TFS Corporation Ltd

FY15

Full Year Results

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SECTION 1

Overview

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 – launch of Benzac® in the US
- Corporate transformation with new Board and new auditor, Ernst & Young

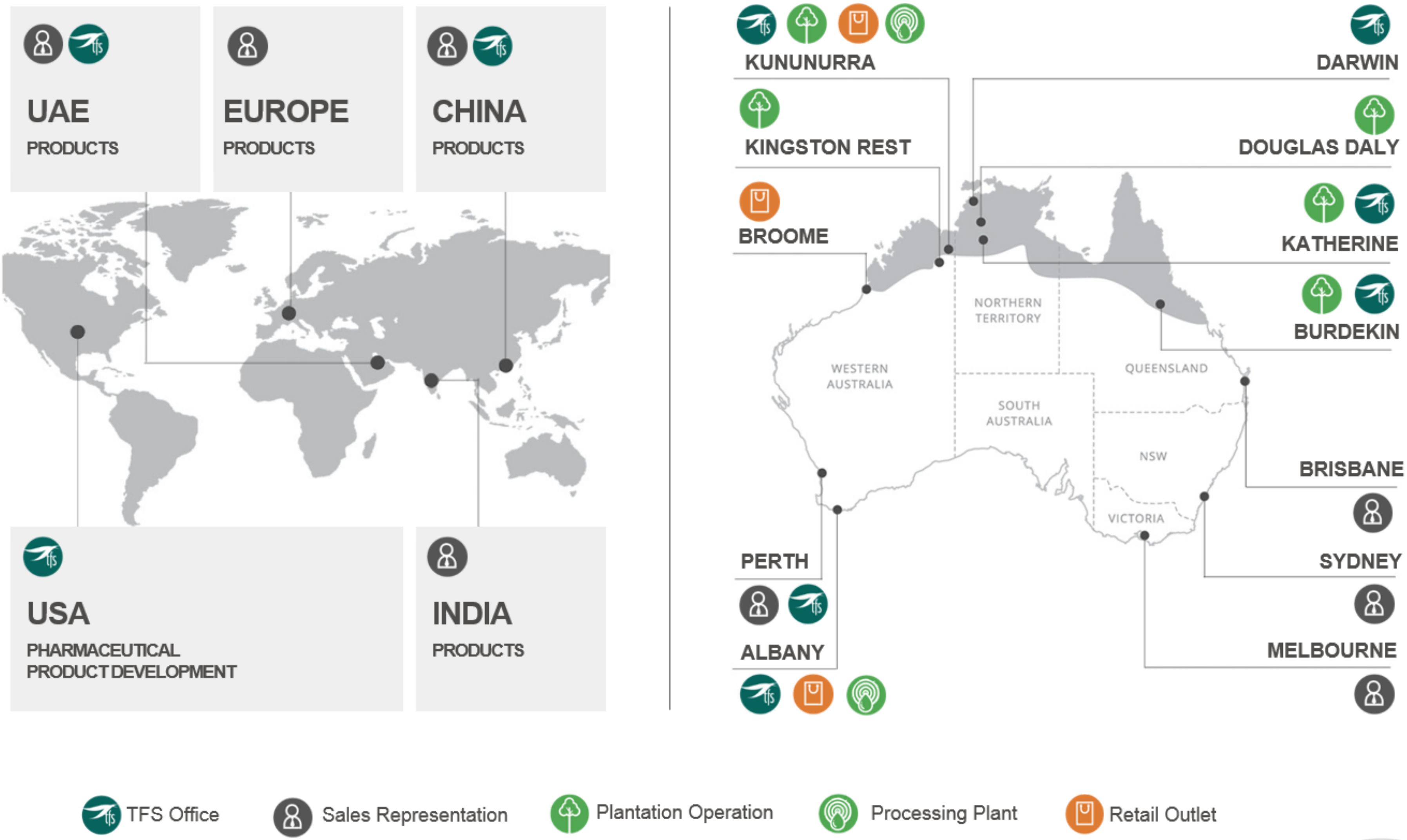
Strong Financial & Operational Performance

NPAT	CASH EBITDA[1]	TOTAL ESTATE	PLANTATION SALES
$113.0m	$57.5m	10,583ha	1,533ha
YOY CHANGE +37%	+12%	+16%	+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



