J. Barrie Shineton
President & CEO

Norbord

July 26, 2012

To Our Shareholders,

I'm pleased to report that our results continue to improve. Norbord generated earnings of $0.14 per share on EBITDA of $31 million in the second quarter, a $10 million increase over the prior quarter and more than triple the same quarter last year. This is our best quarterly financial performance since Q3 2007 (ignoring the unsustainable Q2 2010 spike) and reflects a rebound in demand for our North American OSB and a stronger price trend in the quarter.

North American benchmark OSB prices in all regions increased steadily throughout the quarter – particularly North Central which averaged $235 per Msf, 36% higher than last year. Norbord's shipments in the quarter reflected this healthier market environment, with our pro-dealer, home improvement and industrial customer volumes up 12% overall.

Our European panel business continues to hold up well and delivered $9 million of EBITDA this quarter. MDF and particleboard prices are firmer than this time last year, although OSB prices have come off their 2011 peak levels. Our year-to-date panel shipments remain in line with the prior year.

Investor reaction to the June refinancing of our maturing 2012 bonds has been positive. The new 6.25% 2015 senior notes and the upgraded credit rating on our 2017 bonds will save Norbord $10 million in interest over the life of these bonds. We disclosed, along with our Q2 results, that we have now extended our bank lines to May 2015. With the bonds refinanced, the bank lines renewed and more than $300 million of liquidity, we are in strong financial shape and can comfortably support our operating and capital priorities going forward.

It is my view that the long-awaited North American housing recovery is now underway. Most housing-related indicators are positive and improving. Year-to-date housing starts and permits are almost 30% higher than 2011. The backlog of foreclosed homes is clearing out in an orderly fashion. Home prices have stabilized and are turning up in almost all regional US markets. And, publicly traded home builders report that they are scrambling to ramp up construction to match order backlogs that are 30-50% ahead of last year. This upturn in housing activity is reflected in economists' recent forecasts. Most are revising their housing starts number upward and estimates now range from 700,000 to 800,000 starts for 2012.

Heading into the third quarter, our North American order files are strong and our mills are stretched. Improving US housing activity, significant homebuilder backlogs and a lean supply chain suggest a continuing robust OSB pricing environment, although underutilized OSB capacity remains a risk.

On a more cautious note, media headlines from Europe continue to paint a gloomy picture. We are now beginning to see our UK panel exports to the Continent impacted by the weakening Euro and softening Continental demand. However, UK domestic demand and prices remain stable, our panel mills are running at full capacity and I expect the recent solid results from our European operations to continue.

Lastly, I am very proud of our safety achievements so far this year. Our mills continue to deliver record safety performance with a year-to-date injury rate of just 0.46 – the best mid-year result in Norbord's history. As well, our Inverness, Scotland and South Molton, England mills were both Safety Star certified during the quarter.

I am pleased with our second quarter performance. Our mills are operating at record productivity levels and manufacturing costs continue to come down. Our stock price set a new 52-week high last week, reflecting the renewed optimism in the US housing sector. I am positive about the rest of this year and I look forward to reporting more good news next quarter.

Barrie Shineton

This letter includes forward-looking statements, as defined by applicable securities legislation including statements related to our strategy, projects, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance. Often, but not always, forward-looking statements can be identified by the use of words such as "expect," "suggest," "support," "believe," "should," "potential," "likely," "would," or variations of such words and phrases or statements that certain actions "may," "could," "must," "would," "might," or "will" be undertaken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Norbord to be materially different from any future results, performance or achievement expressed or implied by the forward-looking statements. See the cautionary language in the Forward-Looking Statements section of the 2011 Management's Discussion and Analysis dated January 26, 2012 and Q2 2012 Management's Discussion and Analysis dated July 25, 2012.

News Release

NORBORD REPORTS SECOND QUARTER 2012 RESULTS

Note: Financial references in US dollars unless otherwise indicated.

Q2 2012 HIGHLIGHTS

- **EBITDA of $31 million – $21 million better than Q2 2011**
- **North Central benchmark OSB price averaged $235/Msf – 36% higher than Q2 2011**
- **Housing market one of few bright spots in US economy**
- **European panel prices holding – OSB, particleboard and MDF prices flat versus Q1 2012**
- **Maturing $240 million 2012 bonds refinanced with 6.25% senior notes due in 2015**
- **Best-ever mid-year safety performance – incident rate of just 0.46 YTD**
- **Inverness, Scotland and South Molton, England mills received Norbord Safety Star certification**

TORONTO, ON (July 26, 2012) – Norbord Inc. (TSX: NBD, NBD.WT) today reported EBITDA of $31 million in the second quarter of 2012 compared to $10 million in the same quarter last year and $21 million in the first quarter of 2012. North American operations generated EBITDA of $26 million in the quarter versus break-even last year and $14 million in the prior quarter. European operations generated EBITDA of $9 million in the quarter versus $13 million last year and $11 million in the prior quarter.

Norbord recorded earnings of $6 million or $0.14 per share in the second quarter of 2012 compared to earnings of $1 million or $0.03 per share in the same quarter last year and break-even earnings in the prior quarter. Earnings in the second quarter of 2011 included a $7 million or $0.16 per share income tax recovery due to the recognition of a non-recurring income tax benefit. Excluding the impact of this non-recurring item, the loss in the second quarter of 2011 was $6 million or $0.14 per share.

“We are finally seeing a more sustainable US housing market recovery and this is flowing through to our bottom line,” said Barrie Shineton, President and CEO. “North American benchmark OSB prices moved steadily higher through the quarter and we more than tripled our EBITDA result compared to the same quarter last year. Improving US housing activity, strong homebuilder backlogs and the lean supply chain suggest a positive OSB pricing environment through the rest of the year.”

“In Europe, our business has continued to perform well in spite of increasing economic uncertainty and I believe we will continue to generate solid results through the second half of the year.”

Market Conditions

June year-to-date US housing starts and permits were 27% and 29% higher, respectively, than the same period in 2011. More importantly for the OSB industry, US single family housing starts were 21% better versus last year. Further, public homebuilders have been easily surpassing analysts’ second quarter estimates with 30-50% year-over-year increases in net new orders and order backlogs as well as improving home prices. Pro-dealers are experiencing similar increases in sales activity as they supply building materials to meet this growing demand. Most expert forecasts for 2012 US housing starts are being adjusted upward and now range from 700,000 to 800,000, 15% to 30% higher than last year.

In this firmer demand environment, the North American North Central benchmark OSB price rose throughout the second quarter – from $202 per thousand square feet (Msf) (7⁄16-inch basis) to $255 per Msf. The North Central benchmark price averaged $235 per Msf in the second quarter, compared to $203 per Msf in the prior quarter and $173 per Msf in the same quarter last year. In the South East region, where approximately 55% of Norbord's North American capacity is located, prices averaged $204 per Msf in the second quarter, compared to $190 per Msf in the prior quarter and $162 per Msf during the same quarter last year. The spread between South East and North Central benchmark OSB prices was unusually wide in the second quarter, reflecting regional differences in the housing market recovery and in transportation availability. Norbord expects this gap to narrow during the second half of the year.

In Europe, panel markets continued to hold up well despite the backdrop of negative economic news. In the second quarter, all panel prices were essentially flat compared to the prior quarter. OSB prices have come off their 2011 peak levels and were 13% lower compared to the same quarter last year. However, MDF and particleboard prices have improved 3% year-over-year.

Performance

In North America, second quarter OSB shipment volumes increased 12% over last year as Norbord ran additional capacity to meet new home improvement customer commitments and built value-added products inventory in advance of the July 3rd Val-d'Or, Quebec mill indefinite curtailment. Norbord's operating OSB mills ran at approximately 95% of their capacity in the second quarter of 2012. Including the indefinitely closed mills in Huguley, Alabama and Jefferson, Texas, the North American operations ran at approximately 75% of capacity in the second quarter of 2012 compared to 65% in both the first quarter of 2012 and second quarter of 2011.

In Europe, second quarter panel shipments were 4% lower than the prior year, but year-to-date shipments were consistent with the prior year. Norbord's European mills produced at approximately 95% of estimated capacity in the first and second quarters of 2012, which reflects the 6% increase in stated panel capacity effective December 31, 2011. This compares to 100% in the second quarter of 2011 under the previously stated capacity.

