



Vertically
Integrated
Sandalwood
Company



TFS Corporation Ltd

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Section 1:

OVERVIEW



Financial Results – Record Results



NPAT \$82.5m	Cash EBITDA \$51.4m	NTA \$363.3m	Dividend 3¢ p/s
YOY Change: +48%	-1%	+61%	-

Operational Results – Strong Growth



Total Estate 9,085ha	TFS Owned ¹ 3,167ha	FY14 Planting 1,587ha
YOY change: +19%	+52%	+34%

Note 1: TFS Owned = direct ownership plus effective indirect ownership

A Year of Significant Progress



- ✓ Record profitability
- ✓ Strong increase in direct plantation ownership
- ✓ Landmark supply agreement with Galderma
- ✓ Completion of first harvest
- ✓ Record sales value of financial product, including new institutional investors
- ✓ Successful institutional placement
- ✓ Appointment of new independent Non-Executive Chairman and new CFO

Section 2:

FINANCIAL RESULTS



Financial Results

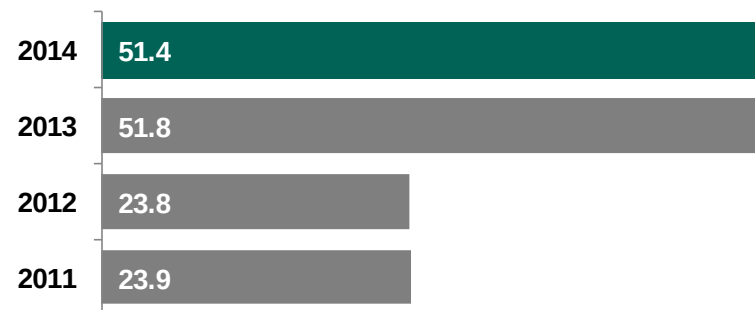
NPAT (\$m)

↑ + 48%
on FY13



Cash EBITDA (\$m)

↓ - 1%
on FY13



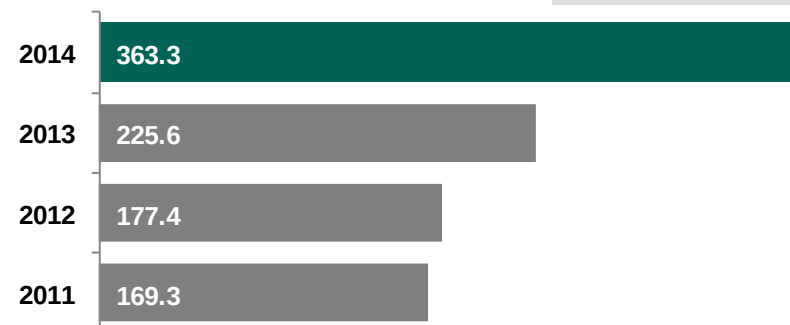
Dividend Per Share (¢)

✓ Dividend
of 3¢



NTA (\$m)

↑ + 61%
on FY13



Operational Results

Total Estate Size at 30 June (Ha)

 **+ 19%**
on FY13



TFS Owned Estate¹ at 30 June (Ha)

