



**SunRice AGM Presentation**  
**Mr. Laurie Arthur, SunRice Group Chairman**

25 August 2017

I will now present my Chairman's report.

## FY17: A challenging year

- Smallest Riverina crop in many years
- Difficult global market conditions
- SunRice displayed resilience
- SunRice strategy succeeded in insulating the company
- FY17 results, while down on FY16, were better than could have been expected



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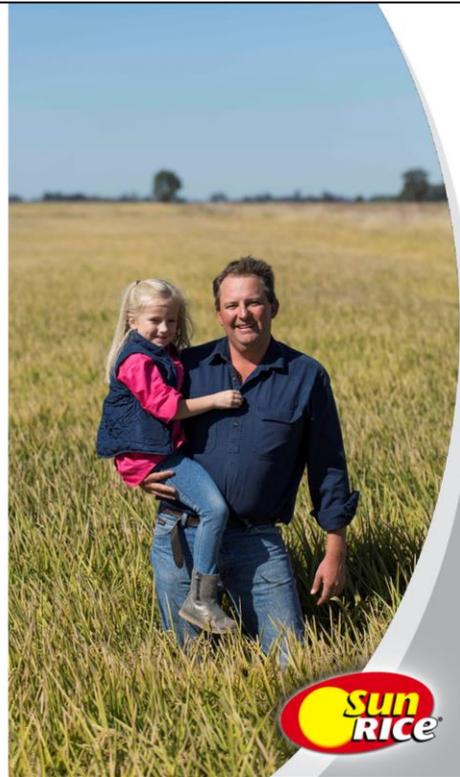
FY17 was a challenging year, with our smallest crop to market in many years and difficult market conditions.

But, like the generations before us, we persevered. Our industry and our Company are known for their resilience and we saw this shine through in many ways over the past 12 months.

As a result of the excellent work of CEO Rob Gordon and our management team in implementing our Group strategy, our FY17 results, while down, were better than could have reasonably been expected given the circumstances. Rob will provide insight into these results next and, as promised, also provide guidance on how FY18 is progressing.

## FY17: Supporting growers and shareholders

- Riverina capability and key SunRice markets retained by incentivising production
  - \$415 p/t for medium grain in CY16
- Strength of International Rice business enabled supplement to the Pool
  - Trading volumes increased due to small Riverina crop
- Rice Pool and Profit Businesses are complementary and allow the SunRice Group, as a whole, to ride out adversity
- Despite challenging conditions, delivered profitability and balance sheet strength:
  - Dividend of 33 cents per B Class Share



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Importantly, we were able to retain key markets and Riverina capability by supporting rice production in Crop Year 16. We did this through offering a guaranteed fixed paddy price to growers and A Class Shareholders of \$415 a tonne for medium grain through our Rice Pool business. This required a supplement from the Profit Businesses of \$32.5 million, which was made possible due to the strength of our International Rice business.

Our Rice Pool and Profit Businesses complement each other and allow us to ride out adversity for different parts of the Group at different times, benefitting all.

Despite the challenging conditions, overall profitability and balance sheet strength enabled us to again pay the record Dividend return set last year of 33 cents per B Class Share.

## FY17: Sourcing efforts intensified

- Securing long term viability of Australian rice industry and Riverina growers are fundamental elements of our strategy:
  - Maintain multiple global supply chains
  - Sustain SunRice, especially during volatile times
- In addition to securing critical local production, global sourcing efforts intensified in FY17
  - Majority sourced from Vietnam



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The decision to supplement the Rice Pool enabled SunRice to secure the long-term viability of the Australian rice industry and Riverina growers – fundamental elements of our strategy to maintain multiple global supply chains to sustain SunRice’s business, especially in volatile times.

In addition to securing Riverina supply, as you know, SunRice was very busy sourcing medium grain during the year to supply our remaining branded markets.

This was successfully done, with the majority supplied from Vietnam. When I used to think of Vietnam I had a few perceptions involving small paddy fields and water buffaloes. Times have moved on. During a recent tour of our supply chain, I saw 10 tonne per hectare medium grain in a 1000-hectare field. The equipment was smaller scale, but highly mechanised. Water was free of charge from the Mekong Delta, and farmers were doing two crops per year at wages a fraction of the cost of those here.

