Forestry Corporation

Half-yearly report

2025–26

forestrycorporation.com.au

Acknowledgement of Country

Forestry Corporation of NSW acknowledges the traditional custodians of the land on which we live and work, and pays our respects to Elders past, present and future.

We recognise the connection to their land, their waters and surrounding communities and acknowledge their history here on this land.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and culture.

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Written and compiled by Forestry Corporation of NSW

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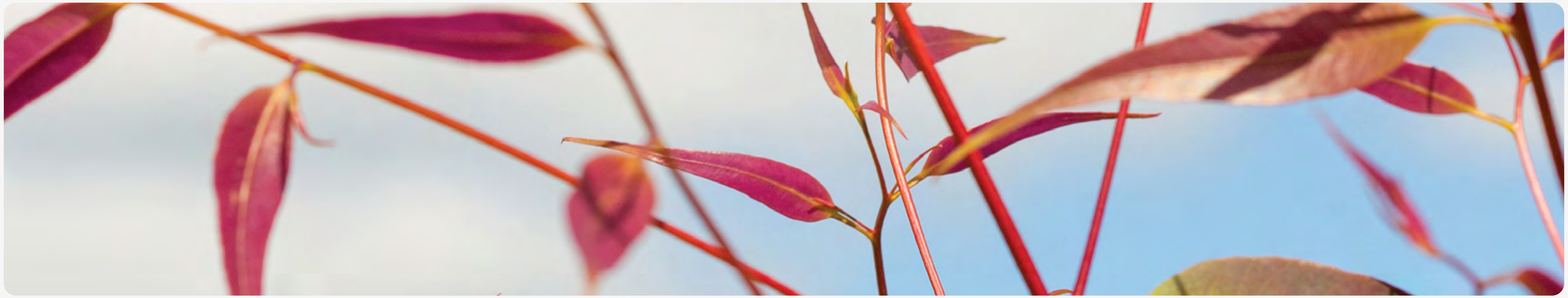
FCNSW1147

Compliance statement



In accordance with section 23 of the *State Owned Corporations Act 1989* (SOC Act), this half-yearly report is submitted to the shareholding Ministers on behalf of Forestry Corporation of NSW's Board of Directors.

Forestry Corporation's half-yearly report for the six months to 31 December 2025 contains:

- information on Forestry Corporation's strategic direction
- an overview of core functions and objectives
- a review of business operations and performance against the Statement of Corporate Intent (SCI). The SCI was developed to meet the relevant obligations under the SOC Act and other NSW Government policies
- financial statements.

Stefanie Loader
Chair

Anshul Chaudhary
Chief Executive Officer

Date: 10 February, 2026

Strategic direction

Forestry Corporation's purpose is to care, connect and grow for a better future. Our current strategy prioritises key initiatives that align with each of these three pillars and drive us towards our strategic goal of being recognised as a valued forest manager and growing the business in all areas. Core priorities include improving safety, enhancing engagement and increasing value.

Statement of Corporate Intent and Statement of Expectations

Each year, a Statement of Corporate Intent (SCI) is agreed with shareholders that sets out our strategic priorities for the year ahead. This is published on our website and includes financial targets as well as non-financial targets for safety and environmental management. Performance against the targets in the SCI is summarised in this report. Strategic guidance is also provided in the Statement of Expectations issued by the shareholder Ministers and published on the Forestry Corporation website.

Strategic goal – to be recognised as a valued forest manager

Care

Reduce the number of injuries and eliminate serious harm

Connect

Reposition to be recognised for balance and care

Grow

Grow the value of our estate

Functions and objectives

About Forestry Corporation of NSW

Forestry Corporation of NSW is appointed with dual objectives to manage the State forest estate, and to efficiently and sustainably grow and supply the ultimate renewable resource – timber.

Forestry Corporation is appointed as the land manager for around two million hectares of multiple-use public State forests. The land we manage includes coastal native forests, cypress forests and red gum forests, flora reserves that form part of the State's formal conservation estate, and softwood and hardwood timber plantations.

