

Luke Moriarty – CEO's address

Good morning ladies and gentlemen.

A lot has happened since our last ASM - most of it transactional in nature.

The bottom line is that we have achieved the most critical of our objectives – i.e. to become the 100% owner of ArborGen. It has been a tortuous process to get to this point – and some may have been questioning the logic of some of the moves we made in order to do so ... but, at the end of the day, the outcome shows we did know what we were doing.

Let's quickly re-cap on how we've got to where we are today.

First, having completely restructured Tenon, we made the tough decision to totally exit that investment, in order to relieve funding pressure on Rubicon and to provide the capital we would need in order to take a larger, controlling stake in ArborGen – were that to become available.

We ran a full sales process, which resulted in the sale of Tenon's US distribution operation for US\$110 million in cash. Debt was repaid at the Tenon entity level and a pro-rata capital return was paid to all Tenon shareholders – we received US\$45 million in cash as Rubicon's share [inclusive of dividend], which we partly used to repay our outstanding US\$20 million ANZ bank debt.

Following that sale, Tenon's only remaining business was its Clearwood operations based in Taupo. In order to be able to liquidate the residual Tenon public company and to return all surplus funds to shareholders, Rubicon then formed a consortium – the Tenon Clearwood Limited Partnership – which acquired the Clearwood business from Tenon. The consortium members were not able to acquire that business without Rubicon's financial and management input – so Rubicon became a 45% investor in the Partnership, and it also took the role of the General Partner, providing the day-to-day operational oversight of the business on behalf of the Limited Partners. Rubicon invested US\$14 million into the Partnership, but received US\$25 million from Tenon at the same time, by way of a second pro-rata capital return.

With Rubicon's funding position then in better shape, we immediately turned our attention to gaining control of ArborGen – knowing all the time that were we to be able to do so, we would subsequently need to sell our newly acquired interest in the Tenon Clearwood Partnership to assist with the funding.

And in the end, we managed to do both of these things.

We were able to acquire International Paper and WestRock's two-thirds shareholding interest in ArborGen for US\$28.5 million, taking us to a 100% ArborGen ownership interest.

In order to match the ArborGen purchase price with Rubicon's funding capability, International Paper and WestRock agreed that we could pay for their ArborGen shares in three instalments – US\$13.5 million on 28 June last, US\$5 million on 1 January this year, and the final US\$10 million on 1 July coming. The first two of these payments have been made.

However, we would not have been in a position to make the final outstanding US\$10 million ArborGen payment this coming July 1st, and also the repayment of Rubicon's subordinated debt notes required to be made on the same day, without selling our Tenon Clearwood Partnership investment.

So we set about doing just that. And on 31 January, we closed the sale of that investment for US\$15 million – US\$1.6 million more [including distributions received] than we paid for it in April last year ... so that worked out very well for us.

On closing of that transaction, we also repaid Rubicon's outstanding subordinated debt, such that today, Rubicon Limited has no bank debt of any kind, and has cash in the bank of US\$20 million [inclusive of US\$6 million of cash collateralised at ArborGen]. Of course, we do need to make the final US\$10 million deferred ArborGen acquisition payment in July, but by then we should also have received US\$2.5m in cash from the final liquidation of Tenon.

ArborGen has bank facilities of over US\$30 million, and today, drawn bank debt¹ [net of cash] of circa US\$22 million.

So ... a long way of saying that on a consolidated basis we are in good funding shape right now. And we managed to get to our desired position without any funding requirement from shareholders here today. Having said that, we remain extremely grateful to Dave Knott and Ranjan Tandon, who in aggregate invested US\$13 million into Rubicon in July last year to ensure the ArborGen transaction could be completed with certainty ... and we used most of that money to immediately 'shore-up' ArborGen's balance sheet post our acquisition. Their belief in the future upside at ArborGen has been fundamental to us getting to where we are today.

So, with that transaction-heavy history behind us, let's turn now to the future – i.e. ArborGen.

We have great belief in the potential future upside in ArborGen.

It is a global leader in advanced forestry genetics, operating in the world's major commercial tree species [pine and eucalyptus], in geographies with high annual planting rates [Brazil, the US, and Australasia]. It sells to major forestry players in those countries, and has leading market positions in each of those markets.

It has a pre-eminent intellectual property position, which includes an industry-leading genetic library, a proprietary 'tree machine' platform, an extensive database of global trials, varietal and transgenic technology, and an advanced genomics platform - all protected by a patent portfolio and a 'bank' of trade secrets.

It has a portfolio of advanced seedling products that do not require regulatory approval, which are currently being commercialised. In that respect, the considerable investment in research, capability, and customer preparation, has been made. ArborGen is now all about commercialising that investment by converting its customers to its advanced genetics products. We believe it is well positioned to do so, and this will be reflected in its future earnings, and hence in its value for Rubicon shareholders.

So, to be clear, the heavy product development phase ... and the related past EBITDA² losses ... which peaked at US\$18 million, are well behind us. In its last fiscal year, ArborGen turned EBITDA positive, and its forecasts³ are for it to be earnings and operating cash-positive from now onwards, as it continues to ramp-up the sales of its advanced genetics products and grow its position in Brazil.

The target³ for the current fiscal year ending 31 March [i.e. this month] is for ArborGen to more than double the US\$1.7m USGAAP EBITDA result achieved last year. This implies a USGAAP EBITDA result, pre-R&D, approaching US\$10 million, and a gross profit of circa US\$16 million. ArborGen is well on track to achieving these numbers – despite the tough hurricane season that prevailed during the year and which materially adversely impacted sales volumes.

The next fiscal year should see a noticeable further lift in earnings yet again, and we will announce to you exactly what our target is for the Mar'19 year once we have successfully closed the current year.

