



NSX Announcement

24 February 2017

Financial Year 2017 Profit Guidance

At the Annual General Meeting in August 2016, we outlined the numerous challenges that would be faced by SunRice in Financial Year 2017 (FY17) and that it would be a particularly tough year for the Company. These issues included:

- The need to manage the lower crop harvested in 2016 (C16) and the impacts this would have on operational costs due to lower throughput levels;
- Conditions in global markets, which have been characterised by lower prices driven by increased supply and stockpile levels and the impact this would have on the generation of trading profits;
- Weak macroeconomic conditions in SunRice's major markets such as the Pacific (most notably Papua New Guinea - PNG) and the Middle East; and
- Difficult trading conditions for the complementary businesses of CopRice and Riviana.

We flagged increased risk for second half of FY17 when we announced the HY17 Financial Results in December 2016: we stated that profit guidance was dependent on market conditions, in particular factors such as global rice prices and increasing competition, and that many of our markets remained volatile.

Since then, overall trading conditions in the global rice market and across several of our key markets have declined, with medium grain prices reaching the lowest levels seen in a decade, impacting on pricing and volumes, and consequently profitability:

- 2016/17 global paddy production forecast to be a record high of ~480 million tonnes;
- Global stockpiles remain at the highest levels since 2001/02;
- Prices to remain under pressure, as import demand from larger markets remains weak;
- PNG's economy is presently characterised by a raft of negative macroeconomic trends; and
- We continue to monitor the uncertainty regarding the potential implementation of restrictive import quotas by the PNG Government.

Having reviewed the recent trend of the Company's performance over the past two months – a period of mixed results during which December disappointed and January exceeded expectations – and having assessed the trading conditions in the coming months, SunRice is now anticipating Net Profit after Tax (NPAT) for FY17 to be in the range of \$30 million to \$35 million (a revision from previous guidance of 'around \$40 million').

The guaranteed paddy price of \$415/tonne (medium grain Reiziq) for C16 is assured and, assuming the new profit guidance range is achieved and subject to the year-end audit and formal declaration by the Board, the FY17 B Class shareholder dividend is expected to be maintained at a similar level to the previous year.

Commenting on the updated profit guidance, SunRice CEO, Rob Gordon, said:

"Our strategy over the past five years, which has included enhanced value-adding activities and the intensification of our entry into branded markets, has improved SunRice's commercial resilience. However, the global rice market is presently experiencing a 'once in a decade' commodity cycle

trough, as a result of: record production levels; the highest stockpiles in 15 years; the lowest prices in around 10 years; and fierce competition. These conditions will impact on SunRice's FY17 financial result despite our improved resilience.

"Nevertheless, it should be highlighted that, despite global rice prices continuing to decline, Australian growers will receive a strong paddy price for C16 and the dividend for FY17 is anticipated to be maintained at a similar level, subject to the year-end audit and formal declaration by the Board."