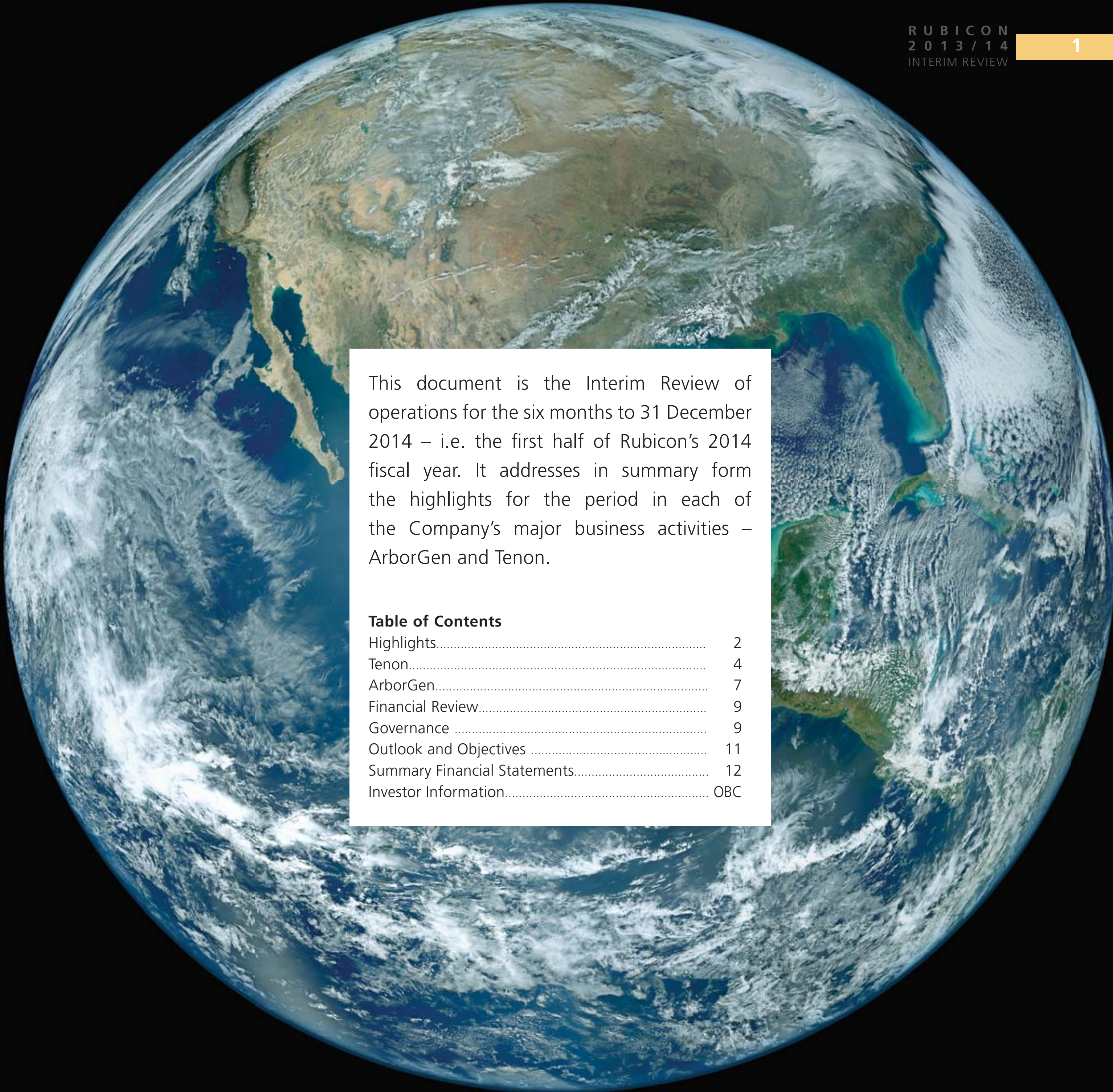
RUBICON

DECEMBER 2013
INTERIM REVIEW

RUBICON

There are statements in this Review that are "forward looking statements." As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Rubicon, and our Tenon and ArborGen investments, some of which are beyond our control. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. Tenon's risks and uncertainties include - that its operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes, particularly in North America. Fluctuations in industrial output, foreign exchange changes, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repair and remodelling and additions to existing homes, new housing starts, relative exchange rates, interest rates, and profitability of customers, can have a substantial impact on Tenon's results of operations and financial condition. ArborGen's risks and uncertainties include (in addition to those of Tenon) - the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, public and customer acceptance of genetically engineered products, customer adoption of advanced seedling products, the success of ArborGen's research and development activities, weather conditions and biological matters. As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

Rubicon's functional currency is the US dollar, and accordingly, unless otherwise stated, all references to dollars in this Review are references to US dollars.



This document is the Interim Review of operations for the six months to 31 December 2014 – i.e. the first half of Rubicon's 2014 fiscal year. It addresses in summary form the highlights for the period in each of the Company's major business activities – ArborGen and Tenon.

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Highlights – Six Months to 31 December 2013

Rubicon has two core investments – ArborGen and Tenon. The summary highlights of each for the six-month period ending 31 December 2013 are outlined below. All $ numbers reference US$.

