



Arch Coal, Inc.

Power. Growth. Responsibility.

Energy Roadmap Workshop

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Beckley, W.Va.
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Forward-looking information

Introduction

Statements in this presentation which are not statements of historical fact are “forward-looking statements” within the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the information available to, and the expectations and assumptions deemed reasonable by, Arch Coal, Inc. at the time this presentation was made. Although Arch Coal believes that the assumptions underlying such statements are reasonable, it can give no assurance that they will be attained. Factors that could cause actual results to differ materially from expectations include the risks detailed from time to time in the company’s periodic and other reports filed with the Securities and Exchange Commission.





Arch Coal in brief

Introduction

- One of only two publicly traded coal companies with a truly national presence
- Produces 10% of U.S. coal supply
- Reserves total 2.9 billion tons
- Production is 100% low sulfur (85% compliance)
- Only company with significant presence in eastern and western low-sulfur coal markets
- Headquarters in St. Louis
- Listed on NYSE ("ACI")

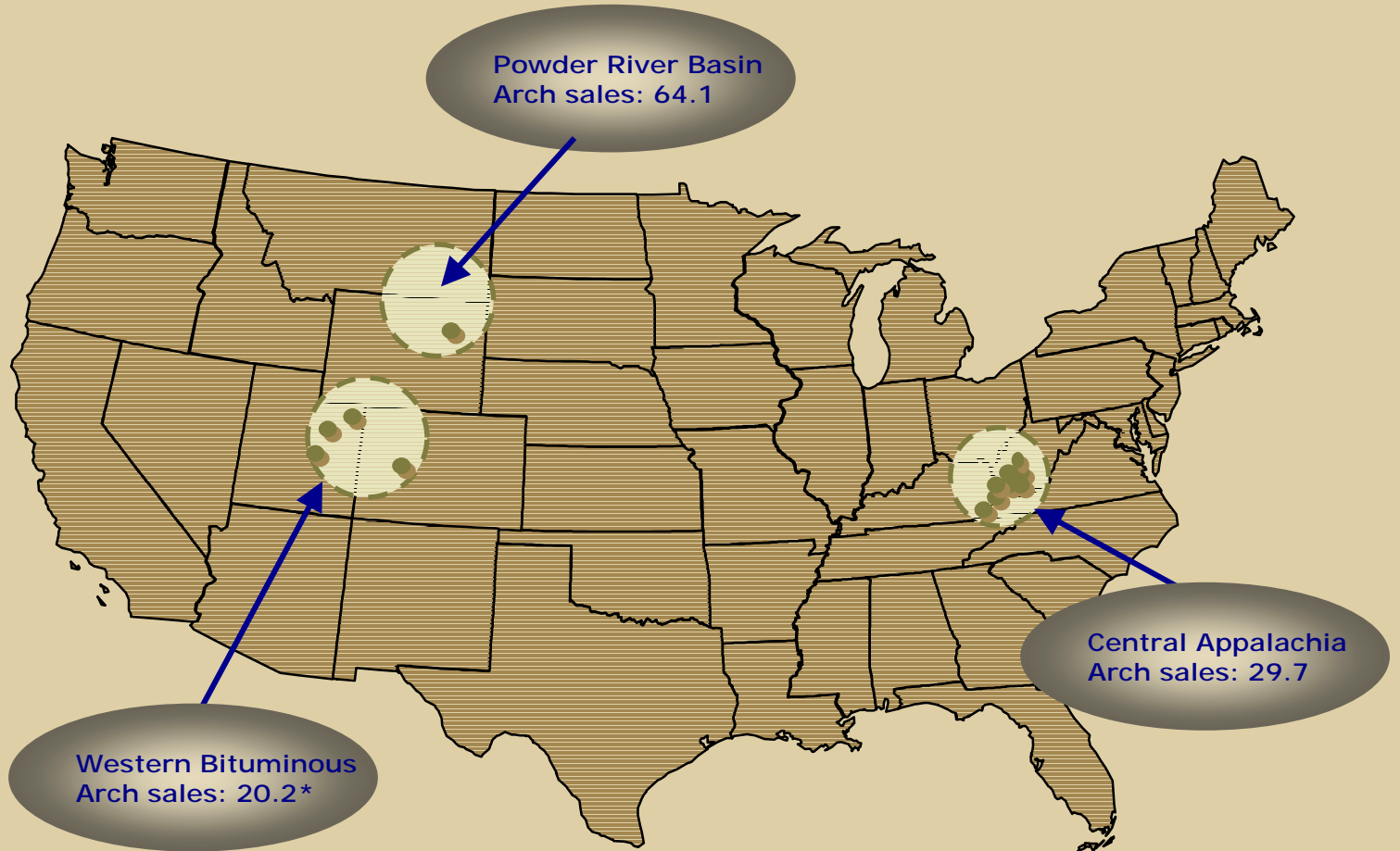




Arch is a leading producer in the three major U.S. low-sulfur coal basins

Introduction

Sales volume
(in mm tons)



* Includes CFC at 100%

Source: Company Data





Arch has a substantial position in West Virginia

Introduction

- Second largest producer in Central Appalachia
- Operates 6 mining complexes in West Virginia that produce more than 25 million tons per year
- Central Appalachia existing reserves total 750 million tons (roughly 25 years at current production rates)
- Arch is a demonstrated leader in safety and environmental performance
- About 2,000 people are employed at our W.Va. mines
- Arch has large, modern mines and a highly skilled, productive workforce
- Plan to maintain our strong position in West Virginia



