RUBICON

DECEMBER

2015

INTERIM REVIEW

Contents

This document is the Interim Review of operations for the six months to 31 December 2015 – i.e. the first half of Rubicon's 2016 fiscal year. It addresses in summary form the highlights for the period in each of the Company's major business activities – i.e. ArborGen and Tenon.

Our Annual Review for 2015 is available on our website – www.rubicon-nz.com. In addition to our shareholder reports, from time to time we make announcements to the New Zealand Exchange. These can be viewed either on the NZX website or on Rubicon's own website, where a history of our market releases is maintained.

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

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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 9 on page 11). As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

Six Months' Highlights – 31 December 2015

Tenon
Wood Solutions to the World

- **Revenue[1] of $210 million recorded, up 5%** (cpp[2] $200 million excl forests and log sales[1])
- **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[3] 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[3] 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 for the 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 and Net Earnings targeted to materially improve[4]**
  - EBITDA target [5] 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%[7]**
- **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

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[3] (excluding project costs and FX hedging contract losses) was recorded - all very pleasing, and consistent with Tenon's fiscal 2016 EBITDA guidance range of in excess of US$20 million[4] (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[3] 'run-rate' for Tenon should be somewhat higher than the reported fiscal 2016 EBITDA level. In that respect Tenon has reiterated its mid-cycle[8] EBITDA[3] potential as being in excess of US$50 million[4].

Last August Tenon announced the commencement of dividend payments (NZ 5.0 cps) and recently it announced an interim dividend (to be paid in April) of NZ 5.75[9] 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 circa US$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 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 Tenon 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.

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

3 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.

4 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.

5 Excluding any FX hedging losses, project costs, and restructuring costs, and subject to note 4 above.

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

7 This is for the period from 1 July '15 through to Tenon's Interim Results announcement on 16 February.

8 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.

9 Imputation credits will not be attached to the dividend, due to Tenon's current non-tax paying position in New Zealand.

Consolidated Income Statement (Unaudited)

For the six months ended 31 December 2015

		RUBICON GROUP		
	Notes	6 Months Dec 2015 US$m	Year Ended Jun 2015 US$m	6 Months Dec 2014 US$m
Revenue		210	406	209
Cost of Sales		(155)	(308)	(160)
Gross earnings		**55**	**98**	**49**
Earnings of associate		–	1	–
Distribution expense		(37)	(74)	(38)
Administration expense		(9)	(17)	(8)
Strategic review costs	4	(1)	–	–
Operating earnings before financing expense		**8**	**8**	**3**
Financing expense		(3)	(5)	(3)
Earnings before taxation		**5**	**3**	**–**
Tax expense		(1)	–	–
Net Earnings		**4**	**3**	**–**
Attributable to:				
Rubicon shareholders		1	1	(1)
Minority shareholders		3	2	1
Net Earnings		**4**	**3**	**–**

Basic/diluted earnings per share information (cents per share)	0.2	0.2	(0.2)
Weighted average number of shares outstanding (millions of shares)	409	409	409

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

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2015

	RUBICON GROUP		
	6 Months Dec 2015 US$m	Year Ended Jun 2015 US$m	6 Months Dec 2014 US$m
Net Earnings	**4**	**3**	**–**
Items that may be reclassified to the Consolidated Income Statement:			
Movement in currency translation reserve	(1)	(4)	(1)
Movement in hedge reserve	1	(1)	–
Other comprehensive income (net of tax)	**–**	**(5)**	**(1)**
Total comprehensive income	**4**	**(2)**	**(1)**
Total comprehensive income attributable to:			
Rubicon shareholders	1	(2)	(2)
Minority shareholders	3	–	1
Total comprehensive income	**4**	**(2)**	**(1)**

Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2015

		RUBICON GROUP		
	Notes	6 Months Dec 2015 US$m	Year Ended Jun 2015 US$m	6 Months Dec 2014 US$m
Total comprehensive income		**4**	**(2)**	**(1)**
Movement in minority shareholders' equity:				
Share buyback by Tenon		–	(1)	(1)
Dividend	5	(1)	–	–
Total movement in shareholder equity attributable to:				
Rubicon shareholders' equity		1	(2)	(2)
Minority shareholders' equity		2	(1)	–
Opening equity attributable to:				
Rubicon shareholders		157	159	159
Minority shareholders		49	50	50
Opening total Group equity		206	209	209
Closing equity attributable to:				
Rubicon shareholders		158	157	157
Minority shareholders		51	49	50
Closing Total Group Equity		**209**	**206**	**207**

