



## **NSX Announcement**

3 May 2016

### **SunRice Group Update**

SunRice advises that the timing of the proposed Capital Restructure, which the Company initially delayed in January, is presently being impacted by recent developments regarding one of its joint venture partners.

During the review process we have conducted protracted discussions with a key joint venture partner regarding the Capital Restructure. This joint venture partner has recently decided that the proposed Capital Restructure now justifies its own review of the joint venture's arrangements.

Given the material nature of the joint venture and uncertainty surrounding the outcome and timing of this review, the Board is currently unable to provide a definitive timetable for the proposed Capital Restructure. SunRice will work co-operatively with the joint venture partner during the review, which is in no way impacting on the joint venture's trading operations, and will communicate a revised timetable for a shareholder vote on the Capital Restructure as soon as practical. Otherwise, SunRice is pleased with the significant progress that has been made with finalising the documentation related to the Capital Restructure.

The Board remains firmly committed to the Capital Restructure, which continues to have strong support from both A and B Class Shareholders.

In the context of recent media commentary regarding the performances of other agribusiness entities that might be regarded as having capital structures similar to that proposed by the Capital Restructure, it is important to highlight that the delay in the timing of the Capital Restructure is not related to business performance or prevailing market conditions.

SunRice's latest financial year (FY16) ended on 30 April 2016. SunRice expects to maintain strong financial performance in FY16 and, as previously advised in December 2015, profit is anticipated to be in line with the previous year's result, subject to completion of the full year audit. SunRice has consistently provided timely information to growers, shareholders and the market on business performance and broader market issues – we consider that our advice regarding anticipated FY16 performance is no different.

For the past 11 years since converting to a public company in 2005 and then listing on the NSX in 2007, SunRice has successfully demonstrated an ability to balance the needs of both classes of shareholders within its unique structure. Between FY11 and FY15, B Class Shareholders experienced an increase in earnings per share of 239% and dividend appreciation of 72%. For A Class Shareholders and growers, between the 2011 and 2016 crop years SunRice has been able to increase the price it has paid for medium grain paddy (Reiziq) by almost 63%.

SunRice's continued strong financial performance is especially pleasing given the challenging trading environment and market conditions experienced during the second half of FY16. Despite these conditions, consumer market sales across both domestic and international operations were particular highlights, demonstrating SunRice's continued ability to leverage its considerable brand strength.

However, as previously advised in December 2015 and again in March 2016, SunRice closely monitors how issues in Papua New Guinea, such as exchange rate movements, potential government policy changes and the overall macroeconomic outlook, could impact on the business. At present, SunRice considers that the ongoing tightening of PNG Kina liquidity has the potential to materially impact on SunRice's business in Papua New Guinea during FY17. Since January 2015, the PNG Kina has declined by 18% against the US\$. Given the current situation there are several, largely unpredictable, events that could cause a sudden and dramatic further devaluation of the PNG Kina (such as its unrestrained floating on international exchange rate markets), which would likely result in SunRice incurring a loss on an inter-company loan and a considerable reduction in trading margins.

Commenting on recent developments, SunRice's Chairman, Mr Laurie Arthur, said:

*"The timing of the Capital Restructure is now being impacted by circumstances related to one of our joint venture partners; it is not being impacted by operational issues or recent media commentary regarding companies with similar capital structures. Indeed, maintenance of our guidance on anticipated FY16 financial results indicates that the business has continued to perform well since January 2016.*

*"Let there be no doubt – the Board remains fully committed to the proposed Capital Restructure, but it will only be brought before shareholders for consideration when it can deliver on every element and has been through all the necessary processes, including completion of the joint venture partner's review of SunRice-specific arrangements."*

#### **About SunRice**

SunRice is a \$1.25 billion global food business and one of Australia's leading branded food exporters. With sales, marketing and operations spanning the globe, we supply domestic markets and approximately 60 countries with diverse and nutritious food products, from table rice, flour and snacks, to rice meals and companion animal and livestock products. For more information visit [www.sunrice.com.au](http://www.sunrice.com.au).