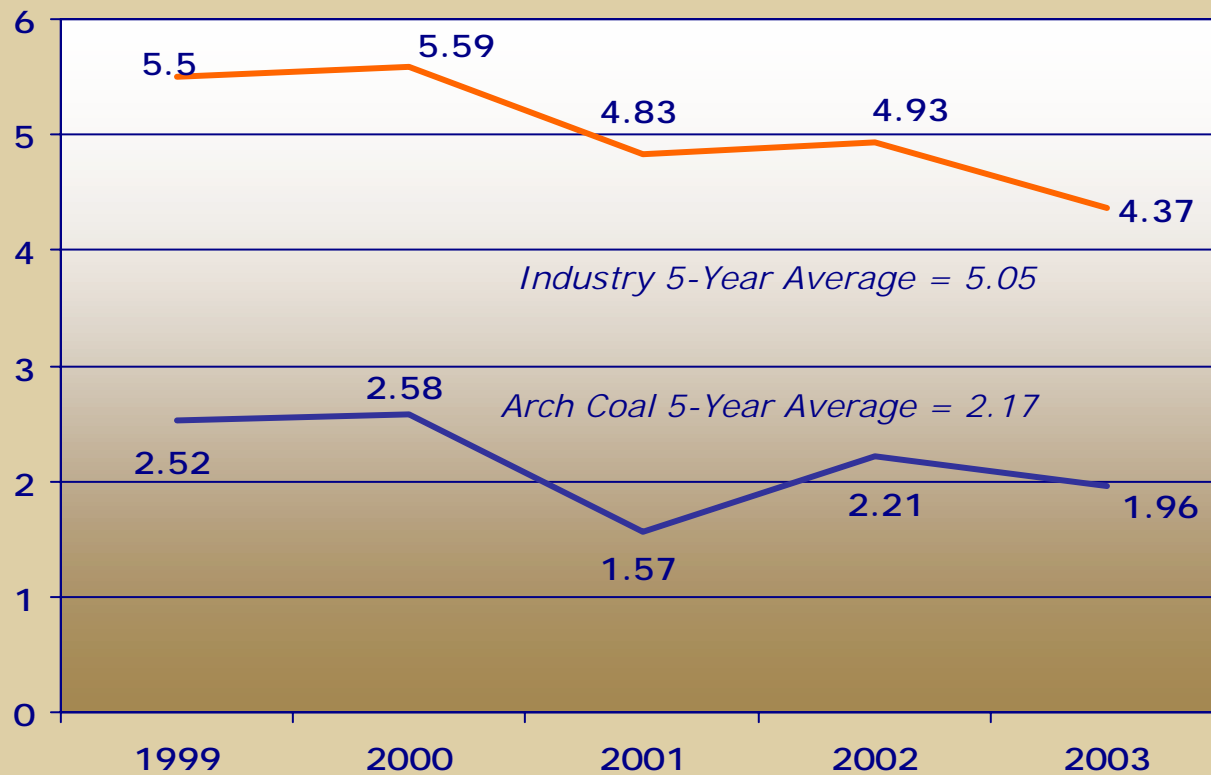


Arch is focused on operating the industry's safest mines

Operations

Per 200,000 employee-hours worked

Accident Rates Ranked by Lost-Time Incidents



Source: MSHA Mine Injury and Worktime Quarterly Statistics





Arch is a demonstrated leader in environmental performance

Operations



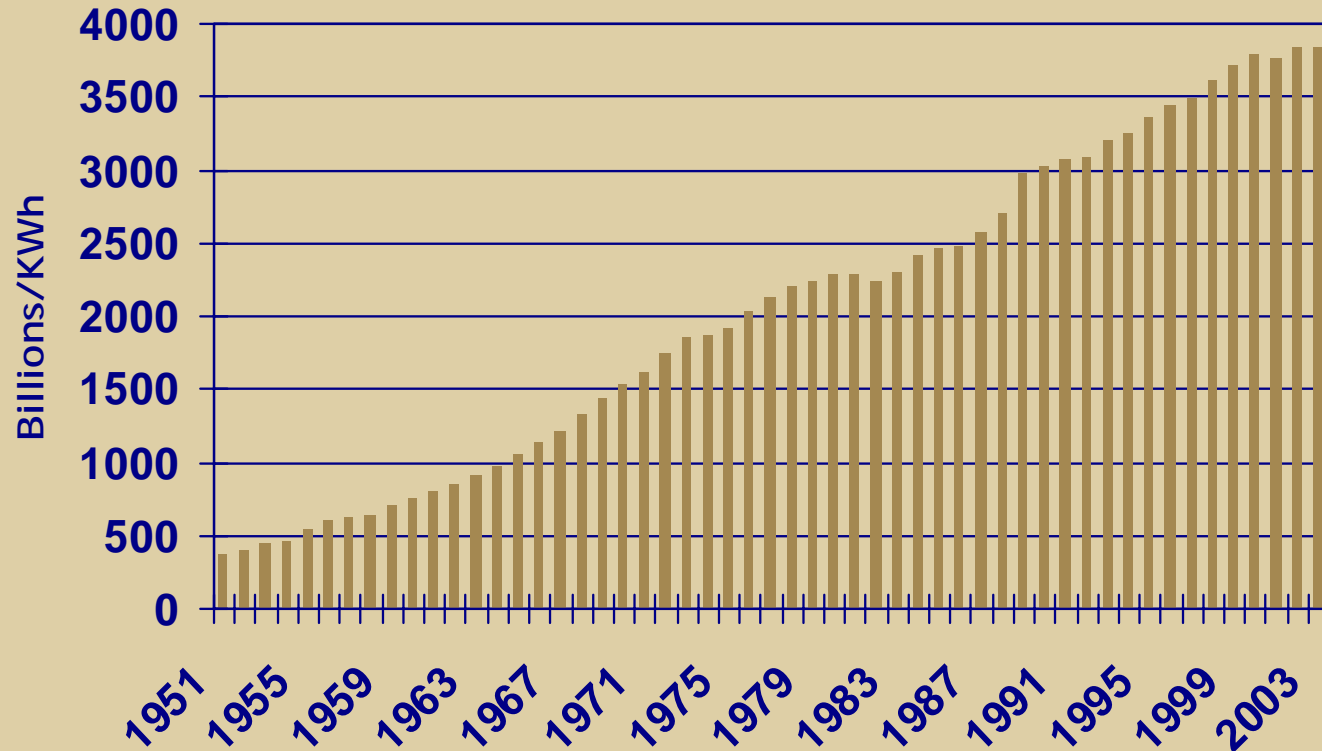
- Mine 100% clean-burning, low-sulfur coal
- Promote economic development on former mine lands such as golf course, fish hatchery, shooting range and wood products business park
- Support a variety of research, such as clean coal technology and reforestation techniques
- For 2003, Ruffner Mine earned the W.Va. DEP's top award for reclamation, and the IMCC's national award
- West Virginia operations earned 16 state and national environmental awards since 1990





The U.S. is becoming more dependent on electricity every year

Market Outlook



- Last 10 years, power demand CAGR averaged 1.9%
- Power demand is up **2.7% YTD in 2004**, according to EEI

