

SunRice Shareholder Meeting

May 2011



The Rice Food Experts

Important Notice

- You should have received a Scheme Booklet. If there are any Shareholders who have not, please contact 1800 643 604
- The Scheme Booklet contains the information you need to know in order to make an informed decision on how to vote
- The Scheme Booklet includes a report by the Independent Expert, Lonergan Edwards & Associates, which provides a detailed analysis of the value of your SunRice Shares
- The following presentation is an overview of elements of the Ebro Proposal. The Scheme Booklet contains other important matters and background information to assist your assessment
- Shareholders are encouraged to read the Scheme Booklet in full before deciding how to vote



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1. Key Transaction Terms – Value

- SunRice shareholders will receive the following proceeds per share:

	A Class	B Class
Total cash consideration	\$50,000	\$5.025
<u>plus</u> Franking credits (subject to favourable tax ruling. SunRice has applied for a Class Ruling from the ATO for the availability of the franking credits)	n.a.	\$0.603

1. Key Transaction Terms – Purchase Commitments

- SunRice will continue to act as a “buyer of last resort” under Sole and Exclusive Export Agreement
- Medium grain pricing mechanism based on California prices for an initial 7 year period commencing with the 2012 crop and thereafter on a rolling 7 year basis.
- Medium Grain Pool 1
 - Volume - first 400,000 tonnes
 - Price - 60% based on average of 2 California pools and 40% based on California cash price
 - Termination
 - End of a rolling 7 year period if a material adverse change in business conditions exists and notice given during year 5
 - Not impacted by loss of the Sole and Exclusive Agreement
- Medium Grain Pool 2
 - Volume - second 400,000 tonnes
 - Price - US\$50 to US\$90 discount to Medium Grain Pool 1 price
 - Termination
 - End of a rolling 7 year period if a material adverse change in business conditions exists and notice given during year 5
 - Impacted by loss of the Sole and Exclusive Agreement – 2 year’s notice required



1. Key Transaction Terms – Purchase Commitments

- Medium Grain Pool 3
 - Volume – above 800,000 tonnes
 - Price - Prevailing market price in locations where the pool is sold
 - Termination
 - End of a rolling 7 year period if a material adverse change in business conditions exists and notice given during year 5
 - Impacted by loss of the Sole and Exclusive Agreement – 2 year's notice required
- These arrangements assume that the regulation of the NSW Rice Industry remains as it is today. Any changes may impact on these arrangements and may also impact on SunRice in its current form
- Deliveries pro rated across the pools so Growers paid on a uniform basis
- Ebro has committed to purchase up to 100,000 tonnes of non-medium grain varieties at prices determined by Ebro in the normal course of business
- SunRice (on a standalone basis) is not willing to provide this medium grain price commitment
- All purchasing and other commitments enforceable under Australian law by Growers or the RGA

1. Key Transaction Terms – Grower Advisory Board

- Intended to operate indefinitely unless its members all agree otherwise
- Initially three Grower Representatives and three Ebro Group representatives agreed between Ebro and SunRice
- Subsequent Grower Representatives appointed by RGA after a grower selection process
- At least one Elected RMB Member must be a Grower Representative during the Sole and Exclusive Export Agreement
- Chairman must be a Grower Representative (but no casting vote)
- Makes determinations in relation to paddy pricing and provides a forum for consultation and recommendations on grower issues
- Ebro funds and provides administrative support

1. Key Transaction Terms – Grower Advisory Board

- First Grower Representatives:
 - Gerry Lawson (Chairman) – put forward by SunRice
 - Mark Robertson – put forward by SunRice
 - Noel Graham (Elected RMB Member)

- First Ebro Group representatives:
 - Gary Helou (CEO, SunRice)
 - Mandy Del Gigante (Company Secretary, SunRice)
 - Pablo Albendea (Group Co-ordination Director, Ebro Foods S.A.)

1. Key Transaction Terms – Industry Support

Ongoing support for the industry will be maintained...

