

News Release

NORBORD AND AINSWORTH TO MERGE TO CREATE GLOBAL OSB LEADER

- **Portfolio of high-quality assets expands footprint across North America to better serve customers and reduce operating costs**
- **Complementary product lines and continued commitment to value-added products enhances growth opportunities**
- **All-share consideration allows for participation in an estimated USD \$45 million in annual synergies and other benefits of the combined company, as well as ongoing U.S. housing market recovery**
- **Transaction supported by controlling shareholder Brookfield and subject to Norbord and Ainsworth minority shareholder approval; special meetings to be held in January 2015**
- **Combination expected to enhance shareholder liquidity, financial flexibility and lower cost of capital**
- **Joint investment community call today at 10:30 a.m. ET**

TORONTO, ON and VANCOUVER, BC (December 8, 2014) – Norbord Inc. (“Norbord”) (TSX: NBD) and Ainsworth Lumber Co. Ltd. (“Ainsworth”) (TSX: ANS) today announced that they have signed a definitive agreement under which they will merge to create a leading global wood products company focused on oriented strand board (“OSB”) across North America, Europe and Asia.

The combination of Norbord and Ainsworth will create one of the largest and lowest-cost OSB producers globally, with a portfolio of high-quality assets that produce a wide range of products for residential, industrial and specialty applications. The transaction is a compelling strategic fit and offers shareholders, customers, employees and other stakeholders of both companies a significant opportunity owing to the highly complementary nature of the respective operations.

Under the terms of the arrangement agreement announced today, Norbord has agreed to acquire all of the outstanding common shares of Ainsworth in an all-share transaction in which Ainsworth shareholders will receive 0.1321 of a Norbord share for each Ainsworth share pursuant to a plan of arrangement under the British Columbia *Business Corporations Act*. The transaction value represents a premium of 15% to Ainsworth’s 20-day volume weighted average price (VWAP), and the transaction has been unanimously approved by the Independent Committees and Boards of Directors (with directors of each company affiliated with Brookfield Asset Management Inc. (“Brookfield”) abstaining) of both Ainsworth and Norbord. This all-share transaction structure will allow both Norbord and Ainsworth shareholders to participate in the significant synergies and other benefits expected to result from this combination.

Brookfield and its affiliated entities, which control approximately 55% and 52% of the outstanding common shares of Ainsworth and Norbord respectively, have entered into a binding agreement in which they have committed to vote in favour of the transaction. Upon closing, the Brookfield entities will control approximately 53% of the outstanding common shares of the combined company.

On a pro forma basis, the combined company generated USD \$1.63 billion in sales and USD \$143 million in Adjusted EBITDA¹ for the 12 months ended September 27, 2014. The transaction is expected to be accretive to earnings and cash flow in the first year.

A Leading Global OSB Company

“This transaction unites two complementary businesses behind a common vision of enhanced service to our customers and growth in North America, Europe and Asia,” said Peter Wijnbergen, Norbord’s President and Chief Executive Officer. “Norbord and Ainsworth are each low-cost producers in their respective regions, and with our complementary operations and a more diverse range of specialty products, we will be better able to serve our customers across the globe. Ainsworth has excellent mills, a proven track record of innovation in value-added product development, and we look forward to working together. The growth potential we see in the combined company also offers significant value to our shareholders.”

Said Jim Lake, Ainsworth’s President and Chief Executive Officer: “The combination of the two companies will mean tremendous opportunities for our people and our customers. By joining with Norbord we will be able to leverage its commitment to low-cost operational excellence to expand and improve our existing range of products and enhance our customer relationships. For our shareholders, this transaction offers significant potential for continued value creation as investors in a larger and better-capitalized company with ongoing participation in the current U.S. housing recovery. This is an exciting transaction for Ainsworth and its stakeholders.”

Compelling Strategic Fit:

- **Geographically Complementary Operations** – Norbord and Ainsworth are leading producers in each of their geographies, with minimal overlap. Norbord operates seven North American mills, principally in the U.S. southeast with one mill in Quebec, along with four mills in Europe principally serving the United Kingdom, Germany and the Benelux region. Ainsworth operates four Canadian mills, three in Western Canada and one in Ontario. Together, the combined company will be better positioned to serve national customer accounts and realize savings in freight and logistics costs. With total OSB capacity of approximately 7.7 billion square feet (3/8 inch basis), the combined company will be the largest in the global OSB industry.
- **Balanced Portfolio of High Quality Assets** – This transaction combines Norbord's low-cost operations and larger mill network with Ainsworth's innovation in value-added strand-based engineered wood products. This will support new product development and allow the combined company to expand the range of specialty products it can offer. The transaction also provides the opportunity to optimize product mix across a broader network of mills to lower manufacturing costs.
- **Enhanced Market Diversification** – The combined company will be better able to weather market cycles through increased geographic diversification. The transaction will enhance each company’s strong North American presence with the more stable margin European operations of Norbord and Asia-focused export business of Ainsworth.
- **Strong Financial Position** – Norbord and Ainsworth believe that the combined company will have an enhanced credit profile and lower overall cost of capital. The merged entity will focus on maintaining a prudent balance sheet to provide financial flexibility and a solid capital base to support the business through periods of commodity price weakness.
- **Growth Potential** – The combined company will be well positioned to take advantage of the ongoing recovery in the U.S. housing market and growing OSB demand in Europe and Asia. Together, the company will have opportunities to increase capacity through the expansion of Norbord’s OSB production in Western Europe, the restart of Norbord’s two idled mills in North America, and the completion of Ainsworth’s second line in Grand Prairie, Alberta.