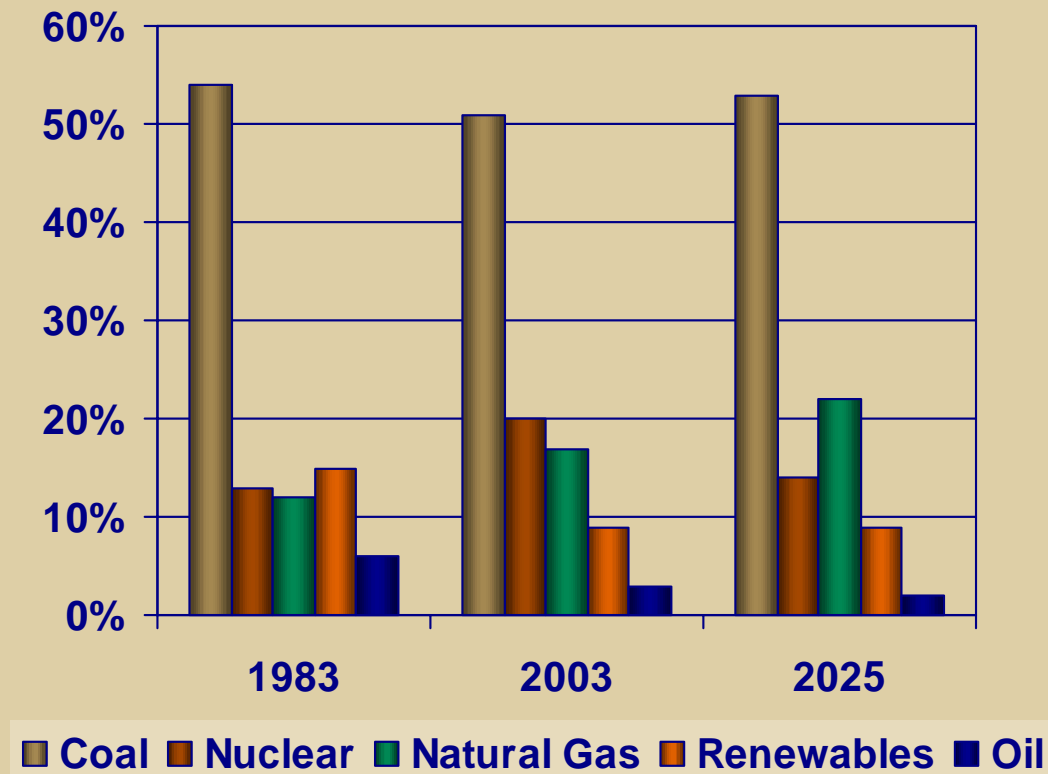




Coal's share of electric generation markets is expected to grow

Market Outlook

Source:
U.S. EIA 2003
Annual Energy
Outlook



- Coal's share is projected to grow to 53% in 2025
- Projected growth in coal demand of 500 million tons
- Assumes conservative 1.8% CAGR for electric generation
- Assumes dramatic increases in importation of LNG



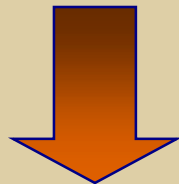


Key indicators point to coal

Market Outlook



- Electric generation is up
✓ +2.7% in 2004



- Stockpiles are declining
✓ -16% month-over-month,
by Arch estimates



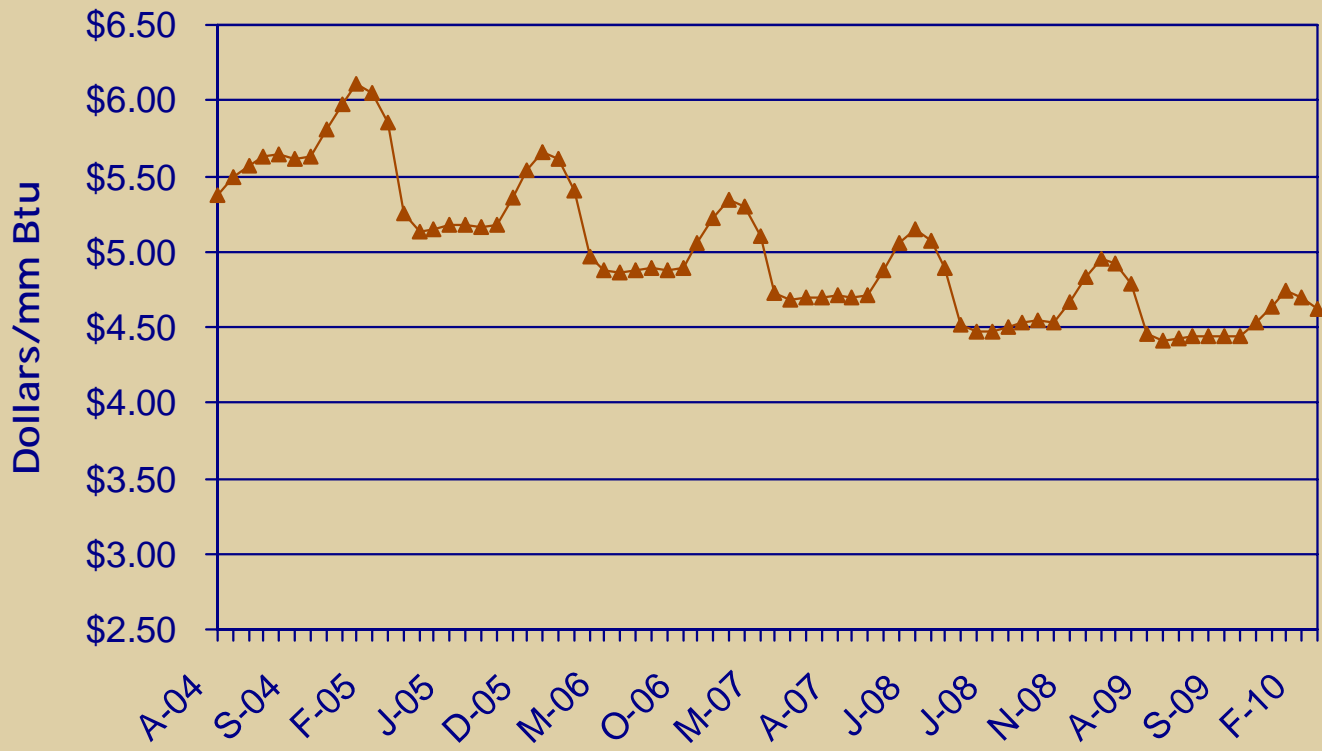
- Total U.S. coal consumption is climbing
✓ + 2.4% in 2003





Natural gas futures trading above \$4.40/mm Btu through March 2010

Market Outlook



Above \$3/mm Btu for natural gas, virtually every coal-fired power plant in America should economically dispatch in front of even the newest combined cycle natural gas plant

