INTERIM REPORT

SIX MONTHS ENDED 31 DECEMBER 2015

(Released 19 February 2016)

There are forward-looking statements included in this document. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Rubicon, and our Tenon and Rubicon investments, many of which are beyond Rubicon's control. Tenon's risk 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, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repairs, 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. The risks and uncertainties associated with our ArborGen investment 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, biological matters, and the final outcome of the employee litigation (refer note 12 of our NZX Half Year Preliminary Announcement). As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

References in this document to $ or "dollars" are references to United States dollars unless otherwise stated.

Rubicon's financial year is 30 June.

Six Months' Highlights – 31 December 2015

- **Revenue[4] of $210 million recorded, up 5%** (cpp[8] $200 million excl forests & log sales[4])

- **Net profit after tax trebled to $6 million** (cpp $2 million)

- **Gross margin % expanded to 26%** (cpp 25%, adjusting for forest and log sales)

- **EBITDA[5] of $12 million was achieved in the period**, prior to c$1.8 million of project costs relating to the Strategic Review and FX losses (up 70%+ on the cpp, on a comparable basis). After inclusion of these costs, EBITDA[5] was $10 million

- **Operational initiatives were advanced –**
    - **c$7 million NZ manufacturing capital projects well advanced -**
        - Optimising edger commissioned in August / September '15
        - The ripline project on target to be commissioned in February / March '16
        - Financial metrics projects are very favourable – less than 24 months payback
    - **Texas warehouse consolidation on track -**
        - 367,000 sq ft building to be completed in Dallas (TX) in April '16
        - Logistics, efficiency and rental gains to generate $1+ million pa EBITDA uplift
    - **New advanced procurement and forecasting system (Data Profits) now in place**
    - **New business won -**
        - New and extended National Home Centre product programmes won
    - **Territories expanded** -
        - Pro-dealer regional expansion implemented (e.g. Louisiana, and New York)

- **Closing debt (net of cash) of $53 million** (June'15, $58 million)

- **EBITDA[5] and Net Earnings targeted to materially improve[3]**
    - EBITDA[5] target[9] is for the second half of the current FY'16[6] fiscal year to exceed the first six months reported result

- **Tenon share price increased 34%[1]**

- **Dividend payments commenced for both interim and final fiscal year periods**

- **Strategic Review progressed -** outcome of Review is expected in Q2 of calendar 2016

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

- **Production goals set for current season**
    - Lift total sales volumes by 5%+ year-on-year (y-o-y)
    - Bulk of y-o-y uplift to come from continued expansion in Brazil
        - Brazil volume goal is to treble production y-o-y
        - Brazil order book is sold out
    - 25%+ of combined loblolly and radiata pine sales to be in advanced genetics

- **On track to meet EBITDA 'run-rate' objective**
    - ArborGen to be EBITDA break-even in its new (31 March) fiscal year

- **Blended production technique proceeding to '2-year' plan, with goals to -**
    - Expand productive base
    - Lower manufacturing cost

- **Bank financing being reviewed / renewed –**
    - NZ bank facility has been renegotiated
        - 3-year NZ$4.5 million term loan
        - Additional NZ$1.5 million working capital line
    - US bank facility expires in August 2016
        - Alternatives (including current loan extension) currently being assessed

- **Employee litigation situation being addressed**
    - Adverse initial lower court ruling – final ruling yet to be made
    - Mediation process set down for March
    - Will appeal if mediation is unsuccessful, or if final ruling is adverse

- **Focus remains firmly on forward financing and related operational milestones**
    - Litigation complication requires fresh interim approach
    - Partners currently reviewing alternatives
    - Cash requirements for working capital and expansionary growth being refined
        - Land sales targeted to exit surplus holdings and release cash
        - Further restructuring in progress, to reduce cost and refine focus
        - Re-assessment of capital investment and value recognition trade-off

Shareholder Letter

Dear Shareholder,

The Highlight pages that precede this letter succinctly summarise the first six months of Rubicon's 30 June 2016 fiscal year, so those points will not be repeated verbatim in this interim letter.

In relation to our Tenon investment, the Interim period saw a continuation of the early recovery in Tenon's earnings, driven by a series of macro and company-specific factors, including –

- On-going growth in the US economy
- Continued recovery in the broader US housing market
- A strengthening of the US$:NZ$ exchange rate, closer to long-run equilibrium
- Commissioning of the first of two capital upgrades at our NZ manufacturing plant
- Implementation of core improvement initiatives (e.g. procurement)
- Winning new business in our National Home Centre business
- Territorial expansion in our pro-dealer activities

Net Earnings After Tax trebled (compared with the cpp), and a 70%+ increase in EBITDA[5] (excluding project costs and FX hedging contract losses) was recorded - all very pleasing, and consistent with Tenon's fiscal 2016 EBITDA[5] guidance range of in excess of US$20 million[3] (excluding project costs and FX hedging contract losses).

Tenon's fiscal 2016 result will include the benefit of implemented operational initiatives for only part of the year (e.g. the Taupo capital upgrade projects and related earnings are only phased in as commissioned across the year), the new national home centre business won is only commencing now, and the benefit of the recently strengthening US$ will similarly only have been progressively realised across the fiscal year. Accordingly, the EBITDA[5] 'run rate' for Tenon should be somewhat higher than the reported fiscal 2016 EBITDA level. In that respect Tenon has reiterated its mid-cycle[7] EBITDA[5] potential as being in excess of US$50 million[3].

Last August Tenon announced the commencement of dividend payments (NZ 5.0 cps) and this week it announced an interim dividend (to be paid in April) of NZ 5.75 cps in respect of its performance for the six-month period to 31 December 2015. These two dividends (which amount to US$ 2.75 million in cash receipt to Rubicon for our 60% investment in Tenon) are important to Rubicon meeting the annual ArborGen Partner funding requirements (refer later discussion of ArborGen).

