RUBICON

2014
ANNUAL 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 each 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 Annual Review of operations for the year to 30 June 2014. It addresses in summary form the highlights for the period in each of the Company's major business activities – i.e. ArborGen and Tenon.

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Rubicon has two core investments - Tenon and ArborGen.
The summary highlights for each for the 12-month period ending 30 June 2014 are outlined below. ($ are US$).

Tenon Highlights

- **Tenon is leveraged to both new housing and DIY/retail in the US, and will be a beneficiary of the broader recovery in the US housing market as it progresses -**
  - US industry activity now only at early cycle recovery levels
  - Upside potential from current industry activity level is therefore significant
- **New 5-year, $70 million syndicated debt financing facility established**
- **Advancement of Australian strategy with the establishment of a new business relationship with the Masters Home Improvement chain**
- **Announcement of optimisation upgrade at Taupo manufacturing site**
  - $5 million project expenditure
  - 2.5 year payback
- **Revenue of $396 million recorded, up $32 million, or 9%, on the corresponding year -**
  - Revenue from US pro-dealer customers up 15%+
  - Revenue from US DIY / retail customers up 5%+
  - Revenue from Europe and Australia up $4 million
- **A return to bottom line profitability was recorded** (net profit after tax of $2 million, corresponding prior period $3 million loss). This result included -
  - $1 million of expenses relating to establishment of new financing facility
  - $1+ million earnings foregone from severe US winter weather storms
- **Operating profit before financing costs increased to $7 million (2013: $1 million)**
- **EBITDA[1 2] for the 12 months more than doubled (i.e. up 120%) to $11 million**
- **EBITDA[1 2] is projected to increase again in fiscal 2015[3], as US housing market recovers**
- **Potential mid-cycle[4] EBITDA[1 2] upgraded to circa $45 million (previously circa $35 million)**
- **Share price increased 37% across the period -**
  - NZX50, ASX50 and Dow Jones up 16%, 12% and 13% respectively
- **Shareholder Plan (completed) strongly supported by shareholders**
- **Announcement of new share buyback program**

1 EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisation) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis, because that number removes distortions caused by the difference in asset ages, depreciation policies, and debt:equity structures.

2 Tenon's EBITDA is calculated as Net Profit/Loss after Taxation of $2 million (2013: $3 million loss), plus income tax expense of $1 million (2013: $nil million), plus financing costs of $4 million (2013: $4 million), plus depreciation and amortisation of $4 million (2013: $4 million). Please refer also to Note 1.

3 Eventual earnings outcome will be dependent upon continued US housing market recovery, interest rates, and NZ$:US$ FX rate (amongst other drivers).

4 Mid-cycle assumptions include US housing starts circa 1.7 million per annum and NZ$:US$ of 70 cents.

ArborGen Highlights

- **Recovery underway in the US housing market which will lift forest harvesting and replanting levels**
- **2014 production and sales completed -**
  - 265 million seedlings produced and sold world-wide in the season
  - Aggressive US advanced loblolly pine genetics sales targets achieved
    - 55% y-o-y increase in the sales of advanced genetics products in the US
    - 45 million MCP and varietals sold in the US (2013: 29m; 2012: 16m)
    - US loblolly average selling price increased 15% y-o-y
- **Total sales volumes of advanced genetics loblolly and Radiata pine (combined) increased to almost a quarter of the total volumes sold (2013: 20%)**
- **2015 production and sales targets set -**
  - Targeting 10% increase in total seedling volumes y-o-y
  - Targeting 20% increase in revenue y-o-y
  - Longer-term sales targets for the % of advanced seedling sales are in place
  - Resourcing of US commercial sales and product development team expanded
- **'Blended' production techniques and orchard expansion being put in place,** to -
  - Increase MCP seed supply
  - Lower the per-unit cost of US MCP and varietal pine products
  - Deliver on expanded sales targets
- **$26 million US bank facility extended out to August '15**
- **Acquisition agenda established -**
  - NZ expansion plan concluded with acquisition of Edendale business
    - Extends ArborGen's existing activities into South Island
    - Targeting 5m seedling sales p.a.
  - North and South American targets to be evaluated
- **Brazil strategy in place -**
  - Eucalyptus production plan operationalised
    - On-track to produce 5-10 million varietals in first 24 months of operation
    - Order book 'sold out' for current season
    - Expansion to take place once initial sales volumes are proven
  - Pine strategy planned to follow successful Eucalyptus introduction
- **Stretch target in place to be at an EBITDA[1] positive 'run-rate' at the end of CY'15** (inclusive of the expensing of all research expenditure on future products)
- **Enhanced focus on commercialisation milestones for a successful liquidity event**

Tenon

Tenon's financial performance gained momentum in the year, as the US housing market continued along its initial recovery path. In this respect, a quick review of recent US industry data shows housing starts, home permits, new home sales, home prices, and builder confidence, all up year-on-year (y-o-y). However, market conditions across the year were not as plain sailing as perhaps the y-o-y data suggests, with the US housing recovery continuing very much on a saw-tooth upward trend, and with highly variable month-to-month industry data being recorded. This can be seen in the housing starts data, which although declining in the month of June, showed that the moving annual average for housing starts (which removes month-to-month data volatility) reached its highest level in June since October 2008. Similarly, existing home sales, which declined in March to 4.59 million p.a., were up in June by 10% to over 5 million homes p.a. This data volatility has been caused by, amongst other factors, movements in mortgage rates (a result of the US Federal Reserve's decision to begin the tapering of its quantitative easing program, which is currently targeted for completion in October this year), and severe winter weather conditions which negatively impacted industry activity in the January to April period. Indeed, the weather was so extreme that it is estimated to have reduced US GDP by the equivalent of 1% p.a. in the first quarter alone.

