Arch Coal, Inc. Reports Second Quarter 2018 Results

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Delivers $86 million to shareholders through share repurchases and dividends
Boosts share repurchase authorization by $250 million
Reiterates 2018 sales volume and cost guidance for all operating segments

ST. LOUIS, July 31, 2018 /PRNewswire/ -- Arch Coal Inc. (NYSE: ARCH) today reported net income of $43.3 million, o in the second quarter of 2018, compared with net income of $37.2 million, or $1.48 per diluted share, in the prior-year p earned adjusted earnings before interest, taxes, depreciation, depletion, amortization and non-operating expenses ("ad $85.4 million in the second quarter of 2018, which includes a $15.1 million non-cash mark-to-market loss associated wi hedging activities. This compares to $95.6 million of adjusted EBITDA recorded in the second quarter of 2017. Revenu for the three months ended June 30, 2018, representing an 8 percent increase from the prior-year quarter.

"Arch capitalized on a strong operating performance, robust coking coal markets and an improving logistics system to a substantial levels of free cash flow during the quarter just ended," said John W. Eaves, Arch's chief executive officer. "V flow to buy back $78 million of stock, or nearly one million shares, as we continued to execute on a capital return progra creating excellent value for our shareholders, and the board showed its strong support for this strategy by expanding th significantly. We plan to build upon our strong record of returning excess cash to shareholders as we progress through

Capital Allocation Progress

Recently, Arch's board of directors approved an incremental $250 million increase to the share repurchase authorizatio authorization of $750 million since the program's inception.

"The expanded stock repurchase authorization reflects the board's continued confidence in Arch's outlook and financial with our strategy of effectively deploying our cash to create long-term value for our shareholders," said John T. Drexler, officer. "We continue to view our stock as a highly attractive investment option and we expect to continue to execute on capital return program, which underscores the strength of our balance sheet and the confidence in our free cash flow p

During the second quarter, Arch made excellent progress on its capital return program, buying back approximately 960 stock, representing 3.8 percent of shares outstanding, at a total cost of nearly $78 million.

Arch's share repurchase program was originally announced on May 2, 2017 and, since that date, the company has inve million to repurchase 5.3 million shares. This represents a more than 21 percent reduction in Arch's share count. At qua the $250 million increase in authorization, the company has up to $331 million remaining for share repurchases under t

In addition to the stock repurchases, the company paid $8.3 million in cash dividends to shareholders during the secon next quarterly cash dividend payment of $0.40 per common share was approved by the board of directors, and is sched September 14, 2018 to stockholders of record at the close of business on August 31, 2018.

Significantly, over the last five quarters, Arch has returned approximately $460 million of capital to shareholders, consis million of share repurchases and nearly $41 million in dividends.

Future dividend declarations and share repurchases will be subject to ongoing board review and authorization and will b factors, including business and market conditions, Arch's future financial performance and other capital priorities.

Financial Update

At quarter-end, Arch's cash and short-term investments totaled nearly $403 million. Arch's debt totaled $324 million, inc equipment financing and other debt, resulting in a $78 million net cash position.

"We believe that our current cash balance represents ample and appropriate liquidity that will meet our needs througho
Drexler. "Given our low leverage, modest capital needs and strong business outlook, we remain in an exceptionally stro
are sharply focused on maintaining that position even as we continue to pursue our aggressive capital return program."

Operational Results

"Arch delivered solid operating results during the second quarter of 2018, reducing costs in our key operating areas, ex
expectations in both the Metallurgical and Powder River Basin segments, and addressing and overcoming the operatin
quarter," said Paul A. Lang, Arch's chief operating officer. "Looking ahead, we will continue to execute upon our global
intense focus on those markets that provide the greatest return."

