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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): June 7, 2006 (June 7, 2006)**

**Arch Coal, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation)

1-13105  
(Commission File Number)

43-0921172  
(I.R.S. Employer Identification No.)

CityPlace One  
One CityPlace Drive, Suite 300  
St. Louis, Missouri 63141  
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: (314) 994-2700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

**Item 7.01 Other Events.**

On June 7, 2006, several senior executive officers of Arch Coal, Inc. (the "Company") will be delivering presentations at the Company's 2006 Analyst Day that will include written communications comprised of slides. The slides from the presentations are attached hereto as Exhibit 99.1 and are hereby incorporated by reference.

A copy of the slides will be available at [www.shareholder.com/archcoal/events.cfm](http://www.shareholder.com/archcoal/events.cfm) for 30 days.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

The following exhibits are attached hereto and furnished herewith.

Exhibit No.	Description
99.1	Slides from the presentations at the Arch Coal, Inc. 2006 Analyst Day.

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 7, 2006

Arch Coal, Inc.

By: /s/ Robert J. Messey

Robert J. Messey

Senior Vice President & Chief Financial Officer



## Exhibit Index

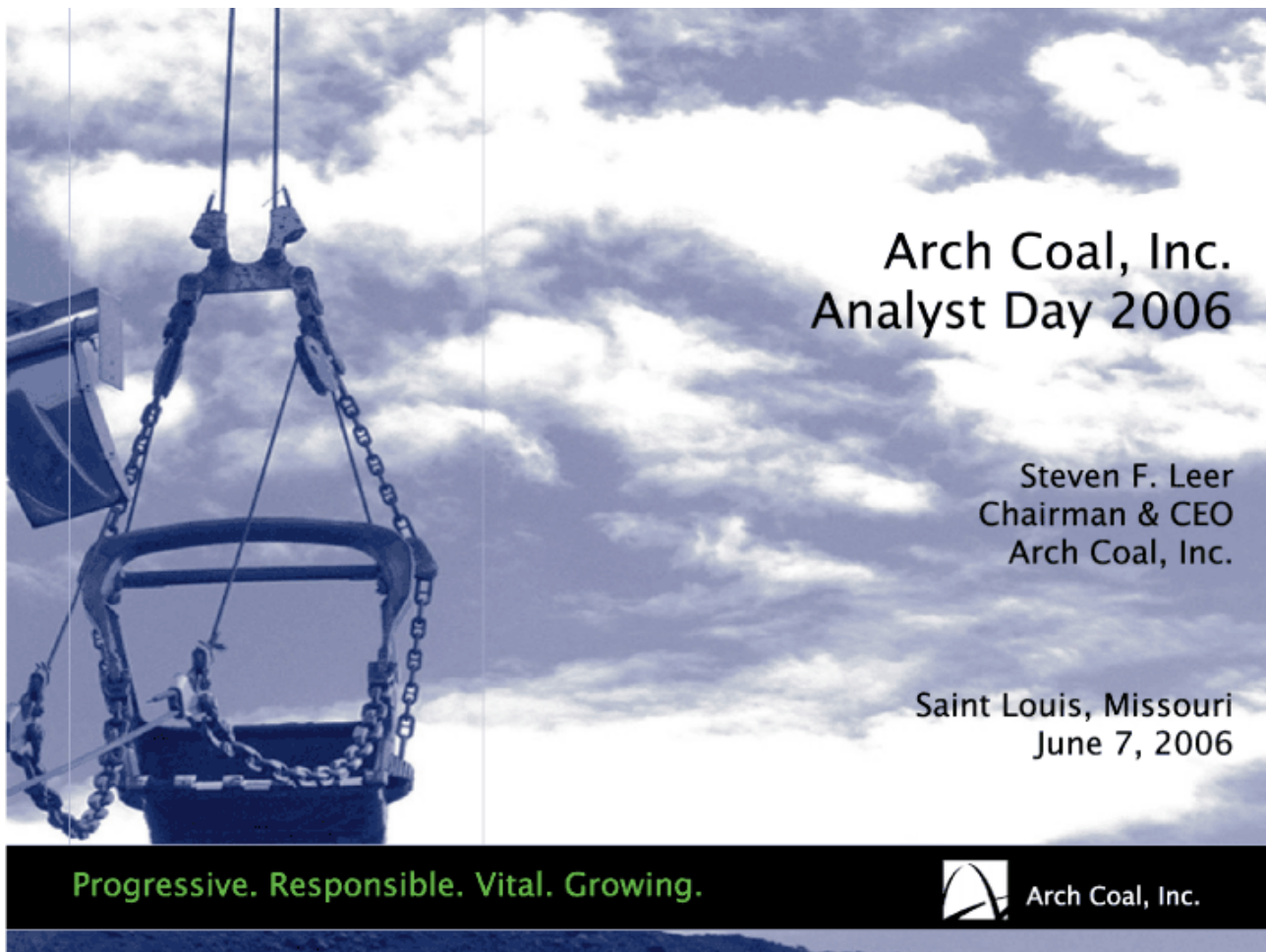
Exhibit  
No.

