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# Penrice Soda Holdings Limited

## Investor Presentation

Full year result to 30 June 2006

18 – 21 September 2006

*Presented by: Stephen Bushaway – Acting CEO & CFO*



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# Agenda

Penrice Soda Holdings Limited is the majority supplier & sole manufacturer of soda ash & sodium bicarbonate products in the Australian market.

This presentation provides an overview of the financial performance to 30 June 2006.

- **Key Financials**
- **2006 Result**
- **Business Segment Performance**
- **Operating Costs**
- **Other Highlights**
- **Balance Sheet**
- **Outlook**
- **Dividend**

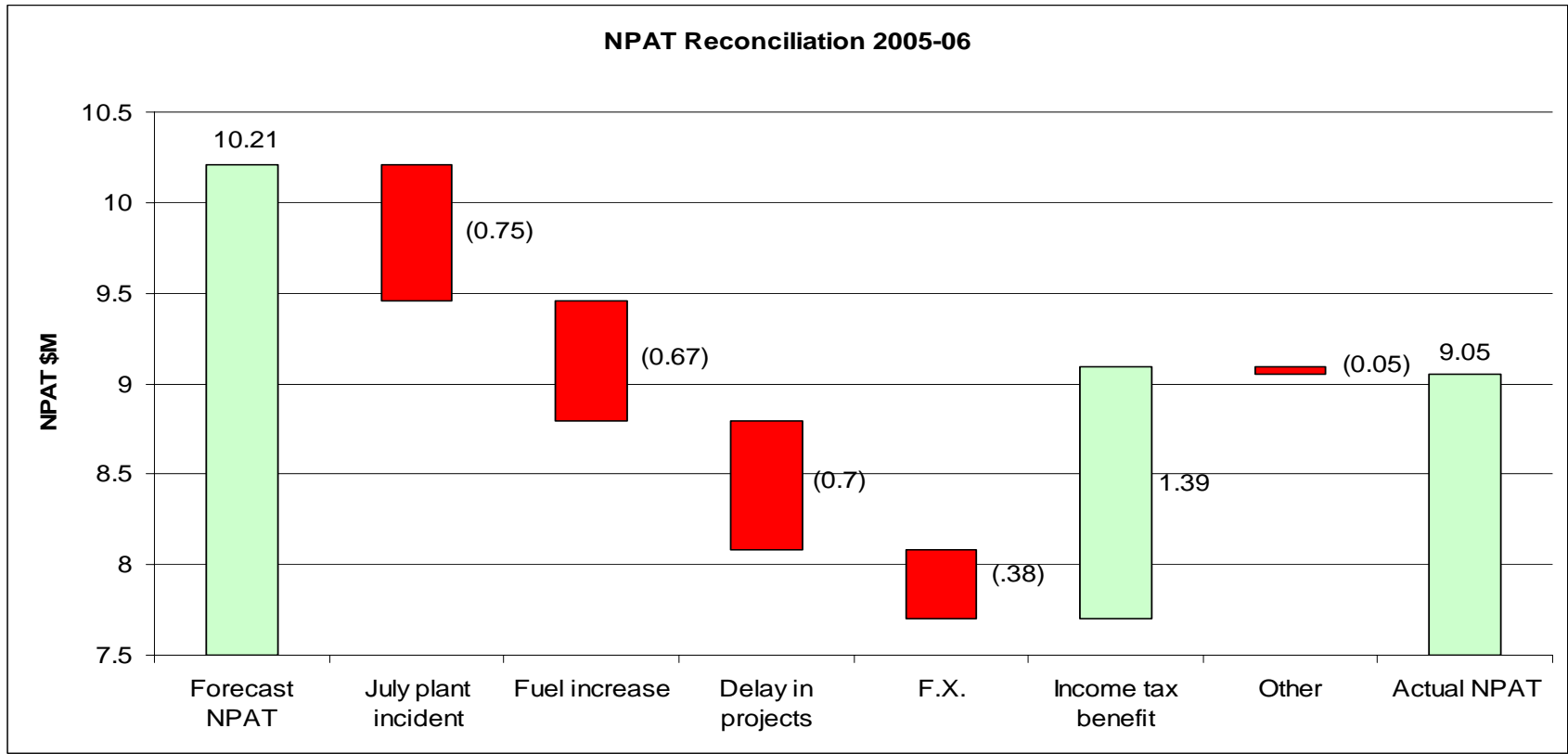
# Key Financials

<i>(in \$A millions)</i>	<b>2006</b>	<b>2005</b>	<b>% Increase</b>
Net Revenue	\$133.68	\$127.99	4%
EBITDA	\$19.25	\$17.53	10%
Net Profit After Tax	\$9.05		
Earnings Per Share (cents)	20		
Dividend	14.7		