	Metallurgical		
	2Q18	1Q18	2Q17
Tons sold (in millions)	2.0	1.8	2.1
Coking	1.7	1.5	1.5
PCI	-	-	0.3
Thermal	0.3	0.3	0.3
Coal sales per ton sold	$104.38	$115.97	$90.59
Coking	$119.23	$131.90	$103.44
PCI	-	-	$72.26
Thermal	$31.65	$31.37	$42.02
Cash cost per ton sold	$61.33	$68.33	$60.95
Cash margin per ton	$43.05	$47.64	$29.64

Coal sales per ton sold and cash cost per ton sold are defined and reconciled under "Reconciliation of non-GAAP measures."

Mining complexes included in this segment are Beckley, Leer, Lone Mountain, Mountain Laurel and Sentinel

Lone Mountain is included through September 14, 2017, the date of divestiture.

First half 2018 coking coal shipments include 0.6 million tons to North American customers and approximately 2.6 million tons to seaborne customers.

In the Metallurgical segment, coking coal sales volumes increased 13 percent when compared with the first quarter of 2
improved rail performance, favorable timing on export loadings at the end of the quarter, and solid execution on the two
moves at Leer and Mountain Laurel. Average coking coal realizations declined 10 percent over the same time period du
index-linked and negotiated tons that priced during the period – a reduction that is in-line with the quarterly decli
Coast assessments for High-Vol A and Low-Vol products. Segment cash cost per ton for the second quarter declined 1
prior-quarter period, driven by increased sales volumes, improved cost performance at Mountain Laurel and strong cos
operations in the segment. As a result, Arch recorded an impressive second quarter metallurgical cash margin per ton o

As previously indicated, Arch is targeting full year cash cost per ton sold for its metallurgical segment of $60.00 to $65.0
coking coal cost structure is well below the U.S metallurgical industry average and is competitively positioned to partici
international coking coal markets at all points of the market cycle.

As expected, Mountain Laurel transitioned to a new panel during the quarter, with the longwall starting up in early June

has seen much-improved longwall performance when compared to the previous panel, and geologic and operating con
consistent with company expectations.

	Powder River Basin		
	2Q18	1Q18	2Q17
Tons sold (in millions)	18.8	19.7	18.1
Coal sales per ton sold	$12.06	$12.15	$12.55
Cash cost per ton sold	$10.66	$10.77	$10.82
Cash margin per ton	$1.40	$1.38	$1.73

Coal sales per ton sold and cash cost per ton sold are defined and reconciled under "Reconciliation of non-GAAP measures."

Mining complexes included in this segment are Black Thunder and Coal Creek.
In the Powder River Basin, second quarter 2018 cash margin per ton increased marginally when compared to the prior-
stronger than anticipated sales volumes and effective cost control. Sales volumes during the second quarter were bette
Black Thunder's ability to increase loadings during periods of heavy rain that appear to have constrained shipments at s
Additionally, the early arrival of summer temperatures boosted demand and worked to somewhat offset the normal sho
lull. Average sales price per ton declined less than one percent, or $0.09 per ton, over the same time period, due to a la
lower-priced tons in the company's regional volume mix. Second quarter 2018 cash cost per ton sold decreased slightly
driven by strong cost containment efforts that helped offset higher diesel prices and the impact of lower volume levels w
first quarter. For the full year, Arch anticipates segment cash cost per ton sold of between $10.50 per ton and $10.90 pe

	Other Thermal		
	2Q18	1Q18	2Q17
Tons sold (in millions)	2.0	2.2	2.3
Coal sales per ton sold	$36.77	$35.59	$33.41
Cash cost per ton sold	$31.19	$28.53	$22.06
Cash margin per ton	$5.58	$7.06	$11.35

Coal sales per ton sold and cash cost per ton sold are defined and reconciled under "Reconciliation of non-GAAP measures."

Mining complexes included in this segment are Coal-Mac, Viper and West Elk.
In the Other Thermal segment, second quarter 2018 sales volumes declined 9 percent from the first quarter of 2018 du
sub-standard rail performance, which delayed loadings from Arch's West Elk and Coal-Mac mines in June. As a result o
vessels from West Elk and one export vessel from Coal-Mac that were expected to ship in the second quarter are now
third quarter of 2018. While global sales exposure can sometimes result in variability in quarterly volumes, the persister
thermal pricing coupled with strong demand for Arch's high-quality thermal products will enable the company to export r
from the segment in 2018 – a trend that is expected to continue into 2019.