Of course, the logical conclusion of all that is that we believe ArborGen is worth far more than the US\$28.5 million we paid for the recent shareholding blocks we acquired, grossed up to 100%.

And our auditor, KPMG, agree with us. After their valuation experts took a detailed look at the transaction, KPMG concurred that we had made, what the accountants like to call, a 'bargain purchase price gain', and they concluded that the value of the identifiable assets and liabilities we acquired with ArborGen implied a book value of US\$124 million for 100% [net of debt]. That is what we are now carrying ArborGen at in our books. That asset value today, inclusive of cash at Rubicon, implies a RBC share price of circa NZ40cps – i.e. almost twice the current share price.

On that point, I would urge you to read the extensive information disclosed in note 15 to our Financial Statements [pages 29 and 30 of our Annual Review] and the Auditor's Report [page 45], not only in order to give you confidence in our carrying values, but also for insight as to the potential value that might be derived from the upside cases described there.

To help raise operational intensity, following our acquisition of ArborGen a comprehensive 10-year Plan review of the business has been completed, and signed-off by the Rubicon Board. Milestones have been set, and the management team will be measured and rewarded on their achievements against those. In essence, the Plan establishes an integrated genetics supply, manufacturing, and marketing program for each geographic market in which ArborGen operates – the United States, Brazil, and ANZ – designed to ensure the financial goals for the Company are achieved each year moving forward.

We have confidence these goals will be achieved.

To allow shareholders to more easily follow progress, we have changed Rubicon's balance date [again] – from 30 September to 31 March, to align with ArborGen's own year-end. This means that we will be preparing another set of audited consolidated Rubicon statements (for the six months ended 31 March), and from then on we will be annually reporting the 12 months consolidated results for the years ended 31 March. Once we get past this March, everything will become much more straightforward for us all.

Before I close today, I thought I would show you a very brief video on MCP seed production in the US.

The reason I'm going to show you this particular video, is to highlight the fact that while much of ArborGen's leadership position today derives from two decades of investment in advanced technology, it is actually the integration of that technology with traditional 'hard-labour' processes that generates the outputs we require.

As you know, MCP stands for mass control pollinated. What we do, is, in a very controlled manner, cross 'mother' trees in an orchard with superior father trees, to produce seeds that carry advanced tree traits – be that faster growth, greater saw-log potential, better straightness, or less susceptibility to disease [etc]. The technology aspect of the MCP seed generation process resides in the selection of

the superior father tree. This is the output not only of decades of trials, but also of an advanced genomics selection process, that allows ArborGen to apply biometric models and DNA marker technology to historical progeny performance, in order to select the right father tree. Having established the father of choice, we then need to infuse, or pollinate, the mother tree with that particular father tree's genetics.

This next video shows how this latter task is effected, practically – this represents the 'hard-labour' phase ... the advanced technology phase has already occurred in the selection of the superior father.

So let's take a look at this latter phase – injecting the chosen father tree pollen into the mother, by way of controlled 'bagging' of the mother tree's flowers.

This particular video has been prepared for social media applications and accordingly does not have the normal 'voice-over' that you would expect. But there are some words at the bottom of the screen which you can follow as the story progresses. It's quite brief, only 1.5 minutes long, but you'll quickly visually get the story. I'll stop talking now and let you see it.

Video - <http://www.rubicon-nz.com/rubicon-investors/rubicon/presentations-and-notice>

So, as you can see, this latter phase of MCP seed production is fairly mechanical, and labour intensive. It is also a huge logistical exercise for ArborGen each year. Let me give you some data points for the US that you might find interesting, and which prove the point ...

- ArborGen has 15 MCP nurseries in the US
- With 28,000 individual qualified trees spread over ~1,500 hectares
- The orchard trees are up to 30 metres in height
- This year, ~1 million MCP bags will be set
- ... by 220 temporary workers, and 20 FTEs
- ... with the aid of the mechanical lifters you saw in the video
- Each bag is 'touched' 5 times – upon installation, twice for pollination, on bag removal, and again on cone harvest
- The pollination window is extremely short, and is weather dependent – the viable window can be anywhere from 2-3 days down to only 24 hours.
- By way of overall timing ...
 - Pollination occurs in February-March of year 1
 - Cones are harvested in October of year 2
 - Seed is sown in the nursery in April of year 3
 - And the seedling crop is 'lifted' in December-March of years 3 and 4

If any one of these steps is missed, the eventual MCP seedling crop will be well down. So, as I say, it is a huge logistical exercise that needs to be immaculately executed each year in order to deliver on our production forecasts. As ArborGen's MCP customer adoption rate increases, this process becomes even more critical.

So, although clearly not the sexy side of ArborGen's business, this is just one of many examples of ArborGen integrating its proprietary technology with traditional manufacturing processes to deliver the desired output. We tend to talk mainly about the former, but both are required for success.

Thank you Ladies and Gentlemen. That's all I have for you today.

We appreciate your attendance at this meeting, and also your continued support for, the Company.

I will now hand back to your Chairman.

¹ In addition, ArborGen has a capitalised finance lease obligation of circa US\$12 million in respect of its science block and headquarters in South Carolina, US.

² EBITDA (Earnings before interest, tax, depreciation and amortisations) is a non-GAAP earnings measure 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 30 to Rubicon's 30 September 2017 Annual Audited Financial Statements.

³ Pre restructuring and RBC acquisition related costs.

⁴ There are statements in this presentation which 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 ArborGen, many of which are beyond our control [please refer page 1 of Rubicon's 2017 Annual Report for a discussion of some of those uncertainties and risks]. As a result, actual outcomes, results and conditions may differ materially from those expressed or implied by such statements.