Description

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99.1

Slides from the presentations at the Arch Coal, Inc. 2006 Analyst Day.



# Arch Coal, Inc. Analyst Day 2006

Steven F. Leer  
Chairman & CEO  
Arch Coal, Inc.

Saint Louis, Missouri  
June 7, 2006

Progressive. Responsible. Vital. Growing.



Arch Coal, Inc.



## Forward-looking information

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This presentation contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for our coal by the domestic electric generation industry; from legislation and regulations relating to the Clean Air Act and other environmental initiatives; from operational, geological, permit, labor and weather-related factors; from fluctuations in the amount of cash we generate from operations; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. For a description of some of the risks and uncertainties that may affect our future results, you should see the risk factors described from time to time in the reports we file with the Securities and Exchange Commission.

Slide 2






## Agenda

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08:00–08:30 a.m.	Steve Leer, Chairman & CEO
08:30–09:00 a.m.	John Eaves, President & COO
09:00–09:25 a.m.	Dave Warnecke, VP–Marketing & Trading
09:25–09:50 a.m.	Break
09:50–10:15 a.m.	Dave Peugh, VP–Business Development
10:15–10:35 a.m.	Bob Messey, Sr. VP & CFO
10:35–11:45 a.m.	Panel Q&A Session

Slide 3





## Arch Coal Today

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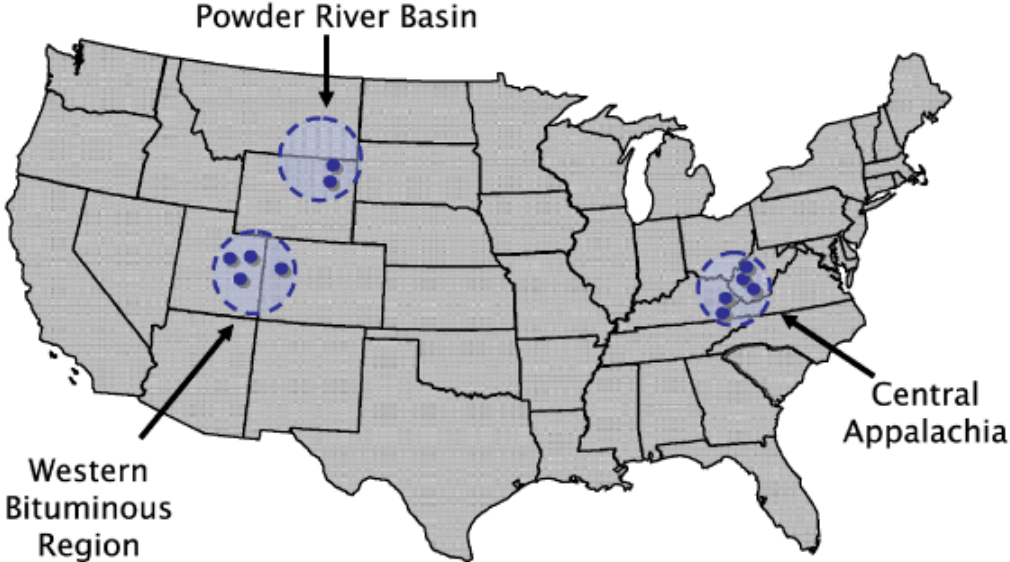
- Second largest coal producer in the U.S. and one of the largest coal producers in the world
- Headquartered in St. Louis, MO, with mining operations and strategic reserves spread across the U.S.
- Core business is providing U.S. power generators with clean-burning, low-sulfur coal for electric generation
  - ▶ *Supplies roughly 12% of U.S. coal needs*
  - ▶ *Provides source fuel for roughly 6% of U.S. electricity*
- Diverse senior management team with breadth of experience both within the coal industry and at Arch and its predecessor companies

