

# Walter Energy Inc. Announces First Quarter 2013 Results

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**Company Reports 9% Increase in Met Coal Sales Volumes Compared to the Fourth Quarter of 2012**

**Adjusted EBITDA Improves to \$32.0 Million**

**Improved Operating Performance Reflects a 12% Sequential Increase in Met Coal Production Volumes and a 12% Reduction in Met Coal Cash Cost of Sales per Ton**

**Recent Debt Offering Enhances Liquidity and Extends Debt Maturities**

BIRMINGHAM, Ala. -- (BUSINESS WIRE) -- [Walter Energy Inc.](#) (NYSE:WLT) (TSX:WLT), a leading, publicly traded "pure-play" producer of metallurgical (met) coal for the global steel industry, today announced results for the first quarter ended March 31, 2013.

Revenues were \$491 million in the first quarter of 2013, an increase of 3% from the fourth quarter of 2012. Revenues declined from \$632 million in the first quarter of 2012, due to industry-wide lower metallurgical coal prices. The Company reported a net loss of \$49.4 million, or a \$0.79 loss per diluted share in the first quarter, compared to a net loss of \$71.0 million, or a \$1.13 loss per diluted share in the fourth quarter 2012 and compared to net income of \$40.6 million, or \$0.65 per diluted share in the first quarter of 2012.

The first quarter of 2013 loss includes charges of \$4.9 million, net of tax, or \$0.08 per share related to curtailing production at the Willow Creek mine and \$4.4 million, net of tax, or \$0.07 per share primarily related to proxy contest expenses. Excluding these charges and adjustments described in the Company's "Reconciliation of Non-GAAP Financial Measures," the first quarter 2013 adjusted net loss was \$40.1 million, or a \$0.64 loss per diluted share, and Adjusted EBITDA was \$32.0 million.

"In the first quarter, we made continued progress on our key strategic initiatives, most notably on our aggressive cost reduction efforts," said Walt Scheller, Chief Executive Officer. "While we have seen stronger demand in 2013, met coal pricing has improved only marginally, and the recovery in the global economy and metallurgical coal markets remains uncertain. We remain focused on operating safely, further reducing costs, carefully managing capital spending, improving liquidity and reducing our debt levels as we position the Company to benefit when markets recover."

## Metallurgical Sales Volume and Pricing

First quarter of 2013 met coal sales volume, including both hard coking coal (HCC) and low-volatility (low-vol) PCI, was 2.8 million metric tons (MMTs), an increase of 17% and 9%, respectively, compared to first quarter of 2012 and the fourth quarter of 2012. HCC sales volume was 2.4 MMTs in the first quarter of 2013 compared to 1.9 MMTs and 2.0 MMTs in the first quarter of 2012 and fourth quarter of 2012, respectively. Low-vol PCI sales volume was 0.4 MMTs compared to 0.5 MMTs in both the prior year comparable period and the fourth quarter of 2012. In the first quarter of 2013, met coal sales tonnage was approximately 88% of total coal sales volume.

Overall in the first quarter, pricing strengthened. Average realized met coal pricing improved 2% as compared to the fourth quarter 2012. The average first quarter 2013 selling price of HCC (primarily low-vol and mid-vol) was \$154 per metric ton (MT), which was slightly higher than the fourth quarter's average price of \$152 per MT and significantly less than first quarter 2012 average price of \$225 per MT. The average selling price for low-vol PCI was \$139 per MT as compared to \$128 per MT in the prior quarter and \$188 per MT in the prior year comparable quarter.

## Metallurgical Coal Production

Met coal production was 2.8 MMTs in the first quarter of 2013, comprised of 2.3 MMTs of HCC and 0.5 MMTs of low-vol PCI. Met coal production increased 12% from the 2.5 MMTs produced in the fourth quarter

of 2012.

First quarter 2013 met coal production in the Company's U.S. Operations segment increased to 1.7 MMTs compared to 1.5 MMTs in the fourth quarter 2012, despite the impact of two longwall moves during the quarter. Our Canadian and U.K. Operations segment increased met coal production to 1.0 MMTs compared to 0.9 MMTs in the fourth quarter 2012.

