



Fe

55.845

27

Co

58.933

44

Ru

101.07

45

Rh

102.91

76

Os

23

77

Ir

192.22

Interim Report
December 2007

44	83	27	7
Ru	Bi	Co	N
101.07	208.98	58.933	14.007

109

Mt

110



RUBICON

Table of Contents

Six-Month Review	1
Financial Statements	11
Notes to the Financial Statements	15
Contact Details	17

FORWARD-LOOKING STATEMENTS

There are statements included 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, including the markets and geographies in which its businesses (including those of ArborGen and Tenon) operate and compete, foreign exchange rate fluctuations, US housing market conditions, US and global credit market conditions, intellectual property protection, regulatory approvals, public and customer acceptance of biotechnology products, the success of its research and development activities, weather conditions, and other factors (some of which are beyond the control of Rubicon). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. The information contained herein is believed to be materially accurate as at the date of this Review (or as at the date otherwise noted in this Review) but Rubicon gives no warranty of accuracy or reliability and takes no responsibility for accuracy. No investment decision can be taken on the basis of information contained herein.



Six-Month Review – 2008

This document is an Interim Review for the first six months of the Company's 2008 fiscal year, addressing in summary the highlights for the period in each of Rubicon's major activities. (Our Annual Review for the 2007 fiscal year is available on our website – www.rubicon-nz.com. In addition to our shareholder reports, from time to time we also make announcements to the New Zealand Exchange. These can be viewed by shareholders either on the NZX website or on Rubicon's own website, where a complete history of our releases is maintained.)



ARBORGEN and HORIZON2

As we noted in last year's Annual Review, the recent progress at ArborGen has been extremely positive. Milestones set for the period were achieved on time and under budget – in this regard, a continuation of past performance from this business. The pendulum of activity has of course shifted considerably over time, from ArborGen initially being a research operation to the focus now being on it becoming a completely stand-alone commercial enterprise of global scale. Accordingly, the milestones we are now setting for this business are geared to the swift commercialisation of the extensive intellectual property portfolio that ArborGen has created over the past seven years.

In this respect, the agenda is now to:

- Move ArborGen's "next generation" products through the US and Brazilian regulatory processes;
- Expand the reach of its products, to encompass the potentially large and valuable biofuels market;
- Strengthen access to customers, through the creation of new customer channels and relationships;
- Advance its current mass-replication technologies, to significantly increase efficiencies and lower costs, in line with current commercial scale-up targets; and
- Ensure ArborGen is, when the time is appropriate, in a position to move to "stand-alone" status, quite separate from its Partners both in terms of funding and management.

Advances made during the period* in relation to the first of these five goals included:

- Approval by CTN-Bio (Brazil's regulatory authority) to allow ArborGen to proceed with the third full-rotation field trial of its improved-pulping eucalyptus product. This is expected to be one of ArborGen's first "next-generation" treestock products to be commercialised; and
- Approval (following a full open public comment period) from the US regulatory authority, APHIS, for ArborGen to proceed to a full rotation field trial of its cold-tolerant variety of eucalyptus. This approval represents a major milestone towards the commercialisation of this valuable cold-tolerant product. As well as offering a new source of hardwood trees for the US South pulp and paper industry, this cold-tolerant variety also offers considerable potential as a renewable feedstock for second-generation cellulosic biofuels.

In terms of ArborGen's biofuels market goal, the APHIS announcement coincided with ArborGen being named as a partner in the US Government-funded US\$125 million Bioenergy Research Centre. Other partners include the Oak Ridge National Laboratory and leading ethanol companies Verenium Corporation and Mascoma. The purpose of the Centre is to provide the transformational science needed for bioenergy breakthroughs that will allow the US to meet its goal of making cellulosic ethanol (i.e. ethanol manufactured from the cellulose fibre in trees/shrubs) cost-competitive with fossil fuels by 2012, and to advance its objective of reducing the country's dependence on gasoline by 20% within a decade. As we have discussed previously, purpose-grown trees of the type that ArborGen has been developing for commercialisation have the potential to play a key role in any future bio-based economy seeking a source of renewable energy.

