J. Barrie Shineton
President & CEO

Norbord

October 28, 2011

To our Shareholders,

Norbord's third quarter EBITDA result of $12 million is a modest improvement over the previous quarter and the ninth consecutive quarter that we've delivered positive EBITDA. This result reflects both the steady performance of our European operations and significant new benefits from our company-wide Margin Improvement Program (MIP).

Our North American operations delivered better financial performance this quarter, due in part to higher OSB prices. The North Central benchmark price improved somewhat, averaging $184/Msf, an $11 increase over the previous quarter. At the same time, quarterly shipments were up and our home improvement, industrial and export sales are strong. Our strategic shift away from new home construction and toward these alternative end-users is enabling us to maintain our volumes despite the stagnant housing market.

In Europe, our panel business had another solid quarter, generating $10 million of EBITDA. Sales continued to outperform – panel prices were 11% higher on average and volume was up 6% over last year. These price increases are necessary as we continue to experience escalating energy and wood costs across our European operations.

My last three shareholder letters highlighted the importance of Norbord's Margin Improvement Program. These initiatives continue to deliver significant productivity gains and manufacturing cost reductions. Our company-wide MIP target for 2011 is $30 million and I am pleased to report that, as of Q3, our operations have delivered more than 70% of this goal.

The biggest single contributor to this year's MIP effort was the new resin technology we introduced early in 2010. The result has been a steady improvement in both production line speeds and raw materials usage across all of our North American OSB mills. The bottom-line impact of these benefits has pushed down manufacturing costs, effectively offsetting any negative impact from higher raw material input prices. Looking to the next opportunity, in 2012 we will make our first investment in more extensive fines screening equipment at our mill in Nacogdoches, Texas. This pilot initiative, if implemented across the Company, has the same potential upside as our resin conversion.

In our third quarter disclosure documents, you will find reference to our upcoming July 2012 bond maturity. Our intention is to refinance prior to the July maturity date. However, recognizing that financial markets are volatile, we have also put in place a backup arrangement. If needed, this will provide an option to repay up to half of the $240 million bond maturity from our bank lines and the other half from a $120 million

term loan commitment from Brookfield, Norbord's largest shareholder. This commitment is in addition to Norbord's more than $300 million of liquidity at quarter-end. At the same time, our bank lines have been amended to widen the net debt to capitalization covenant from 60% to 65%. This covenant amendment and the loan commitment will provide the flexibility and the liquidity Norbord needs to manage through what appears to be an extended timeline for economic recovery.

Little has changed in the North American housing market. Total US housing starts for 2011 are now forecast to finish in the 570,000 range, slightly lower than 2010's levels. I am becoming increasingly bearish about any near-term rebound in new home construction. Weak employment numbers persist, house prices have not yet stabilized and the current mortgage lending environment discourages potential new home buyers.

Although our European panel business has been a solid performer all year, I do expect the very robust demand of the past two years to ease. Norbord's customers in both the UK and across the Eurozone have become cautious as they react to the economic uncertainty stemming from the sovereign debt crisis. In spite of this, UK house builders, who are Norbord's largest customer group, are in good financial shape and remain optimistic about next year. They are well positioned to respond to an expected increase in demand, driven by unprecedented low new home inventory levels.

While our business environment over the next two quarters will be challenging, I continue to be pleased with Norbord's progress. In North America, margin improvement initiatives are delivering solid results, our manufacturing costs are dropping and we are successfully repositioning sales away from new home construction. In Europe, our operations are performing well and are running at capacity. And finally, our modified bank arrangements give us comfort that we have the financial flexibility we need over the longer term.

I still believe the underlying demographics support an eventual housing recovery. The longer we remain in this trough, the stronger the recovery will be when it takes hold. And Norbord will benefit when it does.

I look forward to reporting on our progress next quarter.

This letter includes forward-looking statements, as defined by applicable securities legislation including statements related to our strategy, projects, plans, margin improvements, 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 "believe," "should," "expect," "suggest," "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 2010 Management's Discussion and Analysis dated January 28, 2011 and Q3 2011 Management's Discussion and Analysis dated October 28, 2011.

Norbord

News Release

NORBORD REPORTS THIRD QUARTER 2011 RESULTS

Note: Financial references in US dollars unless otherwise indicated. All prior period comparative figures have been restated for IFRS.

Q3 2011 HIGHLIGHTS

- **Achieved positive EBITDA of $12 million**
- **Margin improvement benefits accelerating; $21 million in gains year-to-date**
- **Record productivity at North American & European OSB mills in the quarter**
- **Backup refinancing plan put in place for 2012 bonds**
- **Nacogdoches, Texas mill achieved 1 million hours without a recordable injury**

TORONTO, ON (October 28, 2011) – Norbord Inc. (TSX: NBD, NBD.WT) today reported positive EBITDA of $12 million in the third quarter of 2011 compared to $10 million in the second quarter of 2011 and $13 million in the third quarter of 2010. North American operations generated EBITDA of $5 million this quarter versus break-even in the prior quarter and $4 million in the same quarter last year. European operations generated EBITDA of $10 million this quarter versus $13 million in the prior quarter and $11 million in the same quarter last year.

Norbord recorded a loss of $1 million or $0.02 per share in the third quarter of 2011 compared to earnings of $1 million or $0.03 per share in the second quarter of 2011 and a loss of $4 million or $0.09 per share in the third quarter of 2010.

"We delivered positive EBITDA results again this quarter in spite of persistently difficult markets," said Barrie Shineton, President and CEO. "I am especially pleased that our Margin Improvement Program continues to deliver better mill productivity and lower raw materials usage. Both are key to offsetting the negative impact of higher raw material input prices. In addition, our European business delivered another solid quarter. Panel prices have held up in the face of ongoing economic uncertainty across Europe and slowing consumer discretionary spending in the UK."

"While I still expect panel markets in Europe to soften, we did not see any meaningful impact on our business in the third quarter. In North America, we continue to respond to the stagnant housing market by shifting more of our sales volume to alternate end-uses."

"I'm also pleased with the modified financing arrangements we put in place this month. This gives us the financial flexibility we need to manage through what is clearly becoming an extended timeline for a housing recovery."

Market Conditions

In the US, year-to-date housing starts, including multi-family, are approximately 2% lower than last year. The single family component, which is more important to the OSB industry, is down 12% year-over-year. Despite this, OSB prices held up during the third quarter. The North Central benchmark OSB price

averaged $184 per thousand square feet (Msf) (7⁄16-inch basis) compared to $173 per Msf in the prior quarter and $180 per Msf during the same quarter last year. US housing starts are expected to end the year below 0.6 million, marginally lower than the prior year and well below the 25-year historical annualized average of 1.5 million.

In Europe, overall panel demand softened slightly due to slowing construction and retail spending. Overall panel prices, however, continued their upward trend compared to both the prior quarter and the same quarter last year, reflecting the ongoing increases to wood, resin and energy costs. Quarter-over-quarter, particleboard and MDF prices increased by 7% and 3%, respectively, while OSB prices eased 2%. Year-over-year, average particleboard, MDF and OSB prices increased by 20%, 16% and 6%, respectively, in order to recover input cost escalation. Management expects European panel prices to moderate somewhat from the very robust levels of the past two years as both business and consumers react to the evolving sovereign debt crisis and increasing economic uncertainty.

Performance

In North America, third quarter OSB shipment volumes were 4% higher than the prior quarter. Norbord's operating OSB mills continued to run at approximately 85% of their capacity. Including the two indefinitely closed mills in Huguley, Alabama and Jefferson, Texas, the North American operations ran at approximately 65% of estimated capacity in both the third and second quarters of 2011, slightly lower than the 70% in the third quarter of 2010.

Norbord's North American OSB unit cash production costs decreased by 1% versus both the prior quarter and the same quarter last year. Excluding the impact of higher key input prices, unit costs decreased by 2% quarter-over-quarter and 4% year-over-year, the result of improved manufacturing productivity and lower raw materials usage.

In Europe, third quarter panel shipments were 6% lower versus the prior quarter but year-to-date shipments increased 15% compared to last year. Norbord's European mills continued to run at capacity. European operations have generated EBITDA of $34 million year-to-date versus $25 million in 2010, a $9 million increase. Higher shipment volumes and lower raw materials usage delivered the improvement while higher selling prices offset the impact of higher costs for all key inputs.

Margin Improvement Program benefits continue to accelerate. The $21 million year-to-date gains come from a richer sales mix, improved production efficiencies as well as reduced raw materials usage and, in North America, have more than offset the impact of higher raw material prices.

Capital investments totaled $4 million in the third quarter and $16 million year-to-date. Norbord's total 2011 capital investment is expected to be $25 million. This is modestly higher than last year due to the completion of the Cowie, Scotland particleboard mill upgrade in the second quarter.

Operating working capital was $65 million at period-end compared to $52 million in the prior quarter and $49 million in the prior year. The quarter-over-quarter increase was primarily due to the timing of sales and collections of accounts receivable. Accounts receivable performance is in line with prior periods.

At quarter-end, the Company's tangible net worth for financial covenant purposes was $352 million and net debt to total capitalization on a book basis was 53%.

Norbord

Developments

Norbord intends to refinance its 2012 debentures prior to their July 1st maturity, subject to favourable financial market conditions. However, recognizing the current state of financial markets and to provide additional flexibility should this be required, Norbord put in place a backup refinancing plan for this bond maturity subsequent to quarter-end. If needed, Norbord has the option to repay up to half of this $240 million maturity from its bank lines and the other half from a $120 million standby lending commitment from its largest shareholder, Brookfield Asset Management Inc. (Brookfield). If utilized, the Brookfield loan would be secured pari passu with the bank lines and 2017 bonds, contain market standard terms and would be pre-payable at any time without penalty, so long as Brookfield is the holder. In addition, the Company amended its $270 million committed revolving bank lines so that the net debt to total capitalization covenant is increased from 60% to 65%.

