



ASX Release

29 August 2014

TFS achieves record full year profit of \$82.5m

- *Record full year net profit after tax of \$82.5m, up 48% on FY13*
- *Total plantation estate of 9,085ha, up 19% on FY13*
- *TFS plantation ownership increases to 3,167ha, up 52% on FY13*
- *TFS acquires grower wood at tender for c\$100 per kg of heartwood*
- *Supply agreement for pharmaceutical grade oil with Galderma, a leading global dermatology company*
- *Dividend declared of 3c per share fully franked*

The Board of TFS Corporation Limited ("TFS", "the company", ASX: TFC), the world's largest owner and manager of commercial Indian sandalwood plantations, today announced a record Net Profit After Tax of \$82.5m for the year ended 30 June 2014. The company also announced that its direct and indirect ownership of plantations had increased by 52% to 3,167 hectares.

Frank Wilson, Chief Executive Officer, said: "This has been a transformational year for TFS. The record financial results are evidence of the significant progress we have made across all areas of the business. Importantly, we are executing on our strategy to increase our ownership of the plantation assets and I am pleased to report that TFS now owns almost 3,200 hectares of valuable Indian sandalwood plantations."

"TFS is confident that shareholders and investors will continue to benefit from recent successes such as the landmark deal to supply pharmaceutical grade oil to Galderma at US\$4,500 per kg. While Galderma has the potential to consume a large proportion of TFS's future oil, we also expect strong demand from core end markets in China, India and Europe for a range of natural and sustainable wood and oil products. Indeed, we expect these markets to bid for our products at pricing equal to or in excess of the pharmaceutical market," Mr Wilson said.

Financial highlights

- Net profit after tax of \$82.5m, a record result, 48% up on FY13 and ahead of guidance.
- Cash EBITDA of \$51.4m, down 1% and in line with guidance.
- Basic EPS of 28.9c, up 45%.
- TFS owned plantations (direct and indirect) of 3,167ha, up 52%.

- Completion of institutional equity placement of \$67.2m in May 2014.
- Improved financial leverage with gearing (debt / equity + debt) at 13.2%, from 24.9% in FY13.
- Fully franked dividend announced of 3.0 cents per share, same as FY13.
- Guidance for FY15: NPAT of at least \$70m and cash EBITDA to increase by 10% on FY14.

Operational highlights

- Total plantations under management of 9,085ha, up 20% on FY13.
- A record 1,587ha of new plantations established in FY14, up 34%.
- New supply agreement with Galderma, a leading dermatology company, for Indian sandalwood pharmaceutical grade oil at a price of US\$4,500 per kg.
- First pharmaceutical products, using TFS's pharmaceutical grade oil, to be launched by Galderma in the USA in the near term.
- Diversification of institutional customer base - FY14 sales to two new institutions with the original institutional investors expected to exercise options to invest again in FY15.
- Harvest of the Company's original plantation, the East Kimberley Sandalwood plantation ("EKS") which was established in 1999.
- Grower-owned wood from EKS plantation acquired by TFS for a price of c\$100 per kg of heartwood.
- Continued investment in operational capability and human resources to maintain industry leading forestry practices.

Outcome of sale of grower wood

TFS also announces the results of the public tender to sell the wood harvested from its first commercial plantation, EKS, established in 1999. This harvested produce is owned by the MIS investors in the EKS project. TFS has acquired the wood following a public tender process, which received 42 bids from 6 different bidders across the 8 tender lots. The majority of the bidders were from India and the Middle East. TFS's bids valued the heartwood at c\$100 per kg and its bids were, on average, 10% higher than the next highest bid.

Mr Wilson said: "I am pleased to report the results of the sale of the harvest from TFS's first commercial plantation. The tender process has secured for growers a price per kg of heartwood that is more than double that anticipated in the original prospectus. As we have previously disclosed, the overall investment performance of EKS has been disappointing due to higher than expected tree mortality and poor quality trees in this pioneering plantation. Investors in subsequent plantations are likely to enjoy superior returns due to increasing prices for Indian sandalwood and significantly higher yields."

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ABOUT TFS

TFS Corporation Ltd ("TFS", ASX: TFC) is an owner and manager of Indian sandalwood plantations in northern Australia. As part of its vision to be a vertically integrated producer of sandalwood products, TFS owns a significant proportion of the plantations in its own right. TFS also operates a sandalwood processing and oil distribution facilities from Albany, Western Australia.

TFS was originally founded to exploit the success of government trials into the plantation growth of Indian sandalwood in the Ord River Irrigation Area (ORIA) of north-east Western Australia.

TFS now manages the largest area of Indian sandalwood plantations in the world, with approximately 9,000 hectares planted of which TFS owns directly and indirectly nearly 3,200 hectares. TFS plantations are managed on behalf of both institutional, high net worth and MIS investors.

in 2014, TFS completed its first commercial harvest of its Indian sandalwood plantations and, via its 50% subsidiary Santalis Pharmaceuticals Inc., entered into a supply agreement for pharmaceutical grade oil with Galderma, a leading global dermatology company.

The company listed on the Australian Stock Exchange in December 2004. Since March 2014, TFS has been an ASX300 company.

TFS is committed to adopting and maintaining the highest environmental and ethical standards in all aspects of its business.

ABOUT INDIAN SANDALWOOD

Indian sandalwood has a history as a tradeable commodity spanning thousands of years, but is now endangered due to the illegal harvest of wild trees throughout the world. As a result, Indian sandalwood is the world's most expensive tropical hardwood and continues to increase in price each year. The price of its heartwood has risen at a compounded rate of over 15% per annum since 1990.

Indian sandalwood oil is a globally important ingredient in fine fragrances, cosmetics and toiletries, Indian consumer products and for medicinal purposes (Ayurvedic and Chinese medicine) and the wood is used for high quality carvings and artefacts and religious worship in the Hindu and Buddhist faiths. The efficacy of Indian sandalwood is being tested by US dermatology companies and the global pharmaceutical market has the potential to be a significant consumer of Indian sandalwood oil.