RUBICON

ANNUAL REVIEW 2016

There are statements in this Review that are 'forward looking statements.' As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Rubicon, and our Tenon and ArborGen investments, which are beyond our control. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements.

Tenon's risks and uncertainties include - that its operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes, particularly in North America. Fluctuations in industrial output, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repair and remodelling and additions to existing homes, new housing starts, relative exchange rates, interest rates, and profitability of customers, can each have a substantial impact on Tenon's results of operations and financial condition. Other Tenon risks include competitor product development and demand, pricing and customer concentration risk, and the outcome of the Tenon Strategic Review which is unknown and uncertain (although a Blue Wolf Capital offer was announced on 29 August 2016 in respect of Tenon's North American division). Grant Samuel is preparing a valuation report for Tenon shareholders, which shows a value range of NZ$3.01 - NZ$3.25 per Tenon share assuming completion of the Blue Wolf offer, however that value is subject to a number of uncertainties and risks beyond the control of Tenon, and it is also pre-transaction / wind-up costs. The actual outcome will be determined by the Strategic Review process, which may differ materially from the indicative Grant Samuel valuation. Tenon discloses its results separately on the NZX, and those releases may contain additional information on its performance, risks and opportunities than are presented in Rubicon's reporting of Tenon's activities. Accordingly, Rubicon shareholders should also refer to Tenon's separate NZX announcements.

ArborGen's risks and uncertainties include (in addition to the macro condition risks noted above) - the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, competitor performance, public and customer acceptance of genetically engineered products, customer adoption of advanced seedling products, the success of ArborGen's research and development activities, weather conditions and biological matters. Rubicon is the majority shareholder in Tenon, and effectively controls the operational / financial performance and strategic direction of Tenon as a result. In contrast, Rubicon is only a minority equity investor in ArborGen, and accordingly it does not control the operational / financial performance and strategy of ArborGen, and it is therefore dependent upon another of ArborGen's partners voting in a like-minded manner in order for Rubicon to achieve its desired ArborGen outcomes.

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

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

This document is the Annual Review of operations for the year to 30 June 2016. It addresses in summary form the highlights for the period in each of the Company's major business activities – i.e. ArborGen and Tenon.

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Rubicon has two core investments - Tenon and ArborGen.
The summary highlights for each for the 12-month period ending 30 June 2016 are outlined below.

2 Tenon Highlights

Shareholder Value Announcements

- **Strategic review progressing**
  - Blue Wolf Capital ("Blue Wolf") offer received for Tenon's North American operations -
    - US$110 million purchase price
    - Implied FY'16 EBITDA[1] multiple of 7.3x (adjusted for the LSCFP[2])
    - Offer to go to Tenon shareholders for approval in November
    - Will be combined with large shareholder pro-rata capital return
    - Grant Samuel to prepare independent report for Tenon shareholders
    - All Tenon debt to be repaid on closing
  - Separate review process in relation to Australasian Clearwood ("Clearwood") assets continuing
- **Tenon final dividend of NZ 6.50[3] cps announced, up 30% on last year's final dividend**

Financial and Operational

- **Improved operational earnings performance**
  - **Revenue[4] of $430 million, up 9%** (cpp[5] $396 million excluding forest / log sales[4])
  - A goodwill write-down of $31 million recorded in relation to Blue Wolf offer along with $3 million of strategic review costs expensed, saw **Tenon report a net loss after tax of $(21) million**
  - **Excluding both those costs, net profit after tax more than doubled, to $13 million** (cpp $6 million), and this was after expensing $3 million of restructuring / impairment costs in North America and Australasia (refer EBITDA commentary below)
  - **Gross margin expanded to 26%** (cpp 24%, adjusted for forest and log sales)
  - **Operating earnings lifted 130% to $23 million (**cpp $10 million) and **EBITDA[1] doubled to $26 million** (cpp $13 million), prior to the $31 million goodwill write-down noted above in relation to the Blue Wolf offer, $3 million of strategic review costs, and $3 million of restructuring / impairment costs