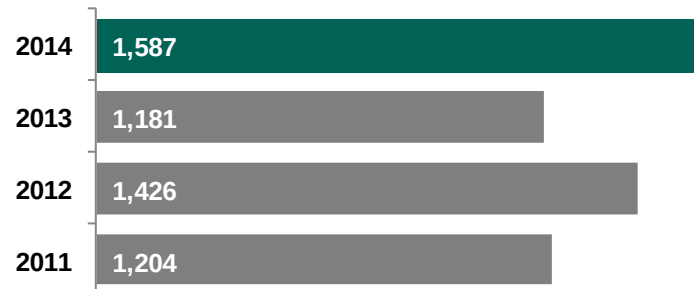
 **+ 52%**
on FY13



Note 1: TFS Owned = direct ownership plus effective indirect ownership

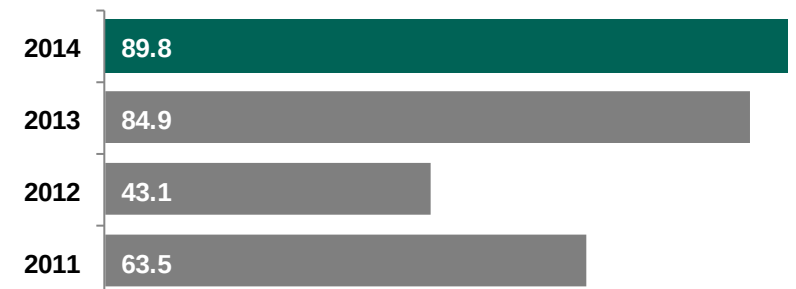
Total New Plantings (Ha)

