INTERIM REVIEW

SIX MONTHS ENDED 31 DECEMBER 2016

(Released 24 February 2017)

RUBICON

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

Tenon's risks and uncertainties include - that its operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes, particularly in North America, New Zealand and Europe. 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 rate (particularly the US$ and Euro against the NZ$), 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, product demand and pricing, input costs, customer concentration risk, and the outcome of the Clearwood sales process. Tenon discloses its results separately on the NZX, and those releases may contain additional information on its performance, risks and opportunities than does Rubicon's reporting of Tenon's activities. Tenon also regularly updates its shareholders on the Clearwood sales process (including as to independent valuation information) and this information can be accessed either on the NZX website or Tenon's own website at www.tenon.co.nz. Accordingly, Rubicon shareholders should also refer to Tenon's announcements.

ArborGen's risks and uncertainties include (in addition to those of Tenon) - the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, public and customer acceptance of genetically engineered products, customer adoption of advanced seedling products, the success of ArborGen's research and development activities, weather conditions and biological matters. 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 Interim Review addresses in summary terms, the performance of Rubicon's two investments – Tenon and ArborGen – for the six months ending 31 December 2016. Rubicon's more detailed Annual Review (inclusive of financials) is available at www.rubicon-nz.com. Tenon's Interim and Annual Reports are available at www.tenon.co.nz

As Tenon has had the greater public profile over the past six month, and in order to bring shareholders up to date on progress, this document begins with a review of our Tenon investment for the interim period.

Tenon

Tenon is now wrapping up its Strategic Review. Unquestionably this programme has delivered considerable value for our Tenon investment. Upon its completion, the Review will have seen the –

- Three dividends totalling NZ17.25 cents per share having been paid
- Sale of Tenon's US operating business for US$110 million in cash
- Repayment of all Tenon's net debt
- A (first) pro rata capital return to shareholders of US$71 million (US$1.10 per share, and cancellation of half of Tenon's shares on issue) in December 2016
- Announcement of the sale (subject to Tenon shareholder approval) of Tenon's remaining Clearwood business to a Consortium of investors (including Rubicon), for US$55 million in cash
- If Tenon shareholders approve the Clearwood sale, the payment of a further (second) pro rata capital return to all Tenon shareholders of US$43 million will be made, with an additional (estimated) US$5.8 million to be made in a subsequent distribution once Tenon is liquidated (see discussion below)

When completed, the total US$ shareholder return (TSR) since the announcement of Tenon's Strategic Review 18 months ago, will be circa 50%[1]. In that respect, the Review will have met its fundamental objective of providing the best risk-adjusted value creating path for Tenon shareholders.

The Clearwood sales process was a very thorough one, run by Deutsche-Craigs on Tenon's behalf. Tenon has stated that the process was exhaustive, and expressions of interest were received from eight domestic and international parties, each of which was thoroughly assessed. Given Rubicon is a member of the Consortium (see discussion below), the Consortium's Offer was considered and negotiated by a subcommittee of the Tenon Board, comprising only the Tenon Independent Directors. To assist them in their assessment of the offer, Tenon's independent directors appointed Grant Samuel as Independent Advisor to value Clearwood and Tenon as a publicly trading entity.

The Consortium's Offer of US$55 million falls within Grant Samuel's Clearwood valuation range of US$52.0 – US$62.5 million. The Offer, which equates to NZ$2.39 per Tenon share before costs, and NZ$2.12 net of costs exceeds the top end of the range in which Grant Samuel believes Tenon shares should trade in the absence of a sale outcome (NZ$1.74 – NZ$2.08 per share) and it is also well within Grant Samuel's Clearwood sale and liquidation range for Tenon (NZ$1.99 – NZ$2.45 per share). Given that, and also the fact that a very extensive investment bank-led process has been run, the Tenon independent directors accepted the Consortium's Offer as being in the best interests of Tenon shareholders, and are unanimously recommending to shareholders that they vote in favour of the sale. The matter will now be determined at a Tenon shareholders' Special Meeting on 20 March, 2017.

The Consortium comprises a mix of US and NZ private investors, and Rubicon itself. Rubicon will retain a 50% (approximately) interest in the Consortium. Rubicon is involved in the Consortium for several reasons. Firstly, to ensure that Tenon's Strategic Review is completed successfully, with an appropriate outcome for all shareholders. Secondly, we have indirectly managed the Clearwood business for a long time and know it well. We are a comfortable owner, but would rather own our Clearwood investment directly through a private vehicle, than via a public entity. In this respect, the structure of the Consortium vehicle is such that it allows full flexibility as to future ownership changes for its investors. Finally, Rubicon's cash position will improve by some US$10 million as a result of this transaction – from the receipt of our share of the subsequent US$43 million (second) capital return that Tenon independent directors are proposing, and also through the sell-down to a 50% shareholding position (currently ≈ 60% through Tenon).