- **Key operational initiatives were completed**
  - **The two NZ manufacturing capital projects, totalling $7 million, were concluded -**
    - The optimising edger was commissioned in August / September ‘15, the ripline project was commissioned in April / May ’16, and both are achieving targeted benefits
    - Annualised EBITDA benefits projected to exceed $4 million pa
  - **Texas warehouse consolidation completed -**
    - 367,500 sq ft building was completed in Texas in June ‘16
    - Houston and Dallas facilities now consolidated into this new mega-facility
    - Logistics, efficiency and rental gains to be realised moving forward
  - **New procurement and forecasting system (Data Profits) now in place**
  - **New business won -**
    - New, and extended, National Home Centre product programmes won (e.g. commodity boards)
  - **Territories expanded -**
    - Pro-dealer regional expansion implemented (e.g. Louisiana and New York)
- **Balance sheet strengthened**
  - **Net cash from operating activities lifted materially, to $35 million** (cpp $2 million)
  - **Closing debt (net of cash balances) reduced by $22 million, to $36 million** (cpp $58 million), reflecting -
    - Cash flow from operations, less –
      - $3 million expenditure on the completion of the NZ manufacturing projects, and $2 million in other capex (e.g. IT-related spend in NA distribution activities)
      - $5 million in shareholder dividend payments
      - $3 million in financing costs

Outlook

- **US housing market to continue to improve**
- **Operational initiatives put in place in FY’16 to be reflected in FY’17 earnings**
- **EBITDA[1] and Net Earnings targeted to improve[6] further**

4 ArborGen Highlights

Financial and Operational

- **Production and sales**
  - Revenue increased to $37 million
  - Advanced genetics targets met -
    - US advanced genetics increased ≈ 25% of loblolly volumes (cpp 22%)
    - ANZ advanced genetics ≈ 85% of total radiata revenue
  - Global production was up 5% y-o-y, to 324 million seedlings (cpp 309 million)
    - Brazil sales increased 400%, to 30 million seedlings
      - 25 million eucalyptus (cpp 6 million)
      - 5 million loblolly (cpp nil)
    - ANZ sales were flat ‘y-o-y’ at 21 million
    - Although demand was strong, US sales were down 3% to 273 million, due to -
      - Floods in the US South affecting seed germination and damaging crops
      - Planting crew availability and unseasonal weather adversely impacting site preparation
- **Herbicide tolerant eucalyptus (biotech) field trial approval received from the regulatory authority (CTNBio) in Brazil**
- **Focus remains on critical commercial milestones for forward financing event**
- **Cash requirements for working capital and growth continue to be refined -**
  - Surplus land sales advanced
  - Employee litigation settled
  - Restructuring initiatives completed
  - US acquisition opportunities progressed
- **On track to meet EBITDA operational break-even / positive FY’17 run rate objective**

- **New Debt facilities put in place**
  - A new 20-year term loan facility of $13 million, was established with AgSouth
  - The existing NBSC bank relationship has been extended out to August 2017, with a $15 million working capital line
  - Funding lines of $28 million are now available to ArborGen in North America
  - Australasian operations are funded by a NZ$4.5 million facility, expiring in 2018

Outlook

- **US housing activity levels forecast to continue to increase over next five years**
- **Brazil forestry and wood products market demand conditions to remain positive**
- **New Zealand / Australia conditions to improve off current ‘trough’ conditions**

Operational Review

2016 was a strong performance year for Tenon – not only in terms of financial results, but also in terms of setting the company's platform for future growth. In no particular order –

- Tenon completed its two large **capital upgrade projects at Taupo**, to their combined budget and commissioning timelines. The technology implicit in these projects now provides the Taupo operations with greater 'cut' flexibility, improves recovery of higher value grades, achieves through-put efficiencies, and offers improved responsiveness to changes in market demand by product type. The $4 million pa additional EBITDA[1] that should flow from these two projects will also be a strong positive for next year's earnings.

- Tenon continued to **grow its distribution footprint in the US**, expanding territories and launching new product programmes.

- In June, the **consolidation of Tenon's two Texas warehouses** into one mega-facility in Dallas was completed. This new purpose-built 367,500 sq ft facility will allow Tenon to better serve its customers in the region, whilst reducing its cost base through rent and logistics savings.

- A new **demand planning / procurement system** in Tenon's North American distribution operations was implemented. The targeted benefits include better inventory management and increased sales across any given 12-month period. While Tenon is still in the 'bedding down' phase of the implementation, by the end of the current calendar year the majority of the on-going operational benefits from this system will be in place.