At quarter-end, Norbord had unutilized liquidity of $317 million, consisting of $262 million in revolving bank lines and $55 million in cash and cash equivalents. This is in addition to the $120 million Brookfield standby commitment.

Lastly, Norbord intends to apply to the Toronto Stock Exchange (TSX) for approval to renew its normal course issuer bid for up to 5% of its Common Shares in accordance with TSX rules. The bid will be subject to TSX acceptance and full details will be announced upon receipt of TSX consent.

Additional Information

Norbord's Q3 2011 letter to shareholders, news release, management's discussion & 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 Friday, October 28, 2011 at 10:00 a.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 November 27, 2011 by dialing 1-888-203-1112 or 647-436-0148. The passcode is 1896904. 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 2,030 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 "expect," "should," "will," "will not," "forecasts," "suggest," "expects," "confident," "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, 2010 Annual Information Form and the cautionary statement contained in the "Forward-Looking Statements" section of the 2010 Management's Discussion and Analysis dated January 28, 2011 and Q3 2011 Management's Discussion and Analysis dated October 28, 2011.

Norbord

OCTOBER 28, 2011

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). Effective January 1, 2011, Norbord adopted IFRS as the Company's basis of financial reporting commencing with the interim financial statements for the three months ended April 2, 2011 and using January 1, 2010 as the transition date. Except where otherwise noted, all prior period comparative figures have been restated for IFRS. Additional information on Norbord, including documents publicly filed by the Company, is available on the Company's website at www.norbord.com or the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. All financial references in the MD&A are stated in US dollars, unless otherwise noted.

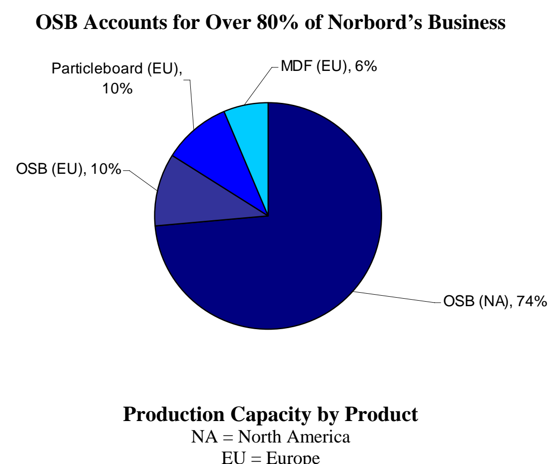
Some of the statements included or incorporated by reference in this MD&A constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on various assumptions and are subject to various risks. See the cautionary statement contained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

EBITDA, operating working capital, total working capital, capital employed, ROCE, 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 5.0 billion square feet (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 74% North America and 26% Europe. Norbord's business strategy is focused entirely on the wood panels sector – in particular OSB – in North America and Europe.

OSB Accounts for Over 80% 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'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. At period-end, Norbord had unutilized liquidity of $317 million, comprised of $262 million in revolving bank lines and $55 million in cash and cash equivalents. Subsequent to quarter-end, the Company obtained a $120 million standby term loan commitment from its largest shareholder, Brookfield Asset Management Inc. (Brookfield), which can be used, if necessary, to repay up to half of the 2012 debentures.

SUMMARY

Notwithstanding challenging global economic conditions, Norbord generated positive EBITDA results for the ninth consecutive quarter. This was primarily attributable to operational initiatives undertaken as part of the Company's Margin Improvement Program (MIP). Against the backdrop of these operational achievements, cost pressures persisted due to higher global commodity prices. Higher resin, energy prices and European fibre prices have persisted compared to the prior year but have leveled off compared to the prior quarter. In North America, accelerating MIP gains are attributable to higher production speed and volume. In addition, lower raw material usages outweighed the negative impact of the higher key input prices. In Europe, despite economic uncertainty and depressed consumer confidence, higher average panel prices continued to offset higher key input prices compared to both the prior quarter and the same quarter last year.

Norbord recorded a loss of $1 million in the third quarter of 2011 ($0.02 per share) compared to earnings of $1 million in the second quarter of 2011 ($0.03 per share) and a loss of $4 million in the third quarter of 2010 ($0.09 per share). Quarter-over-quarter earnings decreased due to lower European EBITDA and a lower income tax recovery which was partially offset by higher North American EBITDA. Year-to-date, the Company recorded a loss of $2 million ($0.05 per share) compared to earnings of $22 million ($0.51 per share) in the prior year. Year-to-date earnings decreased primarily due to significantly lower North American OSB prices in 2011. Year-to-date, the average North Central OSB benchmark price was $44 per thousand square feet (Msf) (7/16-inch basis) lower than the prior year. The expiry of the US Home Buyer Tax Credit in the second quarter of 2010 pulled housing demand forward, exceeding the ability of OSB producers and distributors to supply product to the market.

Housing market activity, particularly in the US, influences OSB demand and pricing. Fluctuation in North American OSB demand and prices therefore significantly affect Norbord's results. North Central benchmark OSB prices averaged $184 per Msf in the third quarter compared to $173 per Msf in the second quarter of 2011 and $180 per Msf in the third quarter of 2010. Management believes a sustainable upward trend in OSB prices is unlikely until a meaningful recovery of the US housing market takes hold. It is important to note that less than 40% of Norbord's North American OSB sales volume goes directly into the new home construction sector. The remaining 60% of sales volume goes into repair and remodeling, light commercial construction and industrial applications, leaving the Company less exposed to the more volatile new home construction segment. On the cost side, fluctuations in raw material input prices significantly impact operating costs. Management expects some near-term relief on resin prices and stable fibre prices in North America.

The long-term fundamentals that support North American housing and OSB demand such as immigration and new household formations are still 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 for the eventual recovery in housing markets.

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.

RESULTS OF OPERATIONS

(US $ millions, except per share information, unless otherwise noted)	**Q3 2011**	Q2 2011	Q3 2010	**9 mos 2011**	9 mos 2010
Return on capital employed (ROCE)	**6%**	5%	6%	**6%**	14%
Return on equity (ROE)	**-1%**	2%	-5%	**-1%**	9%
Earnings	**(1)**	1	(4)	**(2)**	22
Earnings per share: - basic	**(0.02)**	0.03	(0.09)	**(0.05)**	0.51
- diluted	**(0.02)**	0.03	(0.09)	**(0.05)**	0.49
Sales[1]	**242**	241	229	**736**	722
EBITDA	**12**	10	13	**36**	93
Depreciation	**13**	13	13	**40**	38
Investment in property, plant and equipment	**4**	4	3	**16**	9
Shipments (MMsf–3⁄8")					
North America	**747**	721	751	**2,189**	2,201
Europe	**356**	380	335	**1,112**	972
Indicative Average OSB Price					
North Central ($/Msf–7⁄16")	**184**	173	180	**185**	229
South East ($/Msf–7⁄16")	**169**	162	156	**170**	210
Europe (€/m^3)[2]	**251**	256	254	**252**	205

[1] Outbound freight costs are no longer netted against sales; restated as a result of the adoption of IFRS.

[2] European indicative average OSB price represents the delivered price to the largest Continental market; restated as a result of the adoption of IFRS.

Sales in the quarter were $242 million, compared to $241 million in the previous quarter and $229 million in the third quarter of 2010. Quarter-over-quarter, overall sales remained flat as North American OSB sales increased by 7% and European panel sales decreased by 7%. In North America, OSB prices and shipment volumes increased. In Europe, average panel prices increased and shipment volumes decreased. Year-over-year, sales increased by 5% due to higher average European panel prices and shipment volume. Year-to-date, overall sales remained relatively flat as European panel sales increased by 30% and North American OSB sales decreased by 15%. Higher European panel prices and shipment volumes more than offset the impact of lower North American OSB prices.

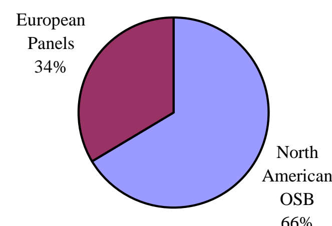
Earnings in the second quarter of 2011 included a $7 million ($0.16 per share) income tax recovery due to the recognition of a non-recurring income tax benefit. Earnings in the first quarter of 2011 included a $5 million ($0.11 per share) non-recurring income tax recovery due to the favorable resolution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

Markets

North America is the principal market destination for Norbord's products. North American OSB comprises 66% of Norbord's panel shipments by volume. Therefore, results of operations are most affected by volatility in North American OSB prices and demand. Europe comprises 34% of 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

Panel Shipment Volume by Market



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.

In the US, year-to-date housing starts, including multi-family, are approximately 2% lower than last year. The single family component, which is more important to the OSB industry, is down 12% year-over-year. Despite this, benchmark OSB prices strengthened during the third quarter. North American North Central benchmark OSB prices averaged $184 per Msf in the third quarter compared to $173 per Msf in the prior quarter and $180 per Msf during the same quarter last year. In the South East region, where approximately 55% of Norbord's North American capacity is located, prices averaged $169 per Msf in the third quarter, compared to $162 per Msf in the prior quarter and $156 per Msf during the same quarter last year.

US housing starts are expected to end the year below 0.6 million, marginally lower than last year and well below the 25-year historical annualized average of 1.5 million. It is important to note that less than 40% of Norbord's OSB sales volume goes directly into the new home construction sector, while the other 60% goes into repair and remodeling, light commercial construction and industrial applications. Management believes that this limits the Company's relative exposure to the new home construction segment and provides meaningful distribution channel benefits.

In Europe, overall panel demand softened slightly due to slowing construction and retail spending. Overall panel prices, however, continued their upward trend compared to both the prior quarter and the same quarter last year, reflecting the ongoing increases to wood, resin and energy costs. Quarter-over-quarter, particleboard and MDF prices increased by 7% and 3%, respectively, while OSB prices eased 2%. Year-over-year, average particleboard, MDF and OSB prices increased by 20%, 16% and 6%, respectively, in order to recover input cost escalation. Management expects European panel prices to moderate somewhat from the very robust levels of the past two years as both business and consumers react to the evolving sovereign debt crisis and increasing economic uncertainty.