 **+ 34%**
on FY13

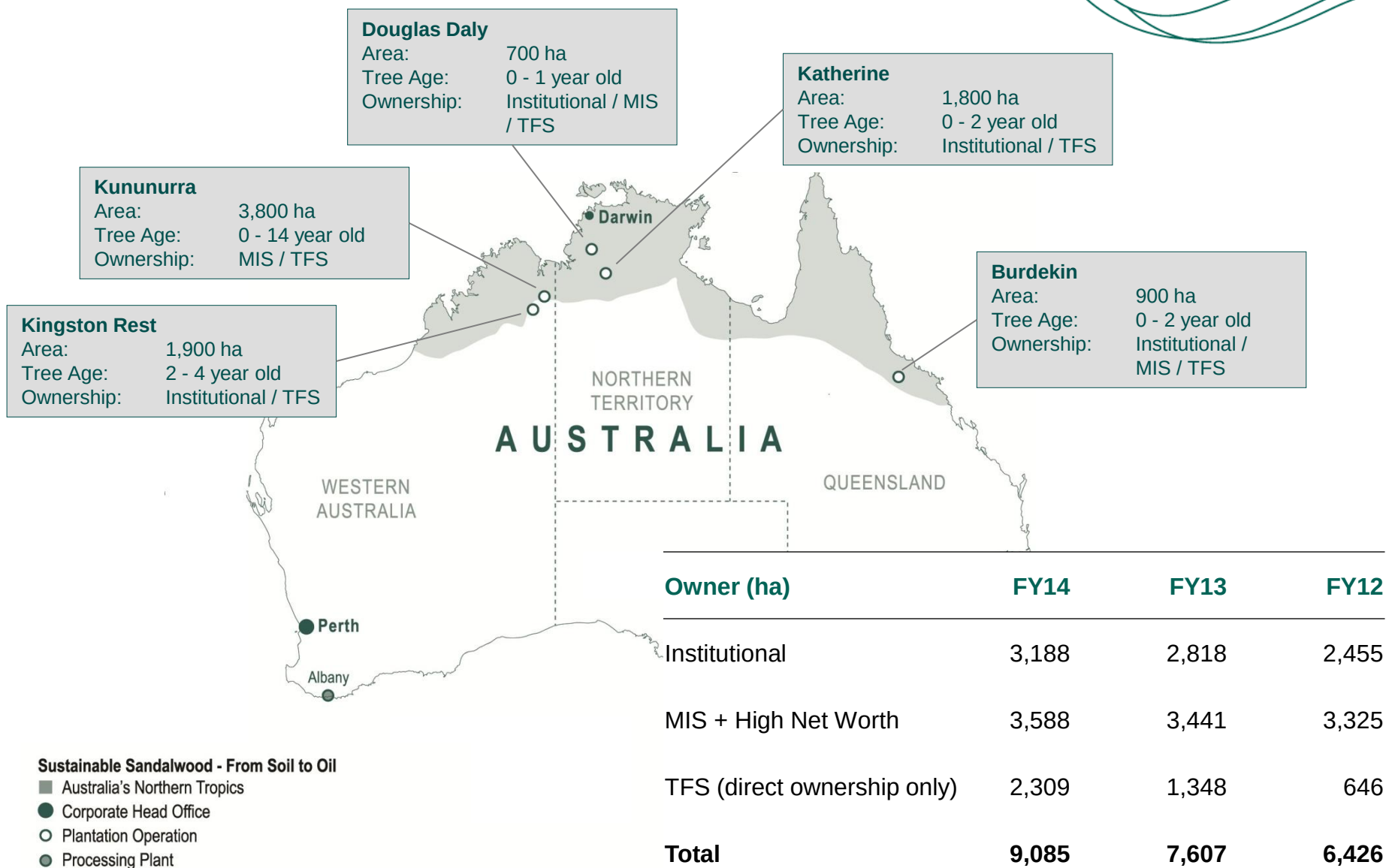


Financial Product Sales (\$m)

 **+ 6%**
on FY13



Plantation Assets



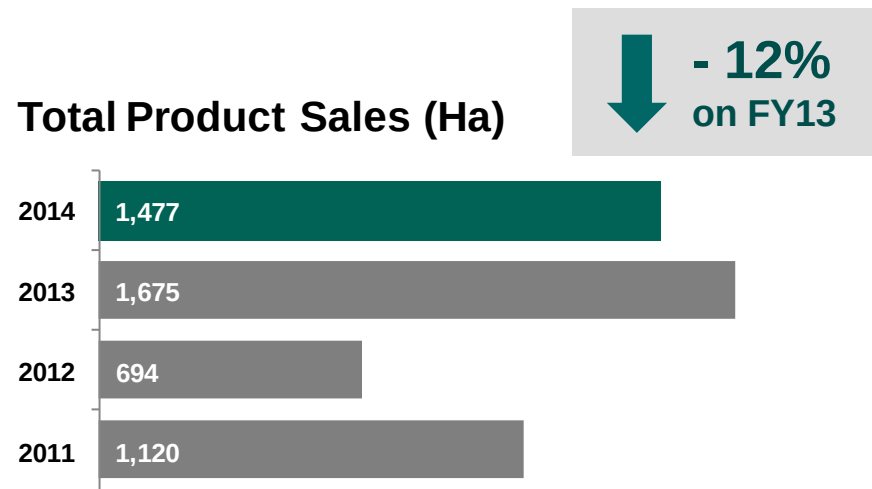
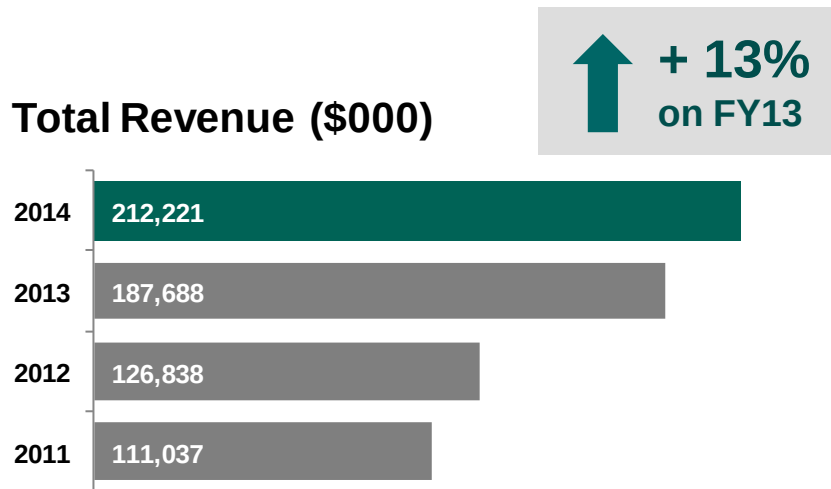
Biological Asset Valuation