Forestry Corporation balances timber production, environmental conservation, public access for tourism and primary production such as beekeeping and grazing, protection of cultural heritage, fire management, biosecurity, and a range of other forest uses. We balance these activities in line with ecologically sustainable forest management principles and our forest management is independently certified to the Australian Standard for Sustainable Forest Management, part of the Responsible Wood Certification Scheme.

The State forests we manage deliver multiple benefits to communities and make an important contribution to regional development. Timber that is sustainably harvested from native forests and plantations underpins vital and vibrant harvesting and processing industries in regional NSW and plays a critical role in meeting the community's ongoing demand for sustainable wood products for housing, infrastructure and other essential applications. State forests make an important contribution to regional tourism by offering a wider variety of allowable activities than any other public land tenure, facilitating public access and allowing a diversity of events, activities and tourism infrastructure under permits. New opportunities are being explored to further contribute to regional development through potential renewable energy projects within pine plantations.

As a statutory firefighting authority, we also play a key role in preventing and managing fires and protecting communities as part of the State's coordinated firefighting response. We employ a highly trained and skilled firefighting workforce, carry out hazard reduction and fire prevention activities, and maintain a firefighting fleet, equipment, heavy plant and a network of fire trails and fire towers to aid rapid detection and early suppression of fires.

Our purpose is to care, connect and grow for a better future and we value innovation, integrity and the wellbeing of our people and communities, with respect for country, community, customers, suppliers and one another at the forefront of all that we do.

Charter

Forestry Corporation of NSW is a statutory State Owned Corporation constituted under the *Forestry Act 2012*, and is subject to the direction of a Board of Directors and the provisions of the *State Owned Corporations Act 1989*.

Under the objectives set out in the *Forestry Act*, Forestry Corporation is required:

(a) to be a successful business and, to this end:
  i. to operate at least as efficiently as any comparable businesses
  ii. to maximise the net worth of the State's investment in the corporation

(b) to have regard for the interests of the community in which it operates

(c) where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*

(d) to contribute towards regional development and decentralisation

(e) to be an efficient and environmentally sustainable supplier of timber from Crown-timber land and land owned by it or otherwise under its control or management.

Each of the principal objectives is of equal importance.

The principal functions of the Corporation are set out in the *Forestry Act* as follows —

(a) to carry out or authorise the carrying out of forestry operations in accordance with good forestry practice on Crown-timber land or land owned by the Corporation,

(b) to take or authorise the taking of forest materials from State forests or land owned by the Corporation,

(c) to sell, supply or process timber, forest products or forest materials taken or harvested under paragraph (a) or (b),

(d) to establish and maintain plantations,

(e) to control and manage, subject to Part 5, forestry areas,

(f) subject to the *Rural Fires Act 1997*, to carry out measures on Crown-timber land for the protection from fire of timber and forest products on that land,

(g) to grant forestry rights in respect of State forests, timber reserves or land owned by it, including any such right that is for the benefit of the Corporation,

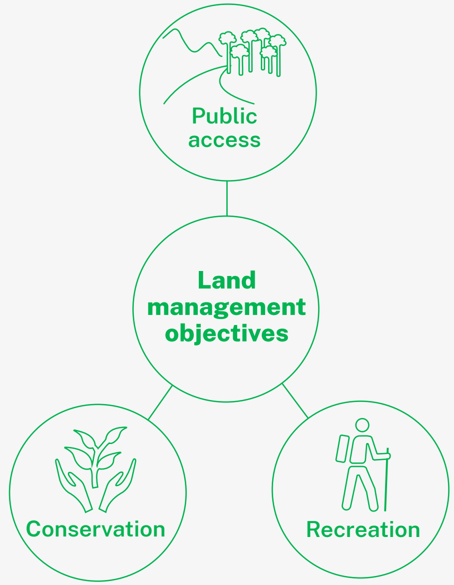
(h) to acquire, hold, sell or otherwise deal with or trade in carbon sequestration rights (including for the benefit of other persons).