- **Tenon is leveraged to both new housing and DIY/retail in the US, and will be a beneficiary of the broader US housing market recovery as it progresses**
  - US industry activity now only at early cycle recovery levels
  - Upside potential from current activity level is therefore significant
- **Announcement of planned resumption of shareholder cash returns in the second half of calendar 2014** (assuming no unforeseen events and Tenon's earnings progressing to plan)
- **Share price increased 30% across the period**
  - NZX up 7% over same period
  - Edison analyst report values Tenon at mid-point of NZ$2.53 per share
- **Shareholder Plan introduced and strongly supported by existing shareholders**
  - Number of shareholders buying additional shares exceeded sellers 2:1
  - Number of shares acquired exceed those sold by 10:1
- **New five-year, $70 million syndicated debt financing facility established**
- **Revenue of $197 million recorded, up $23 million (13%) on the corresponding prior six-month period to December 2012**
  - Revenue from pro-dealer customers up 20%
  - Revenue from DIY / retail customers up 10%
- **In line with market expectations, a breakeven net profit after tax result was recorded (corresponding prior period, $2 million loss), and forecast to move into 'bottom line' profitability in the second half of the 2014 fiscal year (pre any restructuring costs).** The six-month result included costs expensed of –
  - $1 million relating to the new financing facility
  - $1 million relating to complete in-store decorative product line "refresh"
- **Gross Profit of $47 million, an 18% increase on the prior period's $40 million**
- **EBITDA[1] of $5 million was recorded**
  - Up 25% on the six-month period to June 2013
  - Equal to that recorded for the entire 12 months in fiscal 2013
- **Targeting fiscal 2014 EBITDA[1] to double that reported in 2013**
- **Mid-cycle[2] EBITDA[1] potential upgraded to circa $45 million (previously circa $35 million)**

1 *EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisation) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis, because that number removes distortions caused by the difference in asset ages, depreciation policies, and debt:equity structures. EBITDA is calculated as Net Profit/Loss after Taxation of $nil million (Dec 2012 $2 million loss), less income tax benefit of $nil million (Dec 2012 $nil), plus financing costs of $3 million (Dec 2012 $1 million), plus depreciation and amortisation of $2 million (Dec 2012 $2 million). Please refer to note 10 to the Interim Financial Statements.*

2 *Mid-cycle assumptions include US housing starts circa 1.7 million per annum and NZD:USD of 70 cents.*

Highlights – Six Months to 31 December 2013

ArborGen
The Future of Forestry

Note that ArborGen's core market today is the US, and that the US crop growing season is typically from April – December, with the 'lifting and sales' occurring primarily in the January-March period each year. Accordingly, Rubicon's Interim Reviews do not cover the ArborGen sales season, and the ArborGen highlights (below) reflect that operational seasonality.

- **Continued recovery in the US housing market (refer Tenon discussion), which will lift forest harvesting and, in turn, forest replanting levels**

- **Production and sales 'on plan'**
  - Production unit in the US has 250+ million seedlings currently 'in the ground,' for harvesting and delivery to customers in Q1 of calendar '14 (i.e. CY'14)
  - **Immediate sales target has been aspirationally set at achieving up to a 50% increase in the commercial sale of advanced pine seedling volumes in the current season (i.e. y-o-y)**
  - Longer–term sales targets for the % of advanced seedling sales are in place
  - Resourcing of US commercial sales and product development team increased further, in order to deliver on these significantly expanded sales targets

- **Science/R&D review completed and being implemented –** focus on the application of advanced genomic selection to fast-track the development of new (non-GE) higher genetic-value products now underway

- **'Blended' varietal production techniques being put in place, to further lower the per-unit cost of US varietal pine products**

- **Brazil eucalyptus strategy now operationalised**
  - Production of 5 million eucalyptus varietals in process
  - Order book 'sold out' for current season

- **Brazil pine strategy planned to follow the successful eucalyptus introduction**

- **NZ expansion opportunity currently under due diligence**

- **$26 million US bank facility extended out to 31 August '15**

- **Stretch target in place to be at an EBITDA[1] positive 'run-rate' by the end of CY'15** (inclusive of the expensing of all research expenditure on future products)

- **Enhanced focus on commercialisation milestones for a successful ArborGen liquidity event**

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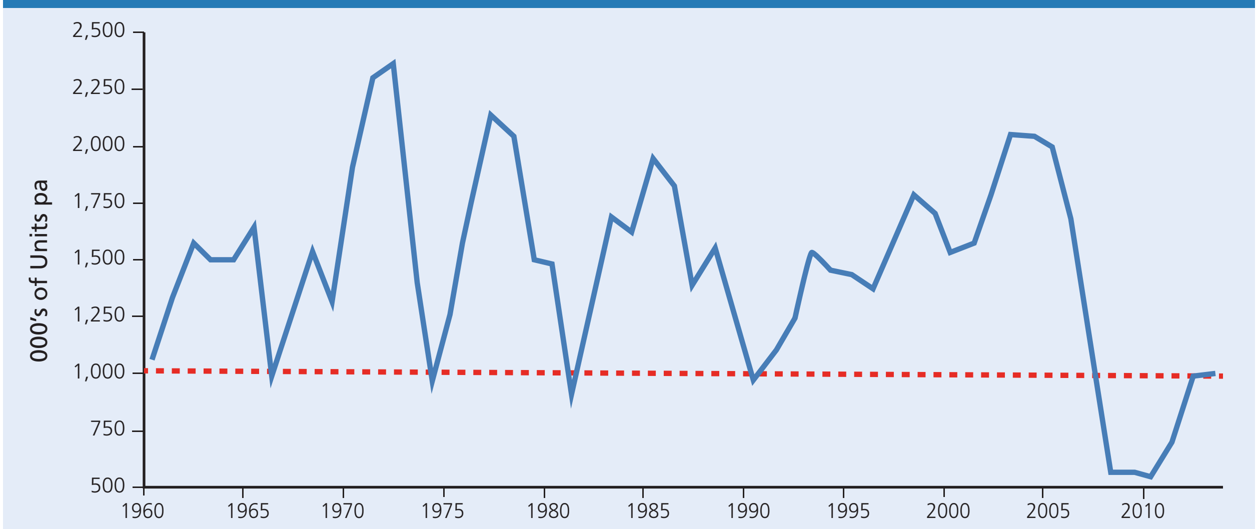
Tenon's financial performance gained momentum in the six months, in line with the continuing recovery in the US housing market now taking place. A quick review of US industry data for the period shows –

- Housing starts ended the year 20% up on June '13
- Permits issued for new home construction, at 986,000 (seasonally adjusted annual rate) in December, were up 7% on June '13
- 5.1 million homes were sold in CY'13, 9.1% higher than in the prior year - the strongest performance since 2006
- The Case-Shiller 20-city composite home price index increased 13.7% year-on-year (November) – the largest 12-month gain in eight years
- Existing home inventory ended the year at 4.6 months of supply, down 10% on the 5.1 months level prevailing at June '13

While there was some softening in conditions during the six months due to rising mortgage rates (a result of the US Federal Reserve's decision to begin its "tapering" programme), and also post balance date (i.e. in January and February) due to severe winter weather conditions, Tenon believes the overall housing market trend remains positive in terms of a continued recovery. Longer-term, this will be supported by strong underlying US household growth and demographics. In the near-medium term, on-going job recovery in the US economy, combined with rising home prices and pent-up housing demand, will be the important factors.