In relation to the third goal – the strengthening of customer relationships – in late August ArborGen announced that it had entered into a series of conditional agreements that would see it acquire, for US\$60 million, the respective commercial tree operations of its three Partners – Rubicon (i.e. our Horizon2 business), International Paper, and MeadWestvaco. In order to be able to "roll in" 100% of Horizon2 we first had to acquire from CHH the 50% of the business we did not own – which we did for a cost of \$10 million. As part of this acquisition, all outstanding issues with CHH were settled and Horizon2 signed a new long-term treestock supply agreement with HNRG (i.e. Hancock, the new owner of the ex-CHH estate). The transaction received OIO approval in October and closed on 1 November, with the three Partners' businesses transferring to ArborGen on that date.

This transaction is a watershed event in ArborGen's life, and in our last Annual Review we outlined the transformation that would result from it. We also discussed this event at our Annual Shareholders' Meeting (ASM) in December, and it is worth repeating our comments again in this Review for the benefit of shareholders. In summary, the combination of the Partners' three leading operations into ArborGen's existing activities has transformed the company, by:

*Please note that some of the events summarised here were reported upon in our Annual Review sent to shareholders in September last year. Although they represent events that actually occurred in the first half of fiscal 2008, they were reported upon in our Annual Review in order to keep shareholders up to date with developments.

- Providing ArborGen with an immediate and large presence in the sizeable North American marketplace. The combined Rubicon, International Paper and MeadWestvaco businesses that ArborGen has acquired had sales of over 300 million treestocks last year. These sales represented well over a third of the entire pine treestock market in the US South, almost 15% of the hardwood market in that same geography, 50% of the Radiata treestock market in New Zealand, and 15% of the softwood market in Australia;

ArborGen has seven productive nurseries in the United States. The bareroot nursery at Bellville, Georgia, produces 45 million Loblolly and Slash pine seedlings annually, from 200 acres of irrigated land.



- Providing ArborGen with immediate cash flow, with sales revenue in excess of US\$25 million per annum;
- Delivering a treestock manufacturing and product distribution capability that ArborGen did not previously possess, and which it would otherwise have had to develop at some considerable cost and over an extended period of time;
- Giving it ownership of International Paper's and MeadWestvaco's superior pine and hardwood germplasm (i.e. genetics) for the important US market, and Rubicon's germplasm for the Australasian market;
- Allowing its customers access to treestocks from an expanded product pool, extending across the full genetic spectrum of traditional, varietal, and (in the future) advanced next-generation treestocks;
- Expanding ArborGen's product development programme. By way of example, ArborGen's database of 3,000 Loblolly pine varietals in trial in the US has, following these acquisitions, been expanded to well over 7,000 varietals in trial – the most extensive trial database of its type anywhere in the world. The combination of businesses brings together over 50 years of international tree improvement know-how;
- Giving it immediate operational scale, by having operations in 20 locations, spanning 4 countries (the US, Brazil, New Zealand and Australia) and employing over 185 staff.

By accessing these important customer sales and distribution networks now, and by filling much of the manufacturing capability gap that has previously existed, ArborGen's business model is now advanced significantly. This should enable it to bring forward value accordingly.

Referring back again to the five ArborGen goals outlined on the first page of this Review, there is unquestionably a large prize to be captured by improving mass-replication efficiencies. Whilst this will naturally occur as production is geared-up in future periods (with volume alone helping to drive down per-unit costs), there is still much to be gained from both process and technology improvement. This will be a critical focus as ArborGen looks to enter the commercial scale-up phase of its next-generation products.

As already noted, ArborGen is being positioned to be able to “stand alone” in the future should it be decided that is the right path to proceed down. This is a broad undertaking in scope, and extends from establishing ArborGen’s own financial capability (something which was further advanced in the period through the acquisition of the Partners’ commercial tree operations, as these businesses will provide positive cashflow generation to ArborGen in the future), through to rounding out the ArborGen management team through some new key appointments. We will report on this further in future Reviews.