Delivery Against FY15 Priorities

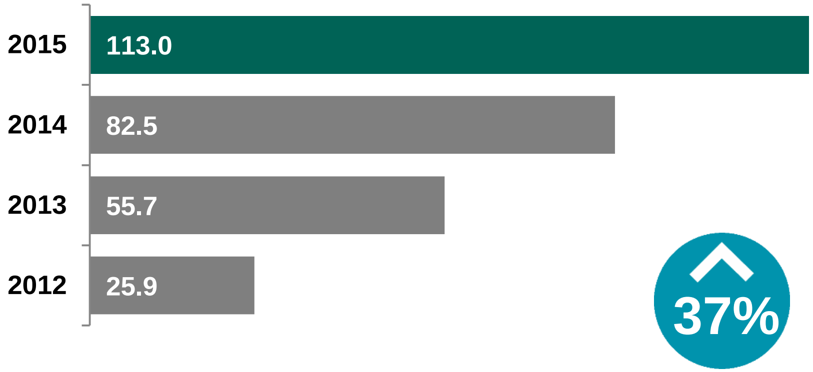
Priority		Progress
Expand plantation ownership	✓	TFS owned estate up 10% on FY14
Develop new end markets	✓	Successful launch of Benzac® Supply to European fine fragrance market
Pharmaceutical products and partners	✓	Acquisition of Santalis and ViroXis
Build institutional plantation investors	✓	Total plantation sales up 4% Strong sales pipeline for FY16
Develop NT as a long-term operational hub	✓	Forestry management team now based in Darwin 90% of FY15 plantings in NT
Build land bank for future plantings	✓	Ongoing – land bank sufficient for FY16 plantings
Review refinancing of bond	✓	Additional issuance well supported and priced at 8.2% Prepared to refinance in the right market conditions
Continue Board refresh	✓	Four new independent Directors and new Chairman

SECTION 2

Financial Results

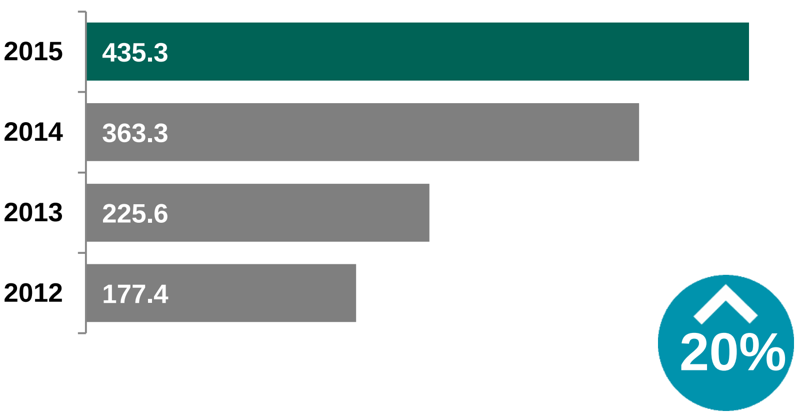
Key Financial Results

NPAT ($m)



Cash EBITDA ($m)

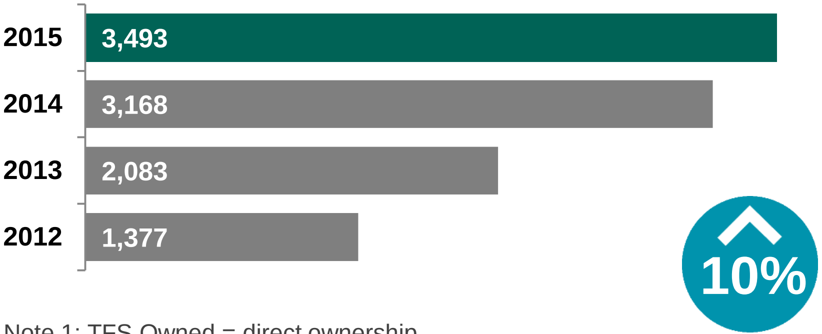
NTA ($m)



Dividend Per Share (¢)

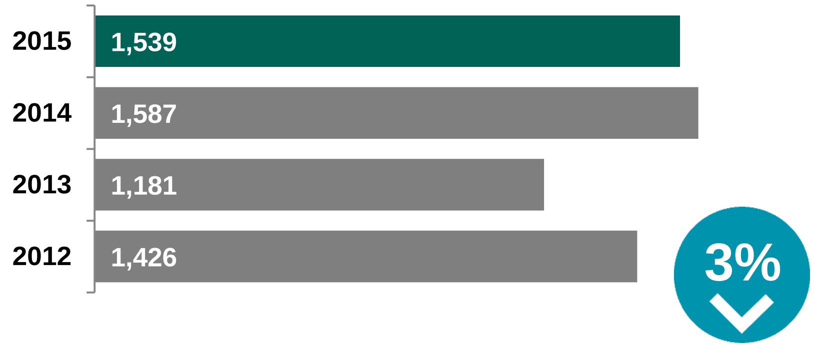
Key Operational Results

TFS Owned Estate[1] at 30 June (Ha)



