Penrice Soda Holdings Limited

Committed To Success

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FOR IMMEDIATE RELEASE
29 October 2009

PENRICE ON TRACK FOR FURTHER EARNINGS INCREASE

AND RESUMPTION OF DIVIDENDS

Penrice Soda Holdings Limited (ASX: "PSH") is on track for a further earnings increase in the current financial year and expects to resume payment of dividends out of 2009-2010 profits.

The Company's outgoing Chairman, Mr John Heard, told today's annual general meeting in Adelaide that he was pleased to reaffirm the profit guidance for the Company's underlying profit after tax for the financial year ended 30 June 2010 to exceed the previous year, subject to any unexpected global economic conditions.

(Penrice lifted underlying profit after tax by 36% to $9 million in the financial year to 30 June 2009, after group sales revenue jumped 20% to $162.3 million.)

"I am also pleased to advise that the Board expects to recommence the payment of dividends for the 2009-10 financial year, based on a new targeted payout ratio of 40%-to-50% of the Company's net profit after tax," Mr Heard said.

Mr Heard said Penrice had obviously been affected by the severe changes to world economic and financial conditions, especially, for instance, with such a large proportion of the Company's sales revenue into export markets which, over the past 12 months, have been subject to currency fluctuations.

"At Penrice, your Board and management were able to successfully chart a course through the uncertain financial mire – thanks largely to the "Way Forward Plan" that we set in place in 2007, ahead of the global financial crisis," he said.

"The entire Penrice team is to be congratulated on sticking to its guns and not being sidetracked away from our strategy in such difficult times. Believe us, establishing such a Way Forward Plan is one thing – implementing the Plan is another thing, especially when it is being undertaken in tough, unprecedented world market conditions.

"It has therefore not only been pleasing to see the successful implementation of our Plan - almost a year ahead of schedule - but also to see evidence in the Company's financial performance, that the strategy is working."

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“Period of intense re-investment”

Mr Heard said that as part of the Way Forward Plan, Penrice had undergone a period of intense re-investment across its key operations, towards generating long-term, sustainable shareholder returns.

“Shareholders are also aware that, because of the unfavourable market conditions over the past two years, the larger component of that capital expenditure has been funded by debt and cash flow and has pushed the Company’s gearing to the upper end of our targeted 50% to 60% range,” he said.

“It was because of the demands on cash flow for essential investment in compliance, maintenance and growth that your Board deemed it prudent that no dividend be paid in respect of the 2008-2009 financial year.

“Directors and management have responded to shareholder feedback and concerns, by remaining active in considering the most appropriate ways to restructure Penrice’s balance sheet to have it in the right shape for current business conditions and the prospect of exciting future growth projects.

“This has included raising additional funds during the past financial year and, more recently, obtaining the support of the Company’s long-time banking syndicate for larger and extended finance facilities.

“In recent months, we have also flagged a desire to ‘re-balance’ our capital structure by way of an equity raising – and our ability to achieve this goal has been enhanced by the improving economic and market conditions, especially in Australia.”

Equity raising lowers gearing

Mr Heard – who will be succeeded as Chairman by Penrice non-executive Director, Mr David Trebeck – said Penrice’s successful equity raising announced on Tuesday this week would raise a total of $28.1 million.

“Importantly, the capital raising is primarily a rights issue and therefore provides every Penrice shareholder with the opportunity to invest with minimal dilution,” he said.

“The other important and most pleasing aspects of this equity raising - including a share placement raising $6.8 million and a $21.3 million rights issue – are that it has been so well received by investors and has been fully underwritten.

“Net funds raised will be used primarily to pay down debt, to fund working capital, and potentially, up to $8 million to fund a further expansion of the sodium bicarbonate plant, which, if approved, would be expected to commence later in 2010.

“We have now established a new gearing target range of 40%-to-50% which is appropriate under current market conditions. Penrice’s gearing is expected to improve significantly to around 41% after completion of the equity raising, compared with gearing of 58% at the end of the past financial year.

“The future dividend policy of targeting distribution of profits on a 40-to-50% payout ratio, in the view of the Directors, properly balances Penrice’s need for capital requirements and helps maintain its debt reduction strategy.

“Directors are confident that the new capital raised will position Penrice well, further enhancing its improved operational performance and providing the potential for a sodium bicarbonate expansion.”

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