As the new home construction chart below shows, activity levels have only now recovered to the bottom of previous cycles. Put another way, over the past 50+ years housing starts have been above the current level for almost 90% of the time. So clearly we are only in the initial phase of this recovery, and the gap to mid-cycle levels of activity represents a large future opportunity for Tenon. As can be seen, quite apart from Tenon's organic growth initiatives, cyclical recovery alone will support strong future earnings growth in each of its underlying businesses.

Total New Privately Owned Housing Units Started December
Seasonally Adjusted Annual Rate 1960-2013



Although the industry is only in the early phase of cyclical recovery, Tenon has already begun to benefit from these improved market conditions. A few highlights from our six months' reported financial results show this point -

- **At $197 million, Revenue was up $23 million, or 13%**, on the previous year. This growth in top line revenue came primarily from a 20%+ increase over the corresponding prior period to December '12 ("cpp") in sales to Tenon's pro-dealer customers as it expanded its product range into existing customers. Notably, Tenon's retail / DIY customer sales also showed good growth, increasing by 10% over the cpp. This is the first six-month period since the beginning of the US housing down-cycle in 2007-8 that Tenon has reported comparable period retail sales growth – a very positive indication that these customers will provide a strong earnings growth engine for Tenon as the US housing sector continues to recover. Revenue in the period also benefited from new and expanded product programmes established towards the end of fiscal'13, including softwood and hardwood boards, plank panelling, and new profiles of hardwood mouldings.

- **In line with market expectations, a break-even net profit after tax result was recorded.** This result included $1 million in costs relating to the establishment of Tenon's new bank financing facility (see below). Tenon remains on track to achieve bottom line profitability in the second half of fiscal'14. **Gross profit of $47 million was recorded, up 18% on the cpp.** Importantly, in terms of on-going future market recovery, gross profit was up over 9% on the $43 million recorded the second half of fiscal'13 (i.e. 30 June 2013). **Operating Profit before Financing Costs of $3 million compares favourably with the loss of $1 million recorded in the prior year.** This improved operating profit result reflected not only the benefits of higher volumes, but also the gains from restructuring activities taken last year. Notably, this result also included the costs associated with the completion of the decorative product line "refresh" (a $1 million expense in the period). The NZD:USD cross rate moved wildly in the period, ranging from just under 78 cents to over 84 cents, and averaged 81 cents. Tenon's FX hedging policy worked well in this environment, securing a hedged rate of 79 cents for the six months, compared with a budgeted rate of 80 cents.

- **EBITDA improved to a profit of $5 million ($1 million cpp).** This six-months EBITDA[1] result was very pleasing, in so much that it equalled the result reported for the entire 12 months of fiscal'13 (i.e. for the 12 months to 30 June 2013), and it clearly shows the strengthening in Tenon's financial performance as the housing market continues on its recovery path. The result was in line with the EBITDA market guidance announcement Tenon made at its ASM in December 2013. As noted above, this result was achieved despite the headwind of a strong NZ dollar, and the $1 million of costs incurred in refreshing Ornamental's decorative product line.

- **New five-year $70 million financing facility established.** In September Tenon announced that it had signed a new syndicated bank facility led by PNC (as agent bank), with continued participation by two of its existing syndicate banks – BNZ and Comerica. This new five-year $70 million facility, provides for 30% greater debt capacity than the $54 million it operated with under the previous facility. The PNC facility does not expire until September 2018. This new facility will allow Tenon to advance through the cyclical recovery in the US housing market on a much stronger financial footing.

During the year Tenon put in place a small shareholder plan. The Plan ended on 31 January, by which time the number of existing Tenon shareholders buying further shares exceeded those wishing to sell by a ratio of 2:1, and the numbers of shares bought by shareholders exceeded those sold by a ratio of 10:1 – overall a very pleasing and positive response.

Tenon's share price performance during the six months was very strong, increasing over 30%. This compares very favourably with the 7% increase recorded by the NZX50 over this same period.

1 *EBITDA (please refer to note 10 to the Interim Financial Statements and also to the footnote to the Tenon Highlights on page 3 of this Interim Review) is the non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis, because that number removes distortions caused by the differences in asset ages and depreciation policies, and by different debt:equity structures.*

Despite this strong recent performance, we still believe Tenon's traded share price is below "fair value" as at this point in the cycle. This view is supported by the Edison Investment Research's ("Edison") equity analyst report (issued 26 February 2014) which upgraded its value of Tenon into a range of NZ$2.40 - $2.67 per share. To help address this issue, two initiatives were announced at Tenon's ASM to assist in closing this value "gap," including -

- **Intention to begin making cash returns to shareholders.** Assuming no unforeseen events and Tenon's earnings profile progressing to plan, then Tenon believes it will be in a position to begin making cash returns to shareholders in 2014, following the completion of the 30 June 2014 fiscal year. Tenon has not yet determined the appropriate form these will take (e.g. dividend or share buyback), as that will depend on a number of factors – including Tenon's core goal of seeing its share price lift. This will be announced later in the year.
- **Increasing Tenon's equity exposure to US investors.** 90% of Tenon's revenue is derived from the US, where the bulk of its operations are located, yet its equity is NZ-based, where news of the US housing market and the performance of Tenon's competitors is sparse. While one obvious path under consideration is a dual stock exchange listing (Tenon will be weighing up the "pros and cons" of such an approach), Tenon will also be undertaking a much wider company review to see how the company can be best positioned to create value for shareholders as the current cyclical recovery progresses.

These initiatives are consistent with Tenon's objective to lift its share price performance further, and to close the apparent value gap. These do not stand alone – they are, of course, complementary to Tenon's fundamental operating imperatives, which are designed to optimise operational and financial performance this fiscal year.

