RUBICON INTERIM REVIEW DECEMBER 2012

Our Annual Review for 2012 is available on our website – www.rubicon-nz.com. In addition to our shareholder reports, from time to time we make announcements to the New Zealand Exchange. These can be viewed either on the NZX website or on Rubicon's own website, where a complete history of our releases is maintained.

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 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, customer adoption of advanced seedling products, the success of ArborGen's research and development activities, weather conditions – and other factors (many 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.

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

Six-Month Review

This document is the Interim Review of operations for Rubicon's 2013 fiscal year (i.e. for the six months ended 31 December 2012). It addresses in summary the operational and financial highlights for the period in each of the Company's major activities.

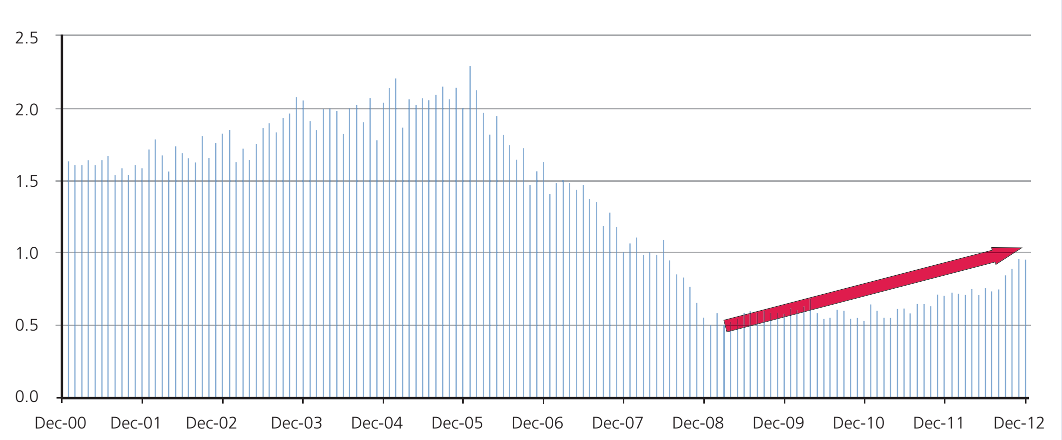
Tenon

The US housing market – Tenon's largest market exposure - is now in the early stages of a full recovery. This is an extremely positive development for Tenon, although it is really only in very recent months that this improvement has occurred in any meaningful way. To date, this recovery has been centred on new house construction, but the forward looking data now indicates that the rebound should also spread into a higher level of renovation and remodelling activity later in this calendar year. Given Tenon is exposed to both segments of the market (but more particularly to the latter segment), it should see the benefit of this broader market recovery reflected in its earnings as the calendar year advances.

These next series of charts give an idea of the extent of the recovery that has occurred in the new home construction segment. Although still well off its previous peak of 2.3 million homes, you can see that new housing starts have almost doubled now - up from a cyclical and historical low of only 478,000 homes per annum to around 900,000 per annum today.

US Housing Starts

millions p.a.



Tenon

Importantly, this new housing recovery has been quite sudden relative to the depth and length of the down-turn. The chart below shows this clearly, with current housing starts being up 28% on those recorded only a year ago (December 2011). Building permits have also increased significantly over this same period, and at 925,000 currently, they are now up 32% on the permit level of a year ago.

This noticeable lift in new housing starts and building permits indicates that this segment of the market has now turned for the positive. Other supportive new home indicators (January 2013) include –

- sales - up 9% year-over-year;
- prices - up 14% year-over-year; and
- inventory - at 4.9 months of supply is now well below its peak level of over 12 months of supply.

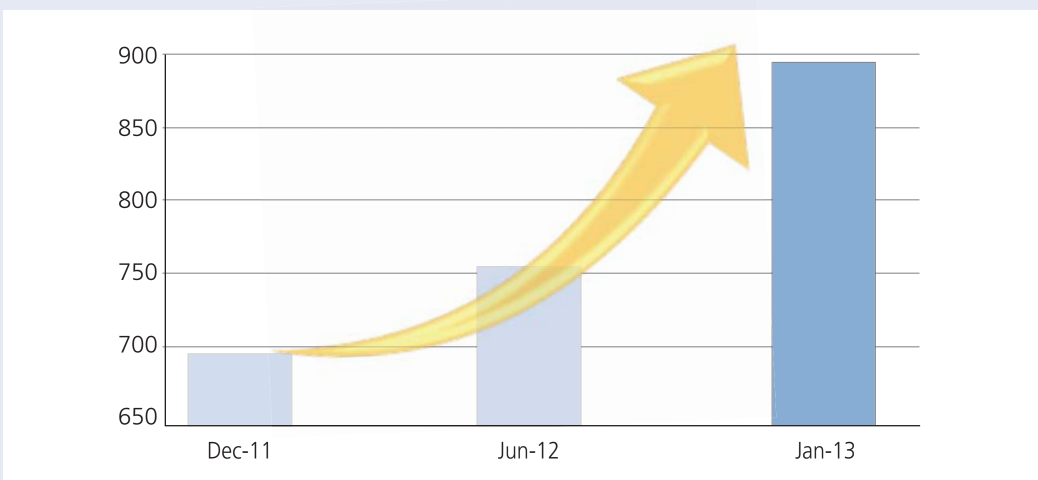
This segment is also being supported by record low mortgage rates in the US. 30-year (tax deductible) mortgage rates are now at 3.4%, which compares with around 4% a year ago – so it is certainly an affordable time to buy a home.

Indicators are now also turning positive in the renovation and remodelling segment of the market. The two key drivers of this segment are existing home sales (as home buyers tend to renovate nine months or so after purchasing their home) and existing home prices (as home-owners need to be confident that they will recover the value of their remodelling investment, and in some cases increased home equity provides the finance for the remodelling activity). Both of these drivers now appear to be moving in the right direction.

The chart on the top of the facing page shows the Case-Shiller index which tracks the path of existing single-family homes sales prices. You can see that this seasonally-adjusted index has moved up every reported month in calendar 2012, and prices are up 6% on the recent low recorded only a year ago.

US Housing Starts

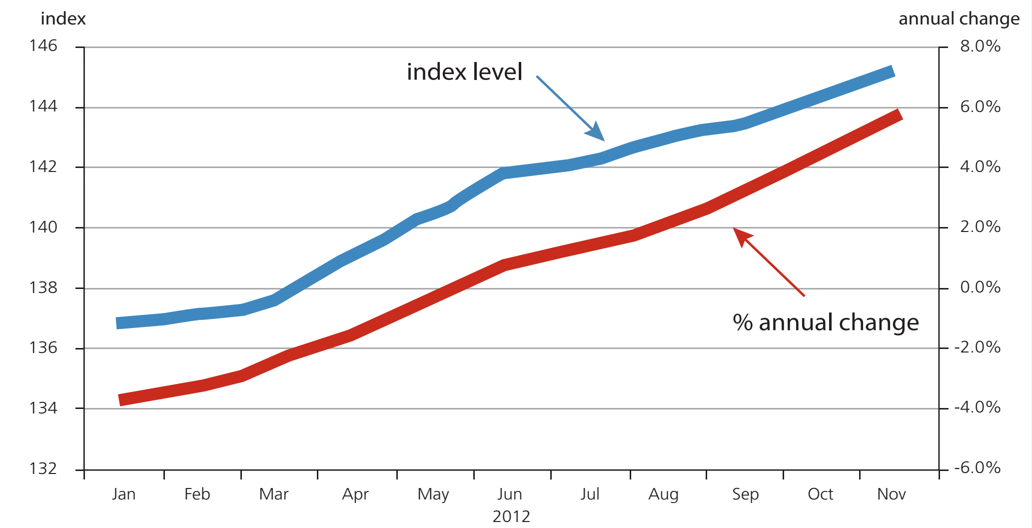
thousands p.a.



Tenon

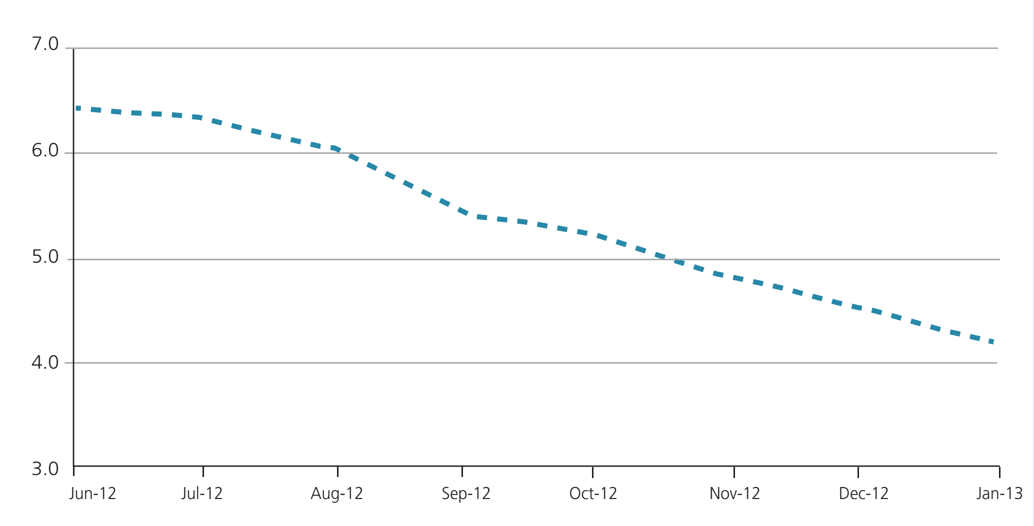
S&P/ Case-Shiller 20-city composite

seasonally adjusted



Existing home inventory

months supply



Tenon

The chart on the bottom of the previous page shows the months-of-supply of existing home inventory – a measure which factors in both the rate of home sales and the inventory pool available for sale. You can see that this measure has noticeably and positively trended down, from 6.4 months in June 2012 to only 4.2 months in January, where historically 6 months' supply has been considered to represent a balanced market.

