



Solid Energy New Zealand Ltd

Results for Announcement to the Market

Reporting period	Six months to 31 December 2009
Previous reporting period	Six months to 31 December 2008

	Amount (\$000s) 6 months to 31 December 2009	Amount (\$000s) 6 months to 31 December 2008	Percentage change
Revenue from ordinary activities	\$257,214	\$516,380	50% decrease
Profit (loss) from ordinary activities after tax	(\$6,479)	\$78,408	108% decrease
Net profit (loss)	(\$6,479)	\$78,408	108% decrease

Interim dividend	Interim proposed \$30,000	Interim (paid March 2009) \$25,500	18% increase
Dividend payment date	Interim Dividend to be paid 31 March 2010		

<p>Comments</p> <p>A brief explanation of any of the above figures necessary to enable them to be understood.</p>	<p>Solid Energy's profit after tax for the six months ended 31 December 2009 was a loss of \$6.5 million, a drastic fall from the same period last year (2008: profit of \$78.4 million).</p> <p>About \$70 million of this fall was expected with the drop in hard coking coal prices and the global economic downturn. The balance was largely attributable to five weeks of industrial action at the company's main coal mining sites in late 2009.</p> <p>Revenue for the half year was \$257 million, less than half that for the same period last year (2008: \$516 million) reflecting the early 2009 drop in hard coking coal prices – from US\$300/tonne to US\$128/tonne. The rising New Zealand dollar against the US dollar over the last 12 months has resulted in a net gain of \$12.1 million on foreign exchange hedges in the six months (2008: loss of \$44.3 million).</p> <p>Solid Energy paid a dividend of \$24 million on 30 September 2009. In accordance with the company's dividend policy, the Board is proposing a dividend of \$30 million to be paid by the end of March 2010 bringing total cash dividends paid during the current financial year to \$54 million.</p>
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<p>In respect of each half-year period, commentary on the outlook for the remainder of the financial year, including whether the SOE considers it will achieve the financial performance targets in its SCI.</p>	<p>Coal sales were down 20% to 1.68 million tonnes (mt) for the six months (2008: 2.11 mt) mainly due to the industrial action. Export coal sales were down to 670,000 tonnes (2008: 980,000 tonnes) for the half year. New Zealand coal sales were down to 870,000 tonnes (2008: 1.04 mt). The company's 51% share of sales from Spring Creek Mining Company was 140,000 tonnes (2008: 90,000 tonnes).</p> <p>During the half year the renewable energy business produced 6,393 tonnes of wood pellets (2008: 4,900 tonnes) from plants at Rolleston and Rotorua and towards the end of the period from a new third wood pellet plant at Taupo. Biodiesel production in the six months was up to 545,000 litres (2008: 360,000 litres).</p> <p>Solid Energy Chairman, John Palmer, says the industrial disruption was value destroying for all stakeholders. "Solid Energy and the Engineering Printing and Manufacturing Union need a more collaborative and less confrontational approach in these negotiations. We are committed to taking our share of the responsibility for achieving this in the future."</p> <p>He added: "Despite the poor result for the first six months of the 2010 year, Solid Energy is emerging from the global economic recession in good shape and with a strong balance sheet that will support our plans for future growth.</p> <p>"International coal prices are firming, driven by demand for coal from China and India. During the last few months we have been working with our international coal customers to manage the supply shortages following the industrial action while planning for increasing production for 2011.</p> <p>"International coal prices have risen since the benchmark prices were agreed for 2009/2010. Benchmark and spot prices for 2010/2011 are currently forecast to be above previously projected levels, but it is still too early to forecast likely prices accurately.</p> <p>"While over the next six months we expect our financial performance to return to profitability we are far from satisfied with our performance. Across all of our operations we are looking for significant improvements in health and safety, productivity and bottom line profitability. To this extent we are investing in people, systems and plant resources to improve health and safety performance but at the same time we have placed on hold major capital expenditure at the underground mines in particular until we see a step change in performance that will ensure that these operations are viable longer term."</p>
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