Historically, the UK has been a net importer of panel products. The weak Pound relative to the Euro has been advantageous to Norbord's primarily UK-based operations as it has improved sales opportunities within the UK and slowed the flow of Continental European imports. This currency trend has also supported Norbord's export program into the Continent.

Operating Results

EBITDA (US $ millions)	**Q3 2011**	Q2 2011	Q3 2010	**9 mos 2011**	9 mos 2010
North America	**$ 5**	$ -	$ 4	**$ 12**	$ 76
Europe	**10**	13	11	**34**	25
Unallocated	**(3)**	(3)	(2)	**(10)**	(8)
Total	**$ 12**	$ 10	$ 13	**$ 36**	$ 93

Norbord generated positive EBITDA of $12 million in the third quarter of 2011 compared to $10 million in the second quarter of 2011. The benefit of higher North American OSB and European panel prices and lower North American raw materials usages more than offset the impact of lower European panel shipments.

Year-over-year, EBITDA remained relatively flat. Higher European panel prices and lower raw material usages were offset by higher key input prices. Year-to-date, the Company generated positive EBITDA of $36 million compared to $93 million in the prior year. This decrease was primarily driven by the significantly lower North American OSB prices, notwithstanding lower raw material usages and higher European panel prices offsetting higher key input prices.

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.

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

EBITDA variance (US $ millions)		Q3 2011 vs. Q2 2011		Q3 2011 vs. Q3 2010		9 mos 2011 vs. 9 mos 2010
EBITDA – current period	$	12	$	12	$	36
EBITDA – comparative period		10		13		93
Variance	$	2	$	(1)	$	(57)
Mill nets[1]	$	3	$	5	$	(36)
Volume[2]		(2)		3		9
Key input prices[3]		(2)		(11)		(31)
Key input usage[3]		1		4		13
Other[4]		2		(2)		(12)
Total	$	2	$	(1)	$	(57)

1 The mill nets variance represents the change in realized pricing across all products. Mill nets are calculated as sales 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

Year-over-year, North American operations generated EBITDA of $5 million in the third quarter of 2011 versus $4 million in the third quarter of 2010. The benefit of higher productivity and lower key input usages more than offset higher resin and fibre prices and lower OSB mill nets. Year-to-date, North American operations generated EBITDA of $12 million in 2011 versus $76 million in 2010. Lower OSB mill nets and higher resin and energy prices were only partially offset by higher productivity and lower usages for all key inputs. Raw material usage reductions are primarily attributed to operational initiatives under the Company's MIP. Norbord's North American OSB cash production costs per unit decreased by 1% in both the third quarter and year-to-date versus the same periods last year. Excluding the impact of higher key input prices, cash production costs per unit decreased by 4% year-over-year and 2% year-to-date. The benefit of lower key input usages and improved productivity more than offset the negative impact of higher resin prices and the stronger Canadian dollar.

Quarter-over-quarter, North American operations generated EBITDA of $5 million in the third quarter of 2011 versus break-even in the second quarter of 2011. The benefit of higher OSB prices and lower resin and fibre usages more than offset higher energy and fibre prices. Norbord's North American OSB cash production costs per unit decreased 1% from the prior quarter. Excluding the impact of higher key input prices, cash production costs per unit decreased by 2% quarter-over-quarter. Lower key input usages and improved productivity more than offset the modestly higher prices for all key inputs.

US housing starts remain at cycle bottom levels. Until a meaningful US housing market recovery takes hold, Norbord expects to continue curtailing production to conserve cash, manage inventory levels and maximize operating results. Norbord's North American OSB mills ran at approximately 65% of estimated capacity in both the third and second quarters of 2011 compared to approximately 70% in the third quarter of 2010. 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 ran at approximately 85% of capacity in the third quarter.

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.

Europe

Year-over-year, European operations generated EBITDA of $10 million in the third quarter of 2011 versus $11 million in the third quarter of 2010. The benefit of higher panel prices and shipment volumes was offset by higher prices for all key inputs. Year-to-date, European operations generated EBITDA of $34 million in 2011 versus $25 million in 2010, an improvement of $9 million. Higher shipment volumes and lower key input usages delivered the improvement while higher selling prices offset the impact of higher costs for all key inputs. Panel prices increased, on average, by 10% for both year-over-year and year-to-date. Panel markets remained robust, supporting an increase in year-to-date shipment volume of approximately 15% compared to last year. Lower key input usages are primarily attributed to operational initiatives under the Company's Margin Improvement Program.

Quarter-over-quarter, European operations generated EBITDA of $10 million in the third quarter of 2011 versus $13 million in the second quarter of 2011. Lower shipment volumes and higher resin prices and usages were only partially offset by higher panel prices.

Norbord's European mills produced at approximately 100% of estimated capacity in the third quarter of 2011 compared to 105% in the prior quarter and 90% in the third quarter of 2010.

Margin Improvement Program (MIP)

Margin improvement represents the Company's single most important operating focus in these challenging markets. 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 several quarters. The Company has realized gains of $21 million year-to-date under its MIP. These gains, measured relative to 2010 at constant prices and exchange rates, limited the impact that higher raw material prices had on year-to-date earnings. MIP gains represent approximately 4% of cash costs of production year-to-date. Contributions to MIP included a richer added-value product mix, improved production efficiencies and key input usage reduction initiatives. In addition, cost-reduction initiatives undertaken on controllable and discretionary expenses resulted in lower selling, general and administrative costs.

INTEREST, DEPRECIATION AND INCOME TAX

(US $ millions)	**Q3 2011**	Q2 2011	Q3 2010	**9 mos 2011**	9 mos 2010
Interest expense	**$ 8**	$ 8	$ 8	**$ 24**	$ 25
Depreciation	**13**	13	13	**40**	38
Income tax (recovery) expense	**(8)**	(12)	(4)	**(26)**	8

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 recovery of $8 million was recorded on a pre-tax loss of $9 million in the third quarter of 2011. Year-to-date, an income tax recovery of $26 million was recorded on a pre-tax loss of $28 million. The effective tax rate differs from the statutory rate principally due to rate differences on foreign activities and fluctuations in relative currency values. In addition, the year-to-date income tax recovery includes: (i) a $7 million ($0.16 per share) recovery due to the recognition of a non-recurring income tax benefit in the second quarter of 2011; and (ii) a $5 million ($0.11 per share) non-recurring income tax recovery due to the favorable resolution of a tax authority audit in the first quarter of 2011 previously provided for in the Company's deferred income tax provision.

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.

LIQUIDITY AND CAPITAL RESOURCES

(US $ millions, except per share information, unless otherwise noted)	**Q3 2011**	Q2 2011	Q3 2010	**9 mos 2011**	9 mos 2010
Cash (used for) provided by operating activities	**$ (14)**	$ 3	$ 9	**$ (44)**	$ 89
Cash (used for) provided by operating activities per share	**(0.32)**	0.05	0.20	**(1.01)**	2.04
Operating working capital	**65**	52	49		
Total working capital	**124**	133	128		
Investment in property, plant and equipment	**4**	4	3	**16**	9
Net debt to capitalization, market basis[1]	**43%**	39%	37%		
Net debt to capitalization, book basis[1]	**53%**	51%	51%		

[1] The measures for Q3-2010 have not been restated for IFRS and are the originally disclosed measure under Canadian GAAP.

At period-end, Norbord had unutilized liquidity of $317 million, comprised of $262 million in revolving bank lines and $55 million in cash and cash equivalents.

2012 Debentures

Norbord intends to refinance its 2012 debentures prior to their July 1st maturity, subject to favourable financial market conditions. However, recognizing the current state of financial markets and to provide additional flexibility should this be required, Norbord put in place a backup refinancing plan for this debenture maturity subsequent to quarter-end. If needed, Norbord has the option to repay up to half of this $240 million maturity from its bank lines and the other half from a $120 million standby lending commitment from Brookfield.

Standby Term Loan

Subsequent to quarter-end, Brookfield committed to put in place a $120 million standby term loan to be used to repay up to one-half of the 2012 debentures, if necessary. The maturity date would extend beyond the revolving bank lines and up to a 10-year period. The term loan would contain market standard terms at the time of borrowing except that the Company would have the right to prepay the loan at any time without penalty, so long as Brookfield is the holder. The term loan would be secured pari passu with the bank lines and holders of the 2017 senior notes.

Revolving Bank Lines

Subsequent to quarter-end, the Company amended its $270 million committed revolving bank lines to: (i) allow the Company the option to utilize up to $120 million of the bank lines to repay up to half of the 2012 debentures, if necessary; and (ii) to widen one of its two quarterly financial covenants, such that the maximum net debt to total capitalization, book basis, increases from 60% to 65%.

The bank lines mature in May 2014 and bear 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 2012 debentures and 2017 senior 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%. 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 was $352 million for financial covenant purposes and net debt for financial covenant purposes was $393 million. Net debt to total capitalization, book basis, was 53%.

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.

Accounts Receivable Securitization Program

The Company has an $85 million accounts receivable securitization program to sell its receivables to a third-party trust, sponsored by a highly rated Canadian financial institution. The program has an evergreen commitment that is subject to termination on 12 months' notice. Under the program, Norbord has transferred substantially all of its trade accounts receivable to the trust, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. At period-end, Norbord recorded cash proceeds of $62 million relating to this program.

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 October 27, 2011, Norbord's ratings were BB (low) (DBRS), BB- (Standard & Poor's) and Ba3 (Moody's). All three rating agencies have a stable outlook on the Company's ratings.