On top of all this, pending home sales in December were up 6.9% year-on-year, and the inventory of existing homes available for sale is now at its lowest point for 13 years. Most reported data is now very favourable to an on-going cyclical recovery.

Because of the natural lag that exists between these drivers and the resulting remodelling and renovation activity that usually follows in the future, Tenon hasn't yet seen demand pick up in this segment in its product categories, beyond the small localised regional lift in activity that resulted from Hurricane Sandy. It should do so however, and in this respect the chart below from Harvard's recent Housing Study (LIRA) shows the strong uplift that is expected to occur in this segment later in calendar 2013, once this timing lag has cleared.

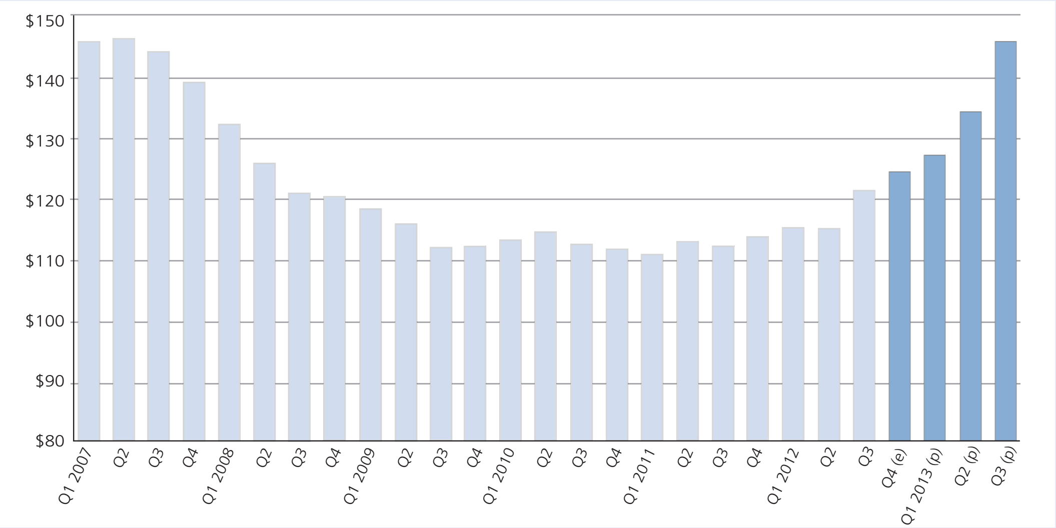
When all of the charts are considered, along with their supporting market data, you can see that the "big picture" environment for Tenon is now changing, and that the US housing cycle is at last turning in Tenon's favour. Although there are some notable hurdles to a full US housing market recovery – unemployment, access to mortgage credit, home foreclosures, and resolution of the US "fiscal cliff," being the main concerns – and moving forward the month-to-month data is likely to be a little bumpy, it appears clear now that we are heading out of the deep cycle-trough that has plagued the industry for too many years now.

Leading indicator of remodelling activity (LIRA)

$ billions p.a.

Homeowner Improvements 4-quarter moving totals

January 2013 projections



Tenon

As noted above, it has only been in the relatively recent months that the US housing market recovery has taken hold, and to date it has really only been in one (i.e. new home construction) of the two segments comprising the total market. Accordingly, the six-month financial period under review largely reflects a "pre-recovery" US market for Tenon and its direct competitors. It is important to understand that for that reason it is the forward earnings profile that is now providing positive momentum for listed stocks in the sector, rather than the historic results discussed below in this Review. Having said that, Tenon's earnings result for the six months to 31 December 2012 was in line with market expectations for this "pre-recovery" period. In summary –

- At $174 million, consolidated Revenue was up 7.4% on the $162 million recorded for the corresponding six-month period last year. This top line growth came from increased sales in pro-dealer activities - up more than 20% on the previous period - as this market segment began to recover, and also from the impact of new product introductions launched last year, such as the Creative Stair Parts program which saw stair sales increase by 35%. The price of Tenon's highest grade of lumber, moulding and better (M&B), also lifted 5% in the period, reflecting a tightening supply chain and rising demand.

  Sales volumes also benefited from both geographic and product diversification. For example, Tenon's Taupo manufacturing operation increased its high-value lumber sales into both China and Europe, rebalanced its product portfolio across lumber, clear board and solid lineal mouldings products to optimise customer sales and margin opportunities, and expanded its activities into Australia.

- The "thinness" of the industry supply chain in a now recovering US housing market saw manufacturers (including Tenon's own Taupo operation) place customers (i.e. distributors into the US, such as Empire) on product supply allocation restrictions during the period. Accordingly, Cost of Sales increased in the period, as third-party suppliers pushed through product price increases in this very tight supply environment, and also as Tenon's absolute volume of purchases increased to match market demand.

While Tenon's gross profit margin did compress slightly in the period by just over 1% (normalised for non-recurring costs), to a large degree this was a direct result of the path of the NZ dollar - particularly the NZD:USD cross rate, which strengthened from 79 cents at 30 June 2012, to 82 cents at balance date, and which as at the time of writing had increased even further to around 84 cents.

Unfortunately, this factor is likely to remain with Tenon for the balance of the year. Internally, we think of this adverse currency movement as representing a 5% gross profit margin decline in the profitability of Tenon's NZ manufacturing activities, which it must make up with further cost out initiatives across the Group - particularly given that the gains from the $5 million Taupo profit improvement programme implemented only last year have effectively now been "stolen" by the strengthening NZD currency to date. During the period under review, examples of such further cost-out initiatives that were put in place include the –

- Completion of the consolidation of Ornamental's manufacturing activities onto one US site in North Carolina (NC). The order files and manufacturing lines have now been transferred, the operation has been integrated into Tenon's North American shared services operation, and all surplus Canadian property has now been sold releasing $3 million to debt repayment. The results for the six months just completed, include all costs relating to manufacturing "start-up" of the product lines now being produced at the single NC site.

Tenon

- Relocation of Southwest's Dallas operation to a larger, special purpose warehousing facility. Although the floor space has been expanded to match increased demand forecasts, efficiency gains will allow Southwest to achieve an effective decrease in per square foot warehouse space and a lower overall dollar cost; and

- Implementation of IT enhancements across the Group, such as electronic order confirmation, delivery, and invoicing, which will not only assist in working capital management but also in lowering back-room administration costs.

- Operating Profit before Financing Costs was a loss of $1 million, compared with a loss of $5 million (including $2 million of business re-engineering costs) in the corresponding period last year. However, the earnings figure that equity analysts tend to focus on for company comparative purposes is EBITDA (please refer to note 10 to the Financial Statements), because that number removes distortions caused by differences in asset age and depreciation policies, and by different debt:equity funding structures. EBITDA increased from a $2 million loss last year to a profit of $1 million for the current six-month period.

- Tenon's net debt (i.e. interest bearing debt net of cash) increased from $39 million at 30 June 2012 to $44 million at balance date. This increase is a direct result of the increased inventory Tenon needs to carry as the market enters its recovery phase, as well as the need to ensure it has no stock-outs with Tenon's large delivery-sensitive customers as sales grow in Tenon's core product lines (please also refer to commentary in the OUTLOOK section on page 18).

ArborGen

The ArborGen text is drawn largely from the December ASM presentations and discussions therein, as shareholders present at the ASM felt it was valuable explanatory information that should be shared / repeated in this Interim Review.

With ArborGen, there is an important parallel to Tenon's story – i.e. as the US housing market recovery gets underway the demand for wood will grow, whether that be for Tenon's mouldings and millwork and outdoor products, or for structural lumber, panels, flooring products, and so on. In turn, this means more trees need to be harvested, and as a consequence more trees will need to be replanted - which, of course, plays directly into ArborGen's business model.