### **Metallurgical Coal Cash Cost of Sales**

Consolidated cash cost of sales for HCC was \$120 per MT in the first quarter compared to \$124 per MT in the fourth quarter of 2012. In the U.S. Operations segment, the cash cost of sales for HCC decreased to \$110 per MT in the first quarter, from \$118 per MT in the fourth quarter of 2012.

Cash cost of sales for low-vol PCI at the Company's Brule mine was \$122 per MT in the first quarter of 2013, compared with \$165 and \$159 in the fourth quarter 2012 and first quarter 2012, respectively. The substantial improvement in costs primarily reflects cost reduction initiatives including the conversion of the mine from contractor-operated to owner-operated.

The Willow Creek mine reduced its costs in the first quarter as a result of improved productivity, lower spending and lower LCM charges. Cost of sales per ton declined by 51% compared to the fourth quarter of 2012 and 65% compared to the first quarter of 2012. However, the mine's cost structure remains high, and due to the current weak met coal pricing environment the Company has previously announced that it would curtail production at Willow Creek. The Company expects that the ongoing costs at the mine will not be significant.

### **Thermal Coal Sales and Production**

Sales of thermal coal totaled approximately 0.4 MMT in the first quarter 2013, a decline of approximately 42% from fourth quarter 2012. Thermal coal production was also lower in the first quarter, down 20%, from the fourth quarter, primarily due to difficult mining conditions at the Company's North River mine. These conditions and the related reduced production resulted in an increase to cash cost of sales of approximately \$37 per MT during first quarter 2013 compared to the fourth quarter of 2012. As previously announced, the Company expects to close this mine earlier than previously planned and anticipates this closure to occur before year-end. The Company expects that the performance of the mine will return to more normal levels for the remainder of its life.

### **Other Expenses**

Selling, general and administrative (SG&A) expenses totaled \$30.7 million in the first quarter 2013. Despite the inclusion of \$6.8 million in pre-tax expenses primarily related to the proxy contest, SG&A for the quarter was only slightly higher than fourth quarter 2012 SG&A of \$28.9 million and was down 15% from the first quarter of 2012.

Interest expense for the first quarter 2013 totaled \$52.6 million compared to \$49.6 million in the fourth quarter of 2012. Both periods included accelerated amortization of debt expense totaling approximately \$6.0 million related to the prepayment of term debt using the proceeds from the fourth quarter of 2012 and first quarter of 2013 debt offerings. Cash interest totaled \$40 million in the first quarter, compared to \$36 million in the fourth quarter of 2012.

Restructuring charges in the first quarter totaled \$7.4 million and relate to the previously announced curtailment of operations at Willow Creek in the Canadian and U.K. Operations segment.

### **Capital Expenditures**

Walter Energy continues to focus on managing capital spending carefully. The Company's capital expenditures were \$34 million for the first quarter of 2013, a decrease of 43% and 72% from fourth quarter of 2012 and first quarter of 2012, respectively. For the full year 2013, the Company has lowered its capital spending estimate to approximately \$170 million from the original estimate of \$220 million.

### **Liquidity**

At the end of the first quarter of 2013, available liquidity was \$560 million, consisting of cash and cash

equivalents of \$236 million plus \$324 million of availability under the Company's revolving credit facility.

### **Safety and Stewardship Highlights**

Walter Energy's emphasis on safety continues to show results as the majority of locations are achieving lower total reportable injury rates. The Company's reportable injury rate in the Canadian and U.K. Operations segment has decreased 80% compared to the first quarter of 2012. Company-wide, the total of all injuries (Reportable and Non-reportable) was down 27.3% in the first quarter of 2013 versus the same period in 2012, with Reportable injuries down 34.8% for the quarter. The Total Reportable Incident Rate was down 10% in the first quarter of 2013 compared with the first quarter of 2012.

### **Outlook**

While the Company does not provide earnings guidance, it does provide directional commentary and observations on key areas of the business.

