Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial statements are not precise since they include certain amounts based upon estimates and judgements. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances in order to ensure that the consolidated financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

The Company maintains systems of internal controls, which are designed to provide reasonable assurance that accounting records are reliable and to safeguard the Company's assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and reviews the consolidated financial statements and Management's Discussion and Analysis, considers the report of the external auditors, assesses the adequacy of the internal controls of the Company, approves the services provided by the external auditors, examines the fees and expenses for audit services, and recommends to the Board the independent auditors for appointment by the shareholders. The Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

January 30, 2013

J. BARRIE SHINETON
President and Chief Executive Officer

ROBIN E. LAMPARD
Senior Vice President and Chief Financial Officer

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

To the Shareholders of Norbord Inc.

We have audited the accompanying consolidated financial statements of Norbord Inc., which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011, the consolidated statements of earnings, comprehensive income/(loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Norbord Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
January 30, 2013
Toronto, Canada

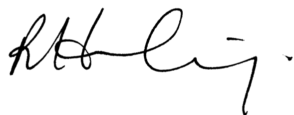
Norbord

Consolidated Balance Sheets

(US $ millions)	Note	Dec 31, 2012	Dec 31, 2011
Assets			
Current assets			
Cash		**$ 128**	$ 83
Accounts receivable	3	**125**	102
Tax receivable		**-**	5
Inventory	4	**98**	88
		351	278
Non-current assets			
Property, plant and equipment	5	**764**	787
Other assets	6	**-**	5
		764	792
		$ 1,115	$ 1,070
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 173**	$ 162
Current portion of long-term debt	7	**-**	242
		173	404
Non-current liabilities			
Long-term debt	7	**433**	196
Other long-term debt	3	**-**	69
Other liabilities	8	**40**	40
Deferred income taxes	10	**83**	61
		556	366
Shareholders' equity	11	**386**	300
		$ 1,115	$ 1,070

(See accompanying notes)

On behalf of the Board:



ROBERT J. HARDING
Chair

J. BARRIE SHINETON
President and Chief Executive Officer

Norbord

Consolidated Statements of Earnings

Years ended December 31 (US $ millions, except per share information)	Note	2012	2011
Sales		**$ 1,149**	$ 965
Cost of sales		**(945)**	(907)
General and administrative expenses		**(16)**	(13)
Earnings before interest, income tax and depreciation		**188**	45
Interest expense	3, 7	**(36)**	(33)
Earnings before income tax and depreciation		**152**	12
Depreciation		**(53)**	(51)
Income tax (expense) recovery	10	**(27)**	28
Earnings		**$ 72**	$ (11)
Earnings per common share	12		
Basic		**$ 1.65**	$ (0.25)
Diluted		**1.59**	(0.25)

(See accompanying notes)

Consolidated Statements of Comprehensive Income/(Loss)

Years ended December 31 (US $ millions)	Note	2012	2011
Earnings		**$ 72**	$ (11)
Other comprehensive income (loss), net of tax			
Foreign currency translation gain (loss) on foreign operations	10	**7**	(4)
Net loss on hedge of net investment in foreign operations	10	**-**	(1)
Actuarial loss on post-employment obligation	10	**-**	(17)
		7	(22)
Comprehensive income (loss)		**$ 79**	$ (33)

(See accompanying notes)

Norbord

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31 (US $ millions)	Note	2012	2011
Share capital			
Balance, beginning of year		**$ 340**	$ 340
Issue of common shares, net	11	**6**	-
Balance, end of year		**$ 346**	$ 340
Contributed surplus			
Balance, beginning of year		**$ 43**	$ 41
Stock-based compensation	11	**2**	2
Stock options and warrants exercised	11	**(1)**	-
Balance, end of year		**$ 44**	$ 43
Retained earnings			
Balance, beginning of year		**$ (82)**	$ (54)
Earnings		**72**	(11)
Other comprehensive loss		**-**	(17)
Balance, end of year		**$ (10)**	$ (82)
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year		**$ (1)**	$ 4
Other comprehensive income (loss)		**7**	(5)
Balance, end of year	11	**$ 6**	$ (1)
Shareholders' equity		**$ 386**	$ 300

(See accompanying notes)

Norbord

Consolidated Statements of Cash Flows

Years ended December 31 (US $ millions)	Note	2012	2011
CASH PROVIDED BY (USED FOR):			
Operating Activities			
Earnings		**$ 72**	$ (11)
Items not affecting cash:			
Depreciation		**53**	51
Deferred income tax	10	**22**	(31)
Other items		**3**	-
		150	9
Net change in non-cash operating working capital balances	13	**(19)**	(23)
Net change in tax receivable		**5**	1
		136	(13)
Investing Activities			
Investment in property, plant and equipment		**(22)**	(23)
Realized net investment hedge gain (loss)	15	**3**	(1)
		(19)	(24)
Financing Activities			
Repayment of debt	7	**(240)**	-
Issue of debt	7	**240**	-
Accounts receivable securitization (repayments) proceeds		**(71)**	10
Debt issue costs	7	**(5)**	(1)
Issue of common shares, net	11	**4**	-
		(72)	9
Cash			
Increase (decrease) during the year		**45**	(28)
Balance, beginning of year		**83**	111
Balance, end of year		**$ 128**	$ 83

(See accompanying notes)

Norbord

Notes to the Consolidated Financial Statements

(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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements were authorized for issuance by the Board of Directors of the Company on January 30, 2013.