## SunRice: Maintaining momentum

- Vietnam demonstrates how world markets are constantly in motion and SunRice must be too
- Continual focus on key strategic areas
- Research and development
- New technologies and traceability
- Providing market signals to growers
  - CY17 paddy price increased to \$320-360/tonne (medium grain)



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With the high price differential between medium and long grain over the last five years, it was only a matter of time before long grain farmers started to switch to medium grain. While our Riverina rice is still a premium product that's sought after, I highlight this to emphasise that we can't stand still or rest on our laurels. World markets are constantly in motion and we must be too.

In line with this, we continue with our research into rice farming systems and varieties. In our mills, we are introducing technologies like water polishing. Technological advances are also allowing us to have full traceability back to individual fields and this allows us to guarantee quality for our customers. This is one of the many reasons why I have full confidence in our shared future.

We are also providing competitive market signals to our growers, as early and accurately as we can to enable commercial decisions to be made at the right time for you and for our industry.

Pleasingly, this included recently revising the estimated Crop Year 17 paddy price for medium grain (Reiziq) from \$300 - \$320 a tonne to \$320 - \$360 a tonne. This is a significant increase and is being driven by a number of factors, which Rob will speak to, including early signals that the global rice market is experiencing a turnaround.

Today, we are also pleased to announce attractive fixed price contracts for C18, including \$360 per tonne for Reiziq.

## SunRice Group Strategy: Pursuing growth

- Growth opportunities generated as result of refreshed SunRice strategy requires access to capital
  - At the right time and at the right price
- Dividend Reinvestment Plan has been reinstated
- Grower Share Purchase Plan underway
- Employee Share Plan underway
- Encourage participation in all plans
  - Recognise investment could be limited



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The Board is also determined to pursue the opportunities our Group's Refreshed Strategy will provide. In common with all businesses, this will require access to capital at the right time and at the right price.

As you'll be aware we have reinstated the Dividend Reinvestment Scheme and both the Grower Share Purchase Plan and the Employee Share Purchase Plans are underway.

While I encourage you all to participate and invest in SunRice, early indications are that we will only see modest uptake and even if we ran a full capital raising, it wouldn't generate the levels of capital required to resource the step changes we wish to pursue in the future.

## Refocusing on capital for the future

- Proposed Capital Restructure was designed to address this need and continues to have Directors' support
- Acknowledge unlikely to achieve the necessary majorities given
  - Current conservative investment environment
  - Ongoing issues in other sectors
- Board intends to come back to shareholders to explain options once greater certainty around all issues, including PNG



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The Capital Restructure has been designed to address this need, whilst still preserving grower control. The Board is confident that it would address the issues that face us, however, as you know we put the restructure on hold until we could resolve various issues in Papua New Guinea.

That said, we also understand that given the current conservative investment environment and ongoing issues in other sectors that continue to be played out in the media, it is unlikely that we could achieve the necessary majorities required to implement this at the current time.

In parallel, we have therefore commenced a new process to re-engage with our shareholders to find a way forward. The first step was taken at the recent SunRice and RGA Leaders Forum where we focused on the need for change. The participants supported the need for fresh capital and also strongly supported our proposition that standing still was not an option.

Once we have greater certainty around PNG, and recognising the changed investment environment we are now operating in, we intend coming back to you to explain the options available to us.

You can be assured that our determination to plan and resource SunRice for the future has not changed. We cannot rest on our laurels. We must remain agile and focused on the future.

## Partnerships

- Board remains determined to plan and resource SunRice for the future
- Thank everyone who continues to work and advocate for a strong SunRice
  - Directors
  - Management and employees
  - Peak bodies and regulators
  - Government partners
  - Rice growers
  - A and B Class Shareholders



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Speaking of our future, I would like to thank everyone who continues to work and advocate for it every day, starting with SunRice's Directors. We have a passionate and skilled Board and I thank all Directors for their contribution. I encourage you all to consider how you can contribute to the future leadership of the industry and how I can help you develop your own aspirations.

I also thank CEO Rob Gordon, the SunRice management team and our employees for their hard work in a challenging year.

Thanks also to the Ricegrowers Association of Australia, the Rice Marketing Board of NSW and all Federal and State Ministers, who continue to advance a strong SunRice and a strong Australian rice industry.

Most importantly, I thank our rice growers and A and B Class Shareholders, who together are our backbone.

With your support SunRice will continue its evolution as one of the world's most successful rice food companies, strongly rooted in the Riverina and providing prosperity for future generations of growers and shareholders.

Thank you. I would now like to invite your CEO to the lectern to make his presentation. I will join Rob at the conclusion of his address to take your questions.