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## **Solid Energy reviewing all operations in response to market downturn, stubbornly high dollar**

Solid Energy is reviewing all aspects of its business in response to extremely challenging market conditions. The company's short to medium-term outlook is similar to that faced by many other New Zealand exporters, with the impact of a major fall in international commodity prices magnified by the continuing strong New Zealand dollar.

The steep fall in demand and prices for internationally traded coal means the business anticipates its revenues will fall about \$200 million in the current financial year. International prices for high-grade coking coal have fallen over 40% to below US\$200 per tonne (from well above US\$300 per tonne in 2011) and are at their lowest point for some years.

The outlook is different to that faced by the company during the 2008/09 Global Financial Crisis. In early 2009, as commodity prices plunged, the New Zealand dollar followed, softening the fall in New Zealand dollar prices. Spot prices then rebounded within a matter of months. At present there is no certainty about when international growth will resume and lift international coal demand and prices.

Chief Executive Officer, Dr Don Elder, says the industry consensus is that the market bottom remains some way off. "While many in the industry still expect demand, driven by Asia, to pick up again strongly sometime in 2013 Solid Energy needs to plan to withstand these market conditions for at least the next 12 months and possibly for 24 months or longer." he says. "As a consequence, we are reviewing all areas of our business, including current and future operations, all fixed and variable costs, and the values of some of our assets, which will result in us taking significant impairments. Our aim is to preserve cash through reduced spending while, as far as possible, maintaining our longer-term value opportunities."

Dr Elder says that operational and structural changes will result from this review and that he expects to provide further detail about the company's outlook later this month when the company's 2012 financial results are announced.

### **For further information contact:**

Vicki Blyth  
General Manager Communications

Telephone: 03 345 6000  
Mobile: 021 670 250

Bryn Somerville  
Communications Manager

Telephone: 03 345 6090  
Mobile: 027 295 4299