RUBICON

DECEMBER 2014

INTERIM REVIEW

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.

This document is the Interim Review of operations for the six months to 31 December 2014 – i.e. the first half of Rubicon's 2015 fiscal year. It addresses in summary form the highlights for the period in each of the Company's major business activities – i.e. ArborGen and Tenon.

Our Annual Review for 2014 is available on our website – www.rubicon-nz.com. In addition to our shareholder reports, from time to time we make announcements to the New Zealand Exchange. These can be viewed either on the NZX website or on Rubicon's own website, where a history of our market releases is maintained.

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.

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Six Months' Highlights – 31 December 2014

Tenon
Wood Solutions to the World

- **US economy continues on recovery path**
  - 11 successive months of job creation > 200,000 per month
  - 1 million jobs created in the 3 months to January
- **US housing industry data shows growth that is now underway**
  - Calendar '14 housing starts of 1 million, up 9% on the previous year
  - Builder's confidence index reported 6 successive months > 50 (indicating future expansion)
  - Existing home sales (annualised) of 5 million recorded in December
  - Case-Shiller 20-city home price index 29% up on 2012 low, and up 4% y-o-y (November)
- **US new home construction is forecast to grow strongly[1] over the next 2-3 years**
  - Industry forecasts ≈ 1.18 million housing starts in calendar 2015, up 18% on 2014
  - Tenon has increased its exposure to the new home construction market
    - Projected to be ≈ 55% of US distribution revenues in FY '15
    - … up from circa 35% at the same point in previous cycle
- **Revenue of $209 million, up $12 million on the corresponding prior period ("cpp")** (i.e. for the six months to December 2013)
- **Net profit after tax of $2 million, compared with a breakeven result for the cpp**
- **EBITDA[2] of $6 million was up 20% on the cpp, and included -**
  - Average effective NZ$:US$ rate of 84 cents (cpp, 79 cents)
  - ≈ $1.5 million in retail store major line reset activity expensed
  - … partially offset by a gain of $0.4 million on the sale of a residual forest asset
- **Earnings expected to improve further[1], as -**
  - US macro-economic and housing market conditions continue to improve
  - The effect of the lower NZ$:US$ FX rate begins to flow through
  - Business re-engineering projects in US operations positively impact performance
  - Organic growth (regional and product expansion) is executed
- **Taupo site (NZ) capital projects are underway**
  - Two manufacturing projects, with total capital investment of $6-7 million
  - Expected cash payback of < 2.5 years
  - Anticipated first project will be completed and operational in Q4 of calendar 2015
- **Closing debt (net of cash) of $49 million (cpp $53 million)**
  - $6 million of cash generated from operating activities
  - $3 million invested in capital replacement and expansion (e.g. Taupo capital projects)
  - $7.5 million collateral 'reserve' released (January '15) by banking syndicate
- **Share price increased 22% over the six-month period (from NZ$1.52 to NZ$1.85 per share)**
  - Compares with NZX50, ASX and Dow Jones indices up 8%, 1%, and 6% respectively
  - Future upside remains - Edison Research valued Tenon at mid-point of > NZ$2.50+ per share[3]
  - Share buyback program in place
  - Dividend policy under active review – intention to announce dividend during fiscal '16 year[1]

1 *Please refer to the Outlook section on pages 10-11 of this Interim Review.*

2 *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 $2 million (2013 $nil), plus income tax of $nil million (2013 $nil), plus financing costs of $2 million (2013 $3 million), plus depreciation and amortisations of $2 million (2013 $2 million). Please refer to Note 11 of the Financial Statements.*

Six Months' Highlights – 31 December 2014

- **Production and sales**
  - ArborGen world-wide, targeting to -
    - Lift total volumes by 10% y-o-y
    - ≈ 20% in advanced genetics sales (in the US), on higher target loblolly volumes
    - Increase revenue ≈ 15-20% y-o-y
  - United States

    ArborGen's core market today is the US. The US crop-growing season is typically from April–December, with the sales season occurring primarily in the January-March period each year. Accordingly, Rubicon's interim reviews do not cover the US sales season, which means recorded sales revenue and unit data are not reported on in respect of the US operations. The US discussion below reflects this seasonality.

    - Targeting a 10%+ volume increase y-o-y
    - 270+ million seedlings currently in production, for harvesting and delivery to customers predominantly in the first quarter of calendar '15 (i.e. fiscal '15)
    - ≈ 20% of loblolly production in advanced genetics, on higher fiscal '15 target volumes
    - Continued recovery in the US housing market (also refer Tenon discussion), which will -
      - Lift forest harvesting and, in turn forest replanting levels
      - Encourage planting of higher quality genetics
      - Assist in goal of 'locking in' customers with long-term contracts
        - Target is to have equivalent of ≈ 30% of 2015 loblolly volumes under term contracts
    - 'Blended traditional + biotech' production techniques being implemented, to –
      - Increase the supply of advanced genetics
      - Lower future cost of production
  - Australasia

    The New Zealand crop-growing season is typically from October-June, with the sales season occurring primarily in the July-September period each year. The Australian planting sales season is similar, albeit slightly longer than in New Zealand. Accordingly, Rubicon's interim reviews do cover the Australasian sales season. The Australasia discussion below reflects that operational seasonality.

    - Unit sales increased to 21 million seedlings, up 13% on the cpp
    - Revenue was up 18% on the cpp
    - NZ revenue for advanced genetics pine sales ≈ 85% of total NZ pine revenue[4]
    - Total NZ-domestic sales now represent 37% of the New Zealand market
  - Brazil

    Eucalyptus in Brazil is planted and harvested almost all year around. Accordingly, this Review addresses the Brazil performance for six months of the year.