We are often asked to give a view of the future value of ArborGen. As you can imagine this is very difficult to do, given the nature of the ArborGen undertaking and the uncertainties that exist around a range of assumptions and possible outcomes. However, to assist shareholders understand the size and scale of the potential market opportunities ArborGen is chasing, we have, at successive ASMs, given hypothetical examples of the potential value that could accrue from the successful launch of three of ArborGen’s future targeted products – cold-tolerant eucalyptus (in the US), improved-pulping eucalyptus (in Brazil), and short rotation Loblolly (in the US). The data encompassed in those examples is too voluminous to repeat here, however if you wish to review that information it is available on Rubicon’s website, at www.rubicon-nz.com. In providing this information, shareholders should understand that there is considerable scope for variation in assumptions and outcomes in relation to the data and hypothetical examples provided, but having said that we do believe they are helpful in terms of a “big picture” view of the potential market size for ArborGen’s future next-generation products.

TENON

At the beginning of fiscal 2008, we listed the two immediate key deliverables for Tenon in quite simple terms:

- To drive Tenon's earnings performance; and
- To position Tenon for a return to mid-cycle conditions post-2008.

Whilst good progress was made towards the achievement of both of these objectives, it was certainly the case that Tenon received no assistance from its operating environment in the period. The sub-prime mortgage market collapse and the resultant and ongoing global credit squeeze both made their impact felt, with operating conditions deteriorating across the six months. Housing starts, inventories, and prices in the United States – Tenon's key market – each showed a negative trend. These factors, combined with a reduction in the supply of credit to new homeowners and a drop in renovation spending, acted to make Tenon's day-to-day operating environment very difficult. On top of all of this, of course, was a very strong NZ dollar (against the US dollar), which added yet more strength to the headwinds in which Tenon is currently operating.

Despite these troublesome market conditions, much was achieved in the past six months. In particular:

- Tenon reported earnings before interest, tax, depreciation and amortisations (i.e. EBITDA) of US\$9 million. Whilst this was flat on the previous comparative six-months period, it represents a very creditable result given the far more difficult macro-conditions under which it was operating. It is also worth noting that Tenon's stable earnings result was recorded in an environment where many industry participants have reported earnings declines of more than 50%, which just adds to the relative strength of its six-months' performance.

Tenon's earnings performance in the period benefited from:

- A full six-months result from the Ornamental Mouldings acquisition;
- The realignment of operating shifts and staffing across all operating facilities, to match production levels and efficiencies with changing market conditions; and
- The advancement of its One-Company initiatives, which are designed to extract the synergies from operating Tenon's various business units as one integrated company.

The resultant gains in productivity and the reduction in costs that have been achieved are perhaps best reflected in the performance of Tenon's clearwood manufacturing operation at Taupo, which recorded a positive contribution despite the constraints of a NZ:US dollar cross rate that averaged over 75 cents across the period.

- Tenon's earnings result, combined with a continued focus on supply chain optimisation (in order to meet customer needs and internal cash generation targets), allowed Tenon to generate Net Cash From Operating Activities over the six months of US\$15 million. This figure (which included a positive working capital

contribution of US\$5 million) compares very favourably with the US\$6 million result recorded in the previous corresponding December period, and also with the US\$14 million result for the full 12-months ending 30 June 2007.

- This strong cashflow generation, in turn, allowed Tenon to reduce net debt (including deferred liabilities) from US\$88 million at 30 June 2007 down to US\$77 million at balance date.
- Strategically, Tenon acquired a further 24.5% of Southwest Moulding Co (“Southwest”) for US\$8 million, taking its ownership interest to 75.5%. The remaining 24.5% is subject to a put:call arrangement with the Southwest minority shareholders, under which Tenon can call the remaining minority interest at any time, and the minority shareholders have the option to put their shareholding to Tenon during the August to October periods in either of 2008 or 2009. This outstanding minority interest is fully accounted for as a deferred liability on Rubicon’s Consolidated Balance Sheet.
- In addition to the operational and strategic moves noted above, an important change to the financing position of the company was made in July, when the total refinancing of the Tenon group was completed with a banking syndicate in the United States. This new US\$100 million five-year facility, led by JPMorgan Chase, includes all the banks that had previously had banking relationships with the Tenon group. It was pleasing that this complete refinancing was able to be secured by Tenon in very difficult global financial market conditions.