(b) Basis of Presentation

These consolidated financial statements include the accounts of the Company and all its wholly-owned subsidiaries.

(c) Changes in Accounting Standards

Transfers of Financial Assets

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

(d) Foreign Currency Translation

The US dollar is the functional and presentation currency of the Company. Each of the Company's subsidiaries determines its functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the US dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in accumulated other comprehensive income. Gains or losses on foreign currency–denominated balances and transactions that are designated as hedges of net investments in these operations are reported in the same manner.

Foreign exchange gains or losses arising from monetary assets or liabilities of a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (OCI). Foreign currency–denominated monetary assets and liabilities of the Company and its subsidiaries are translated using the rate of exchange prevailing at the reporting date. Gains or losses on translation of these items are included in

earnings. Gains or losses on transactions that hedge these items are also included in earnings. Revenue and expenses are measured at average rates during the period. Foreign currency‒denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date. Foreign exchange gains or losses arising from monetary assets or liabilities in a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in OCI.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, and investment‒grade money market securities and bank term deposits with maturities of 90 days or less from the date of purchase. Cash and cash equivalents are recorded at cost, which approximates market value.

(f) Inventories

Inventories of finished goods, raw materials and operating and maintenance supplies are valued at the lower of cost and net realizable value, with cost determined on an average cost basis. The cost of finished goods inventories includes direct material, direct labour and an allocation of overhead.

(g) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Property and plant includes land and buildings. Buildings are depreciated on a straight-line basis over 20 to 40 years. Production equipment is depreciated using the units of production basis. This method amortizes the cost of equipment over the estimated units to be produced during its estimated useful life, which ranges from 10 to 25 years. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The rates of depreciation are intended to fully depreciate manufacturing and non-manufacturing assets over their useful lives. These periods are assessed at least annually to ensure that they continue to approximate the useful lives of the related assets.

Property, plant and equipment is tested for impairment only when there is an indication of impairment. 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. The projection of future cash flows takes into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Where an impairment loss exists, it is recorded against earnings. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying value that would have remained had no impairment loss been recognized previously. IFRS requires such reversals to be recognized in earnings if certain criteria are met.

(h) Employee Future Benefits

Norbord sponsors various defined benefit and defined contribution pension plans, which cover substantially all employees and are funded in accordance with applicable plan and regulatory requirements. The benefits under Norbord's defined benefit pension plans are generally based on an employee's length of service and the final five years' average salary, and the plans do not provide for indexation of benefit payments.

The measurement date for all defined benefit pension plans is December 31. The obligations associated with Norbord's defined benefit pension plans are actuarially valued using the projected unit credit method, management's best estimate assumptions for long-term expected rate of return on assets, salary escalation, life expectancy, and a current market discount rate. For the purpose of calculating the expected return on plan assets, those assets are

measured at fair value. The obligation in excess of plan assets is recorded as a liability. All actuarial gains or losses are recognized immediately through OCI and in retained earnings.

(i) Financial Instruments

The Company utilizes derivative financial instruments solely to manage its foreign currency, interest rate and commodity price exposures in the ordinary course of business. Derivatives are not used for trading or speculative purposes. All hedging relationships, risk management objectives and hedging strategies are formally documented and periodically assessed to ensure that the changes in the value of these derivatives are highly effective in offsetting changes in the fair values, net investments or cash flows of the hedged exposures. Accordingly, all gains and losses (realized and unrealized, as applicable) on such derivatives are recognized in the same manner as gains and losses on the underlying exposure being hedged. Any resulting carrying amounts are included in other assets if there is an unrealized gain on the derivative, or in other liabilities if there is an unrealized loss on the derivative.

The fair values of the Company's derivative financial instruments are determined by using observable market inputs for identical assets and liabilities. These fair values reflect the estimated amount that the Company would have paid or received if required to settle all outstanding contracts at period-end. This fair value represents a point-in-time estimate that may not be relevant in predicting the Company's future earnings or cash flows.

The Company is exposed to credit risk in the event of non-performance by its derivative counterparties. However, the Company's Board-approved financial policies require that derivative transactions be executed only with approved, highly rated counterparties under master netting agreements; therefore, the Company does not anticipate any non-performance. The fair value measurements of the Company's derivative financial instruments are classified as Level 2 of a three-level hierarchy, as fair value of these derivative instruments is based on observable market inputs.

The carrying value of the Company's non-derivative financial instruments approximates fair value, except where disclosed in these notes. Fair values disclosed are determined using actual quoted market prices or, if not available, indicative prices based on similar publicly traded instruments.

(j) Debt Issue Costs

The Company accounts for transaction costs that are directly attributable to the issuance of long-term debt by deducting such costs from the carrying value of the long-term debt. The capitalized transaction costs are amortized to interest expense over the term of the related long-term debt using the effective interest rate method.