- Some large restructuring / impairment costs were incurred in FY'16 (e.g. $2 million in respect of our Australian operations, and $1 million in relation to the Texas warehouse consolidation). These were fully expensed in the period, and having them addressed will be a positive for Tenon moving into FY'17.

- **Operating earnings lifted 130% and EBITDA[1] doubled** (excluding strategic review costs, goodwill write-down relating to the Blue Wolf offer (refer detailed discussion below), and restructuring / impairment costs).

- **Tenon generated $35 million in net cash** from operating activities in the period – a strong improvement on the $2 million generated in the cpp, which helped reduce Tenon's net debt to $36 million at balance date (cpp $58 million).

- A NZ 6.50 cps final Tenon dividend in respect of fiscal 2016 has been announced, which is a 30% increase on last year's final dividend. This dividend will be paid in September 2016 to Tenon shareholders.

Strategic Review

In August last year Tenon announced that it would undertake a strategic review of the company to help determine the most appropriate risk-adjusted value path forward for shareholders, in order to close the perceived value-gap that was evident in the share trading price at that time. The Tenon board appointed Deutsche Bank and Deutsche Craigs to assist it in that endeavour, and soon after – in October last year – announced that it had received expressions of interests in Tenon that required the company to run a full sales process, as one of the key value alternatives open to the company to close the value gap.

Much has happened since then. For a start, Tenon's earnings profile has begun to prove out as projected, with EBITDA[1] doubling in FY'16. Cash generation has also strengthened materially, with the Tenon repaying $22 million of its net debt balance in this last fiscal year alone. And Tenon's share price has increased significantly. When the strategic review was announced last year, Tenon had not begun to pay dividends, the NZ$:US$ fx cross rate was under 65 cents, and the Tenon share price was NZ$2.00. As at the time of writing this report, the cross rate was over 72 cents, Tenon had announced three dividends over the past 12 months totalling NZ17.25 cps, and the Tenon share price was over NZ$2.50. Adjusting for dividends paid and fx rate movements, the total return on our Tenon investment since the strategic review announcement in August last year (i.e. the past 12 months) has been circa 50%, so we have been very pleased with that, and with the closing of much of the Tenon value gap that has occurred since the announcement of the review.

The sales process that Deutsche has run determined that there were distinct buyer classes for each of Tenon's North American distribution operations and its NZ manufacturing activities, and that in order to optimise value for shareholders separate review processes should be run in respect of these two asset classes. On 29 August Tenon announced that it had received a signed offer from Blue Wolf (a North American private equity firm operating in the forest and wood products arena) to acquire its North American operations only, for US$110 million (which reflects a 7.3x multiple on Tenon's North American division FY'16 EBITDA[1] (adjusted for the Lowe's supply chain financing programme, which had a balance of $20 million at 30 June)). Tenon's large New Zealand Clearwood manufacturing operations (which had revenue of circa $90 million last year including Australia) fall completely outside of this offer.

Historically our assets have been accounted for under IFRS at their 'value-in-use' (i.e. the value of Tenon under our continued ownership and control, through the cycle), which you will understand can be quite different from a purchase offer received at any point in time, particularly in early cyclical recovery. Like Tenon itself, we have taken a $31 million impairment charge in our 30 June financial statements in order to align the carrying value of our Tenon investment with the Blue Wolf offer price, and this is disclosed on the face of the income statement.

The Tenon board has engaged Grant Samuel to produce an independent report on the proposal for Tenon shareholders, and they will be assessing the value of Tenon's residual manufacturing operations as part of their overall assessment of Tenon value for shareholders. We await that report, however we note that Tenon has said that Grant Samuel has confirmed that the Blue Wolf offer is within its assessment of the valuation range for the North American operations, of $108.1 - $129.5 million. Grant Samuel has also provided an indicative value range for Tenon as a whole, of NZ$3.01 - NZ$3.25 per share assuming the Blue Wolf offer proceeds, using a NZ$:US$ exchange rate of 72 cents, inclusive of the value of the NZ manufacturing operations not subject to the Blue Wolf offer, and pre transaction / wind-up costs. Of course, this is a valuation report only, and not a 'realised value' or a 'promise' from Tenon, as at the end of the day the outcome will ultimately be determined by the conclusion of Tenon's strategic review process later this year.

