Arch Coal, Inc. Reports Earnings for Third Quarter

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St. Louis, MO - October 20, 1998 - Arch Coal, Inc. (NYSE:ACI) today reported net income of $.5 million, or $.01 per share, for its third quarter ended September 30, 1998. These results included a positive after-tax impact of $11.3 million from the sale of certain inactive coal properties in eastern Kentucky. In comparison, Arch Coal had a net loss of $13.0 million, or $.33 per share, for the same period of 1997, which included a one-time after-tax charge of $23.8 million, or $.60 per share, related to the July 1, 1997, merger with Ashland Coal, Inc.

"The third quarter, which is traditionally our weakest earnings period, was especially difficult this year due to a number of previously announced operating challenges," said Steven F. Leer, Arch Coal's president and chief executive officer. "However, we are pleased that, in spite of those challenges, we continued to generate very significant levels of cash."

Leer noted that Earnings Before Interest, Taxes, Depreciation, Depletion and Amortization (EBITDA) totaled $89.6 million for the quarter, including $18.5 million for the property sale, compared with $61.8 million in the same period of 1997, which excludes the one-time $23.8 million after-tax charge.

"We plan to use our strong cash position to continue to aggressively pay down debt," Leer said. "At the same time, we are in a good position to fund strategic acquisitions that advance our strategy of being the No. 1 or No. 2 producer of low-sulfur coal in our target operating regions."

Revenues for the third quarter totaled $424.1 million and coal sales totaled 25.9 million tons, compared to $329.5 million and 12.6 million tons for the same period of 1997. Increases in sales tonnage and revenues were attributable to the June 1, 1998, acquisition of the ARCO operations.

For the nine months ended September 30, 1998, Arch Coal's net income was $29.9 million, or $.75 per share. During the comparable period of 1997, net income was $9.2 million, or $.34 per share. EBITDA for the first nine months of 1998 totaled $228.2 million, compared to $152.2 million for the same period of 1997. Excluding the sale of the eastern coal properties and an extraordinary charge, Arch Coal's net income and EBITDA for the nine months ended September 30, 1998, was $20.1 million, or $.51 per share, and $209.5 million, respectively. During the comparable period of 1997, after excluding the merger-related charge, net income was $33.0 million, or $1.21 per share.

Arch Coal had revenues of $1,090.1 million and coal sales of 54.5 million tons for nine months ended September 30, 1998, compared to revenues of $724.4 million on coal sales of 27.7 million tons for the comparable period of 1997. Increases in revenues and tons sold were attributable to the merger with Ashland Coal and the acquisition of the ARCO operations.

Factors affecting third quarter results

As previously announced, Arch Coal's third quarter results were adversely affected by higher-than-expected maintenance costs in July during routine mine shutdowns in connection with miners' vacations; unfavorable geologic conditions at two of Arch's West Virginia surface mines, Hobet 21 and Dal-Tex; and poor rail service at its western operations.

Offsetting the negative impact of these events somewhat was the September 29, 1998, sale of properties in eastern Kentucky that previously supported the company's No. 37 mine, which ceased operation in January 1998. This sale resulted in a pre-tax gain of $18.5 million ($11.3 million after-tax), including the assumption of $4.0 million in reclamation liabilities.

"Our ongoing, long-term objective is to lease or sell those assets that are not performing or that do not fit our long-term strategy," Leer said. "Our land subsidiary, Ark Land, is operated as a profit center and is constantly reviewing our properties in an effort to identify assets that fit one or both of these criteria."

Strengthening our position in the PRB

On October 1, Arch was named the successful bidder for the 3,546-acre Thundercloud Tract in the Powder River Basin (PRB) of Wyoming. The Thundercloud Tract contains an estimated 412 million tons of minable coal in Campbell County, Wyoming, and is contiguous with Arch Coal's 45-million-ton-per-year Black Thunder Mine. Shortly after Arch was announced as the winning bidder, the U.S. Bureau of Land Management confirmed that Arch's bid price of $158 million met the agency's fair market standards.

"The Thundercloud Tract is one of the finest reserve blocks in the PRB," Leer said. "With its superior geologic conditions, low overburden ratios, high-quality coal, and strategic location adjacent to our Black Thunder Mine, Thundercloud greatly enhances our position in the nation's largest and fastest growing coal basin."

Thundercloud will be incorporated into Black Thunder's mine plan. Upon obtaining the necessary permits, Arch plans to begin mining the Thundercloud property in late 2000.

Looking ahead

"Both the geologic difficulties at Hobet 21 and poor rail service in the west will continue to hinder our performance in the short term," Leer said. "Longer term, we believe these events will be corrected. In addition, we need to continue to make strides toward completing the integration of the ARCO operations."

"As stated previously, we will also need to secure the new permit for the Dal-Tex operation in a timely fashion in order to realize improvements there and avoid curtailment of operations at that complex," Leer added.

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.