

28 June 2013

Dear Shareholder / Grower,

**RE: Excellent FY13 performance reported, including increased profits, uplift in C12 paddy price to \$317.34 per tonne, and record dividend of 23.0 cents per B Share**

I am pleased to advise that SunRice's financial results for the 12 months ended 30 April 2013 (FY13) were released today and are now available on the NSX.

Consolidated revenue for the SunRice Group reached \$1.068 billion in 2012/13, up 6.8% on the previous year's \$1.000 billion. Net profit after tax was \$35.8 million, up 5.5% on the previous year's \$33.9 million. We continued to address the company's gearing in 2012/13, with gearing at year end falling from 66% in 2011/12 to 61% in 2012/13.

In 2012/13 our Australian Rice Milling and Marketing business moved beyond drought recovery to deliver increased returns for growers. Accordingly, we are delighted to advise that the final C12 paddy price has been revised upwards to \$317.34 per tonne for medium grain (Reiziq). This is the fourth successive increase to the C12 paddy price and the full year return represents more than \$300 million in paddy payments that will be injected into regional communities via our rice growers.

SunRice's improved profit also enabled us to announce a fully franked dividend of 23.0 cents per share for B Class shareholders. This was up 28% on last year's dividend and is a record for our company. Please note the Dividend Reinvestment Program remains suspended while the Capital Structure Review is ongoing.

The 2012/13 results were delivered against the backdrop of softening international commodity prices and a firmer Australian dollar. Over the course of the financial year, SunRice has recaptured global markets, strengthened its operations and extracted additional operating efficiencies. The maintenance of rice vesting in New South Wales and SunRice's Sole and Exclusive Export Licence has also provided stability for our industry's future and, in turn, established a more certain investment environment for growers and the company. We are very pleased with SunRice's position two years post drought and that the FY13 performance has benefited both A and B Class shareholders.

While these results will be presented at the Ricegrowers Limited Annual General Meeting in Jerilderie on Friday, 23 August 2013, I wish to draw your attention to the following points in relation to SunRice's performance during 2012/13.

**Substantial improvement in underlying profit performance and average gearing**

Underpinning SunRice's statutory results for FY13 was a significant uplift in underlying profit before tax of \$62.0 million, an increase of 44% on the prior year. The company's normalised net profit\* excludes the impact of the paddy price retentions made in 2011/12, capital restructure expenses, and asset impairments made in 2012/13 in line with decreased volumes at off-shore facilities as production returned to our Australian mills. Further information on this can be found in the table on page three of this letter.

While the return of large crops and related inventory impacted our gearing at year end, the management of our working capital resulted in our average gearing across the 12 months falling from 73% in 2011/12 to 43% in 2012/13.

## **Volume and value improvements in global markets despite difficult trading conditions**

Despite challenging trade conditions, sales and volume improvements were achieved across the Pacific, and market share was maintained in Middle Eastern markets despite fierce price competition. The return of Australian rice also enabled SunRice to participate in various Government-controlled tenders in key Asian markets in FY13, including in South Korea and Taiwan.

## **Subsidiary businesses responded well to broad challenges**

Our subsidiary businesses faced challenging conditions in FY13 and as a consequence of the larger Riverina crop allowing for more volume to be processed in Australia, impairments were taken against assets in SunFoods and Aqaba Processing Company (APC).

SunFoods continued to build an independent business focused on the domestic U.S. market, with value and volume growth in the Hawaii and U.S. retail markets.

CopRice performed well despite difficult conditions in the dairy industry and higher grain prices year-on-year which compressed margins. Bulk sales increased by 6% in FY13, and sales volumes for specialty packaged goods increased by 14%, with newly launched products supporting growth.

Riviana's sales revenues were also up year-on-year in food service and retail, however competitive pricing pressures led to a reduction in margin in both channels.

## **Significant reinvestment in subsidiaries, operations and consumer brands**

Significant work was undertaken across the SunRice Group during FY13, which will underpin cost efficiencies and market opportunities in the year ahead.

The improved balance sheet in 2012/13 allowed us to start the process of reinvesting in SunRice's subsidiary businesses, as well as our operations, supply chain, brands and employees.

Significantly, an end-to-end supply chain review and focus on strategic investment for the future has resulted in the Board approving a capital plan of \$18 million; the first \$6 million of which was invested in Australian operations during 2012/13.

A comprehensive consumer research program was also completed and informed the launch of a significant consumer marketing campaign "*Hundreds of Grains. Millions of Possibilities*", which many of you will have seen on television recently. To date consumer response to this campaign has exceeded expectations, with very positive initial indications of growth in sales and profitability in target markets.

In total 30 new products were launched across the Riviana Foods and SunRice portfolios in FY13, with increased volumes in the Core Rice, Microwave Rice, Ready-To-Go-Meals, Rice Cakes and Pickled Vegetable ranges achieved in the domestic market. New products and packaging will also arrive on supermarket shelves during FY14 and we look forward to sharing more with you at the AGM in August.

## SunRice Group Financial Highlights and Reconciliation

Finally, this year we are pleased to provide you with a table-based summary of SunRice's performance as well as supplementary information on the company's underlying profit performance. We hope you find this useful.

SunRice Group Financial Highlights	FY13	FY12	Y-o-Y Change
Sales revenue (\$m)	1,068.2	1,000.4	Up 6.8%
Paddy price (per tonne) <sup>1</sup>	\$317.34	\$275	Up 15%
Underlying net profit before tax (\$m) <sup>2</sup>	62.0	\$43.2	Up 44%
Group net profit after tax (\$m)	35.8	33.9	Up 5.5%
Earnings per share (c)	57.9	57.3	Up 1.0%
Dividend (c)	23.0	18.0	Up 28%
Average Gearing (%)	43	73	Down 30%
Year End Gearing (%)	61	66	Down 5%

<sup>1</sup> FY12 paddy price excludes impact of \$20 per tonne retention.

<sup>2</sup> Underlying profit is before minorities and excludes the impact of impairments, capital restructuring expenses and paddy price retention.

### \* Reconciliation of Statutory Profit Before Tax to Underlying Net Profit Before Tax:

	2013 \$m	2012 \$m
Profit before income tax	57.3	54.6
Paddy retention	-	(16.0)
Impairment of assets (outside Australian paddy pool)	3.4	4.3
Capital Restructure / Ebro expenses	1.2	0.3
Underlying profit before tax	62.0	43.2

## Thank you and AGM details

Thank you for your continued support. As I mentioned earlier, SunRice's results will be presented at the Ric growers Limited Annual General Meeting, to be held at the Jerilderie Civic Hall, 33 Jerilderie Street, Jerilderie, at 10:30am on Friday, 23 August 2013. Further information about the AGM, including the Notice of Meeting will be sent to you in July. We hope to see many of you there.

Yours sincerely,



GERRY LAWSON AM  
Chairman