



15 December 2015

Dear Shareholder / Grower,

SunRice Half Year Financial Results: Revenue and Profit Increase

- **Consolidated Group revenue of \$642 million (5.8% increase on HY15)**
- **Net profit after tax of \$23.9 million (5.4% increase on HY15)**
- **FY16 profit expected to be in line with FY15 result (as previously advised)**
- **Capital Restructure Booklet is due to be released in February 2016**

I am pleased to advise that SunRice's financial results for the 6 months ended 31 October 2015 (HY16) were released today. SunRice achieved increases in both revenue and profit, when compared with the same period last year (HY15).

SunRice's consolidated revenue for the Group in HY16 was \$642 million, a 5.8% increase compared to the previous corresponding period (HY15), driven by favourable mix of sales into premium branded markets and price, partially offset by lower volumes due to the smaller Riverina rice crop in 2015. Net profit after tax in HY16 was \$23.9 million, a 5.4% increase compared to HY15, which demonstrated that the level of profitability achieved in the 2015 financial year (FY15) could be maintained. The HY16 financial results were in line with Company expectations.

Pleasingly, this half year profit result was underpinned by the continued growth of branded sales and operational improvements. Increases in Riviana and CopRice profits demonstrated that our underlying strategies for these businesses are translating into positive financial outcomes. However, the profitability of the International Rice (including Trukai and Solrice) and Rice Food segments of the Group was negatively impacted by exchange rate movements.

We continue to actively execute our stated strategy to focus on premium branded markets and to build capacity and capability across the organisation. In this regard, further investments were made in Deniliquin and North Queensland during the half.

SunRice's gearing level of 61.8% at the end of the half was comparable to gearing at the end of HY15 (63.0%). Gearing levels throughout the year are seasonally influenced by the timing of the annual rice crop harvest and payments to growers.

Segment Performance

Revenue for the Rice Pool business for the half was lower than HY15. While revenue was underpinned by a favourable sales mix into premium markets and the devaluation of the A\$, volumes were affected by a smaller crop.

The International Rice business experienced a decline in profit during the half because of unfavourable exchange rate movements and weaker macroeconomic conditions in certain markets, such as Papua New Guinea (PNG).

The Rice Food business was also impacted by unfavourable exchange rate movements during the half and the need to import additional product.

Riviana profitability improved during the half, despite the challenging foreign exchange environment, reflecting the successful execution of the turnaround strategy, which included the rationalisation of certain product ranges and cost cutting measures.

FY16 Outlook

As we have previously advised, we expect to maintain strong financial performance this year, with FY16 profit anticipated to be in line with the FY15 result, depending on market conditions and dynamics, in particular exchange rate movements.

We are closely monitoring and responding to several issues. In PNG, we continue to monitor how exchange rate movements, potential government policy changes and the overall macroeconomic outlook could impact on the Trukai business. In the Riverina rice growing region, we are developing contingency plans in response to an anticipated significantly reduced crop in 2016, largely due to present water availability and pricing.

C15 Full Year Paddy Price

As previously advised in the update on 25 September, the 2015 crop year (C15) paddy price for medium grain Reiziq is expected to be in the range of \$385-\$405 per tonne. This is on the basis that the current sales performance across domestic and global channels continues, and despite the lower crop volume and declining rice price trends across some international markets.

Capital Restructure

The Capital Restructure process has been comprehensive, with significant time and resources invested to deliver enduring grower A Class shareholder control, while offering B Class shareholders the potential to unlock greater value for their investment in SunRice. The Capital Restructure will change the way we fund SunRice's future growth and build an Australian-controlled food company of scale that can compete in global markets for the benefit of all growers and shareholders. The Directors and I have examined and tested every aspect of the proposed Capital Restructure in great detail and we are satisfied that, if implemented, this structure will increase value to both grower and investor shareholders.

The next step in the process will be delivering the Restructure Booklet to all shareholders in February 2016. The Booklet will include an Independent Expert's Report, detailed information on the proposed Capital Restructure and the advantages and disadvantages of the model. There will also be a series of roadshows covering this detail in February and March ahead of the shareholder vote on 16 March 2016. Please take the time to read the Restructure Booklet, review all the information available and, if possible, attend roadshows so you can discuss the Capital Restructure and ask questions.

Your vote will be incredibly important and I ask that you consider not only what the Capital Restructure would mean for you, but what it would also mean for your fellow shareholders and our business.

Finally, thank you for your ongoing support and I hope to see many of you at the roadshows in February and March.

Yours sincerely,



Laurie Arthur
Chairman