In terms of Tenon's overall interim earnings performance, our financial statements include the results of Tenon's (now sold) US operating business for 5 months to 30 November, and for Tenon's Clearwood operations and corporate costs for the full six month period. They are complicated by the necessary accounting treatment of the sold US business as discontinued under IFRS. But to summarise, Tenon's US operating business traded very much to plan during the period, right through to sale date. There was a working capital adjustment payment to be made if the final position at 30 November did not align with the estimate the purchaser had been given by Tenon. In the end, this wash-up provision concluded favourably with a small payment to be made to Tenon. Tenon has reported that the Clearwood business (which is the subject of the Consortium offer), recorded revenue of US$47 million (including sales to the now sold Tenon US operations) for the six months to 31 December, and EBITDA[2] of (approximately) US$5 million. This is consistent with Grant Samuel's assumption of a Clearwood EBITDA for fiscal '17 of US$10.5 million.

From a balance sheet perspective, all of Tenon's debt was repaid following the completion of the US operation sale, and prior to the first capital return, and Tenon had no net debt (i.e. net of cash) on its balance sheet at 31 December.

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.

ArborGen's operational (production and revenue) objectives for its current fiscal year are driven by its fast growing Brazil operation. Two years ago, in its initial production year in Brazil, ArborGen's sales volume was 5 million units. This year the objective is to exceed 50 million units (eucalyptus and pine) – a ten-fold increase, and a 65%+ increase on the previous year. As we have previously noted, a strong platform has now been built, and the question becomes how to best fund the productive capacity needed to meet ArborGen's aggressive growth aspirations there.

For the reasons (outside of ArborGen's control) that were noted in our Annual Review (which affected last year's planting and the current year's crop setting), production in ArborGen's largest traditional market, the US, is expected to be more or less flat for the year. The severe weather conditions in the US South that we previously reported on, also caused poor seed germination, which has impacted the production volumes set for the current year. A germination plan has been put in place to mitigate a repeat of this issue in future years. Despite that issue in the period, the average sales price per unit sold should still increase this year, as ArborGen's higher-value product sales as a percentage of its total sales continues to grow. Overall, the percentage of ArborGen's global loblolly and radiata pine sales sold in the form of advanced genetics should be nearing 30% - a turning point.

Despite the flat US production performance noted above, the expectation is that total ArborGen's revenue will lift by 12.5%+ year-on-year, to over US$40 million, aided by the growth achieved in Brazil and the increase in average sales price to be recorded in the US.

The end result of the above is that ArborGen should remain on track to meet its EBITDA break-even target (including the full expensing of all product research costs) in this current fiscal year. Although it has taken a little longer than we would have hoped, this is an important milestone in ArborGen's life. It has built the leading technology and global commercialisation platform in the industry. It is now producing in excess of 340 million seedlings, per annum, globally, and has firmly established a new core commercialisation arena in Brazil. It has also largely passed through the heavy product development spend phase, and past EBITDA losses, which peaked at circa US$18 million per annum, are well behind it.

It should be noted that this fundamental EBITDA goal will not have been met by squeezing ArborGen's product development programme, which continues to advance to plan. In this respect, whilst the bulk of the R&D programme is now clearly focused on genetic improvement in ArborGen's MCP and Varietal products (both pine and Eucalyptus), ArborGen also recently announced that it had received approval from CTN-Bio (the regulatory authority in Brazil) to field trial its new biotech-improved herbicide tolerant product.

ArborGen continued with its balance sheet 'tidy-up' programme during the period, and opportunities to reduce cost and free up capital are being enacted. One of those relates to surplus land sales, and these continue to be advanced, not only in order to operate in a 'capital light' manner but also to free up capital for growth.

Rubicon

Our very immediate objectives are to –

- See a positive conclusion to the Tenon Strategic Review and Clearwood sales process
- Reach agreement with our ArborGen partners as to the appropriate funding and value-extraction plan forward

Once those two matters are behind us, the value path for Rubicon will be much clearer for shareholders. We would expect this clarity will emerge prior to 30 June this year.

Yours sincerely,

Stephen Kasnet
Chairman

1 This is on the basis of a US$ functional currency, for the period from the commencement of the Strategic Review through to its conclusion, adjusting for dividends.

2 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 2016 NZX Preliminary Release for calculation and further explanation.