Slide 4

Source: ACI

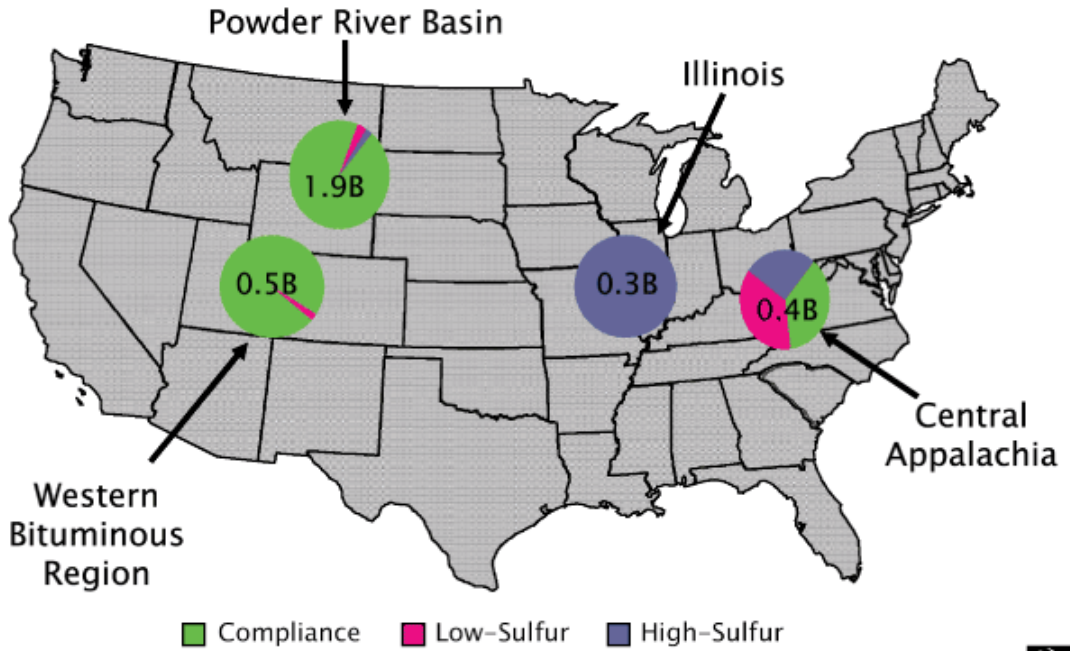


# Arch's national presence encompasses leading positions in the major U.S. low-sulfur basins



# Arch's strategic reserve base is predominately low-sulfur

80% of Arch's 3.1 billion-ton reserve base is compliance quality



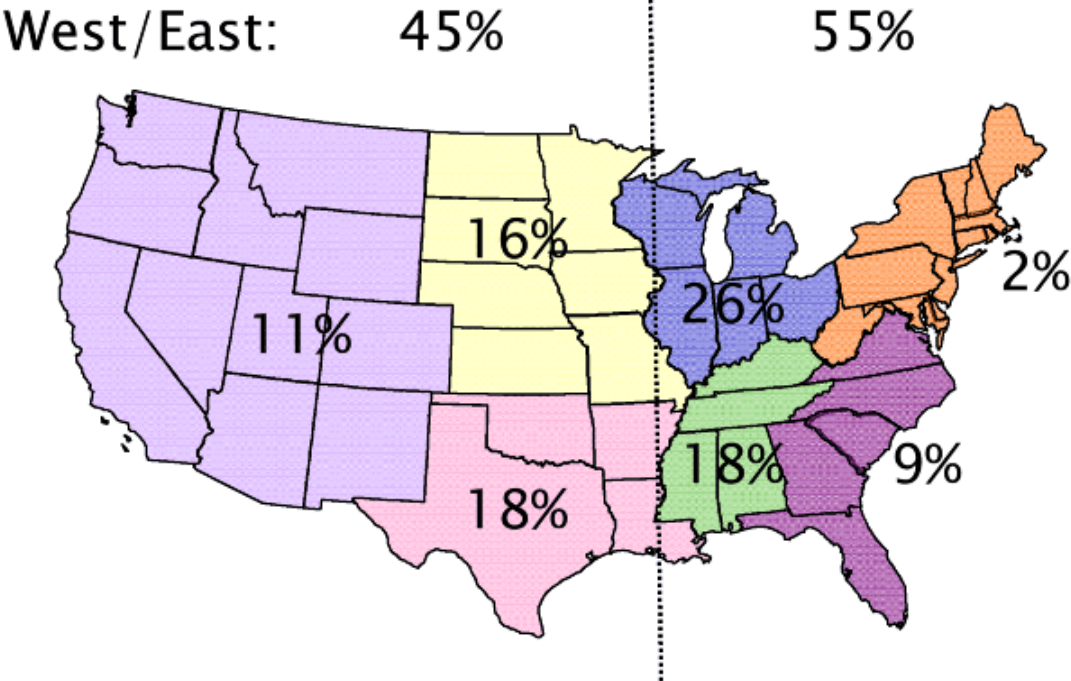
Slide 6

Source: ACI





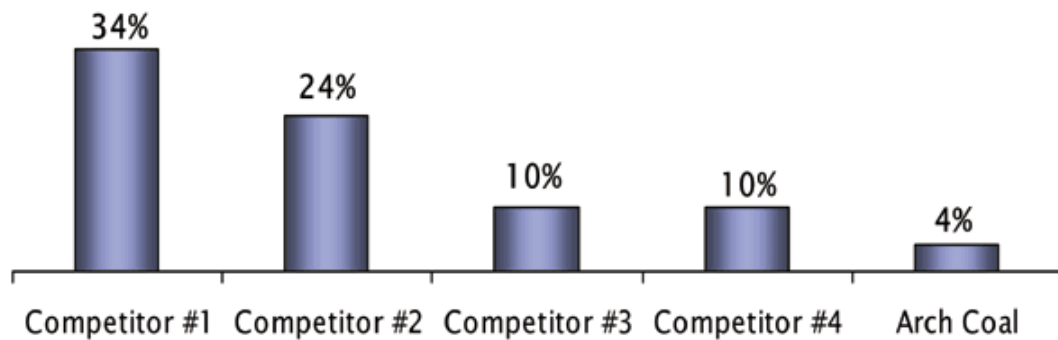
Arch's national operations serve a diversified customer base spanning the U.S.