(k) Income Taxes

The Company uses the liability method of accounting for income taxes and provides for temporary differences between the tax basis and carrying amounts of assets and liabilities. Accordingly, deferred tax assets and liabilities are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that the deductions, tax credits and tax losses can be utilized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates and laws that have been substantively enacted at the balance sheet date. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the year of enactment or substantive enactment. Current and deferred income taxes relating to items recognized directly in shareholders' equity are also recognized directly in shareholders' equity. The Company assesses recoverability of deferred tax assets based on the Company's estimates and assumptions. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax assets will be recovered.

The Company has certain non-monetary assets and liabilities for which the tax reporting currency is different from its functional currency. Any translation gains or losses arising on the remeasurement of these items at current exchange rates versus historic exchange rates which give rise to a temporary difference are recorded as a deferred tax asset or liability.

(l) Share-Based Payments

The Company issues share-based awards to certain employees in the form of stock options that vest evenly over a five-year period. The fair value of the options on the grant date is determined using a fair value model (Black-Scholes option pricing model). Each tranche of the award is considered to be a separate grant based on its respective vesting period. The fair value of each tranche is determined separately on the date of grant and recognized as compensation expense, net of forfeiture estimate, over the term of its respective vesting period, with a corresponding increase to contributed surplus.

(m) Warrants

The Company measures the fair value of warrants at the issue date using a fair value model (Black-Scholes option pricing model) reduced by any related issue costs.

(n) Revenue Recognition

Sales are recognized when the risks and rewards of ownership pass to the purchaser. This is generally when goods are shipped. Sales are recorded net of discounts.

Sales are governed by contract or by standard industry terms. Revenue is not recognized prior to the completion of those terms. The majority of product is shipped via third-party transport on a freight-on-board shipping point basis. In all cases, product is subject to quality testing by the Company to ensure it meets applicable standards prior to shipment.

(o) Critical Judgements and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make critical judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could materially differ from those estimates.

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgements in these financial statements. The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the financial statements include the following:

(i) Inventory

Norbord estimates the net realizable value of its inventory using estimates regarding future selling prices.

(ii) Property, Plant and Equipment

When determining the value in use of property, plant and equipment during impairment testing, the Company uses the following critical estimates: the timing of forecasted revenues; future selling prices and margins; future sales volumes; maintenance and other capital expenditures; discount rates; useful lives; and residual values.

(iii) Employee Benefit Expense

The net obligations associated with the defined benefit pension plans are actuarially valued using: the projected unit credit method; management's best estimates for long-term expected rate of return on assets, salary escalation and life expectancy; and a current market discount rate to match the timing and amount of pension payments.

(iv) Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that the deductions, tax credits and tax losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

In the normal course of operations, judgement is required in assessing tax interpretations, regulations and legislation and in determining the provision for income taxes, deferred tax assets and liabilities. To the extent that a recognition or derecognition of a deferred tax asset is required, current period earnings or OCI will be affected.

(v) Financial Instruments

The critical assumptions and estimates used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the relative creditworthiness of the Company to its counterparties; estimated future cash flows; discount rates; and volatility utilized in option valuations.

(p) Future Changes in Accounting Policies

(i) Employee Future Benefits

In June 2011, the IASB amended IAS 19, *Employee Benefits*. The main amendments include the requirement to immediately recognize actuarial gains and losses in 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 of specific measurement issues; and enhanced disclosure requirements. The amendments are effective for the year ending December 31, 2013. The Company is currently assessing the impact of this amendment on its financial statements.

(ii) 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 the year ending December 31, 2013. The Company is currently assessing the impact of IFRS 13 on its financial statements.

(iii) Other Comprehensive Income

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*, to require the grouping together of OCI items that may be reclassified to the Statement of Earnings within OCI. The amendment is effective for the year ending December 31, 2013. The Company is currently assessing the impact of this amendment on its financial statements.

(iv) 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 the year ending December 31, 2013. The Company does not expect these standards to have any impact on its financial statements.

(v) 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. In December 2011, the IASB deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015 and will be effective for the year ending December 31, 2015. The Company is currently assessing the impact of IFRS 9 on its financial statements.

NOTE 3. ACCOUNTS RECEIVABLE

The Company has an $85 million accounts receivable securitization program with a third-party trust sponsored by a highly rated Canadian financial institution. The program is revolving and has an evergreen commitment subject to termination on 12 months' notice. Under the program, Norbord has transferred substantially all of its present and future trade accounts receivable to the trust, on a fully serviced basis, for proceeds consisting of cash and deferred purchase price. However, the asset derecognition criteria under IFRS have not been met and the transferred accounts receivable remain recorded as an asset.

At period-end, Norbord had transferred but continued to recognize $112 million (December 31, 2011 – $88 million) in accounts receivable and the Company did not have any drawings (December 31, 2011 – $69 million) relating to this program. The level of accounts receivable transferred under the program fluctuates with the level of shipment volumes, product prices and foreign exchange rates. The amount of drawings fluctuates with the level of accounts receivable transferred, timing of cash settlements and the Company's cash requirements. Drawings are presented as other long-term debt on the balance sheet and are excluded from the net debt to capitalization calculation for financial covenant purposes (note 14). The utilization charge, which is based on money market rates plus a margin, and other program fees are recorded as interest expense. In 2012, the utilization charge and program fees included in interest expense totalled $2 million (2011 – $2 million).

