



PENRICE SODA HOLDINGS LIMITED

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GFC SLOWDOWN IMPACTS PENRICE CHEMICALS SALES IN Q3

- **FY2010 underlying NPAT no longer expected to exceed FY2009 - now expected to be \$5 million to \$6 million**
- **Earnings affected primarily by weaker than expected soda ash demand in Q3**
 - **Glass customers lower plant rates, maintenance shutdowns, de-stocking**
 - **Sales volumes into export markets at lower margin**
- **Sodium bicarbonate sales also affected by high rainfall and flooding in eastern Australia in Q3, reducing stockfeed demand**
- **Net free cash flow negative in FY2010, greatly improved vs FY2009**
- **Soda ash demand recovering in Q4 and further improvement expected in FY2011**

Penrice Soda Holdings Limited (ASX:PSH) today announced that underlying net profit after tax (NPAT) for the current year ending 30 June 2010 is now expected to be in the range of \$5 million to \$6 million. This compares with previous guidance of underlying NPAT exceeding last year's \$9.0 million.

Reported NPAT is expected to be \$6 million to \$7 million, compared with \$7.1 million last year.

Penrice has been affected by unexpectedly lower demand in its Chemical business in the March quarter, particularly in the soda ash segment, where its principal glass customers reduced production rates, conducted extended maintenance shutdowns and de-stocked. These reductions were substantial and not forecast. Penrice acted quickly to sell excess soda ash volumes into export markets so as to maintain optimal capacity utilisation levels and preserve cash flow, but these export spot sales negatively impacted margin.

The Chemicals business was also affected by lower than expected domestic sodium bicarbonate sales in the March quarter, resulting from reduced stockfeed demand following the heavy rainfall and flooding in eastern Australia.

Sales by the Quarry & Mineral business into the infrastructure and landfill markets are in line with expectations. Inventory build in the business is reduced on last year, with the implementation of the new mine plan resulting in reduced extraction rates. Inventory build for FY2010 is expected to be \$6.5 million, slightly in excess of plan.

Penrice MD & CEO Mr Guy Roberts said that "The changed NPAT outlook for FY2010, while generally reflecting post GFC slowdown factors largely outside Penrice's control, is obviously very disappointing. Demand, particularly for soda ash in the glass industry, has been much lower than we expected coming into the third quarter. Our glass customers appear to have been flushing out inventory backlogs from reduced demand in a weaker, GFC-impacted, slower Australian economy, especially in the building and wine sectors. Demand is now stabilised and recovering and based on customer forecasts and an improving Australian economy, we still expect ash sales volume to firm and increase over the next 12 months."

As part of the improved outlook, Penrice has a strong supply partnership with Amcor Glass, which has now commissioned its third expansion of its Gawler (South Australia) plant. This expansion



represents a considerable uplift in Amcor's glass production and a commensurate increase in soda ash supply for Penrice. The commissioning of the third line also marks the changeover to Penrice-supplied limestone sand from the Angaston mine under the five-year soda ash and limestone supply agreement between Amcor Glass and Penrice announced last year.

Mr Roberts also said that Penrice is closely monitoring current import levels, of both sodium bicarbonate and soda ash, where there appears to be some limited evidence of dumping of small quantities in the Australian market. He said, "We are pursuing the matters with the Australian Customs Office with regard recent imports of soda ash from China and the United States."

Penrice expects net free cash flow for FY2010 to be in the range of negative \$7 million to \$9million, reflecting lower Chemical sales and margins. However, the expected net outflow will be significantly less than last year's \$22.2 million. Operating savings have been made during the year and capital expenditure is in line with plan. Free cash generation remains a priority and the improving trend in free cash flow is expected to continue through FY2011.

Penrice's banks are aware of the changed market conditions in which Penrice is operating and continue to support the Company.

Penrice Chairman David Trebeck said that "While the performance of the Company in FY2010 has been disappointing in difficult market conditions, Penrice's strong market positions and a generally improving Australian and regional outlook, give the board confidence of a positive future. The board remains committed to restoring shareholder value and reinstating dividends when the Company's cash flow enables it to do so."

Penrice will conduct a conference call for investors and analysts to discuss this announcement in further detail. Please see below for details.

Investor & Analyst Conference Call on Recent Performance

Date: **Wednesday, 28 April 2010**

Time: 3.00pm Eastern Standard Time (2.30pm CST)

Conference ID: **71985894**

Dial-In Access Numbers:

International Toll Dial-In Number: **+ 61 29696 0911**

Australia: **1800 885 418**

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.

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 including mining, building and construction 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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