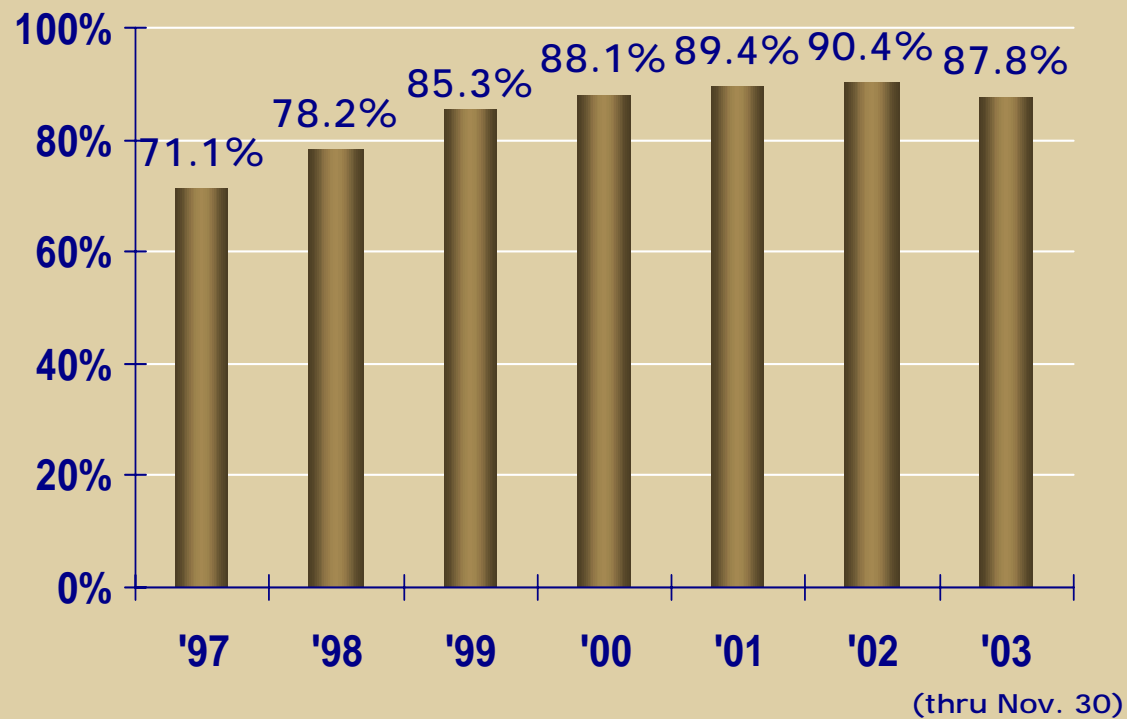




U.S. nuclear plants are operating near their effective limit

Market Outlook

Average capacity factors at U.S. nuclear plants

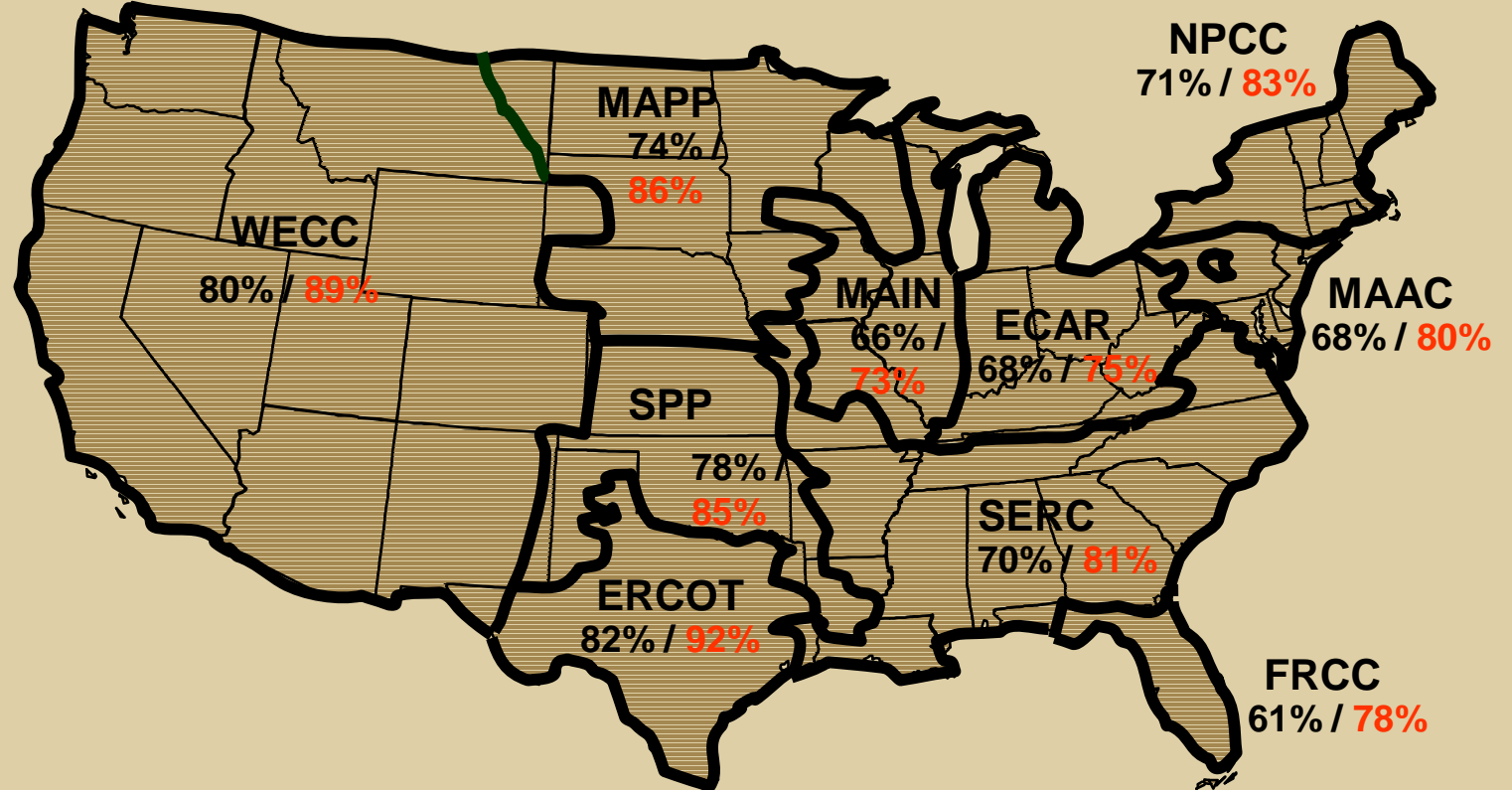




Increased use of coal plants will drive near-term demand

Market Outlook

North American Electric Reliability Council (NERC)