Coal sales per ton sold during the quarter increased 3 percent, benefitting from continued strength in international therr
customer shipment mix during the period. This was offset somewhat by higher cash cost per ton sold. The 9 percent se
cost per ton sold was driven largely by lower volume levels from the low-cost West Elk mine and increased shipments f
cost Coal-Mac operation. Despite the increase in quarterly segment cash costs, Arch still anticipates its 2018 cash cost
between $27.00 and $31.00 per ton.

In recent quarters, Arch has taken advantage of improving international thermal markets and layered in pricing at attrac of its expected future international thermal sales. Until the physical sales are finalized, these positions are required to b

Key Market Developments

Coking Coal Markets

- Coking coal markets appear to be in healthy balance, underpinned by a strong global economy and robust steel r
- Global steel production is up 5 percent year-to-date despite recent trade tensions, with global steel prices strong regions – particularly the United States.
- Seaborne coking coal demand remains buoyant as well, with lower Chinese purchases being offset by increased continued rapid growth in its steel sector, India could soon rival China as a major buyer of seaborne coking coal.
- On the supply side, investment in new global coking coal production remains muted, while a number of existing o struggle with a range of geologic and logistics-related issues that have dampened a supply response.
- Coking coal prices are benefiting from this strong macro backdrop. The Platts East Coast assessments, while do 2018, are still at very attractive levels that deliver a substantial margin for Arch's low-cost coking coal franchise.

Thermal Coal Markets

- In the international arena, Newcastle prices are approximately $112 per metric ton for prompt delivery, and API-2 are $94 per metric ton.
- These are highly attractive levels for Arch's West Elk and Coal-Mac operations, respectively, and should spur a s in U.S. thermal exports this year.
- Domestically, the early summer heat has been advantageous, and has accelerated the liquidation of stockpiles a
- At present, generator stockpiles are estimated at just over 60 days of supply – the lowest level in nearly fo
- Given the recent liquidation and assuming stable natural gas prices, we would expect to see a modest increase i stockpiles approach target levels over the course of the next few quarters.

2018 Outlook

For full year 2018, Arch still expects to sell between 6.3 million and 6.7 million tons of coking coal and between 80 millio thermal coal. At the midpoint of its volume guidance level, and inclusive of new commitments made during the second approximately 91-percent committed on coking coal sales, with 25 percent of that committed volume exposed to index- midpoint of guidance, Arch's thermal sales are 97-percent committed for the full year 2018.

"We believe that strong demand in coking coal and international thermal markets and ongoing supply constraints aroun to provide a stable foundation for coal pricing as we progress through the year," said Eaves. "Arch is strategically positi dynamic markets and to leverage our premier asset base and industry-leading balance sheet to create substantial valu over the long term."

	2018[2]		2019	
	Tons	$ per ton	Tons	$ per ton
Sales Volume (in millions of tons)				
Coking	6.3 - 6.7			
Thermal	80.0 - 84.0			
Total	86.3 - 90.7			
Metallurgical (in millions of tons)				
Committed, Priced Coking North American*	1.2	$97.54	-	
Committed, Priced Coking Seaborne	3.1	$128.12	-	
Committed, Unpriced Coking				

