

Arch Coal, Inc. Reports Fourth Quarter Results

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St. Louis - January 24, 2001 - Arch Coal, Inc. (NYSE:ACI) announced today that it had net income of \$9.6 million, or \$.25 per share, for its fourth quarter ended December 31, 2000. In comparison, Arch had a net loss of \$348.4 million, or \$9.12 per share, in the same quarter of 1999. Results for the year-ago quarter included a one-time charge of \$344.7 million related principally to the write-down of certain impaired assets in West Virginia and Kentucky.

Arch had revenues of \$347.4 million and coal sales of 26.1 million tons in the fourth quarter of 2000, compared to \$372.7 million and 28.4 million tons in the same period of 1999. Adjusted EBITDA for the quarter totaled \$94.7 million, compared to \$70.8 million in the fourth quarter of 1999.

"During the fourth quarter, coal markets continued to strengthen in all regions, with prices in the eastern United States climbing to their highest levels in 20 years," said Steven F. Leer, Arch Coal's president and chief executive officer. "While we entered the quarter with nearly all of our tonnage committed and priced through 2001, we expect these improved market conditions to translate into a stronger financial performance in 2002 and thereafter."

"Nearly every one of our mines operated well during the period," Leer continued. "The exception was West Elk, which encountered adverse roof conditions in the early part of the quarter but returned to normal levels of productivity in December." In February, West Elk will complete the last longwall panel in the western section of the mine and permanently seal the area where the January 2000 fire occurred. At that time, the longwall mining system will be moved to a new reserve on the eastern side of the mine.

Fourth quarter results benefited overall from a third partial insurance recovery of \$7.0 million (pre-tax) related to a January fire at Arch's West Elk mine in Colorado; a \$13.0 million pre-tax gain associated with the settlement of certain workers' compensation liabilities; and a \$9.8 million pre-tax gain resulting from previously unrecognized post-retirement benefit changes which occurred in prior years. Partially offsetting that benefit were the previously discussed adverse roof conditions at West Elk and higher diesel fuel prices, which together had a negative impact of \$14.0 million for the quarter.

For the year ended December 31, 2000, Arch had a net loss of \$12.7 million, or \$.33 per share. For the same period of 1999, Arch recorded a net loss of \$346.3 million, or \$9.02 per share, which included the one-time charge mentioned above. Revenues totaled \$1.4 billion and coal sales totaled 105.5 million tons for the year, vs. \$1.6 billion and 111.2 million tons in 1999. Adjusted EBITDA for 2000 totaled \$315.2 million, compared to \$325.9 million in the same period of 1999.

As previously discussed, the biggest single factor in the company's year-end results was the fire at the West Elk mine, which reduced after-tax income by \$4 million to \$6 million per month for a period in excess of six months. In total, the fire and the ensuing adverse roof conditions contributed to a \$66.5 million year-over-year reduction in West Elk's contribution to Arch's adjusted EBITDA. To date, insurance recovery - which covers losses associated with the fire event only - have offset approximately 50% of that reduction.

Debt reduction

During 2000, Arch reduced its overall leverage by \$71.6 million, paying down a total of \$30.2 million in debt (including \$1.4 million in the fourth quarter), while reducing its equipment lease obligations by \$41.4 million.

"While we continued to reduce our debt in 2000, we were constrained in this effort by the impact of the West Elk mine fire on overall cash flow," Leer said. "We still view debt reduction as our No. 1 priority, and one of the best options available to us for increasing value for our shareholders. With improving market conditions and the resumption of normal operations at West Elk, we expect to continue an aggressive schedule of debt reduction in the future."

Market developments

"We are very encouraged by recent trends in U.S. coal markets," Leer said. "A number of positive developments, including strong electricity demand, record natural gas prices and cold winter weather, have contributed to very favorable conditions in U.S. coal

markets. Furthermore, utility stockpiles have fallen to their lowest levels in many years, and demand growth is outpacing production. The upshot should be a strong and sustainable pricing environment."

In total, electric generation increased an estimated 2.6% nationwide during 2000, while coal-fired generation showed even stronger growth at approximately 4%. In comparison, U.S. coal production declined by 1.2% during the year.

According to a leading industry trade publication, the spot market price of eastern compliance coal, one of Arch's core products, has climbed 60% in the past eight months to a current level of \$39 per ton. In actuality, according to Leer, there is very little coal available in the eastern spot market at any price.

Leer noted that fundamentals in western markets have also strengthened significantly in recent weeks, with prices at their highest levels since Arch acquired its principal western assets in June 1998. "We expect to benefit from a favorable balance between supply and demand in all the markets in which we participate," Leer said. He added that Arch Coal would continue to be market driven and produce to meet market demand.

Outlook

As previously indicated, Arch has committed nearly all of its estimated production for 2001, and thus does not expect to see substantial increases in its average realized price over the next four quarters. However, approximately 30% of Arch's annual production is either uncommitted or open to market price movements in 2002, and roughly 50% is uncommitted or open to market price movements in 2003.

"We fully expect to capitalize on this favorable environment as we commit to new contract agreements during the year," Leer said. "We are in a strong position to lock in favorable pricing as coal-fired generators address their fuel supply needs for 2002 and beyond."

Recent developments in U.S. energy markets, including electricity shortages in California, have made it increasingly clear that electricity demand is growing robustly, and that the current infrastructure is insufficient to provide the electrons necessary to meet this demand.

"Even the most conservative estimates for electric demand growth show that the nation must soon make a very substantial investment in its electric generating and transmission systems," Leer said. "Furthermore, many large electric generators are stating publicly that they are giving strong consideration to the construction of new coal-fired capacity. In short, America is becoming increasingly aware that coal, which is low cost and increasingly clean, is the best fuel source available for meeting the growing needs of our digital age economy."

A conference call concerning fourth quarter earnings will be webcast live today at 11 a.m. EST. The conference call can be accessed via the "investor info" section of the Arch Coal web site (www.archcoal.com).

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.

Definition: Adjusted EBITDA is presented above because it is a widely accepted financial indicator of a company's ability to incur and service debt. Adjusted 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. Adjusted EBITDA is defined as income from operations before the effect of changes in accounting principles; asset impairment and restructuring charges; net interest expense; income taxes; and depreciation, depletion and amortization for Arch Coal, Inc., its subsidiaries and its ownership percentage in its equity investments.

Forward-Looking Statements: This press release contains forward-looking statements within the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. These statements may generally be identified by the use of words such as "estimate," "expect," "anticipate," "believe," "intend," "plan," "continue," "may," "will," "should," or "shall." We have based these forward-looking statements on our current expectations and projections about future events, some of which may be incorrect. These expectations and assumptions include the following: our expectation of continued growth in the demand for electricity; our belief that legislation and regulations will increase demand for our compliance and low-sulfur coal; our expectation of improving

market conditions for the price of our coal; our expectation that we will continue to have adequate liquidity from our cash flow from operations, together with available borrowings under our credit facilities, to pay down our debt and to finance our working capital needs; our expectations as to 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 the registration statement filed on November 21, 2000, quarterly reports on Form 10-Q, reports on Form 8-K, and annual reports on Form 10-K.