Despite the saw-tooth nature of the recovery, and despite the fact that we are only in the early phase of cyclical recovery, Tenon has now begun to benefit from improving market conditions. A few highlights from Tenon's earnings results for 2014 illustrate this.

- **At $396 million, revenue was up $32 million, or 9%, on the previous year.**

  This growth in top line revenue came primarily from a 15%+ increase over the corresponding prior period to June 2013 (cpp) in sales to pro-dealer customers (who supply the new home construction market and who now represent over 50% of Tenon's total North American distribution revenues), as Tenon expanded its product range into existing customers.

  Notably, Tenon's retail / DIY customer sales also showed good growth, increasing by 5%+ over the cpp. This is the first year since the beginning of the US housing down-cycle in 2007-8 that Tenon has been able to report comparable period retail sales growth – a very positive indication that these customers will provide a source of earnings growth as the US housing sector continues to recover.

  Outside of the US, expansion of European and Australian activities (see below), as Tenon continued its geographic growth and rebalancing program, resulted in top line revenue growth of $4 million.

- **Consistent with previous market guidance, Tenon returned to bottom line profitability.**

  Net Profit after tax of $2 million was recorded, which compares with a loss of $3 million in 2013. This result was after expensing $1 million of costs relating to the establishment of a new bank financing facility (see below), and $1+ million in earnings foregone as a result of the extreme US weather conditions that prevailed in the second half of the fiscal year.

- **Gross profit of $92 million was recorded, up 11% or $9 million on the cpp, and operating profit before financing costs of $7 million compares favourably with the $1 million recorded in the prior year.**

  This improved operating profit result reflected not only the benefits of higher volumes and improved product mix, but also the gains from restructuring activities taken last year. The NZ$:US$ cross rate moved wildly in the period, ranging from 77 cents to 88 cents, averaging 83 cents. Tenon's FX hedging policy worked well in this environment, securing a hedged rate in line with the internal budgeted rate of 80 cents.

- **EBITDA[1] more than doubled to $11 million ($5 million cpp).**

  The EBITDA[1] result for the 12 months was up 120% on the result reported for the prior year, and clearly showed the strengthening in Tenon's financial performance as the housing market continued on its recovery path. The result was in-line with previous market guidance given that Tenon's goal was to at least double its fiscal 2013 EBITDA[1] result in 2014. As already noted, this result was achieved despite the headwind of a strong NZ dollar, and the $1+ million in lost earnings from the severe weather conditions experienced in the second half of the fiscal year.

1 EBITDA refer to note 1 on page 18 and the footnote to the Tenon Highlights on page 2.

Tenon

In terms of strategic developments in the period, the following initiatives were put in place to advance Tenon's competitive positioning -

- **The establishment of a new 5-year $70 million bank financing facility.**

  Tenon signed a new syndicated bank facility, led by PNC (as agent bank), with continued participation by two of its existing syndicate banks – Bank of New Zealand and Comerica. This new 5-year facility provides for 30% greater debt capacity than the $54 million of the previous facility. The PNC facility does not expire until September 2018. This new facility will allow Tenon to advance through the cyclical recovery in the US housing market on a much stronger financial footing.

- **The announcement of a $5 million sawmill optimisation upgrade, to Tenon's large clearwood manufacturing operation at Taupo, NZ.**

  In order to support Australian market expansion, and also to meet the demands of a recovering US housing market and on-going product growth into Europe, Tenon made the decision to upgrade its Taupo manufacturing site with new sawmill optimisation equipment.

  This (circa) $5 million investment, which will allow Taupo's production of high-value clearwood product to increase without additional log-in requirement, is expected to generate a 2.5 year payback on investment once fully installed and commissioned. Given the lead time from manufacture to equipment installation, this capital expenditure is unlikely to impact earnings until the second half of calendar '15. Financing, which has been approved by Tenon's banking syndicate, will be provided from an increase in term loan borrowings of $3.2 million with the balance coming from Tenon's existing revolver facility.

- **The expansion of the Australian strategy with the announcement of a new business relationship with the Masters Home Improvement chain.**

  Last month Tenon expanded its business in Australia by entering into a new agreement with Masters Home Improvement to supply and service a full range of interior moulding and millwork products to all of Masters Home Improvement current and future stores, Australia wide. Masters Home Improvement is a joint venture between Woolworths and Lowe's, currently with 49 large-format home centre stores across the country, and with an aspiration to grow this store count at a rate of 10-15 stores per year for the next several years.

  To conduct this new business, Tenon has established Empire Mouldings Australia as a new operation (alongside its existing Tenon Australia operation that was established in 2012), to provide Tenon's unique proprietary service model and extensive product range to Masters Home Improvement. Empire Mouldings Australia will replicate the service offering provided to Lowe's in North America by Tenon's 100% US-based subsidiary, The Empire Company. Product will be supplied primarily from Tenon's large clearwood manufacturing site in Taupo (NZ) and from the Tenon Australia manufacturing operation in Victoria, with supplemental product sourced from Tenon's global supply chain as required.

ArborGen

ArborGen

Much of the text of this section has been purposely extracted directly from the Rubicon ASM (CEO and Chairman) presentations and from the 2014 Interim Review, as the Company believes those materials still represent the most relevant discussion material for Rubicon shareholders at this time.

