



FOCUSED

2017 ANNUAL REPORT

**ALLIANCE RESOURCE PARTNERS, L.P.
ALLIANCE HOLDINGS GP, L.P.**

FOCUSED ON

EXCELLENCE
PERFORMANCE
RELATIONSHIPS
PRESENCE
STRENGTH
BALANCE
THE FUTURE



FOCUSED ON EXCELLENCE

FELLOW UNITHOLDERS, 2017 was a year of focused efforts and positive results. Through a challenging market in 2016, we made strategic decisions designed to lay a foundation for long-term performance, value and reliability for our unitholders. Last year, we remained true to those decisions, building on our foundation and executing plans with an unwavering focus.

The results speak for themselves. In 2017, Alliance delivered an impressive performance by increasing sales and production volumes, reducing operating expenses and debt outstanding, and generating strong EBITDA, distributable cash flow and distribution coverage.

We also set and accomplished a number of significant objectives last year. We entered 2017 with a goal of alleviating uncertainty in the debt capital markets. We accomplished this through the successful placement of a \$400 million, eight-year bond offering and a four-year extension of our revolving credit facility. As a result, we exited the year with a stable, long-term capital structure with ample liquidity.

The Alliance Partnerships also took the first step toward simplifying our structure through an Exchange Transaction. The Exchange Transaction eliminated AHGP's incentive distribution rights and converted its general partner interest in exchange for the issuance of 56,100,000 ARLP common units. Completed in July, it further enhanced our capital markets capacity and access. We are also moving forward to complete the process of fully simplifying the Alliance Partnership structure, which will result in ARLP being the only publicly traded reporting entity.

2017's strong operating and financial performance was the result of long-term thinking, smart planning, and hard work by many people. I'm grateful to our team for their steady focus on the road ahead. In a market full of distractions, their single-minded pursuit of excellence has served the Alliance family well.



JOSEPH W. CRAFT III

*President, Chief Executive Officer, and Director of ARLP
and AHGP, and Chairman of the Board of AHGP*

March 30, 2018



**ALLIANCE HAS CONSISTENTLY
DELIVERED STRONG RESULTS
THROUGHOUT MARKET CYCLES.**



**ALLIANCE HAS A TRACK
RECORD OF OPERATIONAL
AND FINANCIAL EXCELLENCE!**

¹ Company filings and estimates. ARLP has met or exceeded production guidance for five consecutive years and revenue and adjusted EBITDA guidance four of the last five years.

FOCUSED ON PERFORMANCE

We're proud of our performance in 2017. Even with a market reset, focused planning and faithful execution of our plans led to increased sales and production volumes, lower operating expenses and improved Segment Adjusted EBITDA Expense. Revenues, net income and EBITDA met expectations. The contribution to net income and EBITDA from our investments in oil and gas minerals and compression services also increased.



AS EXPECTED,
COAL SALES PRICE
REALIZATIONS FELL

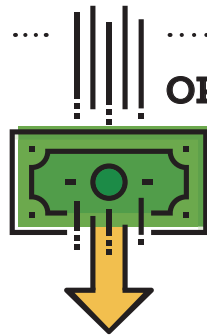
10.9%

TO

\$45.24

per ton sold due to the expiration of higher-priced legacy contracts in 2016 leading to a decrease in coal sales revenue (8.1%) and total revenues (7.0%).

SEGMENT ADJUSTED EBITDA EXPENSE
IMPROVED 5.9% *per ton sold¹*



OPERATING EXPENSES

FELL 2.6%

even as sales and production volumes increased 1.1 million tons and 2.4 million tons, respectively.

SEGMENT ADJUSTED
EBITDA MARGINS¹
WERE A HEALTHY

39.9%

(\$18.05 per ton sold).



¹ Please see inside back cover for a reconciliation of these non-GAAP measures to the most closely comparable GAAP measures.

FOCUSED ON



RELATIONSHIPS

Our top 13 customers have been with us a combined 252 years.



