

A large, stylized black letter 'P' is positioned on the right side of the slide. The interior of the 'P' is filled with a pattern of red circles of varying sizes, arranged in a somewhat grid-like fashion. The circles are scattered throughout the black space of the letter, with some being significantly larger than others.

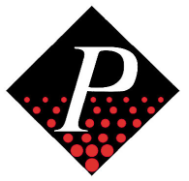
# **Penrice Soda Holdings**

**2011 Half Year Results Presentation**

1 March 2011

# Disclaimer

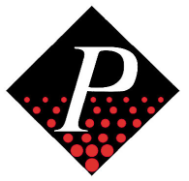
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# Who we are

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- ✓ Australia's only soda ash and sodium bicarbonate producer
- ✓ Largest soda ash producer in south-east Asia Market
  - *used in glass containers, flat glass and mineral processing*
- ✓ One of the world's largest sodium bicarbonate marketing companies, and a supplier of premium sodium bicarbonate products
  - *used in animal feed, food, kidney dialysis, personal care and pharmaceutical products*
- ✓ Limestone and aggregate mine in high-growth corridor
  - *used in cement, civil construction, lime, glass, mineral processing, agriculture, stockfeed and landscaping*

# Results overview

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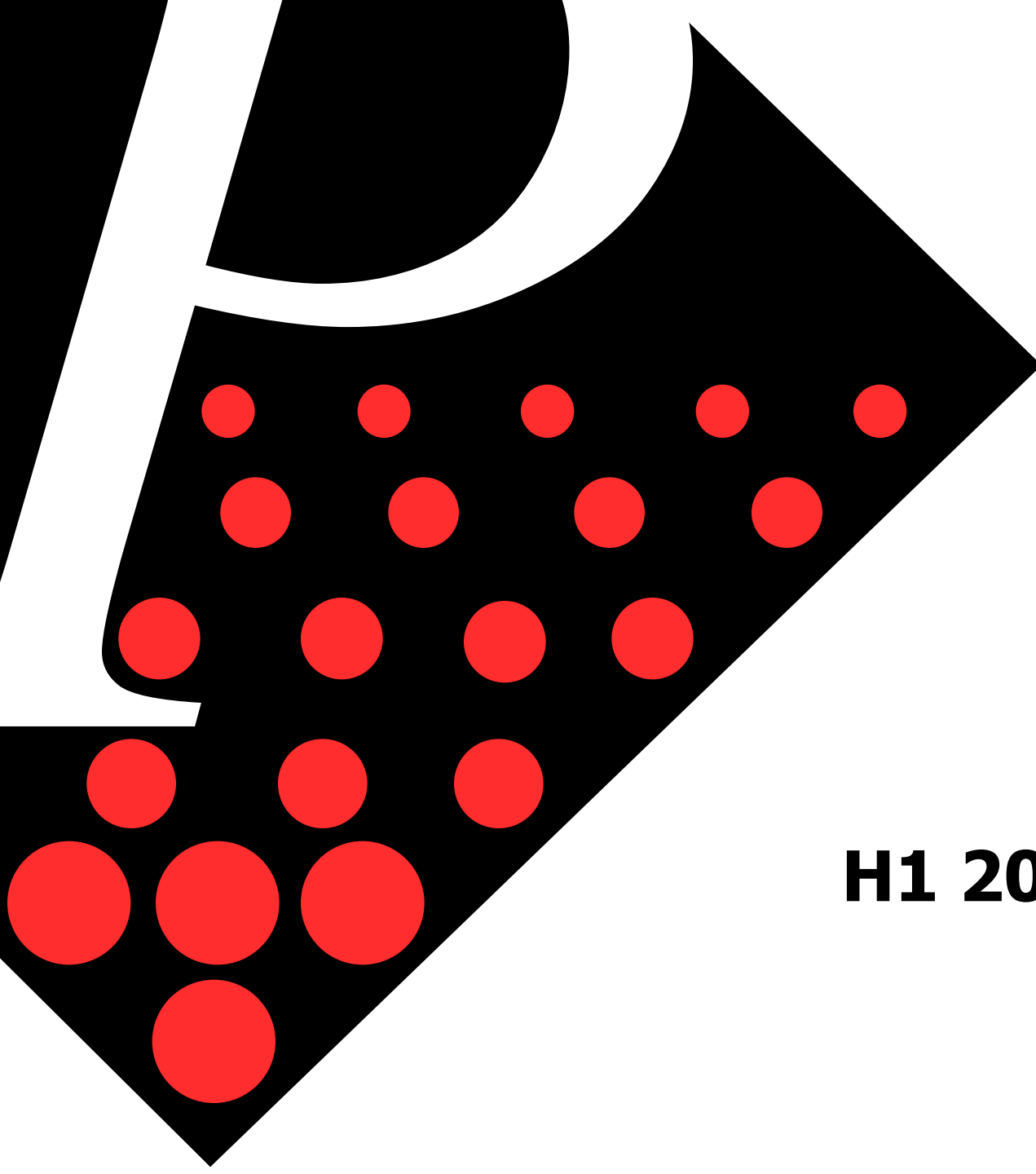
- ✘ After-tax loss of \$1.2 million following \$5 million pre-tax losses due to two unplanned plant shut-downs (\$4 million pre-tax caused by failure of steam supplier's plant)
- ✘ Initial progress payment of \$0.5m received from insurers. Further recoveries expected once quantum agreed
- ✓ Operating cash flow \$4.5 million (pcp: \$2.9 million); Quarry & Mineral business cash-flow positive for first time since IPO in 2005
- ✓ Recovering soda ash demand and prices; export demand for sodium bicarbonate strong but domestic demand impacted by unseasonal wet weather
- ✓ Underlying business continues to improve
- ✘ No interim dividend declared