Forestry Corporation also has, in exercising its functions as the land manager of a forestry area, the objectives of a land manager under Part 5 of the *Forestry Act*. Section 59 of the *Forestry Act* establishes the objectives of the land manager of forestry area as follows:

(1) The land manager of a forestry area has the following objectives in the exercise of functions as land manager of the area —
  (a) to facilitate public access to the forestry area,
  (b) to promote the recreational use of the forestry area,
  (c) to conserve fauna (other than feral animals) living in the forestry area.

Section 59(3) further provides that the principal objectives in section 10(1)(a) and (e) do not apply in relation to the Corporation in the exercise of its functions as the land manager of a forestry area.

The provisions of section 20E of the *SOC Act* do not apply to the Corporation.



Review of operations

Land management

Forestry Corporation is appointed on behalf of the State of NSW as the land manager for approximately two million hectares of public forests. Land management services delivered on an ongoing basis include maintenance of community roads, providing tourism facilities, facilitating public access for recreation, preventing and managing fire, and managing pests and weeds.

In September 2025, the NSW Government announced the footprint of the proposed Great Koala National Park on the north coast. Approximately 176,000 hectares of State forest has been identified for inclusion in the new park. While the Government works through the process to establish the park, Forestry Corporation remains the land manager responsible for tourism infrastructure, roads and management of fire, pests and weeds in these forests.

Fire

The six months to 31 December 2025 included the lead-up to and commencement of the annual fire season. Several staff were deployed overseas early in the period to assist in managing severe wildfires in Canada while locally, investment continued in planned hazard reduction, pre-season training, maintenance of fire trails and equipment.

Later in the period, several fire emergencies were declared on and adjacent to the State forest estate and crews continue to be mobilised to respond to fires across the landscape as part of the State's co-ordinated fire response as the fire season continues.

The expanded use of emerging and evolving remote sensing technology has delivered early positive results. By the end of the period, 18 early detection cameras had been commissioned to monitor for smoke across the estate, powered by artificial intelligence. The cameras have effectively bolstered early fire detection capability, detecting fires both within and adjacent to State forests. The cameras

provide real-time visibility over forests as well as adjoining lands, which has been shared through the Rural Fire Services' State Operations centre and with other agencies to support fire management and response across the landscape. Trials of different technology are continuing to identify the most effective and economical early detection tools.

Public access

The expansive road network in State forests is used by communities and industry for access to and through forests. During the period, major road and bridge repairs continued to be delivered under the Forest Infrastructure Repair Program, a multi-year program to restore access for communities and industry by repairing significant damage caused by natural disaster flooding.

In-forest facilities and permits provide communities with access for a wider range of recreational uses than other public land tenures and iconic new sites completed in recent years have become regional tourism drawcards. Guulabaa – Place of Koala in Cowarra State Forest was opened last year but continued to receive accolades during the reporting period, including local and international design awards.

Renewable energy

Permits have been issued allowing for the investigation of potential renewable energy projects in pine plantations in the Central West and South West Slopes. Most permit holders have now published scoping reports as part of their applications for planning approval under the NSW Government's State Significant Development pathway. Permit holders are continuing to engage with local communities and stakeholders as they progress with planning.

Timber production

Softwood plantations

The softwood housing market continues to experience subdued activity, with limited signs of substantial recovery. Furthermore, heightened competition from alternative products and imported materials persists in placing downward pressure on the market.

The annual plantation re-establishment program continued over the winter months, replanting a combination of recently harvested areas, plantations affected by fires in 2019-20 and newly acquired land added to the estate. Replanting is an ongoing investment, and the two production nurseries sowed new seeds during the period that will grow into the seedlings for the 2026 planting season.

Native forests and hardwood plantations

Timber production from native forests and hardwood plantations continued to be impacted by external factors. Several key policy changes occurred during the period, which will have short and long-term impacts.

In September, the NSW Government announced a moratorium on timber harvesting in the 176,000 hectares proposed for inclusion in the Great Koala National Park. Operations have ceased in those areas and the division continues to work with Government and customers on the timber supply impacts.