    - Current season's eucalyptus production targets on plan
      - Targeted to sell 5-10 million seedlings in the first 24 months of operation
      - Target on track to be met by the completion of the current fiscal year
      - Current year order book is sold out
    - 'Follow-on' loblolly pine strategy is in place
- **On track to meet EBITDA[2] positive 'run-rate' objective[5]**
- **Introduction of genomics into the product development / technology platform**
- **China 'step-out' under active review**
- **Focus remains on critical commercial milestones for ArborGen financing / liquidity event**

3 September 2014 report, adjusted for subsequent change in NZ$:US$ FX rate from 82 cents when the report was released to 75 cents today.

4 Excludes contract grown revenue.

5 Please also note the related discussion on this objective on page 11.

Tenon

Operations and Finance

Tenon's financial performance continued its momentum in the six months, in line both with market expectations and the recovery in the US housing market now taking place. In this latter respect, a quick review of recent US industry data shows this succinctly –

- Housing starts for calendar '14 were 1 million, up 9% on the previous calendar year. Total starts in the six months to December '14 were up 11% on the cpp. The single-family home component of this figure at 0.7 million was at its highest in seven years.
- Permits issued for new home construction, at 1 million (annualised) in December, were up 6% on the June '14 figure. Again, the single-family home component of the total permit issuance was at a six-year high, and the home builder confidence index recorded greater than a 50 reading (indicating future expansion) for the entire six month period.
- December (annualised) existing home sales of 5 million, were up on the cpp figure of 4.9 million.
- The Case-Shiller 20-city composite home price index increased 4.3% year-on-year (November), and is now 29% higher than the 2012 low.
- Existing home inventory ended the year at 4.4 months of supply, down 20% on the 5.5 months level prevailing at June '14. New home inventory, at 5.5 months of supply was also down, by 5% on the 5.8 months reported at June '14.

As these data points indicate, over the past 12 months US new home construction has now begun to lift to a new level, and this improvement in industry activity levels is beginning to flow through into Tenon's financial performance.

For the period under review, Tenon's **Revenue** was up $12 million compared with the cpp. Gains were made in all the pro-dealer regions Tenon services, these customers in turn supply the new home construction market. Retail activity (measured by same store comps), which typically lags new home construction, was flat in volume terms during the period, to some extent due to the extensive 700 store resets that we are undertaking. These resets, which began in June '14 and are expected to be completed this October, are major in nature and involve a complete 'revamp' of the layout and physical structure supporting the commodity and decorative moulding aisles we service in the stores. Although store sales are impacted as we undertake the reset activity, once completed we would expect strong year-on-year same store comps to prevail. Revenue from Australian activities lifted by $2 million, as we began servicing 50 Masters stores.

Net profit after tax of $2 million was recorded for the six months, up on the breakeven result in the cpp. **Gross profit of $49 million** was up on the $45 million recorded in the immediately preceding six months to June '14, as margin percentages expanded in the period, despite the unfavourable FX conditions experienced (see below). **EBITDA** at $6 million (refer to Note 11 of the Financial Statements), was up 20% on the cpp. This increase was recorded despite the expensing of $1.5 million in store reset activity in the period, which was partially offset by a $0.4 million gain recorded on the sale of a minor residual retained forest. The improved EBITDA result did not include any benefit of the recent weakening in the NZ dollar, as that occurred late in the period and FX cover taken earlier under Tenon's hedging policy had not run off. In fact, the average effective NZ$:US$ FX rate for the period was 84 cents, which was some five cents worse than was experienced in the cpp.

Tenon used some of the **$6 million of cash generated from operating activities** (cpp, $1 million) to initiate its previously announced **capital investment** plans, investing $3 million in the period, primarily on the key optimisation projects at Taupo. The first of these projects is designed to maximise the amount of clearwood that can be recovered from a given log. This improved recovery will allow the Taupo site to increase the volume of high value products that it can produce from the same volume of log into the sawmill. The optimisation equipment is expected to be installed and operational in Q4 of calendar '15, and the overall $5 million project is targeted to have a capital payback of less than 2.5 years.

Tenon

Tenon's **debt balance (net of cash) reduced to $49 million** (cpp, $53 million) across the period, and financing costs declined y-o-y as a result.

Tenon's recent financial performance has exceeded that projected when it entered its new Bank Facility in September '13, such that by the end of December it was able to generate **four successive quarters of fixed charge coverage (FCCR) in excess of 1.5 times** (refer note 5 of the Financial Statements for explanation of the FCCR). The practical effect of this is that the $7.5 million 'block' reserve that the banking syndicate had previously held against Tenon's borrowing collateral has now been released under the terms of the facility agreement, and is available for collateralised borrowing under the revolver facility. This is just another indication of the financial results that Tenon is now beginning to produce.

Tenon announced at its Annual Shareholders' Meeting (ASM), that it had implemented a complete operational review of its North American manufacturing and distribution operations. This is a fundamental 'nuts and bolts' review, with the goals being to –

- Identify new opportunities for growth; and
- Improve profitability in its existing activities, whilst at the same time improving the service level it provides to its key customers.

By way of flavour of what is being undertaken, is the installation of an advanced product procurement system, which combines sophisticated demand-based forecasting with an automated inventory replenishment system. Logistics management is a core Tenon capability – it must be, as Tenon is required to ship more than 8,000 x 40' containers from around the world (e.g. New Zealand, Chile, Brazil, Mexico) to its North American warehouses, for subsequent delivery to its US national home centre customers (i.e. retail / DIY) who have extremely demanding on-time fulfillment criteria, and to its pro-dealer customers who have similarly demanding short lead time delivery requirements. The growth in the size (volume and product) and complexity of Tenon's distribution operations has made this logistics competency even more critical than it has been in the past. From product order through to manufacture and delivery can be a 3-4 month lead time, so demand forecasting and inventory management is a fundamental capability in ensuring Tenon can deliver its customer needs more than a quarter forward, based only on known demand and market conditions today. The new system being put in place is designed to ensure Tenon can do just that, and once operational it should allow it to optimise inventory levels (by product sku), lower operating costs, and increase sales. We will report more fully on this and Tenon's other projects at the time of our Annual Result.