# Insurance recovery

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- ✘ Failure of steam supplier's cogeneration plant forced an unplanned shut-down of chemical plant in October (approximately \$4m)
- ✘ Losses from this and a previous shorter unplanned shut-down totalled approximately \$5 million
- ✓ \$0.5 million received from Insurers, further recoveries expected once the quantum is agreed
- ✘ Timing of recoveries uncertain due to the scale and complexity of the losses
- ✓ Sodium bicarbonate plant close to fully recovered position
- ✘ Soda ash plant not yet recovered to full rates due to damaged caused to its lime kilns by the shutdown
- ✓ Major overhaul of one of the six kilns now scheduled for May 2011- production rates expected to increase as a result



# H1 2011 Financials

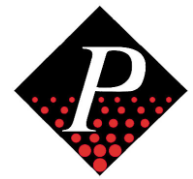
# Financial Overview



<b>Reported results for six months ended 31 December (A\$million)</b>	<b>2010</b>	<b>2009</b>	<b>+/-%</b>
Sales revenue	<b>68.8</b>	<b>77.9</b>	<b>(12%)</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	<b>6.1</b>	<b>12.0</b>	<b>(49%)</b>
Earnings before interest and tax (EBIT)	<b>1.5</b>	<b>7.9</b>	<b>(81%)</b>
Net profit after tax (NPAT)	<b>(1.2)</b>	<b>3.1</b>	<b>-</b>
Earnings per share (cents)	<b>(1.3)</b>	<b>4.5</b>	<b>-</b>
<b>Underlying results excluding unrealised hedge gains</b>	<b>2010</b>	<b>2009</b>	<b>+/-%</b>
EBITDA	<b>6.1</b>	<b>10.9</b>	<b>(44%)</b>
EBIT	<b>1.5</b>	<b>6.8</b>	<b>(77%)</b>
NPAT	<b>(1.2)</b>	<b>2.4</b>	<b>-</b>
Earnings per share (cents)	<b>(1.3)</b>	<b>3.4</b>	<b>-</b>

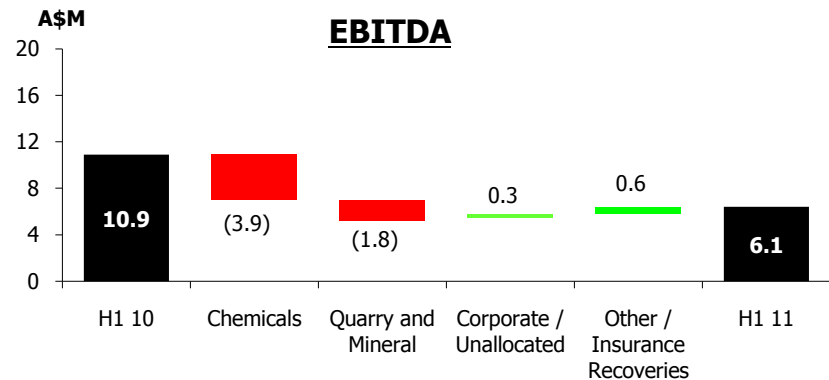
- ✘ Loss of \$1.2 million due to shut-down impact on production, sales volumes and revenue

# Group EBITDA



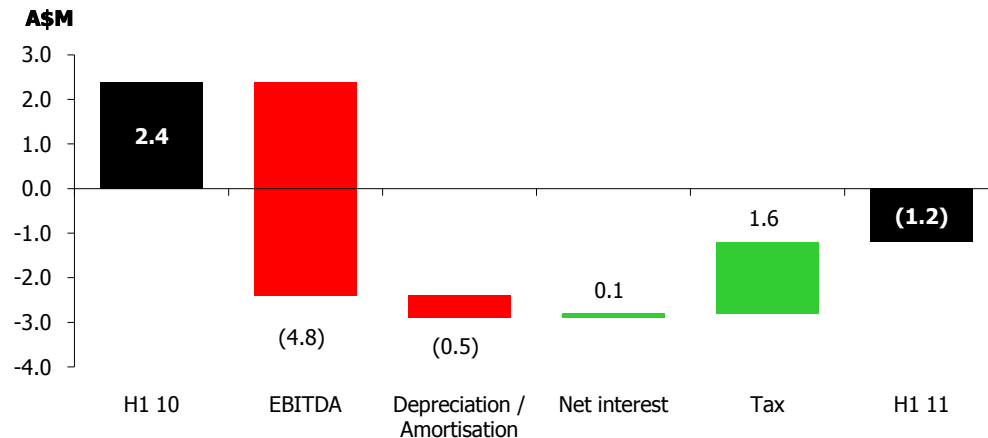
Six Months ended 31 December 2010 A\$000	2010	2009	% variance
Chemicals EBITDA	3,659	7,614	(52%)
Quarry & Mineral EBITDA	3,584	5,336	(33%)
Corporate centre/unallocated	(1,902)	(2,157)	12%
Other income	177	61	-
Insurance recovery	500	-	-
<b>EBITDA*</b>	<b>6,066</b>	<b>10,854</b>	<b>(44%)</b>

