

INTERIM REPORT

for the six months ended
30 September 2024



ArborGen
— HOLDINGS —

The Board of ArborGen Holdings Limited is pleased to present the Interim Report for the six months ended 30 September 2024 (1H25). All dollar values are in US currency unless otherwise stated.

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Disclaimer: This report may contain forward-looking statements with respect to the financial condition, results of operations and business, and business strategy of ArborGen. Information about the future, by its nature, involves inherent risks and uncertainties. Accordingly, nothing in this report is a promise or representation as to the future or a promise or representation that a transaction or outcome referred to in this presentation will proceed or occur on the basis described in this report. Statements or assumptions in this report as to future matters may prove to be incorrect.

Our Vision

To be the world-leading provider of value-added, high-quality seedlings for the forestry industry, creating thriving forests that benefit landowners, the environment, and future generations through unmatched industry expertise.

DUAL PATHWAY STRATEGY

Driving growth and leveraging long-term demand trends

GO TO MARKET	OPERATING STRENGTH
<p>Grow demand and sales of higher value advanced genetic seedlings</p> <ul style="list-style-type: none">• United States: expand market and increase MCP[®] adoption¹• Brazil: opportunistic and measured expansion• Focus on market-driven genetics for the future	<p>Enable a strong foundation for the future</p> <ul style="list-style-type: none">• Strengthen the organisation and develop a performance culture• Optimise total productivity

DELIVERING INCREASED VALUE FOR FOREST OWNERS

ArborGen’s advanced genetics seedlings deliver:

<p>BETTER LOG STRAIGHTNESS & REDUCED FORKING</p>	<p>40%+ HIGHER REVENUE</p>	<p>MORE DISEASE RESISTANCE</p>
<p>50%+ GREATER NET PRESENT VALUE</p>	<p>60%+ MORE SAWTIMBER AT FINAL HARVEST</p>	

¹ MCP is Mass Control Pollinated advanced genetics seedlings

Six Months at a Glance

Commercial Highlights

- Clear growth strategy with defined pathways to future growth
- Established a new share buyback programme
- Continuing focus on efficiencies and cost management

United States: Margin Expansion and Measured Growth

- Challenging market conditions continuing for longer than anticipated, US South remains at the low end of the cycle with soft demand
- Streamlining the business and delivering cost savings - sale of the in vitro business, closure of Taylor Nursery and lease of Ridgeville building
- Continuing investment in container capacity proving beneficial during extreme weather events
- Some impact on seed inventory buffer from hurricane and drought conditions in the six-month period

Brazil: Accelerated Growth Opportunities

- Continuing to shift sales from licensed products to proprietary ArborGen genetic seedlings
- Operational reset resulting in a stronger team and improved financial processes and systems
- Continuing to expand production capacity with acquisition of further nursery, settled post-period end on 1 November 2024
- Remains an exciting growth opportunity for ArborGen

Financial Snapshot

For the six months ended 30 September 2024

All dollar values are in US currency unless otherwise stated. Percentage comparatives to prior comparative period (pcp).

- Sales revenue down 3% to \$12.8m, following a record 78% year-on-year increase in the corresponding prior half year period (1H24), but remains significantly higher than 1H23
- Cost of sales increased 15% compared to pcp, due to higher US seed cost as a result of the freeze event in late 2022, as well as inventory losses from earlier flooding after planting, and following operational adjustments in Brazil
- Net loss after tax of \$(2.1)m
- Adjusted US GAAP EBITDA of \$(2.7)m, excluding one-off items totalling \$2m

	1H25	1H24	1H23
<i>US\$ millions</i>			
Revenue	12.8	13.2	7.4
Gross profit	3.1	4.8	1.8
Operating profit before financing costs and tax	(2.5)	2.3	(0.6)
Net earnings/(loss) after tax	(2.1)	(0.1)	(1.6)
Net debt	19.9	16.7	17.5
Adjusted US GAAP EBITDA ¹	(2.7)	(0.5)	(2.9)

FY25 guidance for softer sales volumes as a result of market conditions, resulting in Adjusted US GAAP EBITDA to be between \$8.5m to \$10m (FY24: \$12.8m).