As we have previously outlined, ArborGen summarises its investment proposition succinctly as follows –

- First mover and leader in advanced pine and select hardwood forestry genetics
- Customer channels in place, with leading market shares
- Largest global commercial producer of seedlings today
- No global integrated competitor
- Technology is advanced, proprietary, and protected
- Business platform can create extraordinary value
- A full pipeline of high-value products
- Large global market opportunities
- Revenues and margins which will grow significantly
- Leverage across multiple products, end-uses, and geographies
- Low risk business model

In a liquidity event, it is important that the full value of ArborGen's investment proposition is recognised – i.e. the full value of its business model, the research and development platform, and the strong global competitive position that it has built. In order to achieve that, ArborGen needs to prove out as much of the upside of the business that it can, whilst simultaneously mitigating or eliminating any risks or concerns that equity investors might have in relation to its future earnings potential. At our ASM in December we outlined the current ArborGen focus in this regard –

- **Proving out the core business model - selling a higher proportion of US seedling production in MCP and varietal form.** As previously reported, in 2013 ArborGen increased the proportion of its sales in advanced genetics up from 8.4% of all loblolly pine volume sold in the US in 2012 to 13.6% in fiscal 2013. MCP ("mass control pollinated") and varietals combined, which totalled 16 million in 2012, increased over 80% to 29 million in fiscal 2013. In terms of total pine sales (i.e. including ANZ pine), approximately 20% of volumes sold were in the form of advanced pine products in 2013, with this percentage being higher than the US-alone figure above, due to the already high rate of advanced product adoption (75-80%) in the NZ market.

  Looking ahead, **for our fiscal '14 year, ArborGen has set itself an aggressive aspirational target of increasing US advanced genetics sales volumes by up to 50% y-o-y – a significant step-up again on last year's performance.** Achieving this extent of increase (or even close to it) will give investors considerable comfort that ArborGen's core US business will continue to meet its critical higher value genetics sales milestones over time – i.e. that the earning potential of the business will continue to grow in line with internal projections. As the US core underwrites a large part of ArborGen's total value this is a important focus for the company.

- **Attributing value to new geographies – e.g. production and sales in Brazil.** ArborGen has had GE product development agreements with the leading pulp producers in Brazil for some time, and a science programme has been in place there for over a decade. **In 2014 ArborGen will begin the production and sale of (non-GE) eucalyptus seedlings in Brazil, with the intention of selling up to five million varietals in this current first season,** and with the objective of scaling-up to much higher volumes as the model is proved out. This will allow ArborGen to build a commercial operating business with varietal products, as a precursor to the introduction of its higher value GE eucalyptus products (which focus on improving the efficiencies of their pulping processes by altering the chemical properties of the eucalyptus fibres and by increasing the yields per hectare of their forests) in subsequent years.

  At the same time that the eucalyptus position is being proven, **ArborGen will expand its Brazil strategy to include pine products.** The necessary development work is already underway - e.g. ArborGen has already established MCP trials on customers' land, matching its elite US genetics to similar growing conditions in Brazil, while the CellFor acquisition brought into the varietal portfolio a well established testing programme in Brazil - **and ArborGen hopes to have a substantive announcement on progress later in the calendar year.**

- **Proving out new end-uses – e.g. realising seedling sales into the bioenergy markets.** Growth in the North American wood markets has continued to occur, with over nine million green tons of new annual demand arising from start-ups across 24 bioenergy installations during 2013, including 18 wood-fired power plants and six export wood pellet mills. Among all the projects, the majority of start-ups took place in the US-South (seven energy and five pellet facilities). While most wood energy plants consume material generated as by-products, export pellet mills require primary raw material used in other processes. During 2014-15, another 11 large pellet facilities are expected to start in the South, which are estimated to require approximately 11 million tons of annual roundwood input (industry data in this paragraph extracted from RISI Wood Biomass Market Report, Jan 2014).

  As we have previously discussed, ArborGen is actively engaged with all of the potential bioenergy producers in the US South who are looking to use plantation hardwoods as a biomass supply, but particularly eucalyptus. **As the financing of these projects firms up** (which of course is completely outside ArborGen's control), **ArborGen expects to be announcing to the market the establishment of seedling supply agreements.**

- **Expanding further in existing markets – e.g. Australasian opportunities.** Where opportunities exist in existing markets to improve profitability, these will be taken, as they typically tend to be lower risk and lower cost avenues, and they also support and strengthen existing market positions. By way of example, ArborGen is currently undertaking due diligence on an expansionary opportunity in New Zealand which would be a good fit with its existing business activities. Although not large, it is a low risk way of extending ArborGen's competitive position in this market. If due diligence outcomes are favourable, the expectation is for an announcement in the first half of this calendar year.

- **Turning EBITDA[1] positive.** This is an important milestone for ArborGen. When considering an IPO investment, some investors prefer to invest their money in companies that are either already at, or very close to, the earnings break-even point, and which are seeking capital to grow and expand their operations from a position of near term profitability. Although raising capital to initially fund on-going losses is achievable, it is not the preferred approach as it has valuation implications. While ArborGen's commercial operating business (i.e. excluding research and development and corporate) is already profitable today, **ArborGen's stretch goal is for the company as a whole** (i.e. inclusive of the expensing of all research expenditure on future products) **to be at an EBITDA[1] positive 'run-rate' by the end of CY'15.** While weather and other 'uncontrollables' always have the ability to put short term targets off-course, ArborGen believes this fundamental earnings goal is well within sight.

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FINANCIAL

As Rubicon's functional currency is the US dollar, our financial statements generally refer to US dollars unless otherwise stated. All numbers are rounded to the nearest million. As Rubicon has majority ownership (59%) of Tenon, NZ International Reporting Standards (IFRS) require Tenon's Income, Cash Flows and Balance Sheet financial statements to be consolidated into Rubicon's statements. This is the basis upon which our financial statements are presented in this Review.