Norbord's Margin Improvement Program (MIP) delivered $10 million in gains year-to-date. Contributions to the MIP included improved production efficiencies, raw material usage reduction initiatives and a richer added-value product mix.

Norbord's North American OSB cash production costs per unit decreased by 1% versus both last year and last quarter due to lower raw material usages and increased production volume resulting from continuing MIP initiatives.

Capital investments totaled $4 million in the second quarters of both 2012 and 2011 and $3 million in the first quarter of 2012. Norbord's 2012 capital investments are expected to total a modest $25 million and continue to focus on productivity improvement and manufacturing cost reduction projects with quick paybacks.

Operating working capital was $64 million at quarter-end compared to $71 million in the prior quarter and $52 million in the prior year. The quarter-over-quarter decrease is primarily due to increased accounts payable. The year-over-year increase is primarily due to higher North American OSB prices and shipments volumes which increased accounts receivable. Accounts receivable performance is in line with prior periods.

Pro forma for the repayment of the $240 million 2012 debentures and amendments to its revolving bank lines subsequent to quarter-end, Norbord had unutilized liquidity of $328 million, comprised of $242 million in undrawn revolving bank lines and $86 million in cash and cash equivalents. The Company's tangible net worth was $350 million and net debt to total capitalization on a book basis was 50%, well within bank covenants.

Developments

During the quarter, the Company issued $240 million in senior notes due in 2015 with a coupon of 6.25%. The notes are comprised of two tranches. The first tranche consists of $165 million of senior secured notes that rank pari passu with the Company's existing 2017 senior secured notes and committed revolving bank lines. The second tranche consists of $75 million of senior unsecured notes. Subsequent to quarter-end, the Company used the proceeds to repay the $240 million 7.25% debentures due July 1, 2012.

Subsequent to quarter-end, Norbord renewed its committed revolving bank lines, extending the maturity by one year and reducing the aggregate commitment by $25 million. As a result, the Company now has a total aggregate commitment of $245 million which matures in May 2015. All other material terms of the bank lines remain unchanged.

As previously announced, Norbord indefinitely suspended production at its Val-d'Or, Quebec OSB mill effective July 3, 2012. Approximately 120 employees were affected by this decision. Prior to this announcement, the mill had, for the last five years, been operating in a partially curtailed mode. Customers continue to be serviced without disruption. The Company has not incurred any material one-time charges as a result of this decision.

Additional Information

Norbord's Q2 2012 letter to shareholders, news release, management's discussion and analysis, consolidated unaudited financial statements and notes to the financial statements have been filed on SEDAR (www.sedar.com) and are available in the investor section of the Company's website at www.norbord.com. Shareholders are encouraged to read this material.

Conference Call

Norbord will hold a conference call for analysts and institutional investors on Thursday, July 26, 2012 at 1:00 p.m. ET. The call will be broadcast live over the Internet via www.norbord.com and www.newswire.ca. A replay number will be available approximately one hour after completion of the call and will be accessible until August 26, 2012 by dialing 1-888-203-1112 or 647-436-0148. The passcode is 1680425. Audio playback and a written transcript will be available on the Norbord website.

Norbord Profile

Norbord Inc. is an international producer of wood-based panels with assets of $1 billion, employing approximately 2,000 people at 13 plant locations in the United States, Europe and Canada. Norbord is one of the world's largest producers of oriented strand board (OSB). In addition to OSB, Norbord manufactures particleboard, medium density fibreboard (MDF) and related value-added products. Norbord is a publicly traded company listed on the Toronto Stock Exchange under the symbols NBD and NBD.WT.

-end-

Contact:

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

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

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

Except as required by applicable laws, Norbord does not undertake to update any forward-looking statements, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information. See the "Caution Regarding Forward-Looking Information" statement in the March 1, 2012 Annual Information Form and the cautionary statement contained in the "Forward-Looking Statements" section of the 2011 Management's Discussion and Analysis dated January 26, 2012 and Q2 2012 Management's Discussion and Analysis dated July 25, 2012.

JULY 25, 2012

Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) provides a review of the significant developments that impacted Norbord's performance during the period. The information in this section should be read in conjunction with the financial statements, which follow this MD&A. Financial data provided has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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.

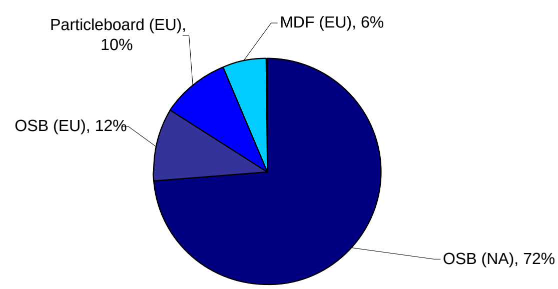
Some of the statements included or incorporated by reference in this MD&A constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on various assumptions and are subject to various risks. See the cautionary statement contained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

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

BUSINESS OVERVIEW & STRATEGY

Norbord is an international producer of wood-based panels with 13 plant locations in the United States, Europe and Canada. Norbord is one of the world's largest producers of oriented strand board (OSB) with an annual capacity of 5.1 billion square feet (BSF) (⅜-inch basis). The core assets of Norbord's OSB business are located in the South East region of the US. The Company is also a significant producer of wood-based panels in the United Kingdom. The geographical breakdown of panel production capacity is approximately 72% in North America and 28% in Europe. Norbord's business strategy is focused entirely on the wood panels sector – in particular OSB – in North America and Europe.

OSB Accounts for Almost 85% of Norbord's Business



Production Capacity by Product
NA = North America
EU = Europe

Some of the statements included in this MD&A constitute forward-looking statements that are based on various assumptions and are subject to various risks. See the cautionary statement contained in the Forward-Looking Statements section.

Norbord

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

Protecting the balance sheet is an important element of Norbord's financing strategy. Management believes that its record of superior operational performance and prudent balance sheet management should enable it to access public and private capital markets, subject to financial market conditions. On a pro forma basis at period-end, Norbord had unutilized liquidity of $328 million, comprised of $242 million in revolving bank lines, and $86 million in cash and cash equivalents, upon payment of its $240 million 2012 debentures and amendments to its revolving bank lines subsequent to period-end (see Liquidity and Capital Resources). As previously announced, on June 15, 2012, Norbord received proceeds from an offering of $240 million of senior notes which were used to refinance its maturing 2012 debentures.

SUMMARY

Norbord recorded EBITDA of $31 million in the second quarter, up $21 million compared to the same quarter last year. Stronger results were driven by continuing improvement in the US housing market. Year-to-date, US housing starts were 27% higher compared to last year. Against that backdrop, North Central benchmark OSB prices averaged $235 per thousand square feet (Msf) (7⁄16-inch basis) in the quarter, up 36% and 16% over the prior year and the prior quarter, respectively. Norbord's North American OSB shipment volumes were up 12% and 11% compared to the prior year and the prior quarter, respectively. Norbord's operating North American OSB mills ran at approximately 95% of capacity in the second quarter compared to 85% in both the prior year and prior quarter. Norbord's European panel business remained robust despite negative economic news in Europe. Second quarter average European panel prices and shipment volumes were down 5% and 4%, respectively, compared to the same quarter last year. Average European panel prices held firm and shipment volume decreased by 7% compared to the prior quarter.

Norbord recorded earnings of $6 million in the second quarter of 2012 ($0.14 per share) compared to earnings of $1 million in the second quarter of 2011 ($0.03 per share) and break-even earnings in the first quarter of 2012 (nil per share). Earnings in the second quarter of 2011 included a $7 million ($0.16 per share) income tax recovery due to the recognition of a non-recurring income tax benefit. Excluding the impact of this non-recurring item, the loss in the second quarter of 2011 was $6 million ($0.14 per share). Earnings increased versus all comparative periods primarily due to higher North American OSB prices.

Year-to-date, the Company recorded earnings of $6 million ($0.14 per share) compared to a loss of $1 million ($0.02 per share) in the prior year. In 2011, the year-to-date loss also included a $5 million ($0.11 per share) non-recurring income tax recovery recorded in the first quarter due to the favorable resolution of a tax authority audit previously provided for in the Company's deferred income tax provision. Excluding the impact of the first and second quarter non-recurring income tax recoveries, the 2011 year-to-date loss was $13 million ($0.30 per share).

