



TFS Corporation Ltd **2015 AGM**



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A Year of Excellent Progress

- ✓ Financial performance exceeded guidance
- ✓ Strong growth in cash-flows from operating activities
- ✓ Total estate now at 10,583ha with over 1,500ha of new plantings in FY15
- ✓ Completion of second harvest and acquisition of all grower owned wood
- ✓ Acquisition of pharmaceutical product partners, Santalis and ViroXis
- ✓ Development of pharmaceutical market – successful launch of Benzac® in the US
- ✓ Corporate transformation with new Board and new auditor, Ernst & Young

Strong Financial & Operational Results

NPAT

\$113.0m

YOY CHANGE

+37%

CASH EBITDA¹

\$57.5m

+12%

TOTAL ESTATE

10,583ha

+16%

PLANTATION SALES

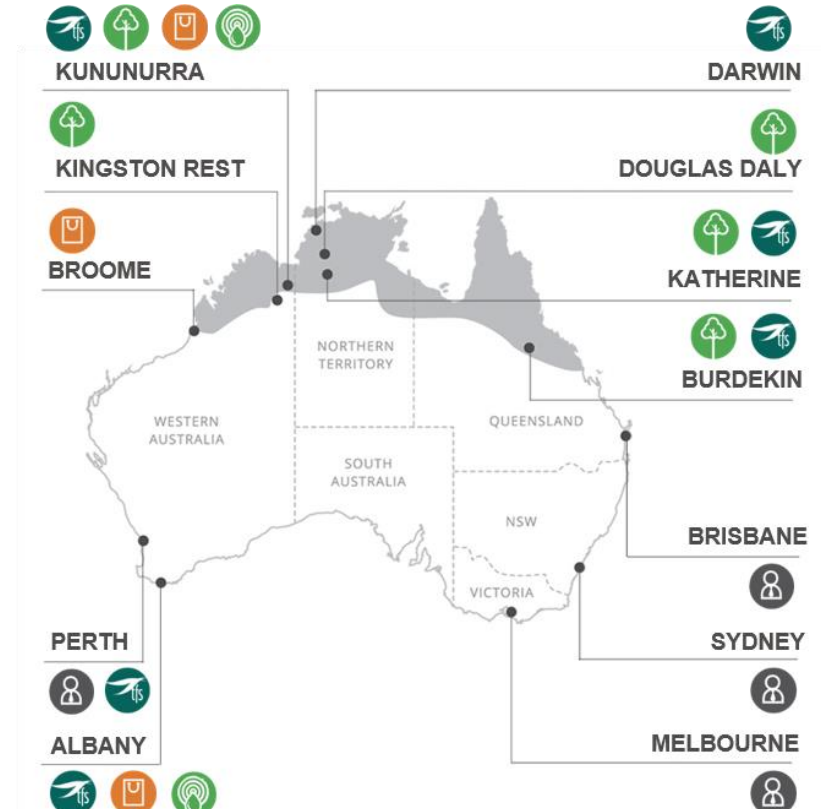
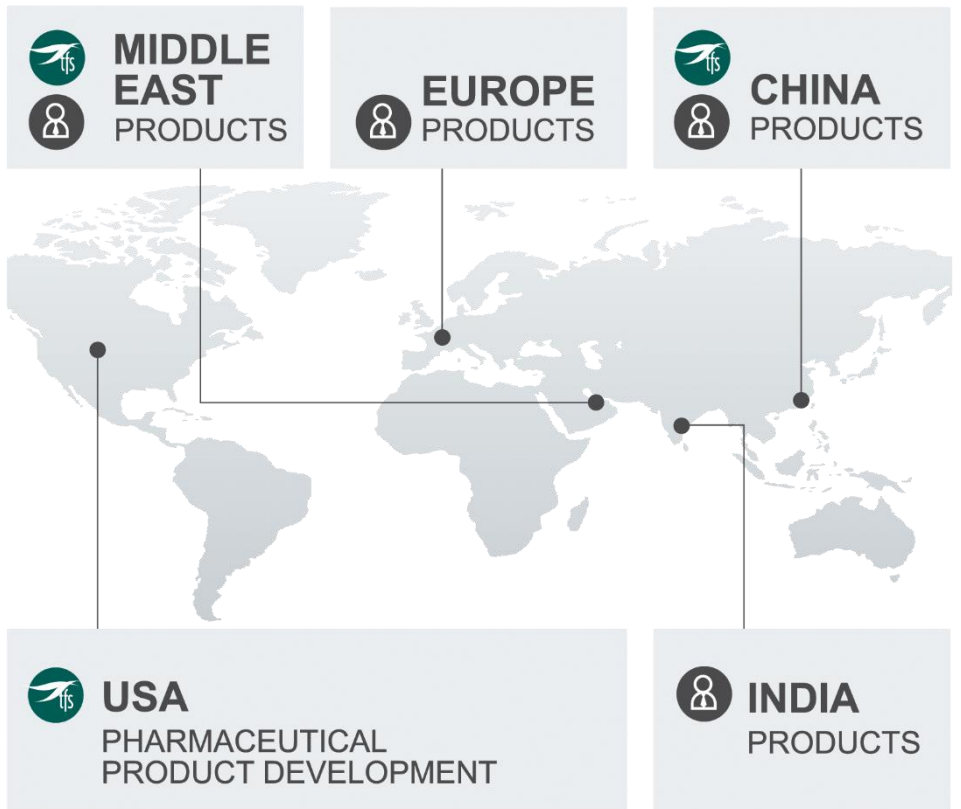
1,533ha