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 January 30, 2013, Norbord's ratings were BB (low) (DBRS), BB- (Standard & Poor's Ratings Services) and Ba3 (Moody's Investors Service).

NOTE 4. INVENTORY

(US $ millions)	**Dec 31, 2012**	Dec 31, 2011
Raw materials	**$ 25**	$ 22
Finished goods	**40**	36
Operating and maintenance supplies	**33**	30
	$ 98	$ 88

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

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

(US $ millions)	**2012**	2011
Cost of inventories	**$ 908**	$ 872
Depreciation on property, plant and equipment	**53**	50
	$ 961	$ 922

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

(US $ millions)	Land	Buildings	Production Equipment	Total
Cost				
December 31, 2010	$ 11	$ 119	$ 734	$ 864
Additions	-	-	25	25
Effect of translation	-	-	(2)	(2)
December 31, 2011	11	119	757	887
Additions	-	-	26	26
Disposals	(1)	-	(2)	(3)
Effect of translation	-	1	6	7
December 31, 2012	**$ 10**	**$ 120**	**$ 787**	**$ 917**
Accumulated depreciation				
December 31, 2010	$ -	$ 8	$ 42	$ 50
Depreciation	-	8	43	51
Effect of translation	-	-	(1)	(1)
December 31, 2011	-	16	84	100
Depreciation	-	8	45	53
Disposals	-	-	(1)	(1)
Effect of translation	-	-	1	1
December 31, 2012	**$ -**	**$ 24**	**$ 129**	**$ 153**
Net				
December 31, 2011	$ 11	$ 103	$ 673	$ 787
December 31, 2012	**10**	**96**	**658**	**764**

NOTE 6. OTHER ASSETS

(US $ millions)	Note	**Dec 31, 2012**	Dec 31, 2011
Unrealized net investment hedge gains	15	**$ -**	$ 3
Unrealized interest rate swap gains	15	**-**	2
		$ -	$ 5

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

NOTE 7. LONG-TERM DEBT

(US $ millions)	Note	Dec 31, 2012	Dec 31, 2011
Principal value			
6.25% senior secured notes due 2015		**$ 165**	$ -
6.25% senior unsecured notes due 2015		**75**	-
Senior secured notes due 2017		**200**	200
7.25% secured debentures due 2012		**-**	240
		440	440
Debt issue costs		**(7)**	(5)
Unrealized interest rate swap gains	6	**-**	2
Deferred interest rate swap gains		**-**	1
		433	438
Less: Current portion		**-**	(242)
		$ 433	$ 196

Maturities of long-term debt are as follows:

(US $ millions)	2013	2014	2015	2016	2017	Thereafter	Total
Maturities of long-term debt	$ -	$ -	$ 240	$ -	$ 200	$ -	$ 440

As at December 31, 2012, the effective interest rate on the Company's debt-related obligations, including the impact of the interest rate swaps, was 6.9% (2011 – 5.8%). Interest expense on long-term debt for the year, including the impact of interest rate swaps, was $36 million (2011 – $33 million). Total interest paid during the year was $41 million (2011 – $33 million).

Senior Notes Due 2015

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

Senior Secured Notes Due 2017

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

Revolving Bank Lines

In July 2012, the Company renewed its committed revolving bank lines, extending the maturity by one year and reducing the aggregate commitment by $25 million. All other material terms of the bank lines remain unchanged. As a result, the Company now has a total aggregate commitment of $245 million which matures in May 2015 and bears interest at money market rates plus a margin that varies with the Company's credit rating. The bank lines are secured by a first lien on the Company's North American OSB inventory and property, plant and equipment. This lien is shared pari passu with holders of the 2015 and 2017 senior secured notes.

At period-end, none of the revolving bank lines were drawn as cash, $3 million was utilized for letters of credit and $242 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, OCI 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 $422 million and net debt for financial covenant purposes was $315 million. Net debt to total capitalization was 43% on a book basis (note 14).

Debt Issue Costs

In 2012, debt issue costs of $5 million (2011 – $1 million) were paid on the issuance of the 2015 senior notes and the renewal of the revolving bank lines. Amortization expense related to debt issue costs for 2012 was $3 million (2011 – $2 million).

Interest Rate Swaps

At period-end, the Company did not have any outstanding interest rate swaps (December 31, 2011 – $115 million). The interest rates swaps matured on July 1, 2012, the same date the underlying hedged debt was repaid. Interest rate swap gains were offset by losses on the underlying exposures being hedged within interest expense.