\*excludes unrealised hedge gain/(loss)

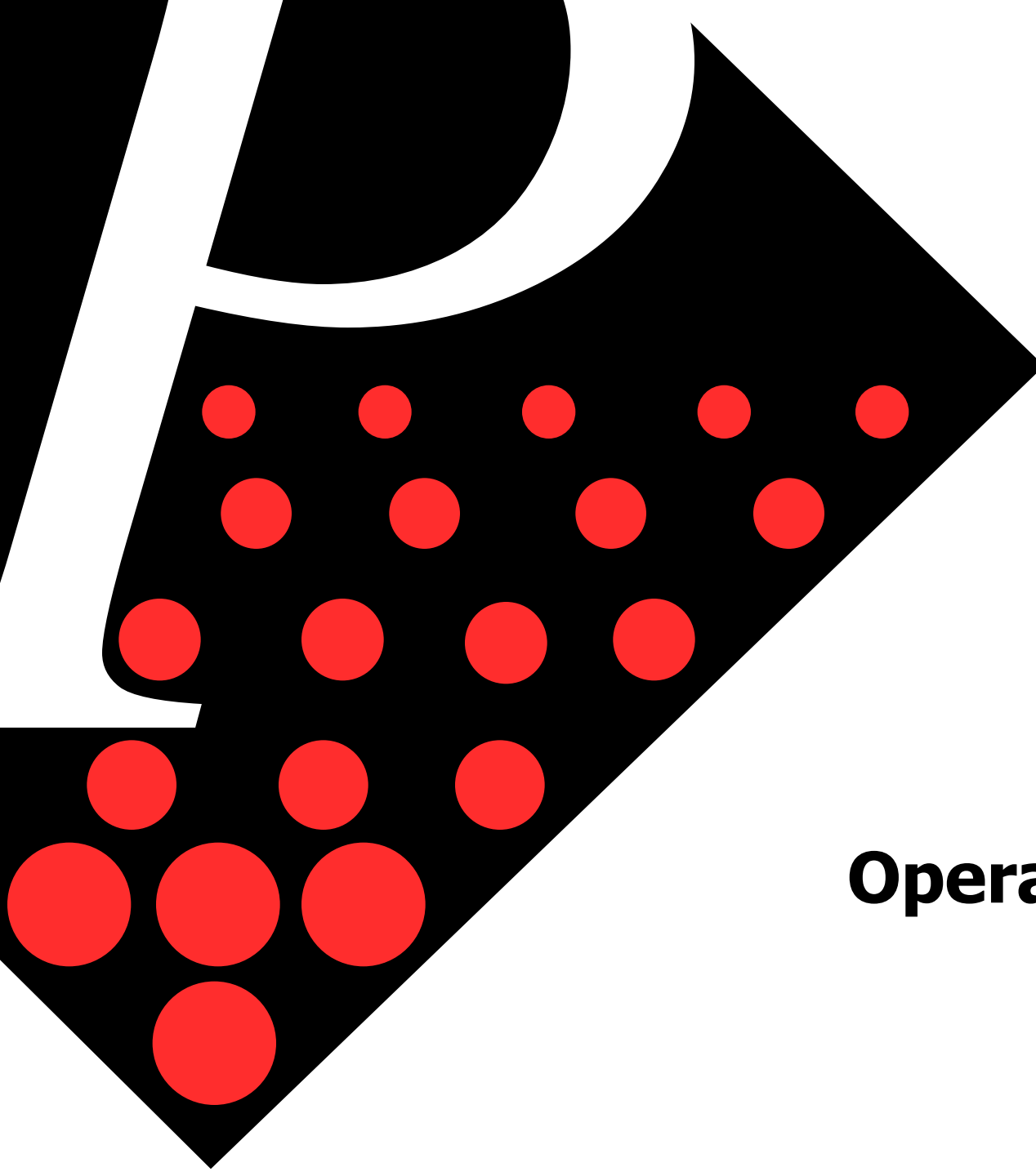


- ✘ Chemicals EBITDA impacted by plant shut-down, which led to increased costs and lower soda ash and sodium bicarbonate sales
- ✘ Quarry & Mineral EBITDA impacted by lower cost capitalisation from lower inventory build – importantly, overall cash costs reduced, improving overall cash position by \$1.8m
- ✓ Corporate costs down due to administration savings and head count reduction
- ✓ \$500,000 insurance progress payment H1 2011

