



NEWS RELEASE

NORBORD REPORTS 2007 YEAR-END RESULTS

Note: Financial references in US dollars unless otherwise indicated

2007 HIGHLIGHTS

- **Generated EBITDA of \$81 million from European business**
- **Ramped up new OSB line at Cordele, Georgia to full capacity**
- **Exported 25% of OSB volume from Quebec mills to Europe**
- **Re-certified three OSB mills as OSHA VPP-Star safety sites**
- **Arranged \$100 million unsecured term debt facility subsequent to year-end**
- **Finalized a \$50 million accounts receivable securitization; Increased bank lines by \$35 million**

TORONTO, ON (February 1, 2008) – Norbord Inc. (TSX:NBD) today reported 2007 EBITDA of \$42 million due largely to the strong performance of mills located in Europe.

Record European results helped offset the soft market conditions experienced in North America. In the fourth quarter, Norbord recorded a loss of \$13 million or \$0.09 per share compared to a loss of \$1 million in both the prior quarter and the same period last year. For the full year, Norbord posted a loss of \$45 million or \$0.31 per share.

“In this difficult market for our North American production, Norbord’s operations performed well in 2007,” said Barrie Shingleton, President and CEO. “Our European facilities provided important geographic diversification, delivering EBITDA of \$81 million for the full year.”

“In North America, weak demand stemming from sharply lower housing starts led to poor product prices and widespread curtailments throughout the wood products industry. Norbord’s low cost position provided important operational flexibility and allowed us to minimize downtime throughout the year. Our ability to produce and sell record North American OSB volumes in this environment continued to validate the Company’s customer strategy.”

Norbord Appoints Chief Financial Officer

In a separate news release, Norbord announced today that Robin Lampard has been appointed Senior Vice President and Chief Financial Officer, effective February 15, 2008. Ms. Lampard has been with Norbord since 1996 and most recently held the role of Vice President, Treasurer.

Ms. Lampard replaces John Tremayne who will step down on February 15, 2008. “John played a vital role in re-shaping Norbord over the past six years,” said Mr. Shingleton. “I thank him for his contributions to the company and we wish him well.”

Norbord Completes \$100 million Unsecured Term Debt Facility

On January 31, 2008, Norbord concluded a \$100 million unsecured term debt facility with its major shareholder. This facility provides the Company with significant additional liquidity. When added to cash on hand and unused bank lines, Norbord now has access to \$421 million of liquidity, of which \$197 million is earmarked for the upcoming March 2008 debenture maturity.

Market Conditions

US housing starts were 1.35 million in 2007, well below the 1.81 million level experienced in 2006.

For the full year, North Central OSB prices averaged \$161 compared to \$217 in 2006. In the South East region, where 55% of Norbord's North American capacity is located, OSB prices averaged \$143 for the full year.

The North Central OSB benchmark price averaged \$165 in the fourth quarter, down \$12 from last quarter. In the South East region, OSB prices averaged \$132 in the fourth quarter, down \$17 from the prior quarter. Lower OSB prices were due to weak US housing starts, the standard seasonal slowdown in order files and excess OSB production capacity. As a result, many producers took market-related downtime in the quarter, including Norbord.

European markets were exceptionally robust in 2007. For the full year, strong product demand and limited supply resulted in average realized price increases of almost 20% for OSB and MDF and more than 10% for particleboard.

In the fourth quarter, European OSB prices softened relative to the third quarter as supply and demand moved back into balance and the North American credit crisis began to impact European markets.

Performance

Ramp up of the new OSB line at Cordele was completed in 2007. The new line averaged 80% of its annual production design capacity during its first year of start up and reached 100% of design capacity by December. Production from the new line at Cordele led to a 6% increase in Norbord's total OSB production in 2007.

Norbord's North American per unit OSB production cost increased 3% over the prior quarter principally due to seasonally higher wood costs and the negative impact of market-related downtime taken during the quarter. For the full year, North American OSB production costs were up 3% over the prior year as increased resin and wax prices more than offset the benefit of increased productivity and improved raw material usage.

Norbord completed the installation of the heat energy system at Nacogdoches, Texas during the quarter. Annual gas savings are expected to exceed \$2 million. The energy system at Nacogdoches and the new energy system at Genk, Belgium, completed in the third quarter, were the final projects in Norbord's program to convert all OSB process heat from natural gas to biomass.

Throughout the year, Norbord exported approximately 25% of the OSB volume from its mills in Quebec to Europe. Norbord's export program served to meet the strong demand from its European customers and provided a timely outlet for the Quebec production. The company will re-evaluate its commitment to the export program in 2008 as a result of the recent return to more normalized prices in Europe.

In North America, Norbord took a total of 118 days of OSB downtime during the quarter and 181 days of OSB downtime for the full year. Norbord will continue its practice of monitoring the financial performance of each mill and will suspend operations when operating losses exceed shutdown costs. As the company does not consider temporary curtailments material in the



current market environment, temporary shutdowns will be summarized at the end of each quarter rather than disclosed as they happen.

Capital investments totaled \$7 million in the quarter and \$36 million for the full year. Norbord's net debt to total capitalization was 30% on a market basis and 60% on a book basis at year-end.