- Biological assets increased to \$348m, up 82% on FY13, reflecting increased investment in direct tree ownership and increased tree maturity
- Directly owned plantations increased by 71% to 2,309ha mainly due to the acquisitions of 354ha in July 13 from retail growers and 364ha in June 14 from an institutional grower
- No changes were made to TFS's valuation methodology in FY14

Key Assumptions	Assumption at 30 June 2014	Comments
Number of TFS owned trees	1,015,485	From annual inventory count
Expected heartwood at harvest	TFS projections	Based on extensive TFS and industry research
Oil content	3.7%	Based on research and actual results
Oil price	US\$2,500	Based on latest public ledger – not inflated FY14 oil sales: average of AU\$4,742
FX	US\$0.93c : AU\$1.00	Actual at 30 June 2014
Harvest and processing costs	\$16,000 per kg and \$207 per kg of oil	Expected costs inflated at 3.0% pa
Discount rate	12-14%	Rate applied is dependent on tree age

Revenue Up 13%

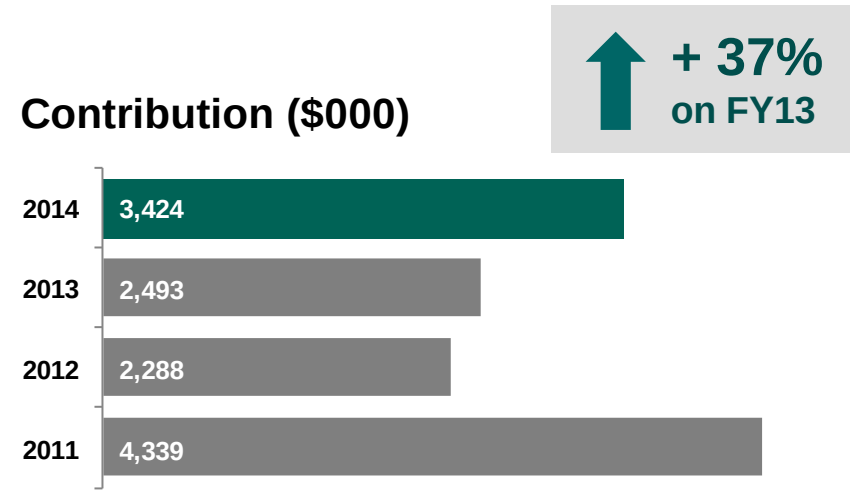
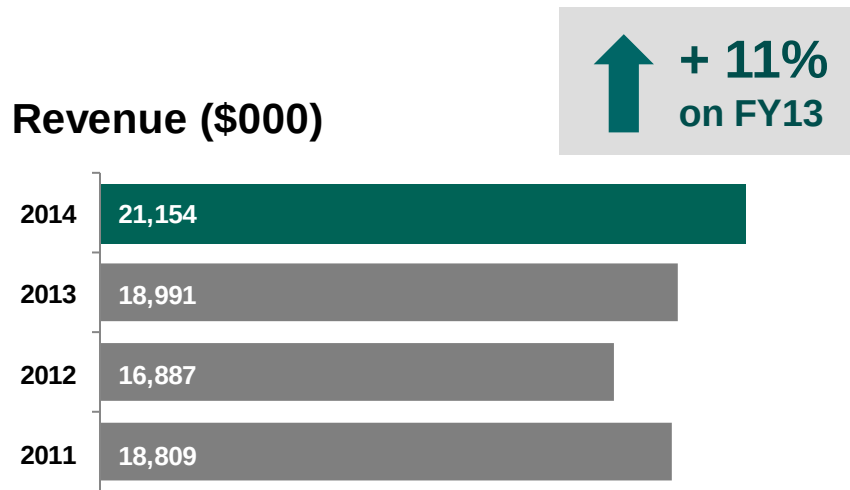
- Total revenue up 13% to \$212m primarily due to higher sales and services (\$116m, up 30%) and the revaluation (SGARA) of TFS's biological assets (\$65m¹, up 3%)
- FY14 financial product sales increased by 6% due to a more accretive mix - average establishment fee increased by 21% and volume of hectares sold decreased by 12%
- Strong pipeline of financial product sales for FY15