1.5

1.6

Total Committed Coking	5.8			1.6	
Committed, Priced Thermal Byproduct	1.0		$32.47		
Committed, Unpriced Thermal Byproduct	-				
Total Committed Thermal Byproduct	1.0				
Average Metallurgical Cash Cost		$60.00	- $65.00		
Powder River Basin (in millions of tons)					
Committed, Priced	69.2		$12.03	34.2	$12.40
Committed, Unpriced	1.1			2.2	
Total Committed	70.3			36.4	
Average Cash Cost		$10.50	- $10.90		
Other Thermal (in millions of tons)					
Committed, Priced	8.6		$37.10	2.5	$41.15
Committed, Unpriced	0.1			-	
Total Committed	8.7			2.5	
Average Cash Cost		$27.00	- $31.00		
Corporate (in $ millions)					
D,D&A excluding Sales Contract Amortization		$113	- $118		
Sales Contract Amortization		$11	- $12		
ARO Accretion		$27	- $29		
S,G&A		$91	- $94		
Interest Expense		$16	- $18		
Capital Expenditures		$80	- $90		
Tax Provision (%)		Approximately 0%			

Includes approximately 200,000 tons of carryover from 2017.

A conference call regarding Arch Coal's second quarter 2018 financial results will be webcast live today at 10 a.m. Eas
call can be accessed via the "investor" section of the Arch Coal website (http://investor.archcoal.com).

Forward-Looking Statements: This press release contains "forward-looking statements" – that is, statements rela
events. In this context, forward-looking statements often address our expected future business and financial performan
words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by t
matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for o
electric generation and steel industries; from legislation and regulations relating to the Clean Air Act and other environn
operational, geological, permit, labor and weather-related factors, from the Tax Cuts and Jobs Act and other tax reform
foreign and domestic trade policies, actions or disputes; from fluctuations in the amount of cash we generate from oper
impact, among other things, our ability to pay dividends or repurchase shares in accordance with our announced capita
future integration of acquired businesses; and from numerous other matters of national, regional and global scale, inclu
economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be ma
those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, wh

information, future events or otherwise, except as may be required by law. For a description of some of the risks and ur our future results, you should see the risk factors described from time to time in the reports we file with the Securities a Commission.

[1] Adjusted EBITDA is defined and reconciled in the "Reconciliation of Non-GAAP measures" in this release.
[2] The Company is unable to present a quantitative reconciliation of its forward-looking non-GAAP Segment cash cost p measures to the most directly comparable GAAP measures without unreasonable efforts due to the inherent difficulty ir quantifying with reasonable accuracy significant items required for the reconciliation. The most directly comparable GA of sales, is not accessible without unreasonable efforts on a forward-looking basis. The reconciling items for this non-G transportation costs, which are a component of GAAP revenues and cost of sales; the impact of hedging activity relatec that do not receive hedge accounting; and idle and administrative costs that are not included in a reportable segment. N predict without unreasonable efforts transportation costs due to uncertainty as to the end market and FOB point for unc and the final shipping point for export shipments. Management is unable to predict without unreasonable efforts the imp related to commodity purchases that do not receive hedge accounting due to fluctuations in commodity prices, which ar to their inherent volatility. These amounts have historically and may continue to vary significantly from quarter to quarte these items could have a significant effect on our future GAAP results. Idle and administrative costs that are not include are expected to be between $15 million and $20 million in 2018

Arch Coal Inc. and Subsidiaries

Condensed Consolidated Income Statements

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ende	
	2018	2017	2018	20
	(Unaudited)			
Revenues	$592,349	$549,866	$1,167,644	$1
Costs, expenses and other operating				
Cost of sales	474,388	434,465	929,168	89
Depreciation, depletion and amortization	30,549	30,701	60,252	62
Accretion on asset retirement obligations	6,993	7,623	13,985	15
Amortization of sales contracts, net	3,248	14,352	6,299	29
Change in fair value of coal derivatives and coal trading activities, net	15,138	863	11,724	1,`
Selling, general and administrative expenses	24,756	22,456	50,704	43
Other operating income, net	(7,318)	(3,518)	(14,250)	(5
	547,754	506,942	1,057,882	1,(
Income from operations	44,595	42,924	109,762	10
Interest expense, net				
Interest expense	(5,050)	(6,003)	(10,445)	(1