# Group NPAT

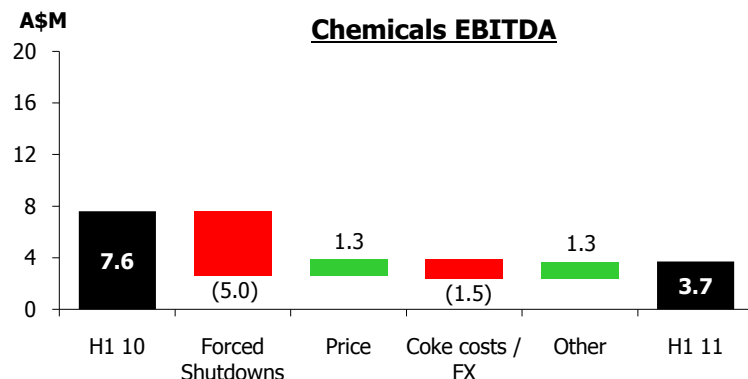


- ✘ EBITDA down 44% to \$6.1 million
- ✘ Depreciation/Amortisation increase from higher levels of capital spend
- ✓ Net interest reduced, with higher interest rates offset by lower average debt
- ✓ Tax benefit reflects operational loss plus R&D investment allowances



# Operations Review

# Chemicals



Six months ended 31 Dec	2010	2009	+/-%	
<b>Sales Volume</b>				
Soda ash	000t	119	134	(11%)
Sodium bicarbonate	000t	45	47	(6%)
<b>Sales</b>	\$000	56,900	64,970	(12%)
<b>EBITDA</b>	\$000	3,659	7,614	(52%)
EBITDA margin	%	6.4%	11.7%	
<b>EBIT</b>	\$000	(177)	4,074	
EBIT margin	%	(0.3%)	6.3%	

- ✘ Forced chemicals plant shut-downs, reducing EBITDA by \$5 million
- ✘ Plant availability impaired by consequent repair work and plant efficiency issues
- ✘ Underlying Chemicals EBITDA down 52% primarily due to resulting drop in sales volumes
- ✓ Higher prices for soda ash
- ✘ Stronger AUD and higher coke prices had negative impact of \$1.5 million
- ✓ Chemicals demand and USD prices improved

# Chemicals – Soda Ash

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- ✘ Soda Ash sales volume down 12% on pcp due to plant shut-down; increased reliance on imports during the period raised costs
- ✘ Production reduced by lime kilns damage; first kiln overhaul scheduled for May 2011 to improve plant productivity
- ✓ Five year plant improvement plan to upgrade plant
- ✓ Realised soda ash prices up slightly on pcp
- ✓ Benefits of repricing of soda ash contracts with major customers
- ✓ Supply to two new mining customers and two new industrial customers will begin in 2H 2010

# Chemicals – Sodium Bicarbonate

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- ✘ Sodium bicarbonate sales volume down 6% on pcp due to plant shut-down
- ✓ Plant now operating close to capacity; recovering from shut-down
- ✓ Stronger USD prices
- ✘ Realised prices down due to stronger Australian dollar
- ✘ Sales to Australian animal feed market down due to wet weather; average prices down 3.4% largely due to dumped imports
- ✓ Successful anti-dumping action; Federal Government anti-dumping duties will apply to sodium bicarbonate imported from China for five years
- ✓ Continued demand growth in premium export markets
- ✓ Focus on higher margin, premium, pharmaceutical and food-grade product

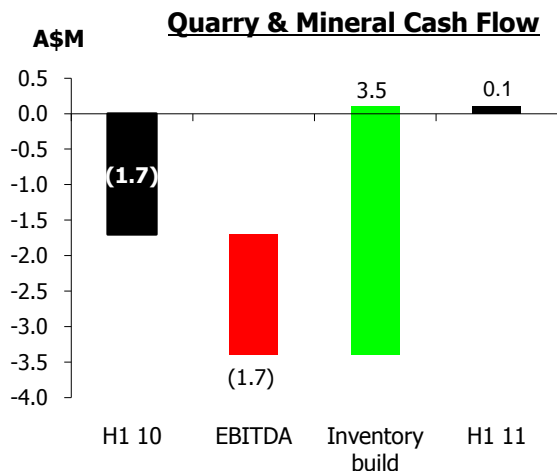
# Chemicals – Outlook

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- ✘ Impact of high Australian dollar and reduced domestic chemicals demand following recent floods in eastern Australia partly offset by continued demand growth in Asian markets
- ✓ First stage of sodium bicarbonate capacity increase planned for 2H 2011 being new equipment to provide higher capacity and more efficient packing
- ✓ Decarbonator installation to provide higher recovery with improved efficiency & reduced waste; will increase soda ash production by 2,000 tonnes per annum from March 2011
- ✓ Cost savings through use of alternative coke/anthracite fuel mix targeting to reduce fuel costs by approximately \$2 million in FY2012
- ✓ Opportunities for treatment of coal seam gas mining waste water progressing with construction of first pilot plant expected in CY2011; expected to make a positive contribution to future earnings, while capital investment is expected to be minimal