Note 1: Being the gains on revaluation of plantations (\$63.3m) and settlement of trade debtors (\$1.3m)

Mount Romance ("MRA") Processing Facility

- Increasing contribution from MRA due to the first sales of oil from TFS grown trees
- Indian sandalwood oil sales in FY14 totalled 514kg with no sales in FY13
- Both sales and contribution from MRA are expected to increase strongly in FY15
 - Sales of Indian sandalwood expected to more than double



Higher Operating Costs

- Increase in plantation costs (up 47%) due to increase in owned plantations (up 71%)
- Salary costs up 19% due to investment in human resources
- Benefits of scale expected to be evident in FY15 as TFS has invested ahead of the growth curve to maintain its industry leading forestry capability

Plantation Expenses (\$m)



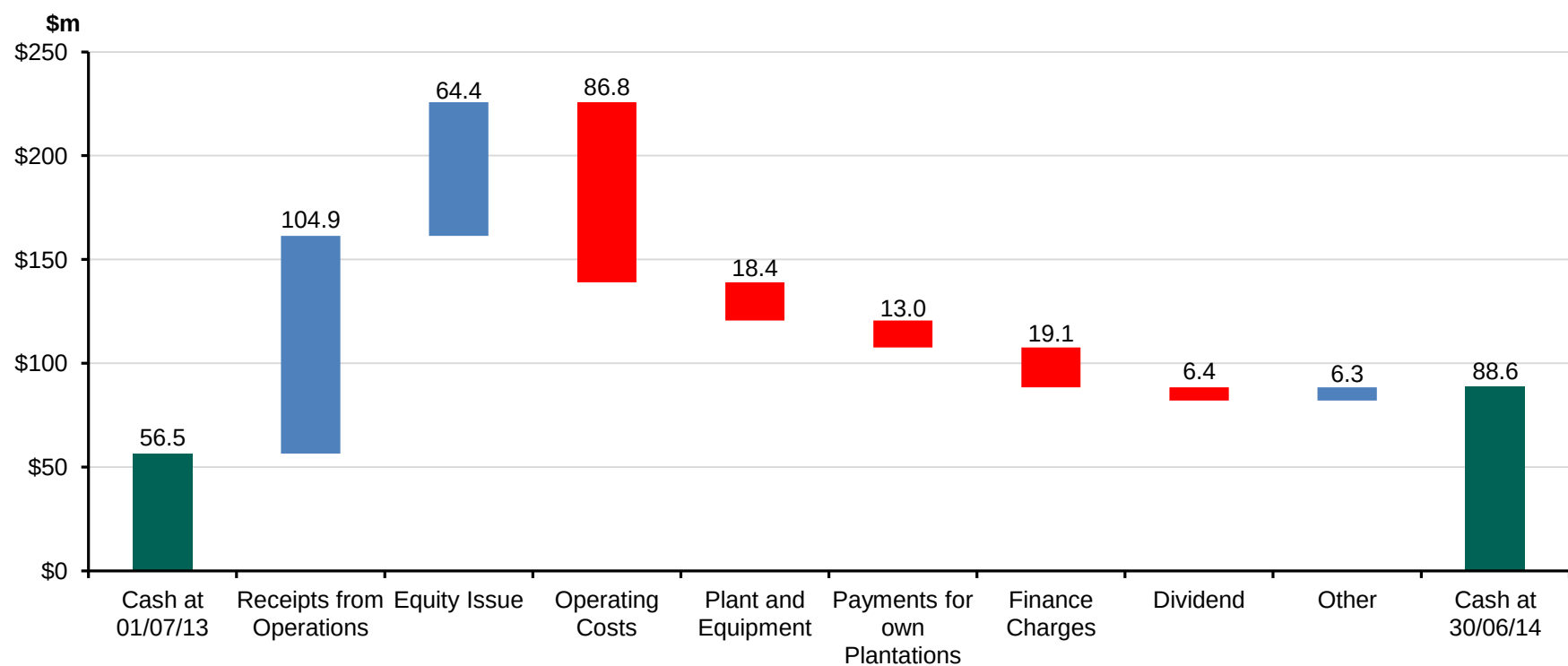
 **+ 47%**
on FY13

Corporate Costs (\$m)