# Arch has the industry's cleanest balance sheet among major coal producers

Legacy Liabilities as a Percentage of Enterprise Value  
Largest U.S. Coal Companies  
12/31/05



*Enterprise value = market value of equity at 5/31/06 plus book value of debt and preferred less cash*

Slide 8

Source: Bloomberg, SEC filings compiled by ACI



## Arch operates some of the largest and most technologically advanced mines in the world

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- Black Thunder mine in the PRB is the largest mining complex in the world

- Arch was named one of *Business Week's* "Web Smart 50" and *CIO Magazine's* "CIO 100" for the resourceful use of I.T.

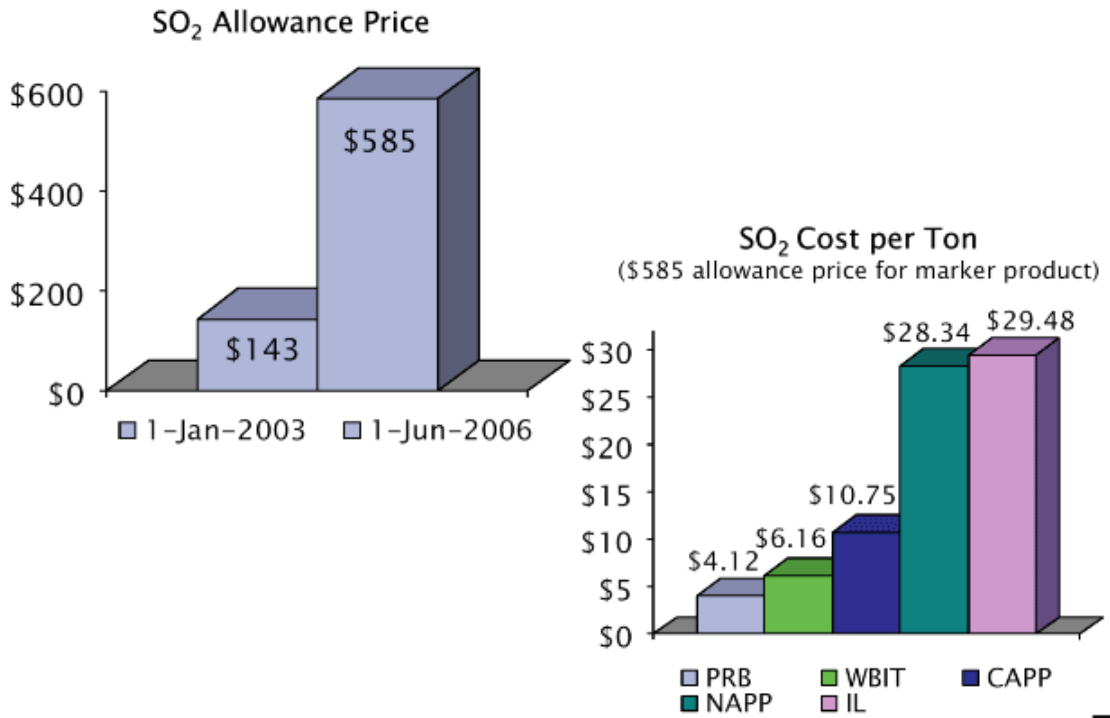


Slide 9

Source: ACI



# Our low-sulfur strategy is paying dividends



Slide 10

Source: Platts, Air Daily, Cantor Fitzgerald, United Market Price Index & ACI calculations