For the six-month period we recorded a net earnings loss of $2 million (cpp loss of $3 million), however this result included $1 million of costs relating to expenditure on Tenon's new syndicated financing facility (see below) and another $1 million relating to Tenon's complete decorative line reset (refer Tenon section page 5) – neither of which will be repeated in the second half of the year. Absent those two items, Rubicon would have recorded a break-even result for the period. Operating earnings before financing expense improved from a cpp loss of $2 million to a profit of $2 million, as Tenon's results lifted in line with cyclical recovery in the US housing market (refer Tenon section page 4). This was also reflected in our EBITDA[1] result, which improved to a $4 million profit (cpp $nil), inclusive of research and corporate development costs expensed at ArborGen.

As Rubicon owns only 31.67% of ArborGen, ArborGen is treated as an associate and its debt is not consolidated into Rubicon's balance sheet. Both ArborGen's and Tenon's debt is non-recourse to Rubicon Limited. During the period Tenon put in place a new five-year $70 million syndicated debt facility (refer Tenon section page 5), which will allow Tenon to take advantage of the recovering US housing cycle.

During the period ArborGen also extended its US$26 million facility out to August 2015. This is a positive development as in the past this has entailed a yearly roll-over review, and as ArborGen nears EBITDA positive status its banking status improves significantly. The partner capital requirements for the next fiscal year for ArborGen have not yet been set, so at this point we do not know what the Rubicon funding requirements are. However our expectation is that it will be down from the $5-6 million level that has prevailed over the past 2-3 years.

GOVERNANCE

Our ASM was held in Auckland (NZ) on 5th December 2013. At that meeting we outlined to shareholders our view of the future paths of both Tenon and ArborGen, and we also discussed valuation implications *(these materials can be downloaded at www.rubicon-nz.com).*

Subsequent to the meeting, Edison's equity analyst issued market reports on Tenon and Rubicon. Edison now values Tenon in a range of NZ$2.40 – $2.67 per share (as noted above), and Rubicon in a range of NZ$0.84 - $0.87 cents per share (inclusive of the impact of the recent share placement, see below), with ArborGen between US$360 - $660 million. Although Rubicon's share price has increased 35% since the start of the current financial year, at just over NZ40 cents at the time of writing our share price is still well below the Edison value estimates. The Tenon earnings and value initiatives announced will help close this gap, as too will ArborGen meeting its immediate operational goals (as outlined in the Tenon and ArborGen sections). As Edison wrote -

"There is a clear agenda to raise the profiles and valuations of investee companies Tenon and ArborGen. Both companies are making tangible operational and financial progress and we expect this to become more apparent during 2014 … Rubicon is to be commended for laying out clear development milestones for Tenon and ArborGen. In Tenon's case this includes rebuilding profitability as the US housing cycle recovers and increasing the company's profile among investors. At the same time, ArborGen is focusing on demonstrating the commercial value of its advanced genetics tree seedlings (including geographic expansion) as it tracks towards an intended IPO."

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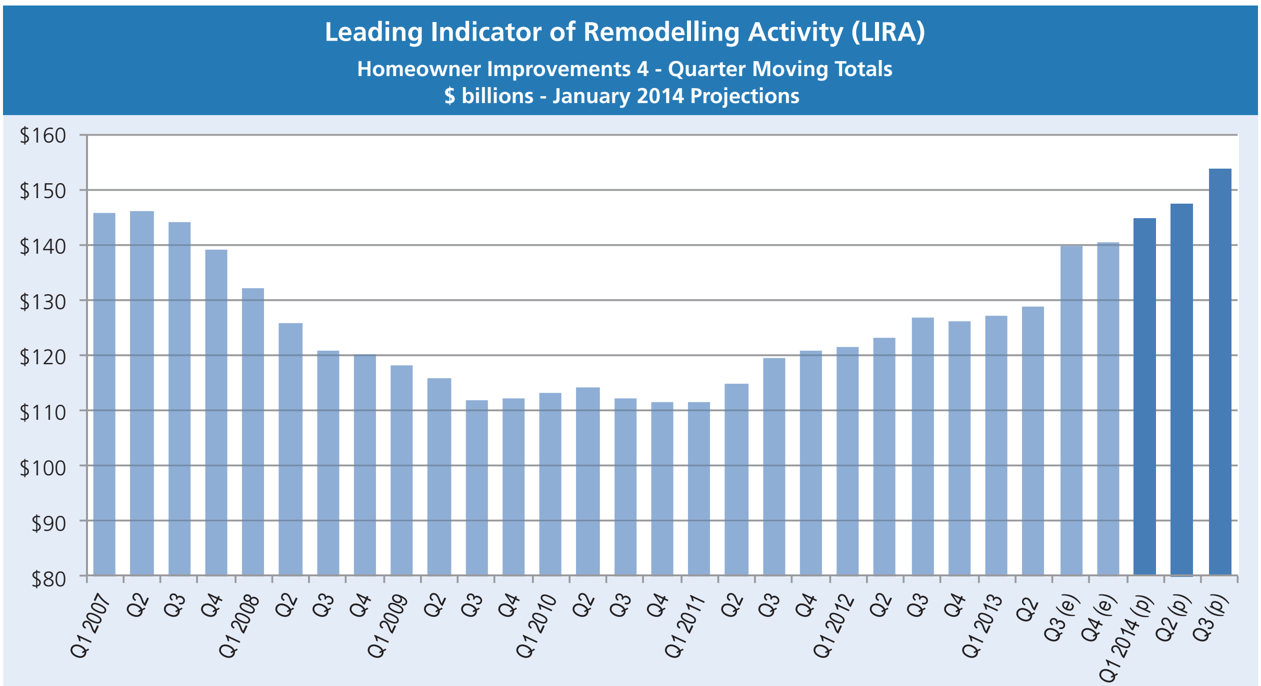
On 12th February (i.e. after balance date), we announced that we had issued 29.3 million Rubicon shares to a new international investor, Libra Fund II (Luxembourg). The shares were placed at NZ41.29 cents per share (which was the volume weighted average Rubicon share price over the prior 10 trading days on the NZX), raising NZ$12 million (US$10 million). The capital raised will be used to strengthen Rubicon's overall funding position, and to support our future commitments to ArborGen[1]. This is a very positive development for the Company. Libra is a savvy investor, who clearly sees value in Rubicon moving forward. We are pleased to have them coming onto our share register at this time, and we believe they will provide a supportive role in helping the Company achieve its key shareholder goals.

