Arch Reports Earnings for Fourth Quarter and Year

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St. Louis, MO - January 20, 1998 - Arch Coal, Inc. (NYSE:ACI) today reported net income of $21.1 million, or $.53 per share, for its fourth quarter ended December 31, 1997. This represents a 127% increase over the same period of 1996, when net income was $9.3 million, or $.44 per share. Revenues totaled $342.5 million and coal sales totaled 12.8 million tons for the quarter, compared to $201.9 million and 7.8 million tons for the same period of 1996. The increases were primarily attributable to the company's merger with Ashland Coal, Inc. on July 1, 1997.

For the fiscal year ended December 31, 1997, Arch Coal had net income of $30.3 million, or $1.00 per share, which includes a one-time after-tax charge of $23.8 million related to the merger. Excluding this charge, Arch Coal had net income of $54.1 million, or $1.78 per share, for the year. Net income for 1996 was $33.0 million, or $1.58 per share. Revenues totaled $1.07 billion and coal sales totaled 40.5 million tons for 1997, compared to $780.6 million and 29.4 million tons for 1996. Again, the increases in revenues and sales tonnage were primarily attributable to the merger.

The following pro forma financial information assumes the merger with Ashland Coal occurred at the beginning of the periods presented. Actual fourth-quarter net income of $21.1 million, or $.53 per share, compared to pro forma combined net income of $18.2 million, or $.46 per share, for the same period of 1996. For the year, pro forma combined net income was $75.5 million, or $1.90 per share, excluding the merger-related charge, compared to pro forma combined net income of $47.9 million, or $1.21 per share, in 1996.

Arch Coal's earnings before interest, taxes, depletion, depreciation and amortization (EBITDA) equaled $72.4 million for the fourth quarter of 1997 and $269.0 million on a pro forma combined basis for the fiscal year ended December 31, 1997.

"Arch Coal had a strong fourth quarter performance despite lower-than-expected shipments due to a nationwide rail car shortage and the previously announced depletion of reserves at our Harlan County, Kentucky, longwall operation in September," said Steven F. Leer, president and chief executive officer of Arch Coal. "Fourth quarter results benefited from a stronger performance by the Lone Mountain complex, where geologic conditions improved as expected, and the continued strong performance of the Mingo Logan complex. Cost savings related to the merger also contributed to the quarter's performance."

"During the quarter, we continued to generate a substantial amount of free cash flow," Leer continued. "As a result, we paid down $49 million in debt. This lowered our debt to capital ratio 4 points to 31%."

The company's fourth quarter results included favorable pre-tax adjustments to certain estimated liabilities of $3.9 million, which included $2.8 million of cost recorded in earlier periods of 1997.

At the end of 1997, the company completed its recognition of an actuarial gain on its pneumoconiosis (black lung) liability that was being amortized at $6.9 million after-tax for each of the years 1993 through 1997.

As anticipated, a long-term coal supply contract with Georgia Power expired in December 1997. Under the contract, Arch Coal supplied 1.9 million tons of coal annually at prices well above the current open market price for such coal. Arch Coal expects to continue to supply a significant amount of similar quality coal to Georgia Power at less favorable prices.

"The expiration of the Georgia Power contract has been part of our planning all along and we are taking steps to lessen the impact," Leer said. "We are confident that we will recognize the targeted $20 million in merger-related cost savings during 1998. In addition, operational improvements should lead to lower costs and improved performances at several of our large-scale mining complexes."

"In 1998, mining costs at Lone Mountain should improve substantially from 1997 levels as a result of improved geologic conditions at the complex," Leer continued. "In addition, the successful completion of a 45-day maintenance project on the Hobet 21 dragline and efforts to correct equipment sequencing difficulties at the site, both of which occurred during the fourth quarter, should lead to a stronger performance by Hobet 21 in 1998. We also anticipate better results at our Wylo Mine and increased income from our land management subsidiary."

Another customer has informed the company that one of its power plants will no longer provide baseload capacity and instead will be used to provide peak demand only. As a result, the company has been advised that this plant will require substantially less coal under the customer's existing above-market requirements contract with Arch Coal. The customer purchased 397,000 tons of coal from Arch in 1997. A significant long-term reduction in the volume of coal supplied under this contract will reduce Arch's after-tax earnings by as much as $3 million annually. The company is in discussions with the customer to attempt to minimize the reductions.

In other news, Hobet Mining, Inc. and Apogee Coal Company, which are independent operating subsidiaries of Arch Coal, signed a new, five-year labor agreement with the United Mine Workers of America in December.

In addition, Arch Coal subsidiaries were honored with five major safety and environmental awards during the year. The company's Coal-Mac and Cumberland River subsidiaries were recognized by the U.S. Department of the Interior for excellence in land reclamation at mine sites in eastern Kentucky. The Samples Mine in southern West Virginia received a national reclamation award from the Interstate Mining Compact Commission as well as the top reclamation honor given by the state of West Virginia. Lone Mountain's Huff Creek Mine in southeastern Virginia won the Sentinels of Safety Award as the safest underground mine in the nation.

"We are seeking to achieve this same level of excellence at every one of our mines," Leer said. "Our goal is to operate the safest, most environmentally responsible mines in the industry."

The company also plans to pursue growth aggressively in 1998. "We have now substantially completed a seamless integration of the companies merged last year, and we are well positioned, both strategically and financially, to actively pursue acquisitions and participate in the ongoing consolidation of the coal industry," Leer said.

The Lone Mountain complex is located on the Kentucky/Virginia border. The Mingo Logan, Hobet 21 and Wylo operations are located in southern West Virginia.

Arch Coal, Inc. and its independent subsidiaries are engaged in the mining, processing and sale of bituminous coal, which they market to electric utilities in the eastern and midwestern United States and abroad. Mining rates and costs may vary from expectations for a variety of operational, geologic, permitting, labor and weather-related factors, including equipment availability.