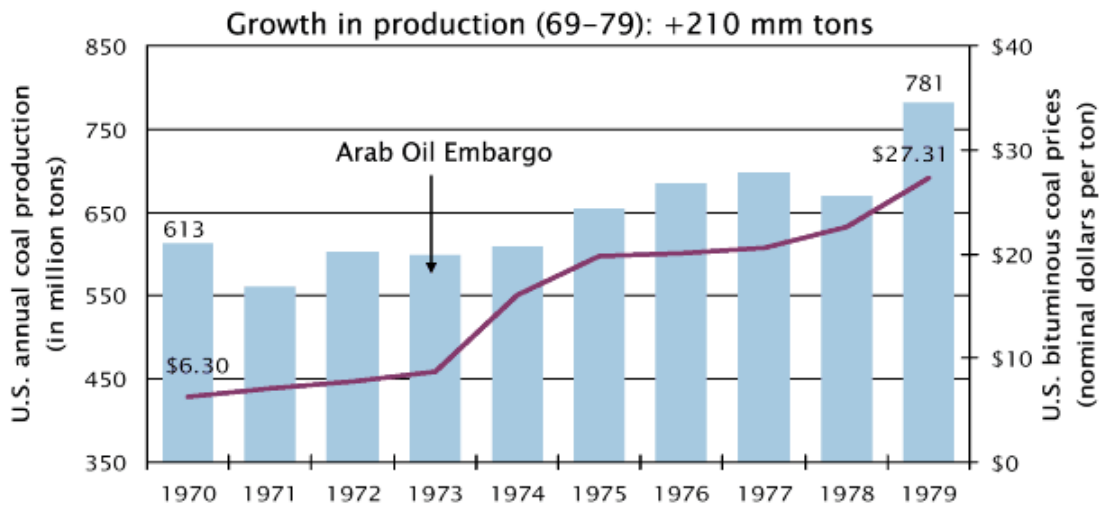
# Fundamental Changes in U.S. Coal Industry

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## Energy crisis in 1970s led to higher coal prices but set the stage for excess capacity



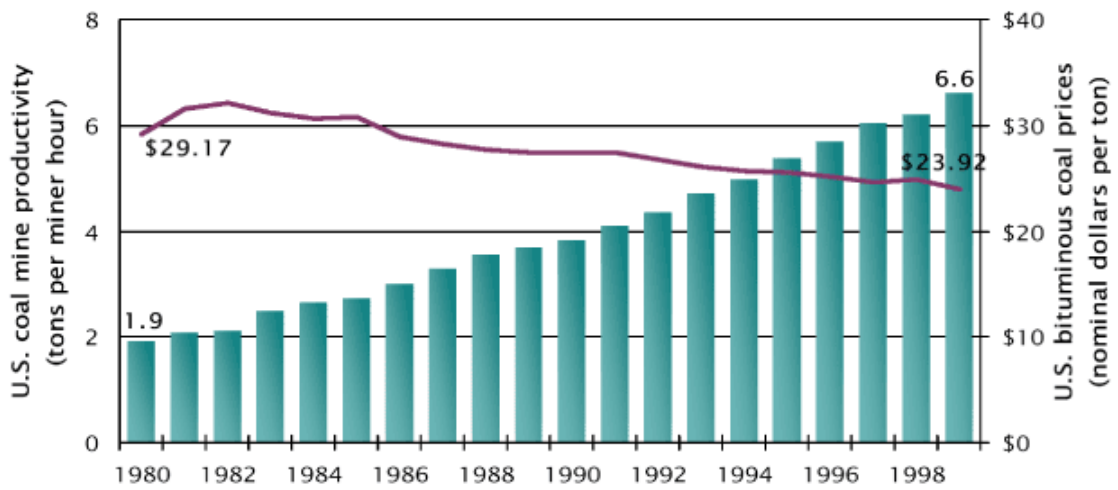
- U.S. search for energy independence led to a significant investment in the coal industry by oil companies

- ▶ *Coal prices rise but oil companies begin to reinvest profits into significant coal production capacity, creating a surplus of supply*



# Productivity gains and high-priced contracts fueled incremental production in '80s and '90s

Mine productivity increased over threefold from 1980 to 1999



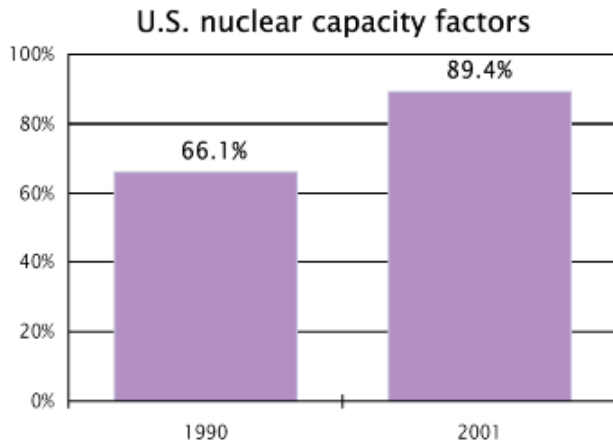
- Productivity gains and deployment of larger equipment exacerbate the demand-supply imbalance
- In addition, high-priced contracts with escalators subsidize marginal production