Quarterly Dividend

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

Conference Call

Norbord will hold a conference call for investors on Friday, February 1, 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 March 1, 2008 by dialing 647.436.0148 or 888.203.1112. The passcode is 7313294. 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. The words "will," 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, 2007 Annual Information Form and the cautionary statement contained in the "Forward-Looking Statements" section of the 2006 Management's Discussion and Analysis dated January 31, 2007.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOURTH QUARTER 2007

January 31, 2008

The Management's Discussion and Analysis (MD&A) provides a review of the significant developments that impacted Norbord's performance during the period. Norbord's significant accounting policies and other financial disclosures are contained in the audited annual financial statements and accompanying notes. 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 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 in this MD&A.

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.

In 2007, Norbord Inc. ceased voluntarily filing certain reports with the US Securities and Exchange Commission. 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.

Business Overview and Strategy

Norbord is an international producer of wood-based panels with 15 plant locations in the United States, Europe and Canada. 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 United States. The Company is a significant producer of wood-based panels in Europe. The geographical breakdown of panel production capacity is 60% US, 27% Europe and 13% Canada.

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.

Maintaining a strong 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 on attractive terms. At the end of the quarter, the Company believes that it was well positioned with a net debt to capitalization of 30% on a market basis and 60% on a book basis.

Summary

Norbord's strategy of geographic diversification was validated in 2007 as markets for Norbord's European and North American products continued to move in different directions. European markets were exceptionally robust in 2007, especially during the first three quarters of the year. In contrast, North American markets remained challenging. North American OSB prices have retreated from the highs of



recent years, reflecting the sharp decline in US housing starts. Fluctuation in North American OSB price is the most significant variable affecting Norbord's results.

In the quarter, Norbord recorded EBITDA of negative \$9 million, versus positive \$30 million in the previous quarter and positive \$22 million in the fourth quarter of 2006. For the full year, \$42 million of EBITDA was generated, versus \$247 million in the prior year. Notable in this result is the contribution from European operations. In 2007, European operations contributed EBITDA of \$81 million, up from \$35 million in 2006.

The Company recorded a loss of \$13 million in the fourth quarter of 2007 or \$0.09 per share compared to a loss of \$1 million or \$0.00 per share in the third quarter of 2007. Softer earnings in the quarter were due to lower OSB prices in North America and Europe.

Net sales in the quarter were \$263 million, compared to \$292 million and \$259 million in the third quarter of 2007 and fourth quarter of 2006 respectively. Full year 2007 net sales were \$1,104 million compared to \$1,252 million in 2006. Higher European net sales in 2007 resulting from higher pricing and shipment volumes, was offset by lower net sales in North America. In North America, the benefit on net sales of higher OSB shipment volumes was more than offset by lower North American OSB prices.

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)	4 th Qtr 2007	3 rd Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
Return on capital employed (ROCE)	(3)%	11%	8%	4%	25%
Return on equity (ROE)	(14)%	(1)%	(1)%	(11)%	20%
Earnings per share – diluted	\$ (0.09)	\$ 0.00	\$ (0.01)	\$ (0.31)	\$ 0.67
Net sales	\$ 263	\$ 292	\$ 259	\$ 1,104	\$ 1,252
EBITDA	(9)	30	22	42	247
EBITDA margin	(3)%	10%	9%	4%	20%
Depreciation	18	19	24	88	94
Investment in property, plant and equipment	7	8	44	36	160
Shipments (MMsf 3/8")					
OSB	1,130	1,060	1,083	4,463	4,289
Particleboard ⁽¹⁾	128	162	158	631	643
MDF	113	124	112	494	525
Hardwood plywood	13	19	18	71	78
Indicative OSB Prices					
Average OSB price – North Central (\$/Msf 7/16")	165	177	166	161	217
Average OSB price – South East (\$/Msf 7/16")	132	149	141	143	219
Average OSB price – Europe (€/m ³)	234	246	219	240	208

(1) Excludes particleboard consumed internally (35 MMsf, 33 MMsf, 37 MMsf, 138 MMsf, 178 MMsf for each period, respectively).

European operations delivered record results in 2007 driven by an exceptionally strong market. However, European OSB and particleboard markets turned down in the fourth quarter as the expected seasonal slowdown was compounded by a very cautious buying pattern from the customer base. Lower order files



resulted in an inventory build across the industry. European OSB prices retreated by 5% relative to the third quarter while particleboard and MDF prices held constant. For the full year 2007, Norbord's European panel prices all posted double digit gains with average realized pricing for OSB and MDF up almost 20% and particleboard up over 12%.

The strong market conditions in Europe were partially offset by continued pressures on fibre and resin prices. A number of initiatives have been undertaken to address these cost pressures including the installation of biomass heat energy systems at Genk, Belgium OSB and Cowie, Scotland MDF and the 2006 restructuring of Cowie MDF and South Molton, England particleboard and lamination. Norbord expects that these initiatives will result in higher overall margin contribution from the European mills.

Improved European results provide a timely contribution as North American OSB prices have retreated from the highs of recent years. In 2007, North Central benchmark North American OSB prices averaged \$161 per Msf (7/16 – inch basis) compared to \$217 in 2006. 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 57% 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 the quarter, North Central benchmark OSB prices averaged \$165, down \$12 over the third quarter. In the South East region, where approximately 55% of Norbord's North American capacity is located, prices averaged \$132 in the quarter, down \$17 from the third quarter. The North American OSB oversupply situation continued in the fourth quarter and most producers, Norbord included, took market-related downtime.