Sales price per ton for met coal is expected to be slightly higher in the second quarter compared with the first quarter, with met coal sales volumes expected to be in line with the first quarter.

The Company expects to lower its per ton met coal cost of production and cost of sales in the second quarter of 2013 by more than 5%.

Overall earnings, adjusted EBITDA and cash flows are expected to significantly improve in the second quarter compared to the first quarter.

### **Use of Non-GAAP Measures**

This release contains the use of certain U.S. non-GAAP (Generally Accepted Accounting Principles) measures. These non-GAAP measures are provided as supplemental information for financial measures prepared in accordance with GAAP. Management believes that these non-GAAP measures provide additional insights into the performance of the Company, and they reflect how management analyzes Company performance and compares that performance against other companies. These non GAAP measures may not be comparable to other similarly titled measures used by other entities. A reconciliation of non-GAAP to GAAP measures is provided in the financial section of this release.

### **Conference Call Webcast**

The Company will hold a webcast to discuss first quarter 2013 results on Thursday, May 2, 2013, at 9:00 a.m. ET. To listen to the live event, visit [www.walterenergy.com](http://www.walterenergy.com).

### **About Walter Energy**

[Walter Energy](http://www.walterenergy.com) is a leading, publicly traded "pure-play" metallurgical coal producer for the global steel industry with strategic access to high-growth steel markets in Asia, South America and Europe. The Company also produces thermal coal, anthracite, metallurgical coke and coal bed methane gas. Walter Energy employs approximately 4,000 employees, with operations in the United States, Canada and United Kingdom. For more information about Walter Energy, please visit [www.walterenergy.com](http://www.walterenergy.com).

### **Safe Harbor Statement**

*Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and may involve a number of risks and uncertainties. Forward-looking statements are based on information available to management at the time, and they involve judgments and estimates. Forward-looking statements include expressions such as "believe," "anticipate," "expect," "estimate," "intend," "may," "plan," "predict," "will," and similar terms and expressions. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to various risks, uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements. The following factors are among those that may cause*

*actual results to differ materially from our forward-looking statements: unfavorable economic, financial and business conditions; the global economic crisis; market conditions beyond our control; prolonged decline in the price of coal; decline in global coal or steel demand; prolonged or dramatic shortages or difficulties in coal production; our customer's refusal to honor or renew contracts; our ability to collect payments from our customers; inherent risks in coal mining such as weather patterns and conditions affecting production, geological conditions, equipment failure and other operational risks associated with mining; title defects preventing us from (or resulting in additional costs for) mining our mineral interests; concentration of our mining operations in limited number of areas; a significant reduction of, or loss of purchases by, our largest customers; unavailability of cost-effective transportation for our coal; availability, performance and costs of railroad, barge, truck and other transportation; disruptions or delays at the port facilities we use; risks associated with our reclamation and mine closure obligations, including failure to obtain or renew surety bonds; significant increase in competitive pressures and foreign currency fluctuations; significant cost increases and delays in the delivery of raw materials, mining equipment and purchased components; availability of adequate skilled employees and other labor relations matters; inaccuracies in our estimates of our coal reserves; estimates concerning economically recoverable coal reserves; greater than anticipated costs incurred for compliance with environmental liabilities or limitations on our abilities to produce or sell coal; our ability to attract and retain key personnel; future regulations that increase our costs or limit our ability to produce coal; new laws and regulations to reduce greenhouse gas emissions that impact the demand for our coal reserves; adverse rulings in current or future litigation; inability to access needed capital; events beyond our control may result in an event of default under one or more of our debt instruments; availability of licenses, permits, and other authorizations may be subject to challenges; risks associated with our reclamation and mine closure obligations; failure to meet project development and expansion targets; risks associated with operating in foreign jurisdictions; risks related to our indebtedness and our ability to generate cash for our financial obligations; downgrade in our credit rating; our ability to identify suitable acquisition candidates to promote growth; our ability to successfully integrate acquisitions; our exposure to indemnification obligations; volatility in the price of our common stock; our ability to pay regular dividends to stockholders; costs related to our postretirement benefit obligations and workers' compensation obligations; our exposure to litigation; and other risks and uncertainties including those described in our filings with the SEC. Forward-looking statements made by us in this release, or elsewhere, speak only as of the date on which the statements were made. You are advised to read the risk factors in our most recently filed Annual Report on Form 10-K and subsequent filings with the SEC, which are available on our website at [www.walterenergy.com](http://www.walterenergy.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov). New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us or our anticipated results. We have no duty to, and do not intend to, update or revise the forward-looking statements in this release, except as may be required by law. In light of these risks and uncertainties, readers should keep in mind that any forward-looking statement made in this press release may not occur. All data presented herein is as of the date of this release unless otherwise noted.*