1 *Note: as the placement occurred after balance date, the share issue and cash raised are not reflected in our financial statements for the six months ended 31 December '13.*



OUTLOOK AND OBJECTIVES

Tenon

In our 2013 Annual Report 'Highlights' to shareholders, we indicated that it was Tenon's objective to double its fiscal'13 EBITDA[1] result in the current fiscal '14 year. Although it now has some headwinds – namely, the previously mentioned US Federal Reserve's "tapering" programme now underway and its impact on mortgage rates, severe snow storms and bad weather in the US throughout January and February affecting activity levels short term, and a NZD:USD hovering around 84 cents compared with an internally budgeted rate of 80 cents - despite these factors, **Tenon has reiterated its objective of doubling its fiscal '13 EBITDA[1] result in the current fiscal '14 year.** Achieving that goal despite these headwinds, would augur very well for Tenon's forward earnings growth profile.

Most industry data points indicate that Tenon will be supported in its objective by good underlying industry activity levels – not only in new housing but importantly also in remodelling and renovation. This can be seen in the chart on page 10, Harvard's Housing Studies Leading Indicator of Remodelling Activity (LIRA), which projects strong growth throughout calendar 2014.

In addition to the macro-industry factors that are expected to drive Tenon's earnings longer-term, Tenon does also expect to reap the benefits from its company-specific growth and profit improvement initiatives that continue to be identified and implemented (refer Rubicon's 2013 Annual Review to Shareholders for full discussion). In this respect, due to the growth that has now been embedded into the company, the restructuring and efficiency initiatives executed in recent periods, the logistics infrastructure now in place, and stronger mid-cycle activity levels now predicted, **Tenon now believes its mid-cycle[1] EBITDA[1] potential to be circa $45 million - a significant upgrade to the previous mid-cycle guidance of circa $35 million.**

ArborGen

ArborGen's objectives for 2014 are as follows -

To grow its base business, by –

- Participating in increased industry sales that will occur with recovery in the US housing cycle
- Moving customers up the genetic value ladder to MCP and varietal offerings
- Building on new business opportunities - e.g. bioenergy in the US with the target being to see ArborGen at an EBITDA positive 'run-rate' (inclusive of all research expenditure being fully expensed), by the end of CY'15.

In addition, ArborGen will -

- Expand its existing positions – e.g. Australasia, where a NZ opportunity is currently well advanced
- Invest in geographic growth – e.g. Brazil, where it is targeting commercial production in this new year
- Investigate completely new 'step-out' opportunities – e.g. Biomass in Europe

The overall objective is clear – i.e. to lift further the underlying value of the business in a subsequent IPO, an event that is still our core focus for value release to shareholders, and which is at the very top of our agenda. Selling a higher proportion of US seedling production in MCP and varietal form, beginning commercial production and sales in Brazil, realising seedling sales into the bioenergy markets, and turning/nearing EBITDA[1] positive, are each important value milestones to higher value realisation. In these respects, we believe ArborGen remains on track.

Finally, we would like to thank all of our shareholders, employees, and customers for your continued support. As always, it is very much appreciated.

Steve Kasnet
Chairman

Luke Moriarty
Chief Executive Officer

28 February 2014

1 Please refer to note 10 of our 31 December 2013 Interim Financial Statements, and also to footnotes 1 & 2 to the Tenon Highlights on page 2 of this Interim Review.

Consolidated Income Statement (Unaudited)

For the six months ended 31 December 2013

	6 months Dec 2013 US$m	Year ended Jun 2013 US$m	6 months Dec 2012 US$m
Revenue	197	364	174
Cost of sales	(150)	(281)	(134)
Gross earnings	**47**	**83**	**40**
Distribution expense	(36)	(69)	(34)
Administration expense	(9)	(15)	(8)
Operating earnings before financing expense	**2**	**(1)**	**(2)**
Financing expense	(4)	(5)	(1)
Earnings before taxation	**(2)**	**(6)**	**(3)**
Income tax expense	–	–	–
Net Earnings	**(2)**	**(6)**	**(3)**
Attributable to:			
Rubicon shareholders	(2)	(5)	(2)
Minority shareholders	–	(1)	(1)
Net Earnings	**(2)**	**(6)**	**(3)**

Basic/diluted earnings per share information (cents per share):	(0.5)	(1.3)	(0.5)
Weighted average number of shares outstanding (millions of shares)	**380**	**378**	**377**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2013

	6 months Dec 2013 US$m	Year ended Jun 2013 US$m	6 months Dec 2012 US$m
Net Earnings	**(2)**	**(6)**	**(3)**
Items that may be reclassified to the Consolidated Income Statement:			
Movement in hedge reserve	1	(1)	–
Other comprehensive income (net of tax)	**1**	**(1)**	**–**
Total comprehensive income	**(1)**	**(7)**	**(3)**
Total comprehensive income attributable to:			
Rubicon shareholders	(1)	(6)	(2)
Minority shareholders	–	(1)	(1)
Total comprehensive income	**(1)**	**(7)**	**(3)**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2013

	Notes	6 months Dec 2013 US$m	Year ended Jun 2013 US$m	6 months Dec 2012 US$m
Total comprehensive income		**(1)**	**(7)**	**(3)**
Movement in Rubicon shareholders' equity:				
Issue of shares	5	–	15	15
Total movement in shareholder equity attributable to:				
Rubicon shareholders' equity		(1)	9	13
Minority shareholders' equity		–	(1)	(1)
Opening equity attributable to:				
Rubicon shareholders		150	141	141
Minority shareholders		49	50	50
Opening total Group equity		199	191	191
Closing equity attributable to:				
Rubicon shareholders		149	150	154
Minority shareholders		49	49	49
Closing Total Group Equity		**198**	**199**	**203**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2013