Loblolly pine tree planting levels in the US South-East have declined from around 1 billion or so seedlings per annum before the US housing bubble, to only over 600 million today, and this has occurred "in sync" with the decline in the US housing market. As the housing market recovers – both in new home construction and renovation and remodelling activity – so too will ArborGen's seedling sales volume, and in this way ArborGen will be a natural beneficiary of a recovering market in the US. To quantify this, ArborGen believes that a return to a mid-cycle level of housing activity would see current planting levels lift by over 50% (with a lag effect, to account for increased harvesting decisions being finalised and for the necessary forest land preparation to occur). This lift will be further supported by the continuing move towards plantation forestry, and by the increasing global demand for wood in the developing Asian countries.

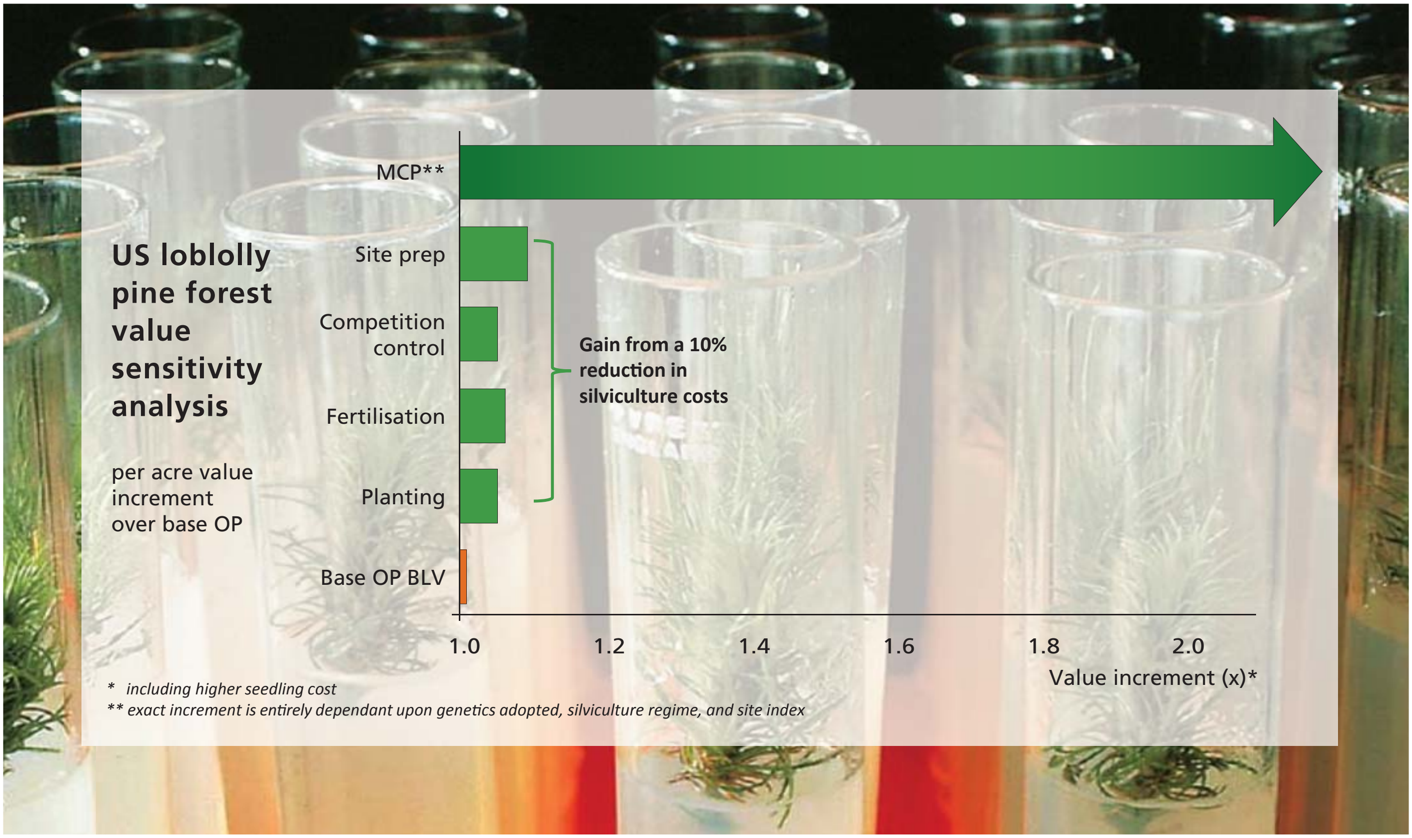
Of course, it is not just about absolute sales volumes for ArborGen – it is also about the mix of seedling types that it sells. To this point, for non-biotech genetics in loblolly pine in the US, the immediate goal is to over time increase the share of volume that ArborGen sells in the form of mass control pollinated seedlings (MCP) and varietal seedlings, where ArborGen's margins will be considerably higher. Biotech products will be further additive to the genetic value planted.

ArborGen

There is no need to repeat in full the ArborGen story again in this Review, as Shareholders will all know it well. MCP and varietal seedlings deliver much higher value to landowners than do industry-standard open pollinated (OP) seedlings, because of the –

- Higher volume of valuable saw logs they produce per acre (as opposed to the much lower value pulp wood);
- Consistency with which they deliver that log out-turn; and
- Shorter time they require to reach harvest age.

To give an understanding of the value that these seedlings can create, an acre of land planted with MCP genetics can, in present value terms, easily more than double the per acre return delivered to a landowner who is currently planting standard OP seedlings - and, of course, varietals take this value increment to the next level again. This value lift is dramatic, and as the chart on the previous page shows, there is nothing else that a landowner can possibly do with

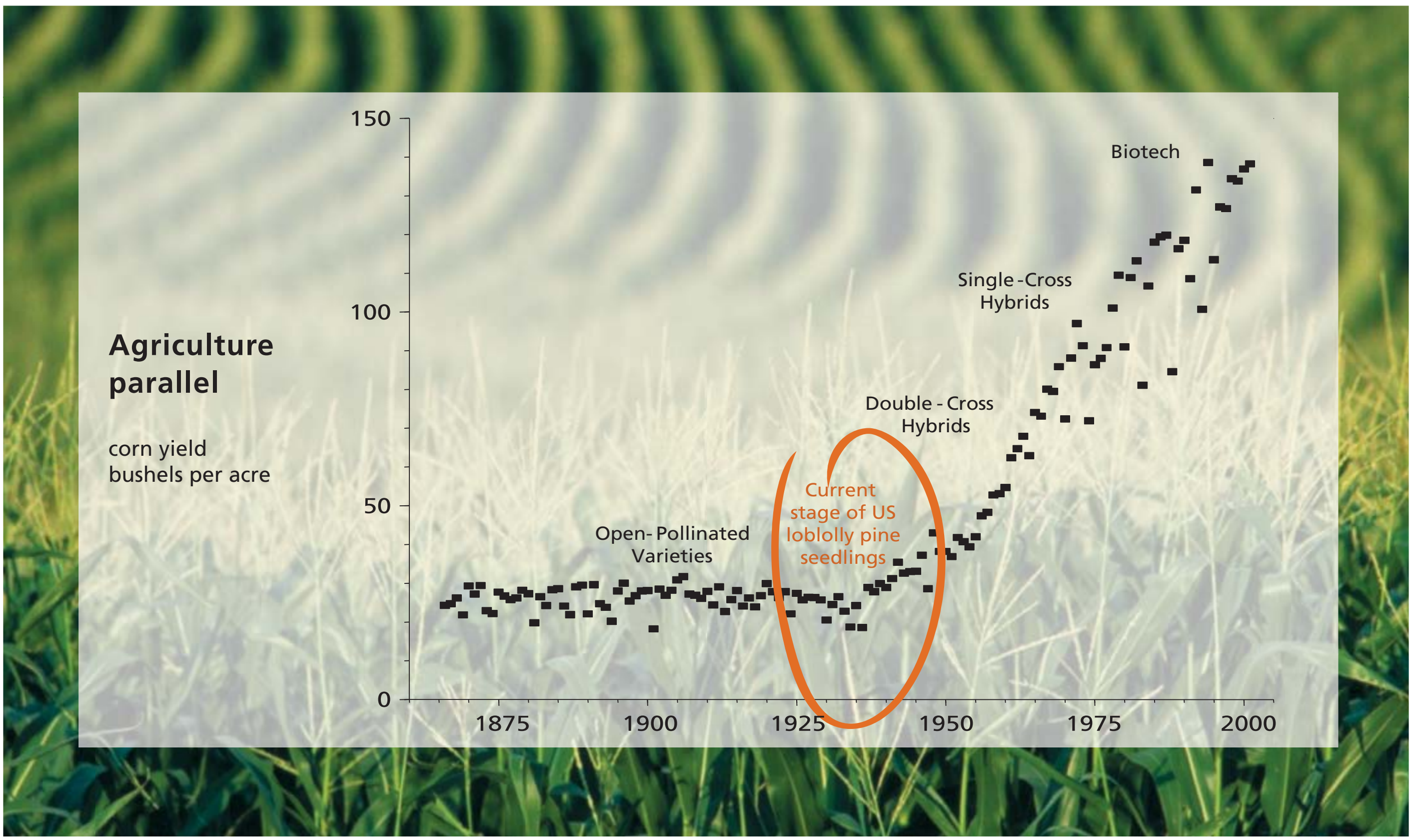


ArborGen

silvicultural management – whether it be more efficient land preparation, improved weed control, less fertiliser, or reduced planting cost - that can produce anywhere near the levels of value uplift that genetic gain can deliver. The quality of the genetics planted "swamps" all other controllable factors.