Other Liquidity and Capital Resources

Operating working capital, consisting of accounts receivable and inventory less accounts payable and accrued liabilities, was $65 million at period-end compared to $52 million in the prior quarter and $49 million in the prior year. Quarter-over-quarter, operating working capital increased $13 million primarily due to higher accounts receivable attributed to the timing of sales and collections.

Year-over-year, operating working capital increased by $16 million as higher accounts receivable and inventory more than offset higher accounts payable. Higher accounts receivable was primarily attributed to the timing of sales and collections in Europe. Higher inventory was mainly due to increases in finished goods in-transit. Higher accounts payable was attributed to the timing of payments in Europe.

The Company aims to continuously minimize the amount of capital held as operating working capital and takes actions to manage it at minimal levels. In addition, despite the current economic environment Norbord's accounts receivable performance metrics remain in line with prior periods.

Total working capital, which includes operating working capital plus cash and cash equivalents and income tax receivable, was $124 million at the end of the third quarter of 2011 compared to $133 million in the prior quarter and $128 million in the comparable prior year quarter. Total working capital was relatively consistent with the comparative quarters.

Operating activities consumed $14 million in cash ($0.32 per share) in the third quarter of 2011. Operating activities generated $3 million in cash ($0.05 per share) in the prior quarter and generated $9 million in cash ($0.20 per share) in the third quarter of 2010. The consumption of cash versus the comparable periods is attributed to higher operating working capital in the third quarter of 2011. Operating activities consumed $44 million in cash ($1.01 per share) year-to-date and generated $89 million in cash ($2.04 per share) in the prior year. Cash consumed from operating activities was higher compared to the prior year which is due to lower EBITDA results and higher operating working capital in the current year.

INVESTMENTS AND DIVESTITURES

Investment in Property, Plant and Equipment

Investment in property, plant and equipment was $4 million in the third quarter of 2011 compared to $4 million in the prior quarter and $3 million in the third quarter of 2010. Year-to-date, investment in property, plant and equipment was $16 million in 2011 compared to $9 million in 2010. The increase versus prior year is due to the completion of the Company's infrastructure investment program at the Cowie, Scotland particleboard mill. Norbord's total investment in property, plant and equipment is expected to total $25 million in 2011, modestly higher than last year, unless market conditions warrant investments at a different level.

SELECTED QUARTERLY INFORMATION

(US $ millions, except per share information, unless otherwise noted)	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009[1] Q4
KEY PERFORMANCE METRICS								
Return on capital employed (ROCE)	**6%**	5%	6%	6%	6%	32%	4%	3%
Return on equity (ROE)	**-1%**	2%	-2%	-10%	-5%	41%	-9%	-12%
Cash (used for) provided by operating activities	**(14)**	3	(33)	41	9	70	10	16
Cash (used for) provided by operating activities per share	**(0.32)**	0.05	(0.76)	0.94	0.21	1.61	0.23	0.37
SALES AND EARNINGS								
Sales[2]	**242**	241	253	240	229	296	197	196
EBITDA	**12**	10	14	14	13	72	8	6
Earnings	**(1)**	1	(2)	(9)	(4)	33	(7)	(11)
PER COMMON SHARE EARNINGS								
Basic	**(0.02)**	0.03	(0.05)	(0.21)	(0.09)	0.76	(0.16)	(0.25)
Diluted	**(0.02)**	0.03	(0.05)	(0.21)	(0.09)	0.72	(0.16)	(0.25)
KEY STATISTICS								
Shipments (MMsf–3⁄8")								
North America	**747**	721	721	763	751	827	623	726
Europe	**356**	380	376	326	335	345	292	302
Indicative Average OSB Price								
North Central ($/Msf–7⁄16")	**184**	173	198	191	180	295	212	172
South East ($/Msf–7⁄16")	**169**	162	177	165	156	277	197	154
Europe (€/m^3)[3]	**251**	256	248	261	254	242	210	198

1 Quarterly financial information for 2009 has been prepared in accordance with Canadian GAAP.

2 Outbound freight costs are no longer netted against sales; restated as a result of the adoption of IFRS.

3 European indicative average OSB price represents the delivered price to the largest Continental market; restated as a result of the adoption of IFRS.

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 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 debenture coupon payments that normally occur 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 largely mirror fluctuations in the price of and demand for OSB in North America. The Company estimates a $10 per Msf change in the North American OSB price impacts EBITDA by approximately $36 million on an annualized basis ($0.83 per share) when operating at capacity. Regional pricing variations, particularly in the Southern US, make the North Central benchmark price a

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.

useful, albeit imperfect, proxy for overall North American OSB pricing. Further, value-added products, the pricing lag effect of order files and volume and trade discounts cause realized prices to differ from the benchmark.

Global commodity prices directly impact the prices of key input costs, primarily resin and wax, energy and fibre. 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, input prices increased in the first half of the year and then leveled off for the remainder of the year. Thus far, input prices have trended up in 2011, particularly for fibre and resin in Europe, although management does not expect prices to return to the peak levels experienced at the end of 2008.

Norbord has relatively low exposure to the Canadian dollar due to a comparatively small manufacturing base in Canada, which comprises 13% of its panel production capacity. The Company estimates that a US one cent increase in 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:

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. In the fourth quarter of 2009, the Company recorded a provision of $1 million pre-tax ($0.02 per share) related to the sale of its non-core MDF mill in Deposit, New York.

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..

COMMON SHARES

At October 27, 2011, there were 43.6 million common shares outstanding. In addition, 2.0 million stock options were outstanding, of which approximately 32% 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 13 to the 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 consolidated financial statements. The following transactions have occurred between the Company and Brookfield during the normal course of business.

The Company provides certain administrative services to Brookfield or its affiliates which are charged on a cost recovery basis. In addition, the Company periodically engages the services or purchases goods from Brookfield or its affiliates for various financial, real estate and other business advisory services. In 2011, the fees and cost for these services and goods was $2 million and were charged at market rates.

Subsequent to quarter-end, the Company entered into a $120 million standby term loan commitment with Brookfield (refer to Liquidity and Capital Resources).

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.

FUTURE CHANGES IN ACCOUNTING POLICIES

(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 Company will supplement the existing disclosures on the program in note 4 to the consolidated financial statements accordingly.

(ii) Financial Instruments

IFRS 9, *Financial Instruments* (IFRS 9) was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, so will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 9 on its financial statements.

(iii) Consolidation

In May 2011, the IASB issued the following new standards:

- IFRS 10, *Consolidated Financial Statements*, which will replace SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*;
- IFRS 11, *Joint Arrangements* which will replace IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers*; and
- IFRS 12, *Disclosure of Interests in Other Entities*

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company and also require additional disclosure of all forms of interests that an entity holds. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these standards on its financial statements.

(iv) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* (IFRS 13) which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

(v) Employee Future Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits* (IAS 19). The main amendments include the requirement to immediately recognize actuarial gains and losses in Other Comprehensive Income (OCI), the replacement of the calculation of both the expected return on the plan assets and the interest cost of the pension obligation with the interest cost on the net deficit, the clarification on specific measurement issues and enhanced disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these amendments on its financial statements.

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.

(vi) **Other Comprehensive Income**

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* (IAS 1) to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012 and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS replaced Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the Company has adopted IFRS effective January 1, 2011 and has prepared its current interim financial statements using IFRS accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian GAAP. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure on the consolidated financial statements. The impact of the adoption of IFRS on the Company's January 1, 2010 opening balance sheet compared to the December 31, 2009 balance sheet prepared under Canadian GAAP was a decrease to shareholders' equity of $13 million. In addition, the impact of adoption of IFRS on the Company's December 31, 2010 balance sheet compared to the balance sheet prepared under Canadian GAAP was a decrease to shareholders' equity of $21 million.

Note 3 of the interim financial statements provides detailed reconciliations between Canadian GAAP and IFRS for shareholders' equity as at September 25, 2010 and for net income and comprehensive income for the three and nine months ended September 25, 2010. These reconciliations provide explanations of each major difference. There were no material adjustments to the cash flow statement as a result of the conversion to IFRS.

IMPACT OF IFRS ON THE BALANCE SHEET AND STATEMENT OF EARNINGS

The following discussion highlights the significant new standards that the Company has adopted under IFRS and the effect on the comparative period earnings and financial position as previously reported under Canadian GAAP as well as the possible effects going forward.

(i) Employee Benefits

Unfunded Pension Obligation

Under Canadian GAAP, accrued pension benefit obligation in excess of plan assets for defined benefit pension plans was only required to be disclosed in the notes to the consolidated financial statements. Under IAS 19*, Employee Benefits* the obligation in excess of plan assets was required to be recorded as a liability on the balance sheet. The Company recorded an increase to other liabilities and decrease to retained earnings of $18 million on January 1, 2010 (December 31, 2010 – increase to other liabilities of $28 million, decrease to retained earnings of $28 million as noted below).

Actuarial Gains and Losses

Under Canadian GAAP, actuarial gains and losses were recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. Unrecognized actuarial gains and losses below the "corridor" were deferred. Under IFRS, in accordance with the Company's IFRS 1 election, any deferred actuarial gains and losses were recognized in shareholders' equity and the Company recorded an actuarial loss of $3 million to retained earnings on January 1, 2010. Post-adoption, the Company elected to immediately recognize all actuarial gains

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.

and losses as a component of shareholders' equity in retained earnings and the Company recorded additional actuarial losses of $10 million for the year ended December 31, 2010.

ii) Plant, Property and Equipment

Deemed Cost

Upon transition to IFRS, the Company elected to measure its property, plant and equipment at fair value as its deemed cost. Certain items of property, plant and equipment in the North American operations had a fair value of $30 million above their book value under Canadian GAAP, and certain items of property, plant and equipment in the European operations had a fair value of $30 million below their book value under Canadian GAAP. The net effect of these fair value measurements was nil on a consolidated basis on January 1, 2009. The measurement was based on fair value as at January 1, 2009, Brookfield's IFRS transition date. The Company determined the fair value of certain items of property, plant and equipment using an income approach. Fair value measurements were prepared internally using a discounted cash flow model, taking into consideration forecasts and assumptions concerning future cash flows and a discount rate based on the Company's weighted average cost of capital as at the measurement date. All subsequent depreciation under IFRS will be based on the new deemed cost.