¹ Adjusted US GAAP EBITDA is a non-GAAP financial measure and excludes one-off and unusual items which may include restructure costs, impairments and write downs on assets, acquisition/sale transaction costs and other one-off items. In 1H25, one-off and unusual items were \$2m. Refer to page 8 for reconciliation table. Management believes this measure 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 purpose.

Report from the Chair and CEO

Dear Shareholder

We have made good strategic progress in the first half of the 2025 financial year. In Brazil, we have further expanded our nursery footprint and improved operational processes, while in the US, we have streamlined our network and are positioning ourselves for a return in demand.

Soft market conditions in both markets, as well as adverse weather events, continue to hamper our sales. Although revenue was lower compared to the very strong same period last year (1H24), it remains well ahead of our 1H23 result. The majority of our revenue in the first half is from sales in Brazil, with our US sales recognised in the second half of our financial year¹.

We have a clear strategy in place, with defined pathways for growth. Our teams are focused on navigating the current market conditions and delivering value to our customers and shareholders. Our long-term focus on advanced genetics is delivering superior prices and margin, even as the broader market faces pressure. We are well-positioned to respond swiftly and capitalise on opportunities as the market cycle turns upward.

US South: Margin Expansion and Measured Growth

Adverse economic and sector headwinds have continued and, alongside extreme weather events, are having a compounding effect on the industry in the US South. Pulp prices remain at historical lows, lumber demand and prices are down, sawmills are curtailing production, and weather has impacted the ability for some customers to prepare for planting. Taken together, this has seen some forestry owners defer harvesting and therefore planting of new seedlings until conditions improve. When it occurs, a recovery in the residential construction market will drive demand for higher quality lumber, for which ArborGen's MCP seedlings are ideally suited.

We are focused on retaining our market position, streamlining the business and delivering cost efficiencies. Hurricanes and drought conditions have had minimal effect on the FY25 crop, and while there has been some impact on the seed inventory buffer for future years, we continue to have sufficient inventory to meet projected customer demand. We continue to take steps to protect our assets from extreme weather, with our investment in container planting playing a critical role in minimising the damage from the recent hurricanes.

The long-term macro trends in the US are positive and we have the capacity and the resources to leverage future demand. A recovery in demand for saw timber is projected to start in mid-2025 as the US economy improves, although the timing remains uncertain.

Brazil: Accelerated Growth Opportunities

In Brazil, ArborGen is one of the largest commercial providers of pine and eucalyptus seedlings and is well positioned to meet growing market demand for more resilient, higher yield clones. We are continuing to shift sales from licensed products to proprietary ArborGen genetic seedlings which will deliver superior prices and higher margins. This transition is having some short-term impact on operations and costs.

While revenue and average selling price were slightly higher in local currency, Brazil seedling sales were down 5% on pcp, partly due to a severe drought in the last part of the half year which impacted customers' ability to plant. However, recent favourable weather conditions have seen sales volumes start to normalise.

Brazil is an exciting growth opportunity for ArborGen and we are growing rapidly to expand production capacity and capability, with the recent acquisition of the Eco Empreendimentos nursery. An operational reset has been undertaken to strengthen the team and improve financial processes and systems, with one-off adjustments impacting cost of sales in FY25. The steps we are taking now to strengthen our processes and operations will support the business as it continues its growth trajectory.

¹ Refer to pages 7 and 8 for more information on harvest, sales and revenue recognition timing.

1H25 Financial Performance

Sales revenue for the half year was down 3% to \$12.8m, following a record 78% year-on-year increase in the corresponding prior half year period (pcp 1H24), but remains significantly ahead of 1H23. Revenue is predominantly from Brazil, with the majority of US sales recognised in the second half of the year.

Cost of sales increased 15% compared to pcp, due to higher US seed cost as a result of the freeze event in late 2022, as well as inventory losses from earlier flooding after planting, and following accounting adjustments in Brazil. Cost mitigation efforts remain a priority across both regions, with significant operational savings to be seen in the US from the sale of the in vitro business, the closure of the Taylor Nursery and lease of the Ridgeville building.

ArborGen reported a net loss after tax of \$(2.1)m (1H24: \$(0.1)m). Excluding one-off and unusual items of \$2m, Adjusted US GAAP EBITDA was \$(2.7)m (1H24: \$(0.5)m).

