



AUSTRALIAN Sandalwood producer TFS Corporation will supply oil to a pharmaceutical company owned by global giant Nestle.

THE deal was finalised with Nestle's wholly-owned dermatology group Galderma in February, but chief executive Frank Wilson confirmed the arrangement to investors in the US overnight.

Shares in the company rallied on the news, gaining 17 cents, or 9.3 per cent, to \$1.99 on Thursday.

Under the long-term supply agreement, TFS will supply pharmaceutical grade oil at a price of \$US4,500 (\$A4,868.81) per kilogram as it develops acne and eczema treatment products.

"Total orders to date of 470 kilograms, or \$2.3 million, are being used in commercial scale production trials for skin products that will initially launch in the US in the fourth quarter of fiscal 2014," the company said in a statement.

TFS claims to be the world's only supplier of pharmaceutical grade sandalwood oil and the world's largest owner and manager of sustainable Indian sandalwood plantations.

The company expects to record a net profit around \$70 million in fiscal 2014.

Mr Wilson has previously said the company expects to generate exports of \$1 billion over the next decade as its oil fetches \$5000 per kilogram overseas.

One fully grown Indian sandalwood tree can fetch around \$7000, with the roots and trunk producing valuable oil, carving wood for the Chinese market and incense for religious purposes in India. Nestle took control of Galderma earlier this year with a buyout of the 50 per cent stake held by cosmetics company L'Oreal.

Source: <http://www.news.com.au/finance/business/tfs-sandalwood-to-supply-nestle-subsiary/story-e6frfkur-1227024692213>

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