ArborGen's desire to advance the deployment of higher quality forestry genetics is not a new idea – it has happened before in the agriculture industry. To show this, the graph below plots the history of corn yields from the equivalent of the forest industry's open pollinated seedlings right through to very advanced biotech corn products. The value that higher value genetics have delivered over time to this industry is quite obvious from the chart.

If we consider where US loblolly pine sits on a development timeline like this, it is right back in the very early days of genetic improvement (circled in orange below), and that is why the opportunity is just so incredibly large for ArborGen – quantum leaps in forestry genetic value can be made.



ArborGen

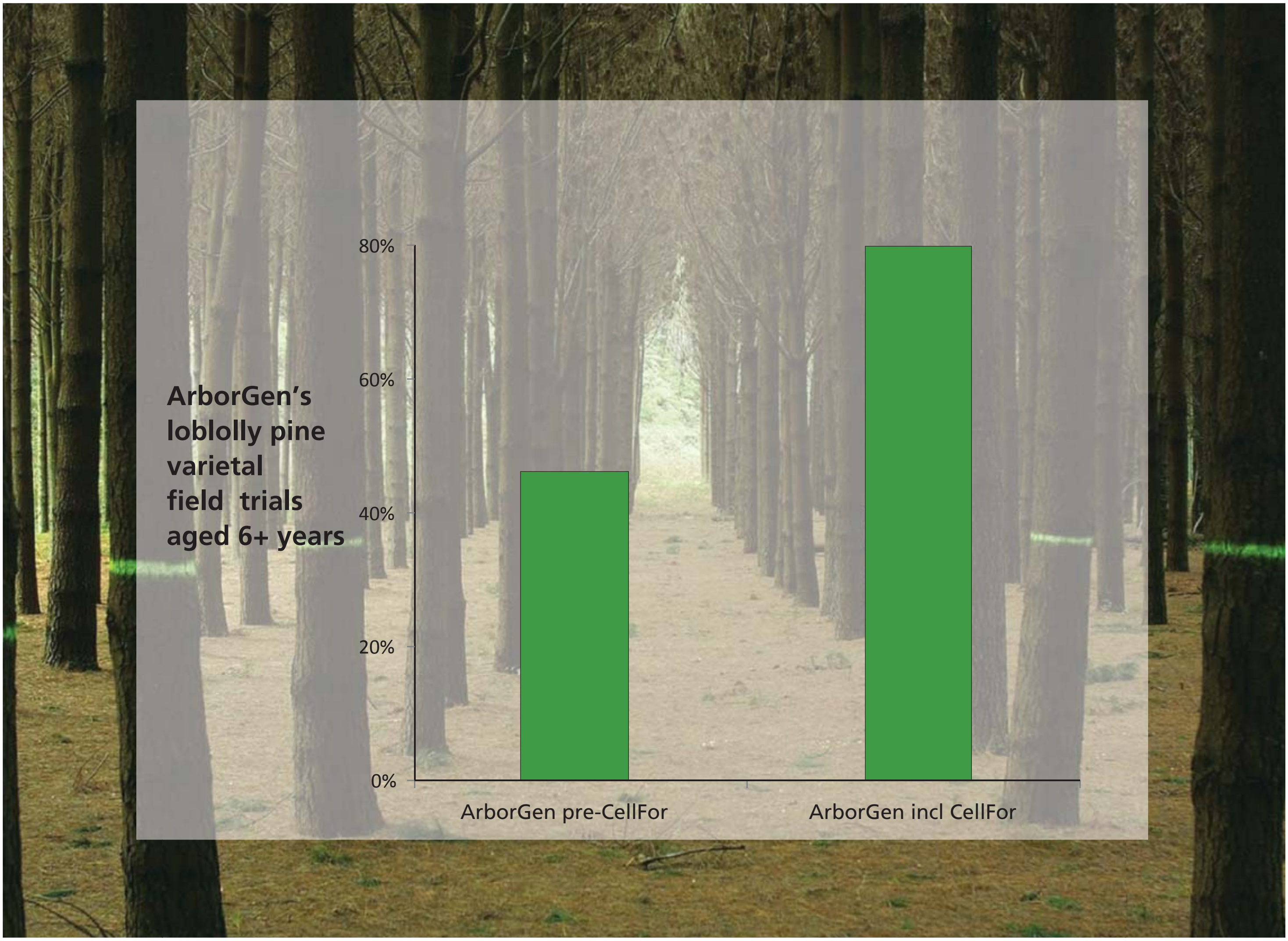
So, as we reported in our Annual Review to Shareholders, on 15 August 2012 ArborGen announced that it had strengthened its position in loblolly pine genetics by finalising the acquisition of its only global varietal pine competitor – CellFor. CellFor had a head-start on ArborGen in varietals, having invested more than $140 million in advanced varietal-genetics technology. It had built the capability to produce hundreds of millions of embryos at scale, cost-effectively, and it had an extensive tree trial base in the US, NZ, and Brazil. In short, it was the leader in its space. When CellFor's varietal technology, trials, and current products, are combined with ArborGen's existing leadership position in MCP products, its own varietal development programme, and its leading customer-base, ArborGen is clearly the global leader in advanced loblolly pine seedling products.

Just one example – tree trials – is sufficient to justify ArborGen's acquisition of CellFor.

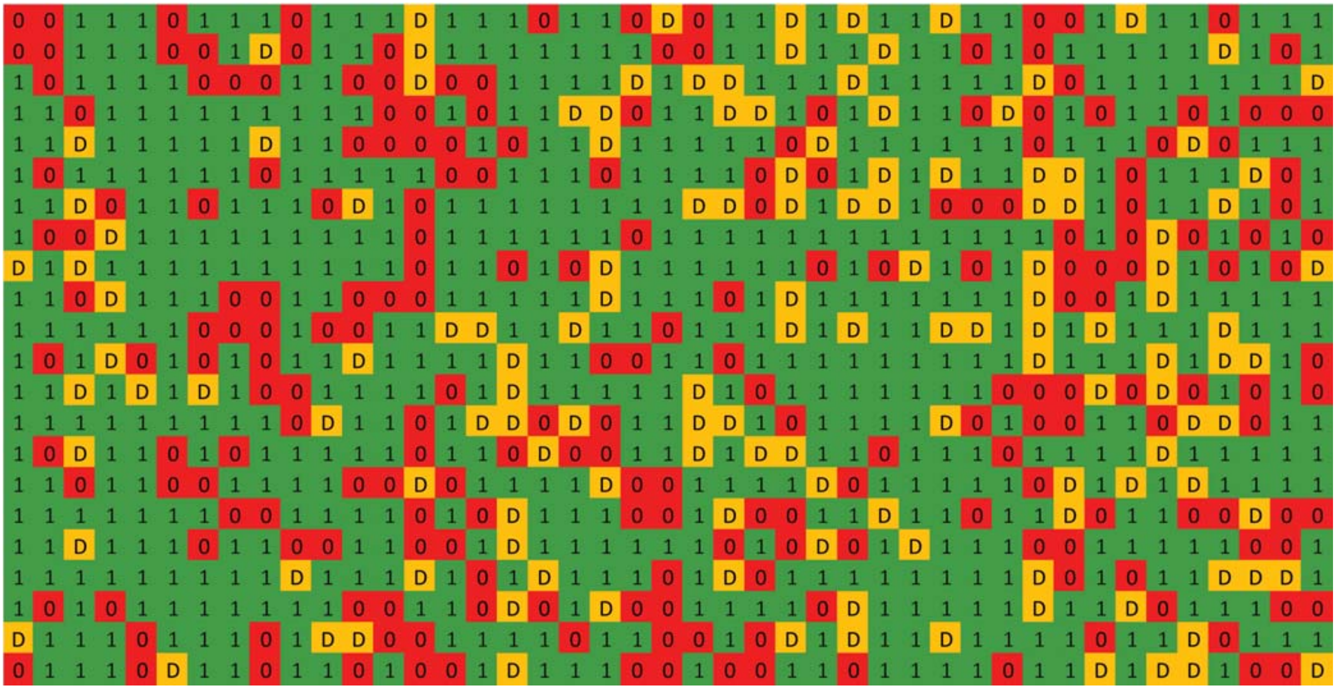
Tree trials are extremely important for forestry customers. While customers will look at the projected genetic data ArborGen gives them, at the end of the day they like to confirm it for themselves. So ArborGen needs to have tree trials in place that it can show customers – "seeing is believing." Fortunately these don't have to be fully grown 25 year old trees, as foresters have well proven biometric models that allow them to project with reasonable certainty, what a tree will look like at harvest, based on what it looks like at its selection age. Selection age for loblolly pine typically tends to be 6-8 years of age. So having 6-8 year old trial data and physical tree trials to show customers, is absolutely critical, as it is just not possible to convince foresters to buy seedlings without trials and trial data from selection age trees.