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

Total New Plantings (Ha)



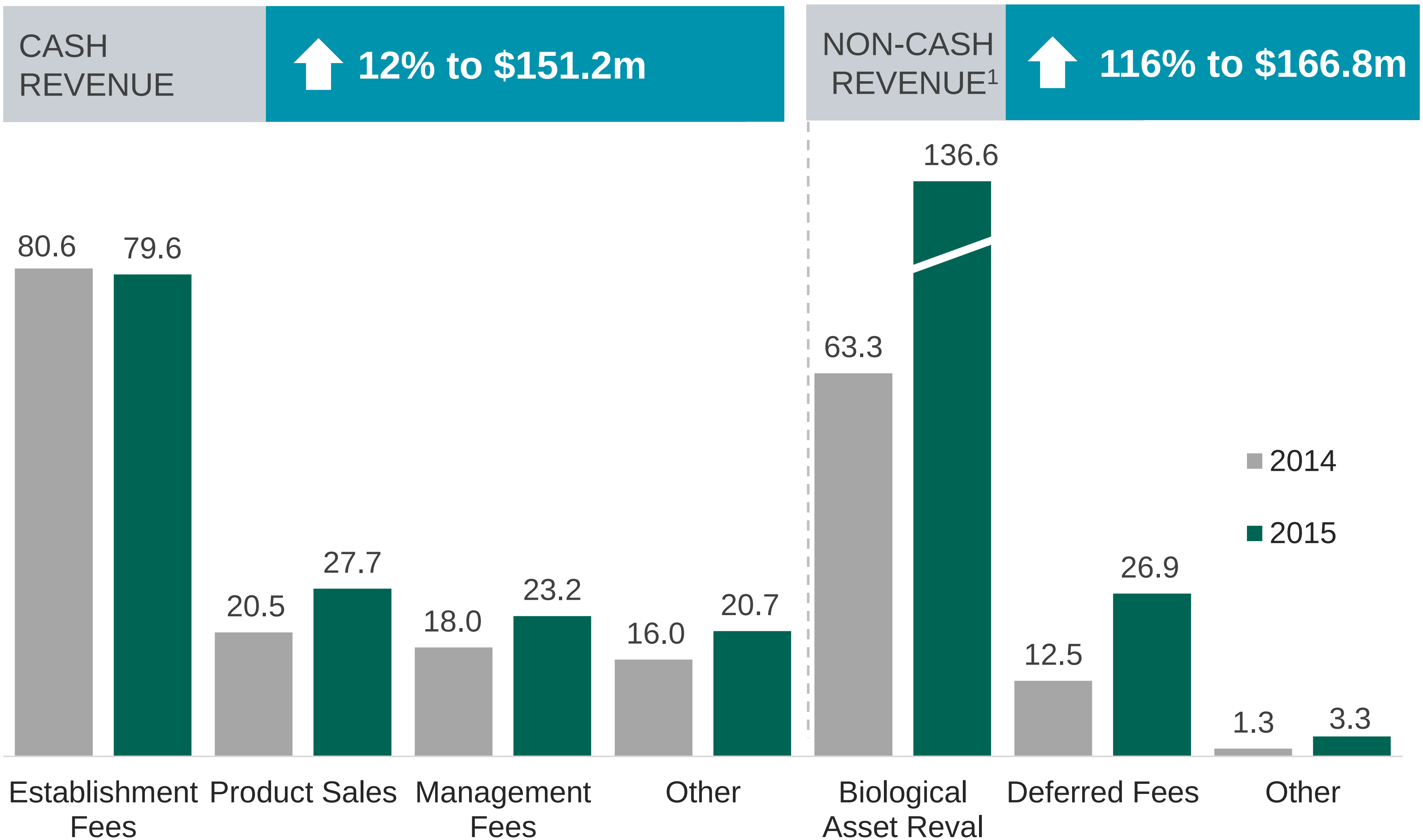
Sandalwood Product Sales ($m)

Financial Product Sales (Ha)