WALTER ENERGY, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 AND COMPREHENSIVE INCOME  
 (\$ in thousands, except per share and share amounts)  
 Unaudited

For the three months  
 ended March 31,  
 2013 2012

Revenues:

Sales \$ 489,609 \$ 627,298  
 Miscellaneous income 1,734 4,265  
 491,343 631,563

Costs and expenses:

Cost of sales (exclusive of depreciation and depletion) 420,934 431,534  
 Depreciation and depletion 81,190 66,493  
 Selling, general and administrative 30,674 36,247  
 Postretirement benefits 14,725 13,213  
 Restructuring charges (1) 7,440 -  
 554,963 547,487

Operating income (loss) (63,620 ) 84,076  
 Interest expense (2) (52,618 ) (28,067 )  
 Interest income 650 277  
 Other income (loss) (3) 105 (6,993)  
 Income (loss) before income tax expense (115,483) 49,293

Income tax expense (benefit) (66,039) 8,677  
Net income (loss) (49,444) 40,616

Net income (loss) per share:  
Basic \$ (0.79) \$ 0.65  
Diluted \$ (0.79) \$ 0.65

Weighted average number of shares outstanding (4) 62,598,990 62,462,692  
Weighted average number of diluted shares outstanding (4) 62,598,990 62,739,018

Comprehensive income (loss) \$ (59,644) \$ 45,281

(1) Includes restructuring charges associated with the curtailment of operations at our Willow Creek mine in the Canadian and U.K. Operations segment.

(2) The three months ended March 31, 2013 includes accelerated debt amortization costs of \$6.0 million associated with the \$250 million prepayment of principal on term loans A and B made upon the issuance of the \$450 million 8.5% senior notes in the current quarter. The current quarter interest expense also reflects an increase in interest rates on our outstanding debt obligations due to the Second and Third Amendments to the 2011 Credit Agreement as well as the increase in interest associated with the issuance of \$500 million 9.875% senior notes issued in the fourth quarter of 2012.

(3) The three months ended March 31, 2012 includes losses on the sale and remeasurement to fair value of equity investments.

(4) In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as that used to calculate basic earnings per share.

WALTER ENERGY, INC. AND SUBSIDIARIES  
RESULTS BY OPERATING SEGMENT  
(\$ in thousands)  
Unaudited

For the three months  
ended March 31,  
2013 2012

REVENUES:  
U.S. Operations \$ 339,225 \$ 452,150  
Canadian and U.K. Operations 151,444 178,351  
Other 674 1,062  
Revenues \$ 491,343 \$ 631,563

OPERATING INCOME (LOSS):  
U.S. Operations \$ (6,957 ) \$ 106,981  
Canadian and U.K. Operations (48,766 ) (13,555 )  
Other (7,897 ) (9,350 )  
Operating income (loss) \$ (63,620 ) \$ 84,076

DEPRECIATION AND DEPLETION:  
U.S. Operations \$ 47,473 \$ 42,142  
Canadian and U.K. Operations 33,232 24,136  
Other 485 215  
Depreciation and depletion \$ 81,190 \$ 66,493

CAPITAL EXPENDITURES:  
U.S. Operations \$ 27,401 \$ 36,112  
Canadian and U.K. Operations 6,314 84,180  
Other 312 553  
Capital expenditures \$ 34,027 \$ 120,845

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL FINANCIAL DATA

(Ton information in 000's metric tons and dollars in USD)  
Unaudited

3 Months Ended March 31, 2013 3 Months Ended March 31, 2012 3 Months Ended December 31, 2012

U.S.