Black = average utilization for 12 mos. ended June 2003

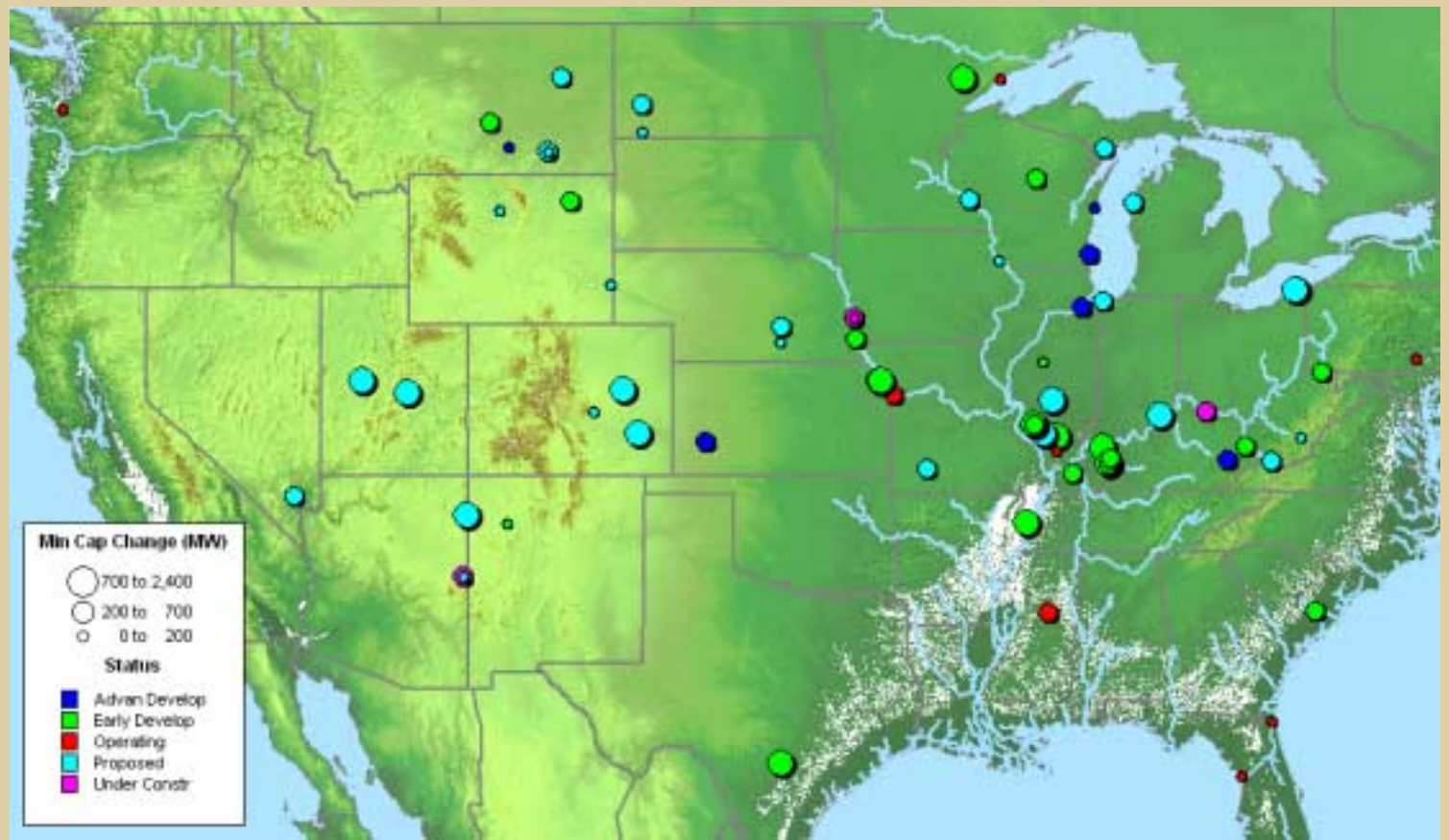
Red = peak utilization for a single month since Jan. 1, 2000





U.S. power generators have announced plans to add significant new capacity

Market Outlook



	Proposed	Early Develop	Advanced Develop	Under Construct.	Operating	TOTAL
Capacity (MW)	26,162	15,851	3,063	1,901	1,517	48,495
Equiv Tons (mmtpy)	92	56	11	7	5	170





International demand for West Virginia coal is rising

Market Outlook

- West Virginia provides 50% of all U.S. coal exports
- China is reducing its exports due to growing internal requirements for both steam and met coal
- Australia is struggling to fill the gap in the Pacific Rim, and South Africa's terminals are operating at capacity
- A rejuvenated global steel industry is driving up the demand for U.S. metallurgical coal
- China's torrid growth has driven up bulk shipping rates, enhancing the competitiveness of U.S. coal into Europe
- Imported volumes into the U.S. Gulf Coast from South America could be constrained in 2004 as European competition for these tons increases