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

Infrastructure Support

- Ebro has stated that it currently intends to maintain and develop SunRice's infrastructure, including the storage sheds

2. Regulatory & Industry Body Decisions

Rice Marketing Board

- The RMB has consented to the change of control of SunRice which will occur on implementation of the Proposal
- If the Proposal is implemented, the Sole and Exclusive Export Agreement will be extended to 30 June 2016
- During the term of that agreement not less than one Elected RMB Member will be appointed as a Grower Representative on the Grower Advisory Board
- Ebro guarantees the performance of SunRice and AGS under Sole and Exclusive Export Agreement including their remaining payments to RMB for the Storage Sheds

Foreign Investment Review Board

- FIRB has notified Ebro that there are no objections to the proposed acquisition in terms of the Australian Government's foreign investment policy, nor has FIRB imposed any conditions

Ricegrowers' Association

- The RGA has confirmed it will conduct a selection process for Grower Representatives

3. SunRice Debt and its Implications

- Approximately 90% of SunRice's debt (in total \$303m) is now provided by banks compared to 60% in April 2000
 - In this period, the attitude of banks to SunRice has become more conservative
- As a result of the impact of the drought and its capital structure, SunRice has underspent on capital expenditure
 - Will need to spend an increased amount over the next four years to ensure the asset base remains competitive
- Debt provided to the industry by Growers/Shareholders has matured and therefore decreased by \$142m since April 2005, with the majority replaced by bank debt
- Capital required to reduce gearing from 118% at October 2010 to the previously stated target of 70% or less, requiring net additional capital of \$73m
 - The 70% target is well above the Australian peer group company gearing
 - Meeting the 70% target does not provide funds for growth
- The Independent Expert notes that *“due to its high level of debt the Status Quo leaves SunRice vulnerable to profit shocks, increases in interest rates and tightening credit markets”*

4. Alternatives considered by the Board

- The Board evaluated alternative strategic options against the Proposal
 - After evaluating the alternatives, the Board considers that the Proposal is likely to provide a better outcome for Shareholders than any of the other alternatives
1. Retaining the current structure and operations
 2. ASX listing
 3. Delisting SunRice from the NSX
 4. Divesting certain SunRice businesses
 5. Cornerstone investor

5. Implications of the Proposal

Description	Ebro	As we are
Growers will be paid for paddy under the existing payment instalments and have facilitation of forward financing and authorities to enable third party and SunRice payments from rice payments for crop inputs such as seed, fertilisers and chemicals	Yes	Yes
Growers will have access to the paddy receival and storage facilities and services such as insurance	Yes	Yes
Support for RGA, research and development in rice production programs (including RRAPL) the pure seed program and Riverina communities	Yes	Yes
Intention for rice to be processed in the Riverina facilities ¹	Yes	Yes
Intention for employees currently employed by SunRice to be retained and for SunRice's head office to remain at Leeton ¹	Yes	Yes
The Sole and Exclusive Export Agreement will continue, including the buyer of last resort	Yes, until 2016	Yes, until 2011 with 5 years notice

1) Ebro's statements are statements of Ebro's present intention only, which may change as new information becomes available



5. Implications of the Proposal

Description	Ebro	As we are
You will receive \$50,000 per A Share and \$5.025 per B Share	Yes	No
Grower control of SunRice will cease and Growers' interests will be represented through the Grower Advisory Board	Yes	No
The Grower Advisory Board will determine elements of the medium grain paddy price and perform consultation functions	Yes	No, SunRice will determine
Growers' rice will be purchased by Ebro under the paddy pricing mechanism and not under the current practice.	Yes	No
Subject to conditions outlined in Section 1 these arrangements will continue for rolling 7 year periods.		
SunRice will need to raise additional capital to reduce its debt and enable growth		
The Board has not determined how to raise additional capital, methods being considered include one or more of : <ul style="list-style-type: none"> ▪ Paddy price reductions ▪ Dividend reduction ▪ Issuing external equity 	No	Yes



6. Why You May Consider Voting in Favour

1. The Independent Expert confirms that *“the Scheme is fair and reasonable and in the best interests of the A and B Class Shareholders of SunRice in the absence of a superior proposal”*
2. The proposed payment of \$5.025 per B Share represents a significant premium to trading prices on NSX
3. The proposed consideration of \$50,000 per A Share provides value for the voting rights attached to A Shares
4. The Proposal provides Growers with a medium grain paddy price based on the premium medium grain Californian market which SunRice is not willing to provide under its current ownership
 - The Proposal also includes ongoing protections for Grower interests
5. Ebro is committed to supporting the Australian rice industry, including continuing to fund SunRice’s research and development programs
6. The Board believes that the Proposal delivers greater benefits to Shareholders than available alternatives
 - Since the announcement of the Proposal, no Superior Proposal has emerged



