PENRICE SODA HOLDINGS LIMITED

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Review of FY2012 Results

- **Trading loss reflects poor soda ash demand from Australian manufacturing**
- **Price rises and cost savings improve H2 underlying performance as planned**
- **Restructuring business around premium sodium bicarbonate exports and new SSR technology with income now flowing**
- **Five year funding agreement reached with banking syndicate**

Summary
Penrice today reported a statutory loss after tax of $63.6 million for FY2012, including significant items of $56.9 million. Excluding significant items, the company booked an underlying loss of $6.7 million, reflecting poor demand from key Australian soda ash markets, partly offset by continued growth in sodium bicarbonate exports and income from the Selective Salts Recovery (SSR) business.

Second half statutory loss after tax was $35.5 million compared to the first half's loss of $28.0 million. Underlying performance improved in the second half, assisted by price rises and labour cost reductions initiated in the first half, with underlying EBIT of $1.4 million, up from breakeven in the first half.

The significant items of $56.9 million comprise an impairment of the assets of Chemicals and Quarry & Mineral businesses (in respect of which $22.7 million was recorded as at 31 December 2011), costs incurred from the South Australian Government's temporary closure of the Gawler rail line and restructuring costs. Items are set out in the Results Summary table below.

Penrice MD and CEO Guy Roberts said, "Our business has endured very poor demand conditions from our Australian customer base. Our Australian manufacturing customers are being crushed by the weight of the high Australian dollar. Our South Australian quarry customers are experiencing the worst construction decline in a generation. The impairment charges are direct reflections of these deteriorating demand conditions in Australia, especially for soda ash from Australian glass, detergent and other manufacturers. In South Australia, it reflects demand from the construction sector down more than 30 per cent, with housing construction falling progressively over the last two years to new lows.

Mr Roberts said that, "However, we remain determined to rebuild and transition our business from a trade-exposed supplier so reliant on Australian industry, to a value added exporter of premium sodium bicarbonate to strongly growing Asian markets and a supplier of our world-first SSR technology to the Australian coal seam gas industry."

He said that, "We are particularly encouraged with the recent progress in developing Penrice's SSR technology. This SSR technology and our export business supported the improvement in performance in the second half and, more importantly, have considerable potential to grow earnings sustainably over the long term."

Penrice's Outlook

The demand outlook for Chemicals and Quarry & Mineral businesses in Australia remains uncertain and given this outlook, no earnings guidance for FY2013 is offered at this time. An update on current trading will be provided at the company's Annual General Meeting.

Results Summary

Results summary			
Year ended 30 June A$000	**2012**	**2011**	***% variance***
Sales revenue	**149,426**	**152,934**	***(2%)***
Chemicals EBITDA*	11,409	14,028	*(19%)*
Quarry & Mineral EBITDA*	3,913	5,344	*(27%)*
Corporate centre/unallocated	(3,707)	(3,684)	*(1%)*
Underlying EBITDA *	**11,615**	**15,688**	*(26%)*
Depreciation	(10,198)	(9,603)	*(6%)*
Underlying EBIT *	**1,417**	**6,085**	***(77%)***
Net interest expense	(10,951)	(8,715)	*(26%)*
Underlying NPBT*	**(9,534)**	**(2,630)**	***263%***
Tax *	2,860	1,243	*130%*
Underlying NPAT*	**(6,674)**	**(1,387)**	***381%***
Unrealised gain/loss on hedges		46	
Insurance events, net of recoveries (after tax)		(3,150)	
Rail closure impact (after tax)	(3,276)		
Chemicals impairment (after tax)	(32,347)	(14,715)	
Quarry & Mineral impairment (after tax)	(12,991)	(7,000)	
Derecognition of deferred tax balances	(7,687)		
Restructure costs (after tax)	(577)		
Total significant items (after tax)	(56,878)	(24,819)	
Statutory NPAT	**(63,552)**	**(26,206)**	***143%***
Underlying earnings per share* (cents)	(7.3)	(1.5)	*387%*
Statutory earnings per share (cents)	(69.6)	(28.7)	*142%*
Dividend per share (cents)	Nil	Nil	
Gearing [net debt/(net debt+ equity)] %	98%	53%	
Interest cover [EBITDA*/net interest] (times)	1.1	1.8	

*Excludes significant items. Underlying results (Underlying EBITDA, EBIT, NPBT, Tax, NPAT, Earnings per share) is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Penrice's operations. The measure excludes the impact of non cash accounting adjustments for impairment and derecognition of deferred tax assets as well as items that are not part of normal business operations that are not expected to reoccur, being the rail closure and restructure costs. The non IFRS financial information is unaudited.

Strategic Review

The company has now implemented the initial programs set out in the Strategic Review which has two aims – lower debt and improved earnings: product price rises; labour cost reductions; and the JORC compliant evaluation of the Angaston Mine's resource base. As is clear from Penrice's improved underlying performance in the second half, these initiatives are making a positive contribution to earnings.

Penrice Chairman David Trebeck said that, "The board remains cognisant of the need for debt reduction and continues with the planned sale of the Angaston Mine to achieve that end and thereby place the company on a better footing to pursue growth opportunities in exports and SSR technology."