The first bar in the chart on the facing page shows what the age profile for ArborGen's varietal trials looked like last year, before the acquisition of CellFor. The second bar shows what it is now like with the inclusion of CellFor's trials and with the passage of a year. As you can see, around 80% of ArborGen's varietal trials will be beyond the critical 6 year age next year. Not only does ArborGen now have these necessary trials, but the data output from them is very compelling.

ArborGen


ArborGen's
loblolly pine
varietal
field trials
aged 6+ years
80%
60%
40%
20%
0%
ArborGen pre-CellFor
ArborGen incl CellFor

ArborGen

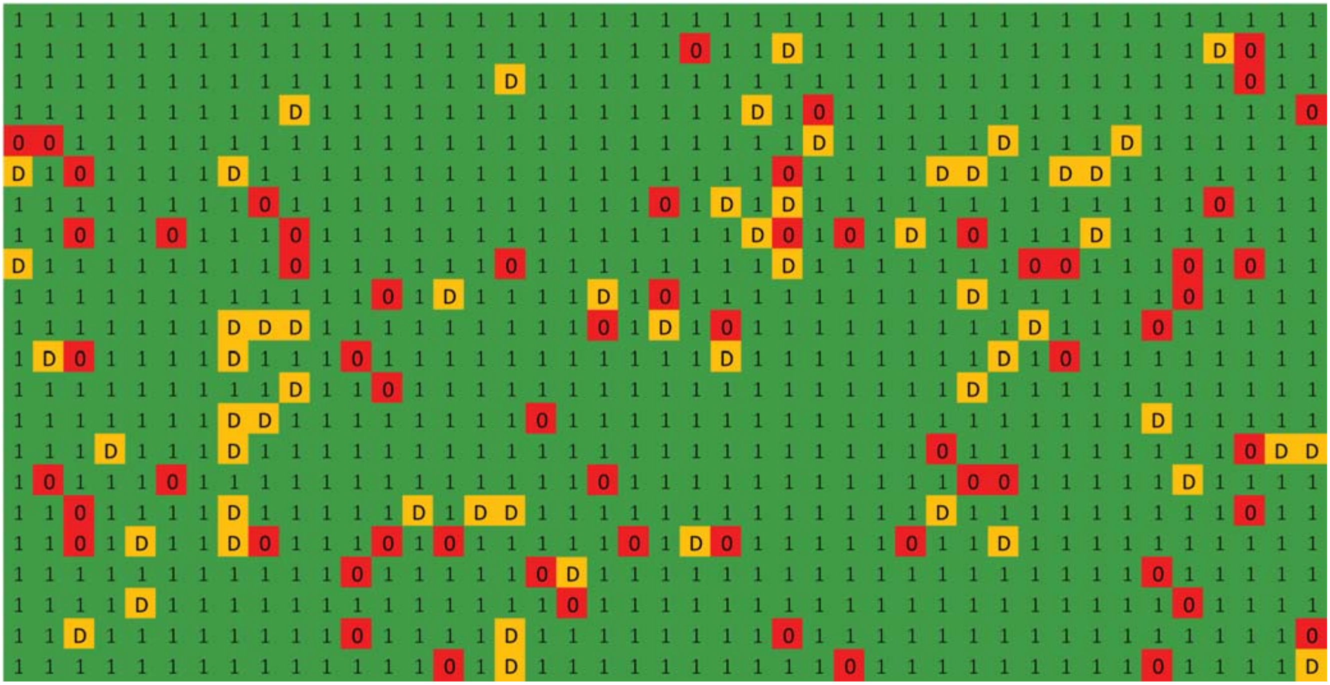


By way of a generalised example of this, the "heat map" shown above records the spatial distribution of loblolly pine trees at selection age in a composite hectare of land planted in industry-standard OP seedlings in the US. The green blocks represent trees that will grow into high value sawlogs, the red represents trees that will only be useable for pulp, and the orange represents natural attrition. Given sawlogs sell for up to 4 - 5 times the price of pulp logs, obviously the more green on this map the better. If they plant OP seedlings, then this is the picture that foresters will see - and unfortunately, there's just not a lot of green on the map.

However, if this OP map were to be compared with a varietal "heat map" distribution at the same age (as shown on the facing page), the picture would be quite different. Indeed, the vast value difference in outcomes between a hectare of OP trees and a hectare of varietals is quite obvious in this comparison.

As you can see from the two distributions, the very desirable green section on the map massively increases under the varietal planting, which means the value to the landowner has increased significantly, because of the much higher percentage of land employed that will produce the 4 - 5

ArborGen

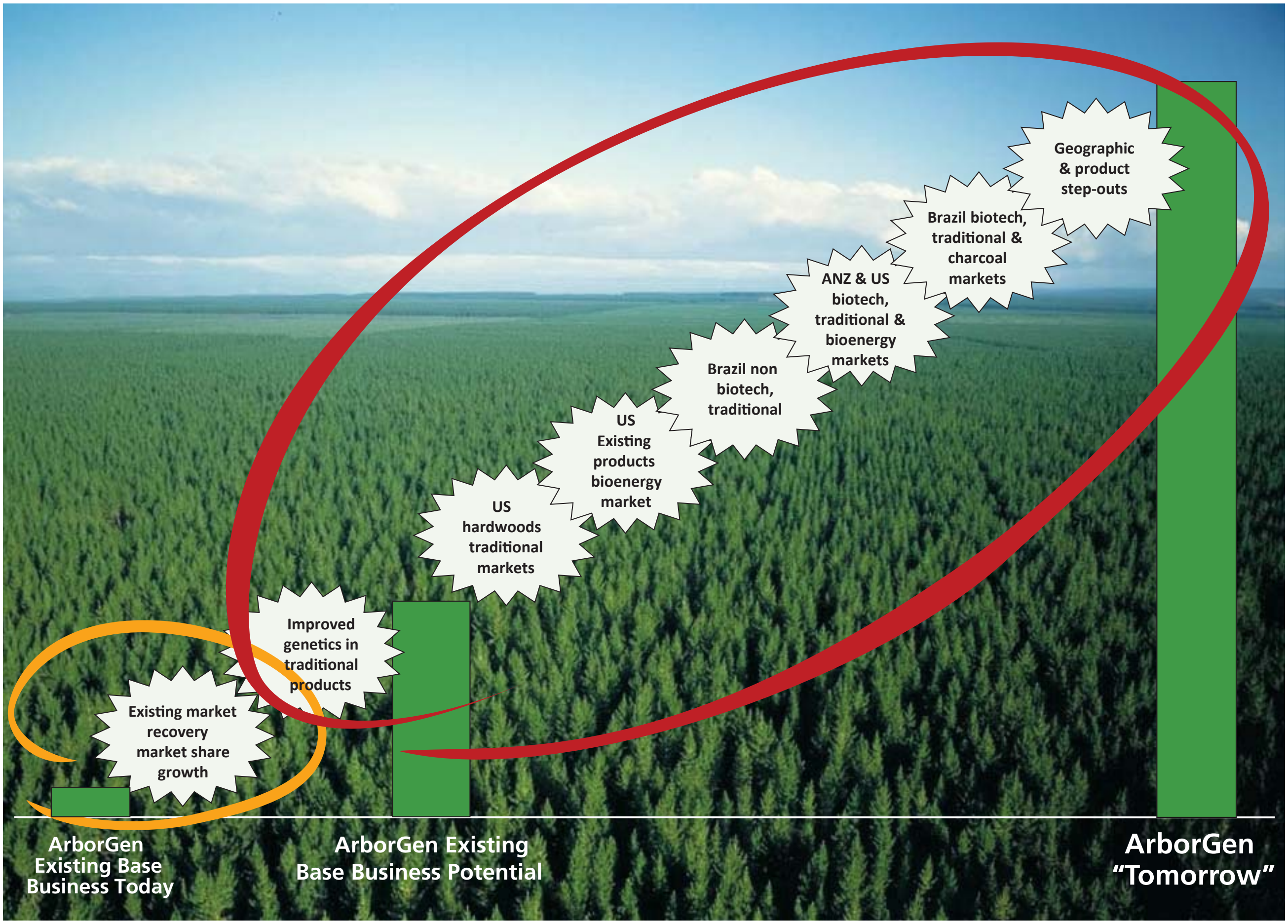


times more valuable sawlogs. So (as noted earlier), while planting MCP seedlings can more than double the per-acre return to land-owners, when you look at these two maps, it is not too difficult to understand how varietals can take that genetic improvement step to an even higher level. This comparison also helps explain why the acquisition of CellFor's trials and trial data are so central to ArborGen's future varietal sales plan, and as a consequence, to locking in the value of ArborGen's core US business.