Throughout the cycle, Norbord took steps to prepare itself for this cyclical downturn by focusing on cost containment and by focusing product mix on higher margin products. 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. The benefit of the discipline exercised through the top of the cycle is that Norbord produced and sold record volumes of OSB in 2007; notable in a year when significant curtailments were taken by the structural panel industry. Norbord generated margin improvements of \$9 million in 2007.

Ramp up of the new OSB line at Cordele, Georgia was completed in 2007, reaching 100% of design capacity by year end. Production on the new line in 2007, its first year, averaged almost 80% of design capacity. The expansion project, completed in December 2006 at a cost of \$135 million, increased Norbord's global OSB capacity by 12% and should further strengthen Norbord's position as one of the lowest cost OSB producers in North America.

Three of Norbord's existing eleven OSB mills established annual production records in 2007. Production from the new line at Cordele and improvements delivered as a result of implementing best practices resulted in a 6% production increase, despite market-related downtime taken at a number of Norbord's mills in the fourth quarter. This follows a 4% increase in 2006 when eight of eleven OSB mills set annual production records.

In 2007 Norbord's OSB shipments were at record levels, a notable achievement in light of current North American OSB market conditions and continued validation of the Company's strategy to focus on customers who are growing their own market share.

In the quarter, Norbord's North American per unit OSB cash production costs, including employee profit share, were up 3% over the prior quarter principally due to seasonally higher wood price and the negative impact on per unit costs of the market-related downtime taken late in the quarter. Production costs were up 7% over the fourth quarter of 2006 due to higher key input costs and the negative impact on per unit costs of the market-related downtime. Full year 2007, production costs increased 3% over the prior year

as increased resin and wax prices more than offset the benefit of increased productivity and improved raw material usages.

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

EBITDA Variance (US\$ millions)	4 th Qtr 2007 vs. 3 rd Qtr 2007	4 th Qtr 2007 vs. 4 th Qtr 2006	12 mos 2007 vs. 12 mos 2006
EBITDA – current period	\$ (9)	\$ (9)	\$ 42
EBITDA – comparative period	30	22	247
Variance	\$ (39)	\$ (31)	\$ (205)
Mill nets ⁽¹⁾	\$ (11)	\$ 8	\$ (171)
Volume ⁽²⁾	(16)	(8)	15
Key input prices ⁽³⁾	(8)	(4)	(16)
Key input usage ⁽³⁾	-	-	1
Other ⁽⁴⁾	(4)	(27)	(34)
	\$ (39)	\$ (31)	\$ (205)

(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)	4 th Qtr 2007	3 rd Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
Interest and other income	\$ 1	\$ -	\$ -	\$ 5	\$ 3
Interest expense	(13)	(13)	(7)	(49)	(29)
Depreciation	(18)	(19)	(24)	(88)	(94)
Income tax recovery (expense)	26	1	21	45	(17)

Interest and other income was up \$1 million over the prior quarter and same quarter last year due to higher average cash balances in the quarter. Interest expense of \$13 million was in line with the prior quarter. Full year 2007 interest expense is higher than 2006 due to additional interest on borrowings under the Company's committed bank lines and the February issuance of \$200 million of senior notes maturing in 2017. In addition, \$7 million of interest was capitalized in 2006 relating to the new OSB line at Cordele, while only \$3 million was capitalized in 2007.

In accordance with the Company's policy, depreciation rates for property, plant and equipment are assessed from time to time to ensure they continue to approximate their useful life. Effective July 1, 2007, management's estimate of the useful life for its OSB assets was changed from 15 years to 25 years. This change in estimate was accounted for prospectively. The impact of this change in estimate on third and fourth quarter depreciation was a reduction of \$9 million. 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 \$26 million was recorded in the quarter on a pre-tax loss of \$39 million. For the twelve month period, a tax recovery of \$45 million was recorded on a pre-tax loss of \$90 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.

Liquidity and Capital Resources

(US\$ millions, except per share information, unless otherwise noted)	4 th Qtr 2007	3 rd Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
Cash provided by (used for) operating activities	\$ 72	\$ (18)	\$ 54	\$ 15	\$ 191
Cash provided by (used for) operating activities per share	0.49	(0.12)	0.37	0.10	1.33
Operating working capital	23	127	-	23	-
Total working capital	151	175	20	151	20
Investment in property, plant and equipment	7	8	44	36	160
Net debt to capitalization, market basis	30%	32%	27%	30%	27%
Net debt to capitalization, book basis	60%	61%	51%	60%	51%

In addition to cash on hand of \$128 million and cash generated from operations, the Company has \$235 million of committed unsecured revolving bank lines available to support short-term liquidity requirements. During the year, the Company increased its committed unsecured revolving bank lines from \$200 million to \$235 million. At December 31, 2007, \$193 million of these lines was available and \$42 million was utilized – \$38 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 shareholders' equity of \$300 million; and maximum net debt to total capitalization, book basis of 65%. At period end, the Company's shareholders' equity was \$360 million versus the minimum \$300 million covenant; and net debt to total capitalization, book basis was 60% versus the maximum 65% covenant. Subsequent to year end, the Company concluded a \$100 million unsecured term debt facility with a related company at a fixed market rate. 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 shareholders' equity for bank line covenant purposes. When added to cash and cash equivalents and unused bank lines, Norbord now has access to \$421 million of liquidity, of which \$197 million is earmarked for the upcoming March 2008 debenture maturity.