	6 months Dec 2013 US$m	Year ended Jun 2013 US$m	6 months Dec 2012 US$m
Cash was provided from operating activities			
Receipts from customers	206	360	178
Cash provided from operating activities	206	360	178
Payments to suppliers, employees and other	(206)	(370)	(185)
Cash (used in) operating activities	(206)	(370)	(185)
Net cash from operating activities	**–**	**(10)**	**(7)**
Sale of fixed assets	–	3	3
Investment in fixed assets	(1)	(2)	(1)
Investment in associate	(3)	(4)	(2)
Net cash from (used in) investing activities	**(4)**	**(3)**	**–**
Debt drawdowns	60	22	10
Debt repayment	(49)	(21)	(22)
Interest paid	(5)	(4)	(1)
Issue of shares	–	15	15
Net cash from (used in) financing activities	**6**	**12**	**2**
Net movement in cash	**2**	**(1)**	**(5)**
Opening cash, liquid deposits and overdrafts	(2)	(1)	(1)
Closing Cash, Liquid Deposits and Overdrafts	**–**	**(2)**	**(6)**
Net earnings	(2)	(6)	(3)
Adjustment for:			
Financial expense	4	5	1
Depreciation	2	4	2
Other	–	(2)	(2)
Cash flow from operations before net working capital movement	4	1	(2)
Trade and other receivables	8	(4)	4
Inventory	(1)	(19)	(5)
Trade and other payables	(11)	12	(4)
Net working capital movement	(4)	(11)	(5)
Net cash from operating activities	**–**	**(10)**	**(7)**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Balance Sheet (Unaudited)

As at 31 December 2013

	Notes	Dec 2013 US$m	Jun 2013 US$m	Dec 2012 US$m
Current assets				
Trade and other receivables		28	34	27
Inventory		73	72	59
Current taxation asset		–	–	1
Total current assets		**101**	**106**	**87**
Non current assets				
Fixed assets		22	23	25
Forest assets		4	4	4
Investment in associate		79	76	74
Goodwill		85	85	85
Deferred taxation asset		11	11	10
Total non current assets		**201**	**199**	**198**
Total assets		**302**	**305**	**285**
Current liabilities				
Bank overdraft		-	(2)	(6)
Trade, other payables and provisions		(34)	(44)	(30)
Derivatives		–	(1)	–
Current debt	4	(20)	(1)	(1)
Total current liabilities		**(54)**	**(48)**	**(37)**
Term liabilities				
Term debt	4	(50)	(58)	(45)
Total term liabilities		**(50)**	**(58)**	**(45)**
Total liabilities		**(104)**	**(106)**	**(82)**
Net Assets		**198**	**199**	**203**
Equity				
Share capital	5	178	178	178
Reserves	6	(29)	(28)	(24)
Equity attributable to Rubicon shareholders		**149**	**150**	**154**
Equity attributable to minority shareholders		49	49	49
Total Group Equity		**198**	**199**	**203**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

1 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited and Subsidiaries (the Group) for the six months from 1 July 2013 to 31 December 2013. The financial statements have been prepared in accordance with New Zealand International Accounting Standard 34, and do not include all of the information required to be disclosed for full annual financial statements.

The presentation currency used in the preparation of these financial statements is the United States dollar (US$), rounded to the nearest million. Consequently all financial numbers are in US$ unless otherwise stated.

Accounting Policies

There have been no changes in accounting policies during the period. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 30 June 2013.

The Group has adopted the following new standards, amendments and interpretations to existing standards; NZ IFRS 7 Financial Instruments, NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities, NZ IFRS 13 Fair Value Measurement, NZ IAS 1 Presentation of Financial Statements, NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures. These adoptions have had no impact on these condensed consolidated interim financial statements.

The Group has not early adopted any of the new standards, amendments and interpretations to existing standards disclosed in note 4 of the June 2013 financial statements and there have been no new standards, amendments or interpretations to existing standards issued since June 2013 that are applicable to the Group.

2 APPROVAL OF ACCOUNTS

These financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 28 February 2014.

3 USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with NZ International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (refer June 2013 Statutory Report, note 4, for greater detail). Actual results could differ from those estimates.

4 CURRENT DEBT AND TERM DEBT

On 5 September 2013 Tenon announced that it had signed a new long-term $70 million syndicated debt financing facility, replacing the previous $54 million facility. The new facility comprises a $59 million revolver line and a $11 million amortising term loan. The facility is for a period of five years, expiring in September 2018. The new facility is led by PNC Bank National Association and the syndicate also includes two existing lenders from the previous facility, the BNZ and Comerica. The new facility is a typical US lending facility, where the underlying assets and working capital of Tenon secure the obligations to the Bank syndicate. The facility contains a short-term minimum EBITDA (refer note 10) covenant up until 31 March 2014, at which time it is replaced by a standard quarterly fixed charge covenant (FCCR)[1] of 1.1 times commencing in June 2014. Tenon has the right to bring forward the date at which the FCCR covenant starts and the EBITDA covenant falls away.

1 The FCCR covenant is defined as [(EBITDA - capital expenditure - cash tax paid) / (interest + amortising term loan payments + distributions paid)].

The revolver facility is classified as non-current, reflecting the lenders' commitment to Tenon for the life of the facility. Under the facility Tenon can exercise its unconditional right to draw down (or repay) borrowings from time to time up to the amount of the facility subject to remaining in compliance with certain facility covenants (refer paragraph above).

The previous facility provided by a consortium of banks led by JPMorgan Chase Bank, N.A. was repaid when the new facility was drawn down.

As at 31 December 2013, Tenon was in compliance with the EBITDA covenant and accordingly the amount of debt drawn under the revolver facility is shown as non-current. Tenon believes it will also be compliant with the EBITDA covenant at 31 March 2014, and with the FCCR covenant thereafter.

The total size of Tenon's syndicated bank credit facility reduces as a result of the scheduled amortisation of the term loan and the payment of an annual excess cash flow recapture provision (of up to $1 million per annum). The assumption has been made that, commencing in September 2014, the maximum $1 million repayment each year will be made under the excess cash flow provision of the facility.