ArborGen

Production, sales and customers

In 2014 ArborGen met all its production and sales goals. It produced 265 million seedlings globally, and in its core market in the US it increased its advanced genetics proportion of loblolly pine sales by 55% y-o-y, and its average selling price by 15% y-o-y. The proportion of its loblolly sales in advanced genetics has increased from 8% of all loblolly pine sales in 2012, to over 20% last year.

For this current season (2015), the immediate objectives have been targeted at –

- Increasing total seedling production volumes by 10%
- Increasing total Revenue by 15-20%
- Establishing long-term US customer contracts ≈ 30% of current year loblolly volumes.

As the crop-growing season in ArborGen's core market of the US is typically from April - December, and the sales season is primarily the January - March period each year, our Interim Reviews to shareholders for the six months to December are unable to give commentary on actual production and sales out-turns for the fiscal '15 year. However, on the basis of what we know today, and on the basis of the 21 million seedling sales that have already been recorded in the Australasian sales season this year, ArborGen believes it is on track to meet the 2015 season's goals outlined above. Having said that, weather conditions are an important consideration in end-of-season planting requirements and activity, so the realities of the remaining US winter months will likely determine the final outcome.

As previously discussed, ArborGen is currently putting in place a blended 'traditional + biotech' production technique to overcome the shortage of supply (relative to demand) in its advanced genetics that has emerged in the short-term. This is progressing to plan. However, as it involves a traditional biological growth cycle, this process will not boost supply for several seasons (this current season included), so the objective for this 2015 year is to maintain the existing ≈ 20% advanced genetics proportion of loblolly pine sales in the US, but on the higher volumes noted above.

In Brazil, the initial target was to sell 5-10 million eucalyptus varietals in the first 24 months of operation. ArborGen believes this goal will have been met this fiscal year.

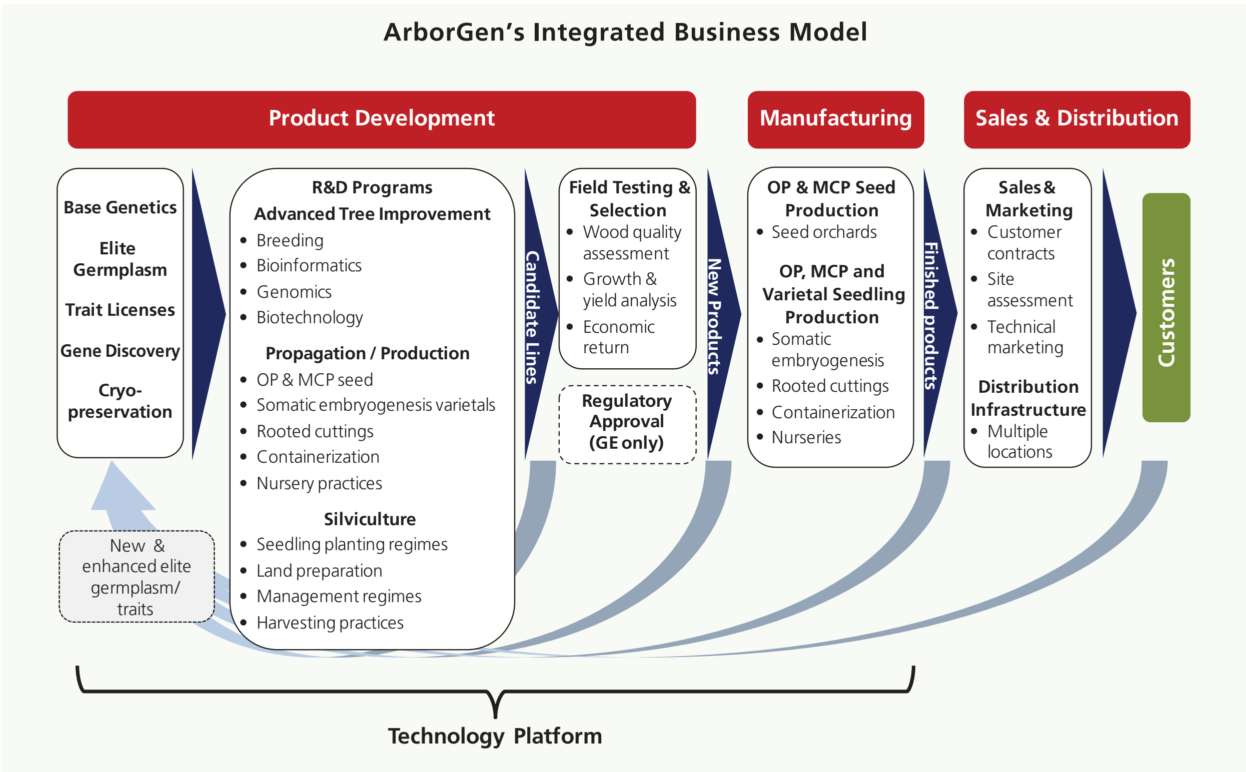
While ArborGen's commercial operating business in the US, Australasia and Brazil are already profitable in the aggregate today, inclusive of research and development on future products and corporate costs ArborGen as a whole is not. The sales and operational objectives outlined above are consistent with ArborGen's internal stretch goal of achieving a positive EBITDA 'run-rate' at the end of calendar '15, inclusive of the expensing of research and development expenditure. Achieving this will require industry harvesting and replanting levels to increase, in line with a recovering US housing market and consistent with ArborGen's internal plans, ArborGen to meet its initial production plan in Brazil, and no major additional science projects being initiated in the immediate term. While weather and other 'uncontrollables' always have the ability to put short-term earnings targets like this off course, ArborGen is still firmly focused on achieving this fundamental earnings run-rate objective.

