



QUINTIS LTD
ABN 97 092 200 854

14 November 2017

Quintis reports 2017 financial year results

Quintis (ASX code: QIN, the "Company"), the world's largest owner and manager of commercial Indian sandalwood plantations, advises that it has today released its audited annual report for the financial year ended 30 June 2017.

Quintis reported a statutory net loss after tax of \$416.8 million (FY2016: \$90.1 million net profit after tax), impacted by three key factors:

1. A non-cash reduction to the fair value of Quintis' biological assets of \$307.4 million (before tax). This reflected changes to input estimates following the completion of the Company's fourth plantation harvest in 2017 and the ongoing assessment of the assumptions applied in the Directors' valuation. These changes included a reduction in forecast heartwood yield, a decrease in projected oil content and an increase to the discount rates used in the fair value calculation, to reflect the increased uncertainty of returns from the biological assets. Following this revaluation, the value of Quintis' owned plantations was \$342.8 million.
2. A non-cash impairment of goodwill and intangible assets of \$154.7 million (before tax). This was largely due to a \$134.5 million impairment to the value of the goodwill and in-process research and development intangible assets relating to Quintis' pharmaceutical division, Santalis. Quintis has re-evaluated the Santalis business and amended the expected timing and probability of revenues from its prescription product portfolio. Further, following the termination of the licence agreement with Galderma relating to acne over-the-counter products developed by Santalis, as announced on 6 June 2017, Quintis has impaired a related research and development asset of \$7.9 million. These changes provide a full write-down of the intangible assets previously recognised for this division.
3. Lower revenue of \$97.4 million (FY2016: \$191.7 million, before tax), with the main contributor being a fall in revenue from services to \$52.9 million (FY2016: \$150.1 million). Revenue from services includes establishment fees from the sale of new plantations and the Company recorded no sales of plantation investment products in the fourth quarter of the financial year, the period in which, historically, the majority of such plantation sales have been completed. Revenue from product sales – being sales of sandalwood and oil products – was higher at \$39.3 million (FY2016: \$29.9 million), driven by the increased size of the 2016 annual harvest.

The Directors have prepared the annual report on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. As set out in Note 1.2 of the annual report, Quintis notes that the Company's ability to continue as a going concern

relies on the continued support of its lenders as well as the successful completion of a recapitalisation of the Group.

After taking into account all available information, the Company's Directors have concluded that there are currently reasonable grounds to believe the Company will continue to receive ongoing support from its lenders (Noteholders), negotiations regarding the recapitalisation will be satisfactorily concluded and the associated conditions precedent satisfied, and Quintis shareholders will approve the recapitalisation.

The Directors note that the above matters present a material uncertainty in relation to the Group's ability to continue as a going concern.

The Company is continuing discussions in relation to a recapitalisation. The recapitalisation currently being contemplated involves a combination of a capital injection, amendments to existing debt facilities and limited working capital facilities that are expected to provide Quintis with the liquidity required to support its continued operation prior to and post the implementation of the recapitalisation. While these discussions are well progressed, no binding agreements have been entered into and there is no guarantee that the recapitalisation will be completed in this form or another form.

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