Operating working capital, consisting of accounts receivable and inventory less accounts payable and accrued liabilities was \$23 million at year end compared to nil at December 31, 2006. The 2007 balance excludes \$50 million of accounts receivable 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 additional investment in operating working capital is driven by strategic initiatives and positive European business conditions in 2007.

Higher European sales prices and volume has resulted in higher accounts receivable balances. It should be noted that standard European collection terms are significantly longer than in North America, amplifying the effect of these increases. In addition, to support and grow its European business, Norbord exported OSB from North America in the year. The inventory build, due to longer shipping times, and differences in North American and European collection terms has necessitated an increase in Norbord's working capital requirements. In North America, additional volume from the new OSB line at Cordele and strategic growth in home centre business impacted operating working capital balances. Operating working capital has further increased due to a lower North American profit share and incentive plan accrual.

Total working capital at December 31, 2007 was \$151 million including \$128 million in cash and cash equivalents.

Operating activities generated \$72 million of cash in the quarter, \$50 million due to the accounts receivable securitization program. The balance is principally due to a decreased investment in operating working capital relative to the third quarter. In the twelve month period, operating activities generated \$15 million compared to \$191 million in 2006. The decrease is principally due to higher earnings in the comparable period.

In February 2007, the Company issued \$200 million of senior notes due in 2017 with an interest rate of 6.45% which are subject to a credit ratings based coupon step-up provision. At year end the interest rate was 6.70%. The notes were issued to pre-fund the March 2008 debenture maturity.

Cash dividends of \$8 million were paid in the quarter (12 months – \$32 million), 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. A \$4 million recouping payment was made in the fourth quarter on cross-currency swaps which are designated as hedges against the Company's net investments in Europe (twelve month period – \$21 million). This was offset by an unrealized gain on the net investments being hedged.

Norbord's net debt stood at \$547 million at year end, representing 30% of capitalization on a market basis and 60% 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 on attractive terms.

Investments and Divestitures

Investment in Property, Plant and Equipment

Investment in property, plant and equipment was \$36 million in 2007 (fourth quarter – \$7 million). Investment in property, plant and equipment for 2007 includes biomass heat energy systems at Genk, Belgium and Nacogdoches, Texas. Norbord's 2008 investment in property, plant and equipment is expected to be \$40 million.

Non-Core Asset Sale

In the second quarter of 2007, the I-joist mill in Juniper, New Brunswick was sold. There was no gain or loss on the disposition. In the fourth quarter of 2006, a \$13 million provision was taken in relation to these assets following the indefinite closure of the mill.

Selected Quarterly Information

	2007				2006			
	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr
<i>(US\$ millions, except per share information, unless otherwise noted)</i>								
Cash provided by (used for) operating activities	72	(18)	11	(50)	54	37	70	30
Cash provided by (used for) operating activities per share	0.49	(0.12)	0.07	(0.34)	0.37	0.26	0.49	0.21
Return on capital employed (ROCE)	(3)%	11%	6%	2%	8%	15%	33%	46%
Return on equity (ROE)	(14)%	(1)%	(15)%	(15)%	(1)%	6%	27%	43%
Net Sales	263	292	288	261	259	291	334	368
EBITDA	(9)	30	17	4	22	35	79	111
Earnings	(13)	(1)	(15)	(16)	(1)	7	33	58
Earnings per share								
Basic	(0.09)	0.00	(0.11)	(0.11)	0.00	0.05	0.23	0.40
Diluted	(0.09)	0.00	(0.11)	(0.11)	(0.01)	0.05	0.23	0.40
OSB shipments (MMsf 3/8")	1,130	1,060	1,161	1,112	1,083	1,076	1,048	1,082
Average OSB price – North Central (\$/Msf 7/16")	165	177	156	145	166	181	238	285
Average OSB price – South East (\$/Msf 7/16")	132	149	153	138	141	181	249	303
Average OSB price – Europe (€/m ³)	234	246	249	234	219	213	204	197

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 in 2007 is approximately \$35 million or approximately \$0.16 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 13% 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 fourth quarter 2006 results include pre-tax income of \$7 million (\$0.03 per share) due to softwood lumber duty refunds, the \$13 million provision (\$0.06 per share) for non-core operation and tax recovery of \$4 million (\$0.03 per share) due to the resolution of several income tax audit items relating to prior taxation years. In addition, in the third quarter of 2007, management's estimate of the useful life of its OSB assets changed from 15 years to 25 years. The impact of this change in estimate on depreciation expense was a \$9 million reduction. In the second quarter of 2007, depreciation expense increased \$3 million as depreciation commenced on the new OSB line at Cordele.

Common Shares

At January 31, 2008, there were 146.8 million common shares outstanding. In addition, 2.4 million stock options were outstanding, of which approximately 40% were fully vested.

Changes in Accounting Policies and Significant Accounting Estimates

In accordance with the Company's policy, depreciation rates for property, plant and equipment are assessed from time to time to ensure they continue to approximate their useful life. Effective July 1, 2007, management's estimate of the useful life for its OSB assets was changed from 15 years to 25 years. This change in estimate was accounted for prospectively. The impact of this change in estimate on third and fourth quarter depreciation was a reduction of \$9 million.

