings under term debt facility		(55)		-		-
Current portion of long-term debt		-		197		-
Cash and cash equivalents		(25)		(128)		(20)
Net debt	$	599	$	547	$	460

Tangible net worth consists of shareholders' equity and drawings under the term debt facility. A minimum tangible net worth of $300 million is one of the two financial covenants contained in the Company's committed bank lines. At period end the Company's tangible net worth was $375 million.

Net debt to capitalization, book basis is net debt divided by the sum of net debt and tangible net worth. Net debt to capitalization, 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 of 65% is one of the two financial covenants contained in the Company's committed bank lines. At period end net debt to capitalization, book basis was 61%.

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, the Company 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 contains forward-looking statements, as defined in applicable legislation. The words "goal," "believes," "believe," "should," "expect," "expected," "forecast," "estimates," "estimated," 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.

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) the outlook for operations; (4) expectations regarding mill capacity and production volumes; (5) objectives; (6) strategies to achieve those objectives; (7) access to public and private capital markets (8) sensitivity to changes in product prices, such as the price of OSB; (9) sensitivity to changes in foreign exchange rates; (10) margin improvement program targets; (11) expectations regarding contingent liabilities, lawsuits and guarantees, including the outcome of pending litigation; (12) expectations regarding the amount, timing and benefits of capital investments; and (13) expectations regarding the amount and timing of tax refunds.

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, 2008 Annual Information Form and the cautionary statement contained in the “Forward-Looking Statements” section of the 2007 Management’s Discussion and Analysis dated January 31, 2008.

Norbord

NORBORD INC.
CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

(US $ millions, except per share information)	1st Qtr 2008	1st Qtr 2007
Net sales	$ 234	$ 261
Earnings before interest, income tax, depreciation and provision for non-core operation	(24)	4
Provision for non-core operation *(note 8)*	(4)	-
Interest and other income	1	1
Interest expense	(15)	(9)
Earnings before income tax and depreciation	(42)	(4)
Depreciation	(19)	(24)
Income tax	30	12
Earnings	$ (31)	$ (16)
Earnings per common share *(note 7)*		
- Basic	$ (0.21)	$ (0.11)
- Diluted	$ (0.21)	$ (0.11)

(See accompanying notes)

NORBORD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(US $ millions)	1st Qtr 2008	1st Qtr 2007
CASH PROVIDED BY (USED FOR):		
Operating Activities		
Earnings	$ (31)	$ (16)
Items not affecting cash:		
Depreciation	19	24
Future income taxes	(25)	11
Other items	(1)	(1)
	(38)	18
Net change in non-cash working capital balances	(43)	(68)
	(81)	(50)
Investing Activities		
Investment in property, plant and equipment	(5)	(9)
Other *(note 9)*	(13)	-
	(18)	(9)
Financing Activities		
Repurchase of 8 1/8% debentures *(note 4)*	(197)	-
Drawings under term debt facility *(note 4)*	55	-
Other debt incurred *(note 4)*	146	47
Issue of senior notes *(note 4)*	-	198
Dividends	(8)	(8)
	(4)	237
Increase (decrease) in cash and cash equivalents	$ (103)	$ 178
Cash and cash equivalents, beginning of period	$ 128	$ 20
Cash and cash equivalents, end of period	25	198

(See accompanying notes)

Norbord

NORBORD INC.
CONSOLIDATED BALANCE SHEETS

(US $ millions)	Mar 29 2008 (unaudited)	Dec 31 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25	$ 128
Accounts receivable	97	83
Tax receivable	96	89
Inventory *(note 3)*	140	131
Future income taxes	2	-
	360	431
Property, plant and equipment	965	968
Other assets	6	5
	$ 1,331	$ 1,404
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 179	$ 191
Current portion of long-term debt *(note 4)*	-	199
	179	390
Long-term debt *(note 4)*	686	480
Other liabilities *(note 5)*	16	18
Future income taxes	130	156
Shareholders' equity *(note 6)*	320	360
	$ 1,331	$ 1,404