Having invested significant resources over more than a decade to build ArborGen's industry-leading position – i.e. technology, current product portfolio, future pipeline, intellectual capital, and human capability - it is now about turning this business model into earnings and value for ArborGen's customers and shareholders. In our Interim Review we outlined the current ArborGen focus in this regard, as being to –

- Move customers up the genetic value ladder to MCP and varietals
- Participate in increased industry sales that occur as the US housing cycle recovers
- Turn EBITDA positive
- Expand existing positions – e.g. Australasia
- Invest in geographic growth – e.g. Brazil
- Build on new business opportunities - e.g. bioenergy in the US
- Investigate completely new 'step-out' opportunities

The discussion below is an update on those key points (with the exception of step-out opportunities which are still in early development), with some additions -

- *Proving out the core business model - selling a higher proportion of US seedling production in MCP and varietal form*

  For 2014, ArborGen had set itself an aspirational target of increasing US advanced genetics sales volumes by up to 50% y-o-y – a significant step-up again on last year's performance. We are happy to report that this aggressive target was exceeded in the period. During the fiscal year, **ArborGen sold 45 million MCP and varietal seedlings in the US, up 55% on 2013.** This is an excellent outcome, and is additive to the strong gains that had already been made in the prior year, where ArborGen increased the proportion of its sales in advanced genetics up from 8% of all loblolly pine volume sold in the US in 2012, to 14% in 2013. In 2014 this sales figure increased even further, to represent over 21% of total US loblolly pine sales.

  Including ArborGen's ANZ sales, where the adoption of advanced genetics is already well entrenched, almost a quarter of all (loblolly and Radiata) pine volumes sold were in the form of advanced genetics pine products in 2014.

  As we have previously commented, achieving these y-o-y increases gives potential investors considerable comfort that ArborGen's core US business will continue to meet its critical higher value genetics sales milestones over a longer timeframe, and that the earning potential of the business will continue to grow in line with ArborGen's internal projections. Given the US core underwrites a large part of ArborGen's total value this is an important focus for the company.

- *Introducing new loblolly pine MCP and varietal production techniques, and expanding orchards – increasing product supply and lowering cost*

  Long-term, ArborGen forecasts that it will have sufficient product supply to meet demand for its advanced loblolly pine products in the US. In the immediate next few years however, demand will likely out-strip ArborGen's ability to fully supply. This short-term issue is a direct result of two factors. Firstly, a poor MCP seed out-turn from ArborGen's orchards in 2014, which was caused by a narrow pollination window arising out of the unusual weather conditions that prevailed last year. And secondly, the very strong 2014 y-o-y advanced product sales growth recorded used up a greater proportion of inventory than would otherwise have been the case. These two factors combined, mean that ArborGen will now be constrained by supply rather than by market demand in 2015. Whilst this is better than it being the other way around, quite clearly the preferred position is that ArborGen be in a position to meet the market volumes demanded of it.

  Accordingly, ArborGen is underway with traditional seed orchard expansion, and also with the **testing and trialling in initial commercial volumes, of MCP and varietal seedlings, utilising a 'blend' of traditional propagation and production methods, with ArborGen's (and CellFor's acquired) advanced biotechnology techniques. The goal here is to not only expand ArborGen's advanced genetics loblolly production and inventoried seed base, but to also manufacture each seedling at a lower overall unit cost.**

ArborGen

- *Growing production volumes and earnings in line with a recovering US housing market*

  As noted in the Tenon section of this Review, in fiscal 2014 the recovery in the US housing market proceeded very much to a saw-tooth pattern. In forestry markets this meant that uncertainty prevailed, and that combined with severe winter weather conditions that hampered ArborGen's customers' land site preparation and planting activities, resulted in replanting levels in the US-South that were largely flat y-o-y. In addition, ArborGen's volumes in Australasia actually fell – primarily a result of the collapse of the carbon-planting market in NZ as global carbon prices retreated significantly. Overall, this resulted in ArborGen 2014 worldwide sales volumes being down 8 million y-o-y, to 265 million seedlings.

  While this decline was obviously due to factors (weather and global carbon markets) beyond ArborGen's control, despite the lower overall unit sales volume ArborGen's operating earnings from commercial sales operations were maintained at $8 million, as the increase in high value advanced genetics sales recorded in the US together with a 15% increase in average selling price offset the overall decline in industry volumes experienced. In addition, lower R&D expenditure in the period saw **ArborGen's EBITDA[1] (pre-patent costs) improve to $4 million (2013: $3 million).**

  ArborGen is projecting 2015 unit sales volumes to increase 10% y-o-y, as the US housing market continues to recover and harvesting (and replanting) levels rise in order to meet greater wood demand, as Brazil volumes lift, and as New Zealand volumes increase as a result of the Edendale acquisition (see below).

- *Turning EBITDA[1] positive*

  As we outlined in our Interim Review, this is an important milestone for ArborGen. This is particularly the case in the context of a potential IPO, where many investors prefer to invest their money in companies that are either already at, or very close to, the earnings break-even point, and which are seeking capital to grow and expand their operations from a position of near-term profitability. Although raising capital to initially fund on-going losses is achievable, it is not the preferred approach as it has valuation implications. ArborGen's commercial operating business (i.e. excluding R&D and corporate) is already profitable today, however **the stretch goal is for the company as a whole to be at an EBITDA[1] positive 'run-rate' at the end of CY'15** (inclusive of the expensing of all R&D expenditure). While weather and other 'uncontrollables' always have the ability to knock short-term targets off-course, ArborGen believes this fundamental earnings goal is within sight, and the company is maintaining the above timeline. **In support of this earnings objective, the immediate fiscal 2015 goal is to increase revenue by 20% y-o-y.** Higher unit sales volumes, combined with higher average selling price, form the basis for this higher revenue projection. Achieving this will require harvesting and replanting levels to increase, in line with a recovering US housing market.