Effective January 1, 2007, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1530, Comprehensive Income, Section 1651, Foreign Currency Translation, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865 Hedges.

Section 1530 established standards for reporting and presenting a comprehensive income statement.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity, loans and receivables and other financial liabilities which are carried at amortized cost.

Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the consolidated statement of earnings. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of earnings. During the quarter, the Company did not have any financial assets or liabilities other than cash & cash equivalents which would be designated as either held for trading or available for sale.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations.

In accordance with these new standards there has been a retroactive adjustment to reclassify the negative \$8 million of cumulative translation adjustment as of January 1, 2006 and \$2 million as of January 1, 2007 as accumulated other comprehensive income. There was no impact to opening retained earnings on adoption of these accounting recommendations.

Accounting Developments

The CICA has issued several new accounting standards including: Section 1535, Capital Disclosures, Section 3031, Inventories, Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation. The Company will adopt these new standards in the first quarter of 2008 and is currently assessing the impact of adoption on its consolidated financial statements.

Section 1535 specifies the requirements for the disclosure of information relating to objectives, policies and processes for managing capital.

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories.



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.

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.

As of January 31, 2008, the Court 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. The Court has not yet set a schedule for providing notice of the certified litigation classes to potential class members, as required under US law. After notice is provided, one or more potential members may choose to opt out of the class and separately pursue claims against Norbord and the other defendants.

Norbord believes that the lawsuits are entirely without merit and intends to defend this matter vigorously. However, the outcome of litigation is subject to inherent uncertainties and an adverse outcome to these litigations have the potential to materially and adversely affect Norbord's business, financial condition, and results of operations.

Environmental Matters

Norbord's operations are subject to a range of general and industry-specific environmental laws and regulations relating to air emissions, wastewater discharges, solid and hazardous waste management, plant and wildlife protection and site remediation. Norbord believes that all of its facilities are in substantial compliance with these matters. Failure to comply with applicable environmental laws and regulations could result in fines, penalties or other enforcement actions that could impact Norbord's production capacity or increase Norbord's production costs.

Maximum Achievable Control Technology (MACT) regulations, designed to reduce hazardous air emissions, took effect in the US in 2004. The new standards apply to more than 200 mills manufacturing plywood, OSB, MDF, particleboard and other wood composite panels. In June 2007, the US Court of Appeals made two important decisions which impacted Norbord's MACT compliance plans. First, the courts removed the health based low risk compliance option, which was expected to exempt three Norbord operations. The cost of complying with the amended rules is estimated to be \$4 million in addition to the \$8 million investment already planned. Second, the courts reinstated the original October 2007 compliance deadline. Individual states, however, have the authority to grant 12-month extensions and the Company has extended the deadlines to October 2008 where necessary. All of Norbord's other US mills were already MACT compliant by the end of 2005.

The US EPA continues to work on a separate MACT regulation for emissions of hazardous air pollutants from industrial boilers.

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 generally accepted accounting principles. There have been no changes in Norbord's internal control over financial reporting during the interim period ended December 31, 2007 that have materially affected or are reasonably likely to materially affect its internal control 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 from continuing operations 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)	4 th Qtr 2007	3 rd Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
Earnings	\$ (13)	\$ (1)	\$ (1)	\$ (45)	\$ 97
Add: provision for non-core operation	-	-	13	-	13
Add: Interest expense	13	13	7	49	29
Less: Interest and other income	(1)	-	-	(5)	(3)
Add: Income tax	(26)	(1)	(21)	(45)	17
Add: Depreciation	18	19	24	88	94
EBITDA	\$ (9)	\$ 30	\$ 22	\$ 42	\$ 247

EBITDA margin (%) is EBITDA as a percentage of net sales. When compared with industry statistics and prior periods, EBITDA margin can be a useful indicator of operating efficiency and a company's ability to compete successfully with its peers. Norbord interprets EBITDA margin trends as an indicator of relative operating performance.

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 less bank advances.



Capital employed is the sum of property, plant and equipment, operating working capital 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 and other assets. The following table details the composition of capital employed:

(US\$ millions)	Dec 31 2007	Sep 29 2007	Dec 31 2006
Property, plant and equipment	\$ 968	\$ 981	\$ 1,008
Accounts receivable	83	195	130
Tax receivable	89	-	33
Inventory	131	125	98
Accounts payable and accrued liabilities	(191)	(193)	(228)
Other assets	5	6	7
Unrealized net investment hedge gain (loss) ⁽¹⁾	(8)	(21)	(25)
Capital employed	\$ 1,077	\$ 1,093	\$ 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 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 is comprised of:

(US\$ millions)	Dec 31 2007	Sep 29 2007	Dec 31 2006
Long-term debt	\$ 478	\$ 440	\$ 480
Current portion of long-term debt	197	200	-
Cash and cash equivalents	(128)	(48)	(20)
Net debt	\$ 547	\$ 592	\$ 460

Net debt to capitalization, book basis is net debt divided by the sum of net debt and shareholders' equity. 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.