- Improved Capital Markets Presence – The combined company will have a broader shareholder base with increased market liquidity and a larger public float. As of December 5, 2014 the combined company had a pro forma market capitalization of approximately CAD \$2.0 billion. The combined company is expected to remain a member of the S&P/TSX Composite index which provides increased visibility and broader market participation.
- Synergies – Management expects that the combined company will deliver significant cost savings through substantial operating synergies estimated at approximately USD \$45 million annually, achievable over an 18-24 month period. These savings are expected to come primarily from best practices and technology transfers in the companies' mills, sales and logistics improvements, and cost reductions.

The combined company will operate under the Norbord name, and Norbord's CEO Peter Wijnbergen will lead the business following the close of the transaction while drawing upon the extensive strategic, operating and financial experience of both Norbord and Ainsworth. Ainsworth's CEO Jim Lake has agreed to stay on with the combined company in an advisory capacity for a period of six months. As part of its strategy to continue growing exports to Asia, the combined company will maintain an office in Vancouver, B.C.

The Board of Directors of the combined company will have equal representation of independent directors from the current Norbord and Ainsworth Boards of Directors, with a majority of the Board comprised of directors who are not Brookfield nominees.

Other Transaction Details

The transaction was negotiated by Independent Committees of the Boards of both Norbord and Ainsworth. Following receipt of fairness opinions and valuations from independent financial advisors, each Independent Committee unanimously recommended that its Board of Directors approve the definitive agreement governing the transaction, and recommend that their shareholders vote in favour of the transaction. Each Independent Committee was comprised of directors independent of Brookfield.

The Board of Directors of each of Norbord and Ainsworth have each unanimously approved the transaction (with directors of each company affiliated with Brookfield abstaining) and recommend that their respective shareholders vote in favour of the transaction. Upon completion of the transaction, Norbord shareholders will own approximately 63% and Ainsworth shareholders will own approximately 37% of the combined company.

The transaction requires the approval of two-thirds of the votes cast by securityholders of Ainsworth and a majority of the votes cast by shareholders of Norbord, as well as a majority of the votes cast by Ainsworth and Norbord shareholders (other than Brookfield and its affiliated entities) at separate special meetings of Ainsworth and Norbord. These special meetings are expected to take place in January 2015.

Details concerning the review and approval process carried out by the Independent Committee of each company, together with a copy of the formal valuation and fairness opinion prepared by each committee's independent financial advisor, will be contained in a joint information circular to be provided for special meetings of securityholders of each company. The circular will be filed and mailed to Ainsworth and Norbord shareholders later this month and will be available on both company websites, as well as on SEDAR at www.sedar.com.

In addition to securityholder approval described above, the transaction is subject to customary conditions to closing, including court approval of the plan of arrangement. Subject to satisfying those conditions, the transaction is expected to close in the first quarter of 2015. The transaction is not reportable under the U.S. Hart-Scott-Rodino Antitrust Improvement Act of 1976 or the Canadian *Competition Act* because

Ainsworth and Norbord share a common controlling shareholder. The U.S. and Canadian antitrust and competition authorities may review non-reportable transactions at their discretion.

A copy of the arrangement agreement between Ainsworth and Norbord will also be available on SEDAR. The arrangement agreement provides for, among other things, the payment of a termination fee of CAD \$25 million by Norbord or Ainsworth, as applicable, if the proposed transaction is not completed under certain circumstances. Brookfield has advised the Board of Directors of each of Norbord and Ainsworth that, as a major shareholder, it will not approve an alternative transaction.

Advisors

The Norbord Independent Committee's financial advisor is TD Securities and its legal advisor is Stikeman Elliott LLP. Norbord's legal advisors are Torys LLP and Gibson Dunn & Crutcher LLP. The Ainsworth Independent Committee's financial advisor is BMO Capital Markets and its legal advisor is Fasken Martineau DuMoulin LLP. Ainsworth's legal advisors are Goodmans LLP and Skadden, Arps, Slate, Meagher & Flom LLP.

Dividend

It is anticipated that the Board of Directors of the combined entity will continue with Norbord's dividend policy which targets the payment to shareholders of a portion of free cash flow. The amount of dividends under the combined entity's dividend policy, and the declaration and payment thereof, will be based upon the combined entity's financial position, results of operations, cash flow, capital requirements and restrictions under the combined entity's revolving bank lines, among other factors.