PRESENCE

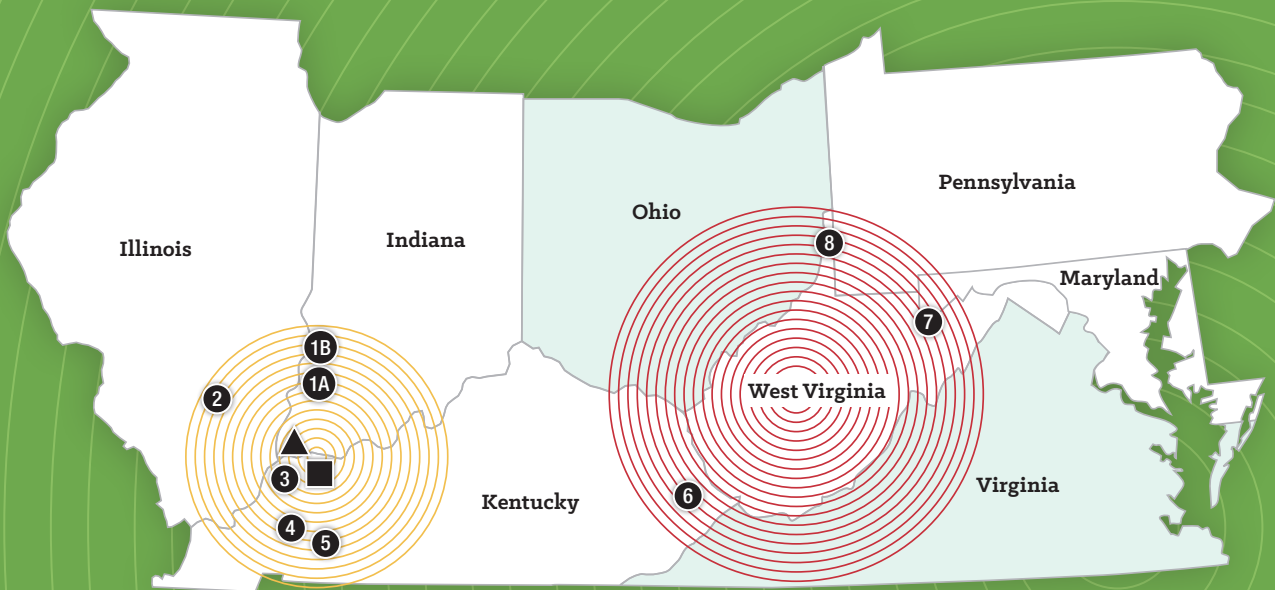
In 2017, we were the largest coal producer in the Illinois Basin and the second-largest coal producer in the eastern United States.



STRENGTH

Our balance sheet remains strong, with LTM total debt/adjusted EBITDA at a conservative 0.95x¹

¹ Please see inside back cover for a reconciliation of this non-GAAP measure to the most closely comparable GAAP measures.



ILLINOIS BASIN

current operations

1. GIBSON COMPLEX

1A. GIBSON SOUTH
1B. GIBSON NORTH EXPECTED
TO RESUME PRODUCTION
IN 2018.

2. HAMILTON COMPLEX

3. RIVER VIEW COMPLEX

4. DOTIKI COMPLEX

5. WARRIOR COMPLEX



APPALACHIA

current operations

6. MC MINING COMPLEX

7. METTIKI COMPLEX

8. TUNNEL RIDGE COMPLEX



**MOUNT VERNON
TRANSFER TERMINAL**



**HENDERSON/UNION
RESERVES**



FOCUSED ON BALANCE

ARLP's balance sheet is the result of a disciplined strategy focused on long-term performance and stability. At the end of 2017, total debt remained conservative at 0.95 times trailing twelve months Adjusted EBITDA.¹ Liquidity was a healthy \$587.0 million. The bonds we issued last April have performed well.

With our conservative balance sheet, ability to generate attractive cash flows, strong bond market performance and simplified financial structure, we believe ARLP has ample debt and equity capital market access and the capacity to execute our plans and pursue *future opportunities* ...



ARLP'S PERFORMANCE HAS EARNED BEST-IN-CLASS RATINGS FROM MOODY'S AND S&P.²



IT'S HARD TO FIND A COMPANY THAT CAN RELIABLY PAY INVESTORS SUCH [AN ATTRACTIVE] YIELD.³

¹ Please see inside back cover for a reconciliation of this non-GAAP measure to the most closely comparable GAAP measures, "net income attributable to ARLP."

² Moody's/S&P corporate ratings of Ba3/BB+

³ The Motley Fool, "3 Top Value Stocks to Buy in February," February 2018.

FOCUSED ON THE FUTURE

We built Alliance by creating sustainable, long-term growth in cash flows to support increased distributions to unitholders. We see numerous opportunities to continue, both within our core coal business and in areas outside of coal:

1

INVEST TO BUILD FUTURE CASH FLOW GROWTH.