Interest and investment income	1,552	842	2,825	1,3
	(3,498)	(5,161)	(7,620)	(14
Income before nonoperating expenses	41,097	37,763	102,142	95
Nonoperating expenses				
Non-service related pension and postretirement benefit (costs) credits	68	(232)	(1,235)	(95
Net loss resulting from early retirement of debt and debt restructuring	(485)	(31)	(485)	(2,
Reorganization items, net	(740)	(21)	(1,041)	(2,
	(1,157)	(284)	(2,761)	(5,
Income before income taxes	39,940	37,479	99,381	89
Provision for (benefit from) income taxes	(3,366)	319	(3,910)	1,1
Net income	$ 43,306	$ 37,160	$ 103,291	$
Net income per common share				
Basic EPS	$ 2.15	$ 1.51	$ 5.03	$
Diluted EPS	$ 2.06	$ 1.48	$ 4.81	$
Weighted average shares outstanding				
Basic weighted average shares outstanding	20,156	24,659	20,529	24
Diluted weighted average shares outstanding	21,036	25,082	21,456	25
Dividends declared per common share	$ 0.40	$ 0.35	$ 0.80	$
Adjusted EBITDA (A) (Unaudited)	$ 85,385	$ 95,600	$ 190,298	$
Adjusted diluted income per common share (A)	$ 2.26	$ 2.05	$ 5.23	$

(A) Adjusted EBITDA and Adjusted diluted income per common share are defined and reconciled under "Reconciliation of Non-GAAP Measures" later in this release.

Arch Coal Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands)

	June 30,	December 31,
	2018	2017
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 241,590	$ 273,387
Short term investments	160,894	155,846
Trade accounts receivable	198,362	172,604
Other receivables	12,612	29,771
Inventories	157,205	128,960
Other current assets	86,642	70,426
Total current assets	857,305	830,994
Property, plant and equipment, net	925,559	955,948

Other assets		
Equity investments	104,189	106,107
Other noncurrent assets	62,360	86,583
Total other assets	166,549	192,690
Total assets	$1,949,413	$ 1,979,632
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 131,027	$ 134,137
Accrued expenses and other current liabilities	194,730	184,161
Current maturities of debt	12,533	15,783
Total current liabilities	338,290	334,081
Long-term debt	305,157	310,134
Asset retirement obligations	316,341	308,855
Accrued pension benefits	7,481	14,036
Accrued postretirement benefits other than pension	106,934	102,369
Accrued workers' compensation	185,068	184,835
Other noncurrent liabilities	49,194	59,457
Total liabilities	1,308,465	1,313,767
Stockholders' equity		
Common Stock	250	250
Paid-in capital	708,127	700,125
Retained earnings	333,753	247,232
Treasury stock, at cost	(418,985)	(302,109)
Accumulated other comprehensive income	17,803	20,367
Total stockholders' equity	640,948	665,865
Total liabilities and stockholders' equity	$1,949,413	$ 1,979,632

Arch Coal Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands)

	Six Months Ended June 30,	
	2018	2017
	(Unaudited)	
Operating activities		
Net income	$103,291	$ 88,828
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, depletion and amortization	60,252	62,622
Accretion on asset retirement obligations	13,985	15,246
Amortization of sales contracts, net	6,299	29,042
Prepaid royalties expensed	—	2,288
Deferred income taxes	8,730	5,996
Employee stock-based compensation expense	7,992	4,942
Gains on disposals and divestitures	131	(2,005)
Net loss resulting from early retirement of debt and debt restructuring	485	2,061
Amortization relating to financing activities	2,170	1,565
Changes in:		
Receivables	(20,212)	(3,864)
Inventories	(28,245)	(23,594)
Accounts payable, accrued expenses and other current liabilities	(11,879)	(89)
Income taxes, net	11,560	(3,796)
Other	(9,563)	21,557
Cash provided by operating activities	144,996	200,799
Investing activities		
Capital expenditures	(30,049)	(16,922)
Minimum royalty payments	(124)	(4,211)
Proceeds from disposals and divestitures	56	4,186
Purchases of short term investments	(110,359)	(157,364)

