

Arch Coal, Inc. Reports Earnings for First Quarter

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St. Louis, Missouri – April 20, 1999 - Arch Coal, Inc. (NYSE:ACI) today reported net income of \$1.4 million, or \$.04 per share, for its first quarter ended March 31, 1999. This compares to net income of \$15.8 million, or \$.40 per share, for the same period of 1998. Revenues totaled \$421.1 million and coal sales totaled 27.7 million tons, compared to \$312.8 million and 11.9 million tons for the first quarter of 1998. Increases in both revenues and sales tonnage were attributable to the company's acquisition of ARCO's domestic coal operations on June 1, 1998.

"As expected, first quarter earnings were adversely affected by continuing challenges at our Dal-Tex and Black Thunder mines and by mild winter weather that contributed to a weak market," said Steven F. Leer, Arch Coal's president and chief executive officer. "However, I am pleased to report that we continue to generate very significant levels of cash and made good progress during the quarter on one of our top financial objectives, which is to pay down debt quickly and aggressively."

During the quarter, Arch reduced debt by \$80.9 million. EBITDA totaled \$86.0 million, up strongly from the \$61.2 million the company recorded for the same period of 1998.

In addition to aggressively paying down debt, Arch continued its stock repurchase program. "We view our stock as a very attractive value at current prices," Leer said. During the quarter, Arch had cash outlays of \$7.9 million related to the repurchase of 733,100 shares.

Major factors affecting results

Among the factors adversely affecting first quarter results was an operating loss from our Dal-Tex operation in southern West Virginia due to an extended delay in obtaining a surface mining permit for additional reserves at the site. As a result of this delay, Arch has announced plans to close the mine in July and has recorded a charge of \$6.5 million (\$4.0 million net of tax) related to the impending closure. The charge is related to severance costs and other labor, benefit and miscellaneous costs that were being accrued over the full year and future periods. Arch will continue to seek the permit's issuance, which to date has been blocked by a court injunction related to a suit brought by environmental activists.

Largely offsetting the above-mentioned charge, Arch recorded pre-tax income of \$6.3 million (\$3.8 million net of tax) related to the cumulative effect of a change in the method in which it accounts for the depreciation of certain assets. Previously, Arch depreciated its preparation plants and rail-loading facilities on a straight-line basis. The company believes that depreciating these assets on a units-of-production basis will yield a more accurate matching of costs to actual production.

"Among the positive developments, each of our western longwall mines exceeded our expectations for the quarter," Leer said. "In addition, improved rail service from the West Elk mine in Colorado helped to deliver the increased production to our customers."

Other developments

In late March, Arch announced that it had signed an agreement to transfer ownership of a portion of the 412-million-ton Thundercloud federal coal lease, which is part of the Black Thunder Mine, to Kennecott Energy Company. The reserves contain an estimated 35 million tons of coal.

"Under the terms of this agreement, we received in excess of \$12 million that we used to pay down debt in exchange for reserves we had not planned to mine for many years," Leer said. "In addition, we obtained baseline environmental data that will enable us to expedite the development of the Thundercloud tract."

Looking ahead

"During the remainder of 1999, we will continue to concentrate on our five chief financial objectives: 1) aggressively paying down debt, 2) further strengthening cash generation, 3) improving earnings, 4) increasing productivity, and 5) selling non-strategic and underperforming assets," Leer said.

One of Arch's principal operating goals is to improve the performance of the Black Thunder mine, Leer said. "Since acquiring that operation in June 1998, we have sought to expand production at the mine while simultaneously reducing costs. We are making good progress on both fronts but we have yet to realize our cost targets. We expect that, by the end of the year, Black Thunder will be in a considerably stronger position."

While the closure of Dal-Tex will curtail much of the operating losses that the operation has incurred in recent quarters, Arch remains committed to re-establishing an operating presence at the site soon after it obtains a permit for those reserves. "We have a strong case and we plan to argue it vigorously in U.S. District Court and ultimately on an appeal to the Fourth Circuit on the merits, if necessary," Leer said.

EBITDA is presented above because it is a widely accepted financial indicator of a company's ability to incur and service debt. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations, or as a measure of a company's profitability, liquidity or performance under generally accepted accounting principles. This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including Arch Coal's expectations with respect to value creation and the company's relative competitive position. Although Arch Coal, Inc. believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from expectations include changes in local or national economic conditions; changes in mining rates and costs for a variety of operational, geologic, permitting, labor and weather-related reasons, including equipment availability; and other risks detailed from time to time in the company's reports filed with the Securities and Exchange Commission, including quarterly reports on Form 10-Q, reports on Form 8-K, and annual reports on Form 10-K.

Arch Coal is the nation's second largest coal producer, with subsidiary operations in West Virginia, Kentucky, Virginia, Illinois, Wyoming, Colorado and Utah. Through these operations, Arch Coal provides the fuel for approximately 6% of the electricity generated in the United States.