The sale of the in vitro business for \$4.1m in July 2024 aided the reduction of debt, providing increased headroom for investment in productivity and growth opportunities. This includes investments in container capacity in the US, and the purchase of a further nursery in Brazil for \$2.5m which settled on 1 November 2024 and will be earnings accretive in FY25. Cash was \$4.3m at 30 September 2024, with net debt of \$19.9m compared to \$14.4m as at 31 March 2024 (1H24: \$16.7m), with the increase mainly due to working capital timing and strategic capex projects.

We were pleased to commence an on-market share buyback of up to US\$500,000 in September 2024. This buyback reflects your Board's confidence in the long-term strategy and opportunities for our business. As at 30 September 2024, 286,029 shares had been purchased at an average price of \$0.147 per share.

FY25 Outlook and Revised Guidance

Our overall goal remains to drive sales of our advanced genetics seedlings in our target markets in the US South and Brazil, both of which offer strong growth and commercial potential.

Growth momentum and higher volumes are expected in Brazil in 2H25 following the softer first half year. Headwinds in the US South are expected to continue to impact across the industry, resulting in lower demand and offsetting the growth in Brazil. Given this, ArborGen is expecting full year Group sales volumes to be down on last year with a corresponding impact on earnings. Excluding one-off and unusual items, Adjusted US GAAP EBITDA is therefore expected to be between \$8.5m to \$10m (FY24: \$12.8m).

We remain confident and optimistic about ArborGen's future. Thank you to our shareholders for your continued support.



Dave Knott
Chairman



Justin Birch
Chief Executive Officer

Understanding Our Financials

Key Reporting Measures

Historically, the majority of ArborGen's operating business has been based in the US. Therefore, financial statements are presented in US dollars.

As a New Zealand listed company, our financial statements are prepared in accordance with NZ International Financial Reporting Standards. The Company uses US GAAP EBITDA and Adjusted US GAAP EBITDA when discussing financial performance.

US GAAP EBITDA is a non-GAAP financial measure and is not recognised within IFRS. 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 US GAAP 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.

Adjusted US GAAP EBITDA excludes transactions considered to be non-trading in their nature or size, and one-off or unusual transactions, which can arise as the result of a specific event or circumstance or transaction that is not expected to occur frequently. Excluding these items can assist users in forming a view on the underlying performance of the group.

IFRS EBITDA vs US GAAP EBITDA: In contrast with US-GAAP, IFRS requires the capitalisation of ArborGen's development spend, the amortisation of intellectual property, the accrual of the change in fair value of biological assets on the seedling crop each year prior to its sale, and the differences in accounting for leases. Because of these differences, US GAAP results, and in particular 'Adjusted US GAAP EBITDA' cannot be easily derived from reported IFRS numbers.

Harvest, Sales and Revenue Recognition Timeline

In the US, we recognise the majority of revenue in the second half of the financial year, however, harvesting and production costs are incurred and recognised throughout the year.

- In year 1, we collect pollen from selected trees, bag flowers and pollinate. We then leave these for 18 months to mature.
- In year 2, between October and December we harvest the pinecones and extract the seeds, and then sow the seeds from January to March. These seedlings take approximately nine months to grow and are classified as 'biological assets' in our inventory. Each financial period, we adjust the fair value of these biological assets, based on our expected sales price. This is a non-financial fair value adjustment.
- We pre-sell these seedlings to customers from March and throughout the planting season and then lift and dispatch them to customers December through to March of the following year. We recognise the revenue at the time of sale, that is, in the second half of our financial year.

In Brazil, the sales cycle is less cyclical with year-round sales. This is due to the more temperate climate and growing conditions where seedlings can be grown and planted year-round, both for eucalyptus and pine.

Fair Value Adjustment of Biological Assets

ArborGen assess the value of seedlings in the US (the expected sales price) and adjusts the fair value of these biological assets, as required under NZ IFRS. The impact of this is in the interim results, with most seedlings lifted and sold by financial year end.

In 1H25, assessment of the fair value of biological assets resulted in a \$(4.3)m adjustment in the financial statements (1H24: \$(6.8)m).

