

# Financial Advisors' Briefing

## Ebro Offer

December 2010



The Rice Food Experts

# Important Notice

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- This presentation gives very brief and targeted information
- The Board is committed to transparent and open communication with shareholders so that you have the relevant information required to consider the Scheme
- The Scheme Booklet will give shareholders all the information they need to make a decision on how to vote
- Shareholders must read the Scheme Booklet
  - It will contain other reasons why shareholders may decide to vote in favour of the proposal as well as reasons they may consider voting against it.
  - The Independent Experts report will also be included in the scheme booklet.

# Introduction

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- On 21 October 2010, SunRice announced that it had entered into an agreement for exclusive negotiations (“Exclusivity Agreement”) with Ebro Foods S.A. from Spain in relation to a potential offer for an implied Enterprise Value of approximately \$600m
- Ebro is a world leader in the rice sector and the second largest group in the international pasta sector with leading brands in each of these sectors
- The Exclusivity Agreement set out the key commercial principles of the potential offer
- Over the following five weeks, discussions with Ebro continued and culminated in the signing of a Scheme Implementation Agreement outlining a transaction that will be put to shareholders
- The transaction requires both A class and B class shareholder and regulatory approval.
- It is currently expected that the shareholder vote will be in March 2011

# Indicative Timeline

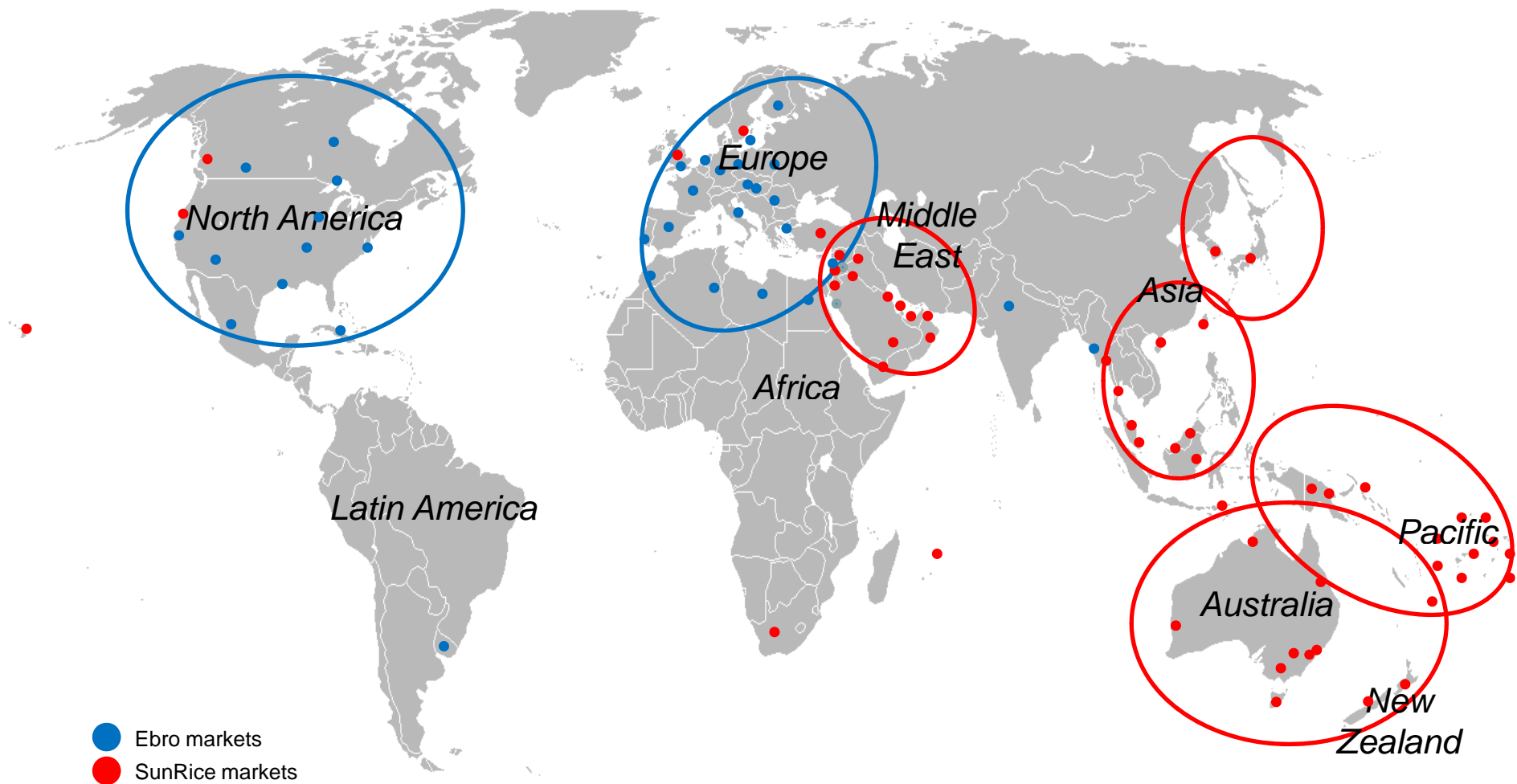
	Date	Event
2010 ↓ ↑	25 November	Scheme Implementation Agreement signed
	Early December	SunRice and Ebro to meet shareholders
	Early February	First Court hearing to ask the Court to call a meeting of SunRice shareholders
	Mid February	Despatch Scheme booklet (including Independent Expert Report)
2011 ↓	February/ March	Third round of shareholder meetings with SunRice and Ebro
	Mid March	Shareholder meeting to vote on the Scheme
	Late March / Early April	If Shareholders approve the Scheme: <ul style="list-style-type: none"> <li>▪ Second Court hearing</li> <li>▪ Scheme implementation date and shareholder payment</li> </ul>