In November, the NSW Government extended Integrated Forestry Operations Approvals (IFOAs) in the Brigalow-Nandewar and South Western Cypress regions of Western NSW by three years. These IFOAs had been due to expire on 31 December and their extension will allow for the continuation of wood supply under agreements with local industry.

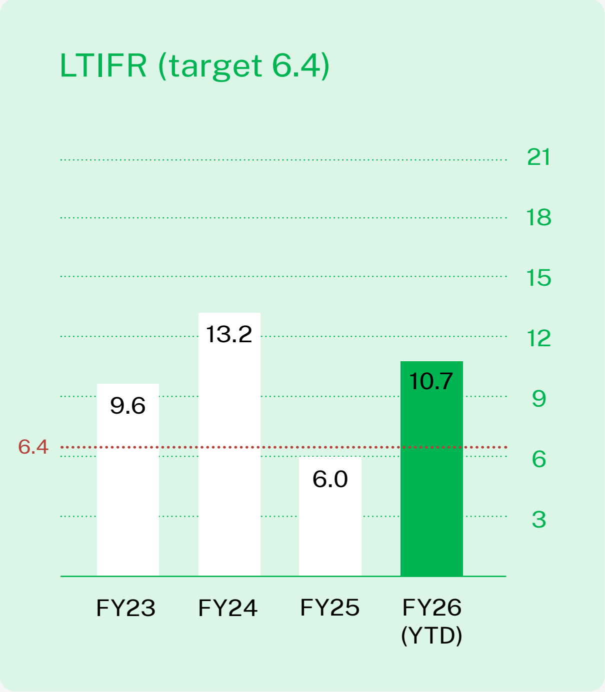
Also in November, the Australian Government passed a bill to amend the provisions in the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). The bill removed the provision to streamline regulation of forestry operations under Regional Forest Agreements under state regulations. Changes to the regulatory systems to meet the new requirement for approvals under the EPBC are being developed between the State and Commonwealth Governments and will commence in 2027.

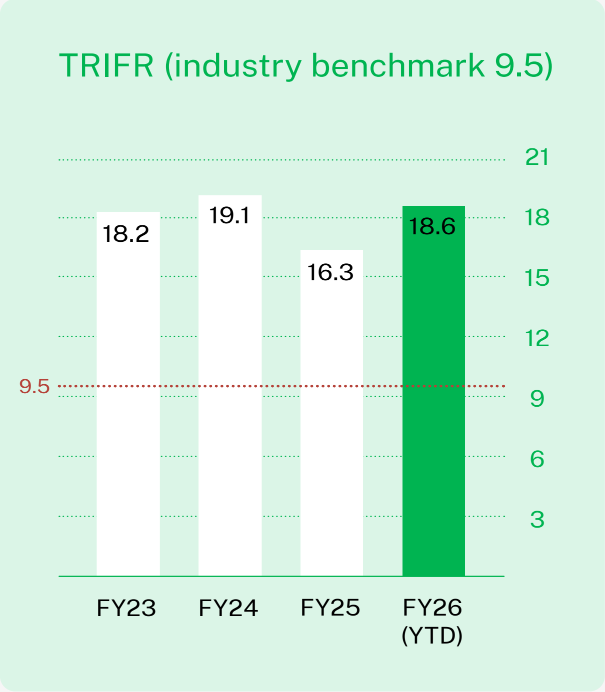
Safety

Assuring the safety of staff and contractors is of paramount importance. Operating procedures and processes are underpinned by a detailed health and safety management system and informed by dynamic reporting of risks and incidents to inform improvements. The health and safety management system is being thoroughly reviewed, to ensure ongoing effectiveness.

Critical risks, which are those most likely to cause significant injury, are afforded the highest priority. Critical risks and controls continue to be reviewed and communicated with staff.

Soft tissue injuries continue to be the highest incident category. Proactive injury prevention programs have proven effective in reducing this type of injury in recent years and continued during the period. More than 180 staff have completed mental health first aid training, and a mental health first aid network has been established to provide ongoing and future support. Pilot programs also commenced to address the risk of airborne contaminants. Plans are being developed to look at options for managing driver fatigue.