NOTE 8. OTHER LIABILITIES

(US $ millions)	Note	**Dec 31, 2012**	Dec 31, 2011
Defined benefit pension obligation	9	**$ 30**	$ 31
Accrued employee benefits		**10**	8
Unrealized monetary hedge loss	15	**-**	1
		$ 40	$ 40

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

NOTE 9. EMPLOYEE BENEFIT PLANS

Pension Plans

Norbord has a number of pension plans in which participation is available to substantially all employees. Norbord's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The most recent actuarial valuation was conducted as of December 31, 2011.

Information about Norbord's defined benefit pension obligation and assets is as follows:

(US $ millions)		2012		2011
Change in Accrued Benefit Obligation During the Year				
Accrued benefit obligation, beginning of year	**$**	**88**	$	85
Current service cost		**2**		2
Interest on accrued benefit obligation		**4**		4
Benefits paid		**(6)**		(4)
Net actuarial loss		**3**		5
Curtailment gain		**-**		(1)
Foreign currency exchange rate impact		**2**		(3)
Accrued benefit obligation, end of year[1]	**$**	**93**	$	88
Change in Plan Assets During the Year				
Plan assets, beginning of year	**$**	**57**	$	59
Expected return on plan assets		**4**		4
Employer contributions		**5**		5
Benefits paid		**(6)**		(4)
Net actuarial gain (loss)		**2**		(5)
Foreign currency exchange rate impact		**1**		(2)
Plan assets, end of year[1]	**$**	**63**	$	57
Funded Status				
Accrued benefit obligation	**$**	**93**	$	88
Plan assets		**(63)**		(57)
Accrued benefit obligation in excess of plan assets	**$**	**30**	$	31

[1] All plans have accrued benefit obligations in excess of plan assets.

The components of benefit expense (income) recognized in the statement of earnings are as follows:

(US $ millions)		2012		2011
Current service cost	**$**	**2**	$	2
Interest on accrued benefit obligation		**4**		4
Expected return on plan assets		**(4)**		(4)
Curtailment gain		**-**		(1)
Net periodic pension expense	**$**	**2**	$	1

Significant Weighted Average Actuarial Assumptions	2012	2011
Used in calculation of net periodic pension expense for the year		
Discount rate	**4.5%**	5.2%
Expected long-term rate of return on plan assets	**6.8%**	7.0%
Rate of compensation increase	**2.7%**	3.6%
Used in calculation of accrued benefit obligation, end of year		
Discount rate	**4.3%**	4.5%
Rate of compensation increase	**2.5%**	2.7%

The weighted average asset allocation of Norbord's defined benefit pension plan assets is as follows:

	Dec 31, 2012	Dec 31, 2011
Asset category		
Equity investments	**62%**	60%
Fixed income investments	**37%**	39%
Cash	**1%**	1%
Total assets	**100%**	100%

Operating costs include $7 million (2011 – $7 million) related to contributions to Norbord's defined contribution pension plans.

The cumulative actuarial losses, net of tax, recognized in retained earnings are as follows:

(US $ millions)	Dec 31, 2012	Dec 31, 2011
Cumulative actuarial losses	**$ 27**	$ 27

NOTE 10. INCOME TAX

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts used for income tax purposes.

The source of deferred income taxes balances is as follows:

(US $ millions)	Dec 31, 2012	Dec 31, 2011
Property, plant and equipment, differences in basis	**$ (161)**	$ (161)
Benefit of tax loss carryforwards	**79**	87
Investment and other tax credits	**3**	7
Other differences in basis	**(4)**	6
Deferred income taxes liability	**$ (83)**	$ (61)

As at December 31, 2012, the Company had the following approximate tax attributes available to carry forward:

	Amount (millions)	Latest Expiry Year
Tax loss carryforwards		
Belgium	€38	Indefinite
Canada - non-capital loss	CAD $85	2031
Canada - capital loss	CAD $18	Indefinite
United States	US $145	2033
Investment and other tax credits		
Canada	CAD $3	2031

The loss carryforwards and credits may be utilized over the next several years to eliminate cash taxes otherwise payable, and they will protect future cash flows. Certain deferred tax benefits relating to the above attributes have been included in deferred income taxes in the consolidated financial statements. At each balance sheet date, the Company assesses its deferred income tax assets position and recognizes and/or derecognizes the amounts that, in the judgement of management, are probable to be realized or unrealized. During the year, the Company recognized $nil in net deferred

tax assets (2011 – $8 million) relating to prior year's losses and temporary differences. Concurrently, the Company did not recognize or derecognize any net deferred tax assets (2011 – $7 million deferred tax assets derecognized) which were recorded in OCI.

The expiry date, if applicable, of the unrecognized deferred tax assets is as follows:

(US $ millions)	**Dec 31, 2012**	Dec 31, 2011
2013	**$ 2**	$ 2
2018 - 2033	**9**	6
Do not expire	**32**	35
Total	**$ 43**	$ 43

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax assets have not been recognized as at December 31, 2012 is $209 million (December 31, 2011 – $431 million).