Product development – the use of genomics in the technology platform

ArborGen's technology platform is a critical component of its integrated business model and is at the core of the company's continued success. ArborGen believes it has the broadest portfolio of intellectual property in the industry as well as the largest and most diverse repositories of germplasm, encompassing more than 40 commercial tree species and hybrids. ArborGen also operates an extensive field trial system and it is currently conducting over 900 field trials containing over 1 million trees.

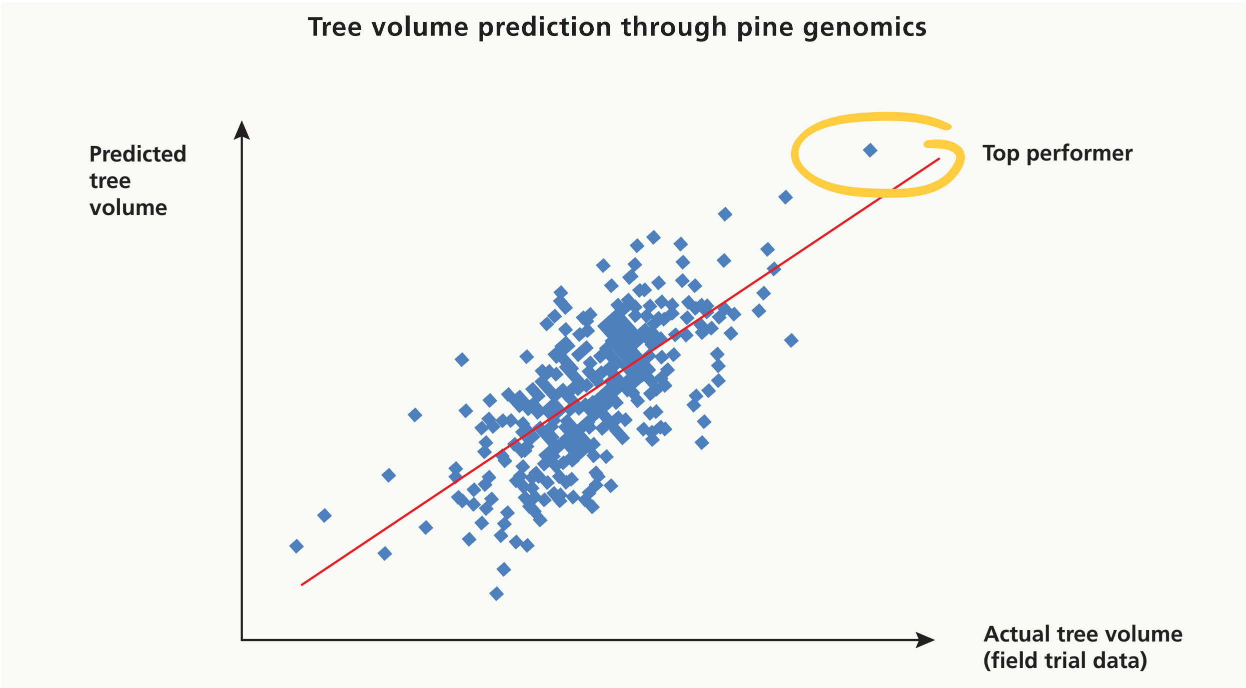
While the product development program continues to bring a portfolio of next generation products to market, ArborGen is also focusing on new technology that will help bring higher value products to market more quickly. One of the most innovative areas is the application of advanced genomics in its product development

ArborGen



process that we have mentioned previously. The intention is to use genomics technology in combination with ArborGen's bioinformatics platform and extensive genetic library, to ultimately select genetic crosses without the need for many years of trials in the field to determine the best performers. To test the power of this genomics technology this past year, ArborGen took the known outcomes from its existing trial data of more than 350 loblolly pine varietals and compared those with what the combined genomics and bioinformatics model predicted would occur. The model output (see graph on next page) not only showed a very strong correlation between predicted and actual outcomes, but it also precisely determined which would be the top performer. This is an exciting development tool for ArborGen, with huge potential.

ArborGen



Geographic expansion

ArborGen's immediate geographic expansion efforts are focusing on Brazil, where success with eucalyptus (i.e. the proving out of the initial position by meeting production, sales and pricing targets, and then scaling up) will see ArborGen expand into pine products. The initial eucalyptus outcomes are outlined above (refer production and sales in the Highlights), and are substantively on track. Commercial negotiations and positioning around an initial pine position are also well advanced, and although behind on the initial timeline set, are also fundamentally on track for an announcement this year. In this respect, the necessary pine development work has been underway for some time - e.g. ArborGen has already established MCP trials on customers' lands, matching its elite US genetics to similar growing conditions in Brazil, while the CellFor acquisition brought into the varietal portfolio a well established testing program in Brazil.

China remains under review as a geographic step-out opportunity for ArborGen. China represents a massive annual planting market opportunity for both loblolly and eucalyptus, and it has a need for advanced genetics to lift performance above the low commodity seedling genetic base that prevails today. To advance its due diligence, ArborGen has been in discussions with large end-users and provincial governments in selected provinces in China, to determine whether a low-risk, low-capital entry point to the China opportunity can be created. In this respect, ArborGen needs to be realistic about the resource (people and dollars) involved in order to be successful there, and the risk to growth of the core business from diverting capability away from existing markets. The ArborGen Board will ultimately weigh this all up and make the decision as to how best to address the China opportunity, whilst still ensuring success in its existing markets (including growth in Brazil).

Rubicon

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 (59.5%) 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 'break-even' net earnings result, a notable improvement on the cpp loss of $2 million. As noted in the Tenon section of this Review, this result included the expensing of $1.5 million in retail store major product line reset activity, partially offset by a $0.4m gain from the sale of a minor residual forest interest. Operating earnings before financing expense improved to a profit of $3 million (cpp $2 million), as Tenon's results lifted further as cyclical recovery in the US housing market continued (refer Tenon section above). This was also reflected in our EBITDA result, which improved to a $5 million profit (cpp $4 million), inclusive of ArborGen research and corporate development costs expensed (refer note 11 of the Financial Statements).