- *Expanding further in existing core markets – e.g. Australasian opportunities*

  Where opportunities arise in existing markets to improve operational profitability, these will be taken, as they typically tend to be lower risk and lower cost avenues, and they also strategically support and strengthen existing market positions. By way of example, we had previously advised that ArborGen was undertaking due diligence on a NZ opportunity that would, if completed, extend its existing domestic position. **ArborGen subsequently closed that deal, adding the Edendale nursery operations to its portfolio in April this year.** This acquisition extends ArborGen's reach to the South Island of New Zealand, where Edendale is an established leading seedling supplier. This now gives ArborGen the opportunity to supply its advanced genetics offerings to Edendale's existing customers, who are currently purchasing around five million seedlings per annum.

  Similar, but much larger in scale acquisition opportunities in North and South America are being investigated. The objective there is the same as was applied to the smaller Edendale acquisition – i.e. to advance ArborGen's strategic positioning in key markets, and to improve operational profitability.

1 EBITDA refer to note 1 on page 18 and the footnote on page 2.

ArborGen

- *Attributing value to new geographies – e.g. production and sales in Brazil*

  The South American seedling market is large – circa one billion eucalyptus and pine seedlings p.a. combined. Brazil accounts for the lion's share of these plantings, and it is a market where the concept of advanced genetics is well understood. Indeed, all the large integrated pulp and paper producers currently employ high genetics eucalyptus varietals. Because of this, ArborGen has had science and GE product development programs there for over a decade, which ArborGen believes will be converted into the sale of GE eucalyptus products in Brazil over time.

  As previously announced, **prior to the introduction of GE seedlings in Brazil, ArborGen has already begun the production and sale of (non-GE) eucalyptus seedlings in Brazil, with the intention of selling 5-10 million eucalyptus varietals within the first 24 months of operation. Although the initiation of production has lagged the target timeline set last year, this unit sales goal remains unchanged, and in that respect ArborGen's order book for the current year is sold out.** As discussed previously, the objective is to prove out the model at these initial volumes and then significantly scale-up to match market needs. This will allow ArborGen to build a commercial operating business with varietal products, as a precursor to the introduction of its higher value GE eucalyptus products (which focus on improving the efficiencies of their pulping processes by altering the chemical properties of the eucalyptus fibres and by increasing the yields per hectare of their forests) in subsequent years.

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

- *Proving out new end-uses – e.g. sales into the emerging bioenergy markets*

  CY'13 was a period of strong growth in the wood pellet industry. The US Energy Information Administration reported that wood pellet exports from the United States nearly doubled from 1.6 million tons in 2012 to 3.2 million tons in 2013. More than 98% of these exports were delivered to Europe, the majority having been sourced from the Southern US states. This expansion in the South is continuing, with 18 projects under construction or at the planning stage, that combined will require a further 14 million green tons of round-wood input annually. European countries, particularly the United Kingdom, are using wood pellets to replace coal for electricity generation and space heating. A principal driver of market activity is the European Commission's 2020 climate and energy package, which is binding legislation enacted in 2009 that implements the European Union's 2020 targets.

  The road has not been all smooth sailing for US project developers, as European countries have been less than consistent and transparent in terms of their biomass frameworks. The effect of this has been to delay a number of promoters in North America, including some that ArborGen has been actively working with, from establishing purpose grown hardwood plantations as biomass supply. However, the biomass outlook now looks more positive, with government policies having become clearer and more supportive in a number of European countries, including in the UK and Holland. **These recent announcements should bring some clarity for investors, and hopefully they will also help initiate some of the North American projects that have stalled due to regulatory uncertainty.**

Rubicon

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

We recorded a net earnings loss of $2 million (2013: loss of $6 million, 2012: loss of $12 million), however this result included $1 million of costs relating to Tenon's new syndicated financing facility (see above), and earnings foregone of $1+ million due to the severe winter weather that prevailed in the US in the second half of the fiscal year. Absent those items, Rubicon would have recorded a break-even result for the year. Operating earnings before financing expense improved from a cpp loss of $1 million to a profit of $4 million, as Tenon's results lifted significantly in line with cyclical recovery in the US housing market (refer Tenon section above). This was also reflected in our EBITDA[1] result, which improved to an $8 million profit (cpp $3 million), inclusive of research and corporate development costs expensed at ArborGen.

As Rubicon owns only 31.67% of ArborGen, it is treated as an associate and its debt is not consolidated into Rubicon's balance sheet. Both ArborGen and Tenon's debt is non-recourse to Rubicon Limited. During the period Tenon put in place a new 5-year $70 million syndicated debt facility (refer previous Tenon section), which will allow Tenon to take advantage of the recovering US housing cycle. Early in the fiscal year ArborGen also extended its $26 million facility out to August 2015. This is a positive development as in the past this has entailed a yearly roll-over review, and as ArborGen nears EBITDA[1] positive status its banking status improves significantly.

The ArborGen Partner capital contributions for the new fiscal year have been set at (approx) $4.5 million.