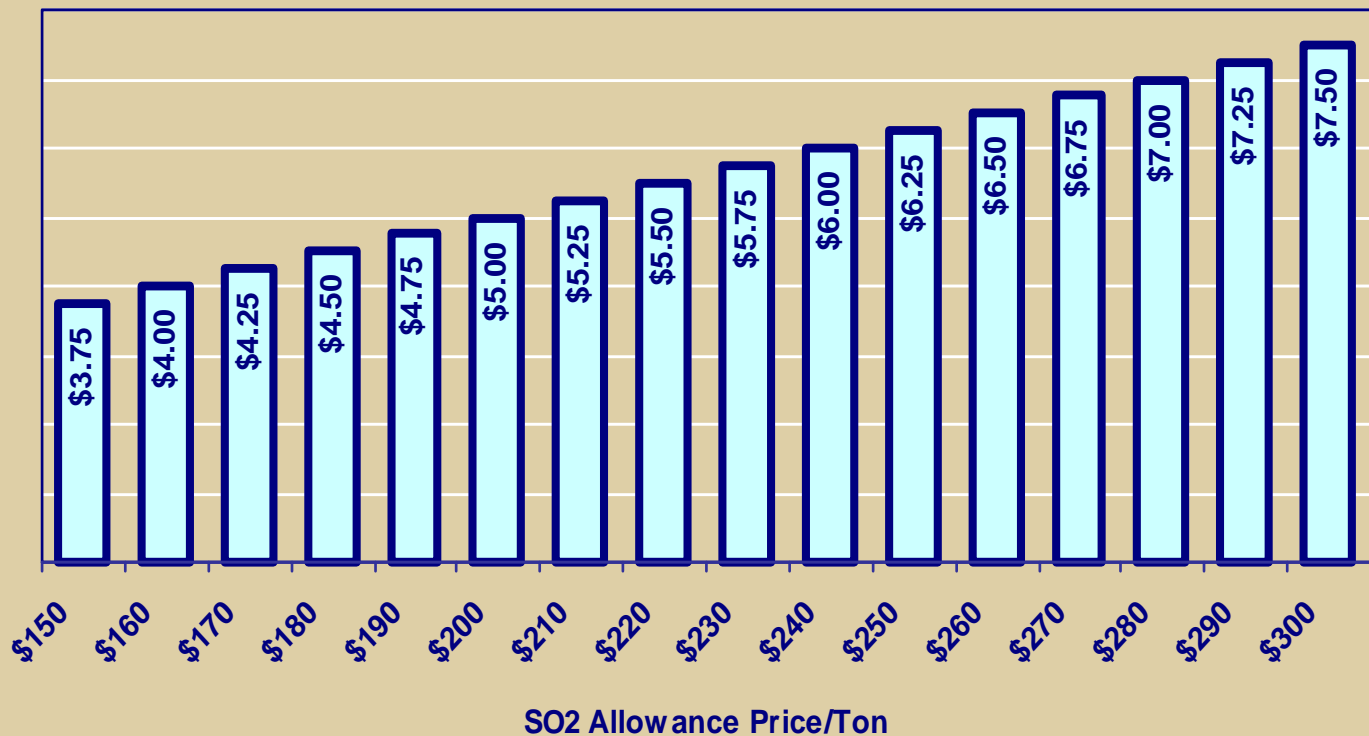


Low-sulfur coal's advantage has increased dramatically

Market Outlook

Emissions allowance prices in U.S. (in \$/ton)

Sulfur content differential for a ton of 12,500 Btu, 1.2 lb. SO₂/mm Btu CAPP coal vs. a ton of 12,500 Btu, 3.2 lb. SO₂/mm Btu NAPP coal