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, however Tenon's debt is consolidated into Rubicon's statements as we own 59.5% of Tenon. ArborGen and Tenon's debt are non-recourse to Rubicon Limited. At 31 December 2014, Rubicon's consolidated bank debt (net of cash) was $64 million (cpp $70 million), of which Tenon's debt was $49 million (cpp $53 million), and Rubicon Limited's own debt was $15 million (cpp $17 million).

Tenon only recently put in place a new $70 million syndicated debt facility, which does not fall due until September '18. ArborGen's existing two-year bank facility expires in August '15, and the company is already in negotiations to extend the facility. As at the time of writing, the partner capital requirements for the next fiscal year for ArborGen have not yet been set. Once these are known, Rubicon's needs will then also be able to be determined, and our own wider funding position addressed (Rubicon's existing $20 million bank facility expires in July '15). We will inform shareholders of the outcome once it is known.

GOVERNANCE

We held our last ASM in Wellington on the 5th of December 2014. The formal presentation materials for the day are available on our website at www.rubicon-nz.com. More than 83% of the Company's issued shares were voted at the meeting, and all resolutions were passed - each with a majority in excess of 96%. Tenon's ASM was held on the day prior, with over 84% of the Company's issued shares voted at the meeting, and again with each resolution passed, with a majority in excess of 99%. These excellent voting statistics are a reflection not only of the consolidated share registers of the two companies, but also of the agreed future direction of these two companies.

Tenon's share price performance has been strong over the six-month period, increasing 22%, compared with returns on the Dow Jones, ASX50 and NZX50 of 6%, 1% and 8% respectively recorded over the same period. We would naturally have expected the Tenon share price increment to flow through into Rubicon's share price, but that has not been the case. Indeed, Rubicon's share price declined across the period, which by deduction implies a fall in ArborGen's implied (i.e. 'look-through') value in our share price. Our view is that this just does not reflect the reality of the progress that ArborGen has made in its commercialisation goals over the past 12 months (please refer ArborGen Summary Highlights in this Review and in our 2014 Annual Review to shareholders), and given Rubicon holds the strategic control stake in Tenon and our investment should therefore carry some additional control 'premium' value to us, the Rubicon share price performance is even more disappointing. We have discussed the reasons before – particularly the illiquidity of the Rubicon share register, and the 'waiting for events' to prove value dilemma – however it is ultimately our responsibility to ensure the market understands and values the investments we have and the progress that has been made. So, we either need to build momentum in the share price, or address our investments to prove out their value. This is a current focus of the Board.

Tenon announced recently that it anticipated it would be announcing the introduction of dividends during its fiscal '16 year, subject to a favourable macro-environment for the company. This obviously means that Rubicon, as Tenon's 59.5% shareholder, will receive a future cash income stream from Tenon upon such policy introduction. We support Tenon's decision in this regard, and believe it will be a strong positive for Tenon's share price, as it will overlay a dividend yield on top of what is already an excellent growth story.

Rubicon

OUTLOOK

Tenon

Macro conditions for Tenon are now clearly improving.

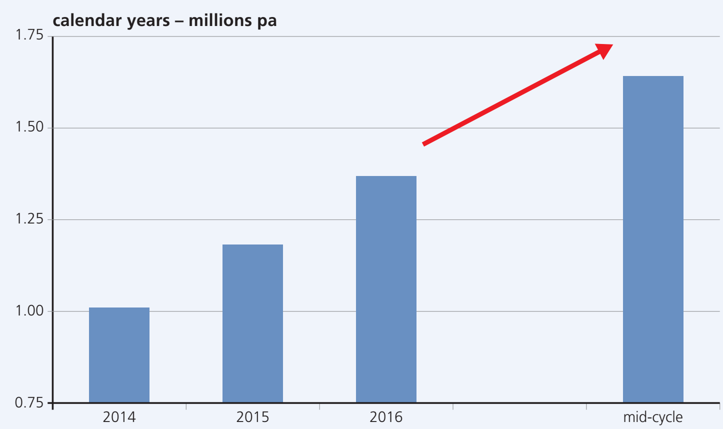
The US economy is now entering a cyclical upswing, after six years of moribund performance post the global financial crisis. By way of example, last month the US posted its eleventh straight month of 200,000+ job creations – the longest successive 'run' of such a figure for almost two decades – and in the three months to January the economy created one million new jobs.

While the strengthening economy will ultimately see interest rates rise in the US, the pace of those increases is expected to be gradual, as is their impact on housing activity. What this will do however, is see the US dollar strengthen, and in the absence of the Reserve Bank of New Zealand lifting domestic interest rates, then the NZ$:US$ FX rate should fall, which would be a strong positive to Tenon's future earnings and cash flow. In the immediate term, Tenon is 'hedged' through to the end of March '15, at an average rate for Q3 of 76 cents. Tenon is currently unhedged beyond this period, so it will enjoy any falls in the cross rate that occur in respect of Q4 and onwards into fiscal '16.

The second half will see Tenon complete much of its required retail store reset activity, and also see the conclusion of some of the key business re-engineering projects underway in its US distribution operations. Each of these will require costs to be incurred in the second half of the year, but these should be more than offset by the rewards that will flow in fiscal '16.