Increase of 10% in Owned Plantations

Owner (ha)	FY15	FY14	FY13
Institutional	3,475	3,031	2,818
Retail and High Net Worth	3,615	2,886	2,706
TFS (direct & indirect ownership)	3,493	3,168	2,083
Total	**10,583**	**9,085**	**7,607**

Broadly Based Revenue Growth

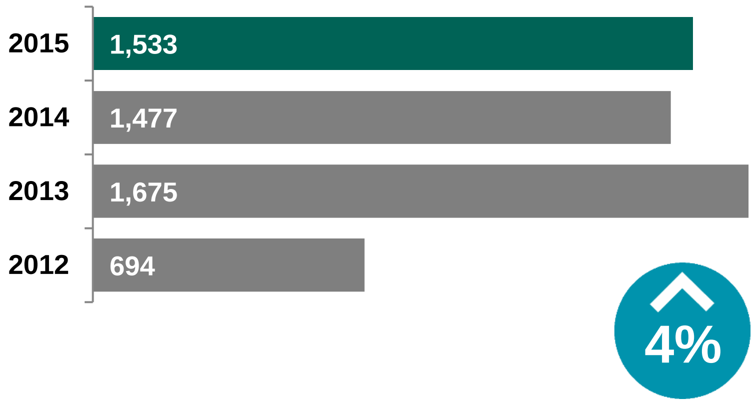


1: Excluding the gain on the revaluation of the external MIS growers' interests

Strong Demand for Plantation Sales

- A successful sales season - all plantations available for sale were sold
- Plantation investments are attracting a broader investor base with sales to multiple classes of investors in Australia, Asia, Europe and USA
- Overall average establishment fee down by 6%, due to the exercise of several options at 2010 prices by an original institutional investor – this dilution is set to unwind in FY16
- No put options on any products sold in FY15

Financial Product Sales (Ha)



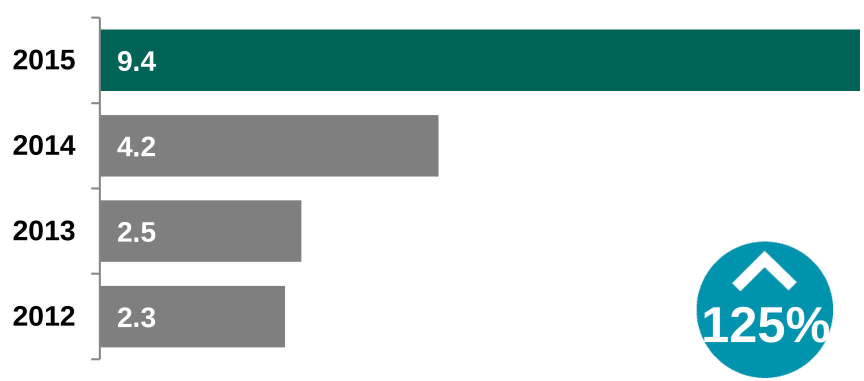
Financial Product Sales ($m)

Strong Momentum in Sandalwood Product Sales

- Indian sandalwood oil sales, largely to Nestle-owned Galderma, increased with all available oil sold or on order – at an average price of US$4,385 per kg (FY14: US$4,363)
- Positive contribution from contract to sell WA state owned Australian sandalwood
- Increasing harvest yields from 2016 onwards are expected to drive significant growth in profit and cash generation from this division

Revenue ($m)

Contribution ($m)