Proceeds from sales of short term investments	105,150	85,035
Investments in and advances to affiliates, net	—	(8,934)
Cash used in investing activities	(35,326)	(98,210)
Financing activities		
Proceeds from issuance of term loan due 2024	—	298,500
Payments to extinguish term loan due 2021	—	(325,684)
Payments on term loan due 2024	(1,500)	(750)
Net payments on other debt	(7,307)	(5,207)
Debt financing costs	(529)	(8,900)
Net loss resulting from early retirement of debt and debt restructuring	(50)	(2,061)
Dividends paid	(16,333)	(8,563)
Purchases of treasury stock	(115,973)	(51,043)
Other	10	—
Cash used in financing activities	(141,682)	(103,708)
Decrease in cash and cash equivalents, including restricted cash	(32,012)	(1,119)
Cash and cash equivalents, including restricted cash, beginning of period	273,602	376,422
Cash and cash equivalents, including restricted cash, end of period	$241,590	$375,303
Cash and cash equivalents, including restricted cash, end of period		
Cash and cash equivalents	$241,590	$333,548
Restricted cash	—	41,755
	$241,590	$375,303

Arch Coal Inc. and Subsidiaries

Schedule of Consolidated Debt

(In thousands)

	June 30, 2018 (Unaudited)	December 31, 2017
Term loan due 2024 ($296.3 million face value)	$295,029	$ 296,435
Other	29,280	36,514
Debt issuance costs	(6,619)	(7,032)
	317,690	325,917
Less: current maturities of debt	12,533	15,783
Long-term debt	$305,157	$ 310,134
Calculation of net debt		
Total debt (excluding debt issuance costs)	$324,309	$ 332,949
Less liquid assets:		
Cash and cash equivalents	241,590	273,387
Short term investments	160,894	155,846
	402,484	429,233
Net debt	$ (78,175)	$ (96,284)

Arch Coal Inc. and Subsidiaries

Operational Performance

(In millions, except per ton data)

	Three Months Ended June 30, 2018		Three Months Ended March 31, 2018		Three Months Ended June 30, 2017	
	(Unaudited)		(Unaudited)		(Unaudited)	
Powder River Basin						
Tons Sold	18.8		19.7		18.1	
Segment Sales	$ 226.7	$ 12.06	$ 239.9	$ 12.15	$ 227.1	$12.55
Segment Cash Cost of Sales	200.4	10.66	212.6	10.77	195.7	10.82
Segment Cash Margin	26.3	1.40	27.3	1.38	31.4	1.73
Metallurgical						
Tons Sold	2.0		1.8		2.1	
Segment Sales	$ 209.7	$104.38	$ 203.5	$115.97	$ 190.6	$90.59
Segment Cash Cost of Sales	123.2	61.33	119.9	68.33	128.2	60.95
Segment Cash Margin	86.5	43.05	83.6	47.64	62.4	29.64
Other Thermal						
Tons Sold	2.0		2.2		2.3	
Segment Sales	$ 74.9	$ 36.77	$ 77.1	$ 35.59	$ 77.7	$33.41
Segment Cash Cost of Sales	63.5	31.19	61.8	28.53	51.3	22.06
Segment Cash Margin	11.4	5.58	15.3	7.06	26.4	11.35
Total Segment Cash Margin	$ 124.2		$ 126.2		$ 120.2	
Selling, general and administrative expenses	(24.8)		(25.9)		(22.5)	
Other	(14.0)		4.6		(2.1)	
Adjusted EBITDA	$ 85.4		$ 104.9		$ 95.6	

Arch Coal Inc. and Subsidiaries

Reconciliation of NON-GAAP Measures

(In millions, except per ton data)

Included in the accompanying release, we have disclosed certain non-GAAP measures as defined by Regulation G.

The following reconciles these items to the most directly comparable GAAP measure.