Slide 13

Source: EIA & EEI



## Coal enters a “last man standing” phase during 1990s



### Competing Fuels

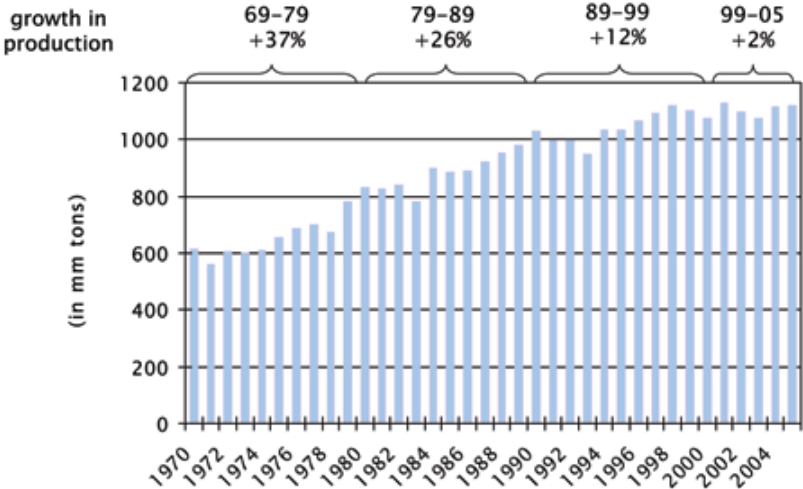
- Utilization of nuclear system increases significantly
- Also, gas “bubble” of 1990s and increasingly stringent environmental regulations push utilities towards natural gas for new capacity

- 
- Overproduction in coal continues to create adverse market conditions
    - ▶ *Only the strongest coal companies survive*
    - ▶ *Consolidation increases as firms begin exiting industry*
    - ▶ *Production rationalization begins*





# Decades in the trough for the U.S. coal industry has laid foundation for current cycle

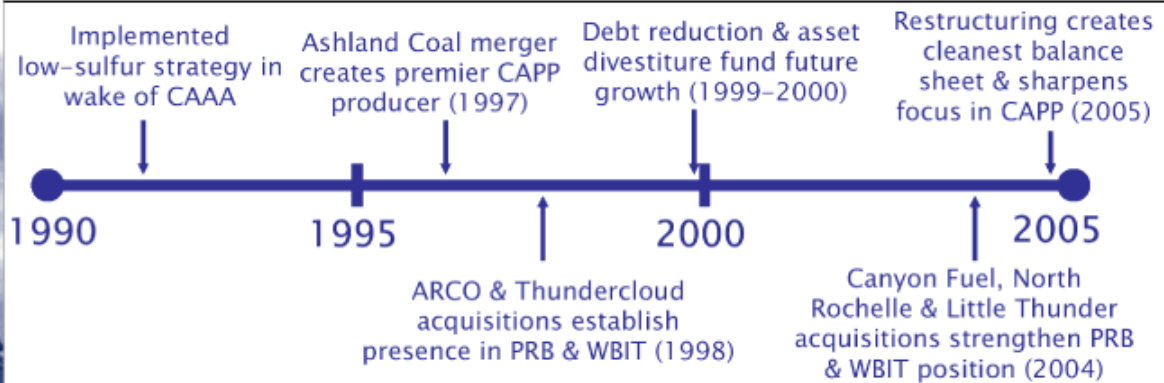


■ Changes in structure of the U.S. and world markets suggest a sustained upswing in coal markets





## Arch was hard at work during those dark and difficult days of the coal cycle



### ■ While other coal companies exited, Arch doubled down

- ▶ *By acquiring assets in the trough, Arch was able to aggregate some of the industry's best assets*
- ▶ *Focus on low-sulfur properties proved prescient*
- ▶ *Arch was extraordinarily well-positioned as the cycle turned*