Foreign exchange

ArborGen operates in the United States and Brazil. The Brazil operations are to a large degree internally self-sufficient from a funding perspective, which limits the effect of relative currency movements to the net earnings and balance sheet translation impacts.

Adjusted US GAAP EBITDA Reconciliation

Financial year ending March	1H25	1H24
Revenue - US	0.6	0.3
Revenue - Brazil	12.2	12.9
Total Revenue	12.8	13.2
Gross Margin (excluding DDA¹)	3.9	5.7
Less SG&A	5.7	4.5
Less R&D	1.6	1.9
Plus Other income (expense)	(2.6)	(2.9)
US GAAP EBITDA	(0.7)	(3.6)
Adjustments:		
Restructuring and transition costs	0.4	1.3
Seed provision	-	1.8
Value added taxation reversal	(0.7)	-
Sale of assets	(2.3)	-
Other	0.6	-
Adjusted US GAAP EBITDA	(2.7)	(0.5)

¹ Depreciation, depletion and amortisation

Financial Statements

ArborGen Holdings Limited and Subsidiaries

CONSOLIDATED CONDENSED INCOME STATEMENT

For the six months ended 30 September 2024

		Unaudited	Audited	Unaudited
	Notes	6 months Sep 2024 US\$m	Year ended Mar 2024 US\$m	6 months Sep 2023 US\$m
Revenue		12.8	67.7	13.2
Cost of sales	5	(9.7)	(43.7)	(8.4)
Gross profit		3.1	24.0	4.8
Change in fair value of biological assets	4	4.3	-	6.8
Intellectual property amortisation	5	(3.9)	(7.7)	(3.9)
Administration expense		(6.3)	(11.8)	(5.4)
Operating earnings excluding items below		(2.8)	4.5	2.3
CEO transition, seed review and other	5	0.3	(4.7)	(3.1)
Operating loss before financing expense		(2.5)	(0.2)	(0.8)
Financial income		0.1	0.4	0.2
Financing expense		(0.8)	(1.8)	(0.9)
Loss before taxation		(3.2)	(1.6)	(1.5)
Tax benefit		1.1	1.4	1.4
Net loss after tax		(2.1)	(0.2)	(0.1)
Weighted average number of shares outstanding (millions of shares)				
Basic		526.6	505.8	510.7
Diluted		528.8	509.0	528.9

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

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	Unaudited	Audited	Unaudited
		6 months Sep 2024 US\$m	Year ended Mar 2024 US\$m	6 months Sep 2023 US\$m
Net loss after tax		(2.1)	(0.2)	(0.1)
Items that may be reclassified to the Consolidated Income Statement:				
Movement in currency translation reserve	9	(1.1)	0.2	0.3
Movement in hedge reserve	9	(0.3)	(0.1)	0.1
Other comprehensive earnings (loss) (net of tax)		(1.4)	0.1	0.4
Total comprehensive earnings (loss)		(3.5)	(0.1)	0.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Notes	Unaudited	Audited	Unaudited
		6 months Sep 2024 US\$m	Year ended Mar 2024 US\$m	6 months Sep 2023 US\$m
Total comprehensive earnings (loss)		(3.5)	(0.1)	0.3
Movement in ArborGen Holdings shareholders' equity:				
Movement in issued capital	8	0.3	0.4	0.3
Movement in share-based payment reserve	9	-	0.5	0.1
Repurchase of warrants	9	-	(1.4)	(1.4)
Total movement in shareholder equity		(3.2)	(0.6)	(0.7)
Opening Group equity		148.7	149.3	149.3
Closing Group equity		145.5	148.7	148.6