Environment

Ongoing environmental monitoring programs continue to inform forest management across the estate. The largest monitoring program is the Coastal Integrated Forestry Operations Approval (CIFOA) monitoring program, which was designed and is overseen by the Natural Resources Commission (NRC).

An independent evaluation of the CIFOA monitoring program was completed and published by the NRC during the period. The review found that monitoring is now more transparent and data more readily available, with evidence being used to inform decision-making.

In August, the Environment Protection Authority (EPA) commenced legal proceedings for alleged breaches of the CIFOA in operations in Tallaganda State Forest in 2023, with the matter yet to be heard. Court proceedings related to operations in Wild Cattle Creek State Forest in 2020 also continued during the period. At the end of the period, Forestry Corporation received a penalty notice under the *Local Land Services Act 2013* in relation to the removal of one tree from an adjoining private property in 2024. After the end of the period but prior to the reporting date, two penalty notices were received in relation to alleged water pollution at a crossing in 2024.

Improving compliance with environmental regulations continues to be a primary focus. Compliance oversight was expanded with additional staff engaged in forest management systems and forest practices roles in both operating divisions, to ensure appropriate systems and processes are set up and maintained. Ongoing review and improvement of internal systems and processes and investments in technology solutions are continuing to drive compliance improvements.

Both operating divisions are certified to the internationally-recognised Australian Standard for Sustainable Forest Management, Responsible Wood (AS 4708). Regular external audits assure ongoing compliance with the standard. The latest surveillance audit reports for each division were finalised and published in July.

Financial performance

Year to date

Total comprehensive revenue for the half year to 31 December 2025 was $0.4 million. Normalised earnings (Earnings before interest and tax, or EBIT) showed a loss of $1.9 million, $0.2 million above the 2025-26 Statement of Corporate Intent (SCI) target of -$2.1 million.

Softwood plantations

The Softwood Plantations Division posted normalised earnings of $7.6 million, which was $2.3 million below budget target. Timber revenue is $6.8 million behind budget, mainly due to ongoing suppression of customer demand for domestic sawlog on the back of a depressed housing market and high mill yard stocks. Sawlog revenue results were slightly offset by higher demand for pulp products. Savings were made in operating expenses in plantation establishment and planning, with delayed operational programs due to weather and contractor capacity, and stewardship, with teams directed to fire support.

Renewable energy

For the half year to 31 December 2025, normalised earnings from renewable energy projects were $2.1 million, which was $0.3 million above budget target. The earnings relate to fees associated with permits and investigation activities on State forests. The investigation phase is expected to take several years.

Hardwood timber and extractive resources

Hardwood timber and extractive resources posted normalised earnings of $4.2 million. This result is above budget by $2 million mainly due to proceeds from an insurance claim for the Southern Region related to the 2019-20 Black Summer fires which was received in the period. Timber volumes remained below forecasted volume due to disruptions preventing access to the timber resource including weather, regulatory issues and ministerial directions for the establishment of Koala Hubs and the moratorium in the proposed Great Koala National Park (GKNP). Additional costs were incurred in legal fees, resources managing the GKNP project, while higher tree retention requirements reduced yields on operations.

Land management

Approximately 1.8 million hectares of Crown land dedicated as State forest is managed by Forestry Corporation on behalf of the state for multiple uses, including recreation, public access, fire, pest and weed management and biodiversity. Land management is a net cost centre, costing $15.8 million in the period. This was unfavourable to budget by $0.9 million, mainly due to the additional costs from fire activity.

Full year outlook

The full-year SCI target for normalised earnings is $1.2 million. Forestry Corporation's ability to meet this target is subject to considerable uncertainty. This is based on ongoing financial challenges stemming from current Government funding levels, which remain insufficient for land management activities, prevailing operating conditions and continued disruptions in the hardwoods sector and persisting weakness in the market for softwood timbers. The target has not been varied following the Government's announcement of a timber harvesting moratorium in the proposed GKNP.