Housing market activity, particularly in the US, influences OSB demand and pricing. With over 70% of the Company's panel capacity located in North America, fluctuations in North American OSB demand and prices significantly affect Norbord's results. Management believes, barring any unforeseen developments, the US housing decline has reached bottom and the early phase of a gradual recovery is now underway. It is important to note that approximately 40% of Norbord's OSB sales volume goes directly into the new home construction sector, while the other 60% goes into repair and remodelling, light commercial construction and industrial applications. Management believes that this limits the Company's relative exposure to the new home construction segment and that this distribution channel diversity provides opportunities to maximize profitability. On the cost side, fluctuations in raw material input prices significantly impact operating costs. Management expects slowing global growth and declining energy prices in particular to mitigate the upward pressure on raw material costs. Norbord will continue to pursue aggressive Margin Improvement Program (MIP) initiatives to reduce raw material usages and improve productivity to offset potentially higher uncontrollable costs.

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

RESULTS OF OPERATIONS

(US $ millions, except per share information, unless otherwise noted)	**Q2 2012**	Q1 2012	Q2 2011	**6 mos 2012**	6 mos 2011
Return on capital employed (ROCE)	**15%**	10%	5%	**12%**	6%
Return on equity (ROE)	**8%**	0%	2%	**4%**	0%
Earnings	**6**	-	1	**6**	(1)
Per Common Share Earnings					
Basic and diluted	**0.14**	-	0.03	**0.14**	(0.02)
Sales	**272**	253	241	**525**	494
EBITDA	**31**	21	10	**52**	24
Depreciation	**13**	13	13	**26**	27
Investment in property, plant and equipment	**4**	3	4	**7**	12
Shipments (MMsf–3⁄8")					
North America	**805**	728	721	**1,533**	1,442
Europe	**384**	414	400	**798**	802
Indicative Average OSB Price					
North Central ($/Msf–7⁄16")	**235**	203	173	**219**	186
South East ($/Msf–7⁄16")	**204**	190	162	**197**	170
Europe (€/m^3)[1]	**260**	261	271	**261**	266

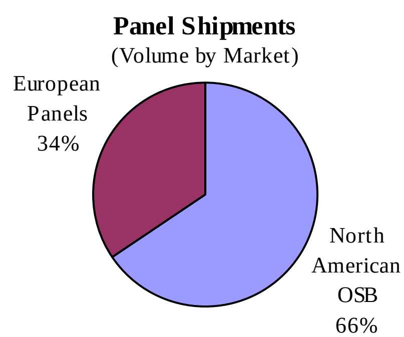
[1] European indicative average OSB price represents the gross delivered price to the largest Continental market. Prior period comparatives have been restated to gross delivered price.

Sales in the quarter were $272 million, compared to $253 million in the previous quarter and $241 million in the second quarter of 2011. Quarter-over-quarter, sales increased by 8% of which higher sales in North America contributed 11% partially offset by lower sales in Europe that contributed a 3% decline. Higher North American OSB prices and shipment volume were partially offset by lower European panel shipment volume. Year-over-year, sales increased by 13% of which higher sales in North America contributed 16% partially offset by lower sales in Europe that contributed a 3% decline. Higher North American OSB prices and shipment volume were partially offset by lower European panel prices and shipment volume. Year-to-date, sales increased by 6% to $525 million mainly due to higher North American OSB prices and shipment volume.

Markets

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

Norbord Focused on North American OSB Market



June year-to-date US housing starts and permits were 27% and 29% higher, respectively, than the same period in 2011. More importantly for the OSB industry, US single family housing starts were 21% better versus last year. Further, public homebuilders have been easily surpassing analysts' second quarter estimates with 30-50% year-over-year increases in net new orders and order backlogs as well as improving home prices. Pro-dealers are experiencing similar increases in sales activity as they supply building materials to meet this growing demand. Most expert forecasts for 2012 US housing starts are being adjusted upward and now range from 700,000 to 800,000, approximately 15% to 30% higher than last year.

In this firmer demand environment, the North American North Central benchmark OSB price rose throughout the second quarter – from $202 per Msf to $255 per Msf. The North Central benchmark price averaged $235 per Msf in the second quarter, compared to $203 per Msf in the prior quarter and $173 per Msf in the same quarter last year. In the South East region, where approximately 55% of Norbord's North American capacity is located, prices averaged $204 per Msf in the second quarter, compared to $190 per Msf in the prior quarter and $162 per Msf during the same quarter last year. The spread between South East and North Central benchmark OSB prices was unusually wide in the second quarter, reflecting regional differences in the housing market recovery and in transportation availability. Norbord expects this gap to narrow during the second half of the year.

It is important to note that approximately 40% of Norbord's OSB sales volume goes directly into the new home construction sector, while the other 60% goes into repair and remodelling, light commercial construction and industrial applications. Management believes that this limits the Company's relative exposure to the new home construction segment and that this distribution channel diversity provides opportunities to maximize profitability.

In Europe, panel markets continued to hold up well despite the backdrop of negative economic news. In the second quarter, average panel prices were essentially flat compared to the prior quarter. OSB prices have come off their 2011 peak levels and were 13% lower compared to the same quarter last year. However, MDF and particleboard prices have improved 3% year-over-year.

Historically, the UK has been a net importer of panel products. For the past several years, the Pound has traded in a range relative to the Euro that has been advantageous to Norbord's primarily UK-based operations as it has improved sales opportunities within the UK, slowed the flow of Continental European imports and supported Norbord's export program into the Continent. During the second quarter, the Pound strengthened 3% against the Euro.

Operating Results

EBITDA (US $ millions)	**Q2 2012**	Q1 2012	Q2 2011	**6 mos 2012**	6 mos 2011
North America	**$ 26**	$ 14	$ -	**$ 40**	$ 7
Europe	**9**	11	13	**20**	24
Unallocated	**(4)**	(4)	(3)	**(8)**	(7)
Total	**$ 31**	$ 21	$ 10	**$ 52**	$ 24

Norbord generated EBITDA of $31 million in the second quarter of 2012 compared to $10 million in the same quarter last year and $21 million in the first quarter of 2012. Year-to-date, the Company generated EBITDA of $52 million compared to $24 million in the prior year. The benefit of higher North American OSB benchmark prices and shipment volumes as well as lower raw material usages in both North America and Europe more than offset higher raw material prices and other costs.

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

EBITDA variance (US $ millions)	Q2 2012 vs. Q1 2012	Q2 2012 vs. Q2 2011	6 mos 2012 vs. 6 mos 2011
EBITDA – current period	$ 31	$ 31	$ 52
EBITDA – comparative period	21	10	24
Variance	$ 10	$ 21	$ 28
Mill nets[1]	$ 10	$ 21	$ 28
Volume[2]	1	3	2
Key input prices[3]	(1)	(2)	(6)
Key input usage[3]	3	3	10
Other[4]	(3)	(4)	(6)
Total	$ 10	$ 21	$ 28

1 The mill nets variance represents the change in realized pricing across all products. Mill nets are calculated as sales (net of outbound freight costs) divided by shipment volume.

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

3 The key inputs include fibre, resin and energy.

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

North America

North American operations generated EBITDA of $26 million in the second quarter of 2012 versus break-even EBITDA in the second quarter of 2011. Year-to-date, North American operations generated EBITDA of $40 million in 2012 versus $7 million in 2011. Higher OSB prices and shipment volumes, and lower raw material usages more than offset higher fibre and resin prices. Average North Central OSB benchmark prices in the second quarter increased by 36% or $62 per Msf versus the same quarter last year while average South East OSB benchmark prices were only up 26% or $42 per Msf. Year-to-date, average North Central OSB benchmark prices increased by 18% or $33 per Msf versus the prior year while average South East OSB benchmark prices were only up 16% or $27 per Msf. Norbord's North American OSB cash production costs per unit decreased by 2% year-to-date compared to prior year. The benefit of lower raw material usages more than offset higher fibre and resin prices, profit share costs and supplies and maintenance costs. Lower raw material usages are primarily attributed to operational initiatives under the Company's MIP.