Operations

Canadian and

U.K. Operations  
Total

U.S.

Operations

Canadian and U.K.

Operations (3)  
Total

U.S.

Operations

Canadian and

U.K. Operations  
Total

Total Metallurgical

Sales Metric Tons 1,706 1,071 2,777 1,535 832 2,367 1,506 1,040 2,546  
 Production Metric Tons 1,738 1,019 2,757 1,969 1,025 2,994 1,542 924 2,466  
 Average Net Selling Price \$ 157.28 \$ 143.96 \$ 152.14 \$ 221.22 \$ 211.92 \$ 217.95 \$ 153.64 \$ 141.07 \$ 148.51  
 Average Cash Cost of Sales per Ton (1)(2) \$ 109.76 \$ 134.91 \$ 119.46 \$ 110.33 \$ 183.49 \$ 136.04 \$ 118.05 \$ 160.50 \$ 135.39  
 Average Cash Cost of Production per Ton (1) \$ 78.11 \$ 109.67 \$ 89.78 \$ 71.68 \$ 124.59 \$ 89.79 \$ 86.62 \$ 107.84 \$ 94.57

Low Vol Hard Coking

Sales Metric Tons 1,166 - 1,166 1,011 - 1,011 828 - 828  
 Production Metric Tons 1,074 - 1,074 1,157 - 1,157 998 - 998  
 Average Net Selling Price \$ 162.97 \$ - \$ 162.97 \$ 235.14 \$ - \$ 235.14 \$ 162.39 \$ - \$ 162.39  
 Average Cash Cost of Sales per Ton (1)(2) \$ 104.26 \$ - \$ 104.26 \$ 106.13 \$ - \$ 106.13 \$ 98.86 \$ - \$ 98.86  
 Average Cash Cost of Production per Ton (1) \$ 64.69 \$ - \$ 64.69 \$ 60.85 \$ - \$ 60.85 \$ 70.21 \$ - \$ 70.21

Low Vol Hard Coking - Willow Creek

Sales Metric Tons - 105 105 - - - - 4 4  
 Production Metric Tons - 99 99 - 9 9 - 50 50  
 Average Net Selling Price \$ - \$ 135.63 \$ 135.63 \$ - \$ - \$ - \$ 210.40 \$ 210.40  
 Average Cash Cost of Sales per Ton (1)(2) \$ - \$ 199.39 \$ 199.39 \$ - \$ - \$ - \$ - not meaningful not

meaningful

Average Cash Cost of Production per Ton (1) \$ - \$ 155.66 \$ 155.66 \$ - \$ 280.91 \$ 280.91 \$ - \$ 146.93 \$ 146.93

Mid Vol Hard Coking

Sales Metric Tons 390 547 937 286 322 608 467 528 995

Production Metric Tons 418 433 851 565 405 970 358 398 756

Average Net Selling Price \$ 153.28 \$ 149.19 \$ 150.89 \$ 223.12 \$ 250.02 \$ 237.27 \$ 143.43 \$ 153.28 \$ 148.65

Average Cash Cost of Sales per Ton (1)(2) \$ 135.53 \$ 131.10 \$ 132.94 \$ 137.92 \$ 145.09 \$ 141.69 \$ 143.22 \$ 120.10 \$ 130.97

Average Cash Cost of Production per Ton (1) \$ 106.86 \$ 99.84 \$ 103.29 \$ 79.61 \$ 104.98 \$ 90.20 \$ 122.47 \$ 82.99 \$ 101.70