The Tenon Board announced that it was undertaking a forward-looking strategic review (with the assistance of Deutsche Craigs and Deutsche Bank), to determine the most appropriate risk-adjusted value path for Tenon shareholders. Tenon has announced that it expects the outcome of this review to be made known in Q2 of this calendar year.

***In relation to ArborGen*,** the dominating factor in the period was not operational (where ArborGen continues to believe it will meet its fundamental earnings objective of being EBITDA break-even (or better) in its new fiscal year – refer *Highlights*), but rather the adverse lower court ruling in relation to the ArborGen employee litigation matter. The court found in favour of the plaintiffs' claims, awarding them US$53 million in damages, interest and fees, on a joint and several basis against the defendants. Execution of that ruling is currently 'stayed' pending mediation between the parties (which is set down for March). The defendants (including Rubicon) have filed a motion to amend this initial court ruling, however it is unlikely the judge will rule on that motion until after the mediation concludes - which in essence means that the lower court judge is yet to issue his final ruling on the matter. Having said that, to say we were surprised at the judge's initial ruling would be an understatement, and Rubicon (along with ArborGen, our two Partners International Paper and WestRock (formerly MeadWestvaco, who merged into this new larger entity), and past and present representative defendants) immediately determined that they would appeal against any adverse final lower court ruling – a process that could take several years to conclude.

In the very short term, the litigation uncertainty will have an impact on the previous ArborGen financing plan. Accordingly, following the surprising initial ruling, the Partners have each been assessing go-forward alternatives, in order to determine the most appropriate immediate ArborGen financing path. A decision on this later in Q2 of this calendar year is the most likely timeline.

Based on what we know today, we believe we should have sufficient financial resources to meet the likely ArborGen Partner funding requirement for calendar 2016, however this will require a roll-over of Rubicon's own $20 million bank facility for an additional six months post its current 1 July 2016 expiry date.

In relation to Rubicon itself, shareholders will know full well that our share price has fallen significantly since December last year. The trading pattern over that period is enlightening. For the 11 months to the end of November 2015, 18 million Rubicon shares were traded. In the two months of December and January 9 million shares were traded. During the month of January, when the share price declined significantly to its current level, (we believe) over 80% of the share volume came from one selling institutional investor, the bulk of which was taken up by NZ-based investors. We believe their January selling was due to "fund-related" issues rather than "Rubicon-specific" issues. In adverse equity market conditions, Rubicon's concentrated and supportive share register can be an advantage, however when a volume of shares needs to be sold quickly Rubicon's share illiquidity becomes problematic, and our share price can suffer in such a situation. That is what has happened, with the Rubicon share price falling from the low-30s cps level to the low-20s cps level over this short period. At that Rubicon share price level, the implied value of 100% of ArborGen is cUS$45 million. We will leave it to you to determine whether that valuation makes sense at all, but we do think it is important that our shareholders understand what has been driving the recent stock weakness.

While the share price performance remains incredibly disappointing, I am reminded of our largest shareholder's view on this topic – i.e. that we should not confuse price with value. Whilst that may provide little consolation to patient shareholders at this point, we do still believe value upside resides within Rubicon that will be realised for our shareholders.

Sincerely,

Steve Kasnet

Chairman

19 February 2016

Footnotes –

[1] This is for the period from 1 July ’15 through to Tenon’s Interim Results announcement earlier this week.

[2] Imputation credits will not be attached to the dividend, due to Tenon’s current non-tax paying position in New Zealand.

[3] Future actual earnings, cash flow, net debt and dividend payment outcomes will be dependent upon continued US housing market recovery, interest rates, NZ$:US$ cross rate, and the Strategic Review (amongst other drivers, many of which are beyond Tenon’s control). In particular, the guidance noted herein assumes no adverse changes in either macro-market conditions or the NZ$:US$ cross rate.

[4] Revenue historically includes the sale of logs at the NZ (Taupo) manufacturing site under back-to-back forest stumpage arrangements. As planned, these arrangements terminated during the 2015 fiscal year. Whilst additive to revenue, these log sales were carried out at zero margin and did not contribute to Net Earnings. The log sales number included in revenue in the six months to 31 December ’15 was $nil, which compares with $6 million recorded in the cpp, and $nil in the immediately prior six month period to 30 June ‘15. Revenue also includes the sale of residual forest assets (from time to time) that the Group holds. The revenue from the sale of forests in the six months to 31 December ’15 was $nil, which compares with $3 million recorded in the cpp, and $nil million in the six month period to 30 June ’15. Revenue excluding both forest and back-to-back stumpage sales was $210 million for the six months to 31 December ’15, $200 million in the cpp, and $197 million in the immediately prior six-month period to 30 June ’15.

[5] EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance, because that number removes distortions caused by differences in asset ages, depreciation policies, and debt:equity structures. Refer also to Note 11 of our 31 December 2015 Interim Financial Statements. Tenon’s EBITDA is calculated as Net Profit after Taxation of $6 million (cpp $2 million), plus Tax Expense of $1 million (cpp $nil), plus Financing Costs of $2 million (cpp $2 million), plus depreciation and amortisations of $1 million (cpp $2 million).

[6] Tenon’s fiscal year is 30 June, so FY’16 refers to the 12 months ending 30 June 2016.

[7] Tenon defines mid-cycle as 1.6 million housing starts, NZ$:US$0.6500, projected FY’16 gross margin % held flat, benefit of current Taupo optimisation capex, and limited organic growth.

[8] cpp refers to the corresponding prior period – i.e. the comparable six-month period to 31 December 2014

[9] Excluding any FX hedging losses, project costs, and restructuring costs, and subject to note 3 above.