+4%

- FY15 fully franked dividend of 3.0c per share (FY14: 3.0c per share)

Note 1: As in previous years, Cash EBITDA equals EBITDA less the revaluation of biological assets, revenue from the recognition of deferred lease and management fees and unrealised foreign exchange movements

A Vertically Integrated and Global Business



TFS Office



Sales Representation



Plantation Operation



Processing Plant



Retail Outlet



TFS Corporation Ltd

Robust Operational Performance

- Annual independent inventory count and measurement completed in June and included in FY15 results
- Total estate includes over 4.5m Indian sandalwood trees
- Good first year survival rate of 91% for the 2014 plantings
- Low annualised mortality of under 1% for trees aged between 2 and 15 year
- Continued evidence of improved performance in modern plantations, due to improved site selection, enhanced irrigation and host strategies and genetically selected seedlings
- Upgrade work on Kingston Rest Dam receives award for Engineering Excellence and nominated for Exemplary Risk Management in 2015



Completion and Sale of Second Harvest

- Second annual harvest of trees planted in 2000 completed in May 2015
- Following a global marketing campaign, TFS acquired the grower owned wood for A\$123 per kg of heartwood
- Price per kg was broadly in line with TFS book value and up on last year, reflecting the growing value of Indian sandalwood
- Harvest yielded around 31t of heartwood – in line with expectations



PLANTATION-GROWN INDIAN SANDALWOOD

Trusted Australian supplier Tropical Forestry Services Ltd is selling premium, legal *Santalum album* logs & butts.

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Supply to Diverse & Global End Markets

- Processed wood to Chinese jewellery, carving and fine furniture markets – expect to enter into supply agreements in H1 CY2016 at a price at or above US\$4,500 per kg (oil equivalent)
- Oil to Chinese cosmetics and healthcare markets – expect to enter into supply agreements in H1 CY2016 at a price at or above US\$4,500 per kg (oil equivalent)
- Oil to US drug market – Acne OTC – “Benzac was successfully launched this year into the US market, the largest teen acne market in the world. Awareness of the brand is growing fast and Galderma is supporting it in 2016 with a full marketing plan” Miles Harrison, Vice President & General Manager, Galderma US Self-Medication Business, in November 2015
- Oil to European cosmetics and fragrance markets – increasing supply to cosmetics market, in particular, with some supply at historical prices under a legacy contract
- Oil to global pharmaceutical market – Eczema OTC product – product ready for commercialisation, discussions with potential partners are on-going, with oil priced at or above US\$4,500 per kg
- Oil to global pharmaceutical market – Warts OTC product – product ready for commercialisation, discussions with potential partners are on-going, with oil priced at or above US\$4,500 per kg
- Oil to US veterinary market – soft launch of products for pets launched this month, with oil priced at US\$4,500 per kg

Acquisition of Pharmaceutical Partners

- Acquisitions of Santalis and ViroXis were completed in July 2015
- Transactions have a clear strategic rationale –
 - Extend TFS's vertically integrated business
 - Provide direct control of the companies exclusively developing and selling dermatology products containing TFS's oil
 - Allow the acceleration of the development of sandalwood-based dermatological products
 - Provide a direct contractual and operational relationship with pharmaceutical majors
- These acquisitions are expected to deliver significant value from (i) increased oil sales to the global pharmaceutical market, and (ii) the ownership of a valuable portfolio of drug products with strong licensing and royalty potential



Dr Paul Castella

Santalis Pharmaceuticals

East Indian Sandalwood is one of nature's rare and ancient healers. Now, sustainably grown in a rehabilitated forest, the oil is extracted using renewable energy, resulting in the world's only therapeutic grade of East Indian Sandalwood Oil.