Tenon will continue its organic growth initiatives. These are focused on broadening the range of products it supplies into its national home centre customers (i.e. retail / DIY), and on expanding the geographic reach of its pro-dealer activities. This latter growth will ultimately see Tenon's presence in the pro-dealer market (i.e. new home construction) increase in percentage terms relative to its retail activities. By the end of fiscal '15, Tenon believes this weighting will have increased to almost 55% of its total distribution activities, from

US new housing starts projections[1]



1 Projections represent averages taken from the following data sources for the respective years -

2015 – Fannie Mae, Freddie Mac, National Association of Home Builders, Mortgage Bankers Association, National Association for Business Economics, National Association of Realtors, Forest Economic Advisors, Forisk Consulting, Joint Center for Housing Studies of Harvard University

2016 – Fannie Mae, Freddie Mac, National Association of Home Builders, Forest Economic Advisors

mid-cycle – Forest Economic Advisors, Forisk Consulting, Joint Center for Housing Studies of Harvard University, Tenon

Rubicon

50% last year, and approximately 35% at the beginning of the previous cycle. As we believe new home construction will likely expand strongly (refer chart on previous page) and earlier than will DIY / retail, this is the right balance for Tenon at this point in the cycle. Having said that, Tenon will continue to actively seek growth in both markets, and we will be reporting more on this with our Annual Result later in the year.

While there are always some unknowns that can affect earning projections[2] – the impact of rising interest rates in the US, the path of future log costs, the current labour issue at US West Coast ports, and the FX rate are good examples for Tenon in the immediate outlook, absent any adverse surprises with these, Tenon expects its earnings path to continue to improve in the second half of the fiscal year.

Looking further ahead, the completion of its business re-engineering efforts, the installation of the optimisation capital equipment at Taupo, the weaker NZ$:US$ FX rate, and success with its organic growth initiatives, should cumulatively set Tenon up for a strong fiscal '16 year assuming macro conditions are supportive.

ArborGen

The immediate and short-term environment for ArborGen's production and sales will be dependent upon the same key factor underlining Tenon's outlook – i.e. the rate of recovery in the US housing market. ArborGen's US seedling volumes are dependent upon the underlying demand for wood in the economy, whether it be for new home construction, remodelling and renovation, or energy (e.g. pellets) – as wood demand drives harvesting, and, in turn, replanting. As the new housing chart (previous page) shows, the outlook for new home construction in the US is positive, and this should (with a lag) flow directly through to seedling demand to meet higher replanting levels post harvesting. Improvement in remodelling and renovation activity would be additive to the demand profile.

ArborGen's 2015 production, sales, and customer objectives are clear – i.e. to increase total seedling production volumes by 10% y-o-y, increase total revenue by 15-20% y-o-y, and establish long-term US customer contracts equivalent to ≈ 30% of current year loblolly sales volumes. As at the date of writing, ArborGen remained on track to meet each of these, and their achievement will be a good indicator of ArborGen's ability to meet its fundamental EBITDA positive 'run rate' goal. And while these short-term earnings goals are important, they are not being progressed at the expense of the future growth and development of the business. The inclusion of genomics science into the technology platform is a good example of this, and if more value can be generated from greater expenditure on science and product development of this type, then that will be done, rather than compromise the value upside solely in order to meet a short-term EBITDA goal. To this point, the product development pipeline continues to be refined, and trials of next generation genetics are proving out the gains that can be delivered. In our next Review we will present some field trial data (>15 years) that proves out the gains that can be delivered from the adoption of MCP genetics.

ArborGen is entering a period of growth – both expansionary (e.g. the Brazil step-out) and organic (e.g. working capital growth as the US market recovers). The funding for these should ideally be met out of capital raised in an external ArborGen financing event – i.e. an event that achieves both capital and liquidity objectives. ArborGen continues to actively advance to this fundamental financing objective.

Finally, we would like to thank all of our stakeholders for their continued support. As always, it is very much appreciated.

Steve Kasnet
Chairman
20 February 2015

Luke Moriarty
Chief Executive Officer and Director

2 *Please also refer to Note 5 Key Financial, Commercial and Environmental Risks in our 2014 Statutory Report*

Rubicon Limited and Subsidiaries

Consolidated Income Statement
(Unaudited)

For the six months ended 31 December 2014

	RUBICON GROUP		
	6 months Dec 2014 US$m	**Year ended Jun 2014 US$m**	**6 months Dec 2013 US$m**
Revenue	209	396	197
Cost of sales	(160)	(304)	(150)
Gross earnings	**49**	**92**	**47**
Distribution expense	(38)	(71)	(36)
Administration expense	(8)	(17)	(9)
Operating earnings before financing expense	**3**	**4**	**2**
Financing expense	(3)	(5)	(4)
Earnings before taxation	**–**	**(1)**	**(2)**
Income tax expense	–	(1)	–
Net Earnings	**–**	**(2)**	**(2)**
Attributable to:			
Rubicon shareholders	(1)	(3)	(2)
Minority shareholders	1	1	–
Net Earnings	**–**	**(2)**	**(2)**

Basic/diluted earnings per share information (cents per share):	(0.2)	(0.8)	(0.5)
Weighted average number of shares outstanding (millions of shares)	409	391	380

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

Rubicon Limited and Subsidiaries

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2014

	RUBICON GROUP		
	6 months Dec 2014 US$m	Year ended Jun 2014 US$m	6 months Dec 2013 US$m
Net Earnings	**–**	**(2)**	**(2)**
Items that may be reclassified to the Consolidated Income Statement:			
Movement in currency translation reserve	(1)	1	–
Movement in hedge reserve	–	1	1
Other comprehensive income (net of tax)	**(1)**	**2**	**1**
Total comprehensive income	**(1)**	**–**	**(1)**
Total comprehensive income attributable to:			
Rubicon shareholders	(2)	(1)	(1)
Minority shareholders	1	1	–
Total comprehensive income	**(1)**	**–**	**(1)**