The Company recorded a decrease to retained earnings for additional depreciation expense related to the deemed cost adjustment to property, plant and equipment of $4 million on January 1, 2010 (December 31, 2010 – $10 million cumulative decrease to retained earnings).

Component Accounting

Both IFRS and Canadian GAAP require property, plant and equipment to be disaggregated into components and depreciated separately. Under Canadian GAAP, component accounting was interpreted and applied more generally. The Company has applied the guidance under IAS 16, *Property, Plant and Equipment*, and disaggregated its property, plant and equipment into components and reviewed the useful life of each separate component. For certain components of property, plant and equipment, useful lives were reassessed and the effect of these changes in estimates will accelerate the expected depreciation expense under IFRS. The impact of this change on subsequent depreciation expense is immaterial.

Impairments

Under both Canadian GAAP and IFRS, an asset or group of assets is tested for impairment only when there is an indication of impairment. Under Canadian GAAP, impairment testing of an asset or group of assets is a two-step approach. First, the carrying value of an asset or group of assets is compared to the undiscounted future cash flows to determine whether impairment exists. If impairment exists, then the second step is to measure the impairment by comparing the carrying value of the asset or group of assets to its fair value, as calculated using the present value of future cash flows. Under IAS 36, *Impairment of Assets*, impairment testing is a one-step approach for both testing and measurement, with the carrying value of the asset or group of assets compared directly to the higher of fair value less costs to sell, and value in use. Fair value is measured at the sales price of the asset or group of assets in an arm's length transaction. Value in use is based on the discounted future cash flows of the asset or group of assets. This approach could potentially result in write-downs where the carrying value of an asset or group of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis. Furthermore, while Canadian GAAP prohibits the reversals of impairment losses recognized in prior periods, IFRS requires such reversals to be recognized for assets other than goodwill if certain criteria are met.

Under IFRS, the Company assessed impairment for property, plant and equipment as at December 31, 2010 and January 1, 2010 (one year following the Company's IFRS measurement date of January 1, 2009) and concluded that no impairment existed.

iii) Consistency in Accounting Policies

IFRS requires consistency in accounting policies across subsidiaries. The Company aligned the accounting policies of all of its subsidiaries under IFRS. The Company recorded an increase to inventory and shareholders' equity of $5 million on January 1, 2010 (December 31, 2010 – $5 million).

iv) Share-Based Payments

The Company issues share-based awards in the form of stock options that vest evenly over a five-year period. Under Canadian GAAP, the Company recognized the fair value of the award, determined at the time of the grants, on a straight-line basis over the five-year vesting period. Under IFRS 2, *Share-Based Payments*, the fair value of each tranche of the award is considered to be a separate grant based on its vesting period. The fair value of each tranche is determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, compensation expense under IFRS will be recognized at an accelerated rate compared to Canadian GAAP. The Company recorded additional compensation expense of $1 million through an increase to contributed surplus and a decrease to retained earnings on January 1, 2010 (December 31, 2010 – less than $1 million).

v) Income Taxes

Tax Effect of IFRS Accounting Adjustments

Deferred income tax is adjusted to reflect the change in temporary differences resulting from the IFRS adjustments described above. The Company recorded a net increase to deferred tax liability of $1 million on January 1, 2010 (December 31, 2010 - $4 million net decrease).

Translation of Non-Monetary Balances

The Company has certain non-monetary assets and liabilities for which the tax-reporting currency is different than its functional currency. Under Canadian GAAP, any translation gains or losses arising due to the remeasurement of these items, at current exchange rates versus historic exchange rates, do not give rise to a deferred income tax asset or liability. Under IAS 12, *Income Taxes*, such translation gains or losses do give rise to a temporary difference that is recorded as a deferred tax asset or liability. The Company recorded a decrease to deferred tax liability of $5 million on January 1, 2010 (December 31, 2010 – $5 million).

vi) Cumulative Translation Account

Upon transition to IFRS, Norbord elected under IFRS 1 to reset all cumulative translation differences to zero as at January 1, 2009 and the Company recorded a $13 million adjustment to accumulated other comprehensive income and retained earnings.

vii) Accounts Receivable Securitization

Under Canadian GAAP, the Company's accounts receivable securitization program was treated as a true sale of accounts receivable, as the Company transferred substantially all of its present and future trade accounts receivable to a third-party trust, sponsored by a highly rated Canadian financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. Under IAS 39, the securitization program does not meet the criteria for a sale transaction and is treated as a financing arrangement. Accordingly, an adjustment to the balance sheet, to gross-up accounts receivable and long-term debt, was required and the Company recorded an increase of $62 million to accounts receivable and long-term debt on January 1, 2010 (December 31, 2010 - $60 million).

viii) Investment in a Joint Venture

In 2009 and 2010, the Company held a 50% interest in a joint-venture hardwood plywood business. This operation was non-core and represented less than 1% of total assets. Under Canadian GAAP, the Company proportionately consolidated its 50% interest in the joint venture in the consolidated financial statements. Under IAS 31, *Interests in*

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.

Joint Ventures, the Company elected to account for its investment under the equity method. The Company recorded a decrease in assets of $1 million and a decrease in liabilities of $1 million on January 1, 2010. In the fourth quarter of 2010, the business ceased operation and therefore, the Company recorded a provision for the write-down of its 50% investment in the joint venture.

ix) Revenue Recognition

Under Canadian GAAP, the Company presented outbound freight costs as a net against revenues. Under IFRS, IAS 18, *Revenues*, the Company revenues should only take into account trade discounts and volume rebates. As a consequence, the Company has presented revenues gross of outbound freight costs. Total sales increased by $86 million for the year ended December 31, 2010.

IMPACT ON FINANCIAL COVENANTS – IFRS TRANSITION

The Company has committed revolving bank lines that contain two quarterly financial covenants – minimum tangible net worth of $250 million and maximum net debt to total capitalization on a book basis of 65%. Net debt includes total debt less cash and cash equivalents plus letters of credit issued. The Company's lending agreement provides for the following adjustments to its covenant calculations as a result of the changeover to IFRS on January 1, 2011: (i) the exclusion of accounts receivable securitization proceeds from the net debt calculation; (ii) the add-back of IFRS transitional adjustments of $21 million to shareholders' equity, as at January 1, 2011, for the purposes of the tangible net worth calculation; and (iii) the exclusion of other comprehensive income movement from the tangible net worth calculation, subsequent to January 1, 2011.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting during the three months ended October 1, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. The conversion to IFRS from Canadian GAAP impacts the presentation of financial results and accompanying disclosures. The Company evaluated the impact of the conversion on financial reporting systems, processes and controls and determined no material changes were required to its internal control and disclosure control environment.

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, provision for non-core operation, income tax, depreciation and amortization. As Norbord operates in a cyclical commodity business, Norbord interprets EBITDA over the cycle as a useful indicator of the Company's ability to incur and service debt and meet capital expenditure requirements. In addition, Norbord views EBITDA as a measure of gross profit and interprets EBITDA trends as indicators of relative operating performance.

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

(US $ millions)	**Q3 2011**	Q2 2011	Q3 2010	**9 mos 2011**	9 mos 2010
Earnings	**$ (1)**	$ 1	$ (4)	**$ (2)**	$ 22
Add: Interest expense	**8**	8	8	**24**	25
Add: Depreciation	**13**	13	13	**40**	38
Less: Income tax (recovery) expense	**(8)**	(12)	(4)	**(26)**	8
EBITDA	**$ 12**	$ 10	$ 13	**$ 36**	$ 93

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.

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)	**Oct 1 2011**	Jul 2 2011	Dec 31 2010	Sept 25 2010
Accounts receivable	**$ 121**	$ 106	$ 90	$ 109
Inventory	**97**	99	84	82
Accounts payable and accrued liabilities	**(153)**	(153)	(164)	(142)
Operating working capital	**$ 65**	$ 52	$ 10	$ 49

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

(US $ millions)	**Oct 1 2011**	Jul 2 2011	Dec 31 2010	Sept 25 2010
Operating working capital	**$ 65**	$ 52	$ 10	$ 49
Cash and cash equivalents	**55**	77	111	74
Tax receivable	**4**	4	6	5
Total working capital	**$ 124**	$ 133	$ 127	$ 128

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)	**Oct 1 2011**	Jul 2 2011	Dec 31 2010	Sept 25 2010
Property, plant and equipment	**$ 791**	$ 805	$ 814	$ 822
Accounts receivable	**121**	106	90	109
Tax receivable	**4**	4	6	5
Inventory	**97**	99	84	82
Accounts payable and accrued liabilities	**(153)**	(153)	(164)	(142)
Other assets	**7**	6	13	14
Unrealized net investment hedge losses[1]	**-**	(2)	-	-
Capital employed	**$ 867**	$ 865	$ 843	$ 890

[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.

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.

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)	**Oct 1 2011**	Jul 2 2011	Dec 31 2010[1]	Sept 25 2010[1]
Long-term debt, principal value	**$ 440**	$ 440	$ 440	$ 440
Less: Cash and cash equivalents	**(55)**	(77)	(113)	(76)
Net debt	**$ 385**	$ 363	$ 327	$ 364
Add: Letters of credit	**8**	10	10	8
Net debt for financial covenant purposes	**$ 393**	$ 373	$ 337	$ 372

[1] Dec 31, 2010 and Sept 25, 2010 have not been restated for IFRS and are the originally disclosed amounts under Canadian GAAP.