Quarter-over-quarter, North American operations generated EBITDA of $26 million in the second quarter of 2012 versus $14 million in the first quarter of 2012. Higher OSB prices and shipment volume, and lower raw material usages more than offset higher resin and fibre prices. Average North Central OSB benchmark prices increased by 16% or $32 per Msf versus the prior quarter while average South East OSB benchmark prices were only up 7% or $14 per Msf. Norbord's North American OSB cash production costs per unit decreased 1% from the prior quarter primarily due to lower raw material usages and higher production volume partially offset by higher resin and fibre prices.

US housing starts are trending up and a gradual recovery is now underway. Until a more meaningful US housing market recovery takes hold, Norbord expects to continue curtailing production to conserve cash, manage inventory levels and maximize operating results. In the second quarter, Norbord ran additional capacity to meet new home improvement customer commitments and built value-added products inventory in advance of the Val-d'Or, Quebec mill indefinite curtailment. Norbord's North American OSB mills ran at approximately 75% of estimated capacity in the second quarter of 2012 compared to 65% in both the first quarter of 2012 and second quarter of 2011. In the first quarter of 2009, Norbord indefinitely shut OSB mills in Huguley, Alabama and Jefferson, Texas to contain costs and manage operating working capital. The two mills represent approximately 20% of Norbord's annual OSB production capacity in North America. Subject to market conditions, Norbord does not expect to restart these two mills in the near term. Excluding these two mills, Norbord's operating mills ran at approximately 95% of capacity in the second quarter.

Effective July 2012, as previously announced, Norbord indefinitely suspended production at its mill in Val-d'Or, Quebec to conserve cash and improve earnings. The decision to suspend production was made to improve the

Company's operating configuration in Canada given management's assessment that the housing market recovery will be gradual. Customers continue to be serviced without disruption. Approximately 120 employees were affected by this decision. The Company has not incurred any material one-time charges as a result of this decision. The mill represents approximately 8% of Norbord's annual OSB production capacity in North America. Prior to this announcement, the mill had been operating in a partially curtailed mode for the last five years.

Europe

European operations generated EBITDA of $9 million in the second quarter of 2012 versus $13 million in the second quarter of 2011. Lower raw material usages and higher particleboard and MDF prices were more than offset by the impact of higher resin prices, higher supplies and maintenance costs, and lower OSB prices. Year-to-date, European operations generated EBITDA of $20 million in 2012 versus $24 million in 2011. The benefit of higher particleboard and MDF prices and lower raw material usages was more than offset by higher raw material prices, higher supplies and maintenance costs, and lower sales volume and OSB prices. Lower raw material usages are primarily attributed to operational initiatives under the Company's MIP. Year-over-year, panel prices for OSB decreased by 13% while both particleboard and MDF prices increased by 3%.

Quarter-over-quarter, European operations generated EBITDA of $9 million in the second quarter of 2012 versus $11 million in the first quarter of 2012. Lower raw material usages were more than offset by lower shipment volumes and higher supplies and maintenance costs. Average panel prices for OSB, particleboard, and MDF remained relatively consistent quarter-over-quarter.

Norbord's European mills produced at approximately 95% of estimated capacity in the first and second quarters of 2012 which reflects the 6% increase in stated panel capacity effective December 31, 2011. This compares to 100% in the second quarter of 2011 under the previously stated capacity.

Margin Improvement Program (MIP)

Margin improvement represents the Company's single most important operating focus over the past five years. The prices of resin, fibre and energy, which account for approximately 65% of Norbord's OSB cash production costs, are determined by economic and market conditions and are, to a large degree, uncontrollable. These costs increased sharply over the five-year period preceding 2009 and resin prices, in particular, have risen in the past year. The Company realized MIP gains of $10 million year-to-date. These gains, measured relative to 2011 at constant prices and exchange rates, limited the impact that higher raw material prices had on year-to-date earnings. Contributions to MIP included improved production efficiencies, raw material usage reduction initiatives and a richer added-value product mix.

INTEREST, DEPRECIATION AND INCOME TAX

(US $ millions)	**Q2 2012**	Q1 2012	Q2 2011	**6 mos 2012**	6 mos 2011
Interest expense	**$ 9**	$ 8	$ 8	**$ 17**	$ 16
Depreciation	**13**	13	13	**26**	27
Income tax expense (recovery)	**3**	-	(12)	**3**	(18)

Depreciation

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

Income Tax

An income tax expense of $3 million was recorded on pre-tax income of $9 million in the second quarter of 2012. Year-to-date, an income tax expense of $3 million was recorded on pre-tax income of $9 million. The effective tax rate differs from the statutory rate principally due to rate differences on foreign activities and fluctuations in relative currency values. Earnings in the second quarter of 2011 included a $7 million ($0.16 per share) income tax recovery due to the recognition of a non-recurring income tax benefit. Earnings in the first quarter of 2011 included a $5 million ($0.11 per share) non-recurring income tax recovery due to the favorable resolution of a tax authority audit previously provided for in the Company's deferred income tax provision.

LIQUIDITY AND CAPITAL RESOURCES

(US $ millions, except per share information, unless otherwise noted)	**Q2 2012**	Q1 2012	Q2 2011	**6 mos 2012**	6 mos 2011
Cash provided by (used for) operating activities	**$ 25**	$ (27)	$ 3	**$ (2)**	$ (30)
Cash provided by (used for) operating activities per share	**0.57**	(0.62)	0.05	**(0.05)**	(0.71)
Operating working capital	**64**	71	52		
Total working capital	**393**	135	133		
Investment in property, plant and equipment	**4**	3	4	**7**	12
Net debt to capitalization, market basis	**45%**	46%	39%		
Net debt to capitalization, book basis	**50%**	53%	51%		

On a pro forma basis at period-end, Norbord had unutilized liquidity of $328 million, comprised of $242 million in revolving bank lines, and $86 million in cash and cash equivalents, upon payment of its $240 million 2012 debentures and amendments to its revolving bank lines subsequent to period-end.

Senior Notes Due 2015

During the quarter, the Company issued $240 million in senior notes due in 2015 with an interest rate of 6.25%. The notes are comprised of two tranches. The first tranche consists of $165 million of senior secured notes that rank pari passu with the Company's existing senior secured notes due 2017 and committed revolving bank lines. The second tranche consists of $75 million of senior unsecured notes. Subsequent to period-end, the Company used the proceeds to repay the $240 million 7.25% debentures due July 1, 2012.

At July 25, 2012, Norbord's long-term credit ratings were:

	DBRS	Standard & Poor's Ratings Services	Moody's Investors Service
Secured	BB(mid)	BB-	Ba2
Unsecured	B(mid)	B+	B2
Issuer	BB(low)	BB-	Ba3

Senior Secured Notes Due 2017

The Company's senior secured notes, due in 2017, bear an interest rate that varies with the Company's credit ratings. During the quarter, Moody's Investors Service upgraded the ratings on the Company's senior secured debt from Ba3 to Ba2, and accordingly, the interest rate on the 2017 notes decreased by 0.25%, from 7.95% to 7.70% effective from February 15, 2012.

Standby Term Loan Commitment

In 2011, Brookfield committed to put in place a $120 million standby term loan to be used to repay up to half of the 2012 debentures. Since the 2012 debentures were refinanced in the quarter, the standby term loan commitment automatically terminated.

Revolving Bank Lines

Subsequent to period-end, the Company renewed its committed revolving bank lines, extending the maturity by one year and reducing the aggregate commitment by $25 million. All other material terms of the bank lines remain unchanged. As a result, the Company now has a total aggregate commitment of $245 million which matures in May 2015 and bears interest at money market rates plus a margin that varies with the Company's credit rating. The bank lines are secured by a first lien on the Company's North American OSB inventory and property, plant and equipment. This lien is shared pari passu with holders of the 2015 and 2017 senior secured notes.