Overall, we believe Tenon has substantially advanced the twin objectives we set for it at the beginning of the 2008 fiscal year. Arguably this has not been reflected in the Tenon share price, as that has been driven more by market sentiment towards the sector in which Tenon operates than it has by Tenon-specific performance. In that respect, Tenon’s share price performance is currently being dominated more by macro-conditions – the US housing situation, global credit concerns, and the strong NZ dollar. Whilst the current easing in US interest rates is a positive, until we see some sign of relief in one (or more) of these key factors it is likely that the sector as a whole will continue to be generally marked down by the equity market. This does not, of course, change our positive view either as to what Tenon’s earnings may look like under mid-cycle conditions (rather than under today’s depressed conditions) or indeed what the company’s value may ultimately prove to be. What it does mean, however, is that in the current operating environment Tenon’s imperatives will remain unchanged – namely:

- To drive the company’s earnings performance; and
- To position it strongly for a return to mid-cycle conditions post-2008.

GOVERNANCE

The consolidation of Rubicon's share register was again a feature of the last six months' trading. Based on Substantial Security Holder notices we have received, the five largest Rubicon shareholders now own (in aggregate) approximately 75% of Rubicon's issued shares. This concentrated share register is largely a reflection of the nature of the investments we have – particularly ArborGen, where our large US shareholders see a unique asset with huge potential upside. Of course, we do still have some 10,000 retail shareholders who are very important to us – many of whom have been with Rubicon since its initial listing. We acknowledge the support of all our shareholders.

Trading in Rubicon shares was high during the six months under review, with over 33 million shares changing hands on the NZX. Surprisingly, during the period the NZX determined that, based on its interpretation of its own index rules, because Rubicon's shares tend to trade in large blocks (rather than many small volumes) we did not meet the "liquidity" criteria for being included in the NZX50 index, although we would of course remain on the NZX. The effect of that decision was that index-linked investment funds were required to sell their Rubicon shares during the period. Whilst this index-selling was the cause of a sudden dip in Rubicon's share price in September-October last year, these shares were happily picked up by Rubicon's existing investors. In addition, Cadian Capital (a US fund) also entered our share register at that time, and now owns 6.3% of Rubicon. Interestingly, since the NZX made its decision, Rubicon has proved to be one of the most liquid stocks on the NZX in absolute terms – trading 30 million shares or 12% of our shares on issue, for a total value of NZ\$27 million – which must put into question the determination the NZX made. As liquidity in Rubicon was so high, the Company elected not to buy back any shares during the period.

On a more general note, equity markets have been in a state of turmoil ever since the full impacts of the US sub-prime mortgage market collapse and global credit market squeeze have come to be realised. Whilst the Rubicon share price has been affected both by these events and the NZX "liquidity" determination noted above (for the moment dropping us below our 17% per annum compound return to shareholders target), we still outperformed the NZX50 index for the period under review (i.e. from 1 July 2007 up to the time of writing this report). If this analysis is extended over a longer period – say, from Rubicon's original listing on the NZX up until today – we have outperformed the NZX50 index return by almost 30%. Whilst that is pleasing, our ultimate goal is not relative performance, but rather to meet our 17% per annum compound return target over time. Although this is obviously a very high hurdle rate, we remain confident we can achieve this for shareholders over the life of the Company.

The executive share Plan put in place last March has operated throughout the period. Under this Plan Rubicon's executives do not receive any base pay for a two-year period, and in return the Company issued them Rubicon shares (at 93 cents per share) equivalent to the two years' net salary foregone. The effect of the Plan is to eliminate all executive base pay during the period, with a corresponding cash savings being made by the Company. However, the more important impact has been to increase the equity interest that management

now owns in Rubicon, as that is the most direct way of aligning the interests of all stakeholders. The willingness of our executives to invest in Rubicon shares in this way should indicate the market potential they see in your Company. In this regard, it is worth noting that Rubicon's Directors and management now hold in aggregate 6.6 million shares, or approximately 2.7%, of the Company's outstanding shares on issue. We all now share the risks and rewards of ownership in just the same way as all other Rubicon shareholders do.