 **+ 1%**
on FY13

Cash-Flow



Sources of Capital

- Gearing ratio (net debt / equity + net debt) reduced to 13.1% (FY13: 24.9%)
 - Settlement of tree and land acquisition occurred in July (\$35m) – gearing ratio at 30 June 14 is 18.5% after adjusting for this transaction
- TFS's debt funding is US\$150m of 11% senior secured notes (issued in 2011) with a maturity date of July 2018
- From July 2015, some or all of the notes can be redeemed at a premium of 8%, the premium reduces further to 4% from July 2016
- High yield bond market has recently seen record levels of issuance at historically low levels of interest
- During FY15, TFS will assess the refinancing of the corporate bond, taking into consideration cost and expected capital requirements

Section 3:

BUSINESS UPDATE



Strategic Overview

- TFS is a vertically integrated business that creates value by participating in the "soil to oil" cycle
- The supply and demand characteristics of the Indian sandalwood market continue to move in favour of TFS - both demand for wood and, in particular, oil and TFS's share of supply are increasing
- Developments in 2014, in particular the contract for pharmaceutical oil at US\$4,500 per kg with Galderma, point to an enhanced value chain of soil to oil - to skin
- TFS intends to continue to increase its direct ownership of trees, by both establishing new plantations and acquiring established plantations



Sale of First MIS Harvest

- TFS has conducted a public tender to achieve the highest practicable price for EKS growers
- Expressions of interest received from 40 parties from 7 countries
- 42 bids received from 6 different bidders across the 8 tender lots
- TFS was the winning bidder for all 8 lots with bids on average 10% greater than the next highest bid
- Implied price in the winning bids of AU\$100 per kg of heartwood
 - Immediately prior to harvest, TFS's biological assets are valued at AU\$92 per kg of heartwood
 - Original EKS prospectus estimated a sales price of US\$43 per kg
- TFS has also acquired the EKS retainer block, with estimated heartwood of 88t for \$8.4m



Strong Sales Pipeline for FY15

- Good progress with financial product sales up 6% from a broader investor base
 - Sales to high net worth investors up 33%, with untapped demand identified for FY15
 - Two new Beyond Carbon investors – institutions from UK and Australia
 - Institutional sales down 12% but average establishment fee up 34%
- Performance fee income will be a significant source of future value creation
 - TFS earns a performance fee on all Beyond Carbon and high net worth sales
 - No value attributed to this future income stream in the FY14 results
- Continued evolution of products in FY15
 - Put options included in certain FY14 products - to reduce the investment risk and provide TFS with a potential path to increased tree ownership
 - Opportunity to increase establishment fees in FY15
- Strong pipeline of demand for FY15
 - FY14 sales did not include sales to either of TFS's original institutional investors
 - Both investors intend to exercise options in FY15 – one conditional agreement for 545ha already signed
 - Strong interest from high net worth individuals in Australia

Forestry Results

- Annual inventory count completed in June and included in FY14 results
- Total trees managed by TFS of 3.9m (FY13: 3.3m)
- Good survival rate of 92% for 2013 plantings
- Low annualised mortality of < 1%



Continuing Forestry Improvement - Planting

- Largest ever planting year in FY14 with 1,587ha established, up 34% on FY13
- New tree guards allow hybridised broad-acre spraying machinery to be used in the plantations – significantly reducing spraying costs and the volume of herbicide required
- Guards also provide a micro environment that protects the seedlings during the crucial period after transplanting