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 “believes,” “believe,” “should,” “expect,” “expected,” “will,” “aim,” “estimates,” “estimated,” “goal,” 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) sensitivity to changes in product prices, such as the price of OSB; (8) sensitivity to changes in foreign exchange rates; (9) margin improvement program targets; (10) expectations regarding contingent liabilities, lawsuits and guarantees, including the outcome of pending litigation; (11) expectations regarding the amount, timing and benefits of capital investments; and (12) 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 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, 2007 Annual Information Form and the cautionary statement contained in the “Forward-Looking Statements” section of the 2006 Management’s Discussion and Analysis dated January 31, 2007.



NORBORD INC.
CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)	4 th Qtr		12 mos	
(US \$ millions, except per share information)	2007	2006	2007	2006
Net sales	\$ 263	\$ 259	\$ 1,104	\$ 1,252
Earnings before interest, income tax and depreciation and provision for non-core operation	(9)	22	42	247
Provision for non-core operation	-	(13)	-	(13)
Interest and other income	1	-	5	3
Interest expense	(13)	(7)	(49)	(29)
Earnings before income tax and depreciation	(21)	2	(2)	208
Depreciation <i>(note 2)</i>	(18)	(24)	(88)	(94)
Income tax <i>(note 8)</i>	26	21	45	(17)
Earnings	\$ (13)	\$ (1)	\$ (45)	\$ 97
Earnings per common share <i>(note 7)</i>				
- Basic	\$ (0.09)	\$ 0.00	\$ (0.31)	\$ 0.68
- Diluted	\$ (0.09)	\$ (0.01)	\$ (0.31)	\$ 0.67

(See accompanying notes)



NORBORD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	4 th Qtr	4 th Qtr	12 mos	12 mos
(US \$ millions)	2007	2006	2007	2006
CASH PROVIDED BY (USED FOR):				
Operating Activities				
Earnings	\$ (13)	\$ (1)	\$ (45)	\$ 97
Items not affecting cash:				
Provision for non-core operation	-	13	-	13
Depreciation <i>(note 2)</i>	18	24	88	94
Future income taxes <i>(note 8)</i>	(30)	(11)	(46)	11
Other items	(5)	(6)	(5)	(15)
	(30)	19	(8)	200
Net change in non-cash working capital balances <i>(note 3)</i>	102	35	23	(9)
	72	54	15	191
Investing Activities				
Investment in property, plant and equipment	(7)	(44)	(36)	(160)
Other <i>(note 9)</i>	(12)	(8)	(32)	(11)
	(19)	(52)	(68)	(171)
Financing Activities				
Issue of senior notes <i>(note 4)</i>	-	-	198	-
Dividends	(8)	(7)	(32)	(167)
Repurchase of 8 1/8% debentures <i>(note 4)</i>	(3)	-	(3)	-
Other debt incurred (repaid) <i>(note 4)</i>	38	14	(2)	40
Repurchase of common shares <i>(note 6)</i>	-	-	-	(29)
Issue of common shares <i>(note 6)</i>	-	-	-	1
	27	7	161	(155)
Increase (decrease) in cash and cash equivalents	\$ 80	\$ 9	\$ 108	\$ (135)
Cash and cash equivalents, beginning of period	\$ 48	\$ 11	\$ 20	\$ 155
Cash and cash equivalents, end of period	128	20	128	20

(See accompanying notes)



**NORBORD INC.
CONSOLIDATED BALANCE SHEETS**

(US \$ millions)	Dec 31 2007	Dec 31 2006
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 128	\$ 20
Accounts receivable <i>(note 3)</i>	83	130
Tax receivable	89	33
Inventory	131	98
Future income taxes	-	3
	431	284
Property, plant and equipment	968	1,008
Other assets	5	7
	\$ 1,404	\$ 1,299
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 191	\$ 228
Current portion of long-term debt <i>(note 4)</i>	199	-
	390	228
Long-term debt <i>(note 4)</i>	480	480
Other liabilities <i>(note 5)</i>	18	44
Future income taxes	156	113
Shareholders' equity <i>(note 6)</i>	360	434
	\$ 1,404	\$ 1,299

(See accompanying notes)



**NORBORD INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
AND COMPREHENSIVE INCOME**

(unaudited)	4 th Qtr		12 mos	
(US \$ millions)	2007	2006	2007	2006
Retained Earnings				
Balance, beginning of period	\$ 233	\$ 318	\$ 305	\$ 412
Earnings	(13)	(1)	(45)	97
Common share dividends	(15)	(12)	(55)	(178)
Repurchase of common shares <i>(note 6)</i>	-	-	-	(26)
Balance, end of period	\$ 205	\$ 305	\$ 205	\$ 305
Comprehensive Income				
Earnings	\$ (13)	\$ (1)	\$ (45)	\$ 97
Other comprehensive income:				
Net change in unrealized cumulative translation gains (losses)	(3)	4	2	10
Comprehensive Income	\$ (16)	\$ 3	\$ (43)	\$ 107

(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 and Significant Accounting Estimates

Effective January 1, 2007, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1530, Comprehensive Income, Section 1651, Foreign Currency Translation, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865 Hedges.

Section 1530 established standards for reporting and presenting a comprehensive income statement.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the consolidated balance sheet, except held to maturity, loans and receivables and other financial liabilities which are carried at amortized cost.