GOVERNANCE

Our Annual Shareholders' Meeting was held in Auckland (NZ) on 5 December 2013. At that meeting we outlined to shareholders our view of the future paths of both Tenon and ArborGen, and we also discussed valuation implications (these materials can be downloaded at www.rubicon-nz.com). The materials discussed at the ASM, and the operational initiatives outlined at both Tenon and ArborGen, are very consistent with the succinct summary in Edison Group's equity report on Rubicon earlier this year -

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

We announced two successful capital initiatives in the second half of the fiscal 2014 year, with the objective of increasing our funding headroom over the next year –

- On 12 February 2014 we announced that we had issued 29.3 million Rubicon shares to a new international investor, Libra Fund (II) Luxembourg. The shares were placed at NZ41.29 cents per share (which was the volume weighted average Rubicon share price over the prior 10 trading days on the NZX), raising NZ$12 million (US$10 million). The capital raised strengthens Rubicon's overall funding position, and supports

1 Refer to note 1 on page 18 and also the footnote on page 2.

Rubicon

our future commitments to ArborGen. We see the placement as a very positive development for the Company. Libra is a 'savvy' investor, who clearly sees value in Rubicon moving forward. We are pleased to have them coming onto our share register at this time, and we believe they will provide a supportive role in helping the Company achieve its key shareholder goals.

- On 14 May 2014, we announced that our $20 million bank financing facility with the ANZ Bank New Zealand Limited (which was to have expired on 1 July 2014) had been extended out to 1 July 2015. All financial terms of the facility, including its secured financing structure, remain as is. The ANZ has been our core relationship bank for over ten years, and it has always been supportive in the provision of bank funding to assist us in meeting the Company's business objectives.

Tenon product layout in Masters' Hawthorn East store, Melbourne, Australia

Rubicon

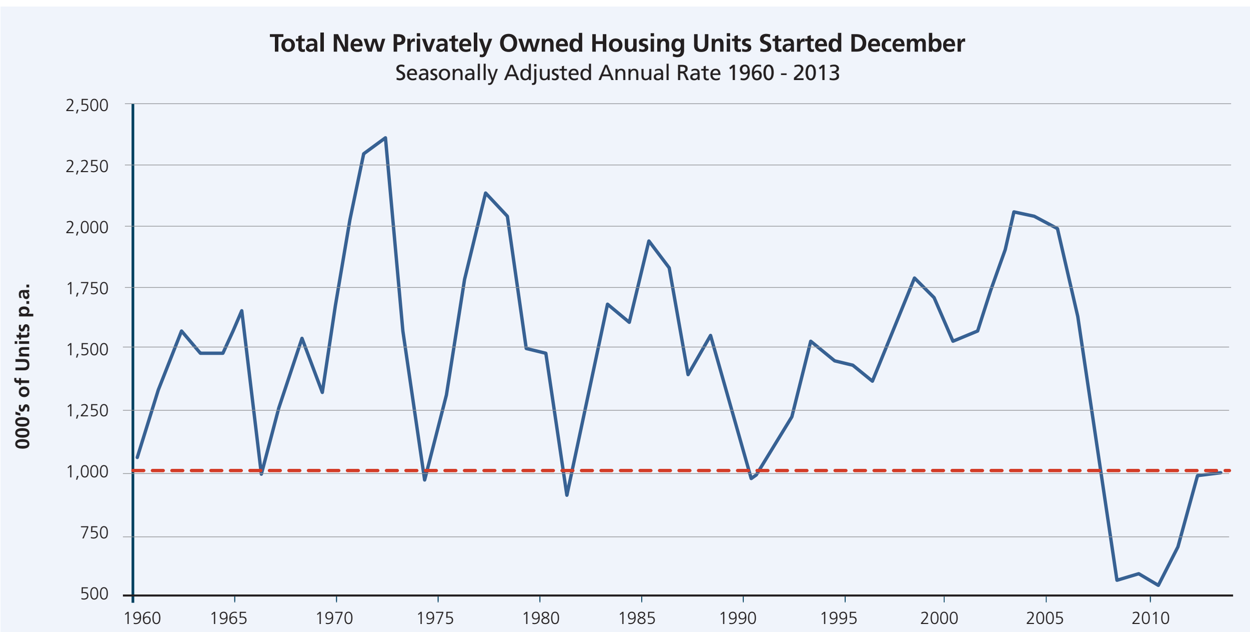
2015 OUTLOOK AND OBJECTIVES

Tenon

As the new housing starts graph (as extracted from our Interim Review) below shows clearly, Tenon is now only at the very bottom, or 'floor,' of previous US housing cycles. Put another way, over the past 50+ years, US housing activity has been at a higher level than today's level for almost 90% of the time. Clearly, the gap to a mid-cycle level of activity represents a large future opportunity for Tenon, and cyclical recovery alone should drive strong future earnings growth in each of Tenon's underlying businesses.

In terms of the immediate outlook, there are some large 'uncontrollables' at play that could materially change Tenon's earnings outcome, up or down. Our basic concerns reside in the macro-conditions likely to prevail over the next 12 months. The US Federal Reserve's plan to eliminate its quantitative easing program this year, and the impact that may have on mortgage interest rates next year and housing demand as a result, will be a key macro driver. Closer to home, the NZ$:US$ exchange rate continues to operate at a level that is unsustainable on fundamentals, and its forward path will similarly be a determinant of Tenon's short-term earnings profile.

On the positive side, and outside of these uncontrollable macro-factors, Tenon expects to reap the benefits from Company-specific growth and profit improvement initiatives that continue to be identified and implemented. Market share growth, continued product expansion with existing customers (e.g. stairparts and doors programs), new product introductions (e.g. refreshed decorative moulding profiles), improved manufactured product mix, operational efficiency gains, increased exposure to the pro-dealer segment, Australian expansion, and the Taupo optimisation upgrade, will each support Tenon's earnings growth.