Note that both 2006 and 2005 results are reported under AIFRS and have been normalised to exclude the external sales from the saltfields in 2005, the profit on sale of the saltfields and to include the normalised cost of salt in 2005.

# 2006 Result

The financial performance for 2006, although an improvement on 2005, was 11% below the prospectus forecast.



# 2006 Result

## 1. July Plant Incident

- Failure of a pressure vessel caused by graphitisation resulting in approximately 8 days lost production and plant remediation costs.
- Penrice initially repaired this vessel and will replace this vessel with a titanium vessel in 2006/07. An extensive survey of pipes and vessels is continuing using external expertise including ultrasonic thickness testing, radiography and thermography.
- With the significant work done to the plant during the year we are confident that these problems have been fixed.

## 2. Fuel

- This impact relates both to the additional operating costs of the mine and the net effect of fuel surcharges paid on delivery of the product, after being on charged to customers.

# 2006 Result

## 3. Delay in Projects

- Relates to the delay in the sodium bicarbonate plant expansion and the commissioning of the Reverse Osmosis Plant. Both of these plants were commissioned prior to 30 June 2006, with the full year benefit in 2007. The impact is a combination of lost sales margin and increased costs.

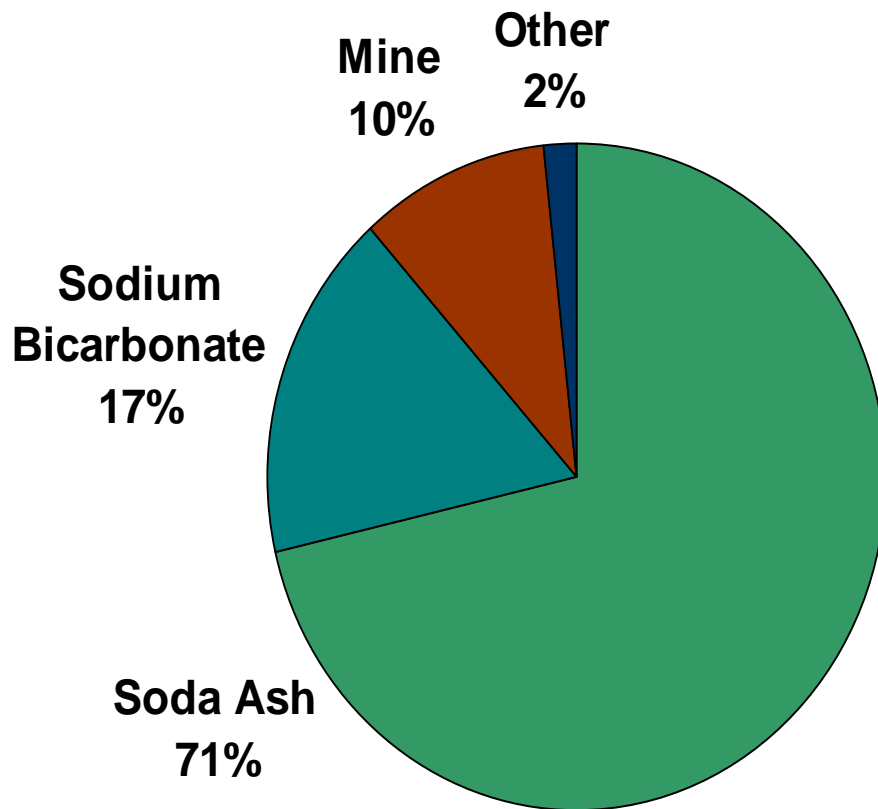
## 4. Exchange Rate

- The full year average exchange rate was \$0.745 compared to a prospectus forecast of \$0.73.
- Particular impact in Quarter 4 when the prospectus rate was \$0.68.
- 2007 hedged at rate below 2006 and current prevailing rate.