Subsequent accounting for changes in fair value will depend on initial classification. Realized and unrealized gains and losses on financial assets and liabilities that are held for trading will continue to be recorded in the consolidated statement of earnings. Unrealized gains and losses on financial assets that are held as available for sale are to be recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of earnings. During the quarter, the Company did not have any financial assets or liabilities other than cash & cash equivalents which would be designated as either held for trading or available for sale.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self sustaining foreign operations.

In accordance with these new standards there has been a retroactive adjustment to reclassify the negative \$8 million of cumulative translation adjustment as of January 1, 2006 and \$2 million as of January 1, 2007 as accumulated other comprehensive income. There was no impact to opening retained earnings on adoption of these new accounting recommendations.

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

In accordance with the Company's policy, depreciation rates for property, plant and equipment are assessed from time to time to ensure they continue to approximate their useful life. Effective July 1, 2007, management's estimate of the useful life for its OSB assets was changed from 15 years to 25 years. This change in estimate was accounted for prospectively. The impact of this change in estimate on fourth quarter depreciation was a reduction of \$9 million.

The CICA has issued several new accounting standards including: Section 1535, Capital Disclosures, Section 3031, Inventories, Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation. The Company will adopt these new standards in the first quarter of 2008 and is currently assessing the impact of adoption on its consolidated financial statements.

Section 1535 specifies the requirements for the disclosure of information relating to objectives, policies and processes for managing capital.

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories.

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 3 – Accounts Receivable

During the fourth quarter of 2007, Norbord entered into a \$50 million accounts receivable securitization program with a highly-rated financial institution. The program is committed for ten months, and is automatically extended on each four month anniversary date unless terminated by either party prior to such anniversary date. 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. Norbord can increase or decrease the cash component of proceeds on each settlement date, subject to the program limit.

The securitization program is subject to certain financial covenants which the Company must comply with on a quarterly basis. In addition, the program contains trade accounts receivable portfolio performance covenants and standard reporting requirements. The program is not subject to any credit-rating requirements.

At December 31, 2007, Norbord recorded cash proceeds of \$50 million and deferred purchase price of \$61 million relating to this program. The deferred purchase price is recorded in accounts receivable. 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.

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

Note 4 – Long-Term Debt

(US\$ millions)	Book Value			
	Principal Value	Fair Value Adjustments	Dec 31 2007	Dec 31 2006
8 1/8% debentures due 2008	\$ 197	\$ -	\$ 197	\$ 200
7 1/4% debentures due 2012	240	7	247	240
6.7% senior notes due 2017	200	(3)	197	-
Other debt	38	-	38	40
	675	4	679	480
Less current portion of long-term debt	(197)	(2)	(199)	-
	\$ 478	\$ 2	\$ 480	\$ 480

At December 31, 2007, the Company had \$362 million (December 31, 2006 – \$365 million) of interest rate swaps outstanding. The terms of these swaps correspond to the terms of the underlying hedged debt. In 2007, the Company repurchased \$3 million of the 8 1/8% debentures due 2008 and unwound a corresponding amount of interest rate swaps.

In the first quarter, the Company issued \$200 million of senior notes due in 2017 with an interest rate of 6.45% which are subject to a credit ratings based coupon step-up provision. At period end the rate was 6.70%.

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 the following financial covenants which the Company must comply with on a quarterly basis: minimum shareholders' equity of \$300 million; and maximum net debt to total capitalization, book basis of 65%. At period end, the Company's shareholders' equity was \$360 million versus the minimum \$300 million covenant; and net debt to total capitalization, book basis was 60% versus the maximum 65% covenant. At period end, \$193 million of these lines was available to support short-term liquidity requirements, \$38 million was drawn as cash and \$4 million was utilized for letters of credit. Subsequent to year end, the Company concluded a \$100 million unsecured term debt facility with a related company at a fixed market rate. 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 shareholders' equity for bank line covenant purposes.

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

Note 5 – Other Liabilities

(US\$ millions)	Dec 31 2007	Dec 31 2006
Unrealized net investment hedge losses <i>(note 11)</i>	\$ 8	\$ 25
Accrued pension and post-retirement benefits	3	4
Unrealized interest rate swap losses	3	-
Deferred interest rate swap gains	-	11
Other liabilities	4	4
	\$ 18	\$ 44

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

Note 6 – Shareholders' Equity

(US\$ millions)	Dec 31 2007	Dec 31 2006
Capital stock:		
Common shares	\$ 150	\$ 127
Contributed surplus	1	-
	151	127
Retained earnings	205	305
Accumulated other comprehensive income	4	2
	\$ 360	\$ 434

Summary of common share transactions:

	12 mos ended Dec 31, 2007		12 mos ended Dec 31, 2006	
	Shares (million)	Amount (US\$ millions)	Shares (million)	Amount (US\$ millions)
Balance at beginning of period	143.8	\$ 127	144.8	\$ 118
Dividend reinvestment plan	2.8	23	1.4	11
Issue of common shares	0.2	-	0.3	1
Repurchase of common shares	-	-	(2.7)	(3)
Balance at end of period	146.8	\$ 150	143.8	\$ 127

In the first quarter, 0.8 million options were granted under the stock option plan. Year-to-date, cost of sales include \$1 million related to stock based compensation expense.