Income tax expense (recovery) recognized in the statement of earnings comprises the following:

(US $ millions)	**2012**	2011
Current income tax	**$ 5**	$ 3
Deferred income tax	**22**	(31)
Income tax expense (recovery)	**$ 27**	$ (28)

Income tax expense (recovery) is calculated as follows:

(US $ millions)	**2012**	2011
Earnings before income tax	**$ 99**	$ (39)
Income tax expense (recovery) at combined Canadian federal and provincial statutory rate of 26.5% (2011 – 28.3%)	**26**	(11)
Effect of:		
Rate differences on foreign activities	**7**	(2)
Derecognition of the benefit of current year's tax loss and other deferred tax assets/liabilities	**-**	2
Recognition of the benefit of prior year's tax losses and deferred tax assets	**-**	(10)
Foreign exchange gain	**(1)**	(1)
Other	**(5)**	(6)
Income tax expense (recovery)	**$ 27**	$ (28)

Income tax (expense) recovery recognized in the statement of comprehensive income (loss) comprises the following:

(US $ millions)		**2012**		2011
Foreign currency translation gain (loss) on foreign operations	**$**	**8**	$	(3)
Tax		**(1)**		(1)
Net of tax	**$**	**7**	$	(4)
Net loss on hedge of net investment in foreign operations	**$**	**-**	$	(1)
Tax		**-**		-
Net of tax	**$**	**-**	$	(1)
Actuarial loss on post-employment obligation	**$**	**(1)**	$	(11)
Tax		**1**		(6)
Net of tax	**$**	**-**	$	(17)

NOTE 11. SHAREHOLDERS' EQUITY

Share Capital

			2012			2011
	Shares (millions)		**Amount (US $ millions)**	Shares (millions)		Amount (US $ millions)
Common shares outstanding, beginning of year	**43.6**	**$**	**340**	43.5	$	340
Issue of common shares, net	**0.4**		**6**	0.1		-
Common shares outstanding, end of year	**44.0**	**$**	**346**	43.6	$	340

As at December 31, 2012, the authorized capital stock of the Company is as follows: an unlimited number of Class A and Class B preferred shares, an unlimited number of non-voting participating shares and an unlimited number of common shares.

Contributed Surplus

Contributed surplus comprises transactions on account of the warrants issued by Norbord and stock options issued under the Company's stock option plan.

Warrants

			2012			2011
	Warrants (millions)		**Amount (US $ millions)**	Warrants (millions)		Amount (US $ millions)
Balance, beginning of year	**136.3**	**$**	**35**	136.3	$	35
Warrants exercised	**(1.1)**		**-**	-		-
Balance, end of year	**135.2**	**$**	**35**	136.3	$	35

As at December 31, 2012, the Company had 135.2 million common share purchase warrants outstanding, entitling holders to purchase 13.5 million common shares, at a price of CAD $13.60 per share, at any time prior to December 24, 2013. During the year, 1.1 million common share purchase warrants were exercised resulting in the issuance of 0.1 million common shares for total proceeds of $1 million.

Norbord

Stock Options

	2012		2011	
	Options (millions)	**Weighted Average Exercise Price (CAD $)**	Options (millions)	Weighted Average Exercise Price (CAD $)
Balance, beginning of year	**2.0**	**$ 21.63**	1.5	$ 23.73
Options granted	**0.5**	**9.96**	0.6	14.93
Options exercised	**(0.3)**	**9.34**	(0.1)	6.12
Balance, end of year	**2.2**	**$ 20.57**	2.0	$ 21.63
Exercisable at year-end	**0.7**	**$ 35.49**	0.7	$ 33.30

During the year, 0.3 million stock options were exercised resulting in the issuance of 0.3 million common shares for total proceeds of $3 million.

Under the Company's stock option plan, the Board of Directors may issue stock options to certain employees of the Company. These options vest over a five-year period and expire 10 years from the date of issue. In 2012, stock option expense of $2 million was recorded against contributed surplus (2011 – $2 million).

The following table summarizes the weighted average exercise prices and the weighted average remaining contractual life of the balances of stock options outstanding at December 31, 2012:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (CAD $)	Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (CAD $)	Options	Weighted Average Exercise Price (CAD $)
$6.50	427,000	6.09	$ 6.50	227,000	$ 6.50
$8.40-$12.05	509,230	9.01	9.97	3,230	8.40
$14.93	529,000	8.08	14.93	61,000	14.93
$18.21	514,000	7.09	18.21	190,000	18.21
$38.30	22,030	1.07	38.30	22,030	38.30
$60.90	90,630	5.09	60.90	72,504	60.90
$87.30-$111.30	150,910	3.21	97.13	150,910	97.13
	2,242,800	7.17	$ 20.57	726,674	$ 35.49

Accumulated Other Comprehensive Income (Loss)

(US $ millions)	**Dec 31, 2012**	Dec 31, 2011
Foreign currency translation gain on foreign operations	**$ 14**	$ 7
Net loss on hedge of net investment in foreign operations	**(8)**	(8)
Accumulated other comprehensive income (loss), net of tax	**$ 6**	$ (1)

NOTE 12. EARNINGS PER COMMON SHARE

(US $ millions, except share and per share information, unless otherwise noted)	2012	2011
Earnings available to common shareholders	**$ 72**	$ (11)
Common shares (millions):		
Weighted average number of common shares outstanding	**43.6**	43.6
Stock options[1]	**0.4**	-
Warrants[1]	**1.4**	-
Diluted number of common shares	**45.4**	43.6
Earnings per common share:		
Basic	**$ 1.65**	$ (0.25)
Diluted	**1.59**	(0.25)