Mr Trebeck said that, "Under the Strategic Review, we completed the first Mineral Resource and Ore Reserves ("JORC") Statement for Angaston Mine, giving us a complete understanding of the mine's value and a new, efficient extraction plan for the next 25 years. We are pleased that the business is already benefitting from reduced overburden stripping requirements and reduced costs enabled by the plan."

As at 30 June 2012, Penrice had net debt of $93.6 million, up from $75.6 million a year earlier, primarily due to the impact of the SA government's Gawler rail line closure and the weaker trading environment. Net debt to debt plus equity stood at 98 percent, up from 53 percent.

Mr Trebeck said, "A substantial part of the funding increase was unavoidable to meet the cost of the SA Government's unfortunate decision to close the company's Gawler line rail access for seven months, a decision made without proper consideration of the company's interests.

"We are pleased to have the continuing support of the company's banking syndicate in these particularly difficult market conditions. Reflecting that support, we reached a new agreement with the banking syndicate at the end of the year to extend and restructure the senior debt facility of $98 million. The banking syndicate has agreed to extend maturity of $68 million of the facility to July 2017, and to allow interest on this component to be capitalised."

Mr Trebeck said "The new facility accommodates the extraordinarily tough trading environment in which we, along with the majority of Australian manufacturers, find ourselves. It also confirms that our growth strategies around sodium bicarbonate exports and SSR technology commercialisation are sound. We are grateful for the sound, long term view which the company's banks are taking and we will continue to work closely with them."

Chemicals Business

Chemicals - underlying results			
Year ended 30 June $000	2012	2011	%
Sales revenue	**124,037**	**127,563**	***(3%)***
Underlying EBITDA	**11,409**	**14,028**	***(19%)***
EBITDA margin	9.2%	11.0%	
Underlying EBIT	**3,114**	**6,027**	***(48%)***
EBIT margin	2.5%	4.7%	

The Chemicals business booked underlying EBIT of $3.1 million in FY2012, down from $6.0 million in the previous year. Revenue was $124.0 million, down 3 percent, reflecting an 11 percent drop in soda ash revenue, partly offset by an 11 percent increase in revenue from sodium bicarbonate. Penrice's Selective Salts Recovery technology contributed EBIT of $2.1 million to Chemicals' FY2012 earnings from several commercialisation activities.

The business also benefited from prior year price rises, which contributed about $7.1 million to revenue in FY2012, helping to offset the impact of reduced demand in the soda ash segment, the impact of the higher Australian dollar in the sodium bicarbonate exports and higher coke prices.

The Chemicals business reduced costs as a result of labour reductions and other productivity initiatives. At the same time cash costs related to the trialling of calsilt-based landfill at Penrice's Gilman site increased $0.5 million due to the ramp up of operations. Coke costs were up $1.8 million from the previous year based on peaking hard coking coal prices, now in retreat.

Soda ash

In FY2012 soda ash sales volumes were down 14 percent on the previous year, reflecting recessionary conditions in the two main customer segments – glass and detergent. Owens Illinois reduced its glass packaging manufacturing footprint in Australia, including the closure of glass furnaces, which directly reduces soda ash demand, with the closure of another glass furnace in Adelaide announced this month. Activity in the construction industry in FY2012 was the worst in over 25 years with CSR reducing its flat glass manufacturing footprint in Sydney, further reducing soda ash demand. Demand from detergents fell, reflecting the closure of the Australian manufacturing of two global detergent manufacturers, PZ Cussons and Reckitt Benckieser. Glass and detergent manufacturers continue to suffer from the high Australian dollar and reduced demand, with increased import competition placing pressure on prices and margins and also in the case of glass, increased overseas bottling of bulk wine exports.

On the positive side, new business was gained from the minerals processing sector, which continues to have longer term growth potential.

FY2012 soda ash production was seriously impeded with the South Australian Government's decision to close the Gawler rail line, leading to road freight of limestone kiln fuels, causing limestone breakage which compromised plant performance and output. That rail outage was completed in the second half and normal operations have resumed. The company is still in discussions with the South Australian Government regarding recompense of the damage caused by the project.

FY2012 saw the rebuild and reline of two of six kilns, a major step forward in plant reliability and output.

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Sodium bicarbonate

Penrice's sodium bicarbonate business is profitable and has growth potential as demand for its premium range continues strongly in Asia. Over the past four years the export business has recovered the margin eroded by the 40 per cent appreciation of the Australian dollar at the same time as export sales volume has grown by 50 percent to 73,000 tonnes per annum.

Production for FY2012 was at nameplate capacity of 100,000 tonnes, reflecting productivity enhancements. Planned low capital intensity staged expansions are ready to be implemented as cash flow permits, with increasing demand in Asia for Penrice's premium range of food, pharmaceutical and personal care grades.

Net selling prices for sodium bicarbonate increased 10 percent in FY2012 which helped to offset the negative impact of a 3 percent increase in the Australia dollar compared with FY2011.