# Quarry & Mineral



Six months ended 31 Dec		2010	2009	+/-%
<b>Sales Volume</b>	000t	725	960	(24%)
<b>Sales</b>	\$000	14,925	16,037	(7%)
Distribution Cost		(2,825)	(3,703)	24%
<b>Net Sales</b>		<b>12,100</b>	<b>12,334</b>	<b>(2%)</b>
<b>EBITDA</b>	\$000	3,585	5,337	(33%)
EBITDA margin	%	30.1%	41.3%	
<b>EBIT</b>	\$000	2,818	4,775	(41%)
EBIT margin	%	23.6%	37.0%	

- ✓ Improved sales mix resulted in a higher dollar per tonne margin; and reduction of only 2% in net sales revenue, despite a 24% drop in sales volumes
- ✗ Reduced EBITDA reflects lower inventory capitalisation and reduced overburden extraction
- ✓ Mine inventory grew by \$0.7 million-predominantly aggregates, with landfill increasing by only \$17k (H1 2010: \$4.2 million)
- ✓ Reduced extraction levels and inventory build led to overall lower cash costs and improvement in cash flows of \$1.8 million
- ✓ Cash flow positive for first time since IPO

# Quarry & Mineral

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- ✓ New civil and industrial customers secured
- ✓ Increased lime sand sales to major customer
- ✓ Increased sales of aggregate to concrete manufacturers
- ✓ New site at Gilman (South Australia) sourced to trial new landfill product

# Quarry & Mineral – Outlook

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- ✓ Continuing demand for aggregates and develop market for landfill
- ✓ Opportunities in civil projects including major road and landfill projects
- ✓ Changed product mix to provide higher margins
- ✓ Evidence of improving demand for aggregate and landfill in Adelaide civil projects; orders for 150,000 tonnes for new projects received in last four weeks
- ✓ Penrice is confident of selling its mine inventories over time, generating cash and improving its balance sheet



# **Balance Sheet and Cash Flow**

# Balance Sheet



	31-Dec	30-Jun	
A\$000	2010	2010	+/-%
Inventories	67,050	63,069	(6%)
Trade debtors, prepayments	18,430	22,580	29%
Trade creditors	(32,514)	(29,190)	(10%)
<b>Total working capital</b>	<b>52,966</b>	<b>56,459</b>	<b>8%</b>
Net property, plant & equipment	97,732	94,587	(3%)
Intangible assets	20,638	20,922	-
Net other assets / liabilities	(8,211)	(11,885)	56%
Net debt	(70,019)	(67,067)	(4%)
<b>Equity</b>	<b>93,109</b>	<b>93,016</b>	<b>(1%)</b>
<b>Gearing</b>	<b>43%</b>	<b>42%</b>	<b>(2%)</b>

- ✓ Net assets increased to \$93.1 million (pcp: \$93.0 million) due partly to a \$1.6 million positive mark-to-market adjustment of interest and foreign exchange hedging contracts
- ✓ Working capital reduced significantly due to focus on cash and debtor management; despite \$4 million increase in inventories due largely to timing of bulk coke and ash procurement
- ✗ Current assets include Quarry and Mineral inventory (\$19 million aggregate, \$20 million landfill) which will not be realised within 12 months but within the business' normal operating cycle and as such this classification complies with Australian Accounting Standards.



# Balance Sheet (cont)

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- ✘ Capital investment increased to \$7.3 million from \$5.3 million; largely due to the acquisition of buffer land around the Angaston mine, capital works on the new Gilman site and the boiler decarbonator project
- ✓ Net other assets / liabilities improved due to turnaround in hedge contract value and increase in tax assets
- ✘ Gearing (net debt: net debt + equity) at 31 December 43% (at 30 June: 42%) and net debt \$70 million (at 30 June: \$67.1 million)
- ✘ Net debt has increased since 31 December due to forced shut-downs
- ✓ Resultant temporary liquidity requirements from forced shutdowns to be provided by existing Banks

# Cash Flow



Six months ended 31 December		
A\$000	2010	2009
NPAT	(1,213)	3,139
Depreciation	4,604	4,103
Working capital movement	3,493	(4,531)
Other assets/liabilities	(2,371)	205
<b>Net operating cash flow</b>	<b>4,513</b>	<b>2,916</b>
<b>Net investing cash flow</b>	<b>(7,269)</b>	<b>(5,317)</b>
<b>Free cash flow</b>	<b>(2,756)</b>	<b>(2,401)</b>