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

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	Unaudited	Audited	Unaudited
	6 months	Year ended	6 months
Notes	Sep 2024	Mar 2024	Sep 2023
	US\$m	US\$m	US\$m
Cash was provided from operating activities			
Receipts from customers	28.5	67.1	30.9
Cash provided from operating activities	28.5	67.1	30.9
Payments to suppliers, employees and other	(31.2)	(54.1)	(28.0)
Tax paid	(1.0)	(1.3)	(0.8)
Cash (used in) operating activities	(32.2)	(55.4)	(28.8)
Net cash from (used in) operating activities	(3.7)	11.7	2.1
Interest received	0.1	0.4	0.2
Proceeds on sale of fixed assets	4.1	-	-
Investment in fixed assets	(1.9)	(2.9)	(1.0)
Investment in intellectual property	(1.6)	(3.7)	(1.9)
Net cash from (used in) investing activities	0.7	(6.2)	(2.7)
Debt drawdowns	13.2	13.2	0.6
Repayment of lease liabilities	(1.0)	(3.7)	(0.8)
Debt repayment	(10.1)	(18.9)	(5.3)
Interest paid	(0.1)	(1.8)	(0.9)
Repurchase of warrants	-	(1.4)	(1.4)
Net cash from (used in) financing activities	2.0	(12.6)	(7.8)
Net movement in cash	(1.0)	(7.1)	(8.4)
Opening cash, liquid deposits and restricted cash	5.6	12.7	12.7
Effect of exchange rate changes on net cash	(0.3)	-	-
Closing cash, liquid deposits and restricted cash	4.3	5.6	4.3
Net loss after taxation	(2.1)	(0.2)	(0.1)
Adjustment for:			
Financial income	(0.1)	(0.4)	-
Financing expense	0.8	1.8	0.9
Depreciation and amortisation	7.3	11.6	5.7
Tax (benefit) / expense	(1.1)	(1.4)	(1.4)
Foreign exchange	(0.4)	0.1	0.2
Share-based payments	-	-	0.4
Change in fair value of biological assets	(4.3)	-	(6.8)
Other non cash items	(0.2)	0.1	-
Cash flow from operations before net working capital movement	(0.1)	11.6	(1.1)
Trade and other receivables	7.4	1.4	7.1
Inventory	(9.5)	(3.5)	(8.3)
Trade and other payables	(0.5)	3.6	5.2
Net working capital movement	(2.6)	1.5	4.0
Cash tax paid	(1.0)	(1.4)	(0.8)
Net cash from operating activities	(3.7)	11.7	2.1

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

CONSOLIDATED CONDENSED BALANCE SHEET

As at 30 September 2024

		Unaudited Sep 2024 US\$m	Audited Mar 2024 US\$m	Unaudited Sep 2023 US\$m
	Notes			
Current assets				
Cash and liquid deposits		4.3	5.6	4.3
Trade and other receivables		4.9	12.6	6.9
Inventory	4	48.8	35.1	46.7
Total current assets		58.0	53.3	57.9
Non-current assets				
Fixed assets		37.1	36.6	33.8
Derivative financial instruments		0.3	0.6	0.8
Right-of-use assets		7.3	7.1	7.4
Intellectual property		83.5	88.9	90.9
Deferred taxation asset		11.5	10.8	11.0
Total non-current assets		139.7	144.0	143.9
Total assets		197.7	197.3	201.8
Current liabilities				
Trade, other payables and provisions		(15.2)	(14.3)	(16.3)
Current lease obligation		(1.6)	(1.5)	(3.9)
Current debt	6	(1.2)	(1.2)	(1.1)
Current taxation liability		(0.1)	(0.6)	(0.7)
Total current liabilities		(18.1)	(17.6)	(22.0)
Term liabilities				
Term debt	6	(23.0)	(18.8)	(19.9)
Lease obligation		(4.7)	(5.2)	(3.6)
Deferred taxation liability		(6.2)	(7.0)	(7.7)
Other		(0.2)	-	-
Total term liabilities		(34.1)	(31.0)	(31.2)
Total liabilities		(52.2)	(48.6)	(53.2)
Net assets		145.5	148.7	148.6
Equity				
Share capital	8	203.7	203.4	203.3
Reserves	9	(58.2)	(54.7)	(54.7)
Total Group equity		145.5	148.7	148.6



Dave Knott
Chairman of the Board



Paul Smart
Audit Committee Chairman

26 November 2024

Both of the above signatories certifies that these financial statements comply with New Zealand generally accepted accounting standards and present a true and fair view of the financial affairs of the ArborGen Holdings Group.