## 5. One-Off Tax Benefit

- Relates to the tax deductibility of IPO related costs.
- 2007 tax rate forecast at 29%.

# Revenue by Segment



## Soda Ash

- Glass
- Detergents & Soaps
- Chemicals
- Metals & Mining

## Sodium Bicarbonate

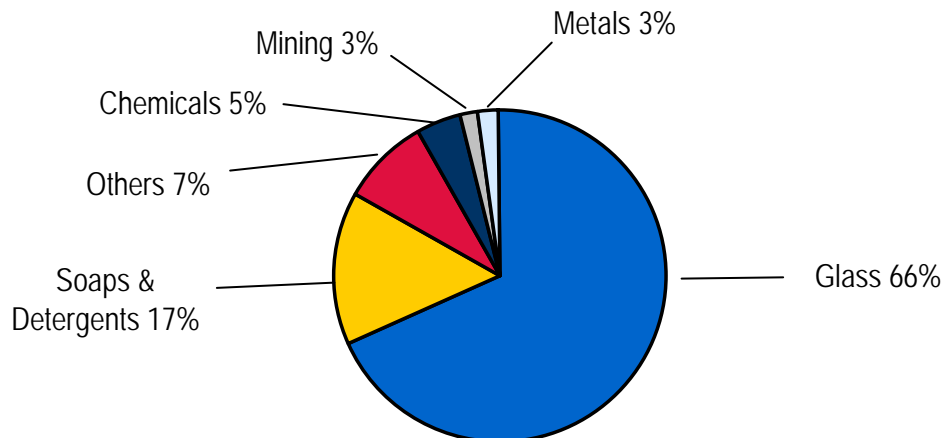
- Food
- Animal Feed
- Kidney Dialysis
- Pharmaceuticals

## Mine

- Glass
- Cement & lime
- Civil & Construction

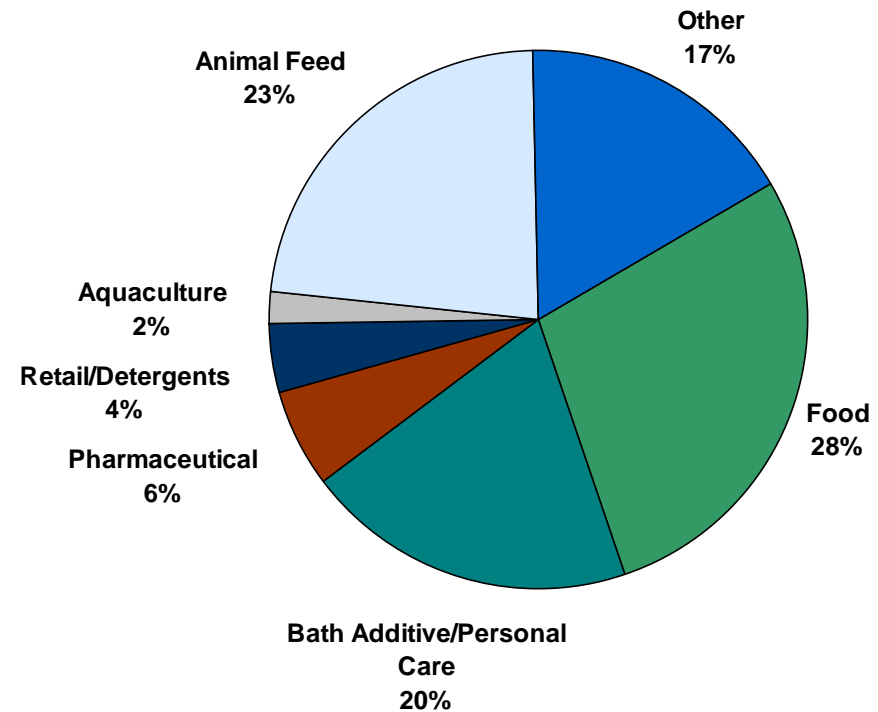
# Soda Ash

- Penrice domestic market volume increased by 6%, with total domestic market increasing by 3%.
- Penrice market share increased to 82%.
- Average selling price increased above CPI in line with global soda ash price increases:
  - increased demand for soda ash from China, Asia, Latin America & India
  - higher production costs in China (salt, coke and energy) and the US (natural gas and coke)
  - higher freight costs
- Glass segment dominant user of soda ash at 66% of domestic market:
  - combination of container glass (54%) and flat glass (12%)