Continuing Forestry Improvement - Seedlings

- Since 2009 TFS has invested in clonal seed orchards with a view to improving the quality of the seedlings used in plantings
- In 2009 progeny from select trees were established in a controlled trial at TFS's Chapman plantations. Measurements in 2013 indicated that progeny from selected trees were 18% larger in diameter than the control group
- Seed orchards provided their first significant harvest in FY13
- Around 50% of sandalwood seedlings in FY14 were genetically selected (compared to c10% in FY13)



Significant Potential of Pharmaceutical Market



- Unique botanical substance with multiple clinically important dermatological attributes:
 - Anti-inflammatory (acne, eczema/dermatitis and actinic keratosis)
 - Anti-bacterial (acne, eczema, wound care)
 - Anti-fungal (toenails, athletes foot, dandruff, eczema)
 - Anti-proliferative (actinic keratosis, skin warts)
- Several products being developed by Santalis Pharmaceuticals Inc (TFS: 50% equity)
 - FDA Phase II clinical studies initiated for prescription uses for eczema (pediatric), actinic keratosis and acne
- US based ViroXis Corporation Inc is developing anti-viral products
 - TFS has options over 7% of ViroXis for US\$1.5m
 - First OTC product licensed to Galderma (targeting near term launch in USA)
 - FDA Phase II completed for prescription drug candidate for HPV/ warts
 - Initiating FDA pediatric Phase II study for molluscum contagiosum

Supply Agreement with Galderma

- In February, a landmark deal was finalised with global dermatology leader Galderma, wholly owned by Nestle, for the supply of pharmaceutical grade oil
- Long-term supply agreement for TFS pharmaceutical grade oil at a price of US\$4,500 per kg
- Galderma has the potential to consume a large proportion of TFS's future oil
 - Total orders to date of 470 kg (AU\$2.3m)
 - Wood acquired from EKS growers is likely to be sold to Galderma as pharmaceutical grade oil in H2CY15
- First consumer product launch planned in the near term for a number of OTC products
 - Global launches expected to follow



Strong Core End Markets

- TFS has strong demand from its core end markets in China, India and Europe/USA for its range of natural and sustainable wood and oil products
- From FY15 TFS will supply oil to European fine fragrance and Chinese body care markets
- From FY16 TFS expects to commence supplying Chinese wood market with its superior wood manufacturing logs – none available from early harvests
- These markets will bid for product at pricing equal to or in excess of pharmaceutical market



Strategic Priorities for FY15



- Continue to expand direct ownership of plantations
- Continue development of new end markets
- Continue development of pharmaceutical products and partners
- New institutional investors in Beyond Carbon
- Develop plans for NT as a long-term operational hub
- Build land bank for establishment of medium and long term plantations
- Review refinancing of the bond – significant opportunity
- Continue Board refresh and expansion

Guidance for FY15:

- NPAT: at least \$70m
- Cash EBITDA: improvement of 10% on FY14
- New planting of 1,500ha

Business Update – September 2014

- **Sale to fine fragrance market** – initial sale of 50kg of oil at US\$4,750 per kg to a leading company in the fine fragrance sector
- **Pharmaceutical product marketing launch** – launch for media and the dermatology industry is scheduled for Q4CY14 in New York
- **Settlement from institutional investor** – first tranche of investment by significant UK institution in Beyond Carbon product has settled ¹
- **Increasing prices in traditional markets** – recent independent expert's analysis of auction results in India reported record prices for Indian sandalwood heartwood. Price per tonne has increased from A\$5,100 in 1991 to over AU\$150,000 in 2014 ²