6. Why You May Consider Voting in Favour

7. Growers will be selling their rice to SunRice/Ebro, a global rice group
 - Ebro has a significant capital base, extensive market reach and low debt
8. SunRice will be subject to continuing competition globally and in Australia which may impact its operational performance and returns to Shareholders and Growers
9. If the Proposal is not implemented, SunRice may have to reduce paddy prices and retain greater profits to grow its capital base and lower its debt and gearing
10. Shareholders will receive cash for their Shares and no longer be exposed to the investment risks associated with holding SunRice Shares
11. The B Shares are likely to continue to trade at a large discount to the Independent Expert's valuation and the cash payment for the B Shares
 - There will continue to be no market for A Shares
12. Under the Proposal, the SunRice Dividend is expected to be fully franked with Australian franking credits which may have additional value for holders of B Shares



7. Why You May Consider Voting Against

1. You may disagree with the Board and the Independent Expert and believe that the Proposal is not in your best interests
2. If the Proposal proceeds, you will no longer be a Shareholder and you will not partake in any benefits of being a Shareholder Grower
3. If the Proposal proceeds, SunRice will be foreign owned and no longer controlled by Active Growers
4. Growers may be subject to paddy pricing uncertainty beyond the Crop Year 2018
5. If the Proposal proceeds SunRice will no longer be Australian owned
6. Holders of B Shares will no longer receive dividends
7. The Paddy Purchase and Pricing Rules are based on Californian paddy prices which may not result in a better paddy pricing outcome in the future

7. Why You May Consider Voting Against

8. You may perceive that you and the majority of other Shareholders are prepared to accept a lower paddy price and/or dividend return or provide capital to address SunRice's debt position and provide funds for future growth and capital expenditure
9. You may perceive that under Ebro's ownership, SunRice may have greater regard to non-Grower interests
10. The tax consequences of the Proposal may not suit your financial position
11. You may believe that a Superior Proposal will emerge
12. You may wish to maintain your investment profile
13. There are risk factors to be considered if the Proposal is implemented

8. Key Elements of the SunRice Update Letter

- The Pool Price for the Number 2 Pool 2010 will be \$320 per tonne (medium grain)
- SunRice's profit after tax for the financial year ended April 2011 is expected to be at a similar level to the prior year
- The indicative price for the 2011 Pool is \$258 per tonne (medium grain)
 - If the Ebro Proposal is implemented, the \$258 per tonne (medium grain) price will be the minimum price paid to Growers for the 2011 Pool
 - If the Ebro Proposal is not implemented, the \$258 per tonne (medium grain) price will be an indicative price only for the 2011 Pool. The ultimate price paid for the 2011 Pool could be higher or lower than this indicative price
 - As outlined in the Scheme Booklet, the Board reserves the right to reduce the price of paddy to retain capital
- On the basis of the Board's expectation of profit for the financial year ended 30 April 2011, the dividend to be paid by SunRice if the Ebro Proposal is not implemented is expected to be reduced by up to 10% compared to that declared for the financial year ended 30 April 2010 or more if the Board decides to retain profits to help its stated goal of reducing SunRice's gearing ratio



9. Review of Holdings of A Shares

- SunRice has assessed and addressed all complaints it has received from former holders of A Shares which were redeemed in February 2010
- Ebro is aware that some former holders of A Shares have continued to press their complaints
- Ebro has included a mechanism under which, after implementation of the Proposal, a retired Judge will be appointed to hear applications from any eligible person claiming financial compensation in connection with the redemption in February 2010 of their A Share
- Aggregate fund for compensation of all successful claims of \$2,500,000 (less costs) with the maximum compensation in relation to each successful application of \$50,000
- No additional A Shares will be issued by SunRice prior to the Meetings



10. Process Overview

- There will be three meetings of Shareholders
 1. A meeting of the holders of A Shares to consider the Proposal
 2. A meeting of the holders of B Shares to consider the Proposal
 3. A general meeting of the holders of A Shares to approve changes to the Constitution and the issue of the Implementation Shares to Ebro so that the Proposal can be implemented
- If you are the holder of an A Share, you are asked to attend and vote at the A Scheme Meeting and the Extraordinary General Meeting
- If you are the holder of B Shares, you are asked to attend and vote at the B Scheme Meeting
- If you hold both an A Share and B Shares you are asked to attend and vote at all three Meetings
- If you cannot attend the Meetings, you can send in a proxy form completed in accordance with the instructions on the form
- Shareholders are encouraged to vote by proxy online (visit [**www.investorcentre.linkmarketservices.com.au**](http://www.investorcentre.linkmarketservices.com.au) and follow the prompts) or by fax or post. Shareholders can still attend the Meetings and vote in person.