Biological Asset Valuation

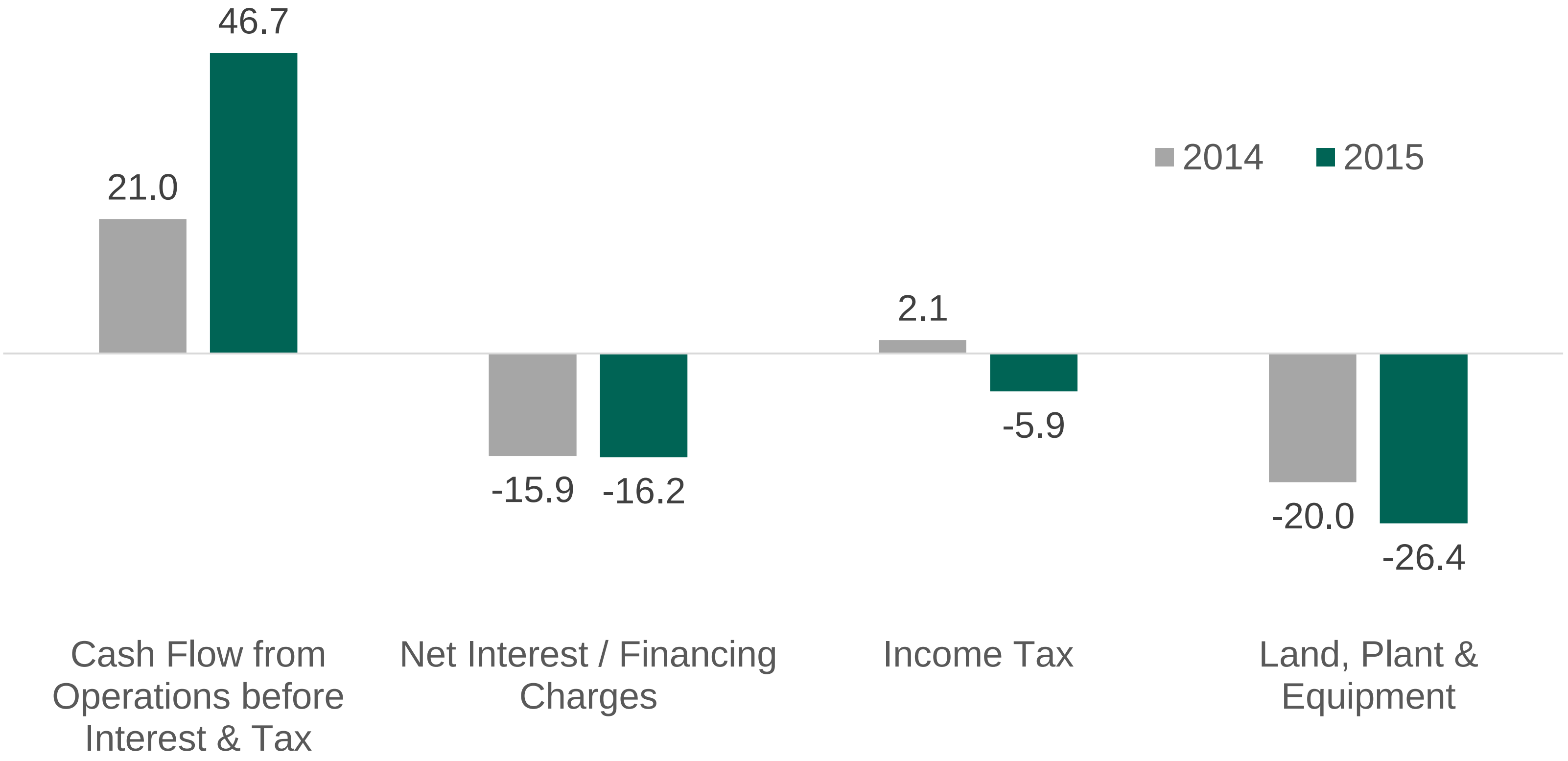
- TFS's biological assets[1] increased to $505m, up 45% on FY14, reflecting larger directly owned estate, increased tree maturity and higher market value of sandalwood products (including benefits of strengthening US$)
- No changes to TFS's valuation methodology in FY15, now audited by EY

Key Assumptions	Assumption at 30 June 2015	Comments
Number of TFS owned trees[1]	1,022,892	From annual inventory count in Q4 FY15
Heartwood yield at harvest	TFS projections	Based on extensive TFS and industry research Assessed as part of inventory count in Q4 FY15
Oil content	3.7%	Based on research and actual results
Oil price per kg	US$2,800	Director assessment – not inflated FY15 oil sales: average of US$4,385
FX	US$0.77c : AU$1.00	Actual at 30 June 2015
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

1: Excluding the external MIS growers' interests

Strong Growth in Operating Cash Flows

- Net cash from operations increased threefold, from $7.2m to $24.6m
- Cash balance of $72.7m at 30 June 2015
- Capital continues to be invested in increasing plantation ownership



Projects Controlled by TFS

- For accounting purposes, TFS is deemed to have control of a scheme when TFS's direct and indirect interests represent at least 30% of the total scheme
- For these schemes, assets not owned by TFS are recognised onto the Group balance sheet – with an equivalent liability to the growers also brought to account
- Movement in the valuation of the grower owned assets are recorded as non-cash revenue and with the equivalent movement in the liability as a matching non-cash expense
- No impact on Cash EBITDA, NPAT, net assets and cash