The value of CellFor to ArborGen is not limited to the US market. This is because CellFor also had varietal plantings in other geographies – but particularly in Brazil, where some of their trials are now at selection age. These trials now offer ArborGen an entry strategy into the second largest loblolly pine market behind the US, and offers ArborGen the future opportunity to leverage its extensive pine varietal genetics and commercial scale production technologies into a completely new market.

The CellFor acquisition and the resultant benefits that will accrue to ArborGen, lends support to our belief that the Rubicon share price continues to reflect only a fraction of the full value potential that ArborGen offers. The chart on the next page, which was included in the 2012 Annual Review sent to Shareholders, is repeated again here to reinforce the point. *(This subject is discussed further in the GOVERNANCE section on page 16.)*

ArborGen



= Valued in share price today

= Potential value upside beyond current share price

Rubicon

Financial

As Rubicon's functional currency is the US dollar, our financial statements generally refer to US dollars unless otherwise stated. All numbers are rounded to the nearest million. Because 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.

On 5 July 2012 we concluded a capital raise by way of a 1:3 rights offering, raising the full NZ$21 million (US$15 million, net of fees) we sought. All of Rubicon's Directors and officers took up their rights in full, and the fact that not one share of the offer needed to be allocated to outside investors, was an indication of the extremely strong support the offer received from the Company's existing shareholder base - support for which we are very grateful.

As a result of the capital raise, Rubicon's consolidated debt (net of cash balances) as at balance date was $52 million, comprising $44 million in Tenon and $8 million in Rubicon. As Rubicon owns only 31.67% of ArborGen, ArborGen is treated as an associate and its debt is not consolidated into Rubicon's balance sheet.

During the period, ArborGen re-negotiated its two existing bank funding facilities. The US facility was extended out to 3 August 2013, and increased in size by a further $6.5 million. ArborGen's NZ facility was re-established under a 3-year deal, which means its expiry will not occur until 30 November 2015. Tenon's current syndicated facility does not expire until July 2016. Tenon's debt is non-recourse to Rubicon, and this is also the case for ArborGen's debt.

The table below provides a "snap-shot" of our consolidated operating earnings performance for the period under review – i.e. it reports on the Group's EBITDA for the six months to 31 December 2012, compared with the two immediately preceding six-month periods (i.e. the six-month periods to 30 June 2012 and 31 December 2011). As discussed in the TENON section of this Review, we focus on EBITDA in

Rubicon summary EBITDA[1] analysis

$m

	Six Months to Dec 2012	Six Months to Jun 2012	Six Months to Dec 2011
ArborGen			
Commercial tree operations	3	5	3
Research and other costs expensed	(2)	(4)	(3)
ArborGen EBITDA	1	1	–
Interest and depreciation	(1)	–	–
ArborGen net earning result (including R&D costs)	–	1	–
Rubicon's 31.67% share of ArborGen's result	–	–	–
Tenon	1	(1)[2]	(2)[2]
Corporate	(1)	(1)	(1)
Total Rubicon EBITDA	**–**	**(2)**	**(3)**

1. EBITDA = Operating Profit before financing costs, depreciation and amortisations - please refer note 10 to the Financial Statements
2. Includes business re-engineering and restructuring costs ($3 million Jun 2012, $2 million Dec 2011)

Rubicon

this analysis, as that is the measurement most analysts use to compare companies, because EBITDA is a measurement that allows comparability across companies with different aged assets and depreciation policies, and different funding structures (i.e. different debt:equity mixes).

In reviewing these numbers, it is important to understand that ArborGen's commercial operations are cash and EBITDA positive today, even after including the expenditure being made to develop the 'next generation' products it wishes to bring to market. Indeed, in the period under review ArborGen invested almost $5 million on its research and development program, for its pipeline of MCP, varietal, and biotech-enhanced products. The $2 million shown in the earnings table on the previous page, represents only that component of the total spend that is not allowed to be capitalised to its product pipeline under IFRS rules – i.e. expenditure on products that are not sufficiently far advanced to meet the definition of development rather than research expenditure. As ArborGen's pipeline of products moves closer to commercialisation, a higher percentage of expenditure on those products will be capitalised over time.

Tenon's earnings continued to be adversely affected by a very strong NZD:USD currency cross rate and the depressed US housing market. Although we are now confident that the worst is behind us in terms of the macro US housing environment, and the US market now appears to have entered the initial stages of a strong recovery, the NZ dollar has continued to gain momentum and strength (please also refer OUTLOOK section) and this factor will likely be with us for the remainder of the fiscal 2013 year.

As we have commented previously, the bottom line earnings result (which after financing expense and taxation, was a loss of $3 million) is a long way away from being indicative of the underlying value of our Tenon and ArborGen investments (for the reasons noted above). With time, as ArborGen matures and Tenon is supported by the more favourable operating environment now emerging, our future earnings results will grow to reflect the true value of both of these two businesses.

Governance

Our ASM was held in Wellington (NZ) on 14 December 2012. Over 86% of the Company's issued shares were voted at the meeting. This is the highest voting statistic the Company has ever had, and it is a reflection of the high level of interest our investors have in the Company, and of our consolidated share register. All resolutions were passed with a majority in excess of 87% of shares voted, which is an indication of shareholder alignment with Board and management views as to the potential we see for Rubicon moving forward.

Although the Rubicon share price has recovered to be approximately 40% above the rights offering price at the time of writing, relative to our view of the Company's value potential it has underperformed. Rubicon's historic share price performance appears largely to have been driven by –

- A few selling shareholders, more recently those who have made a 30% gain since the rights offering in the under-subscription pool and who have determined to realise their gain;
- The poor macro-US housing environment and its flow on effect on Tenon; and
- The dismal performance of the US "clean technology" bio-products stocks we follow, which are off approximately 80% over the past 18 months or so, and which has affected Rubicon to the extent that investors use these stocks as proxies for ArborGen.

While there is not much we can do about the first of these, the second factor is now clearly turning for the positive and by the end of the fiscal year it should be strongly in Tenon's favour rather than acting as the head-wind we have faced for the past five years or so. To this point, our ASM presentations (which are available on our website at www.rubicon-nz.com) outlined the future potential for Tenon in a recovering US housing market environment. These, combined with improved US housing data, has been very positive for Tenon's recent share price performance,

Rubicon

which, at the time of writing, had increased by approximately 35% over the two months since our ASM. While this is good news, we believe Tenon's traded share price is still below "fair value" as at this point in the cycle, and this view is supported by an equity analyst report released by the Edison Group which valued Tenon in a range of NZ$1.79 - $2.05 per share (inclusive of tax losses).

As to the third, "clean-tech" factor, we do take every investor opportunity to differentiate ArborGen from the individual performance of the bio-product companies that make up the clean-tech performance. For example, unlike ArborGen, which is the recognised global leader in its space and the largest supplier of products to its markets and customers, many of the companies included in the clean-tech performance index do not have economically viable commercial products or customers at all today. Unlike ArborGen, the risk profile of most of them is high. This comment also applies to their capital expenditure requirements and to the level of market competition each faces. And the defensibility of their business models is typically not as strong as ArborGen's position is either. For these reasons, we feel any comparison to this index performance is harsh and not supportable, and we are actively engaged in dispelling such beliefs through further investor education.

Rubicon

Outlook

Tenon

At our ASM, we outlined what the earnings potential might look like for Tenon under future mid-cycle conditions – conditions where Tenon sees EBITDA of $35 million being achievable (assuming a mid-cycle NZD:USD cross rate of 70 cents, and assuming historic margin levels). This expanded potential is a direct result of the significant organic growth that Tenon has put in place through the down-cycle (for a discussion of the growth that has now been embedded in the Company, please refer to Tenon's 2012 Annual Report, which is also available at www.tenonglobal.com). To date the gains from these growth initiatives have been masked by the extent of the downturn that has taken place, however they should become obvious as the pace of recovery gains momentum and the market progresses towards a mid-cycle path.

In relation to the more immediate term, like most participants in the sector, Tenon will not be giving specific earnings guidance. Put simply, there continue to be too many uncontrollable factors that could affect the projected outcome – the frustratingly strong and strengthening NZD:USD cross rate, and resolution to the US "fiscal cliff" issue being the two immediate factors that could chart a significantly different course than is currently anticipated. Those factors aside, Tenon's expectation is that its North American financial performance in the second six months of the year will comfortably surpass that recorded for the six months just completed. The final NZ performance however, will largely be determined by the path of the NZD:USD cross rate, which is currently some 7 cents above Tenon's budgeted level.

Tenon's growth activities will continue as planned. For example, Tenon will continue with its new product introductions, with the goal of expanding the breadth of its product range into both the retail and pro-builder channels that it has created over the past five years. Examples of this are 'FindIt", a new internally developed proprietary pull-out kitchen cabinet product which Lowe's has asked Tenon to distribute into over 900 stores commencing in the first quarter of the current calendar year, Empire's range of "Plank Paneling" products introduced into 600 Lowe's stores, and Southwest's new doors program which will focus on the Texas pro-builder market. Tenon will also be targeting expansion potential in the US pro-builder channel, by way of acquisitions, as opportunities present themselves.