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

Summary of accumulated other comprehensive income movements:

(US\$ millions)	12 mos ended Dec 31, 2007	12 mos ended Dec 31, 2006
Balance at beginning of period	\$ -	\$ -
Adoption of new accounting recommendations	2	(8)
Adjusted balance at beginning of period	2	(8)
Other comprehensive income	2	10
Balance at end of period	\$ 4	\$ 2

Note 7 – Earnings per Common Share

Earnings per common share are calculated as follows:

(US\$ millions, except per share information, unless otherwise noted)	4 th Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
Earnings available to common shareholders	\$ (13)	\$ (1)	\$ (45)	\$ 97
Common shares (millions):				
Weighted average number of common shares outstanding	146.0	143.1	144.9	143.4
Stock options	0.2	0.4	0.3	0.5
Diluted number of common shares	146.2	143.5	145.2	143.9
Earnings per common share:				
Basic	\$ (0.09)	\$ 0.00	\$ (0.31)	\$ 0.68
Diluted	\$ (0.09)	\$ (0.01)	\$ (0.31)	\$ 0.67

Stock options issued under the Company's stock option plan were included in the calculation of diluted number of common shares 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.

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

Note 8 – Income Tax

Interim income tax is calculated based on expected annual effective tax rates.

(US\$ millions)	4 th Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
(expense) recovery				
Current income tax	\$ 88	\$ 10	\$ 91	\$ (6)
Future income tax	(62)	11	(46)	(11)
Income tax	\$ 26	\$ 21	\$ 45	\$ (17)

Note 9 – Supplemental Cash Flow Information

Other investing activities comprises:

(US\$ millions)	4 th Qtr 2007	4 th Qtr 2006	12 mos 2007	12 mos 2006
Cash provided by (used for):				
Recouping payment, <i>(note 11)</i>	\$ (4)	\$ -	\$ (21)	\$ -
Realized net investment hedge gains (losses) <i>(note 11)</i>	(6)	(6)	(8)	\$ (13)
Other	(2)	(2)	(3)	2
	\$ (12)	\$ (8)	\$ (32)	\$ (11)

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, subsequent to period end, the Company concluded a \$100 million unsecured term debt facility with a related company at market rates (note 4).

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

Note 11 – Commitments and Contingencies

Foreign Exchange Hedges

At period end, the Company has outstanding forward foreign exchange contracts of £3 million (2006 - £5 million) and €84 million (2006 - €59 million) and cross-currency swaps of £125 million (2006 - £125 million), which are designated as hedges against its net investments in Europe. In 2007, the Company realized a loss of \$8 million (2006 – gain of \$13 million) on its matured net investment hedges, and at period end, the Company had an unrealized loss of \$8 million (2006 – loss of \$25 million) on its outstanding net investment hedges. In addition, in 2007, the Company paid \$23 million, and received \$2 million to recoupon its cross-currency swaps. Realized and unrealized losses are offset by realized and unrealized gains on the net investments being hedged.

In addition, at period end, the Company has outstanding forward foreign exchange contracts of CAD \$66 million (2006 – CAD \$9 million), which serve to hedge certain Canadian dollar-denominated monetary liabilities. In 2007, the Company realized a gain of \$4 million (2006 – loss of \$1 million) on its matured monetary liability hedges, and at period end, the Company had an unrealized gain of \$2 million (2006 – nil) on these outstanding hedges. Realized and unrealized gains, if any, are offset by realized and unrealized losses on the monetary liabilities being hedged.

The Company has entered into forward foreign exchange contracts of CAD\$24 million, which are designated as a hedge of future Canadian dollar-denominated net costs. At period end, the Company had an unrealized gain of nil (2006 – nil) on the outstanding hedges.

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.

As of January 17, 2007, the Court 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. The Court has not yet set a schedule for providing notice of the certified litigation classes to potential class members, as required under US law. After notice is provided, one or more potential members may choose to opt out of the class and separately pursue claims against Norbord and the other defendants.

NORBORD INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(In US\$, unless otherwise noted)

Norbord believes that the lawsuits are entirely without merit and intends to defend this matter vigorously.

Note 12 – 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.

(US\$ millions)

4 th Qtr 2007	North America	Europe	Unallocated	Total
Net sales	\$ 149	\$ 114	\$ -	\$ 263
EBITDA ⁽¹⁾	(15)	8	(2)	(9)
Depreciation	11	7	-	18
Property, plant and equipment	696	268	4	968
Investment in property, plant and equipment	6	1	-	7
4th Qtr 2006				
Net sales	\$ 152	\$ 107	\$ -	\$ 259
EBITDA ⁽¹⁾	6	10	6	22
Depreciation	15	9	-	24
Property, plant and equipment	725	279	4	1,008
Investment in property, plant and equipment	32	12	-	44
12 mos 2007				
Net sales	\$ 593	\$ 511	\$ -	\$ 1,104
EBITDA ⁽¹⁾	(22)	81	(17)	42
Depreciation	53	34	1	88
Property, plant and equipment	696	268	4	968
Investment in property, plant and equipment	24	12	-	36
12 mos 2006				
Net sales	\$ 823	\$ 429	\$ -	\$ 1,252
EBITDA ⁽¹⁾	221	35	(9)	247
Depreciation	59	34	1	94
Property, plant and equipment	725	279	4	1,008
Investment in property, plant and equipment	138	22	-	160

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