The Blue Wolf offer will be put to Tenon shareholders for approval at a November Tenon meeting, and approval of the Blue Wolf offer and completion of the deal would see all of Tenon's debt repaid and a large (amount yet to be announced) pro-rata cash capital return made to all Tenon shareholders, including to Rubicon as Tenon's 60% shareholder. Tenon will be continuing with a review process in respect of its residual Clearwood operations.

If shareholders elect not to proceed with the Blue Wolf offer, Tenon has determined that, from a strategic perspective, it will still continue with the NZ manufacturing strategic review process to see where that leads, and it will also continue to run the company for value as it did in fiscal '16. In that scenario, Tenon's stated intent is to immediately re-leverage Tenon to market levels and simultaneously return a large amount of capital to shareholders in a one-off capital return proposal. We concur with Tenon that the return of capital to shareholders at this point in the company's life remains the best use of the surplus cash being generated today (in the absence of any obvious acquisition target).

ArborGen

The Highlights summary at the beginning of this Review shows the ArborGen achievements succinctly.

In this respect, **the high point was unquestionably the growth achieved in Brazil,** where **varietal eucalyptus production and sales increased from six million seedlings last year to 25 million in 2016**, and where pine sales increased from a 'standing start' to five million seedlings in the period. Two years ago, ArborGen made the initial strategic decision to enter Brazil – this year it sold 30 million seedlings in both eucalyptus and pine, which represents a 400% growth y-o-y. A sound platform has now been established in the largest commercial eucalyptus geography in the world. The question now is how best to fund the productive capacity needed to meet the growth ArborGen sees there.

Whilst total global production and sales were up 5% (the target for the year), US production and sales were down 3%. This was due to factors completely outside of ArborGen's control. Severe weather conditions in the US south saw poor seed germination, and crop 'wash-outs' from floods. This in turn saw forest companies unable to take all seedlings as site preparation was delayed. The lack of planting crews due to changes to temporary employment rules, also impacted 2016. So the year was affected by a 'smorgasboard' of uncontrollable factors, that saw sales volumes decline y-o-y.

Pleasingly, despite those factors, the **adoption of advanced genetics by ArborGen's customers (the critical indicator) continued to increase, representing 25% of loblolly sales volumes in 2016 compared with 22% in 2015.**

ArborGen **Australasia's advanced genetics sales as a percentage of total pine revenue remained at around 85%**, on flat sales y-o-y. This extraordinarily high percentage is indicative of where the US market can also get to over time, and it represents the ArborGen opportunity in a 'nutshell' when compared with the current 25% level.

Despite the factors impacting US sales, revenue still lifted to $37 million. Pleasingly, gross margin from commercial sales also increased 20% to $12 million (cpp $10 million), as the relative share of **advanced genetics stock increased as a percentage of the total**. And, as a result, ArborGen believes it remains on track to meet its **break-even EBITDA goal.**

Although ArborGen has made the strategic decision to focus its immediate efforts on developing advanced non-regulated seedlings, as this avoids the development cost and long lead-time regulatory approval process associated with biotech crops, ArborGen will use its transgenic biotech capability to develop improved genetic products to take to market where it makes commercial sense to do so – i.e. where the performance outcome is relatively certain, where product performance can be proven early in a tree's life, where market demand is evident, and where the product cannot be developed another way. To this point, CTNbio, the relevant regulatory authority in Brazil, has recently given ArborGen **approval to field test** its new herbicide tolerant eucalyptus product – a good example of a product which meets each of these conditions.

During the period ArborGen focused on actions that **tidied up the balance sheet and improved the company's funding position.** Surplus land sales were advanced in North America and Australasia, patents carried on the balance sheet were aggressively tested for asset value and written-off where appropriate to do so, and ArborGen's bank funding facilities were addressed. During the year, AgSouth was brought in as a new relationship bank, with a 20-year $13 million term loan. NBSC's existing $15 million working capital line was extended out to August 2017. Australasia's existing NZ$4.5 million bank line was extended out until November 2018, and is sufficient to fund all its needs. In total, ArborGen now has over $30 million of bank funding lines available to it.