Statement of Financial Position FY15	$m	Statement of Profit or Loss FY15	$m
Increase in Biological Assets: external MIS grower interest	+120.0	Gain on revaluation of biological assets: external MIS growers	+34.2
Increase in Financial Liabilities: external MIS grower liabilities	-120.0	Re-measurement of MIS grower liabilities	-34.2
Change to Net Assets	**Nil**	**Change to Cash EBITDA**	**Nil**
		Change to Net Profit After Tax	**Nil**

SECTION 3

Business Update

Robust Plantation Health

- Annual independent inventory count and measurement completed in June and included in FY15 results
- Total estate includes 4.6m 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 years

Pictured - Satellite Imagery, TFS Chapmans Plantations (2009)

Completion and Sale of Second Harvest

- Second annual harvest of trees planted in 2000 completed in May 2015 and is expected to yield around 31t of heartwood, in line with expectations
- TFS has acquired the grower owned wood for A$123 per kg of heartwood
- TFS marketed the grower owned wood in India, China and Australia and received 4 different bids
- Price per kg is broadly in line with TFS book value and up on last year, reflecting the growing value of Indian sandalwood

Note: Original prospectus from 2000 estimated a sales price of US$43 per kg

Strong Demand for TFS Plantations

- Strong demand for plantation sales with all available plantations sold
- New markets opened up with sales to high net worth investors in Asia for the first time – likely to be a strong source of growth in FY16 and beyond
- Strength of demand provides an opportunity for margin expansion – establishment fees will be increased on all key plantation products in FY16
- Well advanced with institutional sales for FY16 – expectation of early sales in H1 FY16

Development of End Markets

Market	Product	Awareness	Marketing & Evaluation	Contract	Delivery
Pharmaceutical	Oil				
Fragrance	Oil				
Cosmetics	Oil				
Aromatherapy	Oil				
Soaps & Toiletries	Oil				
Luxury Carvings	Wood				
Luxury Furniture & Cabinetry	Wood				
Worship – Buddhists & Hindus	Wood				
Traditional Chinese medicine	Wood				
Ayurvedic Medicine	Wood				
Cremation - Hindus	Wood				
Jewellery & Beads	Wood				
Incense	Spent Charge				

For completion FY16

SECTION 4

Pharmaceutical Market

Compelling Strategic Rationale

- Acquisitions of Santalis and ViroXis extend TFS's vertically integrated business model - "soil to oil to shelf" and provide direct control of the companies exclusively developing and selling dermatology products containing TFS's oil