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

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1 Basis of Presentation

The unaudited interim consolidated condensed financial statements presented are those of ArborGen Holdings Limited (the Company) and Subsidiaries (the Group) for the six months from 1 April 2024 to 30 September 2024. The financial statements have been prepared in accordance with New Zealand International Accounting Standard 34. Because they are condensed interim statements, they do not include all of the information required to be disclosed for full annual financial statements.

These interim financial consolidated condensed statements should be read in conjunction with the audited financial statements for the periods ended 31 March 2024 and 31 March 2023, which have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The Company is registered in New Zealand under the Companies Act 1993, is listed on the New Zealand Stock Exchange, and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013.

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

Changes in prior year disclosure comparatives have been made to align with the current year presentation.

Accounting Policies

The accounting policies applied are consistent with those applied in the annual financial statements for the period ended 31 March 2024.

2 Approval of Accounts

These interim consolidated condensed financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 26 November 2024.

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 to March 2024 statutory report, note 4, for greater detail). Actual results could differ from those estimates.

4 Inventory and Fair Value Adjustment on Biological Asset

	Unaudited 6 months Sep 2024 US\$m	Audited Year ended Mar 2024 US\$m	Unaudited 6 months Sep 2023 US\$m
Opening balance continuing operations	-	-	-
Change in fair value of biological assets recognised in income statement			
Fair value change for crop to be lifted in the coming period	4.3	-	6.8
Total change in fair value of biological assets recognised in the income statement	4.3	-	6.8
Closing fair value uplift biological asset	4.3	-	6.8

At 30 September, only the US crop (to be lifted prior to year end) is fair valued. This fair value uplift will reverse at year end upon lifting of the crop.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

5 Expenses Include

	Unaudited 6 months Sep 2024 US\$m	Audited Year ended Mar 2024 US\$m	Unaudited 6 months Sep 2023 US\$m
Depreciation and amortisation included in:			
Cost of sales expense	(0.7)	(2.9)	(0.7)
Intellectual property amortisation	(3.9)	(7.7)	(3.9)
Administration expense: general and administration	(0.5)	(1.0)	(0.5)
Total depreciation and amortisations	(5.1)	(11.6)	(5.1)
Seed provision ⁽¹⁾	-	(1.8)	(1.8)
Value added taxation - valuation allowance ⁽²⁾	0.7	(1.0)	-
CEO transition costs ⁽³⁾	(0.4)	(1.9)	(1.3)
CEO transition, seed review and other	0.3	(4.7)	(3.1)

- (1) As a result of our education efforts, our customers have been shifting into higher genetic seedlings and away from the lower genetic seedlings. This has led to our inventory of the lower genetic seed growing relative to the total seed inventory. We have reviewed our seed inventory requirements against our six-year seed demand, taking into account seed age, genetics, customer demand and our availability of alternative genetic seed by provenance. As a result of the review, we have expensed \$1.8 million as a seed provision which was netted against inventory, and represented approximately 10% of our finished goods seed cost. Most of the seed will be retained as we attempt to find a use for it; however, the lowest quality seed will be destroyed.
- (2) A valuation allowance of \$1 million was applied to certain value added taxation credits at 31 March 2024 that, due to uncertainty, might not be collectable. Upon further review of these value added tax requirements as of 30 September 2024, it was determined that \$0.7 million of this allowance should be reversed.
- (3) CEO transition costs of \$0.4 million were accrued for CEO Justin Birch's equity grant (March 2024: \$1 million). March 2024 also included Justin's sign-on and relocation costs of \$0.3 million, legal and recruitments costs of \$0.3 million, and \$0.3 million of severance for the former CEO.

6 Current Debt and Term Debt

At 30 September 2024, the Group had debt facilities with the following banks: Synovus Financial Corporation (Synovus) and AgSouth Farm Credit (AgSouth) in the United States.