It was pleasing to **put the ArborGen employee dispute behind us**. As has been previously publicly stated, the dispute has been settled for an immaterial cost to Rubicon. However, the true cost is better measured in wasted time, resource, emotion, and reputation. In that respect we were extremely disappointed with some of the media coverage of the situation. Not wanting to labour the point, but for the record, the release we made to the NZX and market on 24 March read as follows –

Rubicon announced today that the South Carolina Court presiding over the ArborGen employee litigation has granted the defendants' (i.e. ArborGen, International Paper, MeadWestvaco, Rubicon, and their current and former representatives) motion to alter / amend the judgment in this matter. The Court has dismissed the litigation, and vacated in its entirety its prior US$53 million order in favour of the plaintiffs (i.e. it is null and void, and of no effect), and the parties to the litigation have agreed a confidential settlement arrangement, which brings this matter to a final conclusion. The net financial cost to Rubicon of that settlement is immaterial, and as far as Rubicon and its investment in ArborGen are concerned, there is no further financial impact from this lawsuit.

It is very difficult to misread that statement, but some chose to do so all the same.

The Partners have confirmed their **funding commitment** to ArborGen for the current fiscal year, and next year's funding will be established at the time that the new budget and capital programme is agreed in Q2 of next calendar year. This will obviously form part of a wider funding discussion.

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. As Rubicon has majority ownership (59.8%) 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.

Rubicon recorded a bottom line net loss after tax of $24 million. Excluding the goodwill write-down of $31 million in relation to the Blue Wolf offer, Rubicon recorded a net profit after tax of $7 million, more than doubling the previous year's $3 million profit. Operating earnings (excluding the Tenon goodwill and impairment / restructuring write-downs, and strategic review costs) almost trebled to $22 million (cpp $8 million), largely due to a recovery in Tenon's earnings (refer TENON section). This uplift was also reflected in our EBITDA[1] result, which more than doubled to $25 million profit (2015: $11 million).

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, however Tenon's debt is consolidated into Rubicon's statements as we own 59.8% of Tenon. ArborGen and Tenon's debt are non-recourse to Rubicon Limited. At year-end, Rubicon's consolidated bank debt (net of cash) was $62 million (2015: $78 million), of which Tenon's debt was $36 million (2015: $58 million), and Rubicon Limited's own debt was $26 million (2015: $20 million). The $16 million reduction in Rubicon's consolidated net debt reflected cash flow from operations of $32 million (cpp $(1) million), less Partner contributions to ArborGen of $4 million (cpp $6 million), $5 million (cpp $6 million) on Tenon's capital expenditure programme, which included the completion of the two large optimisation capital upgrade projects at its Taupo NZ manufacturing site, interest paid of $5 million (cpp $4 million), and dividends paid to minority Tenon shareholders of $2 million.

As noted in the highlights, during the period ArborGen extended its existing $15 million working capital line with NBSC out to August 2017, and established a new bank relationship with AgSouth, where a 20-year $13 million amortising term loan was put in place. ArborGen's NZ$4.5 million domestic bank facility which funds its Australasian activities was extended out to November 2018. Tenon has a $75 million syndicated financing facility that does not expire until 2020. During the period, Rubicon also extended its existing $20 million debt facility with the ANZ out to January 2017, and also issued $3.5 million of debt notes fully subordinated to the ANZ facility.

Looking ahead

Tenon

The focus is now on the Blue Wolf transaction, and the review of Tenon's residual Clearwood assets. A Tenon shareholder meeting in November will determine the outcome of the first of these, and if approved will result in a significant return of capital to Rubicon – more than sufficient to repay all Rubicon's bank debt and subordinated notes (should we wish to do so), and to meet Rubicon's future ArborGen funding needs. The successful conclusion of the NZ manufacturing review by Tenon, could offer even further headroom for Rubicon, and provide the necessary capital to address immediate ArborGen opportunities.

ArborGen

The unfortunate and disappointing employee litigation is now behind ArborGen. Whilst it resulted in an immaterial dollar settlement cost to Rubicon, it was a major distraction for all involved. With that out of the way, we can now focus purely on the future. Achieving strategic agreement on the growth and funding path for ArborGen moving forward is now the number one agenda item for the Partners. The business objectives are clear, with achieving a break-even / positive EBITDA position being the immediate target to report against.

On behalf of Board and management we would like to thank all our stakeholders for their continued support. As always, it is very much appreciated.