Rubicon Limited and Subsidiaries

Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2014

		RUBICON GROUP		
	Notes	6 months Dec 2014 US$m	Year ended Jun 2014 US$m	6 months Dec 2013 US$m
Total comprehensive income		**(1)**	**–**	**(1)**
Movement in Rubicon shareholders' equity:				
Issue of shares		–	10	–
Movement in minority shareholders' equity:				
Share buyback by Tenon	4	(1)	–	–
Total movement in shareholder equity attributable to:				
Rubicon shareholders' equity		(2)	9	(1)
Minority shareholders' equity		–	1	–
Opening equity attributable to:				
Rubicon shareholders		159	150	150
Minority shareholders		50	49	49
Opening total Group equity		209	199	199
Closing equity attributable to:				
Rubicon shareholders		157	159	149
Minority shareholders		50	50	49
Closing Total Group Equity		**207**	**209**	**198**

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

Rubicon Limited and Subsidiaries

Consolidated Statement of Cash Flows
(Unaudited)

For the six months ended 31 December 2014

	6 months Dec 2014 US$m	Year ended Jun 2014 US$m	6 months Dec 2013 US$m
Cash was provided from operating activities			
Receipts from customers	213	398	206
Cash provided from operating activities	213	398	206
Payments to suppliers, employees and other	(208)	(393)	(206)
Income tax received/(paid)	–	(1)	–
Cash (used in) operating activities	(208)	(394)	(206)
Net cash from operating activities	**5**	**4**	**–**
Sale of fixed assets	–	–	–
Investment in fixed assets	(3)	(2)	(1)
Investment in associate	(3)	(5)	(3)
Net cash from (used in) investing activities	**(6)**	**(7)**	**(4)**
Debt drawdowns	10	63	60
Debt repayment	(5)	(63)	(49)
Interest paid	(2)	(6)	(5)
Issue of shares	–	10	–
Capital return by way of share buyback			
To Tenon minority shareholders	(1)	–	–
Net cash from (used in) financing activities	**2**	**4**	**6**
Net movement in cash	**1**	**1**	**2**
Opening cash, liquid deposits and overdrafts	(1)	(2)	(2)
Closing Cash, Liquid Deposits and Overdrafts	**–**	**(1)**	**–**
Net earnings	–	(2)	(2)
Adjustment for:			
Financing expense	3	5	4
Depreciation	2	4	2
Forest assets	1	1	–
Cash flow from operations before net working capital movement	6	8	4
Trade and other receivables	5	2	8
Inventory	(7)	5	(1)
Trade and other payables	1	(11)	(11)
Net working capital movement	(1)	(4)	(4)
Net cash from operating activities	**5**	**4**	**–**

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

Rubicon Limited and Subsidiaries

Consolidated Balance Sheet
(Unaudited)

As at 31 December 2014

	Notes	RUBICON GROUP Dec 2014 US$m	 Jun 2014 US$m	 Dec 2013 US$m
Current assets				
Cash and liquid deposits		1	–	–
Trade and other receivables		29	35	28
Inventory		73	67	73
Total current assets		**103**	**102**	**101**
Non current assets				
Fixed assets		23	21	22
Forest assets		1	3	4
Investment in associate		84	81	79
Goodwill		85	85	85
Deferred taxation asset		11	12	11
Total non current assets		**204**	**202**	**201**
Total assets		**307**	**304**	**302**
Current liabilities				
Bank overdrafts		(1)	(1)	–
Trade, other payables and provisions		(35)	(35)	(34)
Current debt	5	(19)	(1)	(20)
Total current liabilities		**(55)**	**(37)**	**(54)**
Term liabilities				
Term debt	5	(45)	(58)	(50)
Total term liabilities		**(45)**	**(58)**	**(50)**
Total liabilities		**(100)**	**(95)**	**(104)**
Net Assets		**207**	**209**	**198**
Equity				
Share capital	6	188	188	178
Reserves	7	(31)	(29)	(29)
Equity attributable to Rubicon shareholders		**157**	**159**	**149**
Equity attributable to minority shareholders		50	50	49
Total Group Equity		**207**	**209**	**198**

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

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2014

1 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited and Subsidiaries (the Group) for the six months from 1 July 2014 to 31 December 2014. 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 2014.

The Group has not early adopted any of the new standards, amendments and interpretations to existing standards disclosed in note 4 of the June 2014 statutory report and there have been no new standards, amendments or interpretations to existing standards issued since June 2014 that are material 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 20 February 2015.

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 2014 Statutory Report, note 4, for greater detail). Actual results could differ from those estimates.

4 TENON SHARE BUY BACK

On 4 December 2013, Tenon announced a share plan, compulsory acquisition of minimum shareholdings and a share buyback. The share plan and compulsory acquisition were completed in early 2014. The share buyback was initially for up to 450,000 shares and on 21 August 2014 was extended by a second share buyback of up to 400,000 shares to be acquired at the discretion of the Board. As at 31 December 2014, 568,886 shares had been acquired under the share buybacks at an average on-market price of NZ$1.56 per share. The shares were cancelled upon acquisition by Tenon Limited.

Rubicon did not participate in the Tenon share buybacks and as a result of the purchase and cancellation of Tenon share capital, Rubicon's shareholding in Tenon increased from 59.23% at 30 June 2014 to 59.50% at 31 December 2014.

5 CURRENT AND TERM DEBT

Tenon's current long-term debt facility, led by PNC Bank National Association, comprises a $59 million revolver and an amortising term loan, which expires in September 2018. The facility contains a quarterly fixed charge covenant (FCCR)[1] of 1.1 times, which commenced in June 2014.

Under the facility Tenon can exercise its unconditional right to drawdown (or repay) borrowings from time-to-time up to the amount of the facility, subject to Tenon remaining in compliance with certain facility covenants. The revolver line is classified as non current; reflecting the lenders' commitment to Tenon for the life of the facility and, as at 31 December 2014, Tenon being in compliance with the FCCR covenant. Tenon believes it will continue to be compliant with the FCCR covenant in future periods.