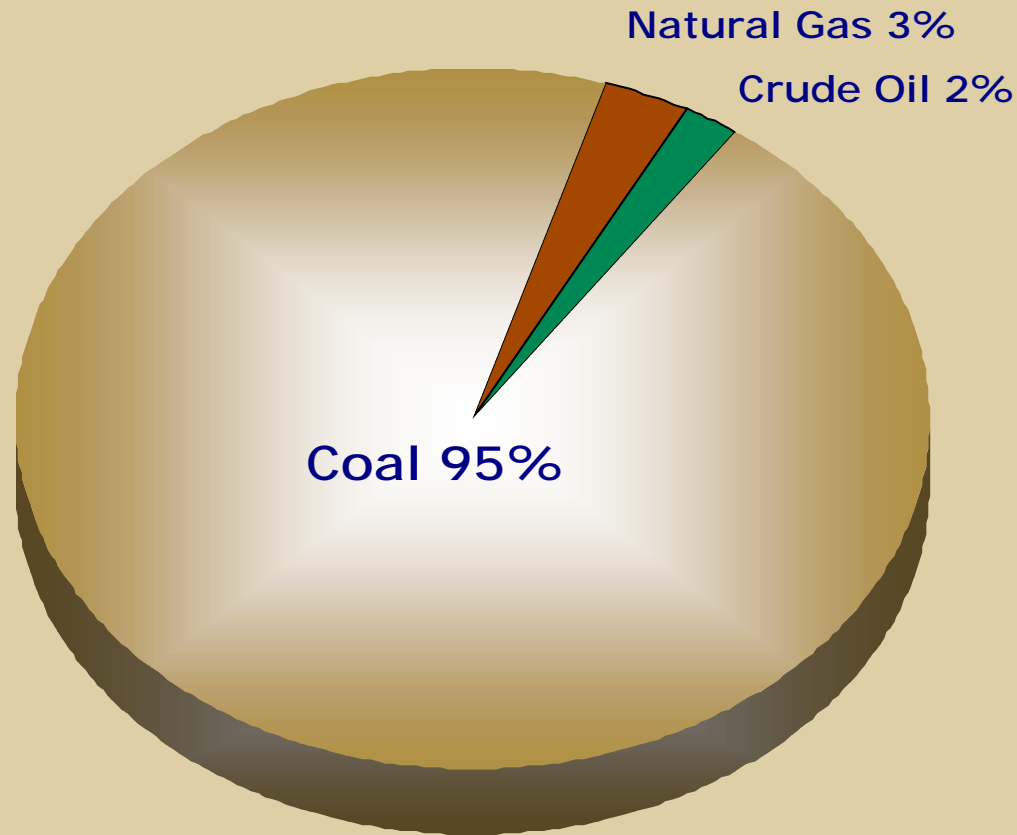




Coal is America's most abundant domestic fuel source

Market Outlook

Coal is the key to greater energy independence in the future

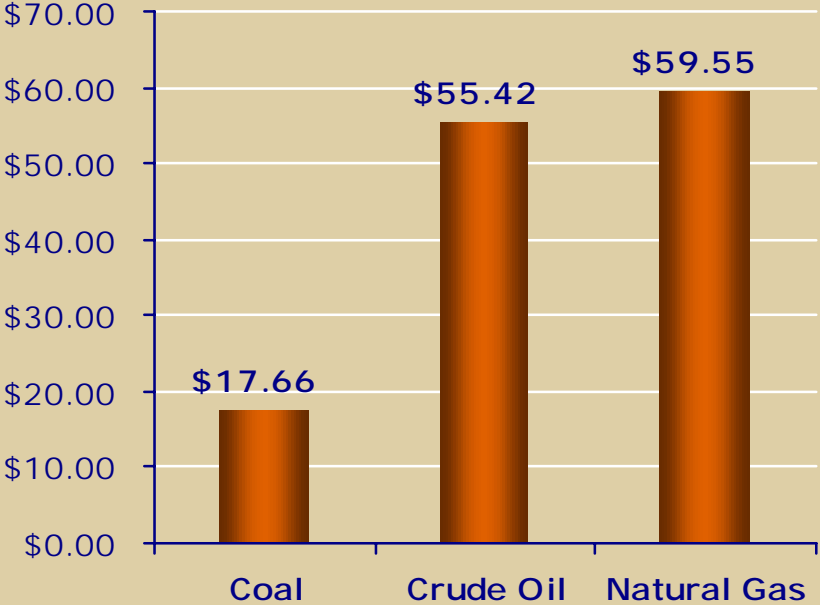




Coal is the lowest cost source of additional electrons

Market Outlook

Average generating cost in 2003, in \$/MWh



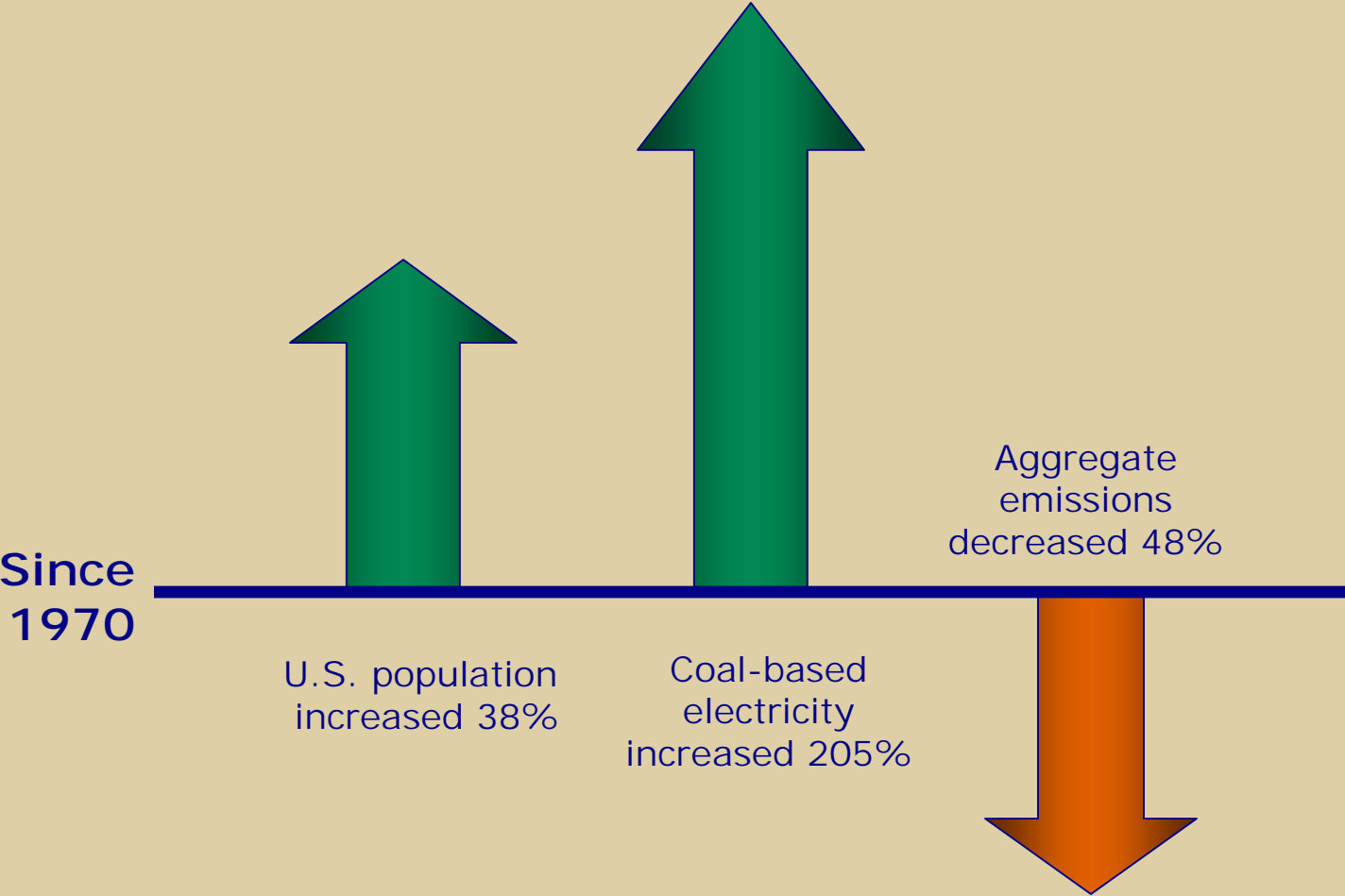
Avg. price of natural gas
2002: \$3.36/mm Btu's
2003: \$5.49/mm Btu's





Coal use is consistent with the nation's environmental objectives

Market Outlook





Coal and the future of West Virginia

Strategy

- Proposed energy legislation supports coal's critical role in America's energy future
- West Virginia has 53 billion tons of recoverable reserves, more than 200 years at today's production rates
- 33 states and 25 countries burn W.Va.'s coal
- A majority of West Virginia's coal reserves meet the requirements of the Clean Air Act without application of expensive scrubbing technology
- West Virginia's location allows the flexibility of rail or barge shipments to service a majority of Eastern and Midwestern utilities





Coal is a sustainable industry that will continue to support West Virginia

Strategy

- West Virginia's coal industry pays over \$1 billion in annual direct wages
- In addition to direct employment, there are an estimated 30,000 additional workers who rely on the mining industry for all or part of their livelihoods
- Average annual coal wage in 2002 was \$53,086, more than twice the state average for all workers
- Personal income tax generates the largest amount of the State's revenue each year (>21%)
- The coal industry and coal-based electricity industry together represent nearly 60% of W.Va. business taxes
- Coal is responsible for \$3.5 billion in gross state product, nearly 13% of its total
- W.Va. benefits from over \$200 million coal severance tax
- Economic contributions from various coal taxes fund essential state programs, including public schools, health and human services and public safety
- Surface mining provides flat land for new economic development opportunities