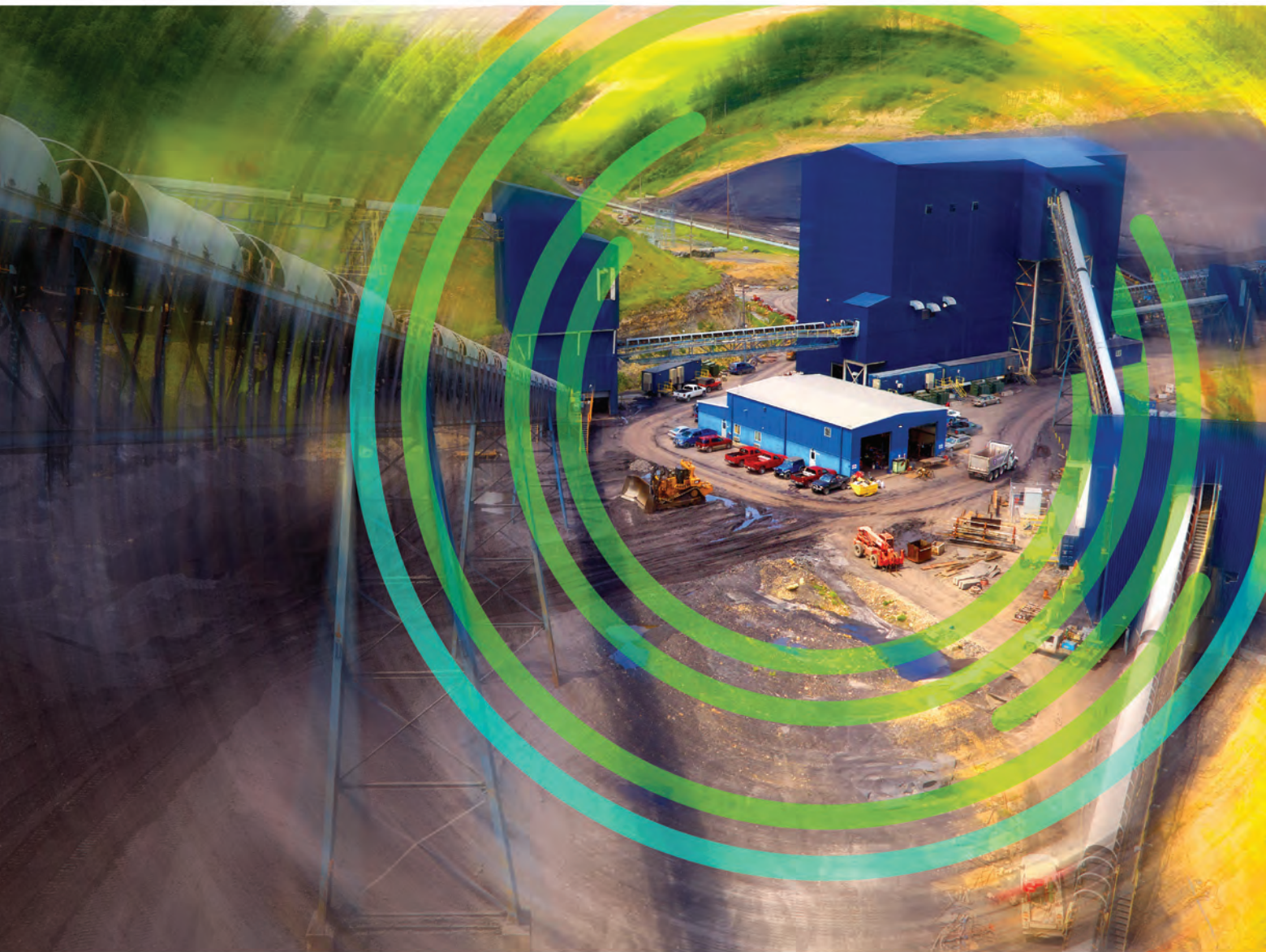
In coal, ARLP is positioned to expand production to capture more market share, as domestic and/or international opportunities present themselves. Outside of coal, we expect cash flow from investments already made to grow meaningfully and we will continue to seek opportunities we believe will provide long-term sustainable cash flow and/or attractive returns.

2

FOCUS ON RETURNING CASH TO UNITHOLDERS.

The Board of Directors increased the ARLP cash distribution for the 2017 Fourth Quarter by one half of one cent per unit to an annualized rate of \$2.04 per unit (a 16.6% increase over the cash distribution for the 2016 Fourth Quarter). Based upon our current outlook, management expects to recommend to the Board similar distribution increases for each quarter in 2018.