At our ASM in December, resolutions were put to the Meeting only in relation to Auditor fees and Director reappointment, with each being passed unanimously. Whilst the speeches and slides presented at that Meeting are freely available on Rubicon's website, we have for the sake of completeness also elected to include in our business summaries in this Review the salient points we discussed with shareholders at the ASM.

FINANCIAL

The Company's financial statements are shown on pages 11-16 of this Review. As Rubicon's functional currency is the US dollar, our financial statements generally refer to US dollars unless stated otherwise. All numbers are rounded to the nearest US\$1 million. As Rubicon has majority control and ownership (57.5%) of Tenon, International Financial Reporting Standards require Tenon's Income, Cash Flows and Balance Sheet financial statements to be consolidated into Rubicon's. This is the basis upon which our financial statements are presented in this Review.

At balance date our consolidated net debt (including deferred liabilities) position was US\$74 million. This figure includes a deferred settlement obligation of US\$8 million relating to the potential future acquisition of the remaining minority 24.5% interest in Southwest, under an existing put:call arrangement with the Southwest minority shareholders. Pleasingly, Tenon's net debt including deferred settlement liabilities fell by US\$11 million (down to US\$77 million) during the period under review – a result of the cash-flow generated from operations in the six months and also a reflection of close management of working capital levels throughout the supply chain.

Capital expenditure totalled US\$17 million in the period. This was largely represented by the minority interest acquisitions in Southwest (24.5%) and Horizon2 (50%). Apart from those, capital expenditure was once again limited to the existing operating activities of Tenon and ArborGen, with the latter being the planned expenditure on ArborGen's (and Horizon2's) ongoing research and development activities.

In July Tenon established a new US\$100 million, five-year bank facility, led by JPMorgan Chase. As previously noted, that this facility was able to be put in place at a time when credit markets have been problematic is a reflection of the market positioning of Tenon and the strong relationships it has with the banks who have financed it over many years.

In terms of earnings, Rubicon's Income Statement is shown on page 11. For ease of understanding, the chart below gives a "snap shot" view of our consolidated operating earnings performance (i.e. EBITDA) for the six months ended 31 December 2007, and compares it with the corresponding comparative period.

(1) Summary Operating Earnings (US\$m)	Dec 07	Dec 06
Tenon	9	9
(2) Tree Biotechnology	(1)	(1)
(3) Corporate	(1)	(1)
Total	7	7

(1) EBITDA

(2) Includes the operations of ArborGen and Horizon2 (up until H2's sale to ArborGen on 1 November 2007)

(3) Before the inclusion of interest income

At the net earnings line the Rubicon Group reported a break-even result, consistent with that recorded in the corresponding comparative period. It should be noted that this result was after the expensing of US\$2 million relating to the annual research-related activities at ArborGen and Horizon2, and transaction costs in relation to ArborGen's US\$60 million acquisition of its commercial tree operations (refer ArborGen and Horizon2 section above). As we have discussed previously, an earnings analysis does not show the full value-picture for Rubicon, as ArborGen in particular is still a developing business and its true value is not captured in its current earnings contribution – in time we believe it will be. To this point, ArborGen's newly acquired commercial tree operations did not generate positive income in the period, as ArborGen only owned them for the two months of November and December and volume treestock sales are not made in these months in either the northern or southern hemispheres. The key treestock "lifting" season months in North America are January–March, and in the Southern Hemisphere they are typically July–September.

OUTLOOK

As we look forward, there are clearly major macro-factors affecting our activities that are quite simply outside our control – the US housing market, global credit markets, and the NZ:US exchange rate being good examples. Of course, whilst these factors are "uncontrollable" they are also large future influencers of value, and as we have noted previously, should they decide to move in our favour the positive value-implications to Rubicon would be considerable. Having said that, today we need to operate our activities by concentrating on those levers of business value that as managers we can actively influence.