Tenon has previously indicated the importance that China will play in its future. Pleasingly, the NZ Government, through both ministerial involvement and the activities of New Zealand Trade and Enterprise (NZTE), has been very supportive of Tenon's China goals and we are very grateful for their on-going assistance. Tenon's immediate plan is to continue to increase the sale of product out of its Taupo operation directed into the China market, and to take a position in the wholesale market there – a pre-requisite to building an in-market position of size.

At the same time as it has been growing its business through the down-cycle Tenon has also been actively reducing debt – from a peak of $90 million to $44 million recorded at balance date. Tenon does not now see that level materially declining in the short term, as the market recovery that is now underway will naturally generate a need for increased working capital as its sales lift and as it expands its product categories further. Clearly, we do not wish to see Tenon's growth artificially constrained in a recovering market, and we also want to be in a position to pursue acquisitions that will further strengthen its business activities. Accordingly, Tenon is now actively reviewing its existing funding, to ensure it provides the company with sufficient flexibility moving forward.

Rubicon

ArborGen

In the Outlook statement to Shareholders in our Annual Review released in September, we commented that ArborGen's immediate focus, post the completion of its recent company-wide restructuring process, would be on growing its base business, by –

- Participating in increased industry sales that will occur with recovery in the US housing cycle;
- Moving customers up the genetic value ladder to MCP and varietal offerings;
- Building on new business opportunities – e.g. bioenergy in the US; and
- Investing in geographic growth – e.g. Brazil and China.

To this list must now be added the integration of the recently completed CellFor acquisition, to ensure that the technology improvement and cost / efficiency gains envisaged are actually realised, the expanded product offerings to customers becomes a reality, and the new-market growth opportunities CellFor offers are implemented.

Shareholders can also expect ArborGen to continue with its biotech investment program in the manner outlined in our Annual Review – i.e. *"…resources allocated to future biotech potential will be targeted on research and development for the creation of the truly 'blockbuster' category of products – i.e. traits that are highly demanded by customers but which are unattainable under traditional breeding technologies."*

1 April 2013 represents the beginning of ArborGen's next funding year, by which time the quantum and source of funding for the new ArborGen fiscal year will be known and agreed. Although Rubicon and its two ArborGen partners each has the financial capacity to continue to meet their on-going minimum annual capital contributions to ArborGen (i.e. $5 million p.a.), each year a full review is still undertaken to determine the optimal funding path for ArborGen. This funding can potentially be provided from a variety of sources - including from on-going partner contributions (as has been the case in the past), from private capital, from bank funding, or from a mix of the above. As always, this is a complex matter, which will need to take account of liquidity / dilution impacts and the general health of equity markets, amongst other things. The partners are yet to determine the ArborGen funding path for 2013, but we will advise Rubicon shareholders once the decision has been made.

Once again we would like to take the opportunity to thank all our stakeholders for their continued support. As usual, we will update you throughout the year on progress being made towards our goals for both ArborGen and Tenon.

Steve Kasnet
Chairman

Luke Moriarty
Chief Executive Officer

22 February 2013

Rubicon Limited and Subsidiaries

Consolidated Income Statement (Unaudited)

For the six months ended 31 December 2012

	Notes	RUBICON GROUP 6 months Dec 2012 US$m	 Year ended Jun 2012 US$m	 6 months Dec 2011 US$m
Revenue		174	334	162
Cost of sales		(134)	(254)	(123)
Gross earnings		**40**	**80**	**39**
Earnings from associate		–	–	–
Distribution expense		(34)	(71)	(36)
Administration expense		(8)	(16)	(9)
Restructuring costs		–	(3)	–
Operating earnings before financing expense	10	**(2)**	**(10)**	**(6)**
Financial expense		(1)	(4)	(2)
Earnings before taxation		**(3)**	**(14)**	**(8)**
Income tax expense		–	2	–
Net Earnings		**(3)**	**(12)**	**(8)**
Attributable to:				
Rubicon shareholders		(2)	(8)	(5)
Minority shareholders		(1)	(4)	(3)
Net Earnings		**(3)**	**(12)**	**(8)**

Basic/diluted earnings per share information (cents per share):	(0.5)	(2.8)	(1.8)
Weighted average number of shares outstanding (millions of shares)	**377**	**285**	**285**

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

Rubicon Limited and Subsidiaries

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2012

	RUBICON GROUP		
	6 months Dec 2012 US$m	**Year ended Jun 2012 US$m**	**6 months Dec 2011 US$m**
Net Earnings	**(3)**	**(12)**	**(8)**
Movement in currency translation reserve	–	(1)	(1)
Other comprehensive income (net of tax)	**–**	**(1)**	**(1)**
Total comprehensive income	**(3)**	**(13)**	**(9)**
Total comprehensive income attributable to:			
Rubicon shareholders	(2)	(8)	(6)
Minority shareholders	(1)	(5)	(3)
Total comprehensive income	**(3)**	**(13)**	**(9)**

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

Rubicon Limited and Subsidiaries

Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2012

		RUBICON GROUP		
	Notes	**6 months Dec 2012 US$m**	**Year ended Jun 2012 US$m**	**6 months Dec 2011 US$m**
Total comprehensive income		**(3)**	**(13)**	**(9)**
Movement in Rubicon shareholders' equity:				
Issue of shares	5	15	–	–
Increase resulting from Tenon share buy back		–	1	1
Movement in minority shareholders' equity:				
Decrease resulting from Tenon share buy back		–	(1)	(1)
Total movement in shareholder equity attributable to:				
Rubicon shareholders' equity		13	(7)	(5)
Minority shareholders' equity		(1)	(6)	(4)
Opening equity attributable to:				
Rubicon shareholders		141	148	148
Minority shareholders		50	56	56
Opening total Group equity		191	204	204
Closing equity attributable to:				
Rubicon shareholders		154	141	143
Minority shareholders		49	50	52
Closing Total Group Equity		**203**	**191**	**195**

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

Rubicon Limited and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2012

	RUBICON GROUP		
	6 months Dec 2012 US$m	**Year ended Jun 2012 US$m**	**6 months Dec 2011 US$m**
Cash was provided from operating activities			
Receipts from customers	178	327	163
Cash provided from operating activities	178	327	163
Payments to suppliers, employees and other	(185)	(333)	(167)
Cash (used in) operating activities	(185)	(333)	(167)
Net cash from operating activities	**(7)**	**(6)**	**(4)**
Sale of fixed assets	3	–	–
Investment in fixed assets	(1)	(2)	(1)
Investment in associate	(2)	(9)	(5)
Net cash from (used in) investing activities	**–**	**(11)**	**(6)**
Debt drawdowns	10	19	10
Debt repayment	(22)	(1)	–
Interest paid	(1)	(3)	(2)
Issue of shares	15	–	–
Capital return by way of share buy back			
To Tenon minority shareholders	–	(1)	(1)
Net cash from (used in) financing activities	**2**	**14**	**7**
Net movement in cash	**(5)**	**(3)**	**(3)**
Opening cash, liquid deposits and overdrafts	(1)	2	2
Closing Cash, Liquid Deposits and Overdrafts	**(6)**	**(1)**	**(1)**
Net earnings	(3)	(12)	(8)
Adjustment for:			
Financial expense	1	4	2
Depreciation	2	5	3
Taxation	–	(2)	–
Earnings from associate	–	–	–
Other	(2)	2	–
Cash flow from operations before net working capital movement	(2)	(3)	(3)
Trade and other receivables	4	(7)	1
Inventory	(5)	(1)	(2)
Trade and other payables	(4)	5	–
Net working capital movement	(5)	(3)	(1)
Net cash from operating activities	**(7)**	**(6)**	**(4)**

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

Rubicon Limited and Subsidiaries

Consolidated Balance Sheet (Unaudited)

As at 31 December 2012

		RUBICON GROUP		
	Notes	Dec 2012 US$m	Jun 2012 US$m	Dec 2011 US$m
Current assets				
Trade and other receivables		27	31	23
Inventory		59	53	54
Assets held for sale		–	3	2
Current taxation asset		1	–	–
Total current assets		**87**	**87**	**79**
Non current assets				
Fixed assets		25	25	28
Forest assets		4	3	3
Investment in associate		74	72	68
Goodwill		85	85	85
Deferred taxation asset		10	11	9
Total non current assets		**198**	**196**	**193**
Total assets		**285**	**283**	**272**
Current liabilities				
Bank overdraft		(6)	(1)	(1)
Trade, other payables and provisions		(30)	(33)	(26)
Current debt	6	(1)	(1)	(2)
Total current liabilities		**(37)**	**(35)**	**(29)**
Term liabilities				
Term debt	6	(45)	(57)	(48)
Total term liabilities		**(45)**	**(57)**	**(48)**
Total liabilities		**(82)**	**(92)**	**(77)**
Net Assets		**203**	**191**	**195**
Equity				
Share capital	7	178	163	163
Reserves	8	(24)	(22)	(20)
Equity attributable to Rubicon shareholders		**154**	**141**	**143**
Equity attributable to minority shareholders		49	50	52
Total Group Equity		**203**	**191**	**195**

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

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 31 December 2012

1 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited and Subsidiaries (the Group) for the six months from 1 July 2012 to 31 December 2012. The financial statements have been prepared in accordance with New Zealand International Accounting Standard 34, and do not include all of the information required to be disclosed for full annual financial statements.