High Vol Hard Coking

Sales Metric Tons 150 - 150 238 - 238 211 - 211

Production Metric Tons 246 - 246 247 - 247 186 - 186

Average Net Selling Price \$ 121.31 \$ - \$ 121.31 \$ 149.52 \$ - \$ 149.52 \$ 130.67 \$ - \$ 130.67

Average Cash Cost of Sales per Ton (1)(2) \$ 109.50 \$ - \$ 109.50 \$ 121.45 \$ - \$ 121.45 \$ 139.10 \$ - \$ 139.10

Average Cash Cost of Production per Ton (1) \$ 87.80 \$ - \$ 87.80 \$ 104.30 \$ - \$ 104.30 \$ 105.48 \$ - \$ 105.48

Low Vol PCI

Sales Metric Tons - 271 271 - 425 425 - 388 388

Production Metric Tons - 332 332 - 495 495 - 284 284

Average Net Selling Price \$ - \$ 133.82 \$ 133.82 \$ - \$ 185.86 \$ 185.86 \$ - \$ 127.69 \$ 127.69

Average Cash Cost of Sales per Ton (1)(2) \$ - \$ 122.34 \$ 122.34 \$ - \$ 159.16 \$ 159.16 \$ - \$ 165.36 \$ 165.36

Average Cash Cost of Production per Ton (1) \$ - \$ 101.68 \$ 101.68 \$ - \$ 94.56 \$ 94.56 \$ - \$ 111.28 \$ 111.28

Low Vol PCI - Willow Creek

Sales Metric Tons - 148 148 - 85 85 - 120 120

Production Metric Tons - 155 155 - 116 116 - 192 192

Average Net Selling Price \$ - \$ 149.10 \$ 149.10 \$ - \$ 198.09 \$ 198.09 \$ - \$ 128.30 \$ 128.30

Average Cash Cost of Sales per Ton (1)(2) \$ - \$ 126.00 \$ 126.00 \$ - \$ 448.87 \$ 448.87 \$ - \$ 232.95 \$ 232.95

Average Cash Cost of Production per Ton (1) \$ - \$ 124.95 \$ 124.95 \$ - \$ 308.66 \$ 308.66 \$ - \$ 144.11 \$ 144.11

Thermal

Sales Metric Tons 383 4 387 782 25 807 655 9 664

Production Metric Tons 434 12 446 816 30 846 552 7 559

Average Net Selling Price \$ 64.23 \$ 32.98 \$ 63.92 \$ 71.27 \$ 120.96 \$ 72.78 \$ 64.33 \$ 124.44 \$ 65.14

Average Cash Cost of Sales per Ton (1)(2) \$ 90.34 \$ 341.79 \$ 92.87 \$ 78.87 \$ 111.86 \$ 79.87 \$ 55.83 \$ 70.31 \$ 56.03

Average Cash Cost of Production per Ton (1) \$ 76.16 \$ 102.96 \$ 76.89 \$ 60.74 \$ - \$ 58.59 \$ 64.99 \$ - \$ 64.17

(1) Average Cash Cost of Sales per Ton is based on reported Cost of Sales and includes items such as freight, royalties, manpower, fuel and other similar production and sales cost items but excludes depreciation, depletion and post retirement benefits. Average Cash Cost of Production per Ton is based on period costs of mining and includes items such as manpower, fuel and other similar production items but excludes depreciation, depletion and post retirement benefits. Average Cash Cost per Ton are non-GAAP financial measures which are not calculated in conformity with U.S. Generally Accepted Accounting

Principles (GAAP) and should be considered supplemental to, and not as a substitute or superior to financial measures calculated in conformity with GAAP. We believe Average Cash Cost per Ton are useful measures of performance and we believe it aids some investors and analysts in comparing us against other companies to help analyze our current and future potential performance. Average Cash Cost of Sales per Ton may not be comparable to similarly titled measures used by other companies.

(2) Reconciliation of Cash Costs of Sales per Ton to Cost of Sales as disclosed (in thousands USD):

Quarter

Ended March

31, 2013

Quarter Ended March

31, 2012

Quarter

Ended Dec.