This exceptional ingredient, which is reported to have gentle anti-bacterial and anti-inflammatory properties, is the secret to our clinically proven acne-fighting formulas, designed to help give you clear and healthy skin.

Drug

Active In

Salicylic

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Warnings

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Stop Use

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GALDERMA

BENZAC[®]
ACNE SOLUTIONS

Skin Balancing
Foaming
Cleanser

With calming and
soothing East Indian
Sandalwood Oil

0.5% Salicylic Acid
6 FL OZ (177 mL)

1
CLEANSE

A Unique and Valuable Drug Substance

- TFS has extensive scientific and clinical data demonstrating the unique properties of EISO¹ as a candidate drug substance:
 - Peer reviewed scientific journal publications related to mechanism of action
 - Peer reviewed medical journal publications related to clinical efficacy
 - Three FDA Phase 2 studies (under the 2 FDA IND²s allowed to date)
 - Clinical safety testing
- EISO has demonstrated a range of properties highly suited to use in dermatology:
 - Anti-infective (acne, eczema, MRSA, oral mucositis)
 - Anti-inflammatory (acne, eczema, psoriasis, oral mucositis, actinic keratosis)
 - Anti-proliferative (psoriasis, skin warts, actinic keratosis)
 - Highly favourable safety profile (improves utility in pediatric and chronic use)
- Natural, sustainable qualities of TFS's EISO are highly positive for OTC³ and retail healthcare marketing

Note 1: EISO = East Indian Sandalwood Oil;