(See accompanying notes)

NORBORD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(unaudited)

(US $ millions)		1st Qtr 2008		1st Qtr 2007
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY				
Share Capital				
Balance at beginning of period	$	150	$	127
Dividend reinvestment plan *(note 6)*		6		4
Balance at end of period	$	156	$	131
Contributed Surplus				
Balance at beginning of period	$	1	$	-
Stock-based compensation		-		1
Balance at end of period	$	1	$	1
Retained Earnings				
Balance at beginning of period	$	205	$	305
Adoption of new accounting recommendations *(note 2)*		(1)		-
Adjusted balance at beginning of period		204		305
Earnings		(31)		(16)
Common share dividends		(14)		(12)
Balance at end of period	$	159	$	277
Accumulated Other Comprehensive Income				
Balance at beginning of period	$	4	$	2
Other comprehensive income		-		1
Balance at end of period	$	4	$	3
Shareholders' equity	$	320	$	412

		1st Qtr 2008		1st Qtr 2007
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Earnings	$	(31)	$	(16)
Other comprehensive income				
Net change in unrealized cumulative translation gains		-		1
Other comprehensive income	$	-	$	1
Comprehensive income	$	(31)	$	(15)

(See accompanying notes)

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US$, unless otherwise noted)

Note 1 - Basis of Presentation

The interim financial statements are unaudited and follow the accounting policies summarized in the notes to the annual consolidated financial statements, except as noted in note 2, below.

The interim financial statements do not conform in all respects to the disclosure requirements of Canadian generally accepted accounting principles for annual financial statements and should, therefore, be read in conjunction with the annual consolidated financial statements of Norbord Inc. which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies and practices are presented as Note 1 to the annual consolidated financial statements. Certain prior period amounts have been reclassified to conform to the current period's presentation.

Note 2 – Changes in Accounting Policies

Effective January 1, 2008, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1535, Capital Disclosures, Section 3031, Inventories, Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation.

Section 1535 specifies the requirements for the disclosure of both qualitative and quantitative information that enable users of financial statements to evaluate the Company's objectives, policies and processes for managing capital (note 11).

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The impact of adopting this new standard was a $1 million adjustment to opening retained earnings and a $3 million reclassification of certain capital spare parts from operating and maintenance supplies inventory to property, plant and equipment. The opening retained earnings adjustment arises due to prior years' depreciation on the reclassified capital spare parts and a lower opening carrying value of certain finished goods and raw material inventory. Inventories of raw materials and operating maintenance supplies are valued at the lower of cost and net realizable value, with cost determined on an average cost basis. Previously, the Company valued these inventories at the lower of cost and replacement cost. The capital spare parts reclassified to property, plant and equipment from operating and maintenance supplies inventory are recorded as production equipment at cost and are depreciated on a straight line basis. The rates of depreciation are intended to fully depreciate the assets over two to five years, which approximate their useful lives.

Section 3862 and Section 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation, and revise and enhance the disclosure requirements and carry forward the presentation requirements (note 12).

The CICA issued a new accounting standard, Section 3064, Goodwill and intangible assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company will adopt this new standard in the first quarter 2009 and is currently assessing the impact of adoption on its consolidated financial statements.

(unaudited)

(In US$, unless otherwise noted)

In February 2008, the CICA's Accounting Standard Board (AcSB) announced that Canadian public companies will adopt International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. The Company is currently assessing the impact of adoption on its consolidated financial statements.

Note 3 – Inventory

(US$ millions)	Mar 29 2008	Dec 31 2007
Raw materials	$ 44	$ 40
Finished goods	66	59
Operating and maintenance supplies	30	32
	$ 140	$ 131

During the quarter, $264 million of inventory was expensed including depreciation of $19 million and write downs from cost to net realizable value of $2 million.

