

ASX MEDIA RELEASE

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Webster reports 93.9 per cent increase in underlying profit before tax of \$28.9 million

- **Underlying operating profit before tax of \$28.9 million; up 93.9% per cent on prior year (before impairment loss \$96.4 million)**
- **Statutory net profit of \$65.6 million, includes one-off profit of \$37.1 relating to sale of water entitlements and decommissioning at Lake Tandou**
- **Revenue and other income up 23.6 per cent to \$217.4 million**
- **Horticulture division operating profit of \$22.1m up from \$2.2 million in prior year from improved walnut yields**
- **Continued optimisation of land and water entitlements strengthens asset portfolio**
 - **Sale of water entitlement at Lake Tandou**
 - **Acquisition of Kalabity Station, South Australia**
 - **Acquisition of Motspur Park walnut orchard portfolio, Tabbita, NSW**
- **Continued focus on successfully integrating acquisitions to create stronger platform for growth**

Webster Limited (ASX:WBA), one of Australia's leading agribusinesses, today announced a 93.9 per cent increase in underlying operating profit before tax of \$28.9 million for the 12-month period ended 30 June 2017.

The strong operating result was driven by significantly improved yields from Webster's walnut portfolio compared to the prior year, partially offset by a decline in cotton yields due to unfavourable weather conditions in NSW during the year.

On a statutory basis, Webster reported a net profit after income tax of \$65.7 million compared to a net loss after tax of \$80.7 million for the prior year.

The reported profit includes a \$37.1 million profit on sale from the sale of water entitlements and decommissioning at Lake Tandou and includes the associated impairment of assets at Lake Tandou of \$22.2 million.

Executive Chairman, Chris Corrigan said Webster had continued its focus on optimising its asset portfolio, having concluded a number of transactions during the year to strengthen and complement its land and water holdings in key regions across Australia.

"We enhanced our walnut orchard portfolio with the 250-hectare Motspur Park acquisition and added 185,000 hectares of land and organic stock of 13,500 breeding dorper ewes with the acquisition of Kalabity station in South Australia. Both of these transactions are a strong complement to our existing walnut and dorper sheep businesses.

"We have also continued to optimise our water portfolio to ensure it continues to meet the company's needs.

"That included an agreement with the Commonwealth Government to decommission our Lake Tandou irrigation system and sell all 21,901 megalitres in water entitlements associated with the property. Webster will continue to own the property at Lake Tandou which will be used to expand our organic dorper lamb business.

Horticulture

The Horticulture business includes Webster's Walnut business, the southern hemisphere's largest producer of premium in-shell and kernel walnuts. Sourced from company orchards in Tasmania and NSW, production accounts for over 90 per cent of Australia's annual walnut crop.

As a result of higher yields, production nearly doubled to 12,004 tonnes compared to 5,312 tonnes in the prior year. Yields achieved across all the orchards was 5.92 t /hectare in 2017 compared to 2.62 t / hectare in 2016. Average selling prices were marginally higher than the prior year.

Profit of \$22.1 million was significantly ahead of the prior year's result of \$2.2 million.

Webster continues to expand its walnut orchard portfolio. The completion of stage 3 at the Avondale West orchard in NSW has added approximately 200 hectares, comprising new varieties while the orchard remains on schedule to produce its first commercial harvest in 2018.

Meanwhile, Webster acquired the 250-hectare Motspur Park walnut orchard, water entitlements and plant and equipment in March 2017 for \$23.1 million. This orchard is located adjacent to Webster's existing orchard at Tabbita, NSW and is highly complementary to Webster's existing walnut operations.

The change in relevant accounting standards has required depreciation of walnut orchards to be included in the Group's accounts for the first time. As a result, a \$1.9 million depreciation charge against the Walnuts Orchards was recorded in the accounts to 30 June 2017.

Agriculture

Webster's Agricultural business is focused on annual row crops, primarily focused on cotton, and also including wheat and maize as well as livestock.

Very wet conditions in the southern region at Kooba and Hay delayed planting and shortened the growing season. In the northern region at Bourke and Moree, extremely hot weather in the summer months resulted in low fruit retention, ultimately leading to lower cotton yields at the end of the season. Yields achieved in irrigated cotton in 2017 was 9.45 Bales / hectare compared to 13.28 bales / hectare in 2016.

Lower revenue in cotton was partially offset by improved livestock sales and higher cattle and lamb pricing.

In March 2017 Webster acquired 185,000 hectares of land and organic stock of 13,500 breeding dorper ewes with the \$12.5 million acquisition of Kalabity station in South Australia. Kalabity is a strong complement to Webster's existing dorper sheep business at Lake Tandou.

The Agriculture segment also includes the Group's water assets which underpin Webster's competitive advantage in providing surety of water supply for permanent crops, crop diversity, maximising crop yield and developing further growth opportunities.

During the year, Webster continued to optimise its water portfolio with acquisitions and disposals of water entitlements.

As previously advised to the market, Webster entered into an agreement with the Commonwealth Government in May 2017 to decommission its Lake Tandou irrigation system and sell all 21,901 megalitres of Lake Tandou's lower Darling irrigation water entitlements associated with the property south of Menindee, NSW.

Proceeds from the agreement of \$78 million will be used to repay debt

The company's water assets totalled approximately 203,500 ML of entitlements held across a range of water systems and water products as at 30 June 2017.

While the book value of water intangibles as at 30 June 2017 was approximately \$211 million, directors estimate the market value of the water portfolio to be greater than \$290 million.

Webster continues to focus on converting its water assets into valuable horticultural and agricultural products which the Company believes is likely to provide shareholders with a higher return on their funds in the medium to long term.

Corporate

Rod Roberts resigned as director of Webster effective 31 March 2017. Mr Roberts had a long career at Webster, including as a former Managing Director and Chairman, during which time he made a significant contribution to the Company.

Net debt at 30 June 2017 was \$209.3 million, a 6.3 per cent increase on the prior year. The proceeds from the sale of the Lake Tandou Water Rights and decommissioning of the Lake Tandou cotton operations will result in a significant decrease of net debt.

Webster successfully refinanced its \$250 million banking facility on favourable terms in July 2017 with a new \$220 million facility, providing ongoing financial flexibility for the group. These facilities were refinanced after balance date and as a result \$150 million of the borrowings will move from current to non-current liabilities in the company's accounts after balance date.

Webster has been granted relief under section 340(1) of the Corporations Act by the Australian Securities and Investments Commission to change its financial year-end from 30 June to 30 September, with effect from this current financial year.

The change in year-end will more appropriately align the nature of Webster's business, with its financial reporting period.

Webster will conduct a 15-month financial period from 1 July 2016 to 30 September 2017.

The directors have declared a fully franked final ordinary dividend of 3 cents per share with scheduled payment for 8 December 2017 compared to a 1 cent per share dividend in 2016.

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