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

Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2015

		RUBICON GROUP		
	Notes	**6 Months Dec 2015 US$m**	**Year Ended Jun 2015 US$m**	**6 Months Dec 2014 US$m**
Cash was provided from operating activities				
Receipts from customers		212	404	213
Cash provided from operating activities		212	404	213
Payments to suppliers, employees and other		(202)	(404)	(208)
Tax paid		–	(1)	–
Cash (used in) operating activities		(202)	(405)	(208)
Net cash from (used in) operating activities		**10**	**(1)**	**5**
Investment in fixed assets		(3)	(6)	(3)
Investment in associate		(1)	(6)	(3)
Net cash from (used in) operating activities		**(4)**	**(12)**	**(6)**
Debt drawdowns		9	26	10
Debt repayment		(8)	(10)	(5)
Interest paid		(2)	(4)	(2)
Return to Tenon minority shareholders by way of:				
Share buyback		–	(1)	(1)
Dividend	5	(1)	–	–
Net cash from (used in) financing activities		**(2)**	**11**	**2**
Net movement in cash		**4**	**(2)**	**1**
Opening cash, liquid deposits and overdrafts		(3)	(1)	(1)
Closing Cash, Liquid Deposits and Overdrafts		**1**	**(3)**	**–**
Net Earnings		4	3	–
Adjustment for:				
Financing expense		3	5	3
Depreciation		1	3	2
Taxation		1	(1)	–
Earnings from associate		–	(1)	–
Forest assets		–	1	1
Cash flow from operations before net working capital movement		9	10	6
Trade and other receivables		2	(1)	5
Inventory		3	(16)	(7)
Trade and other payables		(4)	6	1
Net working capital movement		1	(11)	(1)
Net cash from operating activities		**10**	**(1)**	**5**

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

Consolidated Balance Sheet (Unaudited)

As at 31 December 2015

		RUBICON GROUP		
	Notes	**Dec 2015 US$m**	**Jun 2015 US$m**	**Dec 2014 US$m**
Current assets				
Cash and liquid deposits		1	–	1
Trade and other receivables		31	34	29
Inventory		77	81	73
Total current assets		**109**	**115**	**103**
Non current assets				
Fixed assets		26	24	23
Forest assets		1	1	1
Investment in associate		87	87	84
Goodwill		85	85	85
Deferred taxation asset		10	11	11
Total non current assets		**209**	**208**	**204**
Total assests		**318**	**323**	**307**
Current liabilities				
Bank overdrafts		–	(3)	(1)
Trade, other payables and provisions		(33)	(39)	(35)
Current debt	6	(21)	(1)	(19)
Total current liabilities		**(54)**	**(43)**	**(55)**
Term liabilities				
Term debt	6	(55)	(74)	(45)
Total term liabilities		**(55)**	**(74)**	**(45)**
Total liabilities		**(109)**	**(117)**	**(100)**
Net Assets		**209**	**206**	**207**
Equity				
Share capital		188	188	188
Reserves	7	(30)	(31)	(31)
Equity attributable to Rubicon shareholders		**158**	**157**	**157**
Equity attributable to minority shareholders		51	49	50
Total Group Equity		**209**	**206**	**207**

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

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2015

1 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited and Subsidiaries (the Group) for the six months from 1 July 2015 to 31 December 2015. 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.

These financial statements should be read in conjunction with the audited financial statements for the years ended 30 June 2015 and 30 June 2014, which have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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

Accounting Policies

There have been no changes in accounting policies during the period. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 30 June 2015.

On 13 January 2016, the International Accounting Standards Board issued the new leases standard, IFRS 16 Leases, which requires lessees to recognise most leases on their balance sheets. Tenon has property and truck operating leases that will be required to be recognised on-balance sheet under the new standard. Application is required for annual periods beginning on or after 1 January 2019 and the impact has not been calculated. Other interpretations and standards issued in the current period are considered unlikely to have a financial impact on the Group accounts but may require additional disclosures. At this stage the Group does not plan to early adopt any new standards and will implement new standards as they become mandatory.