# About Ebro

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- Ebro is the largest branded rice company and the second largest branded pasta company in the world
- Ebro has over 23 operating subsidiaries in Europe, America, North Africa and Asia with a portfolio of over 60 brands
- Ebro is the leading food group in Spain in turnover, profit, market capitalisation and international presence
  - Turnover – A\$ 3.1 billion (2009)
  - Net Profit – A\$ 252 million (2009)
  - Market Capitalisation – A\$ 3.4 billion
  - Ebro Foods SA shares are quoted on the Madrid Stock Exchange (Ibex 35 company)
- Significant involvement of the Hernandez family, a family of rice farmers and currently the largest shareholder – the business continues to enjoy a close relationship with rice and durum wheat growers in all its businesses
- SunRice and Ebro have enjoyed a close and strategic relationship for over 50 years

# About Ebro



# Summary of Scheme Implementation Agreement

<b>Value</b>	<p>\$600m Enterprise Value</p> <ul style="list-style-type: none"> <li>▪ A Class Share: \$50,000 each</li> <li>▪ B Class Share: \$5.025 each (not including possible franking credits of 60.3 cents each)</li> </ul>
<b>Paddy Purchase Commitments</b>	<ul style="list-style-type: none"> <li>▪ Purchase all paddy rice as “buyer of last resort” under RMB agreement, if exclusive export right is retained</li> <li>▪ 5 year Medium Grain price, from 2012 (details on next page) <ul style="list-style-type: none"> <li>– Premium Pool 400,000 tons</li> <li>– Pool 2 next 400,000 tons</li> <li>– Pool 3 &gt;800,000 tons</li> </ul> </li> <li>▪ Purchase up to 100,000 of non Medium Grain varieties at prices determined by Ebro</li> <li>▪ Rolling 5 year terms, which are automatically renewed unless Ebro gives notice to terminate them during the third year of any 5 year term</li> <li>▪ Grower deliveries pro rated over all pools so each grower receives same pro rata price per ton</li> <li>▪ 2010 Pool 2 price and indicative 2011 paddy price will be determined as per current practices and will be communicated prior to the shareholder vote</li> <li>▪ Current payment schedule to be retained</li> </ul>

# Summary of Scheme Implementation Agreement

## Medium Grain Pricing Mechanism Scenarios based on RMB Licence

### Scenario 1 – Exclusive Export Rights Retained

- Premium Pool price based on California benchmark
  - 60% based on average of 2 California Pools
  - 40% based on cash price
  - USD/AUD converted on daily average exchange rate
  - Pools and pool / cash weight to be annually reviewed by Grower Advisory Board
- Pool 2 price at US\$50-90 discount to Premium Pool
  - Discount based on actual discount in market from Pool 1
- Pool 3 price will be the prevailing market price in locations where the pool is sold
  - This includes estimated future prices where the pool is held back for sale in a later period