Note 2: IND = Investigational New Drug

Note 3: OTC = Over-the-counter product

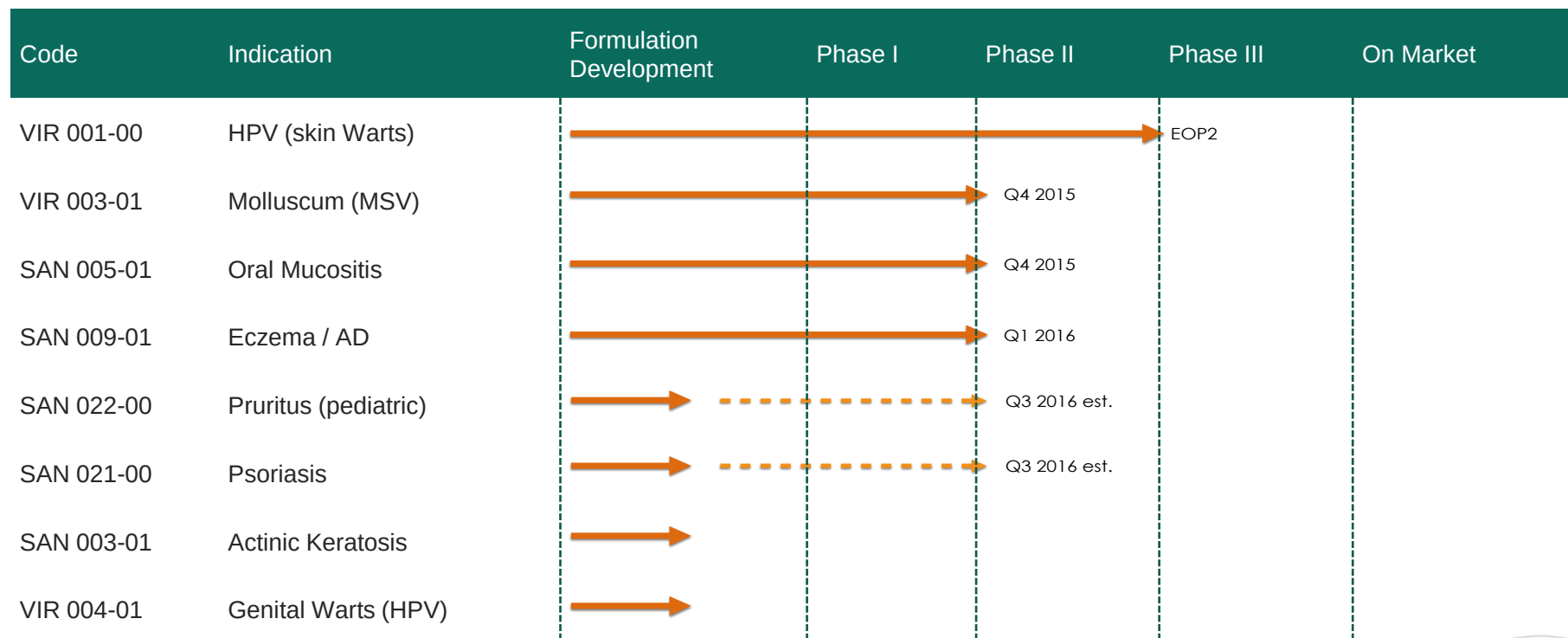
Pharmaceutical Market Opportunity

- TFS is pursuing a high speed-to-market and lower-cost commercialization strategy:
 - Immediate OTC/ retail strategy (i.e: Galderma's Acne treatment products)
 - Utilize efficiencies of FDA botanical guidelines due to the sustainability, safety record, and the quality and consistency of TFS's EISO product
 - Dermatology approval process for majority of Rx¹ products
- The development of TFS's pharmaceutical and healthcare portfolio provides significant revenue and value creation opportunities for TFS's shareholders:
 - Creates long term, high value demand for EISO in the OTC and Rx drug markets
 - Royalties from drug product licenses add significant margin upside for TFS
 - A portfolio of on-market and development stage drug products is of significant intrinsic value

Note 1: Rx = Prescription drug

Pharmaceutical Product Pipeline

- TFS has a portfolio of Rx drugs under development to complement its OTC portfolio:
 - HPV skin warts is post-Phase 2 and a Phase 3 strategy is being developed
 - Molluscum and Oral Mucositis FDA IND Phase 2 studies are underway
 - A Phase 2 IND for Eczema is being readied for submission
 - Additional programs for Psoriasis, MRSA and AK are in development



Example Development Opportunity: Psoriasis

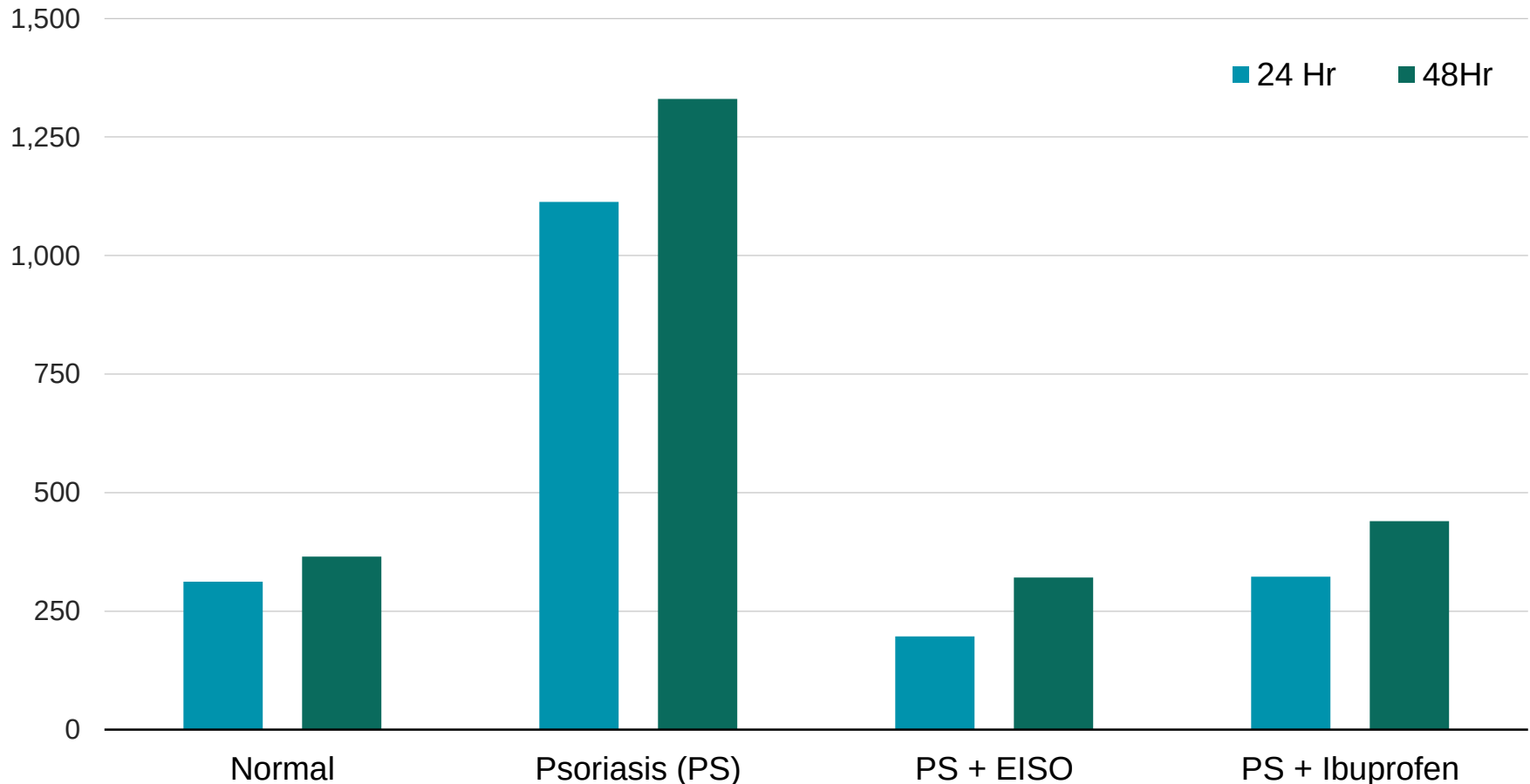
- Psoriasis is an autoimmune disease characterized by abnormal patches of skin, often red, itchy and scaly
- Approximately 7.5 million Americans suffer from Psoriasis¹ (up to 125m worldwide)
- Psoriasis is characterized by inflammation and hyper-proliferation (thickening) of the skin
- Psoriasis is not curable, instead treatments aim to reduce the symptoms
- Most treatments are ineffective and have significant side effects
- New biologic therapies target specific inflammatory agents such as IL-17 but are typically expensive, have side effects, and are administered systemically or by local injection
- The Psoriasis drug market is expected to be worth US\$8.9 billion in 2018²
- There remains a significant unmet need for a safe, topically applied drug that can reduce inflammation and the associated hyper-proliferation in psoriatic skin