Note 4 – Long-Term Debt

(US$ millions)			Book Value	
	Principal Value	Fair Value Adjustments	Mar 29 2008	Dec 31 2007
8 1/8% debentures due 2008	$ -	$ -	$ -	$ 197
7 1/4% debentures due 2012	240	10	250	247
Senior notes due 2017	200	(3)	197	197
Term debt facility	55	-	55	-
Other debt	184	-	184	38
	679	7	686	679
Less current portion of long-term debt	-	-	-	(199)
	$ 679	$ 7	$ 686	$ 480

In January 2008, the Company concluded a $100 million unsecured term debt facility with a related company at an interest rate equal to the greater of 8% and US base rate plus ½%. The facility matures in 2010 and is subordinated to the Company's committed unsecured revolving bank lines. Any drawings under the facility are treated as tangible net worth for bank line covenant purposes. At period end, $55 million was drawn as cash.

During the first quarter, the 8 1/8% debentures with a principal value of $197 million were repurchased. A corresponding amount of interest rate swaps matured. In addition, $50 million of interest rate swaps matured. At March 29, 2008, the Company had $115 million (December 31, 2007 – $362 million) of interest rate swaps outstanding. The terms of these swaps correspond to the terms of the underlying hedged debt.

The Company has committed unsecured revolving bank lines of $235 million which mature in 2010, bear interest at money market rates plus a margin that varies with the Company's credit rating, and contain financial covenants (note 11). At period end, $47 million of these lines was available to support short-term liquidity requirements, $184 million was drawn as cash and $4 million was utilized for letters of credit.

In the first quarter of 2007, the Company issued $200 million of senior notes due in 2017 with an interest rate that varies with the Company's credit ratings. At quarter end, the rate was 7.45%.

Note 5 – Other Liabilities

(US$ millions)	Mar 29 2008	Dec 31 2007
Unrealized net investment hedge losses *(note 12)*	$ 6	$ 8
Accrued pension and post-retirement benefits	5	3
Unrealized interest rate swap losses	-	3
Other liabilities	5	4
	$ 16	$ 18

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

Note 6 – Shareholders' Equity

In the first quarter, 1.0 million options were granted under the stock option plan. Year-to-date, cost of sales include less than $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.

During the quarter, 1.3 million common shares were issued in lieu of cash dividends of $6 million under the Company's dividend reinvestment plan.

(unaudited)

(In US$, unless otherwise noted)

Note 7 – Earnings per Common Share

Earnings per common share are calculated as follows:

(US$ millions, except per share information, unless otherwise noted)	1st Qtr 2008	1st Qtr 2007
Earnings available to common shareholders	$ (31)	$ (16)
Common shares (millions):		
Weighted average number of common shares outstanding	146.9	143.8
Stock options	-	-
Diluted number of common shares	146.9	143.8
Earnings per common share:		
Basic	$ (0.21)	$ (0.11)
Diluted	$ (0.21)	$ (0.11)

Stock options issued under the Company's stock option plan were excluded in the calculation of diluted number of common shares. If dilutive in the future, stock options would be included to the extent the exercise price of those options was less than the average market price of the Company's common shares during the period.

Note 8 – Provision For Non-Core Operation

In the first quarter, the Company recorded a $4 million provision relating to severance arising on the permanent closure of the particleboard line at Genk, Belgium.

Note 9 – Supplemental Cash Flow Information

Other investing activities comprises:

(US$ millions)	1st Qtr 2008	1st Qtr 2007
Cash provided by (used for):		
Realized net investment hedge gains (losses) *(note 12)*	$ (15)	$ 3
Other	2	(3)
	$ (13)	$ -

(unaudited)

(In US$, unless otherwise noted)

Cash and cash equivalents comprises:

(US$ millions)	1st Qtr 2008	1st Qtr 2007
Cash	$ 8	$ 17
Cash equivalents	17	181
	$ 25	$ 198

Note 10 – Related Party Transactions

The Company's major shareholder has various interests over which it has control or otherwise has significant influence (a "related company" or collectively "related companies").