- ✓ Operating cash flow improved to \$4.5 million (pcp: \$2.9 million)
- ✓ Quarry & Minerals positive cash flow of \$0.1 million (pcp: \$1.7 million outflow)
- ✓ Cash flow benefit from lower inventory build and initiatives to reduce working capital
- ✗ Other assets/liabilities impacted by tax assets
- ✓ FY2011 capital expenditure expected to be approx. \$13 million



# Banking arrangements

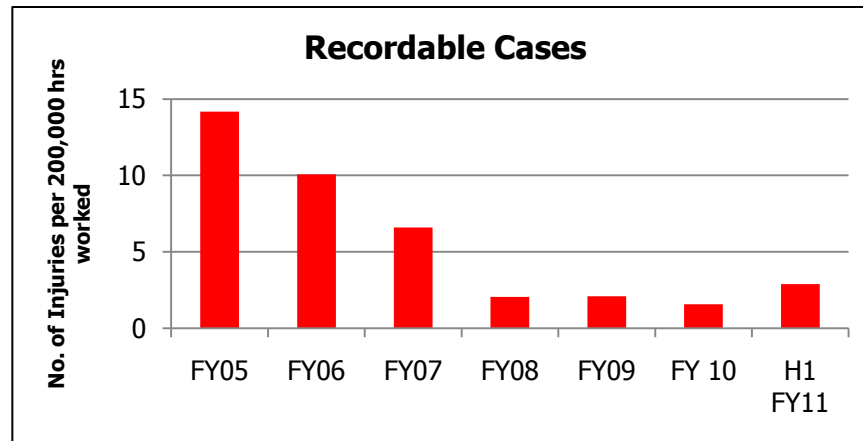
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- ✘ Reduced cash flow due to steam supply failure and floods jeopardise compliance with the company's banking covenants and debt amortisation schedule
- ✓ Banks have confirmed support
- ✓ Banks to provide short term liquidity facility and reset covenants and conditions, subject to normal bank approval process

# Safety & Sustainability



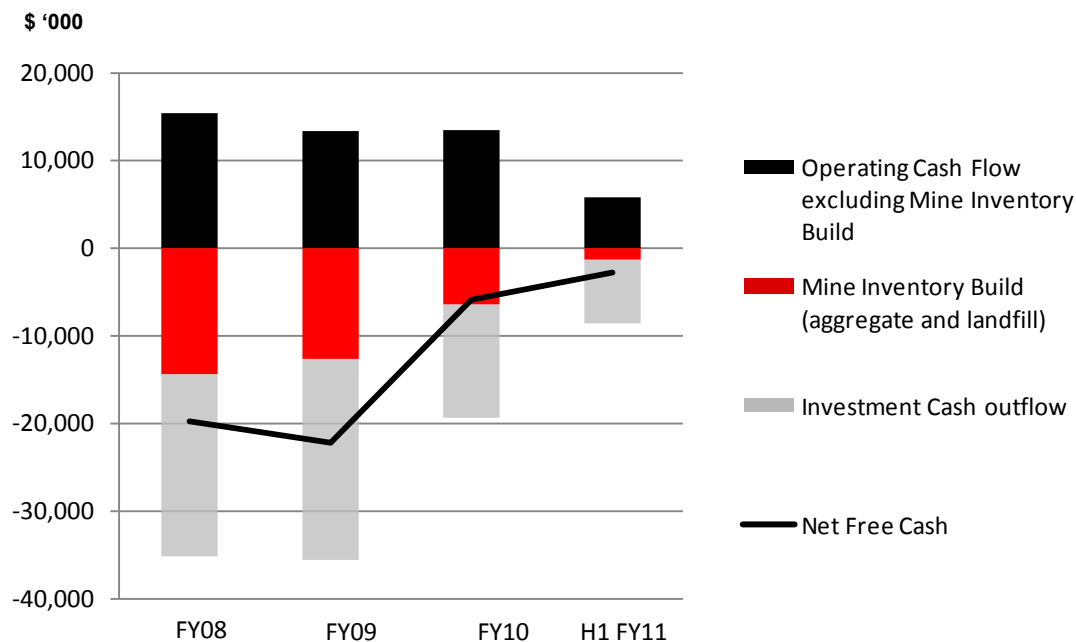
- ✘ Recordable case rate of 2.9 injuries per 200,000 hours worked in the six months to December 2010 from 1.25 in the pcp reflecting increased contractor injuries during planned annual maintenance shutdown
- ✓ Full compliance with all site licences
- ✓ Town water consumption reduced at Osborne following successful installation of desalination and purification plant