Tenon

At Tenon, this does not require any re-setting of objectives. As we are not predicting any easing of operating conditions for Tenon over the remainder of the 2008 fiscal year, the objectives we established at the start of this fiscal year, and which have already been discussed in detail in this Review, maintain their relevance and will continue in place – namely:

- To drive the company's earnings performance; and
- To position it strongly for a return to mid-cycle conditions post-2008.

Advancing One-Company synergy initiatives, managing the supply chain in order to optimise working capital levels, progressing Tenon's new product programme in the outdoor segment, and driving cost efficiencies throughout the company, will become increasingly important activities in 2008 towards meeting these two objectives.

ArborGen

ArborGen has a busy forward agenda. One of the immediate goals is the successful integration of the newly acquired commercial tree operations. This is already underway. Whilst rationalisation opportunities should allow costs to be eliminated and efficiencies to be generated from the combined operations over time, perhaps one of the key benefits to flow from the acquisitions is the access to the combined operational knowledge of the three previous Partner operations. The sheer scale that has now been created will undoubtedly offer important insight into the critical cost, quality, product, and customer issues – all of which can be converted into value for ArborGen and its customers.

In addition to this integration activity, 2008 should see progress made in each of the five ArborGen goals that have been outlined in detail on page 1 of this Review, with advances in commercial replication/manufacturing processes being a particularly important focus. Achievement of those goals should ensure the future success of ArborGen.

You will note that the immediate Tenon and ArborGen objectives outlined above are largely of a direct operational nature. This is a change from the past, where our actions have often been defined by significant acquisition and/or restructuring activity. However, in the current environment the focus now must be on running Tenon hard to maximise near-term earnings and cash flow, whilst simultaneously positioning it to be "the" leading specialty player as the cycle turns upwards. At ArborGen, it will be on meeting the key milestones to commercialisation necessary to allow us to convert its huge promise into tangible value for our shareholders. We believe this is all very achievable, and that the ultimate value-prize in both these businesses will be realised.



Stephen Kasnet
Chairman

26 February 2008



Luke Moriarty
Chief Executive Officer

Income Statement

For the six months ended 31 December 2007

	6 months Dec 07 NZ\$m	6 months Dec 07 US\$m	12 months Jun 07 US\$m	6 months Dec 06 US\$m
Revenue	249	193	394	196
Cost of sales	(180)	(139)	(292)	(147)
Gross earnings	69	54	102	49
Earnings from associates	(1)	(1)	(3)	(1)
Distribution expense	(51)	(40)	(74)	(36)
Administration expense	(12)	(9)	(17)	(8)
Operating earnings before financing costs	5	4	8	4
Financial income	–	–	1	–
Financial expense	(4)	(3)	(7)	(3)
Earnings before taxation	1	1	2	1
Income tax expense	(1)	(1)	(1)	(1)
Net Earnings	–	–	1	–
Attributable to:				
Equity holders of the parent	(1)	(1)	(1)	(1)
Minority interest	1	1	2	1
Net Earnings	–	–	1	–
Earnings before financing costs and depreciation (EBITDA)	9	7	15	7
Depreciation	(4)	(3)	(7)	(3)
Operating earnings before financing costs	5	4	8	4

Basic/diluted earnings per share information:				
Continuing operations		(0.4)	(0.4)	(0.4)
Weighted average number of shares outstanding (millions of shares)		249	249	249