2 APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 19 February 2016.

3 USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (refer June 2015 statutory report, note 4, for greater detail). Actual results could differ from those estimates.

4 STRATEGIC REVIEW

On 28 August 2015, Tenon announced a strategic review would be undertaken, to close a perceived Tenon share price gap, and on 16 February 2016 Tenon confirmed that it expected to announce the outcome of the review prior to 30 June 2016. The strategic review costs of $1.2 million are all administrative costs.

5 TENON DIVIDEND PAYMENT

On 6 November 2015 Tenon paid a dividend of NZ$5.0 cents per share. The total dividend paid was NZ$3.2 million (US$2 million), of which Rubicon received NZ$1.9 million (US$1.2 million). Upon consolidation the dividend paid to Rubicon is eliminated and only the dividend paid to minority shareholders, $0.8 million, is shown in the statement of changes in equity and cash flow statement.

6 CURRENT DEBT AND TERM DEBT

As at 31 December 2015, Tenon, was fully compliant with all the requirements of its bank facility and no additional banking covenants were operative (refer to Note 17 of the June 2015 statutory report for details of the debt facility terms), and had undrawn availability of $20 million.

The total size of Tenon's syndicated bank credit facility does not decrease, with reductions in the term loan balance being offset by an increased revolver facility. The assumption made in the table below is that, commencing in September 2016, the maximum $1 million repayment under the excess cash flow provision of the facility will be made and the term loan balance reduced accordingly.

Rubicon's $20 million ANZ facility has an expiry date of 1 July 2016 and is classified as current debt (June 2015: non current, December 2014: current).

The ANZ facility permits the issuance, by Rubicon, of up to $10 million of subordinated unsecured debt notes (Notes). Rubicon has issued $7 million of these Notes to be drawn down in tranches as required; the first tranche for $3.5 million was drawn in June 2015. The Notes rank as subordinated unsecured debt and have a maturity date of 2 January 2017. The interest payable (which will accrue until maturity) on the Notes, of 12% per annum on the amount drawn, reflects the unsecured nature of the debt and is inclusive of any facility fees for the undrawn portions of the facility.

The Group's available debt facilities are as follows:

Debt facilities available US$m	**Tenon Group**			**Rubicon Limited**
	Term Loan	**Revolver**	**Total**	
December 2015	9.90	65.10	75.00	27.00
June 2016 [a]	9.12	65.88	75.00	27.00
June 2017 [b]	6.55	68.45	75.00	–
June 2018 [b]	3.98	71.02	75.00	–
June 2019 [b]	1.41	73.59	75.00	–
June 2020	–	–	–	–

(a) Scheduled term Loan repayment of $130,952 per month.
(b) Scheduled term Loan repayment of $130,952 per month and $1 million excess cash flow repayment on 30 September.

The Board is evaluating appropriate ongoing funding arrangements to take Rubicon forward.

The current debt of $21 million includes Rubicon's $18 million of US debt drawn under the ANZ facility.

All term debt facilities are denominated in US dollars.

7 RESERVES

	RUBICON GROUP		
	Dec 2015 US$m	Jun 2015 US$m	Dec 2014 US$m
Retained earnings			
Opening balance	(30)	(31)	(31)
Net earnings	1	1	(1)
Closing balance	(29)	(30)	(32)
Revaluation reserve			
Opening balance	1	1	1
Closing balance	1	1	1
Hedging reserve			
Opening balance	(1)	–	–
Movement in period	1	(1)	–
Closing balance	–	(1)	–
Currency translation reserve			
Opening balance	(1)	1	1
Translation of independent foreign operations	(1)	(2)	(1)
Closing balance	(2)	(1)	–
Total reserves	**(30)**	**(31)**	**(31)**

8 SEGMENTAL INFORMATION SUMMARY

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

	RUBICON GROUP		
	6 Months Dec 2015 US$m	Year Ended Jun 2015 US$m	6 Months Dec 2014 US$m
Appearance and wood products			
Operating revenue	210	406	209
Total assets	231	236	223
Segment net earnings	6	6	2
Forestry genetics			
Operating revenue	–	–	–
Total assets	87	87	84
Segment net earnings	–	1	–
Total Group			
Operating revenue	210	406	209
Total assets	318	323	307
Segment net earnings	6	7	2
Less corporate costs and Rubicon financing expense	(2)	(4)	(2)
Net Earnings	**4**	**3**	**–**