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)	**Oct 1 2011**	Jul 2 2011	Dec 31 2010[1]	Sept 25 2010[1]
Shareholders' equity	**$ 321**	$ 336	$ 352	$ 362
Add: IFRS transitional adjustments	**21**	21	-	-
Add (less): Other comprehensive income movement[2]	**10**	(5)	-	-
Tangible net worth	**$ 352**	$ 352	$ 352	$ 362

[1] Dec 31, 2010 and Sept 25, 2010 have not been restated for IFRS and are the originally disclosed amounts under Canadian GAAP.

[2] 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. Market basis capitalization is intended to correct for the low historical book value of Norbord's asset base relative to its fair value. Net debt to capitalization, market basis is a key measure of a company's relative debt position and Norbord interprets this measure as an indicator of the relative strength and flexibility of its balance sheet. While the Company considers both book and market basis metrics, it believes the market basis to be superior to the book basis in measuring the true strength and flexibility of its balance sheet.

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.

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; (8) sensitivity to changes in product prices, such as the price of OSB; (9) sensitivity to key input prices, such as the price of natural gas; (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, 2011 Annual Information Form and the cautionary statement contained in the “Forward-Looking Statements” section of the 2010 Management’s Discussion and Analysis dated January 28, 2011.

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

Consolidated Balance Sheets

(unaudited) (US $ millions)	Note	Oct 1 2011	Dec 31 2010
Assets			
Current assets			
Cash and cash equivalents		**$ 55**	$ 111
Accounts receivable	4	**121**	90
Tax receivable		**4**	6
Inventory	5	**97**	84
		277	291
Non-current assets			
Property, plant and equipment		**791**	814
Other assets	6	**7**	13
		798	827
		$ 1,075	$ 1,118
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 153**	$ 164
Current portion of long-term debt	7	**244**	-
		397	164
Non-current liabilities			
Long-term debt	7	**195**	443
Other long-term debt	4	**62**	60
Other liabilities	8	**43**	35
Deferred income taxes		**57**	85
		357	623
Shareholders' equity		**321**	331
		$ 1,075	$ 1,118

(See accompanying notes)

Norbord

Consolidated Statements of Earnings

(unaudited) Periods ended Oct 1 and Sep 25 (US $ millions, except per share information)		**Q3 2011**		Q3 2010[1]		**9 mos 2011**		9 mos 2010[1]
Sales	**$**	**242**	$	229	**$**	**736**	$	722
Earnings before interest, income tax and depreciation		**12**		13		**36**		93
Interest expense		**(8)**		(8)		**(24)**		(25)
Earnings before income tax and depreciation		**4**		5		**12**		68
Depreciation		**(13)**		(13)		**(40)**		(38)
Income tax		**8**		4		**26**		(8)
Earnings	**$**	**(1)**	$	(4)	**$**	**(2)**	$	22
Earnings per common share								
Basic	**$**	**(0.02)**	$	(0.09)	**$**	**(0.05)**	$	0.51
Diluted		**(0.02)**		(0.09)		**(0.05)**		0.49

1 Refer to note 3 for effects of adoption of IFRS

(See accompanying notes)

Consolidated Statements of Comprehensive (Loss)/Income

(unaudited) Periods ended Oct 1 and Sep 25 (US $ millions)		**Q3 2011**		Q3 2010[1]		**9 mos 2011**		9 mos 2010[1]
Earnings	**$**	**(1)**	$	(4)	**$**	**(2)**	$	22
Other comprehensive (loss) income, net of tax								
Foreign currency translation (loss) gain on foreign operations		**(10)**		13		**(1)**		(3)
Net gain (loss) on hedge of net investment in foreign operations		**2**		(7)		**(2)**		3
Actuarial loss on defined benefit pension obligation		**(7)**		(3)		**(7)**		(8)
		(15)		3		**(10)**		(8)
Comprehensive (loss) income	**$**	**(16)**	$	(1)	**$**	**(12)**	$	14

1 Refer to note 3 for effects of adoption of IFRS

(See accompanying notes)

Norbord

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) Periods ended Oct 1 and Sep 25 (US $ millions)	Note	**Q3** **2011**	Q3 2010[1]	**9 mos** **2011**	9 mos 2010[1]
Share capital					
Balance, beginning of period		**$ 340**	$ 340	**$ 340**	$ 335
Issue of common shares, net		**-**	-	**-**	5
Balance, end of period		**$ 340**	$ 340	**$ 340**	$ 340
Contributed surplus					
Balance, beginning of period		**$ 42**	$ 41	**$ 41**	$ 40
Stock-based compensation	9	**1**	-	**2**	1
Balance, end of period		**$ 43**	$ 41	**$ 43**	$ 41
Retained earnings					
Balance, beginning of period		**$ (55)**	$ (39)	**$ (54)**	$ (60)
Earnings		**(1)**	(4)	**(2)**	22
Other comprehensive loss		**(7)**	(3)	**(7)**	(8)
Balance, end of period		**$ (63)**	$ (46)	**$ (63)**	$ (46)
Accumulated Other Comprehensive Income					
Balance, beginning of period		**$ 9**	$ -	**$ 4**	$ 6
Other comprehensive (loss) income		**(8)**	6	**(3)**	-
Balance, end of period	9	**$ 1**	$ 6	**$ 1**	$ 6
Shareholders' equity		**$ 321**	$ 341	**$ 321**	$ 341

1 Refer to note 3 for effects of adoption of IFRS

(See accompanying notes)

Consolidated Statements of Cash Flows

(unaudited) Periods ended Oct 1 and Sep 25 (US $ millions)	Note	**Q3 2011**	Q3 2010[1]	**9 mos 2011**	9 mos 2010[1]
CASH PROVIDED BY (USED FOR):					
Operating Activities					
Earnings		**$ (1)**	$ (4)	**$ (2)**	$ 22
Items not affecting cash:					
Depreciation		**13**	13	**40**	38
Deferred income tax		**(9)**	(4)	**(28)**	8
Other items		**(2)**	1	**2**	2
		1	6	**12**	70
Net change in non-cash operating working capital balances	11	**(15)**	5	**(58)**	(33)
Net change in tax receivable		**-**	(2)	**2**	52
		(14)	9	**(44)**	89
Investing Activities					
Investment in property, plant and equipment		**(4)**	(3)	**(13)**	(9)
Realized net investment hedge (loss) gain	13	**(1)**	3	**(3)**	12
Other		**-**	1	**-**	(1)
		(5)	1	**(16)**	2
Financing Activities					
Accounts receivable securitization (repayments) proceeds		**(3)**	(7)	**5**	(10)
Debt issue costs		**-**	(2)	**(1)**	(2)
Revolving bank lines repayments		**-**	-	**-**	(27)
Issue of shares		**-**	-	**-**	2
		(3)	(9)	**4**	(37)
Cash and Cash Equivalents					
(Decrease) increase during the period		**(22)**	1	**(56)**	54
Balance, beginning of period		**77**	73	**111**	20
Balance, end of period	11	**$ 55**	$ 74	**$ 55**	$ 74

[1] Refer to note 3 for effects of adoption of IFRS

(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 IAS 34, *Interim Financial Statements*, as issued by the International Accounting Standards Board (IASB) and using the accounting policies the Company expects to adopt in its consolidated financial statements as at, and for the year ending December 31, 2011. The accounting policies the Company expects to adopt in its financial statements as at, and for the year ending December 31, 2011, are disclosed in note 2 of the Company's interim financial statements as at, and for the quarter ended April 2, 2011, which are available on www.sedar.com.

These interim financial statements should be read in conjunction with the Company's 2010 annual financial statements and in consideration of the International Financial Reporting Standards (IFRS) transition disclosures included in note 3 of these financial statements, and the Company's interim financial statements as at, and for the quarter ended April 2, 2011.

These financial statements were authorized for issuance by the Board of Directors of the Company on October 27, 2011.

(b) Future Changes in Accounting Policies

(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 Company will supplement the existing disclosures on the program in note 4 accordingly.

(ii) Financial Instruments

IFRS 9, *Financial Instruments* (IFRS 9) was issued by the IASB on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The new standard requires a single impairment method to be used, replacing the multiple impairment

methods in IAS 39. IFRS 9 also provides for new measurement guidance for financial liabilities designated at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, so will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 9 on its financial statements.

(iii) Consolidation

In May 2011, the IASB issued the following new standards:

- IFRS 10, *Consolidated Financial Statements*, which will replace SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*;
- IFRS 11, *Joint Arrangements* which will replace IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-monetary Contributions by Venturers*; and
- IFRS 12, *Disclosure of Interests in Other Entities*

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company and also require additional disclosure of all forms of interests that an entity holds. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these standards on its financial statements.

(iv) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* (IFRS 13) which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

(v) Employee Future Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits* (IAS 19). The main amendments include the requirement to immediately recognize actuarial gains and losses in Other Comprehensive Income/(Loss) (OCI), the replacement of the calculation of both the expected return on the plan assets and the interest cost of the pension obligation with the interest cost on the net deficit, the clarification on specific measurement issues and enhanced disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of these amendments on its financial statements.

(vi) Other Comprehensive Income

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* (IAS 1) to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for annual periods beginning on or after July 1, 2012 and will be effective for the year ending December 31, 2013. The Company has not yet determined the impact of this amendment on its financial statements.

NOTE 3. TRANSITION TO IFRS

The Company has adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. The Company's transition date is January 1, 2010 (the "transition date") and the Company has prepared its opening IFRS balance sheet as at that date. These financial statements have been prepared in accordance with the accounting policies described in note 2 of the Company's financial statements as at, and for the quarter ended April 2, 2011. The Company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying existing IFRS

with an effective date of December 31, 2011 or prior. Accordingly, the opening balance sheet and financial statements for 2010 and 2011 may differ from these financial statements.

(a) Reconciliation of Shareholders' Equity as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's shareholders' equity reported in accordance with Canadian GAAP to its shareholders' equity in accordance with IFRS at September 25, 2010.