The bank lines contain two quarterly financial covenants: minimum tangible net worth of $250 million and maximum net debt to total capitalization, book basis, of 65%. The IFRS transitional adjustments to shareholders' equity of $21 million at January 1, 2011 are added back for the purposes of the tangible net worth calculation. In addition, other comprehensive income movement subsequent to January 1, 2011 is excluded from the tangible net worth calculation. Net debt includes total debt, principal value, less cash and cash equivalents plus letters of credit issued. As at period-end, the Company's tangible net worth was $350 million for financial covenant purposes and net debt for financial covenant purposes was $357 million. Net debt to total capitalization, book basis, was 50%.

Accounts Receivable Securitization Program

The Company has an $85 million accounts receivable securitization program with a third-party trust sponsored by a highly rated Canadian financial institution. The program is revolving and has an evergreen commitment subject to termination on 12 months' notice. Under the program, Norbord has transferred substantially all of its present and future trade accounts receivable to the trust, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price.

At period-end, Norbord had transferred but continued to recognize $114 million in accounts receivable and recorded drawings of $80 million relating to this program.

The level of accounts receivable transferred under the program fluctuates with the level of shipment volumes, product prices and foreign exchange rates. The amount of drawings fluctuates with the level of accounts receivable transferred, timing of cash settlements and the Company's cash requirements. The drawings are presented as other long-term debt on the balance sheet and are excluded from the net debt to capitalization calculation for financial covenant purposes.

The securitization program contains no financial covenants; however, the program is subject to minimum credit-rating requirements. The Company must maintain a long-term issuer credit rating of at least single B(mid) or the equivalent.

Other Liquidity and Capital Resources

Operating working capital, consisting of accounts receivable and inventory less accounts payable and accrued liabilities, was $64 million at period-end, compared to $71 million in the prior quarter and $52 million in the prior year. The Company aims to continuously minimize the amount of capital held as operating working capital and takes actions to manage it at minimal levels. Quarter-over-quarter, operating working capital was lower as higher accounts payable and lower raw material inventory more than offset higher accounts receivable. Higher accounts payable was due to the timing and volume of purchases and payments. Lower raw material inventory is the result of the drawdown of the first quarter seasonal log inventory build in North America and Europe. Higher accounts receivable is due to higher North American OSB prices and shipment volume and higher finished goods inventory. Higher finished goods inventory is due to an increase in inventory to service higher home improvement centre customer volume and the build-up of value-added product inventory in advance of the indefinite curtailment of the Val-d'Or, Quebec mill.

Year-over-year, operating working capital increased as higher accounts receivable was only partially offset by higher accounts payable. Interest payable, which is included in accounts payable, was higher compared to the second quarter of 2011 as the Company had a bond coupon payment on July 1, 2011 which fell within the second quarter of 2011 instead of the third quarter. In 2011, the second quarter ended on July 2nd.

Total working capital, which includes operating working capital plus cash and cash equivalents and income tax receivable, was $393 million at the end of the second quarter of 2012 compared to $135 million in the prior quarter and $133 million in the comparable prior year quarter. Total working capital at the end of the second quarter of 2012 included $240 million in proceeds on the issuance of the 2015 senior notes, which were used to repay the maturing 2012 debentures subsequent to period-end.

Operating activities generated $25 million in cash ($0.57 per share) in the second quarter of 2012. Operating activities consumed $27 million in cash ($0.62 per share) in the prior quarter and generated $3 million in cash ($0.05 per share) in the second quarter of 2011. The generation of cash versus the prior quarter is primarily a result of higher EBITDA results and the first quarter seasonal increase in operating working capital. The higher generation of cash versus the prior year is primarily a result of higher EBITDA results in the current year and timing of bond coupon payment in the prior year.

Year-to-date, operating activities consumed $2 million ($0.05 per share) compared to consuming $30 million ($0.71 per share) in the prior year. The lower consumption of cash versus the prior year is primarily a result of higher EBITDA results and lower seasonal working capital build.

INVESTMENTS AND DIVESTITURES

Investment in Property, Plant and Equipment

Investment in property, plant and equipment was $4 million in the second quarter of 2012 compared to $3 million in the prior quarter and $4 million in the second quarter of 2011. Year-to-date, investment in property, plant and equipment was $7 million in 2012 compared to $12 million in 2011. The decrease versus prior year is due to the infrastructure investment program at the Cowie, Scotland particleboard mill undertaken and completed in 2011.

Norbord's total investment in property, plant and equipment is expected to be $25 million in 2012and continues to focus on productivity improvement and manufacturing cost reduction projects with quick paybacks. These investments will be funded with cash on hand, cash generated from operations, and, if necessary, drawings under the Company's committed revolving bank lines.

SELECTED QUARTERLY INFORMATION

(US $ millions, except per share information, unless otherwise noted)	**2012** Q2	Q1	2011 Q4	Q3	Q2	Q1	2010 Q4	Q3
KEY PERFORMANCE METRICS								
Return on capital employed (ROCE)	**15%**	10%	4%	6%	5%	6%	6%	6%
Return on equity (ROE)	**8%**	0%	-11%	-1%	2%	-2%	-10%	-5%
Cash provided by (used for) operating activities	**25**	(27)	31	(14)	3	(33)	40	8
Cash provided by (used for) operating activities per share	**0.57**	(0.62)	0.73	(0.32)	0.05	(0.76)	0.93	0.18
SALES AND EARNINGS								
Sales	**272**	253	229	242	241	253	240	229
EBITDA	**31**	21	9	12	10	14	14	13
Earnings	**6**	-	(9)	(1)	1	(2)	(9)	(4)
PER COMMON SHARE EARNINGS								
Basic and diluted	**0.14**	-	(0.21)	(0.02)	0.03	(0.05)	(0.21)	(0.09)
KEY STATISTICS								
Shipments (MMsf–3⁄8")								
North America	**805**	728	696	747	721	721	768	757
Europe	**384**	414	372	373	400	402	355	359
Indicative Average OSB Price								
North Central ($/Msf–7⁄16")	**235**	203	190	184	173	198	191	180
South East ($/Msf–7⁄16")	**204**	190	166	169	162	177	165	156
Europe (€/m^3)[1]	**260**	261	259	265	271	260	261	254

[1] European indicative average OSB price represents the gross delivered price to the largest Continental market. Prior period comparatives from Q1 2011 to Q1 2012 have been restated to gross delivered price.

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

Operating working capital is typically built up in the first quarter of the year due primarily to seasonal log inventory purchases in the northern regions of North America and Europe. Logs are generally consumed in the spring and summer months. Operating working capital also fluctuates based on the timing of bond coupon payments in the first and third quarters.

The price of and demand for OSB in North America are significant variables affecting the comparability of Norbord's results over the past eight quarters. Fluctuations in earnings during that time mirror fluctuations in the price of and demand for OSB in North America. The Company estimates that the annualized impact of a $10 per Msf change in the North American OSB price on EBITDA, when operating at capacity, is approximately $36 million or $0.83 per share on a pre-tax basis. Regional pricing variations, particularly in the Southern US, make the North Central benchmark price a useful, albeit imperfect, proxy for overall North American OSB pricing. Similarly in Europe, regional pricing variations and product mix make the European OSB indicative price a useful, albeit imperfect, proxy for overall European OSB pricing. Further, competition 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 benchmarks for both North America and Europe.

High global commodity prices caused upward pressure on the prices of key input costs, primarily resin, wax, energy and fibre prior to 2009. Downward trends in global energy prices provided significant input cost relief in the first half of 2009, with prices at the bottom during the second half of 2009. In 2010, commodity prices increased in the first half of the year and then leveled off for the remainder of the year. In 2011, resin prices and European fibre and energy prices were significantly higher than 2010. Input prices are trending up thus far in 2012, particularly for resin and fibre. If global growth slows, this upward pressure on input costs could subside.

Norbord has relatively low exposure to the Canadian dollar due to a comparatively small manufacturing base in Canada, which comprises 12% of its panel production capacity. The Company estimates that the unfavourable impact of a one-cent (US) increase in the value of the Canadian dollar would negatively impact annual EBITDA by approximately $1 million, when Norbord's Canadian OSB mills operate at capacity.

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

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

Provision for non-core operation **−** In the fourth quarter of 2010, the Company recorded a provision of $6 million pre-tax ($0.14 per share) related to its 50% interest in a non-core hardwood plywood joint-venture operation.

