

## Solid Energy establishes a record year for coal

**24 January 2004 - New Zealand's largest coal producer Solid Energy New Zealand Ltd notched up a year of records — in total production, export sales, domestic sales and profits.**

Production of coal was up 22% to 4.09 million tonnes for the financial year to June 30 2003 from 3.35 million tonnes in the previous year to June 2002.

Sales revenues reached \$317 million, a 20% increase on the 2001-2002 figure of \$264 million.

Export sales reached a record 2.13 million tonnes in the latest year, an 18% increase on the 1.8 million tonnes in 2001-2002. Increased capacity on the shortened aerial ropeway that transports Stockton coal to the Ngakawau railhead helped raise production levels.

Other additional export demand and production capacity for further sales remained unfilled because of constraints on rail capacity from the West Coast to the export port of Lyttelton.

Coal sales to New Zealand markets of 1.96 million tonnes were up 26% from 1.55 million tonnes in 2001-2002, driven by increased sales to Genesis Power Ltd's Huntly power station and to BHP New Zealand Steel's Glenbrook Mill. The demand for coal as a long-term reliable form of energy was strong and increasing across all industrial sectors.

The record exports and domestic sales, plus significant short-term foreign currency hedging gains and the use of the remaining carry forward tax losses, all contributed to the net surplus after tax of \$56 million for the 2002/03 financial year. This is a 47% increase on the previous year's result of \$38.1 million.

"All credit goes to the company's management and staff for once again delivering record results both here in New Zealand and in our international markets", said Tim Saunders the chairman of Solid Energy.

"Progress against the company's long-term (20 years) business plan has been excellent. The company's balance sheet continues to be rebuilt and equity has been significantly strengthened," Mr Saunders said.

Use of the last carry forward tax losses boosted 2003 profit by \$8.8 million. Foreign exchange gains in the year of \$17.7 million reflect hedging put in place in 2002 when the New Zealand dollar was trading in the low to mid 40 cents range against the US dollar. The New Zealand dollar's current level – of over 60 cents – is forecast to significantly reduce Solid Energy's profitability in 2004.

Mr Saunders says the one disappointment in the year was the slower than expected pace of capital investment in new mines to replace diminishing reserves and needed distribution infrastructure. The primary reason for deferring investment was poor rail performance and lack of future rail certainty.

Chief executive officer, Dr Don Elder says, all mining operations performed well in the year with record production volumes from Stockton and Rotowaro opencast mines and Huntly East underground mine.

Around 42% of New Zealand sales (830,000 tonnes) were to the Glenbrook steel mill, a 15% increase on 2002. Some 33% of New Zealand sales (650,000 tonnes) were to the Huntly power station, almost double the volumes of 2002.

Demand from the timber, meat and cement industries remained strong, with growth in the dairy sector forecast to continue.