Sincerely,

Stephen Kasnet
Chairman (on behalf of the board)
29 August 2016

Footnotes

1 EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) refer Note 1, page 17.

2 LSCFP refers to the Lowe's supply chain financing programme, which had a balance of $20 million at 30 June 2016.

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

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 Tenon's FY'15 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 FY '15 was $6 million. Revenue also includes the sale of residual forest assets (from time to time) that Tenon holds. The revenue from the sale of forests in FY'15 was $4 million. Revenue excluding both forest and back-to-back stumpage sales was $396 million for FY'15. There was no revenue in FY16 relating to either of these items.

5 cpp refers to the corresponding prior period – ie the comparable 12-month period to 30 June 2015 (ie FY'15).

6 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, and assumes a NZ$:US$ cross rate level similar to that which prevailed in FY'16.

12 Consolidated Income Statement

For the year ended 30 June 2016

	RUBICON GROUP	
	Year ended June 2016 US$m	**Year ended June 2015 US$m**
Revenue	430	406
Cost of sales	(317)	(308)
Gross earnings	**113**	**98**
Earnings by associate	1	1
Distribution expense	(76)	(74)
Administration expense	(16)	(17)
Operating earnings excluding items below	**22**	**8**
Impairment	(33)	–
Strategic review costs	(3)	–
Other expenses	(1)	–
Operating earnings before financing expense	**(15)**	**8**
Financing expense	(5)	(5)
Earnings before taxation	**(20)**	**3**
Tax expense	(4)	–
Net Earnings	**(24)**	**3**
Attributable to:		
Rubicon shareholders	(16)	1
Minority shareholders	(8)	2
Net Earnings	**(24)**	**3**

Basic / diluted earnings per share information (cents per share)	(3.9)	0.2
Weighted average number of shares outstanding (millions of shares)	409	409

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	RUBICON GROUP	
	Year ended June 2016 US$m	**Year ended June 2015 US$m**
Net Earnings	**(24)**	**3**
Items that may be reclassified to the Consolidated Income Statement:		
Movement in currency translation reserve	(1)	(4)
Movement in hedge reserve	1	(1)
Other comprehensive income (net of tax)	**–**	**(5)**
Total comprehensive income	**(24)**	**(2)**
Total comprehensive income attributable to:		
Rubicon shareholders	(17)	(2)
Minority shareholders	(7)	–
Total comprehensive income	**(24)**	**(2)**

Statement of Changes in Equity

For the year ended 30 June 2016

	RUBICON GROUP	
	Year ended June 2016 US$m	**Year ended June 2015 US$m**
Total comprehensive income	**(24)**	**(2)**
Movement in minority shareholders' equity:		
Share buyback by Tenon	–	(1)
Dividend	(2)	–
Total movement in shareholder equity attributable to:		
Rubicon shareholders' equity	(17)	(2)
Minority shareholders' equity	(9)	(1)
Opening equity attributable to:		
Rubicon shareholders	157	159
Minority shareholders	49	50
Opening total Group equity	206	209
Closing equity attributable to:		
Rubicon shareholders	140	157
Minority shareholders	40	49
Closing Total Group Equity	**180**	**206**

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	RUBICON GROUP	
	Year ended June 2016 US$m	**Year ended June 2015 US$m**
Cash was provided from operating activities		
Receipts from customers	428	404
Cash provided from operating activities	428	404
Payments to suppliers, employees and other	(395)	(404)
Tax paid	(1)	(1)
Cash (used in) operating activities	(396)	(405)
Net cash from (used in) operating activities	**32**	**(1)**
Investment in fixed assets	(5)	(6)
Investment in associate	(4)	(6)
Net cash from (used in) investing activities	**(9)**	**(12)**
Debt drawdowns	18	26
Debt repayment	(29)	(10)
Interest paid	(5)	(4)
Return to Tenon minority shareholders by way of:		
Share buyback	–	(1)
Dividend	(2)	–
Net cash from (used in) financing activities	**(18)**	**11**
Net movement in cash	**5**	**(2)**
Opening cash, liquid deposits and overdrafts	(3)	(1)
Closing Cash, Liquid Deposits and Overdrafts	**2**	**(3)**
Net Earnings	(24)	3
Adjustment for:		
Financing expense	5	5
Depreciation	3	3
Taxation	3	(1)
Earnings from associate	(1)	(1)
Forest assets	–	1
Impairment and other non cash items	34	–
Cash flow from operations before net working capital movement	20	10
Trade and other receivables	(2)	(1)
Inventory	9	(16)
Trade and other payables	5	6
Net working capital movement	12	(11)
Net cash from operating activities	**32**	**(1)**