COMMON SHARES

At July 25, 2012, there were 43.6 million common shares outstanding. In addition, 2.5 million stock options were outstanding, of which approximately 40% were fully vested, and warrants to purchase 13.6 million common shares were outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company utilizes various derivative financial instruments to manage risk and make better use of capital. The fair values of these instruments are reflected on the Company's balance sheet and are disclosed in note 12 to the interim consolidated financial statements.

TRANSACTIONS WITH RELATED PARTIES

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

Standby Term Loan Commitment

During the period, the 2012 debentures were refinanced. As a result, the $120 million standby term loan commitment with Brookfield automatically terminated (see Liquidity and Capital Resources).

Other

The Company provides certain administrative services to Brookfield or its affiliates which are charged on a cost recovery basis. In addition, the Company periodically purchases goods from or engages the services of Brookfield or its affiliates for various financial, real estate and other business advisory services. In 2012, the fees and costs for these services and goods were $2 million and were charged at market rates.

CHANGES IN ACCOUNTING STANDARDS

(i) **Transfers of Financial Assets**

In October 2010, the IASB amended IFRS 7, *Financial Instruments: Disclosures* and added additional disclosure requirements for financial assets that have been transferred but not derecognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). The amendments are effective for annual periods beginning on or after July 1, 2011, so will be effective for the year ending December 31, 2012. The Company's accounts receivable securitization program meets the definition of a transferred financial asset that is not derecognized. The amendments became effective for the Company on January 1, 2012 and the disclosures on the program were amended accordingly in note 3 to the interim consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting during the three months ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

NON-IFRS FINANCIAL MEASURES

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

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

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

(US $ millions)		**Q2 2012**		Q1 2012		Q2 2011		**6 mos 2012**		6 mos 2011
Earnings	**$**	**6**	$	-	$	1	**$**	**6**	$	(1)
Add: Interest expense		**9**		8		8		**17**		16
Add: Depreciation		**13**		13		13		**26**		27
Add (Less): Income tax expense (recovery)		**3**		-		(12)		**3**		(18)
EBITDA	**$**	**31**	$	21	$	10	**$**	**52**	$	24

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

(US $ millions)		**Jun 30 2012**		Mar 31 2012		Dec 31 2011		Jul 2 2011
Accounts receivable	**$**	**129**	$	126	$	102	$	106
Inventory		**99**		98		88		99
Accounts payable and accrued liabilities		**(164)**		(153)		(162)		(153)
Operating working capital	**$**	**64**	$	71	$	28	$	52

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

(US $ millions)		**Jun 30 2012**		Mar 31 2012		Dec 31 2011		Jul 2 2011
Operating working capital	**$**	**64**	$	71	$	28	$	52
Cash and cash equivalents		**326**		60		83		77
Tax receivable		**3**		4		5		4
Total working capital	**$**	**393**	$	135	$	116	$	133

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

(US $ millions)		**Jun 30 2012**		Mar 31 2012		Dec 31 2011		Jul 2 2011
Property, plant and equipment	**$**	**769**	$	782	$	787	$	805
Accounts receivable		**129**		126		102		106
Tax receivable		**3**		4		5		4
Inventory		**99**		98		88		99
Accounts payable and accrued liabilities		**(164)**		(153)		(162)		(153)
Other assets		**1**		1		5		6
Unrealized net investment hedge losses[1]		**(1)**		(1)		-		(2)
Capital employed	**$**	**836**	$	857	$	825	$	865

[1] Included in other liabilities.

ROCE (return on capital employed) is EBITDA divided by average capital employed. ROCE is a measurement of financial performance, focusing on cash generation and the efficient use of capital. As Norbord operates in a cyclical commodity business, it interprets ROCE over the cycle as a useful means of comparing businesses in terms of efficiency of management and viability of products. Norbord targets top-quartile ROCE among North American forest products companies over the cycle.

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

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

(US $ millions)	**Jun 30 2012**	Mar 31 2012	Dec 31 2011	Jul 2 2011
Long-term debt, principal value	**$ 680**	$ 440	$ 440	$ 440
Less: Cash and cash equivalents	**(326)**	(60)	(83)	(77)
Net debt	**354**	380	357	363
Add: Letters of credit	**3**	3	3	10
Net debt for financial covenant purposes	**$ 357**	$ 383	$ 360	$ 373

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

(US $ millions)	**Jun 30 2012**	Mar 31 2012	Dec 31 2011	Jul 2 2011
Shareholders' equity	**$ 306**	$ 306	$ 300	$ 336
Add: IFRS transitional adjustments	**21**	21	21	21
Add (Less): Other comprehensive income movement[1]	**23**	17	22	(5)
Tangible net worth	**$ 350**	$ 344	$ 343	$ 352

[1] Cumulative subsequent to January 1, 2011.

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

The above list of important factors affecting forward-looking information is not exhaustive. Additional factors are noted elsewhere, and reference should be made to the other risks discussed in filings with Canadian securities regulatory authorities. Except as required by applicable law, Norbord does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by, or on behalf of, the Company, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information. See the “Caution Regarding Forward-Looking Information” statement in the March 1, 2012 Annual Information Form and the cautionary statement contained in the “Forward-Looking Statements” section of the 2011 Management’s Discussion and Analysis dated January 26, 2012.

Consolidated Balance Sheets

(US $ millions)	Note	Jun 30 2012 (unaudited)	Dec 31 2011
Assets			
Current assets			
Cash and cash equivalents		**$ 326**	$ 83
Accounts receivable	3	**129**	102
Tax receivable		**3**	5
Inventory	4	**99**	88
		557	278
Non-current assets			
Property, plant and equipment		**769**	787
Other assets	5	**1**	5
		770	792
		$ 1,327	$ 1,070
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 164**	$ 162
Current portion of long-term debt	6	**240**	242
		404	404
Non-current liabilities			
Long-term debt	6	**432**	196
Other long-term debt	3	**80**	69
Other liabilities	7	**41**	40
Deferred income taxes		**64**	61
		617	366
Shareholders' equity		**306**	300
		$ 1,327	$ 1,070

(See accompanying notes)

Consolidated Statements of Earnings

(unaudited) Periods ended June 30 and July 2 (US $ millions, except per share information)	Note	**Q2 2012**	Q2 2011 (note 15)	**6 mos 2012**	6 mos 2011 (note 15)
Sales		**$ 272**	$ 241	**$ 525**	$ 494
Cost of sales		**(237)**	(228)	**(465)**	(463)
General and administrative expenses		**(4)**	(3)	**(8)**	(7)
Earnings before interest, income tax and depreciation		**31**	10	**52**	24
Interest expense		**(9)**	(8)	**(17)**	(16)
Earnings before income tax and depreciation		**22**	2	**35**	8
Depreciation		**(13)**	(13)	**(26)**	(27)
Income tax (expense) recovery		**(3)**	12	**(3)**	18
Earnings		**$ 6**	$ 1	**$ 6**	$ (1)
Earnings per common share	9				
Basic and Diluted		**$ 0.14**	$ 0.03	**$ 0.14**	$ (0.02)

(See accompanying notes)

Consolidated Statements of Comprehensive Income

(unaudited) Periods ended June 30 and July 2 (US $ millions)	**Q2 2012**	Q2 2011	**6 mos 2012**	6 mos 2011
Earnings	**$ 6**	$ 1	**$ 6**	$ (1)
Other comprehensive income, net of tax				
Foreign currency translation (loss) gain on foreign operations	**(6)**	1	**-**	9
Net gain (loss) on hedge of net investment in foreign operations	**2**	1	**1**	(4)
Actuarial loss on post-employment obligation	**(2)**	(2)	**(2)**	-
	(6)	-	**(1)**	5
Comprehensive income	**$ -**	$ 1	**$ 5**	$ 4

(See accompanying notes)