Key performance indicators

	Actual half year	SCI target half year	Variance
Safety Lost Time Injury Frequency (rate)*	10.7	6.4	4.3
Environmental non-conformances**	1.0	0.0	(1.0)
Revenue ($m)	197.4	205.4	(8.0)
Normalised earnings ($m)***	(1.9)	(2.1)	0.2
Debt level ($m)	75.2	77.2	2.0
Financial ratios			
Normalised earnings margin (%)	(1.0)	(1.0)	0.0
Return on equity (%)	(0.2)	(0.3)	0.1
Interest cover (times)	(1.1)	(0.9)	(0.3)

* *Measured as the number of injuries per million hours worked.*

** *Measures the number of fines and convictions.*

*** *Excludes significant items such as revaluation and impairment, interest expenses, income tax, and half year nominal inventory adjustments.*

Financial statements

Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2025

	Unaudited 31 Dec 2025 $'000	Unaudited 31 Dec 2024 $'000
Revenue		
Forest Products	160,125	163,063
Other Income	37,295	30,838
	197,420	193,901
Total revenue	197,420	193,901
Expenses		
Operating expenses	(138,631)	(138,938)
Employee benefits expense	(49,650)	(44,475)
Depreciation and amortisation expense	(6,691)	(6,126)
Net impairment (loss)/gain on financial and contract assets	(190)	(36)
Finance costs	(1,720)	(1,519)
Total expenses	(196,882)	(191,094)
Profit before notional income tax expense	538	2,807
Notional income tax expense	(161)	(842)
Profit after notional income tax expense for the half-year	377	1,965
Total comprehensive income/(loss) for the half year	377	1,965

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position As at 31 December 2025

	Unaudited 31 Dec 2025 $'000	Audited 30 Jun 2025 $'000
Assets		
Current assets		
Cash and cash equivalents	29,972	10,678
Trade and other receivables	50,073	56,985
Inventories	6,869	4,887
Biological assets	47,123	47,123
Income tax refund due	8,763	8,924
Total current assets	142,800	128,597
Non-current assets		
Property, plant and equipment	1,637,795	1,630,073
Biological assets	766,762	766,762
Investment properties	6,804	6,804
Right-of-use assets	1,688	1,723
Total non-current assets	2,413,049	2,405,362
Total assets	2,555,849	2,533,959
Liabilities		
Current liabilities		
Trade and other payables	87,640	67,945
Contract liabilities	25,843	25,267
Lease liabilities	313	683
Employee benefits	35,765	34,331
Provisions	742	868
Total current liabilities	150,303	129,094
Non-current liabilities		
Borrowings	75,238	75,202
Employee benefits	1,256	1,256
Provisions	1,712	1,712
Lease liabilities	3,373	3,103
Retirement benefit obligations	22,706	22,706
Deferred tax liability	610,606	610,606
Total non-current liabilities	714,891	714,585
Total liabilities	865,194	843,679
Net assets	1,690,655	1,690,280
Equity		
Contributed equity	491,706	491,706
Reserves	1,023,116	1,023,248
Retained profits	175,833	175,326
Total equity	1,690,655	1,690,280

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the half-year ended 31 December 2025

	Contributed equity $'000	Asset evaluation reserve $'000	Deferred tax asset reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2024 (Audited)	491,706	919,107	50,092	153,535	1,614,440
Profit after notional income tax expense for the half-year	-	-	-	1,965	1,965
	-	-	-	1,965	1,965
Transfer of asset revaluation to retained profits	-	(1,265)	-	1,270	5
Balance at 31 Dec 2024 (Unaudited)	491,706	917,842	50,092	156,770	1,616,410

	Contributed equity $'000	Asset evaluation reserve $'000	Deferred tax asset reserve $'000	Retained profits $'000	Total equity $'000
Balance at 01 July 2025 (Audited)	491,706	973,156	50,092	175,326	1,690,280
Profit after notional income tax expense for the half-year	-	-	-	377	377
Total comprehensive income for the half-year	-	-	-	377	377
Transfer of asset revaluation to retained profits	-	(132)	-	130	(2)
Balance at 31 Dec 2025 (Unaudited)	491,706	973,024	50,092	175,833	1,690,655