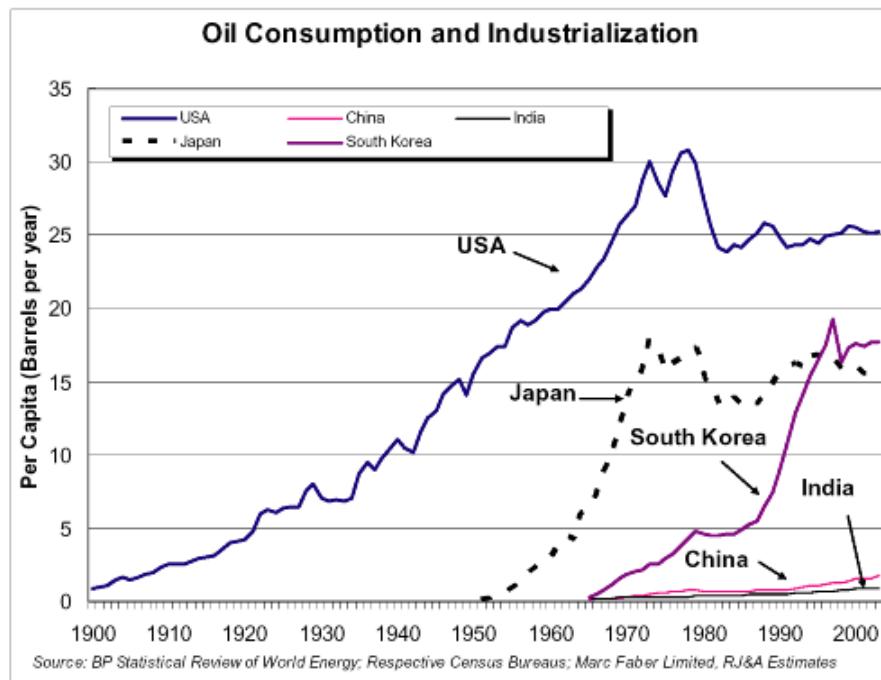
# Future of U.S. Coal Industry

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# Economic growth around the world is putting pressure on energy markets

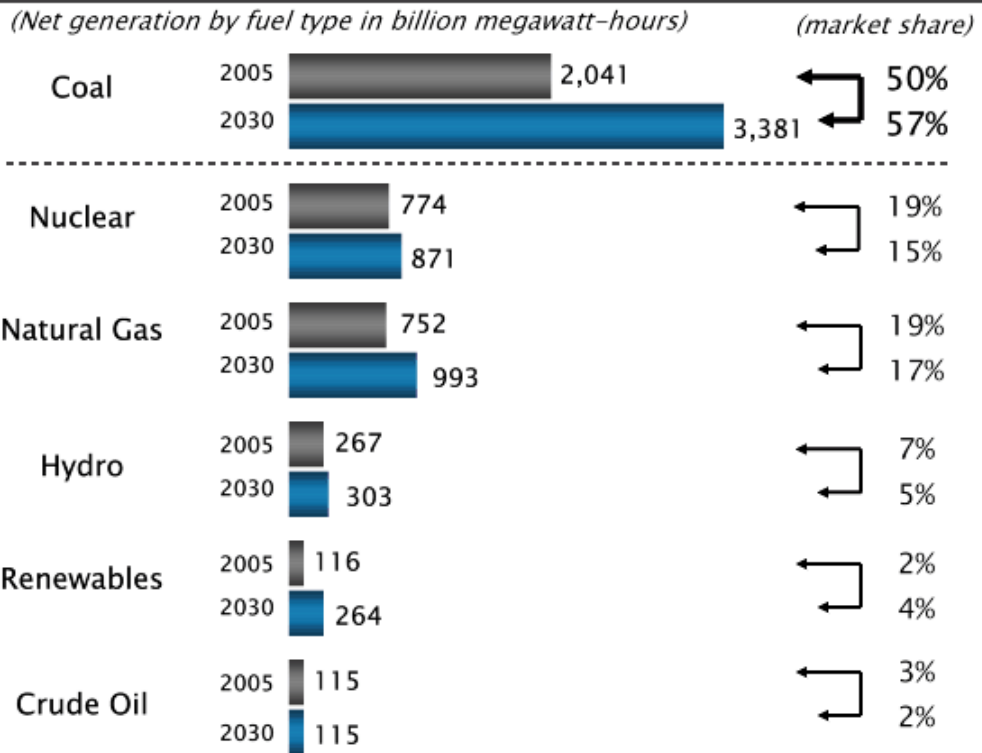


Slide 18

Source: Raymond James




# Coal will fuel most new electricity demand over the next 25 years



Slide 19

Source: EIA





Demand is evolving by boosting coal use in traditional markets and opening new markets

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## **Increase Utilization at Existing Power Plants**

Potential to increase capacity utilization at existing plants

## **Build New Coal-Fueled Capacity**

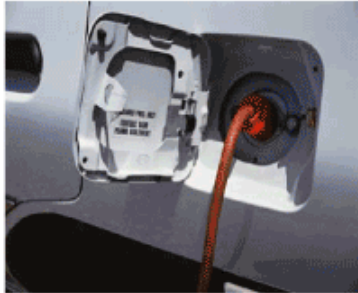
Announced plans to build 90GW of coal-fueled capacity in U.S.

## **Btu-Conversion Technologies**

Converting coal into natural gas or a transportation fuel can open new markets



## Entering transportation markets can transform the energy space



- A plug-in hybrid is one entry for coal into the transportation market

- ▶ *Base load generation can increase by filling in troughs during off-peak demand hours*

- Coal can be converted into an ultra-low-sulfur diesel fuel

- ▶ *At current oil prices, a coal to liquids facility is economically feasible*

- Gasification can transform coal into a pipeline-quality natural gas

- ▶ *IGCC & CCS should enable coal to prosper in a carbon constrained world*

Public policy initiatives aimed at domestic energy security are leading to energy legislation and financial incentives for clean coal technology development.