Rubicon

These initiatives do not come without some initial costs however. In this respect there will be some higher than normal costs reflected in 2015, in particular marketing and merchandising spend supporting extensive product reset activity across all the core product categories Tenon services, however this should deliver stronger retail store performance in future periods. Despite these costs and a higher FX rate today than prevailed in fiscal 2014, **Tenon's internal budget is for its Revenue and EBITDA[1] performance in 2015 to show yet further improvement again on its 2014 result** *(subject to the 'uncontrollables' comments noted above),* **and longer-term Tenon has upgraded its mid-cycle EBITDA[1] potential to circa $45 million.**

This earnings potential excludes the upside that might come from acquisitive growth. As the US industry recovers, merger & acquisition activity will expand, and the opportunity for synergistic transactional growth will similarly increase. Growth by merger and/or acquisition remains firmly on the Tenon agenda. Tenon will balance this growth agenda with cash returns to shareholders, delivered by way of sequential on-market share buyback programs. The buyback mechanism is a flexible one, consistent with the Company's objective of providing more liquidity in the market for small volume daily trading. A buyback program offers shareholders the opportunity to sell into the buyback if they require cash, and for those shareholders who do not wish to sell they will reap the value reward of any share price increase arising from Tenon's future financial performance. Consistent with this conclusion, Tenon has announced a (new) further buyback, commencing 27 August 2014, for the purchase of an additional 400,000 shares on-market, with the intention that further announcements of this type will be made in the future. **As Rubicon believes that Tenon's fair value exceeds its current traded share price, the Board has determined that Rubicon will not participate in the buyback.**

ArborGen

In terms of ArborGen's internal targets and focus, they remain as outlined on page 7 (and as discussed in the following pages) in the ArborGen section of this Review. In that respect, there is little change from the outline given to shareholders in recent Reviews.

In terms of very immediate goals, **ArborGen has set itself a fiscal 2015 target of increasing unit volumes by 10% and top line revenue by 20%**, off the back of a recovering US housing market, expansion in Brazil, the Edendale acquisition, and higher average unit selling prices. **The near-term earnings stretch-target remains to see ArborGen at an EBITDA positive 'run-rate' (inclusive of all research expenditure being fully expensed), by the end of CY'15.**

In terms of the bigger picture, we have made it clear that our preferred future capital path for ArborGen is an IPO, because that would bring with it improved ArborGen market disclosures, the initiation of analyst coverage, and greater forward guidance, which over time are typically associated with enhanced value recognition. These are all things Rubicon is constrained from providing itself whilst ArborGen stays a tightly controlled private company. So an IPO remains our favoured approach, and rather than seeing it as 'the' defining value event for the company, we see it more as a liquidity and financing event, which would (importantly) raise the external capital necessary for ArborGen to meet its full growth potential. Greater value recognition could then be expected to occur over time, as a result of heightened equity market awareness of the company and the much fuller public market disclosures ArborGen would be making from that point on. We will update shareholders on developments in this regard.

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

1 Refer to note 1 on page 18 and footnote on page 2.

Steve Kasnet
Chairman

Luke Moriarty
Chief Executive Officer and Director

Rubicon Limited and Subsidiaries

Consolidated Income Statement

For the year ended 30 June 2014

	RUBICON GROUP	
	Year ended June 2014 US$m	**Year ended June 2013 US$m**
Revenue	396	364
Cost of sales	(304)	(281)
Gross earnings	**92**	**83**
Distribution expense	(71)	(69)
Administration expense	(17)	(15)
Operating earnings before financing expense	**4**	**(1)**
Financing expense	(5)	(5)
Earnings before taxation	**(1)**	**(6)**
Income tax expense	(1)	–
Net Earnings	**(2)**	**(6)**
Attributable to:		
Rubicon shareholders	(3)	(5)
Minority shareholders	1	(1)
Net Earnings	**(2)**	**(6)**

Basic/diluted earnings per share information (cents per share):	(0.8)	(1.3)
Weighted average number of shares outstanding (millions of shares)	391	378

Rubicon Limited and Subsidiaries

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	RUBICON GROUP Year ended June 2014 US$m	RUBICON GROUP Year ended June 2013 US$m
Net Earnings	**(2)**	**(6)**
Items that may be reclassified to the Consolidated Income Statement:		
Movement in currency translation reserve	1	–
Movement in hedge reserve	1	(1)
Other comprehensive income (net of tax)	**2**	**(1)**
Total comprehensive income	**–**	**(7)**
Total comprehensive income attributable to:		
Rubicon shareholders	(1)	(6)
Minority shareholders	1	(1)
Total comprehensive income	**–**	**(7)**

Rubicon Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 30 June 2014

	RUBICON GROUP Year ended June 2014 US$m	RUBICON GROUP Year ended June 2013 US$m
Total comprehensive income	**–**	**(7)**
Movement in Rubicon shareholders' equity:		
Issue of shares	10	15
Total movement in shareholder equity attributable to:		
Rubicon shareholders' equity	9	9
Minority shareholders' equity	1	(1)
Opening equity attributable to:		
Rubicon shareholders	150	141
Minority shareholders	49	50
Opening total Group equity	199	191
Closing equity attributable to:		
Rubicon shareholders	159	150
Minority shareholders	50	49
Closing Total Group Equity	**209**	**199**