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

NOTE 13. SUPPLEMENTAL CASH FLOW INFORMATION

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

(US $ millions)	2012	2011
Cash used for:		
Accounts receivable	**$ (22)**	$ (11)
Inventory	**(12)**	(8)
Accounts payable and accrued liabilities	**15**	(4)
	$ (19)	$ (23)

Cash interest and income taxes comprise:

(US $ millions)	2012	2011
Cash interest paid	**$ 41**	$ 33
Cash taxes paid, net	**-**	1

NOTE 14. CAPITAL MANAGEMENT

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

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

Net debt to capitalization, book basis, is net debt divided by the sum of net debt and tangible net worth. Net debt consists of the principal value of long-term debt, including the current portion and bank advances (if any) less cash and cash equivalents. Consistent with the treatment under the Company's financial covenants, letters of credit are included in net debt. Tangible net worth consists of shareholders' equity.

Net debt to capitalization, market basis, is net debt divided by the sum of net debt and market capitalization. Net debt is calculated, as outlined above, under net debt to capitalization, book basis. Market capitalization is the number of common shares outstanding at period-end multiplied by the trailing 12-month average per share market price. Market basis capitalization is intended to correct for the low historical book value of Norbord's asset base relative to its fair value.

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

(US $ millions)	Note	**Dec 31, 2012**	Dec 31, 2011
Long-term debt, principal value	7	**$ 440**	$ 440
Less: Cash and cash equivalents		**(128)**	(83)
Net debt		**312**	357
Add: Letters of credit		**3**	3
Net debt for financial covenant purposes		**315**	360
Shareholders' equity		**386**	300
Add: IFRS transitional adjustments	7	**21**	21
Less: Other comprehensive income movement[1]		**15**	22
Tangible net worth for financial covenant purposes		**422**	343
Total capitalization		**$ 737**	$ 703
Net debt to capitalization, book basis		**43%**	51%
Net debt to capitalization, market basis		**32%**	42%

[1] Cumulative subsequent to January 1, 2011.

NOTE 15. FINANCIAL INSTRUMENTS

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

Norbord's financial risk management activities are governed by Board-approved financial policies that cover risk identification, tolerance, measurement, hedging limits, hedging products, authorization levels and reporting. Derivative contracts that are deemed to be highly effective in offsetting changes in the fair value, net investment or cash flows of hedged items are designated as hedges of specific exposures. Gains and losses on these instruments are recognized in the same manner as the item being hedged. Hedge ineffectiveness, if any, is measured and included in current period earnings.

Market Risk

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

Commodity Price Risk

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

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

At December 31, 2012, Norbord has hedged approximately 19% of its 2013 expected natural gas consumption by locking in the price directly with its suppliers. Approximately 60% of Norbord's electricity is purchased in regulated markets, and Norbord has hedged approximately 31% of its 2013 deregulated electricity consumption. While these contracts are derivatives, they are exempt from being accounted for as financial instruments as they were normal purchases for the purpose of receipt.

Interest Rate Risk

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

Historically, the Company entered into interest rate swaps to convert a portion of its debt from fixed to floating rates. At period-end, the Company had no interest rate swaps outstanding (note 7).

From time to time, the Company has recouponed its portfolio of interest rate swaps to more efficiently manage cash flow and credit exposure. Any gains or losses realized are deferred and amortized over the remaining term of the debt against which the swaps were designated as hedges. At year-end, there were no deferred interest rate swap gains

included in the carrying value of long-term debt in the consolidated balance sheets (note 7). In 2012, amortization of $1 million (2011 – $2 million) was included in interest expense (note 7).

Currency Risk

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

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

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

Counterparty Credit Risk

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

Norbord operates in a cyclical commodity business. Accounts receivable credit risk is mitigated through established credit management techniques, including conducting financial and other assessments to establish and monitor a customer's creditworthiness, setting customer limits, monitoring exposures against these limits and, in some instances, purchasing credit insurance or obtaining trade letters of credit. At period-end, the key performance metrics on the Company's accounts receivable are in line with prior periods. As at December 31, 2012, the provision for doubtful accounts was less than $1 million (December 31, 2011 – less than $1 million). In 2012, Norbord had one customer whose purchases represented greater than 10% of total sales.

Under an accounts receivable securitization program, Norbord has 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. At December 31, 2012, Norbord had no drawings (December 31, 2011 – $69 million) relating to this program. The fair value of the deferred purchase price approximates its carrying value as a result of the short accounts receivable collection cycle and negligible historical credit losses.

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

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

Liquidity Risk

Norbord strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

At period-end, Norbord had $128 million in cash, $85 million undrawn under its accounts receivable securitization program and $242 million in unutilized committed revolving bank lines.