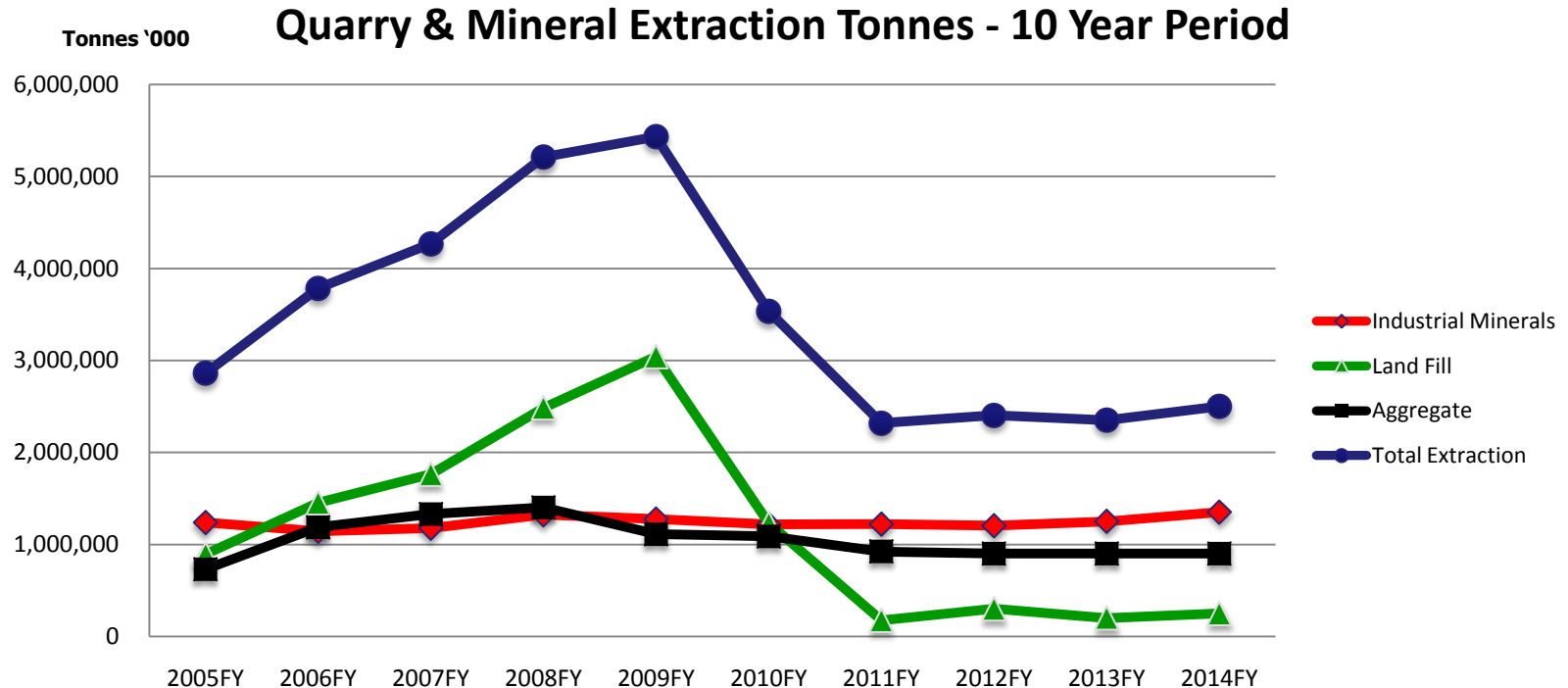
- Maintain market leadership positions in targeted markets
- Improved chemical plant reliability and output
- Build soda ash business in Australia to take advantage of anticipated glass and minerals processing industries' growth
- Grow sodium bicarbonate business to meet demand for premium products in Asian export markets; including the pharmaceutical, medical, food and industrial sectors
- Increase Quarry & Mineral sales by capitalising on demand for South Australian infrastructure
- Focus on further strengthening of cash performance, reducing costs and improving operating cash flow

# Focus on Cash – Improved Cash Flow



- FY11 earnings impacted by external one off events offset to an extent by focus on debtor/creditor management
- Mine expansion is now complete – mine inventory build is now reducing and 2011 target is for minimal build
- Capital expenditure reduced following sodium bicarbonate plant expansion in FY08-09

# Focus on Cash – Planned Lower Extraction



\*2011FY onwards is forecast 5 year average

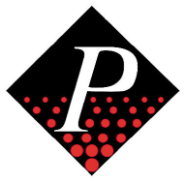
- New mine plan now operational
- Planned resource security for 20 years
- Planned lowest overburden extraction volumes and costs
- Targeting minimal mine inventory build in FY2011



# Impact of Strong AUD

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- Exposure to USD Export Revenues
  - Export chemical sales generate circa \$US 32m p.a.
  - Have increased natural hedge by purchasing inputs in \$US, to circa \$US15m p.a.
  - Net exposure of circa \$US17m p.a. managed with derivative hedging program
  - \$US17m at AUD/USD \$1.00 is \$A17m, compared with AUD/USD 0.80c is \$A21m, a difference of \$A4m p.a.
- Exposure to import competition
  - Domestic ash and sodium bicarbonate sales circa 300,000t p.a., \$105m p.a.
  - Over time, all sales are exposed to import competition
  - An exchange rate movement from \$1.00 to 0.80c would increase revenue by several million dollars p.a.