# Sodium Bicarbonate

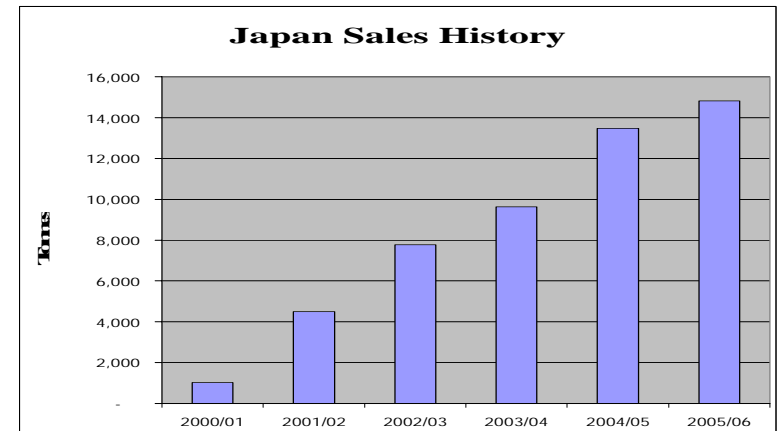
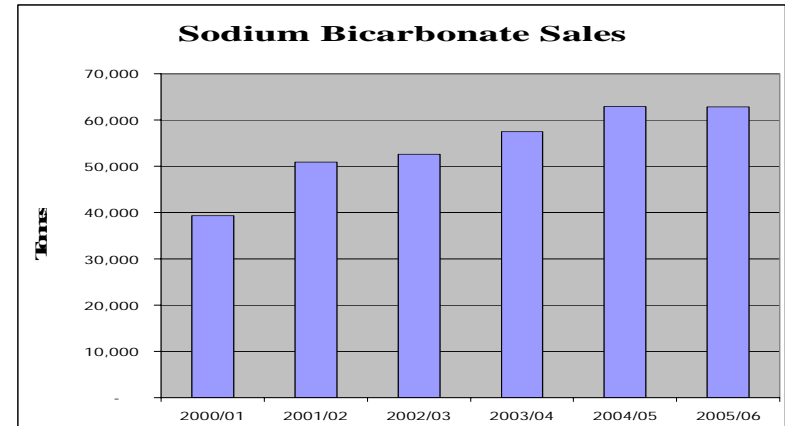
- Sodium Bicarbonate sales volume limited by production capacity.
- Sales volume was 4% below prospectus forecast due to delays in commissioning of plant expansion – this was completed in June 2006.
- Success with dumping action against Chinese importers of sodium bicarbonate with duty rate of between 3% and 42.6%.
- Negligible imports into Australia since dumping action with domestic market share increasing to 80% and likely to increase beyond this.



# Sodium Bicarbonate cont

- 59% of volume sold was in the export market and impacted by exchange rates.
- Increased sales into Japan with focus on growing high margin applications.
- The increased sales in the domestic and Japan markets were offset by reduced sales to other lower margin export destinations.

### Market Split of Sodium Bicarbonate Uses



# Operating Costs

<i>(\$A million)</i>	2006	2005	% change
Cost of sales	80.33	72.74	10
Distribution & Warehouse costs	28.00	27.46	2
Admin Costs	9.23	9.02	2

- Cost of sales for 2006 includes the arms length purchase price for salt following the sale of the Dry Creek saltfields to Ridley in May 2005. Impact \$3.9 million.
- Cost of sales includes the one off significant July plant incident. Impact \$1.1 million.

If these costs are normalised the increase to cost of sales is \$2.6 million being an increase of 3%.

# Other Highlights

- EPA licence for Osborne site renewed for another 10 years.
- 3 year Enterprise Bargaining Agreements signed with all unions – CPI increases.
- Reached an in principal agreement with SA Government and Flinders Ports in relation to dredging of the Port River.