9 CONTINGENT LIABILITIES

ArborGen Employee Court case

On 16 December 2015, the South Carolina lower court signed an order in favour of the nine plaintiffs in the ArborGen employee litigation matter, awarding damages of US$43 million, plus fees and interest of US$10 million against ArborGen, the three partner defendants (including Rubicon) and their past and present representatives (jointly and severally). Execution of that ruling is currently 'stayed' pending mediation between the parties (which is set down for March 2016). The defendants (including Rubicon) have filed a motion to amend the initial court ruling, and it is not expected that the judge will rule on this 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. The defendants (including Rubicon) have determined that they will appeal against any adverse final lower court ruling, and it is believed that this is a process that could take several years to conclude.

The Group had no other material contingent liabilities at December 2015.

Refer to note 5 in the June 2015 statutory report, which discusses financial risks.

10 POST BALANCE DATE EVENTS

Masters' announcement

On 18 January 2016, Woolworths Limited announced that it intended to take full ownership of the Masters Home Improvement chain (Masters) in Australia, which it had previously operated as a joint venture with Lowe's (Tenon's largest customer in the United States). Tenon had become a supplier to the Masters operation in August 2014. Once it has gained full ownership of the Masters chain, Woolworths has announced its intention to pursue an exit of the business either by way of sale or wind-up. Tenon does not believe that there is any impairment issue due to the supply agreement that Tenon has with Masters in relation to inventory it held at 31 December 2015.

Dividend announcement

On 16 February 2016 the Tenon board approved an interim dividend of NZ 5.75 cents per share, for payment on 4 April 2016. This dividend will have no imputation credits attached given the current non-tax paying position of Tenon in New Zealand. In accordance with NZ IFRS, this dividend has not been reflected in these accounts. Rubicon will receive NZ$2.2 million from this dividend.

11 NON-GAAP MEASURES

Rubicon uses EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within IFRS. As it is not uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with GAAP. Management believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age, depreciation policies and debt:equity structures. The following tables reconcile Net Earnings to operating earnings before financing expense and to EBITDA for Tenon and the total Rubicon Group.

	6 Months Dec 2015 US$m	Year Ended Jun 2015 US$m	6 Months Jun 2015 US$m	6 Months Dec 2014 US$m
Tenon				
Net Earnings	6	6	4	2
plus Tax expense	1	–	–	–
plus Financing expense	2	4	2	2
Operating earnings before financing expense	9	10	6	4
plus Depreciation and amortisations	1	3	1	2
EBITDA [(a)]	10	13	7	6

Total Rubicon Group				
Net Earnings	4	3	3	–
plus Tax expense	1	–	–	–
plus Financing expense	3	5	2	3
Operating earnings before financing expense	8	8	5	3
plus Depreciation and amortisations	1	3	1	2
EBITDA [(a)]	9	11	6	5

(a) December 2015 includes Tenon's strategic review costs and FX losses of $1.8 million (June 2015: FX losses $0.6 million, December 2014: FX losses $0.6 million).

Investor Information

Investor Enquiries/Registered Office

Level 1, 136 Customs Street West, Auckland.

PO Box 68 249, Newton,

Auckland 1145, New Zealand.

Telephone: 64 9 356 9800

Facsimile: 64 9 356 9801

Email: information@rubicon-nz.com

Website: www.rubicon-nz.com

Stock Exchange Listing

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

Shareholder Enquiries

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

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road,

Takapuna, Auckland.

Private Bag 92 119,

Auckland 1142, New Zealand.

Telephone: 64 9 488 8777

Facsimile: 64 9 488 8787

Email: enquiry@computershare.co.nz

Electronic Communications

You can elect to receive your shareholder communications electronically.

To register, visit www.investorcentre.com/nz. To initially access this website, you will need your CSN or Holder Number and FIN. You will be guided through a series of steps to register your account, including setting up a new user ID and password for on-going use of the website.

Once logged in, click on "My Profile". In the Communication preferences panel, click "update".

Alternatively send your name, address and CSN or holder number to ecomms@computershare.co.nz advising you wish to receive your Rubicon shareholder communications by email.

www.rubicon-nz.com