Selective Salts Recovery technology

Penrice accelerated momentum towards the commercialisation of its Selective Salts Recovery technology during FY2012, with a pilot plant, for QGC, successfully commissioned and operational. A material contribution was earned from all commercialisation activity during the year.

Penrice's technology has now been demonstrated to clean coal seam gas water effectively, allowing it to be returned to the environment or for other beneficial uses, while selectively recovering the residual salts into saleable products. Penrice is actively pursuing a number of SSR development opportunities in Queensland and New South Wales.

Penrice believes that successful commercialisation of the technology is potentially company transforming, giving it the potential to earn a growing income stream from the technology as well as income from associated operational and marketing services.

Calsilt management

In FY2012, Penrice completed trials of calsilt-based landfill. Penrice generates 90,000 tonnes of calsilt per annum (as a by-product of soda ash production) which requires land disposal. Penrice is committed to recycling and reusing calsilt as an Environment Protection Authority (EPA) approved landfill. Trials have confirmed that the landfill is suitable as an engineered fill for light industrial development. Penrice will complete the in-fill of the remaining area of its Gilman site, opening the way for a long term, economic and environmentally sustainable reuse strategy for calsilt as landfill in the greater Gillman area.

Carbon tax

The company has gained the maximum assistance available under the clean energy scheme by obtaining Energy Intensive Trade Exposed status, entitling the company to 94.5% credit against the carbon tax. The company has received and continues to receive claims from suppliers for carbon tax pass throughs; until all these claims are known the impact on the company is uncertain. The company will seek to mitigate the net impost of the carbon tax by passing the cost to its customers consistent with the federal government's scheme design and as contracts permit.

Quarry & Mineral Business

Quarry & Mineral - underlying results			
Year ended 30 June $000	**2012**	**2011**	**%**
Sales to external customers	25,389	25,371	*0%*
Inter-company sales	6,470	6,052	
Total sales revenue	**31,859**	**31,423**	***1%***
Underlying EBITDA	**3,913**	**5,344**	***(27%)***
EBITDA margin	12.3%	17.0%	
Underlying EBIT	**2,010**	**3,742**	***(46%)***
EBIT margin	6.3%	11.9%	

The Quarry business booked EBIT of $2.0 million for FY2012, down from $3.7 million in the previous year. This was a robust result in a year of severe cyclical downturn in the construction industry, the main customer segment.

Sales revenues increased slightly, with sales of industrial minerals stronger in the year, showing the benefit of diversification of sales into industrial companies, the other main customer segment. Sales into the construction industry decreased 7 percent and occurred at lower margins. Sales to the South Road Superway project partially offset a deeper decline in demand. The business improved its market share as the South Australian construction sector dropped to a cyclical low during the year, with activity reported to be down 30 percent compared with the prior year, similar to the national trend. Residential and commercial activity slowed considerably across the public and private sectors.

Quarry and Mineral achieved a higher success rate in civil project tenders and a more diverse client base in FY2012. Penrice believes the business is well positioned to leverage these capabilities when demand recovers.

Mine planning has been expedited with the completion of the comprehensive drilling campaign and subsequent Reserves Statement, which demonstrates a mine life of at least 25 years. Current planning sees extraction of no more than 0.5 million tonnes of overburden per annum over the life of the mine plan, which compares favourably with average extraction of over 2 million tonnes per annum over the past five years.

Balance Sheet & Cash Flow

Balance sheet		
A$000	**30 June 2012**	**30 June 2011**
Current Inventories	25,944	26,161
Trade debtors	18,318	16,738
Trade creditors	(29,615)	(29,803)
Total working capital	**14,647**	**13,096**
Net property, plant & equipment	69,619	99,440
Non Current Inventories	19,266	24,888
Intangible assets	2,334	8,688
Net other assets/liabilities	(10,593)	(2,695)
Net debt	(93,553)	(75,594)
Net assets	**1,720**	**67,823**
Equity	**1,720**	**67,823**
Gearing [net debt/(net debt+ equity)] %	**98%**	**53%**

Cash flow		
Year ended 30 June A$000	**2012**	**2011**
Net operating cash flows	(6,118)	5,015
Net investing cash flows	(10,644)	(13,232)
Net free cash flow	**(16,762)**	**(8,217)**
Net financing cash flows	**14,576**	**7,936**
Net increase/(decrease) in cash held	**(2,186)**	**(281)**

Reflecting the company's net loss, the company notes an impairment charge of $45.3 million relating to the Chemical and Quarry & Mineral Businesses (of which $2.7 million was recorded as at 31 December 2011), $7.7 million of de-recognition of deferred tax assets, $2.1 million defined benefit scheme revaluation (closed), $3.3 million of rail closure costs and $0.6 million in restructuring, net assets reduced to $1.7 million as at 30 June 2012 (30 June 2011: $67.8 million).

Working capital as at 30 June was $15.2 million, up from $13.1 million a year earlier, reflecting a rise in receivables. Working capital reduction remains a management focus.

Capital investment was reduced to $10.6 million for the year (FY2011: $13.2 million) with increased focus on capital discipline. Major projects included the reline of two lime kilns, the annual Osborne plant maintenance shutdown and the Angaston drilling campaign.

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:

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