AS WE EXECUTE OUR STRATEGY, ARLP REMAINS COMMITTED TO MAINTAINING THE FINANCIAL DISCIPLINE, SOLID DISTRIBUTION COVERAGE AND CONSERVATIVE BALANCE SHEET THAT HAS SERVED US SO WELL.



✓ **ARLP IS PLANNING TO BOOST SALES AND PRODUCTION VOLUMES IN 2018 AND HAS ALREADY PRICED AND COMMITTED 94% OF ITS PROJECTED OUTPUT.¹**

✓ **ARLP EXPECTS TO MAINTAIN A STRONG COVERAGE RATIO WHILE INCREASING UNITHOLDER DISTRIBUTIONS IN 2018.¹**

¹ Company analysis and estimates [as of March 16, 2018].

Reconciliation of GAAP “net income attributable to ARLP” to non-GAAP “EBITDA,” “Adjusted EBITDA” and “Distributable Cash Flow”

(in thousands)	Year Ended December 31				
	2017	2016	2015	2014	2013
Net income attributable to ARLP	\$ 303,638	\$ 339,398	\$ 306,198	\$ 497,229	\$ 393,490
Net income (loss) attributable to noncontrolling interests	563	140	(27)	(16)	-
Net Income	304,201	339,538	306,171	497,213	393,490
Depreciation, depletion and amortization	268,981	336,509	323,983	274,566	264,911
Interest expense, net	39,842	31,017	30,389	32,746	35,074
Capitalized interest	(551)	(358)	(695)	(833)	(8,992)
Income tax expense (benefit)	210	13	21	-	1,396
EBITDA	612,683	706,719	659,869	803,692	685,879
Asset impairment	-	-	100,130	-	-
Acquisition gain, net	-	-	(22,548)	-	-
Debt extinguishment loss	8,148	-	-	-	-
Adjusted EBITDA	620,831	706,719	737,451	803,692	685,879
Interest expense, net	(39,842)	(31,017)	(30,389)	(32,746)	(35,074)
Income tax expense	(210)	(13)	(21)	-	(1,396)
Estimated maintenance capital expenditures ¹	(159,838)	(167,409)	(204,243)	(240,419)	(221,058)
Distributable Cash Flow	\$ 420,941	\$ 508,280	\$ 502,798	\$ 530,527	\$ 428,351
Distributions paid to partners	\$ 240,812	\$ 247,915	\$ 346,799	\$ 317,626	\$ 288,439
Distribution Coverage Ratio	1.75	2.05	1.45	1.67	1.49

¹ Our maintenance capital expenditures, as defined under the terms of our partnership agreement, are those capital expenditures required to maintain, over the long-term, the operating capacity of our capital assets. We estimate maintenance capital expenditures on an annual basis based upon a five-year planning horizon.

Reconciliation of GAAP “Operating Expenses” to non-GAAP “Segment Adjusted EBITDA Expense per ton”

(in thousands, except per ton data)	Year Ended December 31				
	2017	2016	2015	2014	2013
Operating expense	\$ 1,095,167	\$ 1,124,848	\$ 1,386,783	\$ 1,383,360	\$ 1,398,763
Outside coal purchases	-	1,514	327	14	2,030
Other income	(2,980)	(725)	(955)	(1,566)	(1,891)
Segment Adjusted EBITDA Expense	\$ 1,092,187	\$ 1,125,637	\$ 1,386,155	\$ 1,381,808	\$ 1,398,902
Divided by tons sold	37,824	36,680	40,247	39,731	38,835
Segment Adjusted EBITDA Expense per ton	\$ 28.88	\$ 30.69	\$ 34.44	\$ 34.78	\$ 36.02

Reconciliation of non-GAAP “Adjusted EBITDA” to “Segment Adjusted EBITDA” and “Segment Adjusted EBITDA per ton”

(in thousands, except per ton data)	Year Ended December 31				
	2017	2016	2015	2014	2013
Adjusted EBITDA (see above reconciliation)	\$ 620,831	\$ 706,719	\$ 737,451	\$ 803,692	\$ 685,879
General and Administrative expense	61,760	72,529	67,484	72,552	63,697
Segment Adjusted EBITDA	\$ 682,591	\$ 779,248	\$ 804,935	\$ 876,244	\$ 749,576
Divided by tons sold	37,824	36,680	40,247	39,731	38,835
Segment Adjusted EBITDA per ton	\$ 18.05	\$ 21.24	\$ 20.00	\$ 22.05	\$ 19.30

General Information

The following information applies to Alliance Resource Partners, L.P. (ARLP) and Alliance Holdings GP, L.P. (AHGP) unless specified otherwise.