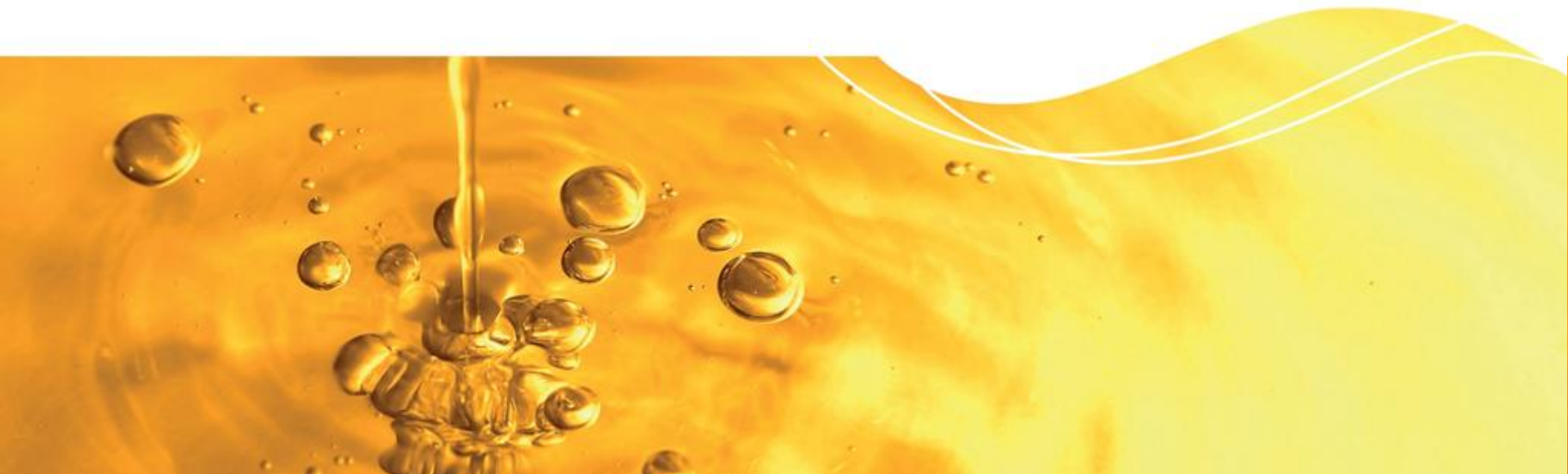
Note 1: Full breakdown of historical Beyond Carbon sales included in Appendix, page 32

Note 2: Source – H. S. Anantha Padmanabha, Expert Market Report, September 2014

Q&A



APPENDIX



Historical Financial Results

(\$m)	FY14	FY13	FY12	FY11
Total revenue	212.2	187.7	126.8	111.0
Net profit after tax	82.5	55.7	25.9	20.2
EBITDA	140.1	101.0	55.0	33.0
Earnings per share	28.9c	19.9c	9.3c	8.4c
Cash operating revenue	135.1	121.7	88.4	91.0
Cash net profit after tax	18.7	21.3	6.6	13.8
Cash EBITDA	51.4	51.8	23.8	23.9

Historical Beyond Carbon (“BC”) Sales

- Total BC sales, accounted for and audited in accordance with AASB118, of 4,405ha
- One institutional investor has defaulted since 2009 – as TFS has security over the underlying plantation assets, TFS’s direct tree ownership increases in event of default

Beyond Carbon Project	Size (ha)	Year in which sale recognised	Year in which cash received
Project 1	378	FY09 and FY10	FY11
Project 2	186	FY10	FY11
Project 3	178	FY11	FY11 and FY12
Project 4	80	FY10 and FY11	FY12
Project 5	304	FY10 and FY11	Investor defaulted - now TFS owned biological asset
Project 6	322	FY11	FY11
Project 7	410	FY10 to FY12	FY13
Project 8	118	FY11 and FY12	FY11
Project 9	580	FY12	Investor defaulted - now TFS owned biological asset
Project 10	238	FY13	FY14
Project 11	181	FY13	FY14
Project 12	104	FY13	Expected to cash settle in FY15
Project 13	595	FY13	FY14
Project 14	223	FY14	Expected to cash settle in H1FY15
Project 15	108	FY14	FY15
Project 16	400	FY14	Expected to cash settle in H1FY15
Total	4,405		