ArborGen has two non-revolving promissory notes issued to AgSouth. The first is for \$7.4 million bearing interest at 4.95%, with a maturity date of 1 May 2036 and an annual principal repayment of \$0.6 million due 1 May each year. The second is a \$2.4 million facility, bearing interest at 8.2%, with a maturity date of 1 March 2044 and an annual principal repayment of \$0.26 million due 1 March each year. Both facilities are secured against ArborGen's US real estate properties. The credit agreement with AgSouth includes a covenant requiring ArborGen to maintain a net worth of \$25 million. ArborGen has a three-year revolving facility with Synovus (expiring August 2026), bearing interest at the 30-day SOFR base rate plus 2.75%, with a minimum annual rate of 4.75%, an annual 60-day (continuous) pay down maximum borrowing limit (between 1 March and 31 August) of \$7 million, and with no equity covenants.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

6 Current Debt and Term Debt *continued*

Rubicon Industries USA LLC (RIUSA) has a \$9.3 million mortgage from Synovus, which is secured by the headquarter's land and buildings. The mortgage is a seven-year term facility that expires August 2026 and is based on a 20-year amortising loan, incurring interest at the 30-day SOFR base rate plus 2% . The Group has entered into a seven-year interest rate swap with Synovus, with terms that match that of the mortgage, at a fixed rate of 3.52%. The mark-to-market valuation provided by Synovus resulted in an unrealised gain of \$0.3 million for the six months ended 30 September 2024 which is disclosed as a derivative financial instrument on the balance sheet and as a cash flow hedge reserve (see Note 9). The mortgage requires RIUSA to maintain a debt service coverage ratio of not less than 1.25:1 for the trailing 12 months.

At 30 September 2024, the Group held cash and liquid deposits of \$4.3 million (2023: \$4.3 million) and had debt of \$24.2 million and lease liabilities of \$6.3 million (2023: \$21 million of debt and \$7.5 million of lease obligations). The increase in debt is due to the second promissory note issued to AgSouth.

7 Segmental Information Summary

The Group has only one reportable segment, being 'forestry genetics' and each of the primary statements reflects the full segmental operations.

	Unaudited 6 months Sep 2024 US\$m	Audited Year ended Mar 2024 US\$m	Unaudited 6 months Sep 2023 US\$m
Forestry genetics			
Operating revenue	12.8	67.7	13.2
Net income (loss) after tax	(2.0)	0.9	0.8
Total assets	197.6	197.3	201.7
Liabilities	(52.0)	(48.6)	(36.5)
Reconciliation			
<i>Corporate</i>			
Net loss after tax	(0.1)	(1.1)	(0.9)
Total assets	0.1	-	0.1
Liabilities	(0.2)	-	(16.7)
Total Group			
Operating revenue	12.8	67.7	13.2
Net loss after tax	(2.1)	(0.2)	(0.1)
Total assets	197.7	197.3	201.8
Liabilities	(52.2)	(48.6)	(53.2)

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

8 Capital

	Unaudited Sep 2024	Audited Mar 2024	Unaudited Sep 2023
	US\$m	US\$m	US\$m
Share capital			
Share capital at the beginning of the period	203.4	203.0	203.0
Vesting of shares - share plans ⁽¹⁾	0.3	0.4	0.3
Share capital	203.7	203.4	203.3

	Sep 2024	Mar 2024	Sep 2023
Number of shares			
Opening shares on issue	526,957,789	502,772,082	502,772,082
Issue of shares ⁽¹⁾	(200,622)	419,386	419,386
Issue of shares ⁽²⁾	(286,029)	3,514,844	3,514,844
Issue of shares	-	20,251,477	20,251,477
Number of shares on issue	526,471,138	526,957,789	526,957,789

	Sep 2024	Mar 2024	Sep 2023
Treasury stock			
Opening shares on issue	20,251,477	-	-
Issue of shares ⁽¹⁾	(3,375,246)	20,251,477	20,251,477
Vesting of shares	-	-	-
Number of shares on issue	16,876,231	20,251,477	20,251,477

(1) Pursuant to Justin Birch's employment agreement an equity grant of restricted ordinary shares (Restricted Shares) equal to 4% of ordinary shares in ArborGen Holdings was made. On 27 July 2023, 9,780,000 shares were issued to the Trustee. Following shareholder approval at the ASM on 20 September 2023, a further 10,471,477 shares were issued to the Trustee. The total 20,251,477 restricted shares are split into two being: 50% time-based shares and 50% performance-based shares. The time-based shares will vest one third on the first anniversary of the employment commencement date (16 June 2023); and two thirds on the second anniversary, subject to completion of continuous service with the Group (refer to Note 5). The performance-based shares will vest 50% on the 1 June 2024 and the other 50% on 1 June 2025, subject to satisfaction of applicable performance criteria determined by the compensation committee and completion of continuous service with the Group until the applicable vesting date. Pursuant to the above June 2024 vesting date 3,375,246 treasury shares and 200,622 shares were redeemed respectively.

