21 June 2016

Dear Shareholder / Grower

SunRice Delivers Another Strong Financial Result for FY16

- **Consolidated revenue for the Group of $1.3 billion, up 1.9% year-on-year**
- **Net profit after tax of $52.0 million, up 5.8% year-on-year**
- **Fully franked dividend of 33 cents per B Class share, up 6.5% year-on-year**
- **Final C15 full year paddy price of $404 per tonne for (Reiziq), up 2.3% year-on-year**

I am pleased to advise that SunRice today released another strong financial result for the 12 months ended 30 April 2016 (FY16). The full set of results is available on the website.

SunRice's consolidated revenue for the Group in FY16 was $1.3 billion, a 1.9% increase compared to the previous year (FY15), driven by a continuing favourable mix of sales into premium branded markets and price, as well as strong growth from International Rice and Rice Food segments.

Net profit after tax was $52.0 million, a 5.8% increase compared to the previous year, with a strong operational performance partly offset by exchange rate movements.

The FY16 result clearly demonstrates that the increased revenue scale and profitability levels experienced in FY15 have been maintained as a result of the strategy that was implemented in FY12. This strategy, which focuses on premium branded markets and builds capacity and capability across the organisation, has also increased the Group's resilience in a dynamic and challenging operating environment.

The business performed well across a range of markets, with the Middle East, Asia and Australia and New Zealand businesses delivering positive market share and volume results.

SunRice intensified global sourcing initiatives as a result of lower rice harvest volumes in the Riverina. New international supplier arrangements contributed to approximately 300,000 tonnes of rice being sourced from Asia and the US, which allowed us to service and maintain our expanding branded markets.

Capital expenditure of $24 million incurred during FY16 was largely focused on further process improvements, which are expected to increase production yields and quality over the coming year.

Financial Metrics, Paddy Returns and Dividend

SunRice Group Financial Highlights	FY16	FY15	Y-o-Y Change
Sales revenue ($bn)	1.27	1.25	+1.9%
Group net profit after tax ($m)	52.0	49.2	+5.8%
C15 Paddy price Medium Grain ($/tonne)	404	395	+2.3%
Dividend (c)	33.0	31.0	+6.5%
Earnings per share (c)	88.0	77.9	+13.0%
Year End Gearing (%) (debt to debt plus equity)	31.8	30.5	+130bps
Return on Capital Employed - ROCE (%)	15.1	15.8	-70bps

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The slight increase in gearing was due to higher net working capital, including higher international inventory levels and lower Riverina grower payables due to the smaller crop harvested in 2016.

Final paddy prices for C15 will be $404 per tonne for medium grain (Reiziq), a 2.3% year-on-year increase, and $534 per tonne for Koshihikari, a 1.7% year-on-year increase.

SunRice has declared a total dividend (fully franked) of 33 cents per share for B Class shareholders, up 6.5% compared to the previous year. This represents a dividend payout ratio of 38% and a dividend yield of 7.7% (on a B Class share price of $4.30 - closing price on 20 June).

Global Consumer Markets

SunRice's Middle East business delivered 10% market volume growth across the region, including strong market share gains across the Gulf Co-operative States and Jordan. Importantly, SunRice opened an office in Dubai to provide ongoing and dedicated representation for this high potential region.

The Group's Asian business delivered strong volume growth of 28% and is forecasting further growth in branded sales across South East Asia in FY17. E-commerce sales commenced to China during the year, with a dedicated SunRice branded e-commerce site set to launch over coming months. SunRice established an office in Singapore during the year to build ongoing relationships with Asian customers and suppliers, and to closely monitor Asian markets.

SunRice continued its strong presence in Pacific markets. While operational challenges impacted sales volumes in the Solomon Islands, SunRice's consumer brands in other Pacific countries performed strongly.

SunRice continues to focus on Europe as a future premium market for our products. For the first time in many years, the EU purchased more than Australia's Tariff Reduced Quota and paid the significant import tariffs to satisfy demand for premium sushi rice and medium grain varieties.

Domestic Markets

The Group generated positive gains in market share across consumer markets in Australia and New Zealand. Total volume in Australian Retail was up 6% year-on-year. SunRice's consumer markets team experienced exceptional gains in the Microwave Rice category, with market share up 17%. Successful results were also delivered in the Snacks category, with rice cakes and mini bites generating large market share gains. New Zealand reported total volume growth of 13% year-on-year.