Statement of Changes in Equity

For the six months ended 31 December 2007

	6 months Dec 07 NZ\$m	6 months Dec 07 US\$m	12 months Jun 07 US\$m	6 months Dec 06 US\$m
Net earnings attributable to:				
Rubicon shareholders	(1)	(1)	(1)	(1)
Minority shareholders	1	1	2	1
Net Earnings	–	–	1	–
Translation differences attributable to:				
Rubicon shareholders	–	–	4	4
Minority shareholders	–	–	1	–
Revaluation reserve on acquisition:				
Rubicon shareholders	–	–	1	1
Minority shareholders	–	–	–	1
Total recognised revenue and expenses	–	–	7	6
Movement in Rubicon shareholders' equity:				
Issue of shares	–	–	1	–
Share buyback by Rubicon	–	–	(3)	(3)
Movement in minority shareholders' equity relating to:				
Share buyback by Tenon	–	–	(1)	(1)
Total movement in shareholder equity	–	–	4	2
Movement in:				
Rubicon shareholders' equity	(1)	(1)	2	1
Minority shareholders' equity	1	1	2	1
Opening equity attributable to:				
Rubicon shareholders	189	146	144	144
Minority shareholders	71	55	53	53
Opening total Group equity	260	201	197	197
Closing equity attributable to:				
Rubicon shareholders	188	145	146	145
Minority shareholders	72	56	55	54
Closing Total Group Equity	260	201	201	199

Statement of Cash Flow

For the six months ended 31 December 2007

	6 months Dec 07 NZ\$m	6 months Dec 07 US\$m	12 months Jun 07 US\$m	6 months Dec 06 US\$m
Cash was provided from operating activities				
Receipts from customers	257	199	396	199
Cash provided from operating activities	257	199	396	199
Payments to suppliers, employees and other	(239)	(185)	(383)	(194)
Income tax (paid)	1	1	(4)	(1)
Cash (used in) operating activities	(238)	(184)	(387)	(195)
Net cash from operating activities	19	15	9	4
Sale of investments	–	–	5	5
Investment in fixed assets	(1)	(1)	(4)	(2)
Investment in associates	(10)	(8)	(5)	(3)
Investment in subsidiaries	–	–	(20)	(20)
Cash in subsidiaries acquired	–	–	3	3
Settlement of deferred liability	(10)	(8)	–	–
Net cash from (used in) investing activities	(21)	(17)	(21)	(17)
Debt drawdowns	111	86	50	48
Interest received	–	–	1	–
Debt repayment	(109)	(84)	(37)	(31)
Interest paid	(4)	(3)	(5)	(2)
Issue of shares	–	–	1	–
Capital return by way of buyback				
To Tenon minority shareholders	–	–	(1)	(1)
To Rubicon shareholders	–	–	(3)	(3)
Net cash from (used in) financing activities	(2)	(1)	6	11
Net cash (used in) discontinued operations	–	–	(1)	(1)
Net movement in cash	(4)	(3)	(7)	(3)
Opening cash, liquid deposits and overdrafts	17	13	20	20
Closing Cash, Liquid Deposits and Overdrafts	13	10	13	17
Net earnings/(deficit) from continuing operations	–	–	1	–
Add back net financing expense	4	3	6	3
Adjustment for items not involving cash:				
Depreciation	4	3	7	3
Taxation	2	2	(3)	–
Earnings from associates	1	1	3	1
Cash flow from operations before net working capital movement	11	9	14	7
Net working capital movement	8	6	(5)	(3)
Net cash from operating activities	19	15	9	4

Balance Sheet

As at 31 December 2007

	Dec 07 NZ\$m	Dec 07 US\$m	Jun 07 US\$m	Dec 06 US\$m
Current assets				
Cash and liquid deposits	13	10	14	17
Trade and other receivables	62	48	54	42
Inventory	91	71	71	81
Current taxation asset	–	–	2	–
Current assets – discontinued operations	–	–	–	1
Total current assets	166	129	141	141
Current liabilities				
Bank overdraft	–	–	(1)	–
Trade and other payables	(37)	(29)	(28)	(26)
Current debt	(5)	(4)	(74)	(73)
Deferred settlement	(10)	(8)	(16)	–
Current taxation liability	–	–	–	(1)
Current liabilities – discontinued operations	(1)	(1)	(1)	(2)
Total current liabilities	(53)	(42)	(120)	(102)
Non current assets				
Fixed assets	57	44	46	43
Investments in associates	63	49	42	40
Goodwill	111	86	85	94
Deferred taxation asset	9	7	7	8
Total non current assets	240	186	180	185
Term liabilities				
Provisions	–	–	–	(1)
Deferred settlement	–	–	–	(20)
Term debt	(93)	(72)	–	(4)
Total term liabilities	(93)	(72)	–	(25)
Net Assets	260	201	201	199
Equity				
Share capital	193	149	149	148
Reserves	(5)	(4)	(3)	(3)
Equity attributable to Rubicon shareholders	188	145	146	145
Equity attributable to minority shareholders	72	56	55	54
Total Group Equity	260	201	201	199

Notes to the Financial Statements

For the six months ended 31 December 2007

BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited and Subsidiaries (the Group) for the six months from 1 July 2007 to 31 December 2007.

