



PENRICE SODA HOLDINGS LIMITED

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ASX/Media Release

Market Update

Preliminary FY2011 Results

Penrice Soda Holdings Limited (ASX:PSH) today stated that based on unaudited FY2011 accounts, it anticipates that it will announce an after tax loss of \$1.5M in normalised terms. Normalised earnings exclude the negative \$3.0M after tax impact of previously reported insurable events and other one-off charges. This is within guidance provided to the market in May 2011 and compares with normalised after tax profit of \$5.3M in FY2010.

As previously advised, Penrice's FY2011 performance has been principally constrained by three factors affecting its Chemicals business –

- the high value of the Australian dollar which has -
 - reduced receipts from Penrice's US dollar export earnings and increased import competition in its domestic business, pressuring margins
 - eroded the competitive position of, and therefore demand from, Penrice's domestic customers
- chemical plant underperformance following the forced shutdown caused by a steam supplier failure
- reduced domestic demand for soda ash and sodium bicarbonate as a result of extreme weather events

It is likely, given that tough operating conditions continue, that testing of the carrying value of Penrice's assets as at the end of June will result in a non cash impairment charge in the range of \$20M to \$25M after tax. This will result in a reported loss after tax in the range of \$24.5M to \$29.5M.

Strategic Review

Penrice Chairman, David Trebeck said that "In light of difficult market conditions and the need to improve returns to shareholders, the board has commenced a strategic review of the company's business operations. The twin objectives of this review are to reduce debt, which the board recognises is too high relative to the company's current earnings, and to improve operating performance."

Recognising the imperative to improve earnings and maximise value, three immediate steps have been taken by the company:

- the implementation of a labour cost reduction programme which will result in a 10 percent cut in the company's staffing numbers, principally in its corporate centre and Chemicals business from October 2011 onwards, generating savings of around \$2M in FY 2012;
- a review of pricing policies in the Chemicals business, with price increases announced, principally in the export business, leveraging strong regional demand for, and recent regional price increases in, soda ash and sodium bicarbonate; these pricing initiatives are expected to materially improve margins from October 2011 onwards, and produce up to \$2M in additional revenue in FY 2012; and



- the commencement of a major drilling programme at the Angaston mine to better understand and value the mine to JORC compliance and leverage the available resource; the programme and a new mine plan developed from it, is expected to be completed by April 2012.

Mr Trebeck said, "In addressing deleveraging, the board will consider a number of options, including asset sales and equity raising, in order to achieve more normal credit metrics for the company. The company's advisers, KPMG Corporate Finance, have been retained to assist in the delivery of the deleveraging plan. The outcomes of the strategic review will be communicated over the course of the next 12 months."

Banking Facilities

In conjunction with this review and deleveraging plan, the company has concluded an in-principle agreement with its lender group for an updated banking agreement, maturing end March 2013, which includes an additional \$10M short term working capital facility, repayable end September 2012.

Operating Conditions

Penrice Managing Director and CEO, Guy Roberts said that "The strong Australian dollar and reduced soda ash demand continue to make for a challenging operating environment and impact the company's performance. However, we are not standing still. The cost cuts and price rises we are initiating as immediate actions out of the strategic review should go some way toward offsetting the negative impact of these macro factors beyond our control.

"Meanwhile, a number of recent successes will also make positive contributions in FY2012 and reflect the ongoing efforts of the board and management to offset the impact of the challenging operating environment. We have -

- won a contract with Amcor Packaging (Australia) Pty Ltd, trading as Amcor Glass Australia, to supply soda ash to Amcor's recently commissioned third glass furnace at its bottle glass plant at Gawler, SA for two years
- commenced supply of premium grade sodium bicarbonate to new food and pharmaceutical customers in Japan
- completed a kiln reline in the soda ash plant in July 2011 as planned, increasing output and improving reliability, with another kiln reline planned for H2 FY2012
- progressed steadily with applying Penrice-developed technology to remove salts from the water streams associated with coal seam gas extraction, with the expectation that a pilot plant be constructed and operated in FY2012
- started supplying the Urban Superway Joint Venture with large quantities of civil products for the construction of the SA Government's South Road Superway project
- gained maximum assistance under the federal government's proposed carbon tax scheme

"Operationally we remain focused on improving margins in our core soda ash business and accelerating the potential of our coal seam gas water treatment opportunities, which are expected to provide fee-based income from soda ash and salt sales. We also continue to focus on improving margins in our sodium bicarbonate business where in the medium term, growth by plant expansion is planned to leverage strong Asian customer demand."

"Other initiatives planned for the coming year for the chemicals business, which are targeted to improve earnings in the medium term, include a new packaging line for sodium bicarbonate, lower electricity costs following a competitive tender and new briquetting technology to reduce the cost of kiln fuels."



Further details on FY2011 performance and the outlook will be provided when FY2011 full year results are released on 25 August.

A conference call will be held to discuss the Market Update at 11.30am AEST today Friday 12 August 2011. Dial in details below:

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About Penrice

Penrice Soda Holdings Limited (ASX code: PSH) is Australia's only manufacturer of soda ash and sodium bicarbonate and one of the world's largest sodium bicarbonate marketing companies. It also operates a limestone mine and is a significant supplier of industrial minerals and civil products.

The Company is committed to driving shareholder value through the manufacture and supply of a range of world-class products across a variety of industries and countries including packaging, building and construction, mining, detergents, food and personal care, stockfeed and environmental control/water purification.

For further information regarding Penrice Soda Holdings' Australian operations go to our website at www.penrice.com.au or contact **Guy Roberts, Managing Director & CEO** on +618 8402 7239.

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