

Arch Coal, Inc. Reports Earnings for Fourth Quarter

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St. Louis, Mo. – January 25, 1999 - Arch Coal, Inc. (NYSE:ACI) today reported break-even results for its fourth quarter ended December 31, 1998. In comparison, Arch had net income of \$21.1 million, or \$.53 per share, for the same period of 1997.

Revenues for the fourth quarter totaled \$415.5 million vs. \$342.5 million in the same period of 1997. Arch sold 26.6 million tons of coal in the fourth quarter compared to 12.8 million tons in the fourth quarter of 1997. Increases in both revenues and sales tonnage were attributable to the June 1, 1998, acquisition of the ARCO operations.

"We are disappointed by our recent results and we are working aggressively to improve them," said Steven F. Leer, Arch Coal's president and chief executive officer. "Among the difficulties adversely affecting our performance were continuing delays in the issuance of a new surface-mining permit at Dal-Tex. In addition, our West Elk mine has been forced to operate at significantly reduced levels of production because of insufficient rail service, and that in turn has contributed to higher costs at that operation. Furthermore, bitterly cold weather in December hindered both equipment and rail performance at our Black Thunder and Coal Creek mines in Wyoming as well as at our other western operations."

During the quarter, Arch continued its program of divesting non-strategic assets. Included in the quarter's results was an after-tax gain of \$4.6 million from the sale of an idle coal dock in Wayne County, W. Va. That gain was partially offset by an after-tax charge of \$2.4 million associated with Arch's routine, periodic review of reclamation accruals.

EBITDA remains strong

"Even with the challenges we faced in the fourth quarter, our cash flow remained relatively strong," Leer said. "For the quarter, EBITDA totaled \$85.3 million vs. \$72.4 million in the same quarter a year ago. We see this ability to generate high levels of cash even in difficult earnings periods as a continuing strength of our company."

Total debt increased by \$68.7 million during the quarter due to unusually large cash outflows related to the first of five payments on the Thundercloud federal lease, which was acquired in October; a tax settlement with the IRS related to periods prior to 1995; the purchase of additional reserves at the Mingo Logan complex; and the repurchase of 273,000 shares of Arch Coal common stock.

Results for the full year

For 1998, Arch Coal had net income of \$30.0 million, or \$.76 cents per share. These results included a one-time after-tax charge in the second quarter of \$1.5 million, or \$.03 cents per share, related to the early termination of certain Arch credit facilities and the redemption of \$35.7 million in senior notes. In 1997, Arch Coal had net income of \$30.3 million, or \$1.00 a share, which included a one-time after-tax charge of \$23.8 million related to the merger with Ashland Coal. The 1997 results also included a high-margin contract that expired at December 31, 1997. Arch had EBITDA of \$313.5 million in 1998 vs. \$269.0 million a year ago, which excluded the merger-related charge discussed previously.

Revenues totaled \$1.5 billion in 1998 compared to \$1.1 billion in 1997. Coal sales totaled 81.1 million tons vs. 40.5 million tons in 1997. Again, the increases were attributable to the June 1, 1998, acquisition of the ARCO operations.

Looking ahead

As previously announced, Arch expects continued earnings weakness in 1999. The delayed start of development work on the new permit area at Dal-Tex will lead to a tough 1999 even if the permit is issued immediately. Rail service at West Elk may limit coal shipments again in 1999. Two small operations – the Conant Mine in southern Illinois and Arch of Wyoming in the Hanna Basin – face deteriorating markets for their products. Finally, lower-than-expected escalations in

sales contracts and the re-opening and renegotiation of several large contracts with a large customer will hurt profitability.

"During the past two years, we have focused on seizing growth opportunities in a rapidly consolidating industry," Leer said. "During that time frame, we have grown dramatically, increasing production roughly four-fold. In 1999, we will direct our full attention to aggressively paying down debt, improving productivity, strengthening cash generation, improving earnings from recent levels, and continuing to evaluate and sell non-strategic and under-performing assets. The recent announcement of the amendment of the Intermountain Power coal supply agreements is a strong start to these initiatives."

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.