

## Arch Coal, Inc. Reports Earnings for Second Quarter

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St. Louis, Missouri – Arch Coal, Inc. (NYSE:ACI) today reported net income of \$2.5 million, or \$.06 per share, for its second quarter ended June 30, 1999. For the second quarter of 1998, Arch had net income of \$13.5 million, or \$.34 per share, which included a one-time after-tax charge of \$1.5 million, or \$.04 per share, related to the early termination of debt. Revenues totaled \$391.3 million and coal sales totaled 27.0 million tons, vs. \$353.2 million and 16.8 million tons for the second 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.

Earnings Before Unusual Items, Interest, Taxes, Depreciation, Depletion and Amortization (EBITDA) for the second quarter totaled \$88.2 million, compared with \$77.6 million in the same quarter of 1998.

"As expected, ongoing challenges at several operations and a weak eastern coal market contributed to depressed earnings for the second quarter," said Steven F. Leer, Arch Coal's president and chief executive officer. "Despite that fact, the company continued to generate strong levels of cash flow and made excellent progress in its debt reduction efforts."

In the second quarter, Arch paid down \$19.9 million in debt while also purchasing leased equipment for \$14.4 million and buying back 640,700 shares of common stock for \$7.5 million. In the first six months of 1999, Arch has reduced its total debt by \$100.8 million.

As of June 30, 1999, Arch has repurchased 1,704,000 shares of its common stock for \$21.0 million under a share repurchase program authorized by the board in September 1998. At that time, the board authorized the purchase of up to 2,000,000 shares. "We believe our shares represent an excellent value at recent price levels," Leer said. "As a result, we consider the repurchase program a very effective way to create value for our shareholders."

For the six months ended June 30, 1999, Arch Coal's net income was \$3.9 million, or \$.10 per share, which included an after-tax charge of \$4.0 million related to the pending closure of Dal-Tex offset principally by income recorded of \$3.8 million after tax related to the cumulative effect of a change in the method in which it accounts for the depreciation of certain assets from straight-line to the units-of-production basis. In the first six months of 1998, Arch had net income of \$29.3 million, or \$.74 per share, which included the previously mentioned one-time after-tax charge of \$1.5 million related to the early termination of debt. EBITDA for the first two quarters of 1999 totaled \$174.2 million, compared to \$138.9 million during the same period of 1998. Revenues totaled \$812.4 million and coal sales totaled 54.7 million tons for the first half of 1999, vs. \$666.0 million and 28.6 million tons in 1998.

### Major factors affecting second quarter results

"At the Black Thunder mine in Wyoming, we made good progress in our expansion program but did not get water-related challenges at the site fully under control until late in the quarter," Leer said. "In addition, longwall moves that took place during the quarter at the SUFCO and Skyline mines in Utah, along with geologic difficulties at Skyline, led to a small equity loss from 65%-owned Canyon Fuel Company."

Difficult market conditions in the east also took a toll on second quarter earnings. "Because of mild winter weather, utility stockpiles remained high throughout the quarter, depressing prices," Leer continued. "As a result, realizations at our eastern operations suffered. On the bright side, we have seen a firming of prices for southern Powder River Basin coal in recent weeks."

The quarter included settlements with two suppliers that added \$1.5 million after tax to the quarter's results.

### Dal-Tex idling

The Dal-Tex mine in Logan County, West Virginia, will close as scheduled on July 23 as a result of continuing delays in obtaining a permit for additional reserves at the site. Arch remains committed to re-establishing an operating presence at the site at the earliest possible date. On July 9, Arch agreed to submit a new "dredge and fill" permit for the operation in exchange for the U.S. Army Corps of Engineers' commitment to expedite the processing of the permit. The processing of that permit is likely to take up

to two years.

## Looking Ahead

"We are encouraged by several trends in U.S. coal markets," Leer said. "First, we have seen the market for Powder River Basin coal strengthen as utilities prepare for the commencement of Phase II of the Clean Air Act in January 2000. Second, compliance coal, which is coal that meets Phase II emission requirements without the use of scrubbing technology, is now attracting a premium in both the east and west. Finally, we believe the hot weather of recent weeks should lead to increased coal consumption and thus improved market conditions in the east."

Leer also said that Arch continues to make progress at the Black Thunder mine, where the company is adding a fourth dragline and expanding production aggressively. "Black Thunder's management has implemented a comprehensive water control and drainage program and we do not expect further water-related difficulties at the mine," Leer said. "We expect continued improvement in the mine's financial performance during the second half of the year and substantially better results in 2000."

Arch has outlined five principal operating objectives for 1999: 1) aggressively paying down debt, 2) further strengthening cash generation, 3) improving earnings, 4) increasing productivity, and 5) exploring the sale of less strategic and under-performing assets. "We remain focused on these five objectives and believe they will lead to long-term value creation for our shareholders," 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 one of the nation's largest coal producers, 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.