Non-GAAP Segment coal sales per ton sold

Non-GAAP Segment coal sales per ton sold is calculated as segment coal sales revenues divided by segment tons sol for transportation costs, and may be adjusted for other items that, due to generally accepted accounting principles, are of operations, but relate to price protection on the sale of coal. Segment coal sales per ton sold is not a measure of fina generally accepted accounting principles. We believe segment coal sales per ton sold provides useful information to in quality of coal sold and our operating results by including all income from coal sales. The adjustments made to arrive a and assessing our financial condition. Therefore, segment coal sales revenues should not be considered in isolation, n generally accepted accounting principles.

Quarter ended June 30, 2018	Powder River Basin		Metallurgica	
(In thousands)				
GAAP Revenues in the consolidated statements of operations	$	229,878	$	259,0
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	-		-	
Coal sales revenues from idled or otherwise disposed operations not included in segments	-		-	
Transportation costs	3,176		49,308	
Non-GAAP Segment coal sales revenues	$	226,702	$	209,7
Tons sold	18,792		2,009	
Coal sales per ton sold	$	12.06	$	104

Quarter ended March 31, 2018	Powder River Basin		Metallurgica	
(In thousands)				
GAAP Revenues in the consolidated statements of operations	$	245,427	$	238,3
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	-		-	
Coal sales revenues from idled or otherwise disposed operations not included in segments				

-

-

Transportation costs	5,478		34,885	
Non-GAAP Segment coal sales revenues	$	239,949	$	203,4
Tons sold	19,744		1,754	
Coal sales per ton sold	$	12.15	$	115

Quarter ended June 30, 2017	Powder River Basin		Metallurgica	
(In thousands)				
GAAP Revenues in the consolidated statements of operations	$	230,579	$	227,6
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	-		-	
Coal sales revenues from idled or otherwise disposed operations not included in segments	-		-	
Transportation costs	3,500		37,025	
Non-GAAP Segment coal sales revenues	$	227,079	$	190,6
Tons sold	18,092		2,104	
Coal sales per ton sold	$	12.55	$	90.5

Arch Coal Inc. and Subsidiaries

Reconciliation of NON-GAAP Measures

(In millions, except per ton data)

Non-GAAP Segment cash cost per ton sold

Non-GAAP Segment cash cost per ton sold is calculated as segment cash cost of coal sales divided by segment tons s transportation costs, and may be adjusted for other items that, due to generally accepted accounting principles, are cla relate directly to the costs incurred to produce coal. Segment cash cost per ton sold is not a measure of financial perfo principles. We believe segment cash cost per ton sold better reflects our controllable costs and our operating results b made to arrive at these measures are significant in understanding and assessing our financial condition. Therefore, se isolation, nor as an alternative to cost of sales under generally accepted accounting principles.

Quarter ended June 30, 2018	Powder River Basin		Metallurgica	
(In thousands)				
GAAP Cost of sales in the consolidated statements of operations	$	205,532	$	1
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Diesel fuel risk management derivative settlements classified in "other income"	1,968		-	
Transportation costs	3,176		49,308	
Cost of coal sales from idled or otherwise disposed operations not included in segments	-		-	
Other (operating overhead, certain actuarial, etc.)				

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Non-GAAP Segment cash cost of coal sales	$	200,388	$	12
Tons sold	18,792		2,009	
Cash cost per ton sold	$	10.66	$	

Quarter ended March 31, 2018	Powder River Basin		Metallurgica	
(In thousands)				
GAAP Cost of sales in the consolidated statements of operations	$	218,526	$	15
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Diesel fuel risk management derivative settlements classified in "other income"	439		-	
Transportation costs	5,478		34,885	
Cost of coal sales from idled or otherwise disposed operations not included in segments	-		-	
Other (operating overhead, certain actuarial, etc.)	-		-	
Non-GAAP Segment cash cost of coal sales	$	212,609	$	11
Tons sold	19,744		1,754	
Cash cost per ton sold	$	10.77	$	

