Arch Coal, Inc. Reports First Quarter Results

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St. Louis, Missouri – April 24, 2000 - Arch Coal, Inc. (NYSE:ACI) announced today that it had a net loss of $15.0 million, or $.39 per share, for its first quarter ended March 31, 2000. A substantial portion of the loss was related to its West Elk mine in Gunnison County, Colorado, which has been idle since January 28, 2000, when high levels of combustion-related gases were detected there. Results for the first quarter of 2000 compared to net income of $1.4 million, or $.04 per share, in the same quarter of last year.

"The difficult conditions that have prevailed in U.S. coal markets in recent months had an adverse impact on our performance for the quarter," said Steven F. Leer, Arch Coal’s president and chief executive officer. "On the positive side, each of our mines with the exception of West Elk performed well and made good progress in their ongoing efforts to reduce costs and improve productivity. Our largest mine, Black Thunder, had a particularly strong quarter, setting shipping and production records."

Revenues for the quarter totaled $357.8 million and coal sales totaled 27.8 million tons, compared to $421.1 million and 27.7 million tons in the first quarter of 1999. The change in revenues reflects the company’s strategic decision to increase its emphasis on lower-cost and lower-priced production in the Powder River Basin of Wyoming. EBITDA in the first quarter totaled $63.6 million compared to $86.0 million in the first quarter of 1999, with a substantial portion of the decline attributable to West Elk.

Progress at West Elk

Leer noted that the company had made excellent progress in its efforts to extinguish the combustion at West Elk and resume normal operations there. "Late in the first quarter, we began constructing water-tight seals in the affected area of the mine and flooding that area with water. Since that time, combustion-related gas readings inside the mine have declined dramatically and are currently below normal levels. Last week, the Mine Safety and Health Administration approved the company’s request to re-enter the mine and complete the longwall move that was interrupted on January 28. The longwall equipment suffered no damage during the period."

Leer stated that the company was currently in the process of constructing additional seals that would totally enclose the affected area. "We are continuing to take precautionary steps to ensure that the combustion is fully extinguished," Leer said. "We will not seek to resume production until we are absolutely certain that it is safe to do so." He added that he expected the mine to resume at least limited production by the end of the second quarter.

The company had previously announced that it expected a substantial portion of the losses related to the fire at West Elk to be covered by business interruption insurance. Leer declined to speculate on the timing of any such settlement, although the company believes it would likely occur during the current fiscal year.

Debt reduction efforts

As expected, Arch’s total debt increased by $11 million during the quarter, due in large part to the timing of the second of five annual payments of $31.6 million for the Thundercloud federal reserve lease, which was acquired in 1998. Thundercloud is a large and highly strategic reserve block totaling 412 million tons, which is located adjacent to the company’s Black Thunder mine in Wyoming.

"As we have stated repeatedly, debt reduction remains one of our top financial objectives," Leer said. "Last year, we reduced our debt by 14% and we expect further reductions in 2000. However, due to the timing of the payments on Thundercloud and the fire at West Elk, we would expect to make most of our progress toward reducing debt in the second half of 2000."

Expansion at Black Thunder

While most of Arch’s mines performed well during the quarter, Leer reiterated that the Black Thunder mine had a particularly strong quarter. "Our goal is to increase production at Black Thunder by roughly 20% this year to approximately 60 million tons, a level we expect to maintain for the foreseeable future," Leer said. "We are right on target to achieve that goal. During the quarter, Black Thunder set production and shipping records while also effectively managing costs." Demand for Powder River Basin coal has more than doubled in the past decade and continues to grow at a far higher rate than that of the coal market overall.

Looking ahead

U.S. coal prices remained weak throughout the quarter. However, Leer pointed to several positive trends that could spur a rebound in coming quarters. "Demand for electricity is up 4% over last year and coal production in the east has declined," Leer said. "As a result, utility stockpiles are approaching more normal levels. The result should be a more favorable supply-demand balance and improving prices over time."

"While we are not pleased with our first-quarter results, we have achieved significant improvements in the performance of our major mines," Leer said. "We are well on our way to resuming production at West Elk and the Black Thunder mine is performing at record levels."

"Over time, the demand for electricity is certain to grow, spurred by economic expansion and the ongoing shift to digital-age technologies," he added. "A substantial percentage of that growth will be supplied by coal, which is by far the lowest-cost fuel for electric generation. As a producer of low-sulfur coal exclusively and the operator of some of the finest assets in the industry, Arch Coal is very well positioned to compete."

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 earnings and cash flow, other factors affecting future net income, its relative competitive position, and its operating plans. Although Arch Coal 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, but are not limited to, 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, Wyoming, Colorado and Utah. Through these operations, Arch Coal provides the fuel for approximately 6% of the electricity generated in the United States.