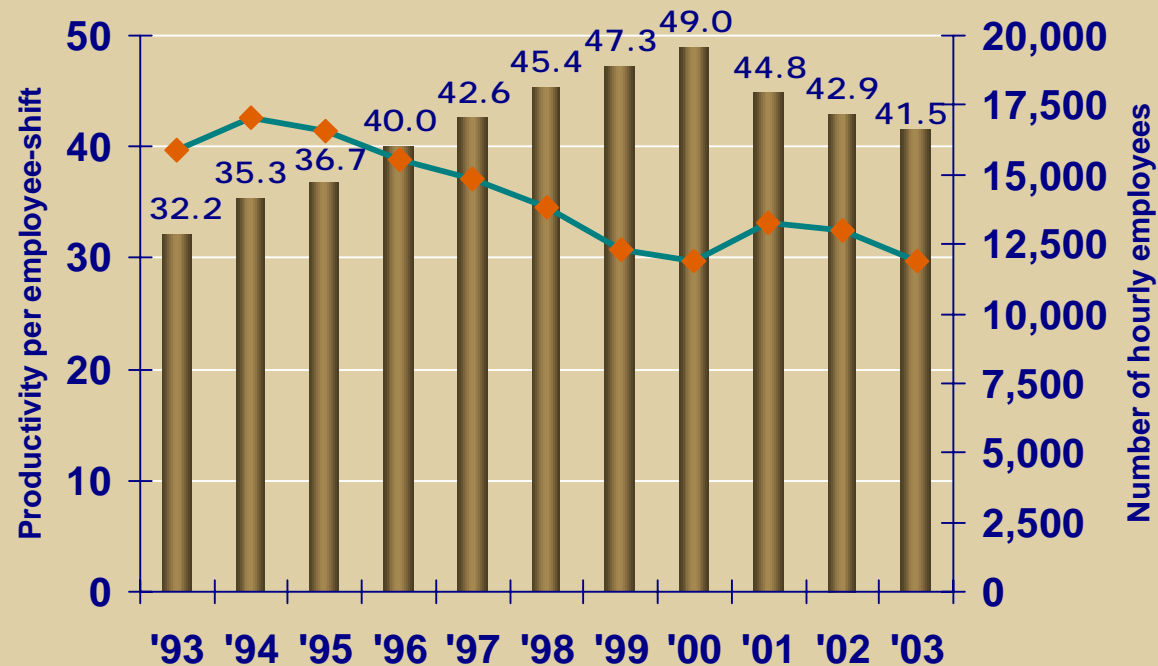




Declining productivity may boost labor needs

Strategy

West Virginia coal industry productivity, employment



- Helped by technological advancements, productivity peaked in 2000
- Gradual reserve degradation requires more manpower to produce same number of tons

Source: Platts, WV Office of Miners' Health Safety & Training

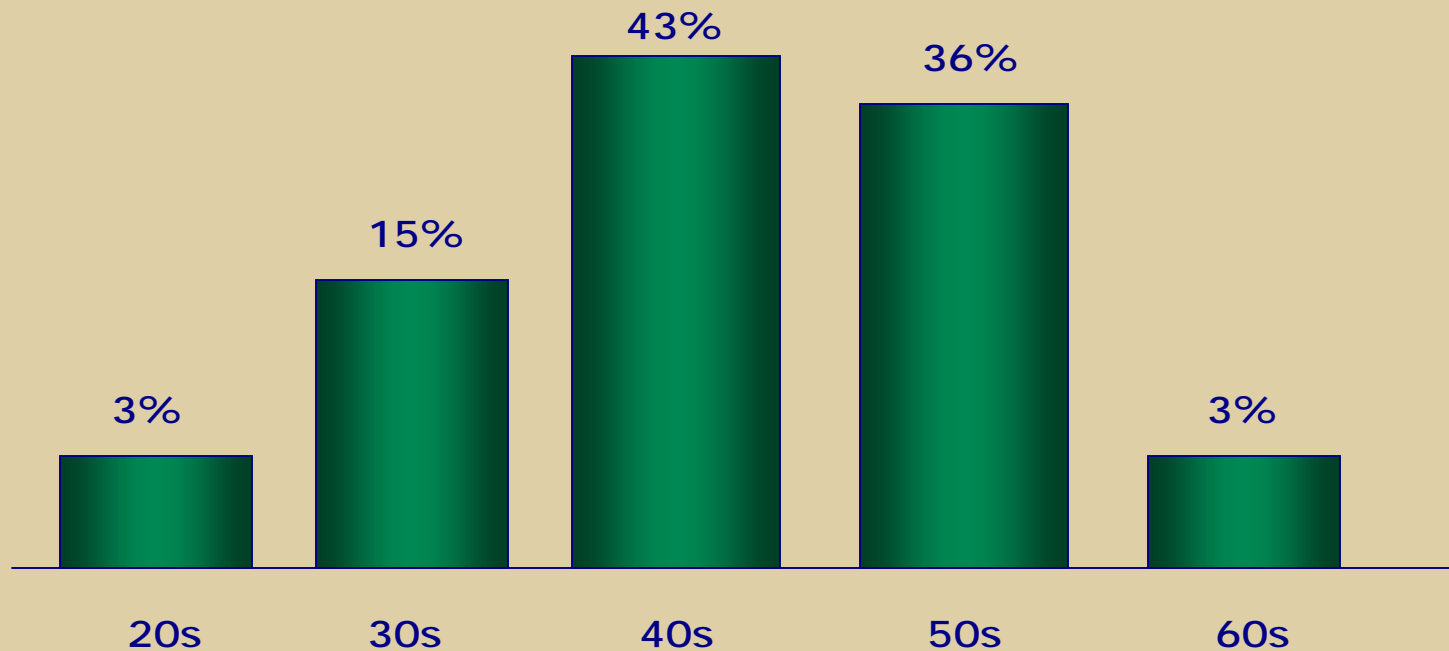




Industry must address serious workforce challenges

Strategy

Age of Arch Coal's WV workforce



- Roughly 80% of Arch's workforce is between the ages of 40-59 years old
- Nearly 40% of Arch's W.Va. coal miners are potentially five years or less from retirement





We must prepare today for tomorrow's workforce requirements

Strategy

- The coal industry will need an infusion of new employees in the near future
- Education and skill requirements are increasing all the time
- Continued emphasis on quality of public school system is crucial
- Need for a new generation of mining engineers
- Trade schools also have an important role to play
 - ✓ Electricians
 - ✓ Mechanics
 - ✓ Equipment operators
- West Virginia coal industry must find ways to attract and retain the younger generations





In summary ...

Conclusion

- The future of coal looks bright
- West Virginia can continue to play a vital role in meeting the nation's energy requirements
- Coal is a sustainable industry that will continue to support West Virginia
- Industry must address serious workforce challenges
- We must prepare today for tomorrow's workforce requirements





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