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

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2014

The revolver facility was subject to a $7.5 million "block" reserve deducted from the eligible collateral. On 22 January 2015, PNC advised that the block was permanently released (resulting in availability increasing by up to $7.5 million, depending on the amount of total eligible collateral available), as a result of Tenon having met four successive quarters of 1.5x FCCR coverage and $15 million surplus availability (measured before deducting the block) and the existing term loan balance being repaid down to $7.5 million.

The total size of Tenon's syndicated bank credit facility reduces as a result of the scheduled repayment 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 2016, the maximum $1 million repayment each year will be made under the excess cash flow provision of the facility.

During the current fiscal year Tenon will invest (circa) $5 million into the upgrade of the Taupo manufacturing site with new sawmill optimisation equipment. This investment is being partly funded by a new, syndicate supplied, $3.2 million term loan (the "Capex Loan") and the balance funded by the revolver line. The Capex Loan is assumed to be fully drawn by 30 June 2015, and is subject to repayment of $53,333 per month from 1 September 2015.

Rubicon's $20 million ANZ facility has an expiry date of 1 July 2015 and is classified as current debt (June 2014: non current, December 2013: current).

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	US$m				US$m
	Term Loan	**Capex Loan[d]**	**Revolver**	**Total**	
December 2014	9.62	1.90	59.00	70.52	20.00
June 2015 [a][b]	6.95	3.20	59.00	69.15	20.00
June 2016 [a]	5.85	2.67	59.00	67.52	–
June 2017 [c]	3.75	2.03	59.00	64.78	–
June 2018 [c]	1.65	1.39	59.00	62.04	–
September 2018	–	–	–	–	–

(a) Scheduled term Loan amortisation of $91,667 per month.
(b) Term Loan was paid down by $2.125 million to $7.5 million on 5 January 2015.
(c) Scheduled term Loan amortisation of $91,667 per month plus $1 million excess cash flow payment on 30 September.
(d) Capex Loan assumed fully drawn to $3.2 million by 30 June 2015 and repayment of $53,333 per month commencing 1 September 2015.

The current debt of $19 million includes Rubicon's $15 million of US debt.
All term debt facilities are denominated in US dollars.

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2014

6 CAPITAL

	RUBICON GROUP		
Share capital	**Dec 2014 US$m**	**Jun 2014 US$m**	**Dec 2013 US$m**
Share capital at the beginning of the period	188	178	178
Issue of shares	–	10	–
Share capital	188	188	178

Number of shares	**Dec 2014**	**Jun 2014**	**Dec 2013**
Opening shares on issue	409,051,378	379,719,975	379,719,975
Issue of shares	–	29,331,403	–
Closing shares on issue (1)	409,501,378	409,051,378	379,719,975

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

7 RESERVES

	RUBICON GROUP		
	Dec 2014 US$m	**Jun 2014 US$m**	**Dec 2013 US$m**
Retained earnings			
Opening balance	(31)	(28)	(28)
Net earnings	(1)	(3)	(2)
Closing balance	(32)	(31)	(30)
Revaluation reserve			
Opening balance	1	1	1
Closing balance	1	1	1
Hedging reserve			
Opening balance	–	(1)	(1)
Movement in period	–	3	1
Hedge losses transferred to earnings in the period	–	(2)	–
Closing balance	–	–	–
Currency translation reserve			
Opening balance	1	–	–
Translation of independent foreign operations	(1)	1	–
Closing balance	–	1	–
Total reserves	**(31)**	**(29)**	**(29)**

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2014

8 SEGMENTAL INFORMATION SUMMARY

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

	RUBICON GROUP		
	6 months Dec 2014 US$m	Year ended Jun 2014 US$m	6 months Dec 2013 US$m
Appearance and wood products			
Operating revenue	209	396	197
Total assets	223	223	223
Segment net earnings	2	2	–
Forestry genetics			
Operating revenue	–	–	–
Total assets	84	81	79
Segment net earnings	–	–	–
Total Group			
Operating revenue	209	396	197
Total assets	307	304	302
Segment results	2	2	–
Less corporate costs and Rubicon financing expense	(2)	(4)	(2)
Net Earnings	–	(2)	(2)

9 CONTINGENT LIABILITIES

The Group has no material contingent liabilities (June 2014: nil, December 2013: nil). Refer to note 5 in the June 2014 statutory report, specifically notes; 5.1(d), 5.2(f) and 5.2(g), which discuss other risks.

10 POST BALANCE DATE EVENTS

On 5 January 2015, the $7.5 million block on the Tenon revolver facility was permanently released as a result of Tenon having met four successive quarters of 1.5x FCCR coverage and $15 million surplus availability (measured before deducting the block), and the existing term loan balance being repaid down to $7.5 million. Refer to note 5.

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2014

11 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 2014 US$m	Year ended Jun 2014 US$m	6 months Jun 2014 US$m	6 months Dec 2013 US$m
Tenon				
Net Earnings	2	2	2	–
plus Income tax expense	–	1	1	–
plus Financing expense	2	4	1	3
Operating earnings before financing expense	4	7	4	3
plus Depreciation and amortisations	2	4	2	2
EBITDA	6	11	6	5

Total Rubicon Group				
Net Earnings	–	(2)	–	(2)
plus Income tax expense	–	1	1	–
plus Financing expense	3	5	1	4
Operating earnings before financing expense	3	4	2	2
plus Depreciation and amortisations	2	4	2	2
EBITDA	5	8	4	4

Rubicon Limited and Subsidiaries

Investor Information

Investor Enquiries/Registered Office

Level 1, 7-9 Fanshawe Street, Auckland

PO Box 68 249, Newton,
Auckland 1145, New Zealand
Telephone: 64 9 356 9800
Facsimile: 64 9 356 9801
Email: information@rubicon-nz.com
Website: www.rubicon-nz.com

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.

RUBICON

www.rubicon-nz.com