During the quarter, the Company provided certain administrative services to a related company which were charged on a cost recovery basis. In addition, the Company periodically engages the services of related companies for various financial, real estate and other business advisory services. The total fees for the above noted services were less than $1 million in the quarter, and were charged at market rates.

In January 2008, the Company concluded a $100 million unsecured term debt facility with its major shareholder (note 4).

Note 11 – Capital Management

Norbord's capital management objective is to achieve top-quartile return on equity (ROE) and cash return on capital employed (ROCE) over the business cycle among North American forest products companies to enable it to retain access to public and private capital markets. This objective is unchanged from the prior year.

Norbord monitors its capital structure using two key measures of its relative debt position. While the Company considers both book and market basis metrics, the Company believes the market basis to be superior to the book basis in measuring the true strength and flexibility of its balance sheet:

Net debt to capitalization, book basis, is net debt divided by the sum of net debt and tangible net worth. Net debt consists of the principal value of long-term debt including the current portion and bank advances less cash and cash equivalents and drawings under the term debt facility. Consistent with the treatment under the Company's bank line financial covenants, drawings under the term debt facility are excluded from net debt and treated as a component of tangible net worth. Tangible net worth consists of shareholders' equity and drawings under the term debt facility.

Net debt to capitalization, market basis, is net debt divided by the sum of net debt and market capitalization. Net debt is calculated as outlined above under net debt to capitalization, book basis. 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.

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

(US$ millions)	Mar 29 2008	Dec 31 2007
Long-term debt, principal value	$ 679	$ 675
Less: Drawings under term debt facility (1)	(55)	-
Cash and cash equivalents	(25)	(128)
Net debt	599	547
Shareholders equity	320	360
Plus: Drawings under term debt facility (1)	55	-
Tangible net worth	375	360
Total capitalization	974	907
Net debt to capitalization, book basis	61%	60%
Net debt to capitalization, market basis	35%	30%

(1) Drawings under the Company's term debt facility are treated as equity for bank line financial covenant purposes.

The Company's $235 million of committed unsecured revolving bank lines contain the following financial covenants related to capital management that the Company must comply with on a quarterly basis: minimum tangible net worth of $300 million, and maximum net debt to total capitalization, book basis, of 65%. Drawings under the Company's term debt facility are treated as equity for bank line financial covenant purposes. At period end, the Company's tangible net worth was $375 million versus the minimum $300 million covenant; and net debt to total capitalization, book basis, was 61% versus the maximum 65% covenant.

Note 12 – Financial Instruments

Norbord has exposure to market, counterparty credit, and liquidity risk. Norbord's primary risk management objective is to protect the Company's balance sheet, earnings and cash flow in support of achieving top-quartile return on equity (ROE) and cash return on capital employed (ROCE) among North American forest products companies.

Norbord's financial risk management activities are governed by Board-approved financial policies that cover risk identification, tolerance, measurement, hedging limits, hedging products, authorization levels, and reporting. Derivative contracts that are deemed to be highly effective in offsetting changes in the fair value, net investment or cash flows of hedged items are designated as hedges of specific exposures.

Gains and losses on these instruments are recognized in the same manner as the item being hedged. Hedge ineffectiveness, if any, is measured and included in current period earnings.

Market Risk
Norbord purchases commodity inputs, issues debt at fixed and floating interest rates, invests surplus cash, sells product and purchases inputs in foreign currencies, and invests in foreign operations. These activities expose the Company to market risk from changes in commodity prices, interest rates and foreign exchange rates, which affect the Company's balance sheet, earnings and cash flows. The Company uses derivatives as part of its overall financial risk management policy to manage certain exposures to market risk that result from these activities.

Commodity Price Risk
Norbord is exposed to commodity price risk on most of its manufacturing inputs, principally wood fibre, resin and energy. These manufacturing inputs are purchased primarily on the open market in competition with other users of such resources and prices are influenced by factors beyond Norbord's control.