Statement of cash flows
For the half-year ended 31 December 2025

	Unaudited 31 Dec 2025 $'000	Unaudited 31 Dec 2024 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	219,075	225,154
Payments to suppliers and employees (inclusive of GST)	(183,404)	(213,008)
Interest received	458	213
Interest and other finance costs paid	(1,985)	(1,747)
Income taxes paid (net)	(161)	(9,776)
Net cash from operating activities	33,983	836
Cash flows from investing activities		
Purchase of Property, Plant and Equipment	(14,413)	(3,300)
Proceeds from disposal of property, plant and equipment	367	887
Net cash used in investing activities	(14,046)	(2,413)
Cash flows from financing activities		
(Repayment)/proceeds of borrowings	-	5,300
Payment of principal portion of lease liabilities	(643)	(596)
Net cash from/(used in) financing activities	(643)	4,704
Net increase in cash and cash equivalents	19,294	3,127
Cash and cash equivalents at the beginning of the financial year	10,678	11,648
Cash and cash equivalents at the end of the financial half-year	29,972	14,775

Notes to and forming part of the condensed financial statements 31 December 2025

1. Basis of preparation

The half-yearly report is a special-purpose financial report for the interim period ended 31 December 2025. This financial report has been prepared in accordance with Australian Accounting Standards, the *Government Sector Finance Act 2018* (GSF Act), GSF Regulations and the *State Owned Corporations Act 1989*.

The financial statements have been prepared in accordance with the accounting policies disclosed in Forestry Corporation's 2025 Annual Report and should be read in conjunction with the Annual Report.

The half-yearly report has been prepared on a going concern basis which assumes Forestry Corporation will be able to pay its debts as and when they fall due and will continue to operate without any intention or necessity to liquidate or otherwise wind up its operations.

Forestry Corporation is classified as a for-profit entity for the purposes of the application of Australian Accounting Standards and after consideration of all factors contained in the New South Wales Treasury Policy TPP21-07 Distinguishing for-Profit from not-for Profit Entities.

2. Unaudited financial statements

The financial statements in this half-yearly report have not been audited or reviewed in accordance with Australian Auditing Standards.

3. Use of estimates and judgements

The preparation of financial statements in conformity with standards set by the Australian Accounting Standards Board (AASB) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4. Comparative figures

Where the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable. .

5. Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars.

6. Income tax equivalents

Forestry Corporation is subject to the National Tax Equivalents Regime (NTER) and accordingly is subject to the same taxes as private sector organisations.

The carrying amount of the deferred tax equivalent asset is reviewed at each year-end date and reduced to the extent that it is no longer probable that enough taxable profit will be available to allow all or part of the deferred tax equivalent asset to be utilised.

Tax effect accounting has not been considered in this half-yearly report and will be performed at financial year end. Notional tax expense or benefit is calculated on the resulting profit or loss before tax at a rate of 30 per cent and recognised in the Statement of Comprehensive Income.

7. Property, plant and equipment

Items of property, plant and equipment are initially measured at their cost and are subsequently measured at their fair value in accordance with the NSW Treasury Accounting Policy TPG25-11, Valuation of Physical Non-Current Assets at Fair Value. Non-current assets are reviewed and assessed periodically at each reporting cycle to assess fair value and impairment. An interim valuation will be carried out as at 30 June 2026 in accordance with TPG25-11.

8. Biological assets

Fair value of the biological assets is measured and updated annually at the end of the financial year. Any impact from the revaluation of the biological assets is excluded from Forestry Corporation's normalised earnings.

9. Retirement benefit obligations

Forestry Corporation recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income in accordance with the TPG25-09, Accounting for Superannuation. The last actuarial calculation was carried out as at 30 June 2025. Forestry Corporation has not recalculated the defined benefits in the half-yearly report. The next actuarial assessment will be carried out as at 30 June 2026.