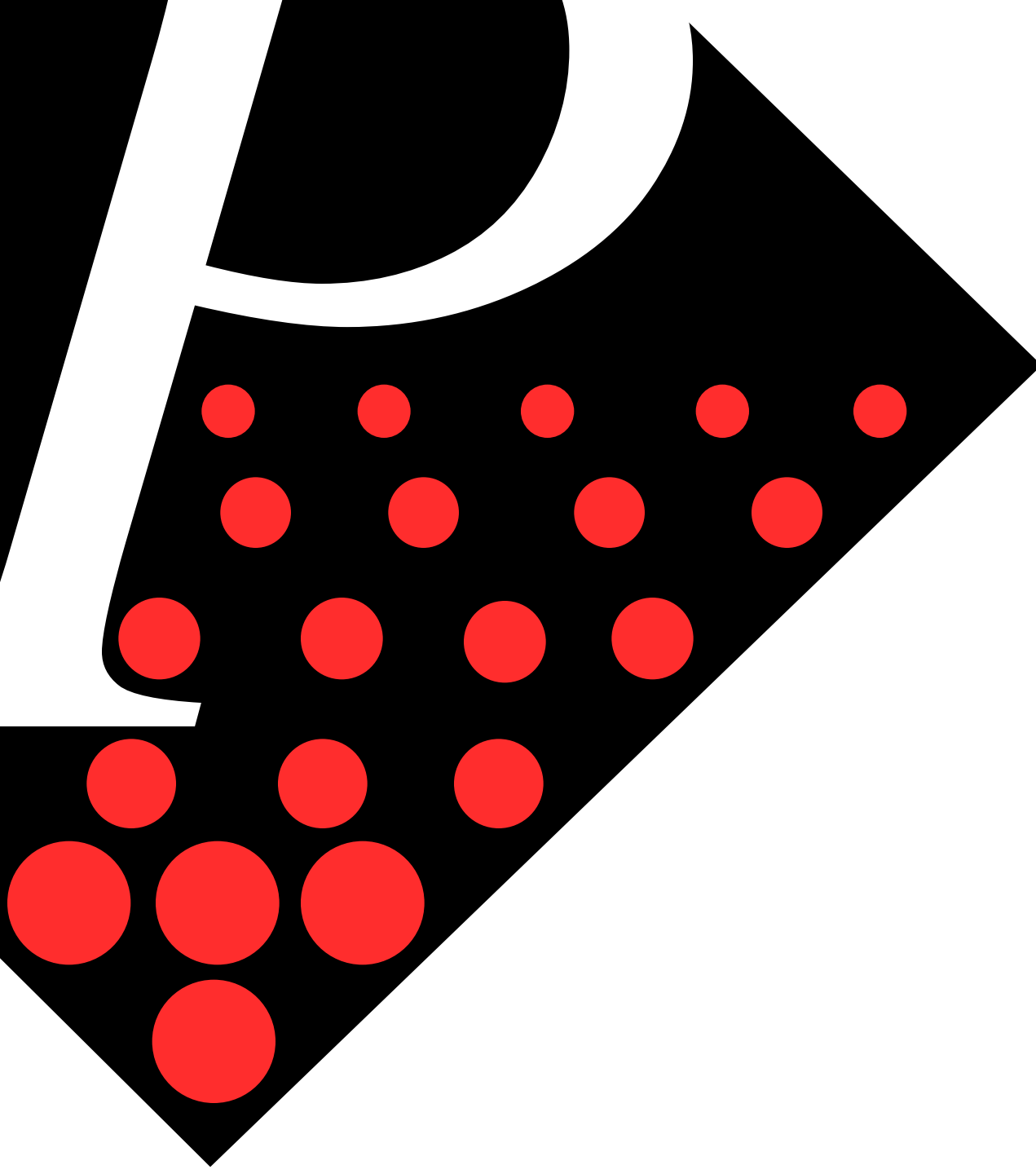
- Soda ash demand and prices expected to increase, driven by growing economies in Asian markets, shortages in China and increased industrial and mining activity in Australia
- Sodium bicarbonate demand and prices expected to grow in Asia, where Penrice is targeting specialised markets with premium products; Australian market expected to be stable
- High AUD (compared to USD) remains a constraint on exports while reducing competitive import prices; Penrice mitigating fx risk through currency hedging and purchasing inputs in USD
- Continued reduction of Quarry & Mineral mine inventory build and improving product mix

# FY2011 Guidance

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- While underlying demand and prices for chemicals are improving, floods/ adverse weather reduced demand for stockfeed; 2H 2011 sodium bicarbonate sales are behind plan
- Soda ash sales impacted by Australian floods but recovering
- Quarry & Mineral sales expected to benefit from targeting of government-led projects and Adelaide civil and construction activity
- Insurance claims for damages related to plant shut-down being pursued; quantum and timing uncertain, and may not be agreed in FY2011
- Banks have confirmed ongoing support and will provide additional liquidity to cover temporary cash flow shortfall
- Full year earnings performance dependent on timing and pace of chemicals market recovery, movement in AUD and timing of insurance recovery; will be below FY2010 result



**Questions?**

# Contacts

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