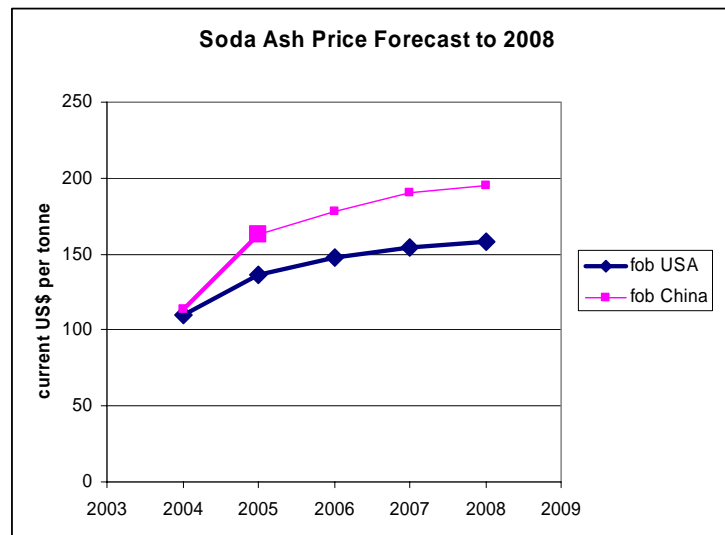
# Balance Sheet

<i>( A\$ millions)</i>	<b>June 2006</b>	<b>June 2005</b>
<b>Assets</b>		
▶ Cash	5.9	11.9
▶ Accounts receivable	19.3	17.8
▶ Inventories	14.6	14.7
▶ Plant & Equipment	60.4	52.9
▶ Other	26.6	22.6
<b>Total Assets</b>	<b>126.8</b>	<b>119.9</b>
<b>Liabilities</b>		
▶ Accounts payable	20.2	20.9
▶ Interest Bearing Debt	45.0	43.0
▶ Other	17.0	17.5
<b>Total Liabilities</b>	<b>82.2</b>	<b>81.4</b>
<b>Shareholder's Equity</b>	<b>44.6</b>	<b>38.5</b>

# Outlook

## SODA ASH

- Soda ash sales volume forecast to grow consistent with 2006 increase – approximately 3%.
- Key driver for growth will be the growth in the wine industry:
  - domestic wine growth steady at approximately 2%
  - export wine growth in range of 10%, of which some will be bulk exports
- The global forecast is for soda ash prices to continue to increase.



Source: British Sulphur Consultants – a division of CRU

# Outlook

## **SODIUM BICARBONATE**

- Sales forecast to grow by 20% in line with plant expansion.
- Expect increase in domestic market share.
- Focus on high margin exports:
  - growth in food, personal care, pharmaceutical applications
  - growth in Japan and commence sales into Europe
- In addition to expanding the capacity of the Plant the company has invested, and will continue to invest, in improving the quality of product to meet these high end applications. Examples of this include state of the art screens, high grade storage facilities and installation of microfiltration.
- Hedging to protect export sales at level better than 2006 actual rate and below prevailing market rate.

## **MINE**

- Sales volumes forecast to be similar to 2005/06.
- Focus on increasing limestone prices to reflect higher operating costs particularly caused by higher fuel costs.

# Outlook – Costs

- The company is continually looking for ways to improve efficiency and reduce costs. Soda Ash and Sodium Bicarbonate production costs are forecast to be lower than 2006, and production higher than 2006.

Cost savings for:

- full year benefit of Reverse Osmosis plant
- full year benefit of electricity contract
- non-recurrence of July incident
- insurance

Cost increases for:

- coke
- fuel
- ammonia
- wages

- Interest rate covered by swap arrangement so will not increase for 2006/07.
- Company tax rate to increase to 29%.

# Dividend

- Final dividend of 7.7 cents per share to be paid on 23 October 2006.
- Full year dividend payment of 14.7 cents per share as per prospectus.
- Dividend payout ratio of 74% of NPAT.
- Dividend yield of approximately 8% based on current share price of \$1.80.
- With improved earnings the Directors are confident of maintaining an annual dividend of at least 2005-06 level.