31, 2012

Cash Costs of Sales as calculated from above  
 (sales tons times average cash cost per ton)  
 \$ 367,681 \$ 386,462 \$ 381,907  
 Cash Costs of other products 53,253 45,072 48,701  
 Total Cost of Sales \$ 420,934 \$ 431,534 \$ 430,608

(3) During the third quarter of 2012, in our Canadian and U.K. operations certain metrics around tons included in production were realigned to align with how we account for production in the U.S. operations. Historically, the Canadian and U.K. operations were not recording tons produced until they were deemed finished goods. We revised this methodology to include all tons mined, no matter if in process or finished, as produced based on a clean coal tonnage equivalent. Our Form 8-K filed on November 5, 2012, includes a reconciliation of production statistics previously presented as compared with the realigned methodology from the Western Coal acquisition date of April 1, 2011 through June 30, 2012.

WALTER ENERGY, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (\$ in thousands)  
 Unaudited

March 31, December 31,  
 2013 2012

ASSETS

Cash and cash equivalents \$ 235,791 \$ 116,601  
 Receivables, net 315,296 256,967  
 Inventories 302,293 306,018  
 Deferred income taxes 55,629 58,526  
 Prepaid expenses 47,441 53,776  
 Other current assets 23,285 23,928  
 Total current assets 979,735 815,816  
 Mineral interests, net 2,927,591 2,965,557  
 Property, plant and equipment, net 1,691,637 1,732,131  
 Deferred income taxes 185,387 160,422  
 Other long-term assets 99,092 94,494  
 TOTAL ASSETS \$ 5,883,442 \$ 5,768,420

LIABILITIES AND STOCKHOLDERS' EQUITY

Current debt \$ 17,398 \$ 18,793

Accounts payable 133,040 114,913  
Accrued expenses 192,913 184,875  
Accumulated postretirement benefits obligation 29,637 29,200  
Other current liabilities 207,328 206,473  
Total current liabilities 580,316 554,254  
Long-term debt 2,593,584 2,397,372  
Deferred income taxes 883,659 921,687  
Accumulated postretirement benefits obligation 636,129 633,264  
Other long-term liabilities 244,084 251,272  
TOTAL LIABILITIES 4,937,772 4,757,849  
STOCKHOLDERS' EQUITY 945,670 1,010,571  
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 5,883,442 \$ 5,768,420

WALTER ENERGY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES

IN STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(\$ in thousands, except per share amounts)

Unaudited

Accumulated  
Capital in Other  
Common Excess of Accumulated Comprehensive  
Total Stock Par Value Deficit Loss

Balance at December 31, 2012 \$ 1,010,571 \$ 625 \$ 1,628,244 \$ (347,448 ) \$ (270,850 )

Net loss (49,444 ) (49,444 )  
Other comprehensive loss, net of tax (10,200 ) (10,200 )  
Stock issued upon the exercise of stock options 279 1 278  
Dividends paid, \$0.125 per share (7,816 ) (15,630 ) 7,814  
Stock-based compensation 2,887 2,887

Excess tax deficit from stock-based compensation arrangements  
(372 ) (372 )

Other (235 ) - - (235 )

Balance at March 31, 2013 \$ 945,670 \$ 626 \$ 1,615,407 \$ (389,313 ) \$ (281,050 )

WALTER ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)

Unaudited

For the three months ended March 31,  
2013 2012

OPERATING ACTIVITIES

Net income (loss) \$ (49,444 ) \$ 40,616

Adjustments to reconcile net income (loss) to net cash flows  
provided by (used in) operating activities:

Depreciation and depletion 81,190 66,493  
Deferred income tax benefit (61,941 ) (10,894 )  
Amortization of debt issuance costs 9,982 3,644  
Other 14,922 8,756

Decrease (increase) in current assets:

Receivables (58,494 ) 16,889  
Inventories 5,428 (63,192 )  
Prepaid expenses and other current assets 6,502 5,462

Increase (decrease) in current liabilities:

Accounts payable 22,534 37,604  
Accrued expenses and other current liabilities 9,923 (34,524 )  
Cash flows provided by (used in) operating activities (19,398 ) 70,854

INVESTING ACTIVITIES

Additions to property, plant and equipment (34,027 ) (120,845 )  
Proceeds from sales of investments - 12,228  
Other 1,021 (85 )  
Cash flows used in investing activities (33,006 ) (108,702 )

FINANCING ACTIVITIES

Proceeds from issuance of debt 450,000 -  
Borrowings under revolving credit agreement 320,778 135,294  
Repayments on revolving credit agreement (320,778 ) (70,156 )  
Retirements of debt (254,687 ) (9,177 )  
Dividends paid (7,816 ) (7,806 )  
Debt issuance costs (15,163 ) -  
Other (328 ) (624 )  
Cash flows provided by financing activities 172,006 47,531

EFFECT OF FOREIGN EXCHANGE RATES ON CASH (412 ) 87

Net increase in cash and cash equivalents \$ 119,190 \$ 9,770

Cash and cash equivalents at beginning of period \$ 116,601 \$ 128,430

Net increase in cash and cash equivalents 119,190 9,770

Cash and cash equivalents at end of period \$ 235,791 \$ 138,200

WALTER ENERGY, INC. AND SUBSIDIARIES

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Unaudited

RECONCILIATION OF EBITDA AND ADJUSTED EBITDA TO AMOUNTS REPORTED UNDER US GAAP:

For the three months ended

March 31,

(\$ in thousands) 2013 2012

Net income (loss) \$ (49,444 ) \$ 40,616  
Add: interest expense 52,618 28,067  
Less: interest income (650 ) (277 )  
Add: income tax expense (benefit) (66,039 ) 8,677  
Add: depreciation and depletion expense 81,190 66,493  
Earnings before interest, income taxes, and depreciation  
and depletion (EBITDA) (1) 17,675 143,576  
Add: restructuring charges 7,440 -  
Add: proxy contest expenses and other 6,838 -  
Adjusted EBITDA (2) \$ 31,953 \$ 143,576

RECONCILIATION OF ADJUSTED NET INCOME (LOSS) TO AMOUNTS REPORTED UNDER US GAAP:

For the three months ended

March 31,

(\$ in thousands) 2013 2012

Net income (loss) \$ (49,444 ) \$ 40,616  
Add: restructuring charges, net of tax (\$2.6 million) 4,851 -  
Add: proxy contest expenses and other, net of tax  
(\$2.4 million) 4,449 -

Adjusted net income (loss) (3) \$ (40,144) \$ 40,616

*(1) EBITDA is defined as net income (loss) before interest expense, interest income, income taxes, and depreciation and depletion expense. EBITDA is a financial measure which is not calculated in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and should be considered supplemental to, and not as a substitute or superior to financial measures calculated in conformity with GAAP. We believe that EBITDA is a useful measure as some investors and analysts use EBITDA to compare us against other companies and to help analyze our ability to satisfy principal and interest obligations and capital expenditure needs. EBITDA may not be comparable to similarly titled measures used by other companies.*

*(2) Adjusted EBITDA is defined as EBITDA further adjusted to exclude restructuring charges, proxy contest expenses and other miscellaneous items. Adjusted EBITDA is not a measure of financial performance in accordance with GAAP, and we believe items excluded from Adjusted EBITDA are significant to a reader in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation, nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. We believe that Adjusted EBITDA presents a useful measure of our ability to incur and service debt based on ongoing operations. Furthermore, analogous measures are used by industry analysts to evaluate our operating performance. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.*

*(3) Adjusted net income (loss) is defined as net income (loss) excluding restructuring charges, proxy contest expenses and other miscellaneous items, net of tax. Adjusted net income (loss) is not a measure of financial performance in accordance with generally accepted accounting principles, and we believe items excluded from Adjusted net income (loss) are significant to a reader in understanding and assessing our results of operations. Therefore, Adjusted net income (loss) should not be considered in isolation, nor as an alternative to net income (loss) under generally accepted accounting principles.*

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