RUBICON LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet

As at 30 June 2016

		RUBICON GROUP	
	Notes	June 2016 US$m	June 2015 US$m
Current assets			
Cash and liquid deposits		2	–
Trade and other receivables		36	34
Inventory		71	81
Total current assets		**109**	**115**
Non current assets			
Fixed assets		26	24
Forest assets		1	1
Investment in associate		91	87
Goodwill	2	54	85
Deferred taxation asset		8	11
Total non current assets		**180**	**208**
Total assets		**289**	**323**
Current liabilities			
Bank overdrafts		–	(3)
Trade, other payables and provisions		(42)	(39)
Current debt		(29)	(1)
Total current liabilities		**(71)**	**(43)**
Term liabilities			
Term debt		(35)	(74)
Deferred rent liability		(3)	–
Total term liabilities		**(38)**	**(74)**
Total liabilities		**(109)**	**(117)**
Net Assets		**180**	**206**
Equity			
Share capital		188	188
Reserves		(48)	(31)
Equity attributable to Rubicon shareholders		**140**	**157**
Equity attributable to minority shareholders		40	49
Total Group Equity		**180**	**206**
Net Asset Backing		US 34 cps	US 38 cps

Stephen Kasnet
Chairman
29 August 2016

Luke Moriarty
Chief Executive Officer and Director

Mark Taylor
Chief Financial Officer

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

BASIS OF PRESENTATION

The summary financial statements presented are for the year to 30 June 2016 (with the comparative period being the year ended 30 June 2015) and are those of Rubicon Limited and its subsidiaries (the Rubicon Group). They have been prepared in accordance with New Zealand Financial Reporting Standard No 43 (Summary Financial Statements). They have been extracted from the full financial statements that have been prepared in accordance with New Zealand Standards, which ensures compliance with International Financial Reporting Standards. The full financial statements, signed on 29 August 2016, have been audited by KPMG and given an unqualified opinion. The Group is a profit-orientated entity. For a complete understanding of the affairs of the Group, the full financial statements can be found at www.rubicon-nz.com.

The presentation currency used in the preparation of these financial statements is United States dollars (US$), rounded to the nearest million dollars.

1 NON-GAAP MEASURES

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

	Year ended June 2016 US$m	Year ended June 2015 US$m
Tenon		
Net Earnings	(21)	6
plus Tax expense	4	–
plus Financing expense	3	4
Operating earnings before financing expense	(14)	10
plus Depreciation and amortisations	3	3
EBITDA	(11)	13
plus Impairment, strategic review costs and other expenses [1]	37	–
Underlying EBITDA	26	13

Total Rubicon Group		
Net Earnings	(24)	3
plus Tax expense	4	–
plus Financing expense	5	5
Operating earnings before financing expense	(15)	8
plus Depreciation and amortisations	3	3
EBITDA	(12)	11
plus Impairment, strategic review costs and other expenses [1]	37	–
Underlying EBITDA	25	11

1 Comprises Tenon's impairment costs of $33 million, strategic review costs of $3 million, and warehouse consolidation of $1 million (refer to note 2 subsequent events for more details).

2 SUBSEQUENT EVENTS

Tenon dividend announcement

On 29 August 2016 Tenon announced a dividend of NZ 6.50 cents per share had been approved by the Tenon board, to be paid on 16 September 2016. Rubicon will receive NZ$2.5 million as its share of the dividend. In accordance with NZ IFRS this dividend has not been reflected in these accounts.