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

Accounting Policies

The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 30 June 2012.

The Group has not early adopted any of the new standards, amendments and interpretations to existing standards disclosed in note 4 of the June 2012 financial statements and there have been no new standards, amendments or interpretations to existing standards issued since June 2012 that are applicable to the Group.

2 APPROVAL OF ACCOUNTS

These financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 22 February 2013.

3 CHANGE IN ACCOUNTING POLICY

There have been no changes in accounting policies during the period.

4 USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with NZ International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (refer June 2012 Statutory Report, note 4, for greater detail). Actual results could differ from those estimates.

5 SHARE ISSUE

On 5 June 2012, Rubicon announced a fully underwritten pro-rata entitlement offer, to existing Rubicon shareholders, of 1 share for every 3 shares held at an application price of NZ 22 cents per share (or US 16.531 cents per share), and the extension of the Company's $20 million bank debt facility with the ANZ. The offer closed on 5 July 2012 with the full targeted $15 million (after fees) being raised, which was used to repay debt. The offer and book build was fully subscribed by existing shareholders and 94,931,820 new shares were allotted on 6 July 2012.

6 CURRENT DEBT AND TERM DEBT

On 23 May 2012 the ANZ agreed to extend the expiry date of Rubicon's $20 million facility from 1 July 2013 to 1 July 2014. Under the terms of the amended ANZ bank facility, the ANZ has the right to bring forward the expiry date to no earlier than 15 January 2014, if it determines that an IPO of ArborGen is unlikely to be completed by 1 July 2014, but if it were to do so the ANZ would be required to give Rubicon 90 days prior notice.

Tenon's bank credit facility is provided by a consortium of banks led by JPMorgan Chase Bank, N.A. (the Agent), which is structured as a global facility supporting the operations of the Tenon group as a whole, and expires in June 2016 . The facility is an "asset-based" lending facility whereby the underlying assets and working capital of Tenon secure the obligations to the bank syndicate. The amount available

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements (Unaudited) continued

For the six months ended 31 December 2012

6 CURRENT DEBT AND TERM DEBT continued

for drawdown at any one time is determined by the value of the assets under the borrowing base covenant, based on the current value of Tenon's inventory and receivables, reported to the Agent on a monthly basis, subject to certain prescribed exclusions, reserves and deductions. The borrowing base calculations are subject to periodic examination by the Agent during the remaining life of the credit facility (refer to Rubicon 2012 Statutory Report, note 5, for greater detail).

Tenon's banking facility requires a minimum "availability" borrowing base of $7.5 million. Tenon has, at all times, been in compliance with this minimum availability requirement. At 31 January 2013 the amount of availability was $13.6 million. Should the availability fall below $7.5 million at any time, this would result in a default under the terms of the banking facility giving the banks the right to impose certain restrictions on Tenon's access to and use of its funds including demanding repayment of the amount borrowed, thereby requiring Tenon to source alternative funding. The terms of the facility also include certain negative covenants in relation to acquisitions and dividends, each of which is limited to $5 million per calendar year (without bank approval) and each of which is subject to a minimum availability of $12.5 million existing immediately after the acquisition or the payment of the dividend. With the exception of a provision relating to excess cash flow recapture, the facility is not subject to earnings or fixed charge based financial covenants.

Refer to Rubicon 2012 Statutory Report, note 5, for further detail.

Tenon's facility reduces as a result of the scheduled amortisation of the term loan and the payment of an annual excess cash flow recapture provision of up to $1 million. It has been assumed that commencing in September 2014, the maximum $1 million repayment will be made under the excess cash flow provision of the facility.

The Group's available facilities are as follows:

	Tenon Group			Rubicon Limited
Debt facilities available	**Term US$m**	**Revolver US$m**	**Total US$m**	**US$m**
June 2012	7.08	50.00	57.08	20.00
June 2013	4.51	50.00	54.51	20.00
June 2014	4.08	50.00	54.08	20.00
June 2015	2.65	50.00	52.65	-
June 2016	-	-	-	-

The Group's current debt reflects next year's amortisation of Tenon's term loan under the credit facility and one year's principal payments on finance leases.

All current and term debt facilities are denominated in US dollars.

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements (Unaudited) continued

For the six months ended 31 December 2012

7 CAPITAL

	RUBICON GROUP		
Share Capital	**Dec 2012 US$m**	**Jun 2012 US$m**	**Dec 2011 US$m**
Share Capital at the beginning of the period	163	163	163
Issue of shares	15	–	–
Share Capital	**178**	**163**	**163**

Number of shares	**Dec 2012**	**Jun 2012**	**Dec 2011**
Opening shares on issue at the begining of the period	284,788,155	284,788,155	284,788,155
Issue of shares	94,931,820	–	–
Closing shares on issue (1)	379,719,975	284,788,155	284,788,155

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

8 RESERVES

	RUBICON GROUP		
	Dec 2012 US$m	**Jun 2012 US$m**	**Dec 2011 US$m**
Retained earnings			
Opening balance	(23)	(16)	(16)
Net earnings	(2)	(8)	(5)
Change in minority shareholder interest	–	1	1
Closing balance	**(25)**	**(23)**	**(20)**
Revaluation reserve			
Opening balance	1	1	1
Closing balance	**1**	**1**	**1**
Currency Translation reserve			
Opening balance	–	–	–
Translation of independent foreign operations	–	–	(1)
Closing balance	**–**	**–**	**(1)**
Total reserves	**(24)**	**(22)**	**(20)**

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements (Unaudited) continued

For the six months ended 31 December 2012

9 SEGMENTAL INFORMATION SUMMARY

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

	RUBICON GROUP		
	6 months Dec 2012 US$m	Year ended Jun 2012 US$m	6 months Dec 2011 US$m
Appearance and wood products			
Operating revenue	174	334	162
Total assets	211	211	204
Segment net earnings	(2)	(9)	(7)
Forestry genetics			
Operating revenue	–	–	–
Total assets	74	72	68
Segment net earnings	–	–	–
Total Group			
Operating revenue	174	334	162
Total assets	285	283	272
Segment result	(2)	(9)	(7)
Less corporate costs and Rubicon financial expense	(1)	(3)	(1)
Net Earnings	(3)	(12)	(8)

Rubicon Limited and Subsidiaries

Notes to the Consolidated Financial Statements (Unaudited) continued

For the six months ended 31 December 2012

10 NON-GAAP MEASURES

Rubicon uses EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within IFRS. As it is not uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with IFRS. 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 and depreciation policies. The following table reconciles operating earnings before financing expense, by operating segment, to EBITDA.

	RUBICON GROUP			
	6 months Dec 2012 US$m	Year ended Jun 2012 US$m(1)	6 months Jun 2012 US$m(2)	6 months Dec 2011 US$m(3)
Appearance and wood products				
Operating earnings before financing expense	(1)	(8)	(3)	(5)
Depreciation and amortisations	2	5	2	3
EBITDA	1	(3)	(1)	(2)
Forestry genetics				
Operating earnings before financing expense	–	–	–	–
Depreciation and amortisations	–	–	–	–
EBITDA	–	–	–	–
Total Group				
Segment operating earnings before financing expense	(1)	(8)	(3)	(5)
less corporate costs	(1)	(2)	(1)	(1)
Group operating earnings before financing expense	(2)	(10)	(4)	(6)
Depreciation and amortisations	2	5	2	3
EBITDA	–	(5)	(2)	(3)

(1) Includes business re-engineering and restructuring costs of $5 million.
(2) Includes business re-engineering and restructuring costs of $3 million.
(3) Includes business re-engineering costs of $2 million.

11 CONTINGENT ASSETS

On 28 November 2012, Tenon announced that the Supreme Court had dismissed its appeal from the decision of the Court of Appeal to strike out the legal proceedings in relation to the Central North Island Forest Partnership Goods and Services taxation dispute. The decision had no negative impact on Tenon's existing tax position (including available tax losses) and the matter is now closed.

12 CONTINGENT LIABILITIES

The Group has no material contingent liabilities (June 2012: nil, December 2011: nil).

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Stock Exchange Listing

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

Shareholder Enquiries

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

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna, Auckland

Private Bag 92 119,

Auckland 1142, New Zealand

Telephone: 64 9 488 8777

Facsimile: 64 9 488 8787

Email: enquiry@computershare.co.nz

Electronic Communications

You can elect to receive your shareholder communications electronically.

To register, visit www.investorcentre.com/nz. 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.

www.rubicon-nz.com