The interim financial statements have been prepared in accordance with New Zealand International Accounting Standard (NZ IAS) 34, and do not include all of the information required to be disclosed for full annual financial statements.

Functional/Presentation Currency

The functional currency used in preparation of these financial statements is the United States dollar (US\$). These statements are presented in US\$ rounded to the nearest million.

All financial numbers are in US\$ unless otherwise stated.

Currency of Convenience

The amounts pertaining to the most recent financial period are also translated to New Zealand dollars as supplemental information, presented solely for convenience, and are converted from US\$ (as a matter of arithmetical computation only) at the closing rate on 31 December 2007 of NZ\$1.00:US\$0.7740.

APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 26 February 2008.

CHANGE IN ACCOUNTING POLICY

There have been no changes in accounting policies during the period. However certain comparatives have been restated to conform with the current period's presentation. Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2007 or later periods. The Group believes that adoption of these will not have a material effect on the Group's accounts, but will require additional disclosure.

USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with NZ IFRS 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 2007 Statutory Report, pages 7 and 8 for greater detail). Actual results could differ from those estimates.

DEFERRED SETTLEMENT

On 23 August 2007, agreement was reached with the minority shareholders of Southwest for Tenon to increase its interest in Southwest by an additional 24.5% interest to 75.5%. The price of the additional 24.5% shareholding was approximately \$8 million. At 31 December 2007, the remaining minority interest of 24.5% in Southwest was recognised as a liability on the balance sheet as a deferred settlement. The minority shareholders retain an option to put the remaining balance of 24.5% to Tenon during the period August–October in 2008 or 2009. Tenon may purchase the minority interest at any time.

Notes to the Financial Statements continued

For the six months ended 31 December 2007

DEBT REFINANCING

On 5 July 2007, Tenon completely refinanced its existing bank facilities which were due to expire in August 2007. The new bank credit facility is for an amount of US\$100 million secured for a term of five years and is provided by a consortium of banks led by JPMorgan Chase Bank, N.A. The new facility is structured as a global facility supporting the operations of the Tenon group as a whole, and replaces the previous separated bank facilities existing within the Group. As at 31 December, \$72 million of drawn debt was classified as non-current.

ACQUISITION AND DISPOSAL OF ASSOCIATES

During the period Rubicon acquired the 50% of the Horizon2 partnership it did not already own. Subsequent to this Rubicon contributed its entire 100% interest in the operations of Horizon2 to ArborGen LLC. This contribution coincided with the other two Partners in ArborGen also contributing their commercial tree businesses to ArborGen. This transaction valued the total commercial tree operations of the three partners at \$60 million. Apart from the acquisition cost of the remaining 50% interest in Horizon2, Rubicon was able to maintain its ownership interest in ArborGen (i.e. one-third) at no cash cost to Rubicon.

SEGMENTAL INFORMATION SUMMARY

The Group's primary segment is by function and is shown in the following table:

	Group		
	6 months Dec 07 US\$m	12 months Jun 07 US\$m	6 months Dec 06 US\$m
Appearance and wood products			
Operating revenue	193	394	196
Segment result (EBITDA)	9	20	9
Biotechnology and other			
Operating revenue	–	–	–
Segment result (EBITDA)	(2)	(5)	(2)
Total Group			
Operating revenue	193	394	196
Segment result (EBITDA)	7	15	7

Contact Details

Investor Enquiries/Registered Office

Level 3, 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 are listed on the NZSX (RBC).

Shareholder Enquiries

Shareholders with enquiries about share transactions or changes of address can access the Computershare website www.computershare.co.nz and check their shareholding online. You will need your shareholder number and FIN.

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