Partnership Offices

1717 South Boulder Avenue, Suite 400
Tulsa, OK 74119
(918) 295-7600

Partnership Mailing Address

P.O. Box 22027
Tulsa, OK 74121-2027

Contact

Brian L. Cantrell
Senior Vice President and
Chief Financial Officer
(918) 295-7674
brian.cantrell@arlp.com

Business Structure

Publicly traded master limited partnership.

Common Unit Trading

Common units are traded on the NASDAQ Global Select Market.

NASDAQ Ticker Symbols

Alliance Resource Partners, L.P. (ARLP)
Alliance Holdings GP, L.P. (AHGP)

Common Units Outstanding at 02/23/2018

ARLP 130,903,256 common units
AHGP 59,863,000 common units

Independent Auditors

Ernst & Young LLP
1700 One Williams Center
Tulsa, OK 74172

Unitholder Information

Cash Distributions

The partnerships expect to make quarterly distributions to unitholders of record on the applicable record dates according to the following schedules:

Alliance Resource Partners, L.P.

Within 45 days after the end of each March, June, September and December.

Alliance Holdings GP, L.P.

Within 50 days after the end of each March, June, September and December.

Partnership Tax Details

Unitholders are partners in the partnership and receive quarterly cash distributions. Cash distributions generally are not taxable as long as the individual unitholder's tax basis remains above zero.

A partnership generally is not subject to federal or state income tax. The annual income, gains, losses, deductions or credits of the partnership flow through to the unitholders, who are required to report their allocated share of these amounts on their individual tax returns, as though the unitholder had incurred these items directly.

Schedule K-1

Unitholders of record receive Schedule K-1 packages that summarize their allocated share of the partnership's reportable tax items for the fiscal year. It is important to note that cash distributions received should not be reported as taxable income. Only the amounts provided on the Schedule K-1 should be entered on each unitholder's tax return.

Schedule K-1 information also is available on our web sites. Please visit www.arlp.com and www.ahgp.com.

Unitholders should refer questions regarding their Schedule K-1 as follows:

By Mail

K-1 Support
P.O. Box 799060
Dallas, TX 75379-9060

By Phone/Fax

Alliance Resource Partners, L.P.
Phone (800) 485-6875 Fax (866) 554-3842

Alliance Holdings GP, L.P.
Phone (866) 867-4060 Fax (866) 554-3842

Transfer Agent and Registrar

Direct requests regarding transfer of units, lost certificates, lost distribution checks or address changes to:

American Stock Transfer and Trust Company
Attn: Shareholder Services
59 Maiden Lane – Plaza Level
New York, NY 10038
(800) 937-5449

Investor Information and Form 10-K

For more information or free copies of the 2017 Form 10-K, please contact the appropriate e-mail address or phone number listed below. Form 10-K also may be downloaded from the Partnerships' web sites.

Alliance Resource Partners, L.P.

E-mail: investorrelations@arlp.com
Phone: (918) 295-7674
Web site: www.arlp.com

Alliance Holdings GP, L.P.

E-mail: investorrelations@ahgp.com
Phone: (918) 295-1415
Web site: www.ahgp.com

Executive Officers & Directors

ARLP  AHGP 

Joseph W. Craft III  

President, Chief Executive Officer, and Director of ARLP and AHGP, and Chairman of the Board of AHGP

Brian L. Cantrell  

Senior Vice President and Chief Financial Officer

R. Eberley Davis  

Senior Vice President, General Counsel and Secretary

Robert G. Sachse 

Executive Vice President

Charles R. Wesley 

Executive Vice President and Director

Timothy J. Whelan 

Senior Vice President, Sales and Marketing

Thomas M. Wynne 

Senior Vice President and Chief Operating Officer

Nick Carter 

Director, member of the Audit, Compensation and Conflicts Committees for ARLP

John P. Neafsey 

Director, Chairman of the Board of Directors, Chairman of the Conflicts Committee, and member of the Audit and Compensation Committees

John H. Robinson 

Director, Chairman of the Compensation Committee, and member of the Audit and Conflicts Committees

Wilson M. Torrence  

Director, Chairman of the Audit Committee for ARLP and AHGP and member of the ARLP Compensation Committee

Thomas M. Davidson, Sr. 

Director, Chairman of the Conflicts Committee and member of the Audit Committee

Robert J. Druten 

Director and member of the Audit and Conflicts Committees