Rubicon Limited and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	RUBICON GROUP	
	Year ended June 2014 US$m	Year ended June 2013 US$m
Cash was provided from operating activities		
Receipts from customers	398	360
Cash provided from operating activities	398	360
Payments to suppliers, employees and other	(393)	(370)
Income tax received/(paid)	(1)	–
Cash (used in) operating activities	(394)	(370)
Net cash from operating activities	**4**	**(10)**
Sale of fixed assets	–	3
Investment in fixed assets	(2)	(2)
Investment in associate	(5)	(4)
Net cash from (used in) investing activities	**(7)**	**(3)**
Debt drawdowns	63	22
Debt repayment	(63)	(21)
Interest paid	(6)	(4)
Issue of shares	10	15
Net cash from (used in) financing activities	**4**	**12**
Net movement in cash	**1**	**(1)**
Opening cash, liquid deposits and overdrafts	(2)	(1)
Closing Cash, Liquid Deposits and Overdrafts	**(1)**	**(2)**
Net earnings	(2)	(6)
Adjustment for:		
Financing expense	5	5
Depreciation	4	4
Forest assets	1	–
Other	–	(2)
Cash flow from operations before net working capital movement	8	1
Trade and other receivables	2	(4)
Inventory	5	(19)
Trade and other payables	(11)	12
Net working capital movement	(4)	(11)
Net cash from operating activities	**4**	**(10)**

Rubicon Limited and Subsidiaries

Consolidated Balance Sheet

As at 30 June 2014

	RUBICON GROUP	
	June 2014 US$m	June 2013 US$m
Current assets		
Trade and other receivables	35	34
Inventory	67	72
Total current assets	**102**	**106**
Non current assets		
Fixed assets	21	23
Forest assets	3	4
Investment in associate	81	76
Goodwill	85	85
Deferred taxation asset	12	11
Total non current assets	**202**	**199**
Total assets	**304**	**305**
Current liabilities		
Bank overdraft	(1)	(2)
Trade, other payables and provisions	(35)	(44)
Derivatives	–	(1)
Current debt	(1)	(1)
Total current liabilities	**(37)**	**(48)**
Term liabilities		
Term debt	(58)	(58)
Total term liabilities	**(58)**	**(58)**
Total liabilities	**(95)**	**(106)**
Net Assets	**209**	**199**
Equity		
Share capital	188	178
Reserves	(29)	(28)
Equity attributable to Rubicon shareholders	**159**	**150**
Equity attributable to minority shareholders	50	49
Total Group Equity	**209**	**199**
Net Asset Backing	US 39 cps	US 40 cps

Steve Kasnet
Chairman
22 August 2014

Luke Moriarty
Chief Executive Officer and Director

Mark Taylor
Chief Financial Officer

Each of the above signatories certifies that these financial statements comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Rubicon Group.

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

BASIS OF PRESENTATION

The summary financial statements presented are for the year to 30 June 2014 (with the comparative period being the year ended 30 June 2013) and are those of Rubicon Limited and its subsidiaries (the Rubicon Group). They have been prepared in accordance with New Zealand Financial Reporting Standard No 43 (Summary Financial Statements). They have been extracted from the full financial statements that have been prepared in accordance with New Zealand Standards, which ensures compliance with International Financial Reporting Standards. The full financial statements, signed on 22 August 2014, have been audited by KPMG and given an unqualified opinion. The Group is a profit-orientated entity. For a complete understanding of the affairs of the Group, the full financial statements can be found at www.rubicon-nz.com.

The consolidated financial statements are expressed in Rubicon's functional currency, US$.

1 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.

	Year ended June 2014 US$m	Year ended June 2013 US$m
Tenon		
Net Earnings [1]	2	(3)
plus Income tax expense	1	–
plus Financing expense	4	4
Operating earnings before financing expense	7	1
plus Depreciation and amortisations	4	4
EBITDA	11	5

Total Rubicon Group		
Net Earnings [1]	(2)	(6)
plus Income tax expense	1	–
plus Financing expense	5	5
Operating earnings before financing expense	4	(1)
plus Depreciation and amortisations	4	4
EBITDA	8	3

1 June 2013 includes pre-tax business re-engineering and restructuring costs of $1 million.

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

2 SUBSEQUENT EVENTS

The Tenon board have approved the decision to invest (circa) $5 million in a "state-of-the-art" optimisation project at the Taupo manufacturing site in New Zealand. In August 2014, financing of the project was approved with Tenon's banking syndicate which will be provided from an increase in term-loan borrowings of $3.2 million with the balance of the project to be funded from the existing revolver facility. There is a 12 month lead-time from manufacture to installation, and discussions are currently underway with potential suppliers. As at the date of issuing these consolidated financial statements, a contract had not been committed to or signed in relation to the supply of this optimisation equipment.

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Securities Markets Act 1988, as at 15 September 2014 the following were substantial security holders in the Company. In terms of the Act, the number of shares and percentages shown below are as last advised to Rubicon by the substantial security holder and may not be their current holding.

Substantial security holder	Number of voting securities	% of issued Rubicon securities	Date of notice
David Knott [a]	113,036,402	27.634	13 June 2014 [1]
Third Avenue Management LLC	63,503,904	15.525	18 August 2014 [1]
JP Morgan Clearing Corp [b]	58,090,606	14.201	11 February 2014 [1]
Perry Corporation / Richard Perry	39,337,307	10.360	1 November 2013 [2]
Sandell Asset Management Corp. [c]	36,570,919	8.940	16 June 2014 [1]
Libra Fund (Luxembourg) S.a.r.l. / Ranjan Tandon	29,331,403	7.170	10 February 2014 [1]
Sophrosyne Capital, LLC	27,629,412	6.754	12 February 2014 [1]

The following substantial security holder notices have been received (which are included in the substantial security holder notices disclosed above):

(a) Mr Knott has disclosed he holds a relevant interest in Rubicon shares held by:

Dorset Management Corporation	97,502,420	25.677	23 July 2012 [2]
Knott Partners, L.P. [i]	82,511,226	20.171	13 June 2014 [1]

(i) Dorset Management Corporation has entered into an investment management agreement with Knott Partners, L.P. and Shoshone Partners L.P. pursuant to which Dorset Management Corporation has discretion over the acquisition, disposition and voting of the securities held by Knott Partners, L.P. and Shoshone Partners L.P. David Knott is the sole shareholder, Director and President of Dorset Management Corporation.