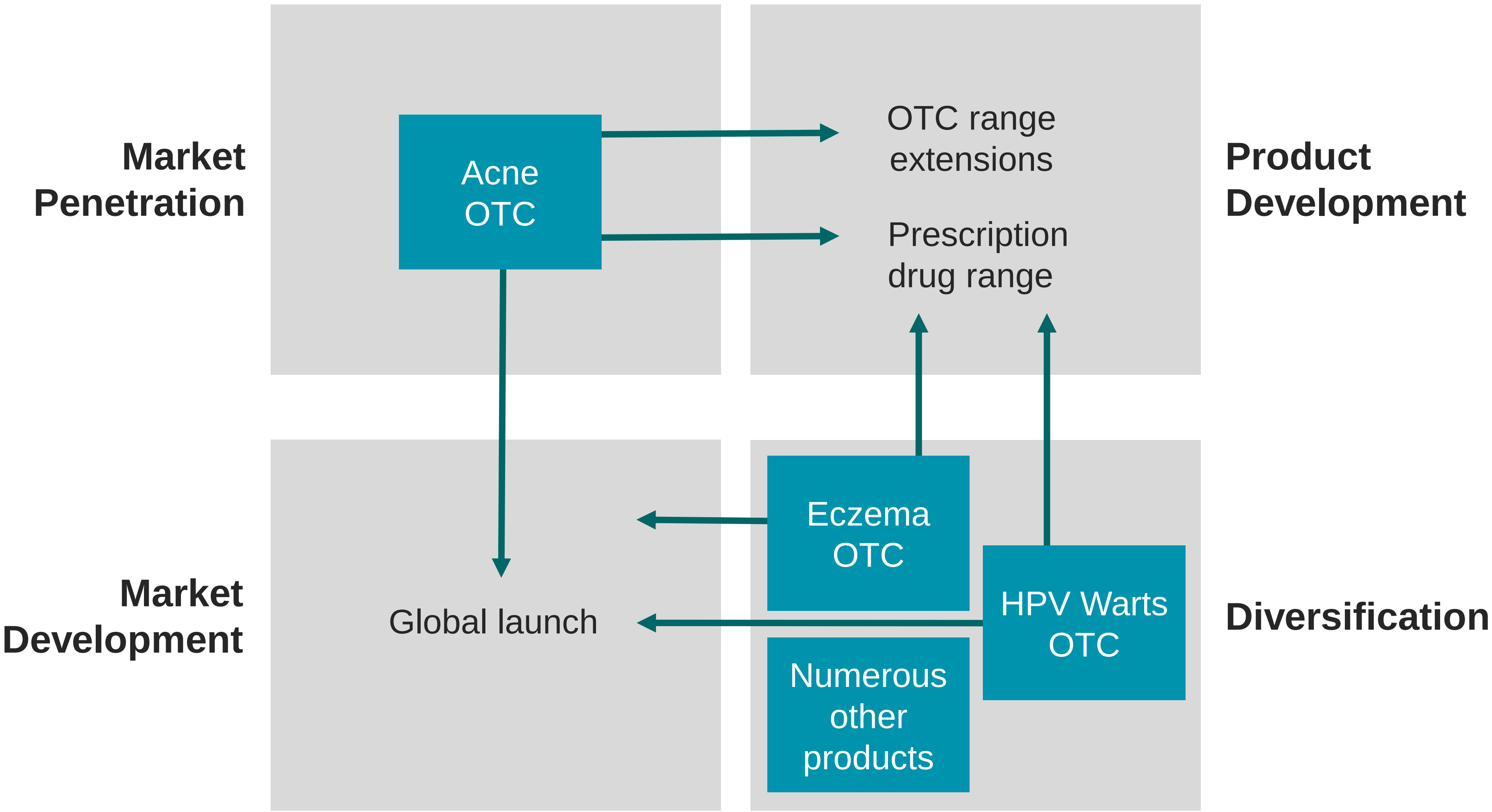
- Allow TFS to accelerate the development of sandalwood-based dermatological products, thereby building on the first mover advantage

- Provide TFS with a direct contractual and operational relationship with Galderma and other pharmaceutical majors

- Upfront and fixed consideration of US$23.4 million

- Maximum purchase price is US$244.9 million <u>only if all</u> milestones, earn out thresholds and incentive earn outs are achieved through to mid 2023

Significant Pharmaceutical Opportunity



Pharmaceutical Priorities

- Finalise and implement refreshed strategy for Santalis and ViroXis as TFS Group companies

- Support Galderma in the ramp up of Benzac® sales in the US
  - 91% of users saw an improvement after 2 weeks
  - Now in nearly 30,000 stores
  - Voted Best Acne Treatment by *HEALTH* magazine

- Commercialise new eczema and HPV over-the-counter products with suitable pharmaceutical companies

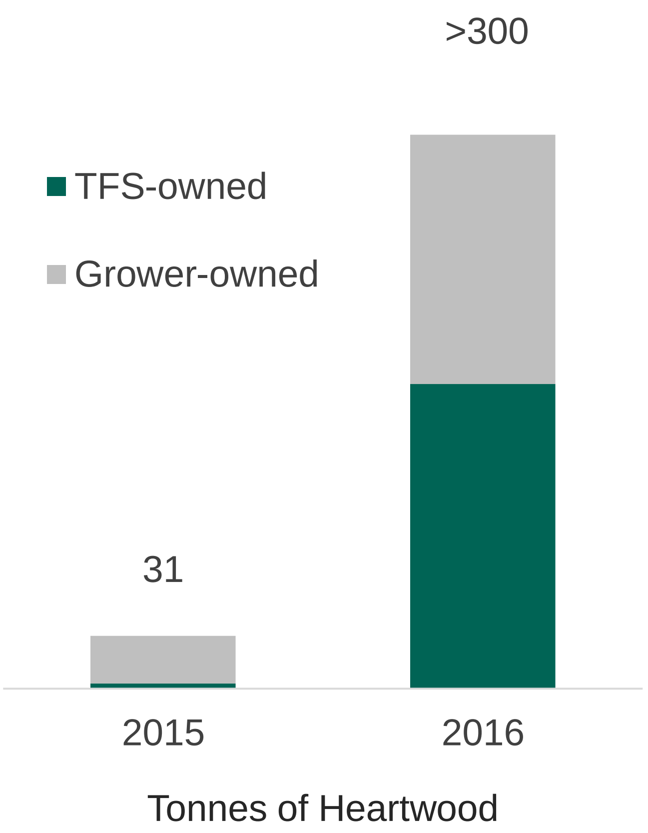
- Advance prescription projects, including for eczema, Molluscum Contagiosum (MCV) and oral mucositis