Tenon strategic review and agreement to sell North American assets

As at 30 June 2016 Tenon's board and management were evaluating the results of the strategic review and had not decided on the sale option, therefore the requirements of NZ IFRS 5 - Non-current assets held for sale and discontinued operations - were not met. On 29 August 2016 Tenon announced it had signed an agreement to sell its North American operations to Blue Wolf (a US private equity fund operating in the forestry and wood products markets) for $110 million. The agreement to sell was the outcome of the strategic review process announced by Tenon in August 2015. The sale is subject to Tenon shareholder approval, which will be sought at a special shareholders meeting in November 2016. If shareholders approval is obtained, the settlement date will be 30 November 2016. As at 30 June 2016, Tenon's North American assets being disposed of were valued at the estimated agreement price less costs to sell, resulting in an impairment loss of $31 million. Tenon does not believe any further material gain or loss will arise on completion. Approval of the Blue Wolf offer will result in the repayment of all of Tenon's debt held under their current credit facility, and the payment of a large pro-rata capital return to Tenon's shareholders. Tenon's operating assets remaining after the sale will be its large Clearwood manufacturing and sale operations in New Zealand, which had gross revenue of $89 million (including Australia) in the 12 months ending 30 June 2016, and these operations are subject of the on-going strategic review.

Australian impairment

On 24 August 2016, the Woolworths Group announced that all the Masters Home Improvement stores will be closed. As at 30 June 2016, Tenon had impaired its Australian operations, and taken a $2 million charge to earnings to align the carrying value of the Australian assets to estimated net realisable value.

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the Company under the Securities Markets Act 1988, as at 15 September 2016 the following were substantial security holders in the Company. In terms of the Act, the number of shares and percentages shown below are as last advised to Rubicon by the substantial security holder and may not be their current holding.

Substantial security holder	Number of voting securities	% of issued Rubicon securities	Date of notice
David Knott [(a)]	113,036,402	27.634	13 June 2014[1]
Third Avenue Management LLC	50,421,282	12.326	12 May 2016[1]
Perry Corporation / Richard Perry	39,337,307	10.360	1 November 2013[2]
Sandell Asset Management Corp.[(b)]	36,146,385	8.836	8 July 2015[1]
JP Morgan Clearing Corp [(c)]	29,338,903	7.172	19 July 2016[1]
Libra Fund (Luxembourg) S.a.r.l. (3) / Ranjan Tandon	29,331,403	7.171	10 February 2014[1]

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

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

Dorset Management Corporation	103,050,612	25.193	13 June 2014[1]
Knott Partners L.P. [(i)]	82,511,226	20.171	13 June 2014[1]

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

(b) Castlerigg Master Ltd has disclosed it has a beneficial interest in the following shares for which Sandell Asset Management Corp. has the power to control the disposition of and voting for: 36,146,385 8.836 8 July 2015[1]

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

The total number of issued voting securities at 15 September 2016 was 409,051,378. All of the references to voting securities in this section are to the Company's ordinary shares.

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

Board of Directors

STEPHEN KASNET
Director and Chairman
BA University of Pennsylvania (Philadelphia)

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

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

HUGH FLETCHER
Director
MBA Stanford University; MCom (Hons) and BSc University of Auckland

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

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

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

BILL HASLER
Director
MBA Harvard; BA Pomona College (California), CPA

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

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

In addition, Bill is a Director of Globalstar Inc, Inside Track Inc, Aviat Networks, Ataraxis, ETwater and the Haas School of Business at UC Berkeley. He is also a consultant to, and investor in several private technology companies.

GEORGE KARAPLIS
Director
BEng and MBA McGill University

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

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

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

DAVID KNOTT
Director
BA University of Pennsylvania; MBA Wharton School of the University of Pennsylvania

David is the Chief Executive Officer, Chief Investment Manager and Managing Partner of Knott Partners who, with associated entities, is Rubicon's largest shareholder.

He has served as Chief Investment Manager of Knott Partners since 1987, and prior to this he was a General Partner and analyst at Mandrakos Associates.

David currently serves on the board of Directors of Paramount Resources, Boy's and Girl's Harbor, Say Yes to Education, and the Undergraduate Financial Aid at the University of Pennsylvania.

LUKE MORIARTY
Chief Executive Officer and Director
MS Stanford University; LLB (Hons) and BCA Victoria University

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

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

Luke is a Director and the CEO of Rubicon, the Chairman of Tenon Limited, and a Director of ArborGen Inc. He was previously (2012 – 2015) a Monetary Policy Advisor to the Governor of the Reserve Bank of New Zealand.

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.


1310
AGV123
Ship
1/11/16
Stick
1/13/16
BV AGV123
RUBICON