Norbord monitors market developments in all commodity prices to which it is materially exposed. No liquid futures markets exist for the majority of Norbord's commodity inputs but, where possible, Norbord will hedge a portion of its commodity price exposure up to Board-approved limits in order to reduce the potential negative impact of rising commodity input prices. Should Norbord decide to hedge any of this exposure, it will lock in prices directly with its suppliers and, if unfeasible, purchase financial hedges where liquid markets exist.

At April 22, 2008, Norbord has hedged approximately 35% of its 2008 expected natural gas consumption by locking in the price directly with its suppliers. Approximately 65% of Norbord's electricity is purchased in regulated markets and Norbord has hedged approximately 35% of its 2008 deregulated electricity consumption. While these contracts are derivatives, they are exempt from being accounted for as financial instruments as they were normal purchases for the purpose of receipt.

Interest Rate Risk
Norbord's financing strategy is to access public and private capital markets to raise long-term core financing and utilize the banking market to provide committed standby credit facilities to support its short-term cash flow needs. The Company has fixed-rate debt, which subjects it to interest rate price risk, and has floating-rate debt, which subjects it to interest rate cash flow risk. In addition, the Company invests surplus cash in bank deposits and short-term money market securities.

The Company enters into interest rate swaps to convert a portion of its debt from fixed to floating rates. At period end, $115 million of interest rate swaps were outstanding. The terms of these swaps correspond to the terms of the underlying hedged debt.

From time to time the Company can recoupon its portfolio of interest rate swaps to more efficiently manage cash flow and credit exposure. Any gains or losses realized are deferred and amortized over the remaining term of the debt against which the swaps were designated as hedges. At period end, $9 million of gains were deferred and included in the carrying value of long-term debt in the consolidated balance sheet. Amortization of $2 million was included in interest expense during the quarter.

Currency Risk
Norbord's foreign exchange exposure arises from the following sources:

- Net investments in self-sustaining foreign operations, limited to Norbord's investment in its European operations
- Net Canadian dollar-denominated monetary assets and liabilities
- Committed or anticipated foreign currency denominated transactions, primarily Canadian dollar costs in Norbord's Canadian operations and Euro revenues in Norbord's UK operations

The Company's policy is to hedge all significant balance sheet foreign exchange exposures using cross-currency swaps and forward foreign exchange contracts. The Company may hedge a portion of future foreign currency denominated cash flows using forward foreign exchange contracts or options for periods up to three years in order to reduce the potential negative effect of a strengthening Canadian dollar versus the US dollar or a weakening Euro versus the Pound Sterling.

Each US one-cent change in the value of the Canadian dollar impacts annualized pre-tax earnings by approximately $1 million in 2008. Each Pound Sterling one-pence change in the value of the Euro impacts pre-tax earnings by approximately £1 million in 2008.

Counterparty Credit Risk
Norbord invests surplus cash in bank deposits and short-term money market securities, sells its product to customers on standard market credit terms, and uses derivatives to manage its market risk exposures. These activities expose the Company to counterparty credit risk that would result if the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

Accounts receivable credit risk is mitigated through established credit management techniques, including conducting financial and other assessments to establish and monitor a customer's creditworthiness, setting customer limits, monitoring exposures against these limits, and in some instances, purchasing credit insurance or obtaining trade letters of credit. Under an accounts receivable securitization program, Norbord has transferred substantially all of its present and future trade accounts receivable to a highly rated financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. At period end, Norbord recorded cash proceeds of $50 million and a deferred purchase price of $77 million under this program. The fair value of the deferred purchase price approximates its carrying value as a result of the short accounts receivable collection cycle and negligible historical credit losses.

Surplus cash is only invested with counterparties meeting minimum credit quality requirements and issuer and concentration limits. Derivative transactions are executed only with approved high-quality counterparties under master netting agreements. The Company monitors and manages its concentration of counterparty credit risk on an ongoing basis.

The Company's maximum counterparty credit exposure at period end consists of the carrying amount of cash and cash equivalents and accounts receivable, which approximates fair value, and the fair value of derivative financial assets.