(2) In accordance with the resolution passed at ArborGen Holdings Board of Directors' meeting held on 26 August 2024, a share buyback program was approved for a US dollar total of \$500,000. This would commence in 2024 September. Through September to black out date commencing 1 October 2024, 286,029 shares were bought back.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

9 Reserves

	Unaudited Sep 2024 US\$m	Audited Mar 2024 US\$m	Unaudited Sep 2023 US\$m
Retained earnings			
Opening balance	(55.7)	(54.1)	(54.1)
NPAT	(2.1)	(0.2)	(0.1)
Repurchase of warrants ⁽¹⁾	-	(1.4)	(1.4)
Closing balance	(57.8)	(55.7)	(55.6)
Cash flow hedge reserve ⁽²⁾			
Opening balance	0.6	0.7	0.7
Fair value gains (losses) for the year	(0.3)	(0.1)	0.1
Closing balance	0.3	0.6	0.8
Share based payments reserve			
Opening balance	0.8	0.3	0.3
Executive share plan - shares vested ⁽³⁾	(0.3)	(0.4)	(0.3)
Executive share plan ⁽⁴⁾	0.3	0.9	0.4
Closing balance	0.8	0.8	0.4
Currency translation reserve			
Opening balance	(0.4)	(0.6)	(0.6)
Translation of independent foreign operations	(1.1)	0.2	0.3
Closing balance	(1.5)	(0.4)	(0.3)
Total reserves	(58.2)	(54.7)	(54.7)

- (1) In May 2023, ArborGen Inc repurchased all outstanding warrants (5% of the ArborGen Inc fully diluted shares) for \$1.35 million. Following the repurchase of the warrants, there are no more warrants, options or other rights to purchase ArborGen.
- (2) The cash flow hedging reserve records the net movement of cash flow hedging instruments, being interest rate swaps. Refer to Note 6.
- (3) Pursuant to Justin Birch's employment agreement, an equity grant of Restricted Shares equal to 4% of ordinary shares in the Company was made. The total 20,251,477 restricted shares are split into two being; 50% time-based shares and 50% performance-based shares (refer to Note 10). In addition, Justin was guaranteed a short-term incentive of \$425,000; 27% of which was settled in the Company shares. The movement in the share based payment reserve represents the share based payment portion of these accrued expenses.
- (4) Pursuant to Justin Birch's employment agreement, the movement in the share based payment reserve represents an expense accrual that will be subsequently settled by the issuance of shares (see item 3 above).

10 Related Party Transactions

Pursuant to Andrew Baum's employment cessation agreement, on 21 June 2023, Andrew was issued 3,514,844 new Company ordinary shares (refer to Notes 5, 8 and 9).

Pursuant to Justin Birch's employment agreement an equity grant of restricted ordinary shares (Restricted Shares) was made, equal to 4% of ordinary shares in the Company. On 27 July, 9,780,000 shares were issued to the Justin Birch Trust. Following shareholder approval at the ASM on 20 September 2023, a further 10,471,477 shares were issued to the Justin Birch Trust. The 20,251,477 restricted shares are split into two being; 50% time-based shares and 50% performance-based shares. Pursuant to the July 2024 vesting date 3,375,246 shares were redeemed.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

11 Proceeds on Sale of Fixed Assets

The in vitro business and associated assets were sold May 2024. Intangible and fixed assets sold as part of this transaction were netted in a nominal gain on sale.

12 Subsequent Events

As announced on 10 October 2024, the Company signed a memorandum of understanding to acquire the Eco Empreendimentos nursery in Piauí, Brazil, for approximately USD\$2.5 million, which will utilise seller financing and cash. The contract was signed on 1 November 2024.

Investor Information

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Stock Exchange Listing

The Company's shares (ARB) 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,
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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 ArborGen Holdings shareholder communications by email.



www.arborgenholdings.com



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