Quarter ended June 30, 2017	Powder River Basin		Metallurgica	
(In thousands)				
Cost of sales in the consolidated statements of operations	$	198,274	$	16
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Diesel fuel risk management derivative settlements classified in "other income"	(891)		-	
Transportation costs	3,500		37,025	
Cost of coal sales from idled or otherwise disposed operations not included in segments	-		-	
Other (operating overhead, certain actuarial, etc.)	-		-	
Reported segment cost of coal sales	$	195,665	$	12
Tons sold	18,092		2,104	
Cash cost per ton sold	$	10.82	$	

Arch Coal Inc. and Subsidiaries

Reconciliation of Non-GAAP Measures

(In thousands, except per share data)

Adjusted EBITDA

Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, incom depreciation, depletion and amortization, accretion on asset retirement obligations, amortization of sales contracts and nonoperating expenses. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future resul excluding transactions that are not indicative of the Company's core operating performance.

Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principl items excluded from Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore EBITDA should not be considered in isolation, nor as an alternative to net income, income from operations, cash flows operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. Company uses adjusted EBITDA to measure the operating performance of its segments and allocate resources to the Furthermore, analogous measures are used by industry analysts and investors to evaluate our operating performance. should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by companies. The table below shows how we calculate Adjusted EBITDA.

	Three Months Ended June 30,		Six Months Ende	
	2018	2017	2018	201
	(Unaudited)			
Net income	$ 43,306	$ 37,160	$103,291	$ 8
Provision for (benefit from) income taxes	(3,366)	319	(3,910)	1,1
Interest expense, net	3,498	5,161	7,620	14,
Depreciation, depletion and amortization	30,549	30,701	60,252	62,
Accretion on asset retirement obligations	6,993	7,623	13,985	15,
Amortization of sales contracts, net	3,248	14,352	6,299	29,
Non-service related pension and postretirement benefit costs	(68)	232	1,235	953
Net loss resulting from early retirement of debt and debt restructuring	485	31	485	2,0
Reorganization items, net	740	21	1,041	2,8
Adjusted EBITDA	$ 85,385	$ 95,600	$190,298	$21

Adjusted net income and adjusted diluted income per share

Adjusted net income and adjusted diluted income per common share are adjusted for the after-tax impact of reorganiza net and are not measures of financial performance in accordance with generally accepted accounting principles. Adjus income and adjusted diluted income per common share may also be adjusted for items that may not reflect the trend of results. We believe that adjusted net income and adjusted diluted income per common share better reflect the trend of results by excluding transactions that are not indicative of the Company's core operating performance. The adjustments arrive at these measures are significant in understanding and assessing our financial condition. Therefore, adjusted n and adjusted diluted income per share should not be considered in isolation, nor as an alternative to net income or dilu per common share under generally accepted accounting principles.

	Three Months Ended June 30,		Six Months Ende	
	2018	2017	2018	20
	(Unaudited)			
Net income	$ 43,306	$ 37,160	$103,291	$ 8
Amortization of sales contracts, net	3,248	14,352	6,299	29,
Non-service related pension and postretirement benefit costs	(68)	232	1,235	95
Net loss resulting from early retirement of debt and debt restructuring	485	31	485	2,0
Reorganization items, net	740	21	1,041	2,8
Tax impact of adjustment	(88)	(293)	(181)	(69
Adjusted net income	$ 47,623	$ 51,503	$112,170	$12
Diluted weighted average shares outstanding	21,036	25,082	21,456	25,
Diluted income per share	$ 2.06	$ 1.48	$ 4.81	$
Amortization of sales contracts, net	0.15	0.57	0.30	1.1
Non-service related pension and postretirement benefit costs	-	0.01	0.06	0.0
Net loss resulting from early retirement of debt and debt restructuring	0.02	-	0.02	0.0
Reorganization items, net	0.04	-	0.05	0.1
Tax impact of adjustments	(0.01)	(0.01)	(0.01)	(0.0
Adjusted diluted income per share	$ 2.26	$ 2.05	$ 5.23	$

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