Rubicon's $20 million ANZ facility has an expiry date of 1 July 2014. Under the terms of the facility, the ANZ has the right to bring forward the expiry date, if it determines (acting reasonably) that an IPO of ArborGen is unlikely to be completed by 1 July 2014. If it were to do so the ANZ would be required to give Rubicon 90 days prior notice, Rubicon has not received advice from the ANZ that it intends to do so. The Board is evaluating appropriate on-going funding arrangements to take Rubicon forward.

The Group's available bank facilities are as follows:

	Tenon Group			**Rubicon Limited**
Debt facilities available	**Term US$m**	**Revolver US$m**	**Total US$m**	**Total US$m**
September 2013	11.00	59.00	70.00	20.00
December 2013	10.72	59.00	69.72	20.00
June 2014 [1]	10.17	59.00	69.17	20.00
June 2015 [2]	8.07	59.00	67.07	–
June 2016 [2]	5.97	59.00	64.97	–
June 2017 [2]	3.87	59.00	62.87	–
June 2018 [2]	1.77	59.00	60.77	–
September 2018	–	–	–	–

1 Scheduled term Loan amortisation of $91,667 per month

2 Scheduled term Loan amortisation of $91,667 per month plus $1 million excess cash flow payment on 30 September.

The current debt of $20 million reflects Rubicon's $17 million US debt, Tenon's US term loan amortisation of $1.1 million and excess cash flow repayment of $1 million, and other NZ$ loan principal payments of $0.5 million.

All term debt facilities are denominated in US dollars.

5 CAPITAL

	RUBICON GROUP		
Share capital	**Dec 2013 US$m**	**Jun 2013 US$m**	**Dec 2012 US$m**
Share capital at the beginning of the period	178	163	163
Issue of shares	–	15	15
Share capital	178	178	178

Number of shares	**Dec 2013**	**Jun 2013**	**Dec 2012**
Opening shares on issue	379,719,975	284,788,155	284,788,155
Issue of shares	–	94,931,820	94,931,820
Closing shares on issue [1]	379,719,975	379,719,975	379,719,975

1 All shares rank equally in respect of rights, distribution dividends, repayment of capital and wind up.

6 RESERVES

	RUBICON GROUP		
	Dec 2013 US$m	**Jun 2013 US$m**	**Dec 2012 US$m**
Retained earnings			
Opening balance	(28)	(23)	(23)
Net earnings	(2)	(5)	(2)
Closing balance	(30)	(28)	(25)
Revaluation reserve			
Opening balance	1	1	1
Closing balance	1	1	1
Hedging reserve			
Opening balance	(1)	–	–
Movement in period	1	(1)	–
Closing balance	–	(1)	–
Total reserves	(29)	(28)	(24)

7 SEGMENTAL INFORMATION SUMMARY

The Group has two reportable segments and their analysis is as follows:

	RUBICON GROUP		
	6 months Dec 2013 US$m	**Year ended Jun 2013 US$m**	**6 months Dec 2012 US$m**
Appearance and wood products			
Operating revenue	197	364	174
Total assets	223	229	211
Segment net earnings	–	(3)	(2)
Forestry genetics			
Operating revenue	–	–	–
Total assets	79	76	74
Segment net earnings	–	–	–
Total Group			
Operating revenue	197	364	174
Total assets	302	305	285
Segment results	–	(3)	(2)
Less corporate costs and Rubicon financing expense	(2)	(3)	(1)
Net Earnings	(2)	(6)	(3)

8 CONTINGENT LIABILITIES

The Group has no material contingent liabilities (June 2013: nil, December 2012: nil).

9 POST BALANCE DATE EVENTS

On the 11 February 2014 Rubicon announced that it had raised NZ$12 million (US$10 million) from a placement of 29,331,403 ordinary shares to Libra II (Luxembourg), with the new capital being used to strengthen the Company's funding position, and to support its future commitments to ArborGen. The issue price was NZ41.29 cents per share, which was the volume weighted average Rubicon share price over the previous 10 trading days on the NZX. The number of Rubicon shares on issue following the completion of the placement is 409,051,378.

10 NON-GAAP MEASURES

Rubicon uses EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within IFRS. As it is not uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with GAAP. Management believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age, depreciation policies and debt:equity structures. The following tables reconcile Net Earnings to operating earnings before financing expense and to EBITDA for Tenon and the total Rubicon Group.

	6 months Dec 2013 US$m	Year ended Jun 2013 US$m [1]	6 months Jun 2013 US$m [1]	Year ended Dec 2012 US$m
Tenon				
Net Earnings	–	(3)	(1)	(2)
plus Financing expense	3	4	3	1
Operating earnings before financing expense	3	1	2	(1)
plus Depreciation and amortisations	2	4	2	2
EBITDA	5	5	4	1

Total Rubicon Group				
Net Earnings	(2)	(6)	(3)	(3)
plus Financing expense	4	5	4	1
Operating earnings before financing expense	2	(1)	1	(2)
plus Depreciation and amortisations	2	4	2	2
EBITDA	4	3	3	–

1 Includes pre-tax business re-engineering and restructuring costs of $1 million.

INVESTOR ENQUIRIES/REGISTERED OFFICE

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STOCK EXCHANGE LISTING

The Company's shares (RBC) are listed on the NZSX.

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about share transactions or changes of address should contact the Share Registrar:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road,
Takapuna, Auckland
Private Bag 92 119,
Auckland 1142, New Zealand
Telephone: 64 9 488 8777
Facsimile: 64 9 488 8787
Email: enquiry@computershare.co.nz

ELECTRONIC COMMUNICATIONS

You can elect to receive your shareholder communications electronically.

To register, visit www.investorcentre.com/nz. To initially access this website, you will need your CSN or Holder Number and FIN. You will be guided through a series of steps to register your account, including setting up a new user ID and password for on-going use of the website.

Once logged in, click on "My Profile". In the Communication preferences panel, click "update".

Alternatively send your name, address and CSN or holder number to ecomms@computershare.co.nz advising you wish to receive your Rubicon shareholder communications by email.

www.rubicon-nz.com