SECTION 4

Outlook

Rapidly Evolving Business

- 2016 will provide the first meaningful harvest and lead to the business operating with scale
- First opportunity to supply certain important end markets, including China
- Fewer supply constraints will lead to a diversification of markets and geographies for our sandalwood products
- Premium brand positioning – with a focus on the legal and sustainable qualities of our products – will become a priority
- Strong growth set to follow in sandalwood wood and oil product sales



Priorities for FY16

- Extend TFS's ownership of Indian sandalwood plantations
- Manage operational expansion to successfully harvest > 300 tonnes of heartwood
- Develop cosmetic, Chinese wood and fine fragrance markets and finalise supply agreements in lead up to 2016 harvest
- Progress pharmaceutical product development – finalise licence deals for further OTC products and advance trials for eczema Rx product
- Introduce additional plantation investors, including new institutional and international high net worth investors
- 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 around 1,500ha

SECTION 4

Q&A

SECTION 5

Appendix

Historical Financial Results

($m)	FY15	FY14	FY13	FY12
Total revenue[1]	318.0	212.2	187.7	126.8
Net profit after tax	113.0	82.5	55.7	25.9
EBITDA	187.1	140.1	101.0	55.0
Earnings per share	34.7c	28.9c	19.9c	9.3c
Cash operating revenue	151.2	135.1	121.7	88.4
Cash net profit after tax	20.8	18.7	21.3	6.6
Cash EBITDA	57.5	51.4	51.8	23.8

1: Excluding the gain on the revaluation of the external MIS growers' interests

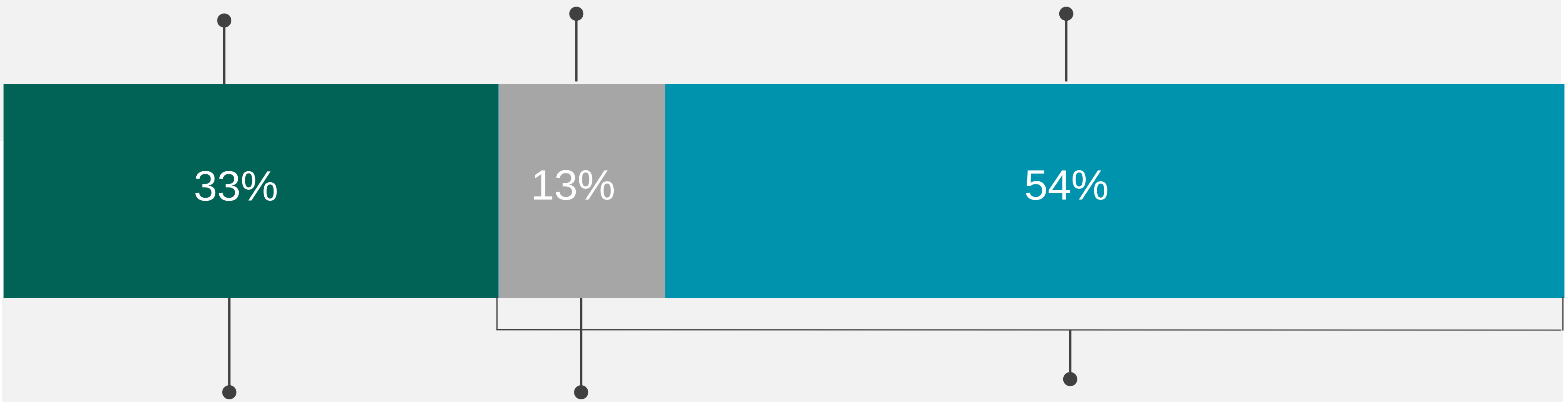
Controlled MIS Schemes: Example (TFS2007)

Previous Treatment

TFS Direct Interest: Biological Asset

TFS Indirect Interest: Accrual Income Receivable

Grower Interest: not recognised on TFS balance sheet



No change

No change

1. Recognition of Biological Asset: $53.9m
2. Recognition of Liability to Growers $53.9m
3. Changes to asset and liability to P&L
   In FY15: $19.2m revenue and $19.2m expense

No change to net assets or earnings

New Treatment