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) Periods ended June 30 and July 2 (US $ millions)	Note	**Q2 2012**	Q2 2011	**6 mos 2012**	6 mos 2011
Share capital					
Balance, beginning and end of period		**$ 340**	$ 340	**$ 340**	$ 340
Contributed surplus					
Balance, beginning of period		**$ 44**	$ 42	**$ 43**	$ 41
Stock-based compensation	8	**-**	-	**1**	1
Balance, end of period		**$ 44**	$ 42	**$ 44**	$ 42
Retained earnings					
Balance, beginning of period		**$ (82)**	$ (54)	**$ (82)**	$ (54)
Earnings		**6**	1	**6**	(1)
Other comprehensive income		**(2)**	(2)	**(2)**	-
Balance, end of period		**$ (78)**	$ (55)	**$ (78)**	$ (55)
Accumulated Other Comprehensive Income (Loss)					
Balance, beginning of period		**$ 4**	$ 7	**$ (1)**	$ 4
Other comprehensive income		**(4)**	2	**1**	5
Balance, end of period	8	**$ -**	$ 9	**$ -**	$ 9
Shareholders' equity		**$ 306**	$ 336	**$ 306**	$ 336

(See accompanying notes)

Consolidated Statements of Cash Flows

(unaudited) Periods ended June 30 and July 2 (US $ millions)	Note	**Q2 2012**	Q2 2011	**6 mos 2012**	6 mos 2011
CASH PROVIDED BY (USED FOR):					
Operating Activities					
Earnings		**$ 6**	$ 1	**$ 6**	$ (1)
Items not affecting cash:					
Depreciation		**13**	13	**26**	27
Deferred income tax		**1**	(12)	**1**	(18)
Other items		**(4)**	(2)	**(3)**	3
		16	-	**30**	11
Net change in non-cash operating working capital balances	10	**8**	2	**(34)**	(43)
Net change in tax receivable		**1**	1	**2**	2
		25	3	**(2)**	(30)
Investing Activities					
Investment in property, plant and equipment		**(3)**	(1)	**(6)**	(9)
Realized net investment hedge gain (loss)	12	**1**	(3)	**4**	(2)
Other		**-**	(2)	**-**	-
		(2)	(6)	**(2)**	(11)
Financing Activities					
Issue of debt		**240**	-	**240**	-
Accounts receivable securitization proceeds (repayments)		**7**	(2)	**11**	8
Debt issue costs		**(4)**	(1)	**(4)**	(1)
		243	(3)	**247**	7
Cash and Cash Equivalents					
Increase (decrease) during the period		**266**	(6)	**243**	(34)
Balance, beginning of period		**60**	83	**83**	111
Balance, end of period	10	**$ 326**	$ 77	**$ 326**	$ 77

(See accompanying notes)

Notes to the Consolidated Financial Statements

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

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

NOTE 1. NATURE AND DESCRIPTION OF THE COMPANY

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) on a basis consistent with the accounting policies the Company disclosed in its audited consolidated financial statements as at, and for the year ended December 31, 2011. These interim financial statements should be read in conjunction with the Company's 2011 annual financial statements, which includes information necessary or useful to understanding the Company's business and financial statement presentation.

These financial statements were authorized for issuance by the Board of Directors of the Company on July 25, 2012.

(b) Changes in Accounting Standards

Transfers of Financial Assets

In October 2010, the IASB amended IFRS 7, *Financial Instruments: Disclosures* and added additional disclosure requirements for financial assets that have been transferred but not derecognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. The Company's accounts receivable securitization program meets the definition of a transferred financial asset that is not derecognized. The amendments became effective for the Company on January 1, 2012 and the disclosures on the program were amended accordingly (note 3).

NOTE 3. ACCOUNTS RECEIVABLE

The Company has an $85 million accounts receivable securitization program with a third-party trust sponsored by a highly rated Canadian financial institution. The program is revolving and has an evergreen commitment subject to termination on 12 months' notice. Under the program, Norbord has transferred substantially all of its present and future trade accounts receivable to the trust, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price.

At period-end, Norbord had transferred but continued to recognize $114 million (December 31, 2011 – $88 million) in accounts receivable and recorded drawings of $80 million (December 31, 2011 – $69 million) relating to this program. The level of accounts receivable transferred under the program fluctuates with the level of shipment volumes, product prices and foreign exchange rates. The amount of drawings fluctuates with the level of accounts receivable transferred, timing of cash settlements and the Company's cash requirements. The drawings are presented as other long-term debt on the balance sheet and are excluded from the net debt to capitalization calculation for financial covenant purposes (note 11).

The securitization program contains no financial covenants. However, the program is subject to minimum credit-rating requirements. The Company must maintain a long-term issuer credit rating of at least single B (mid) or the equivalent. As at July 25, 2012, Norbord's ratings were BB (low) (DBRS), BB- (Standard & Poor's) and Ba3 (Moody's Investors Service).

NOTE 4. INVENTORY

(US $ millions)		**Jun 30 2012**		Dec 31 2011
Raw materials	**$**	**24**	$	22
Finished goods		**44**		36
Operating and maintenance supplies		**31**		30
	$	**99**	$	88

At period-end, the provision to reflect inventories at the lower of cost and net realizable value was $1 million (December 31, 2011 – $2 million).

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

(US $ millions)		**Q2 2012**		Q2 2011		**6 mos 2012**		6 mos 2011
Cost of inventories	**$**	**228**	$	220	**$**	**448**	$	446
Depreciation on property, plant and equipment		**13**		13		**26**		27
	$	**241**	$	233	**$**	**474**	$	473

NOTE 5. OTHER ASSETS

(US $ millions)		**Jun 30 2012**		Dec 31 2011
Unrealized monetary hedge gains *(note 12)*	**$**	**1**	$	-
Unrealized net investment hedge gains *(note 12)*		**-**		3
Unrealized interest rate swap gains *(note 12)*		**-**		2
	$	**1**	$	5

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

NOTE 6. LONG-TERM DEBT

(US $ millions)		**Jun 30 2012**		Dec 31 2011
Principal value				
7.25% secured debentures due 2012	**$**	**240**	$	240
Senior secured notes due 2015		**165**		-
Senior unsecured notes due 2015		**75**		-
Senior secured notes due 2017		**200**		200
		680		440
Debt issue costs		**(8)**		(5)
Unrealized interest rate swap gains *(note 12)*		**-**		2
Deferred interest rate swap gains		**-**		1
		672		438
Less: Current portion		**(240)**		(242)
	$	**432**	$	196

Senior Notes Due 2015

During the quarter, the Company issued $240 million of senior notes due June 2015 with an interest rate of 6.25%. The notes are comprised of two tranches. The first tranche consists of $165 million of senior secured notes that rank pari passu with the Company's existing senior secured notes due 2017 and committed revolving bank lines. The second tranche consists of $75 million of senior unsecured notes. Subsequent to period-end, the Company used the net proceeds to repay the $240 million 7.25% debentures due July 1, 2012 ("2012 debentures").

Senior Secured Notes Due 2017

The Company's senior secured notes, due in 2017, bear an interest rate that varies with the Company's credit ratings. During the quarter, Moody's Investors Service upgraded the ratings on the Company's senior secured debt from Ba3 to Ba2, and accordingly, the interest rate on the 2017 notes decreased by 0.25%, from 7.95% to 7.70% effective from February 15, 2012.

Standby Term Loan Commitment

In 2011, Brookfield committed to put in place a $120 million standby term loan to repay up to half of the 2012 debentures. Since the 2012 debentures were refinanced in the quarter, the standby term loan commitment automatically terminated.

Revolving Bank Lines

Subsequent to period-end, the Company renewed its committed revolving bank lines, extending the maturity by one year and reducing the aggregate commitment by $25 million. All other material terms remain unchanged. As a result, the Company now has a total aggregate commitment of $245 million which matures in May 2015 and bears interest at money market rates plus a margin that varies with the Company's credit rating. The bank lines are secured by a first lien on the Company's North American OSB inventory and property, plant and equipment. This lien is shared pari passu with holders of the 2015 and 2017 senior secured notes.

At period-end, none of the revolving bank lines were drawn as cash, $3 million was utilized for letters of credit and $267 million was available to support short-term liquidity requirements.

The bank lines contain two quarterly financial covenants: minimum tangible net worth of $250 million and maximum net debt to total capitalization, book basis, of 65%. As a result of the bank line renewal completed in 2010, the IFRS transitional adjustments to shareholders' equity of $21 million at January 1, 2011 are added back for the purposes of the tangible net worth calculation. In addition, other comprehensive income movement subsequent to January 1, 2011 is excluded from the tangible net worth calculation. Net debt includes total debt, principal value, less cash and cash equivalents plus letters of credit issued. At period-end, the Company's tangible net worth for financial covenant purposes was $350 million and net debt for financial covenant purposes was $357 million. Net debt to total capitalization was 50% on a book basis (note 11).