Shareholders' Equity (US $ millions)	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
As reported under Canadian GAAP – Sept 25, 2010	$ 340	$ 40	$ (7)	$ (11)	$ 362
IFRS adjustments[1]					
(i) Employee benefits	–	–	(29)	–	(29)
(ii) Property, plant and equipment					
Depreciation on deemed cost adjustment	–	–	(8)	–	(8)
Foreign exchange on deemed cost adjustment	–	–	–	3	3
(iii) Consistency in accounting policies	–	–	4	1	5
(iv) Share-based compensation	–	1	(1)	–	–
(v) Deferred income tax	–	–	8	–	8
(vi) Cumulative translation account	–	–	(13)	13	–
Total IFRS adjustments	–	1	(39)	17	(21)
As reported under IFRS – Sept 25, 2010	$ 340	$ 41	$ (46)	$ 6	$ 341

[1] Refer to Notes for Canadian GAAP to IFRS Reconciliations

(b) Reconciliation of Earnings as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's earnings reported in accordance with Canadian GAAP to its earnings in accordance with IFRS for the three month and nine month periods ended September 25, 2010.

(US $ millions)	Q3 2010	9 mos 2010
Earnings as reported under Canadian GAAP	$ (7)	$ 25
IFRS adjustments[1]		
(ii) Property, plant and equipment		
Depreciation on deemed cost adjustment	(1)	(4)
(iii) Consistency in accounting policies	1	–
(v) Deferred income tax	3	1
Total IFRS adjustments	3	(3)
Earnings as reported under IFRS	$ (4)	$ 22

[1] Refer to Notes for Canadian GAAP to IFRS Reconciliations

(c) Reconciliation of Comprehensive Income as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive loss in accordance with IFRS for the three month and nine month periods ended September 25, 2010.

(US $ millions)	Q3 2010	9 mos 2010
Comprehensive income as reported under Canadian GAAP	$ 2	$ 22
IFRS adjustments[1]		
Differences in Canadian GAAP to IFRS earnings noted in 3(b)	3	(3)
(i) Employee benefits	(4)	(11)
(ii) Property, plant and equipment		
Foreign exchange on deemed cost adjustment	(3)	3
(v) Deferred income tax	1	3
Total IFRS adjustments	(3)	(8)
Comprehensive income as reported under IFRS	$ (1)	$ 14

[1] Refer to Notes for Canadian GAAP to IFRS Reconciliations

(d) Reconciliation of Cash Flows as Reported Under Canadian GAAP to IFRS

There were no material adjustments to the cash flow statement as a result of the conversion to IFRS.

Notes for Canadian GAAP to IFRS Reconciliations

(i) Employee Benefits

Unfunded Pension Obligation

Under Canadian GAAP, accrued pension benefit obligation in excess of plan assets for defined benefit pension plans only required disclosure in the notes to the consolidated financial statements. Under IAS 19, the obligation in excess of plan assets is recorded as a liability on the balance sheet.

Actuarial Gains and Losses

Under Canadian GAAP, actuarial gains and losses were recognized in earnings on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. Unrecognized actuarial gains and losses below the corridor were deferred. Under IFRS, in accordance with the Company's IFRS 1 election, any deferred actuarial gains and losses as at the Company's IFRS measurement date of January 1, 2009, Brookfield's IFRS transition date, were recognized immediately through a component of shareholders' equity in retained earnings. Post-adoption, the Company elected to recognize all actuarial gains and losses immediately through OCI and as a component of shareholders' equity in retained earnings.

(ii) Plant, Property and Equipment

Deemed Cost

Upon transition to IFRS, the Company elected to measure its property, plant and equipment at fair value as its deemed cost. Certain items of property, plant and equipment in the North American operations had a fair value of $30 million above their book value under Canadian GAAP and certain items of property, plant and equipment in the European operations had a fair value of $30 million below their book value under Canadian GAAP. The net effect of these fair value measurements was nil on a consolidated basis on January 1, 2009. The fair value measurement was based on January 1, 2009. The Company determined the fair value of certain items of property, plant and equipment using an income approach. Fair value measurements were prepared internally using a discounted cash flow model taking into consideration forecasts and assumptions of future cash flows and

a discount rate based on the Company's weighted average cost of capital as at the measurement date. All subsequent depreciation under IFRS is based on this deemed cost.

Component Accounting
Both IFRS and Canadian GAAP require property, plant and equipment to be disaggregated into components and depreciated separately. Under Canadian GAAP, component accounting was interpreted and applied more generally. The Company has applied the guidance under IFRS, IAS 16, *Property, Plant and Equipment*, and disaggregated its property, plant and equipment into components and reviewed the useful life of each separable component. For certain components of property, plant and equipment, useful lives were reassessed and the effect of these changes in estimates will accelerate the expected depreciation expense under IFRS.

Impairments
Under both Canadian GAAP and IFRS, an asset or group of assets is tested for impairment only when there is an indication of impairment. Under Canadian GAAP, impairment testing of an asset or group of assets is a two-step approach: first, the carrying value of an asset or group of assets is compared to the undiscounted future cash flows to determine whether impairment exists. If impairment exists, then the second step is the measurement of the impairment by comparing the carrying value of the asset or group of assets to their fair value, as calculated using the present value of future cash flows. Under IFRS, IAS 36, *Impairment of Assets*, impairment testing is a one-step approach for both testing and measurement, with the carrying value of the asset or group of assets compared directly with the higher of fair value less costs to sell and value in use. Fair value is measured at the sales price of the asset or group of assets in an arm's length transaction. Value in use is based on the discounted future cash flows of the asset or group of assets. This may potentially result in write-downs where the carrying value of an asset or group of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis. Furthermore, while Canadian GAAP prohibits the reversals of impairment losses recognized in prior periods, IFRS requires such reversals to be recognized if certain criteria are met.

The Company assessed impairment under IFRS for property, plant and equipment as at December 31, 2010 and December 31, 2009, and concluded no impairment existed.

(iii) Consistency in Accounting Policies

IFRS requires consistency of accounting policies across subsidiaries. The Company aligned the accounting policies of all of its subsidiaries under IFRS resulting in an adjustment on the Company's IFRS measurement date of January 1, 2009 and in subsequent periods.

(iv) Share-Based Payments

The Company issues share-based awards in the form of stock options that vest evenly over a five-year period. Under Canadian GAAP, the Company recognized the fair value of the award, determined at the time of the grants, on a straight-line basis over the five-year vesting period. Under IFRS 2, *Share-Based Payments*, the fair value of each tranche of the award is considered to be a separate grant based on its vesting period. The fair value of each tranche is determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, compensation expense under IFRS will be recognized at an accelerated rate compared to under Canadian GAAP.

(v) Income Taxes

Tax Effect of IFRS Accounting Adjustments
Deferred income tax is adjusted to reflect the change in temporary differences resulting from the IFRS adjustments described above.

Translation of Non-Monetary Assets and Liabilities
The Company has certain non-monetary assets and liabilities for which the tax reporting currency is different from its functional currency. Under Canadian GAAP, any translation gains or losses arising on the

remeasurement of these items at current exchange rates versus historic exchange rates do not give rise to a deferred income tax asset or liability. Under IFRS, IAS 12, *Income Taxes*, such translation gains or losses do give rise to a temporary difference that is recorded as a deferred tax asset or liability.

(vi) Cumulative Translation Account

Upon transition to IFRS, Norbord elected under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, to reset all cumulative translation differences to zero as at January 1, 2009, Brookfield's IFRS transition date.

(vii) Accounts Receivable Securitization

Under Canadian GAAP, the Company's accounts receivable securitization program was treated as a true sale of accounts receivable and the receivables were derecognized as the Company had transferred substantially all of its present and future trade accounts receivable to a third party trust sponsored by a highly rated Canadian financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. Under IAS 39, the securitization program does not meet the criteria for a sale transaction and is treated as a financing arrangement. Accordingly an adjustment to the balance sheet to recognize the related accounts receivable and long-term debt is required.

(viii) Investment in a Joint Venture

The Company has a 50% interest in a joint-venture hardwood plywood business which ceased operations effective December 2010. This operation was non-core and represented less than 1% of total assets. Under Canadian GAAP, the Company proportionately consolidated its 50% interest in the joint venture in the consolidated financial statements. Under IAS 31, *Interests in Joint Ventures*, the Company elected to account for its investment under the equity method.

(ix) Revenue recognition

Under Canadian GAAP, the Company presented outbound freights costs as a reduction of sales. Under IFRS, IAS 18, *Revenues*, the Company revenues should only take into account trade discounts and volume rebates. As a consequence, the Company has presented sales gross of outbound freight costs.

NOTE 4. 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 has an evergreen commitment subject to termination on twelve months' notice. Under the program, Norbord has transferred substantially all of its present and future trade accounts receivable to the financial institution, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. However, the asset derecognition criteria under IFRS have not been met and the transferred accounts receivables remain recorded as an asset.

At period-end, Norbord recorded cash proceeds of $62 million (December 31, 2010 – $60 million) relating to this program. The cash proceeds 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 12).

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 October 27, 2011, Norbord's ratings were BB (low) (DBRS), BB- (Standard & Poor's) and Ba3 (Moody's).

NOTE 5. INVENTORY

(US $ millions)	Oct 1 2011	Dec 31 2010
Raw materials	**$ 22**	$ 18
Finished goods	**45**	38
Operating & maintenance supplies	**30**	28
	$ 97	$ 84

At period-end, the provision to reflect inventories at the lower of cost and net realizable value was $1 million (December 31, 2010 – less than $1 million).