Liquidity Risk
Norbord strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing

requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

At period end, Norbord had $25 million of cash and cash equivalents, $47 million of unutilized committed unsecured revolving bank lines and $45 million available under an unsecured term debt facility.

The following table summarizes the aggregate amount of contractual future cash outflows for the Company's financial liabilities:

	Payments Due by Period				
(US$ millions)	Total	Less than One Year	One-Three Years	Four-Five Years	After Five Years
Long-term debt, including interest	904	43	315	294	252

Fair Values
The carrying and fair values of non-derivative financial instruments as at period end were as follows:

(US$ millions)	Carrying Value	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 25	$ 25
Accounts receivable	97	97
Tax receivable	96	96
	$ 218	$ 218
Financial Liabilities:		
Accounts payable and accrued liabilities	$ 179	$ 179
Long-term debt	686	614
	$ 865	$ 793

Information about derivative financial instruments at period end was as follows:

(In millions and in US$ unless otherwise noted)	Notional Value	Unrealized gain/(loss) at period end (1)	Realized gain/(loss) during the period	Sensitivity to 1% change
Currency hedges:				
Net investment				
UK	£116	(3)	(8)	1
Belgium	€91	(3)	(7)	1
Monetary liabilities	CAD $57	(2)	3	1
Interest rate hedges:				
Interest rate swaps	$115	2	-	1

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

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 13 – Commitments and Contingencies

Class Action Lawsuit

Norbord and eight other North American OSB producers have been named as defendants in several lawsuits filed in the US District Court for the Eastern District of Pennsylvania. The lawsuits allege that these nine North American OSB producers violated US and various state antitrust and other laws by allegedly agreeing to fix prices and reduce the supply of OSB from June 1, 2002 through the present.

The Court has certified the following classes: A nationwide class of persons and entities that purchased OSB in the US directly from any of the defendant North American OSB producers between June 1, 2002 and February 24, 2006; a nationwide class of persons who, as end users, indirectly purchased in the US for their own use, and not for resale, new OSB manufactured and sold by one or more of the defendant North American OSB producers between June 1, 2002 and February 24, 2006 (other than persons who purchased OSB only as part of a house or other structure); and a multi-state class of residents of seventeen States who, as end users, indirectly purchased in the US for their own use, and not for resale, new OSB manufactured and sold by one or more of the defendant North American OSB producers between June 1, 2002 and February 24, 2006 (other than persons who purchased OSB only as part of a house or other structure).

All three classes seek damages or injunctive or other relief under applicable laws. The direct purchaser class trial date is set for June 3, 2008 and no trial date has been set for the two indirect purchaser classes. By Court order, potential members of the certified class of direct purchasers that wish to opt out of the class must declare their intent to opt out by May 9, 2008. Purchasers that do opt out may separately pursue claims against Norbord and the other defendants.

Norbord believes that the lawsuits are entirely without merit. The Court ordered Norbord and certain other defendants to participate in settlement conferences in March and April, 2008. The Court has directed that the substance of these proceedings is to be kept confidential.

Note 14 – Geographic Segments

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

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US$, unless otherwise noted)

(US$ millions)

1st Qtr 2008	North America	Europe	Unallocated	Total
Net sales	$ 115	$ 119	$ -	$ 234
EBITDA (1)	(29)	7	(2)	(24)
Depreciation	11	8	-	19
Property, plant and equipment	692	269	4	965
Investment in property, plant and equipment	5	-	-	5
1st Qtr 2007				
Net sales	$ 134	$ 127	$ -	$ 261
EBITDA (1)	(8)	18	(6)	4
Depreciation	15	9	-	24
Property, plant and equipment	717	274	4	995
Investment in property, plant and equipment	7	2	-	9

(1) EBITDA is earnings determined in accordance with GAAP before interest, provision for non-core operation, income tax, depreciation and amortization. Norbord views EBITDA as a measure of gross profit and interprets EBITDA trends as an indicator of relative operating performance.