### Scenario 2 – Non Exclusive Export Rights

- Premium Pool price as per Scenario 1
- Pool 2 and 3 price commitments as per Scenario 1 for two years after loss of exclusive export rights



# Summary of Scheme Implementation Agreement

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## Rice R&D

- Ebro undertakes to support rice research and development through RRAPL equivalent to the average annual amount contributed by SunRice over the past 3 years prior and indexed annually by CPI

## Rice Industry Support

- Continue annual support of industry and RGA consistent with SunRice past practice

## Regional Community Support

- Continue annual sponsorship and support of regional communities consistent with SunRice past practice

# Summary of Scheme Implementation Agreement

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## **Ebro's commitments are enforceable**

- Ebro's paddy purchase and other commitments are enforceable by
  - Each individual grower; and
  - RGA

## **Grower Advisory Board will be the forum for cooperation on grower issues**

- R&D
- Pure Seed Scheme
- Crop Planning
- Appraisal
- Paddy Pricing
- Payment Methods e.g. "Board Orders"
- Growers Services

# Summary of Scheme Implementation Agreement

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## Structure of Grower Advisory Board

- Operates in perpetuity, not just 5 years
- Three grower representatives and three Ebro representatives
- Chairman must be a grower representative (but no casting vote)
- First grower representatives to be agreed by Ebro and SunRice
  - SunRice to consult with the RGA
- Elections for future grower representatives with three year term
- Ebro to provide adequate funding and administrative support for the Grower Advisory Board

# Franking Credits

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- At 25 Nov the SunRice tax consolidated group had \$35.1m in franking credits.
- Ebro has offered \$5.025 per B Class share.
- Subject to Board confirmation and shareholder approval of the scheme, it is proposed that SunRice would declare a fully franked dividend of \$1.407 per B class share. If the scheme is not approved, the proposed dividend of \$1.407 will not be paid.
- Shareholders would receive a franking credit of \$0.603 per share (subject to ATO approval).
- The SunRice dividend would be funded by Ebro.
- Ebro would then pay the balance of the offer \$3.618 for the B class shares.
- While the dividend is funded by Ebro, it is SunRice that will be paying the franked dividend.

# Estimated Value to a B class shareholder

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- The offer therefore has the following value to the majority of B class shareholders:

SunRice Dividend	\$1.407	Funded by Ebro and paid from retained earnings.
Franking Credit **	\$0.603	Uses franking credits built up over the years. Is subject to ATO approval.
Proceeds from sale of B Class shares for the purpose of calculating a capital gain	\$3.618	

\*\* RL has applied for a class ruling to confirm that B class shareholders can have access to a fully franked dividend and to confirm the treatment of the capital proceeds with respect to the franked dividends.



# Possible Tax Considerations

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- Fully franked dividend \$1.407
- Shareholders are able to use the franking credit as a tax offset (subject to ATO approval)
- Total B class share cash \$5.025
- Generally the following may be considered:
  - If shareholder is in a capital gain position (IE the price the shareholder paid for the share is lower than \$3.618) the shareholder can deduct the fully franked dividend value of \$1.407, so that the capital proceeds for assessing capital gains tax is \$3.618.
  - If shareholder is in a capital loss position (IE the price a shareholder paid for the share is greater than \$3.618) then the shareholder would not be able to deduct the dividend portion from the capital proceeds and therefore the shareholder's capital loss will be reduced.
- Shareholders would need to obtain their own advice as to whether they would be in a capital gain or loss position.

# Estimated value to A class shareholder

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- A class shares are voting shares issued for nil monetary value.
- Ebro has offered \$50k per A class share.
- This would result in the amount being fully taxable as a capital gain.
- Companies would be taxed at 30%
- Individuals and superannuation funds may be entitled to the capital gains tax discount if A class shares held for more than 1 year.

# Conclusion

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- The Board has worked hard to develop a proposal which it believes is attractive to shareholders
- Shareholders must read the Scheme Booklet in full before deciding whether or not to vote in favour of the proposal