



NSX ANNOUNCEMENT

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Half Year Financial Results: Solid Profit Despite Challenging Conditions

- Consolidated Group revenue of \$568.3 million (11.5% decrease on HY16)
- Net profit after tax of \$20.8 million (13.2% decrease on HY16)
- HY17 results were in line with Company expectations
- FY17 profit guidance remains unchanged and is forecast to be around \$40 million

Group Revenue and Profit

Leading Australian branded foods business, SunRice, today released its Half Year Financial Report for the six months ended 31 October 2016 (HY17).

SunRice's consolidated revenue for the Group in HY17 was \$568.3 million, a 11.5% decrease compared to the previous corresponding period ending 31 October 2015 (HY16), driven by challenging global and domestic conditions, which included: the global oversupply of rice causing continued and significant price pressure; weakening economies and currency devaluations in key markets; and the reduced Riverina rice harvest in 2016 (C16: 244,000 tonnes).

Net Profit After Tax (NPAT) in HY17 was \$20.8 million, a 13.2% decrease compared to HY16. NPAT was positively impacted by 'one-off' items related to provision and impairment reversals.

HY17 financial results were in line with Company expectations.

CEO Comment

Commenting on the HY17 results, SunRice CEO, Mr Rob Gordon, said:

"We disclosed to the market at the AGM in August that this financial year was going to be challenging for SunRice and we were expecting a weaker first half result, primarily as global rice oversupply continued to negatively impact on prices – since October 2015, global medium grain rice prices have almost halved. Additionally, deteriorating economic conditions were experienced in some of SunRice's key export markets across the Middle East and the Pacific.

"The lower Riverina crop of 244,000 tonnes in 2016 (C16) – a steep volume decline from 690,000 tonnes in the prior year – resulted in a 28% reduction in Rice Pool business revenue during HY17.

"Headwinds were also faced by our complementary businesses, especially CopRice, which experienced faltering stockfeed demand due to healthy pastures and a depressed dairy industry.

"Despite the exceptional circumstances the business faced in HY17, there are persistent signals that our strategy to build a resilient and diversified business is succeeding. The International Rice segment performed well, with increased globally traded volumes and a return to profitability for SunFoods. The Rice Food segment experienced a considerable increase in profitability.

"Consistent with previous guidance, we expect the Group's Net Profit After Tax for FY17 to be around \$40 million, depending on market conditions and global rice market trends."

Segment Performance

	HY17 Revenue \$ million	PCP* %	HY17 NPBT \$ million	PCP* %
Rice Pool	132.1	-28.2	(15.6)	N/A
International Rice	263.2	-0.6	18.2	+4.2
Rice Food	56.8	+9.2	4.8	+351.0
Riviana	61.1	-13.6	3.1	-58.7
CopRice	53.0	-22.8	(1.5)	-150.0
Asset Finance	0.1	+89.6	12.8	104.6

* PCP: Previous corresponding period ending 31 October 2015 (HY16)

Rice Pool business: Buying Riverina rice at a commercial price of \$415 per tonne (Reiziq), combined with the lower C16 crop resulted in the shortfall of \$15.6 million. This outcome was forecast in October 2015 when the price was guaranteed for growers for the C16 crop, in order to incentivise production and ensure continuity of supply of Australian rice in the context of water scarcity.

International Rice business: This segment achieved 4% uplift in NPBT on flat revenue growth. Increased globally traded volume and a return to profitability by SunFoods (SunRice's wholly owned US business) were offset by challenging economic and trading conditions across several key markets. This was especially highlighted in Papua New Guinea (PNG), where a weak economy and devaluing currency (the Kina has reduced by almost 10% since October 2015) undermined our brands' traditional pricing power and attracted growing competition. We continue to maintain a close watch on PNG issues, including: the risk that a sudden further Kina devaluation would considerably reduce trading margins; ongoing Kina liquidity; and political developments regarding the possible implementation of an import quota.

Rice Food business: This segment posted revenue growth of 9% and impressive NPBT growth of 351%. Overall, improved volumes and revenue combined with increased manufacturing efficiencies resulted in a considerable profit uplift. Most notably, Rice Cakes experienced positive manufacturing performance and cost savings, while Microwave Rice experienced continued strong sales growth.

CopRice: Well publicised challenges in the dairy industry, coupled with good pasture due to favourable weather have resulted in reduced demand for supplementary feed and lower revenues.

Riviana: Continued competition in Foodservice, delays in the *Always Fresh* brand relaunch and competition within key retail accounts impacted volumes during the period.

Asset Finance: The positive NBPT result was largely driven by a 'one-off' item due to the acquisition of SunFoods minority shareholders resulting in the release of a dispute settlement provision.

'One-Off' Items

There was a net positive \$3.5 million impact on NPAT due to 'one-off' items. Positive 'one-off' items included the reversal of a dispute settlement provision related to SunFoods minority shareholders and the reversal of a previous impairment charge due to improved performance of a Riviana division. These were partially offset by an impairment charge related to the Brandon Mill operation in North Queensland.

FY17 Outlook

We continue to forecast that Net Profit After Tax for FY17 will be around \$40 million. However, this remains dependent on market conditions, in particular global rice prices and increasing competition. In addition, we would need to reassess this guidance if there was a sudden devaluation of the PNG Kina. While we are taking measures to bolster second half performance, many of our markets remain volatile.

C16 Full Year Paddy Price

The 2016 crop year (C16) paddy price for medium grain Reiziq is guaranteed to be \$415 per tonne. The decision to announce a guaranteed price was made in October 2015 intended to encourage local rice production by providing Riverina growers with greater certainty as they finalised summer crop planting decisions. This decision was made by the Board following a rigorous review and with the clear understanding that providing certainty for the 2016 crop paddy price was in the best interests of the SunRice business and both A and B Class shareholders.

For FY17, the anticipated increase in profits from our global trading activities is likely to substantially offset the losses in the pool, provided current market conditions continue, including global market demand, foreign exchange and other factors.

Capital Restructure

The Board is committed to the proposed Capital Restructure, and believes it is in the long term best interest of SunRice. However, the Board does not consider it is prudent to proceed with the Capital Restructure while there is uncertainty regarding the potential implementation of restrictive import quotas by the PNG Government and issues related to one of SunRice's subsidiary joint venture partners.