Key to this growth was the implementation of tactical marketing campaigns in collaboration with SunRice's major retail and wholesale accounts, focusing on improved instore execution, retail space and distribution.

Subsidiary and Complementary Businesses

Trukai Industries delivered 9% year-on-year revenue growth. To mitigate ongoing Papua New Guinean Kina illiquidity issues, Trukai focused on efficiency in operations, increased distribution and pricing. SunRice continues to closely monitor and respond to exchange rate movements, potential government policy changes and the weaker macroeconomic outlook in Papua New Guinea, which have the potential to materially impact the Group in FY17.

Riviana Foods almost doubled net profit in FY16, with a more focused product portfolio and lower cost base combining to offset unfavourable exchange rate movements. Despite the competitive retail and food service environment causing a revenue decline of 7%, Riviana generated strong cash flows and a net working capital reduction was achieved through continued improvements in supply chain management. As an importer, Riviana Foods continues to operate in a challenging foreign exchange rate environment.

SunFoods faced a dynamic operating environment in FY16, in which revenue declined 2% year-on-year due to non-participation in tenders. The second half delivered a turnaround in business performance following the reversal of drought conditions in California and the commencement of export sales.

Global Rice Sourcing

SunRice's global sourcing activities intensified in FY16 as a result of the smaller Australian rice crop harvested in 2015 (C15). The Group sourced 300,000 tonnes of rice to fulfil branded markets, which was sourced from Asia and the US. SunRice strengthened relationships with preferred suppliers, extending our existing quality and safety systems to ensure strict quality requirements for rice supplied into the Group's global network.

Operations

SunRice manufacturing and processing operations delivered consistency and stability in performance, despite a challenging production year. Flexibility in operations, supply chain and cross-functional focus was required to manage a smaller Riverina crop and to respond to changing business needs. SunRice reconfigured its Riverina milling and packaging operations during FY16 in anticipation of the lower crop that was harvested in 2016 (C16). During the reconfiguration process, the Group remained focused on ensuring the viability of the Deniliquin and Leeton sites for the future.

Capital expenditure of $24 million was undertaken across SunRice operations, plants and facilities, and included: $6.8 million on upgrading milling processes, inventory and site security at the Deniliquin Mill; and $6.7 million allocated to a Leeton Mill upgrade to the core rice whitening process to improve whole grain yield into the future.

Capital Restructure

As you are aware, the proposed Capital Restructure will change the way we fund SunRice's future growth while delivering enduring grower shareholder control and offering B Class shareholders the potential to unlock greater value for their investment. In May, we advised that the timing of the proposed Capital Restructure had been impacted by developments regarding a subsidiary joint venture partner's decision to undertake an internal review of its arrangements with SunRice. This development was unexpected, is not related to SunRice's business performance and is not impacting on trading operations.

In June, Chief Executive Officer Rob Gordon and I held three SunRice Update meetings in the Riverina for shareholders and growers, and I also attended all Ricegrowers' of Australia Association (RGA) branch Annual General Meetings. At these meetings we provided an update on the proposed Capital Restructure. We were encouraged by the support expressed by shareholders and growers at these meetings and remain firmly focused on progressing with the Capital Restructure once the current joint venture issue is resolved and a suitable timetable can be confirmed.

I can assure you that the Board remains fully committed to the proposed Capital Restructure, which is in the best interests of the business and will allow us to invest for growth, better manage risk and ensure greater resilience in dynamic global markets.

Since corporatising in 2005 and listing on the NSX in 2007, SunRice has a track record of delivering positive outcomes for, and balancing the needs of, both A and B Class shareholders. The strong FY16 financial results announced today further add to this track record.

SunRice AGM

SunRice's results will be presented at the Ricegrowers Limited Annual General Meeting, to be held at 10.30am on Thursday 25 August 2016 at Jerilderie Civic Hall, Jerilderie.

Thank you for your ongoing support and I hope to see many of you at the AGM in August.

Yours sincerely,

Laurie Arthur
Chairman

Note:

- *FY16 relates to the financial year ended 30 April 2016*
- *Crop Year 15 (C15) relates to the crop harvested in 2015 and marketed in FY16*