10. Process Overview

Holders of A Shares (use the yellow proxy form) – how to vote IN FAVOUR

Resolution for the A Scheme Meeting (meeting number 1)

To approve the A Scheme Resolution

☒ FOR

☐ AGAINST

Resolution for the Extraordinary General Meeting (meeting number 3)

To approve the Resolution for Constitutional Change

☒ FOR

☐ AGAINST

To approve the issue of the Implementation Shares to Ebro

☒ FOR

☐ AGAINST

Holders of A Shares (use the yellow proxy form) – how to vote AGAINST

Resolution for the A Scheme Meeting (meeting number 1)

To approve the A Scheme Resolution

☐ FOR

☒ AGAINST

Resolution for the Extraordinary General Meeting (meeting number 3)

To approve the Resolution for Constitutional Change

☐ FOR

☒ AGAINST

To approve the issue of the Implementation Shares to Ebro

☐ FOR

☒ AGAINST

10. Process Overview

Holders of B Shares (use the blue proxy form) – how to vote IN FAVOUR

Resolution for the B Scheme Meeting (Meeting number 2)

To approve the B Scheme Resolution

☒ FOR

☐ AGAINST

Holders of B Shares (use the blue proxy form) – how to vote AGAINST

Resolution for the B Scheme Meeting (Meeting number 2)

To approve the B Scheme Resolution

☐ FOR

☒ AGAINST

10. Process Overview

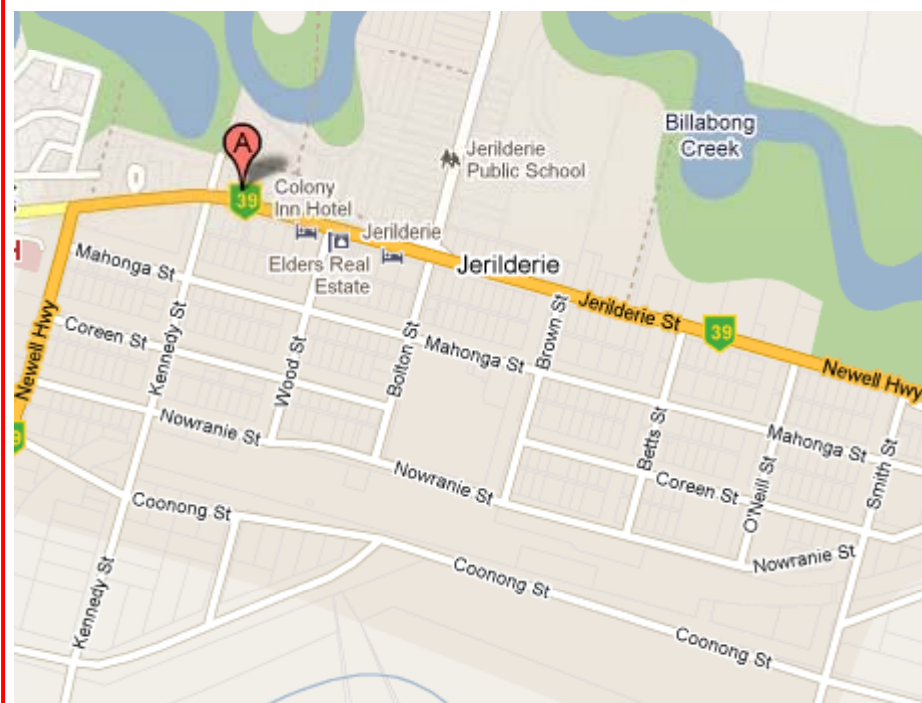
Scheme Meeting Details – Tuesday, 31 May 2011

Scheme Meeting Timing

- **A Scheme Meeting**
 - 10.00am
- **B Scheme Meeting**
 - At the later of 11.00am and the conclusion or adjournment of the A Scheme Meeting
- **Extraordinary General Meeting**
 - At the later of 11.30am and the conclusion or adjournment of the B Scheme Meeting

Location

- **Jerilderie Civic Hall**
 - 33 Jerilderie Street, Jerilderie, NSW 2716



10. Process Overview

If Scheme Approved ↓	Date	Event
	27 April	Scheme Booklet and Notices of Meetings despatched to Shareholders
	10:00am, 29 May	Proxies to be received from Shareholders not later than
	31 May	A Scheme Meeting, B Scheme Meeting and Extraordinary General Meeting
	31 May	SunRice Dividend determined
	6 June	Second Court Date for approval of the Scheme
	7 June	Court order is lodged with ASIC and the Scheme takes effect (Effective Date); Suspension of B Shares from NSX trading
	10 June	Date for payment of SunRice Dividend
	17 June	Transfer of A Shares and B Shares to Ebro; Payments by cheques and EFT to be made within five Business Days (Implementation Date)

Dates following the Meetings are subject to change

11. Questions

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