

ASX Release

1 December 2014

Unaudited results for the three months to 30 September 2014

TFS Corporation Limited ("TFS", ASX: TFC), the world's largest owner and manager of commercial Indian sandalwood plantations, today reported a net profit after tax ("NPAT") of \$18.6m for the quarter ended 30 September 2014, compared to a loss of \$5.1m in the prior corresponding period.

The first quarter results confirm the Company's guidance of at least \$70 million NPAT and a 10% increase in cash EBITDA for the current financial year. The result was a record profit for the first quarter of a financial year, driven primarily by the revaluation of the Company's biological assets due to increased plantation size and a lower Australian dollar.

TFS CEO Frank Wilson said: "This is a pleasing result as it illustrates the benefits of both increased plantation ownership and the declining value of the Australian dollar. Virtually all of TFS's sandalwood oil and wood sales are denominated in US dollars and so TFS derives substantial benefit from a lower AUD:USD rate."

Mr Wilson also noted that the vast majority – about 90 per cent – of TFS's financial product sales typically occur in the June quarter.

"As a result, our earnings generation reflects a high level of seasonality which is heavily weighted to the last quarter of the financial year," he said.

"Although the first quarter financials traditionally have very little bearing on TFS's full year results, it was encouraging that our Mt Romance operation significantly increased its contribution to cash EBITDA with a record \$1.1m EBITDA for the quarter, compared to \$0.2m in the prior corresponding period. This reflects the growing contribution of oil and wood sales to TFS's earnings, a trend that will accelerate in the next few years as harvest volumes increase.

"Looking forward, TFS expects a key feature of the coming quarters to be strong cash generation. We have already received settlement on plantation sales made in June 2014 from both institutional and high net worth customers, and expect to receive additional settlements in the short term. Importantly, we are also significantly more advanced with new institutional sales compared to prior years."

Mr Wilson said TFS's previous decision to make a \$36.6m investment in the purchase of additional established plantations had settled in the first quarter. The investment is consistent with the Company's strategy of prudently applying excess cash reserves to greater tree ownership.

The key highlights of the unaudited results for the three months to 30 September 2014 included:

- NPAT of \$18.6m, up from a loss of \$-5.1m in FY14
- Cash EBITDA of \$-6.2m, down from \$-4.8m in FY14 as costs of managing increased TFS-owned plantation area increased

- Settlement of TFS's June 2014 acquisition of 364 hectares of established plantations for \$36.6m, which reduced the Company's cash and cash equivalents to \$42.4m (compared to \$25.4m at 30 September 2013)
- Net tangible assets per share of \$1.14, up from \$0.82 per share at 30 September 2013

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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 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.

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.