Interest Rate Swaps

At period-end, the Company had outstanding interest rate swaps of $115 million (December 31, 2011 – $115 million). The terms of these swaps correspond to the terms of the underlying hedged debt. Subsequent to period-end, the underlying hedged debt was repaid and the swaps matured on the same date. The unrealized interest rate swap gains are offset by unrealized losses on the underlying exposures being hedged within interest expense.

NOTE 7. OTHER LIABILITIES

(US $ millions)	Jun 30 2012	Dec 31 2011
Defined benefit pension obligation	**$ 32**	$ 31
Accrued employee benefits	**8**	8
Unrealized net investment hedge loss *(note 12)*	**1**	-
Unrealized monetary hedge loss *(note 12)*	**-**	1
	$ 41	$ 40

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

NOTE 8. SHAREHOLDERS' EQUITY

Stock Options

Year-to-date, 0.5 million options were granted under the stock option plan. Earnings include $1 million related to stock-based compensation expense. Year-to-date, 0.1 million common shares were issued as a result of options exercised under the stock option plan for proceeds of less than $1 million.

Accumulated Other Comprehensive Income (Loss)

(US $ millions)	Jun 30 2012	Dec 31 2011
Foreign currency translation gain on foreign operations	**$ 7**	$ 7
Net loss on hedge of net investment in foreign operations	**(7)**	(8)
Accumulated other comprehensive income (loss), net of tax	**$ -**	$ (1)

NOTE 9. EARNINGS PER COMMON SHARE

(US $ millions, except share and per share information, unless otherwise noted)	Q2 2012	Q2 2011	6 mos 2012	6 mos 2011
Earnings available to common shareholders	**$ 6**	$ 1	**$ 6**	$ (1)
Common shares (millions):				
Weighted average number of common shares outstanding	**43.6**	43.6	**43.6**	43.6
Stock options[1]	**0.3**	0.3	**0.3**	-
Warrants[1]	**-**	-	**-**	-
Diluted number of common shares	**43.9**	43.9	**43.9**	43.6
Earnings per common share:				
Basic and Diluted	**$ 0.14**	$ 0.03	**$ 0.14**	$ (0.02)

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

NOTE 10. SUPPLEMENTAL CASH FLOW INFORMATION

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

(US $ millions)	Q2 2012	Q2 2011	6 mos 2012	6 mos 2011
Cash used for:				
Accounts receivable	$ (2)	$ 9	$ (27)	$ (16)
Inventory	1	(3)	(10)	(20)
Accounts payable and accrued liabilities	9	(4)	3	(7)
	$ 8	$ 2	$ (34)	$ (43)

Cash income taxes and interest comprises:

(US $ millions)	Q2 2012	Q2 2011	6 mos 2012	6 mos 2011
Cash interest paid	$ 1	$ 9	$ 17	$ 25
Cash taxes paid, net	1	1	-	1

Cash and cash equivalents comprises:

(US $ millions)	Jun 30 2012	Jul 2 2011
Cash	$ 326	$ 46
Cash equivalents	-	31
	$ 326	$ 77

NOTE 11. CAPITAL MANAGEMENT

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

(US $ millions)	Jun 30 2012	Dec 31 2011
Long-term debt, principal value *(note 6)*	$ 680	$ 440
Less: Cash and cash equivalents	(326)	(83)
Net debt	354	357
Add: Letters of credit	3	3
Net debt for financial covenant purposes	357	360
Shareholders' equity	306	300
Add: IFRS transitional adjustments *(note 6)*	21	21
Less: Other comprehensive income movement[1]	23	22
Tangible net worth for financial covenant purposes	350	343
Total capitalization	$ 707	$ 703
Net debt to capitalization, book basis	50%	51%
Net debt to capitalization, market basis	45%	42%

[1] Cumulative subsequent to January 1, 2011.

NOTE 12. FINANCIAL INSTRUMENTS

Non-Derivative Financial Instruments

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

(US $ millions)	Financial Instrument Category	Jun 30 2012 Net Book Value	Jun 30 2012 Fair Value	Dec 31 2011 Net Book Value	Dec 31 2011 Fair Value
Financial assets:					
Cash and cash equivalents	Fair value through profit or loss	**$ 326**	**$ 326**	$ 83	$ 83
Accounts receivable	Loans and receivables	**129**	**129**	102	102
		$ 455	**$ 455**	$ 185	$ 185
Financial liabilities:					
Accounts payable and accrued liabilities	Amortized cost	**$ 164**	**$ 164**	$ 162	$ 162
Long-term debt	Amortized cost	**672**	**689**	438	433
Other long-term debt	Amortized cost	**80**	**80**	69	69
Other liabilities	Amortized cost	**41**	**41**	40	40
		$ 957	**$ 974**	$ 709	$ 704

Derivative Financial Instruments

Information about derivative financial instruments was as follows:

(US $ millions, unless otherwise noted)	Jun 30 2012 Notional Value	Jun 30 2012 Unrealized (Loss) Gain at Period-End[1]	Dec 31 2011 Notional Value	Dec 31 2011 Unrealized Gain (Loss) at Period-End[1]
Currency hedges:				
Net investment				
Belgium	**€ 8**	**$ -**	€ 11	$ 2
UK	**£38**	**(1)**	£41	1
Monetary position				
Canadian dollar	**CAD $79**	**1**	CAD $93	(1)
Interest rate hedges:				
Interest rate swaps	**$115**	**-**	$115	2

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

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

(US $ millions)	Q2 2012	Q2 2011	6 mos 2012	6 mos 2011
Net investment				
Belgium	**$ -**	$ (1)	**$ 2**	$ -
UK	**1**	(2)	**2**	(2)
Monetary position				
Canadian Dollar	**(2)**	(1)	**(1)**	3
Realized (loss) gain, net	**$ (1)**	$ (4)	**$ 3**	$ 1

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. RELATED PARTY TRANSACTIONS

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

Standby Term Loan Commitment

During the period, the 2012 debentures were refinanced. As a result, the $120 million standby term loan commitment with Brookfield automatically terminated (note 6).

Other

Year-to-date, the Company provided certain administrative services to Brookfield or its affiliates which were charged on a cost recovery basis. In addition, the Company periodically purchases goods from or engages the services of Brookfield or its affiliates for various financial, real estate and other business advisory services. Year-to-date, the fees and cost for these services and goods were $2 million (2011 – less than $1 million) and were charged at market rates.

NOTE 14. GEOGRAPHIC SEGMENTS

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

								Q2 2012
(US $ millions)		**North America**		**Europe**		**Unallocated**		**Total**
Sales	**$**	**163**	**$**	**109**	**$**	**-**	**$**	**272**
EBITDA[1]		**26**		**9**		**(4)**		**31**
Depreciation		**9**		**4**		**-**		**13**
Investment in property, plant and equipment		**4**		**-**		**-**		**4**

								Q2 2011
(US $ millions)		North America		Europe		Unallocated		Total
Sales	$	124	$	117	$	-	$	241
EBITDA[1]		-		13		(3)		10
Depreciation		9		4		-		13
Investment in property, plant and equipment		2		2		-		4

(US $ millions)		North America		Europe		Unallocated		Total
								6 mos 2012
Sales	**$**	**298**	**$**	**227**	**$**	**-**	**$**	**525**
EBITDA[1]		**40**		**20**		**(8)**		**52**
Depreciation		**17**		**9**		**-**		**26**
Investment in property, plant and equipment		**7**		**-**		**-**		**7**
Property, plant and equipment		**637**		**132**		**-**		**769**

(US $ millions)		North America		Europe		Unallocated		Total
								6 mos 2011
Sales	$	257	$	237	$	-	$	494
EBITDA[1]		7		24		(7)		24
Depreciation		17		10		-		27
Investment in property, plant and equipment		5		7		-		12
Property, plant and equipment[2]		646		141		-		787

[1] EBITDA is earnings before interest, income tax and depreciation.
[2] Balance as at December 31, 2011.

NOTE 15. COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform with the current period's presentation.