Arch Coal, Inc. Reports Earnings for Second Quarter

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St. Louis, MO - July 20, 1998 - Arch Coal, Inc. (NYSE:ACI) today reported net income for the quarter ended June 30, 1998, of $13.5 million, or $.34 per share. The quarter's results include a previously announced one-time after-tax charge of $1.5 million, or $.04 per share, related to the early termination of existing credit facilities and the redemption of $35.7 million in senior notes. These results compare to net income of $11.7 million, or $.56 per share, for the same period of 1997. The second quarter of 1998 includes the results of the company's merger with Ashland Coal, Inc. on July 1, 1997, and the acquisition of Atlantic Richfield's domestic coal operations ("ARCO") on June 1, 1998. In the second quarter of 1997, Arch Coal's results were enhanced by a high-margin contract (now expired) and a significant contribution from the No. 37 longwall mine (now depleted).

Earnings Before Unusual Items, Interest, Taxes, Depreciation, Depletion and Amortization (EBITDA) for the second quarter totaled $77.6 million, compared with $45.9 million in the year-earlier period.

Revenues for the second quarter totaled $353.2 million and coal sales totaled 16.8 million tons, compared to $196.4 million and 7.6 million tons for the same period of 1997. Increases in sales tonnage and revenues were attributable to the company's merger with Ashland Coal, Inc. and its acquisition of ARCO.

"Arch Coal had a solid second-quarter performance given the previously announced dilutive effect of the ARCO transaction," Leer said. "In the seven weeks since that transaction was completed, we have made good progress toward integrating the two companies in a seamless fashion. We are now focusing on our ultimate goal: to put the expanded company's full range of capabilities to work to serve our customers better and more profitably, thus creating substantial new value for our shareholders."

Arch Coal again generated impressive levels of cash during the quarter, according to Leer. "The ARCO acquisition greatly enhances one of Arch Coal's key financial strengths - the ability to generate free cash flow for use in continued growth and debt reduction," Leer said.

For the six months ended June 30, 1998, Arch Coal's net income was $29.3 million, or $.74 per share, including the extraordinary charge for the early termination of debt. During the comparable period of 1997, net income was $22.2 million, or $1.06 per share. EBITDA for the first six months of 1998 totaled $138.9 million.

Major factors and events

In the second quarter, Arch Coal benefited from another strong performance from its Mingo Logan mining complex in southern West Virginia, where the longwall again accomplished record production. Offsetting this strong performance was a production shortfall at Hobet 21 and two smaller mines. In addition, Arch of Wyoming had a difficult quarter due to poor market conditions in the Hanna Basin.

As planned, several Arch mines exhausted their reserves and were shut down during the quarter, including the surface mine at the Arch of Illinois complex and two of the three deep mines at Hobet 07 in southern West Virginia. The third Hobet 07 deep mine is scheduled to deplete in July. In total, these mines produced approximately 4.5 million tons during the past 12 months. The Conant underground mine at Arch of Illinois will continue to operate, with expected future production of approximately 3 million tons per year.

Arch also started up a new surface mine in southern West Virginia during the second quarter. Located on a large block of undeveloped reserves, the Phoenix Mine is expected to produce 1.5 million tons of coal on an annualized basis when it reaches its planned capacity beginning in 1999.

Looking ahead

The third quarter is traditionally the weakest for Arch Coal due to miners' vacations and higher-than-normal maintenance costs. In addition, the company will incur significantly higher interest expense related to the ARCO acquisition. However, cash flow should continue to be very strong.

"The addition of the ARCO properties has made Arch Coal a much stronger player in an industry that is undergoing rapid change," Leer said. "As the largest national coal equity, we are poised to capitalize on the continuing shift towards clean-burning, low-sulfur coal; increased demand for electricity in the United States; and the stronger marketplace that should result from ongoing consolidation among U.S. coal producers."

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.

EBITDA is presented 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 measure of a company's profitability, liquidity or performance under generally accepted accounting principles.

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 U.S. electric power generation.