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

(US $ millions)	Q3 2011	Q3 2010	9 mos 2011	9 mos 2010
Cost of inventories	**$ 216**	$ 209	**$ 662**	$ 611
Depreciation on property, plant & equipment	**12**	13	**39**	38
	$ 228	$ 222	**$ 701**	$ 649

NOTE 6. OTHER ASSETS

(US $ millions)	Oct 1 2011	Dec 31 2010
Unrealized net investment hedge gains *(note 13)*	**$ 4**	$ 3
Unrealized interest rate swap gains *(note 13)*	**3**	5
Unrealized monetary hedge gains *(note 13)*	**-**	2
Other	**-**	3
	$ 7	$ 13

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

NOTE 7. LONG-TERM DEBT

(US $ millions)	Oct 1 2011	Dec 31 2010
Principal value		
7 1/4% debentures due 2012	**$ 240**	$ 240
Senior notes due 2017	**200**	200
	440	440
Debt issue costs	**(5)**	(5)
Deferred interest rate swap gains	**1**	3
Unrealized interest rate swap gains	**3**	5
	439	443
Less: Current portion	**(244)**	-
	$ 195	$ 443

Standby Term Loan

Subsequent to quarter-end, Brookfield committed to put in place a $120 million standby term loan to be used to repay up to half of the 2012 debentures, if necessary. The maturity date would extend beyond the revolving bank lines and up to a 10-year period. The term loan would contain market standard terms at the time of borrowing except that the Company would have the right to prepay the loan at any time without penalty, so long as Brookfield is the holder. The term loan would be secured pari passu with the bank lines and holders of the 2017 senior notes.

Revolving Bank Lines

Subsequent to quarter-end, the Company amended its $270 million committed revolving bank lines to: (i) allow the Company the option to utilize up to $120 million of the bank lines to repay up to half of the 2012 debentures, if necessary; and (ii) to widen one of its two quarterly financial covenants, such that the maximum net debt to total capitalization, book basis, increases from 60% to 65%.

The bank lines mature in May 2014 and bear 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 2012 debentures and 2017 senior notes. At period-end, none of the revolving bank lines was drawn as cash, $8 million was utilized for letters of credit and $262 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 $352 million and net debt for financial covenant purposes was $393 million (note 12). Net debt to total capitalization was 53% on a book basis.

Interest Rate Swaps

At period-end, the Company had outstanding interest rate swaps of $115 million (December 31, 2010 – $115 million). The terms of these swaps correspond to the terms of the underlying hedged debt. The unrealized interest rate swap gains are offset by unrealized losses on the underlying exposures being hedged within interest expense.

NOTE 8. OTHER LIABILITIES

(US $ millions)	**Oct 1 2011**	Dec 31 2010
Defined benefit pension obligation	**$ 34**	$ 28
Accrued employee benefits	**4**	6
Unrealized monetary hedge loss *(note 13)*	**5**	-
Other	**-**	1
	$ 43	$ 35

The unrealized monetary hedge loss is offset by unrealized gains on the underlying exposures being hedged.

NOTE 9. SHAREHOLDERS' EQUITY

Stock Options

Year-to-date, 0.6 million options were granted under the stock option plan. Earnings include $2 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 Loss

(US $ millions)	**Oct 1 2011**	Dec 31 2010
Foreign currency translation gain on foreign operations	**$ 10**	$ 11
Net loss on hedge of net investment in foreign operations	**(9)**	(7)
Accumulated other comprehensive loss	**$ 1**	$ 4

NOTE 10. EARNINGS PER COMMON SHARE

(US $ millions, except share and per share information, unless otherwise noted)	**Q3 2011**	Q3 2010	**9 mos 2011**	9 mos 2010
Earnings available to common shareholders	**$ (1)**	$ (4)	**$ (2)**	$ 22
Common shares (millions):				
Weighted average number of common shares outstanding	**43.6**	43.5	**43.6**	43.4
Stock options[1]	**-**	-	**-**	0.4
Warrants[1]	**-**	-	**-**	1.1
Diluted number of common shares	**43.6**	43.5	**43.6**	44.9
Earnings per common share:				
Basic	**$ (0.02)**	$ (0.09)	**$ (0.05)**	$ 0.51
Diluted	**(0.02)**	(0.09)	**(0.05)**	0.49

[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 11. SUPPLEMENTAL CASH FLOW INFORMATION

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

(US $ millions)	**Q3 2011**	Q3 2010	**9 mos 2011**	9 mos 2010
Cash (provided by) used for				
Accounts receivable	**$ (13)**	$ 4	**$ (29)**	$ (26)
Inventory	**3**	7	**(17)**	(11)
Accounts payable and accrued liabilities	**(5)**	(6)	**(12)**	4
	$ (15)	$ 5	**$ (58)**	$ (33)

Cash income taxes and interest comprises:

(US $ millions)	**Q3 2011**	Q3 2010	**9 mos 2011**	9 mos 2010
Cash interest paid	**$ 7**	$ 16	**$ 32**	$ 33
Cash taxes (paid) received, net	**(1)**	(1)	**-**	52

Cash and cash equivalents comprises:

(US $ millions)	**Oct 1 2011**	Sep 25 2010
Cash	**$ 53**	$ 48
Cash equivalents	**2**	26
	$ 55	$ 74

NOTE 12. CAPITAL MANAGEMENT

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

(US $ millions)	Oct 1 2011	Dec 31, 2010[1]
Long-term debt, principal value *(note 7)*	**$ 440**	$ 440
Less: Cash and cash equivalents	**(55)**	(113)
Net debt	**385**	327
Add: Letters of credit	**8**	10
Net debt for financial covenant purposes	**393**	337
Shareholders' equity	**321**	352
Add: IFRS transitional adjustments	**21**	-
Less: Other comprehensive income movement[2]	**10**	-
Tangible net worth for financial covenant purposes	**352**	352
Total capitalization	**$ 745**	$ 689
Net debt to capitalization, book basis	**53%**	49%
Net debt to capitalization, market basis	**43%**	35%

[1] Figures have not been restated for IFRS. Effective January 1, 2011, the Company's lending agreement provides for the following adjustments to covenant calculations as a result of the changeover to IFRS : (i) the exclusion of accounts receivable securitization proceeds from the net debt calculation; (ii) the add-back of IFRS transitional adjustments to shareholders' equity, as at January 1, 2011 (to a maximum of $30 million), for the purposes of the tangible net worth calculation; and (iii) the exclusion of cumulative other comprehensive income from the tangible net worth calculation, subsequent to January 1, 2011.

[2] Subsequent to January 1, 2011.

NOTE 13. FINANCIAL INSTRUMENTS

Non-Derivative Financial Instruments

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

		Oct 1 2011		Dec 31 2010	
(US $ millions)	Financial Instrument Category	**Net Book Value**	**Fair Value**	Net Book Value	Fair Value
Financial assets:					
Cash and cash equivalents	Fair value through profit or loss	**$ 55**	**$ 55**	$ 111	$ 111
Accounts receivable	Loans and receivables	**121**	**121**	90	90
		$ 176	**$ 176**	$ 201	$ 201
Financial liabilities:					
Accounts payable and accrued liabilities	Amortized cost	**$ 153**	**$ 153**	$ 164	$ 164
Long-term debt	Amortized cost	**439**	**418**	443	447
Other long-term debt	Amortized cost	**62**	**62**	60	60
Other liabilities	Amortized cost	**43**	**43**	35	35
		$ 697	**$ 676**	$ 702	$ 706

Derivative Financial Instruments

Information about derivative financial instruments was as follows:

(US $ millions, unless otherwise noted)	Oct 1 2011 Notional Value	Oct 1 2011 Unrealized Gain (Loss) at Period-End[1]	Dec 31 2010 Notional Value	Dec 31 2010 Unrealized Gain at Period-End[1]
Currency hedges:				
Net investment				
Belgium	**€15**	**$ 2**	€40	$ 1
UK	**£41**	**2**	£47	2
Monetary position				
Canadian dollar	**CAD $87**	**(5)**	CAD $78	2
Interest rate hedges:				
Interest rate swaps	**$115**	**3**	$115	5

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

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

(US $ millions)	Q3 2011	Q3 2010	9 mos 2011	9 mos 2010
Net investment				
Belgium	**$ (2)**	$ 1	**$ (2)**	$ 6
UK	**1**	2	**(1)**	6
Monetary position				
Canadian Dollar	**(1)**	1	**2**	1
	$ (2)	$ 4	**$ (1)**	$ 13

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 14. 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.

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 engages the services or purchases goods from 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 (2010 – less than $1 million) and were charged at market rates.

Subsequent to quarter-end, the Company entered into a $120 million standby term loan commitment with Brookfield (note 7).

NOTE 15. 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.

				Q3 2011
(US $ millions)	**North America**	**Europe**	**Unallocated**	**Total**
Sales	**$ 131**	**$ 111**	**$ -**	**$ 242**
EBITDA[1]	**5**	**10**	**(3)**	**12**
Depreciation	**8**	**4**	**1**	**13**
Investment in property, plant and equipment	**3**	**1**	**-**	**4**

				Q3 2010
(US $ millions)	North America	Europe	Unallocated	Total
Sales	$ 134	$ 95	$ -	$ 229
EBITDA[1]	4	11	(2)	13
Depreciation	8	5	-	13
Investment in property, plant and equipment	2	1	-	3

				9 mos 2011
(US $ millions)	**North America**	**Europe**	**Unallocated**	**Total**
Sales	**$ 388**	**$ 348**	**$ -**	**$ 736**
EBITDA[1]	**12**	**34**	**(10)**	**36**
Depreciation	**25**	**14**	**1**	**40**
Investment in property, plant and equipment	**8**	**8**	-	**16**
Property, plant and equipment	**648**	**143**	**-**	**791**

				9 mos 2010
(US $ millions)	North America	Europe	Unallocated	Total
Sales	$ 454	$ 268	$ -	$ 722
EBITDA[1]	76	25	(8)	93
Depreciation	25	13	-	38
Investment in property, plant and equipment	7	2	-	9
Property, plant and equipment[2]	665	148	1	814

[1] EBITDA is earnings before interest, income tax and depreciation.

[2] Balance as at December 31, 2010.