Taking into account growth and other attractive capital investment opportunities, and to maintain flexibility in the company's capital structure, the Board of Directors of Norbord expects to set the dividend at CAD \$0.25 per common share in the first quarter of 2015. In the arrangement agreement with Ainsworth, Norbord has agreed to not pay more than CAD \$0.25 per common share for any future quarterly dividends with a record date prior to the closing of the merger, after which the Board of Directors of the merged entity will determine the appropriate level of dividends on a quarterly basis.

The Board of Directors retains the power to amend the companies' dividend policy in any manner and at any time as it may deem necessary or appropriate in the future. For these reasons, as well as others, there can be no assurance that dividends in the future will be equal or similar to the amount described above or that the Board of Directors will not decide to suspend or discontinue the payment of cash dividends in the future.

Investor Conference Call Details

Norbord and Ainsworth will host a joint investment community conference call today at 10:30 a.m. ET. An investor presentation is available for download from www.norbord.com and www.ainsworthengineered.com. Members of the media are welcome to listen to the call, but questions will be restricted to the investment community.

Canada & USA Toll Free Dial In: 1-800-319-4610

Outside of Canada & USA call: +1-604-638-5340

Callers should dial in 5-10 minutes prior to the scheduled start time.

A replay of the call will be available until January 19, 2015, at the following numbers:

Canada & USA Toll Free: 1-800-319-6413

Outside Canada & USA: +1-604-638-9010

Code: 1335, followed by the # sign

A written transcript will be made available on the Norbord and Ainsworth websites.

About Norbord

Norbord Inc. is an international producer of wood-based panels with assets of more than \$1 billion, employing approximately 1,950 people at 13 plant locations in the United States, Europe and Canada. Norbord is one of the world's largest producers of OSB. In addition to OSB, Norbord manufactures particleboard, medium density fibreboard (MDF) and related value-added products. Norbord is a publicly traded company listed on the Toronto Stock Exchange under the symbol NBD.

About Ainsworth

Ainsworth Lumber Co. Ltd. is a leading manufacturer and marketer of OSB with a focus on value-added specialty products for markets in North America and Asia. Ainsworth's four OSB manufacturing mills, located in Alberta, British Columbia and Ontario, have a combined annual capacity of 2.5 billion square feet (3/8-inch basis). Ainsworth is a publicly traded company listed on the Toronto Stock Exchange under the symbol ANS.

Forward Looking Statements

Forward-looking information provided in this news release relating to the expectations of Norbord and Ainsworth regarding OSB demand and pricing and the combined company's future prospects and financial position are forward-looking information pursuant to National Instrument 51-102 promulgated by the Canadian Securities Administrators. Norbord and Ainsworth believe that the expectations reflected in such information are reasonable, but no assurance is given that such expectations will be correct. Forward-looking information is based on the beliefs and assumptions of Norbord and Ainsworth based on information available at the time the assumptions were made and on management's experience and perception of historical trends, current conditions and expected further developments as well as other factors deemed appropriate in the circumstances. Investors are cautioned that there are risks and uncertainties related to such forward-looking information and actual results may vary. Important factors that could cause actual results to differ materially from those expressed or implied by such forward looking information include, without limitation, 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; ability to realize synergies; and other risk factors detailed from time to time in the periodic reports of both Norbord and Ainsworth filed with the Canadian Securities Administrators and other regulatory authorities. The forward-looking information is made as of the date of this news release and neither Norbord or Ainsworth assumes any obligation to update or revise them to reflect new events or circumstances, except as explicitly required by securities laws.

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ⁱ Adjusted EBITDA is defined as earnings before finance costs, foreign exchange loss, gain on derivative financial instrument, costs on early debt extinguishment, costs incurred on terminated Louisiana-Pacific Corp. (LP) acquisition, income tax and depreciation. Adjusted EBITDA is a non-International Financial Reporting Standards (IFRS) financial measure, does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

*Reconciliation of unaudited pro forma Earnings to pro forma Adjusted EBITDA
(Last twelve months ended September 27, 2014; USD millions)*

Pro forma Earnings	\$(19)
Finance costs	58
Foreign exchange loss	26
Loss on derivative financial instrument	5
Costs on early debt extinguishment	20
Costs incurred on terminated LP acquisition	4
Depreciation	84
Income tax recovery	<u>(35)</u>
Pro forma Adjusted EBITDA	<u>\$143</u>

This unaudited pro forma financial information has been presented for informational purposes only. The pro forma combined amounts for the twelve month period ended September 27, 2014 have been determined by combining the respective historical amounts of Norbord and Ainsworth to give effect to the merger as if it had occurred on January 1, 2013. This pro forma information is not necessarily indicative of what the combined company's financial performance actually would have been had the merger been completed as of the date indicated and does not purport to project the future financial position or operating results of the combined company.