Financial Liabilities

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

						Payments Due by Period	
(US $ millions)	2013	2014	2015	2016	2017	Thereafter	Total
Principal	$ -	$ -	$ 240	$ -	$ 200	$ -	$ 440
Interest	32	32	24	15	8	-	111
Long-term debt, including interest	$ 32	$ 32	$ 264	$ 15	$ 208	$ -	$ 551

Note: The above table does not include pension and post-employment benefits plan obligations.

Non-Derivative Financial Instruments

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

		Dec 31, 2012		Dec 31, 2011	
(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	**$ 128**	**$ 128**	$ 83	$ 83
Accounts receivable	Loans and receivables	**125**	**125**	102	102
		$ 253	**$ 253**	$ 185	$ 185
Financial liabilities:					
Accounts payable and accrued liabilities	Other financial liabilities	**$ 173**	**$ 173**	$ 162	$ 162
Long-term debt	Other financial liabilities	**433**	**471**	438	433
Other long-term debt	Other financial liabilities	**-**	**-**	69	69
Other liabilities	Other financial liabilities	**40**	**40**	40	40
		$ 646	**$ 684**	$ 709	$ 704

Derivative Financial Instruments

Information about derivative financial instruments was as follows:

(US $ millions, unless otherwise noted)	Notional Value	Unrealized Gain at Period-End[1]	Realized Gain for the Year	Sensitivity to 1% Change
				Dec 31, 2012
Currency hedges:				
Net investment				
Belgium	**€-**	**$ -**	**$ 3**	**$ -**
UK	**£-**	**-**	**-**	**-**
Monetary position				
Canadian dollar	**CAD $43**	**-**	**1**	**-**
Cash flow				
Euro	**€40**	**-**	**-**	**-**
Interest rate hedges:				
Interest rate swaps	**$-**	**-**	**2**	**-**

(US $ millions, unless otherwise noted)	Notional Value	Unrealized Gain (Loss) at Period-End[1]	Realized (Loss) Gain for the Year	Sensitivity to 1% Change
				Dec 31, 2011
Currency hedges:				
Net investment				
Belgium	€11	$ 2	$ (2)	$ -
UK	£41	1	1	1
Monetary position				
Canadian dollar	CAD $93	(1)	1	1
Interest rate hedges:				
Interest rate swaps	$115	2	-	1

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

Realized and unrealized gains and losses on derivative financial instruments are offset by realized and unrealized losses and gains on the underlying exposures being hedged.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Tax Exposures

In the normal course of operations, the Company is subject to various uncertainties concerning the interpretation and application of tax laws, in the filing of its tax returns in operating jurisdictions that could materially affect the Company's cash flows. There can be no assurance that the tax authorities will not challenge the Company's filing positions.

Other

The Company has provided certain commitments and indemnifications, including those related to former businesses. The maximum amounts from many of these items cannot be reasonably estimated at this time. However, in certain circumstances, the Company has recourse against other parties to mitigate the risk of loss.

The Company has entered into various commitments as follows:

(US $ millions)	Less than 1 year	1-5 years	Thereafter	Payments Due by Period Total
Purchase obligations	$ 44	$ 78	$ 5	$ 127
Operating leases	3	5	-	8
	$ 47	$ 83	$ 5	$ 135

NOTE 17. 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 its related parties during the normal course of business.

Standby Term Loan Commitment

In 2011, Brookfield committed to put in place a $120 million standby term loan to be used to repay up to half of the 2012 debentures, which were due July 1, 2012, if necessary. Since the 2012 debentures were refinanced through the issuance of senior notes during the year, the standby term loan commitment automatically terminated.

Indemnity Commitment

As at December 31, 2012, total future costs related to a 1999 asset purchase agreement between the Company and Brookfield, for which Norbord provided an indemnity, are estimated at less than $1 million and are included in other liabilities in the consolidated balance sheets.

Other

The Company provided certain administrative services to Brookfield which were charged on a cost recovery basis. In addition, the Company periodically purchases goods from or engages the services of Brookfield for various financial, real estate and other business advisory services. In 2012, the fees for services rendered and the cost of goods purchased were $4 million (2011 – $5 million) and were charged at market rates.

Compensation of Key Management Personnel

The remuneration of directors and other key management personnel was as follows:

(US $ millions)	**2012**	2011
Salaries, incentives and short-term benefits	**$ 4**	$ 2
Share-based awards	**2**	2
	$ 6	$ 4

Norbord

NOTE 18. 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.

				2012
(US $ millions)	**North America**	**Europe**	**Unallocated**	**Total**
Sales	**$ 701**	**$ 448**	**$ -**	**$ 1,149**
EBITDA[1]	**165**	**39**	**(16)**	**188**
Depreciation	**35**	**18**	**-**	**53**
Investment in property, plant and equipment	**20**	**6**	**-**	**26**
Property, plant and equipment	**631**	**133**	**-**	**764**

				2011
(US $ millions)	North America	Europe	Unallocated	Total
Sales	$ 507	$ 458	$ -	$ 965
EBITDA[1]	14	44	(13)	45
Depreciation	31	19	1	51
Investment in property, plant and equipment	14	11	-	25
Property, plant and equipment	646	141	-	787

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

NOTE 19. PRIOR PERIOD COMPARATIVES

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