Note 1: Psoriasis Foundation

Note 2: 2015 Vision Gain report: Psoriasis Treatment: World Drug Market 2013-2023

Psoriasis: Efficacy of Sandalwood Oil

- Example of research data generated in collaboration with researchers at the University of British Columbia, Vancouver



IL-8 expression in normal (C) and psoriatic (PS) skin models treated with EISO (90μM) or Ibuprofen (90μM)

A wide-angle photograph of a vast agricultural field under a bright blue sky with scattered white clouds. The field is filled with rows of young plants, each protected by a small white plastic cup. The soil is a rich, dark red color. In the foreground, a person wearing an orange long-sleeved shirt, blue shorts, and a blue cap is walking along one of the rows. The rows of plants stretch far into the distance, creating a strong sense of perspective. A dense line of green trees marks the horizon.

Strategy and Outlook

Launch of Buy Back of Grower Trees

- TFS will shortly issue offers to acquire the interests of growers in the 2000 MIS project (which is due to be harvested in 2016)
- TFS's offers will provide growers with an option to sell ahead of harvest at an arms length cash price, based on audited accounts lodged with ASIC in October 2015
- The acquisition of growers interests is expected to be accretive for TFS – and increase TFS's control of the near term supply of Indian sandalwood
- This buyback programme will have a total cost to TFS of around \$13m, assuming 100% acceptance
- Grower interests not acquired will be sold at tender in Q3 CY2016, in line with the completion timing of the 2014 and 2015 harvests



Priorities for FY16

- Extend TFS's ownership of Indian sandalwood plantations – launch of buyback of grower plantations
- Manage operational expansion to successfully harvest > 300 tonnes of heartwood
- Enter Chinese wood and oil markets and finalise supply agreements with pricing at or above US\$4,500 per kg in H1 CY2016
- Increase supply to cosmetic and fine fragrance markets
- Progress pharmaceutical product development – finalise new licence deals for further OTC products and advance trials for initial Rx product
- Build revenue from plantation sales, including adding new institutional and international high net worth investors – sale of 207ha to Commissioners of Church of England settled this week (\$13.5m)
- Consider refinance of the senior secured notes which mature in mid-2018

Guidance for FY16:

Cash EBITDA: increase of 5%
to 10% on FY15

New planting of c1,500ha



Q&A