(b) In their substantial security notice JP Morgan Clearing Corp stated that the nature of their relevant interest was as a "Prime broker with a conditional power to acquire or dispose of shares under the terms of a Prime Brokerage Agreement".

(c) Keswick Master, Ltd has disclosed it has a beneficial interest in the following shares for which Sandell Asset Management Corp. has the power to control the disposition of and voting for: 31,749,059 7.762 16 June 2014 [1]

The total number of issued voting securities at 15 September 2014 was 409,051,378. All of the references to voting securities in this section are to the Company's ordinary shares.

1 Shares on issue at date substantial security holder notice was received was 409,051,378
2 Shares on issue at date substantial security holder notice was received was 379,719,975

Rubicon Limited and Subsidiaries

Board of Directors

Steve Kasnet
Director and Chairman
BA University of Pennsylvania (Philadelphia)

Steve is CEO of Calypso Management LLC, Chairman of Directors of Columbia Labs, Inc, Trustee of Governors Academy, President of Ocean Manchester Corporation and a Director of Tenon Limited, First Ipswich Bank, Two Harbors Investment Corp and Silver Bay Realty Trust Corp.

He is a former President and CEO of Raymond Property Company and Dartmouth Street Capital, which are real estate companies engaged in the acquisition, development, renovation, ownership and management of residential and commercial real estate in the Boston area. Prior to this he was President and CEO of Harbor Global Company Limited, which maintained the largest real estate investment fund in Russia and owned and managed one of Russia's leading asset management and mutual fund complexes.

Bill Hasler
Director
MBA Harvard; BA Pomona College (California), CPA

Bill is former Vice Chairman and Board Director of KPMG Peat Marwick, a position he held from 1984–1991 after being responsible for KPMG's western US operations from 1984–1986, and subsequently heading their worldwide management consulting practice from 1986–1991.

Upon leaving KPMG, Bill became Dean and Departmental Chair of the Haas School of Business at the University of California in Berkeley. He held this position from 1991–1998, and continues today as Dean Emeritus.

In addition, Bill is a Director of Globalstar Inc, Inside Track Inc, Aviat Networks, BoardVantage and ETwater Inc. He is also a consultant to, and investor in several private technology companies.

Hugh Fletcher
Director
MBA Stanford University; MCom (Hons) and BSc University of Auckland

Hugh is Chairman of IAG (New Zealand) Holdings Limited and IAG (New Zealand) Limited, and a Director of Vector Limited and Insurance Australia Group Limited.

He is also a Trustee of The University of Auckland Foundation, the Dilworth Trust, the Fletcher Trust and The New Zealand Portrait Gallery, and a member of the Asia Pacific Committee of the Trilateral Commission, the Advisory Committee of the Knox Investment Partners Fund IV and the Advisory Board of Gravida National Centre for Growth and Development.

Hugh has broad pastoral farming interests. His executive experience includes six years as Managing Director and Chief Operating Officer of Fletcher Challenge Limited, before he became CEO from 1987–1997.

George Karaplis
Director
BEng and MBA McGill University

George has over 35 years of experience building and growing shareholder value and has a proven track record in high growth companies.

He is a Director of Tenon Limited, and he has previously led France Telecom's Global One business in Greece as Managing Director and was Deputy Chairman of Netia, a Polish integrated telecom services and media solutions company. He also acted as Chief Financial Officer and General Manager of International Investments for the Hellenic Telecommunications Organisation.

Prior to that George held a number of management positions in Canada and Europe. He has relevant experience in the forestry and wood products industry including with Domtar, a Canadian Paper and Forest Product producer.

Rubicon Limited and Subsidiaries

Board of Directors

David Knott
Director
BA University of Pennsylvania; MBA Wharton School of the University of Pennsylvania

David is the Chief Executive Officer, Chief Investment Manager and Managing Partner of Knott Partners who, with associated entities, is Rubicon's largest shareholder. He has served as Chief Investment Manager of Knott Partners since 1987, and prior to this he was a General Partner and analyst at Mandrakos Associates.

David currently serves on the board of Directors of Paramount Resources and Ligand Pharmaceuticals, Inc. He is also a Director of Boy's and Girl's Harbor and Say Yes to Education, and the Undergraduate Financial Aid at the University of Pennsylvania.

Luke Moriarty
Chief Executive Officer and Director
MS Stanford University; LLB (Hons) and BCA Victoria University

Luke has a strong background in business and commercial transactions, both in New Zealand and North America. His financial experience has included extensive international business valuation, acquisition, divestment and joint venture analysis and negotiation, and structuring and execution in multi-billion dollar transactions – ranging from minority buyouts to trade sales and IPOs.

He joined the Fletcher Challenge Executive Office in 1999, and in 2000 was instrumental in the structuring of the financial separation of the Fletcher Challenge Group, including the establishment of Tenon (then Fletcher Challenge Forests) and the formation of Rubicon in 2001.

Luke is a Director and the CEO of Rubicon, the Chairman of Tenon Limited, and a Director of ArborGen Inc. He is also a Monetary Policy Advisor to the Governor of the Reserve Bank of New Zealand.

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.

You will need your CSN or holder number and FIN to access this service. Select 'View Portfolio' and log in. Then select 'Update My Details' and 'Communication Options'.

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.