Slide 21

Source: ACI








# Future of Arch Coal

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## Key factors that favor coal for future value creation

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- Other fossil fuels provide a reference point for coal prices
  - ▶ *Highest priced coal is less than half the price of natural gas and one-fifth the price of oil on a mm/Btu basis*
- Majority of oil and natural gas reserves in the world are located in areas of political instability
  - ▶ *Coal may displace oil and natural gas since its reserves, located primarily in the U.S., provide domestic energy security*
- Perceived value of a Btu is climbing
  - ▶ *Reserves not used in current production are often overlooked in the valuation of coal companies*
  - ▶ *Participation potential in game-changing new technologies yet to be factored in*

Slide 23

Source: ACI








## Arch has potential to generate significant free cash flow in the near future

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- Vast majority of Arch's production resets to market-based pricing over the next three years
- Plowing capital back into business is already under way
  - ▶ *Pursuing number of organic growth projects expected to result in an incremental 23 mm tons per year by 2007 annualized*
  - ▶ *Unique opportunities due to low capital requirements, strategic location of reserves and attractive geology*
- Careful growth through acquisition is possible, if and when the right opportunities arise
- Participation in emerging technologies allows Arch to expand market for its coal





## Arch is focused on creating shareholder value

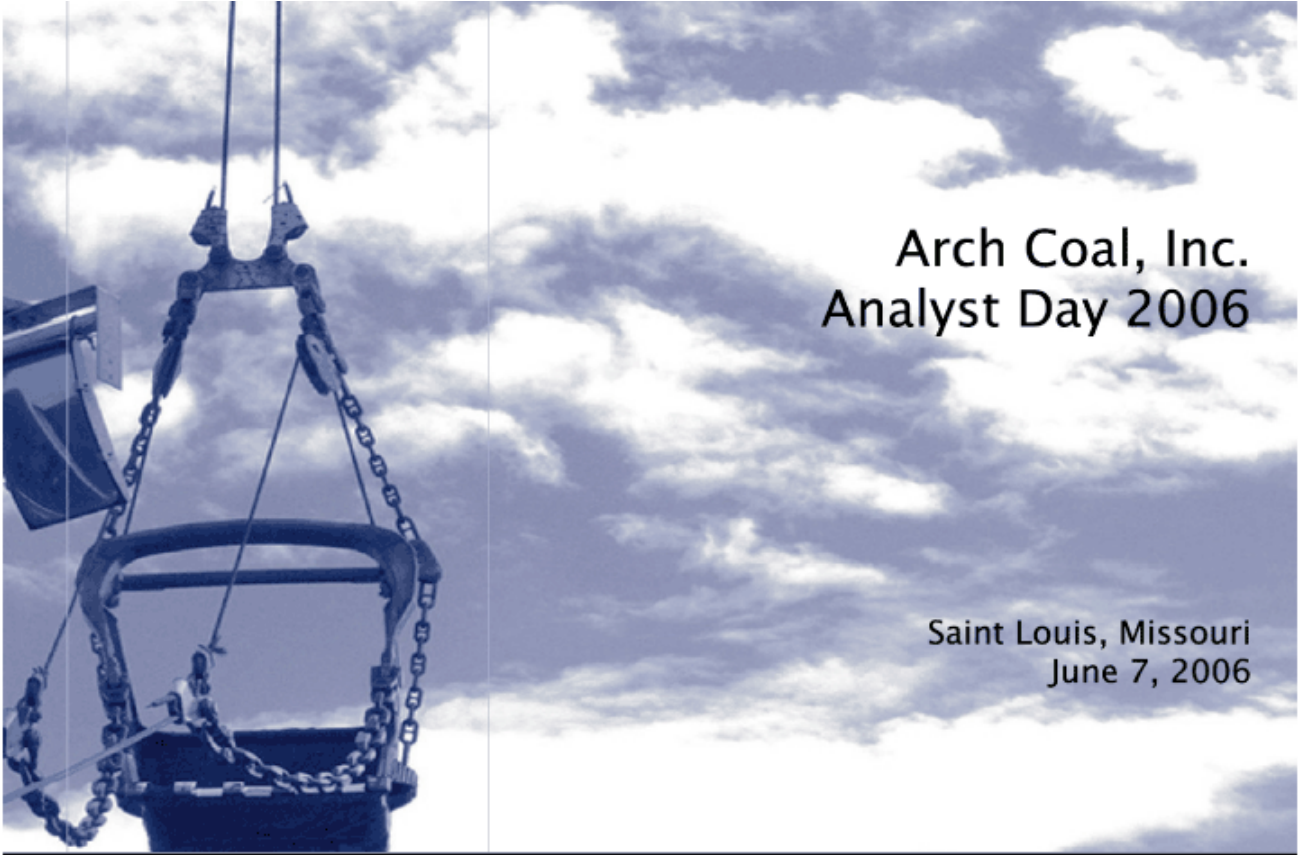
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- We will do the right thing ... which is to identify the most profitable way to put capital back to work
- We will continue to build our future on the three pillars of safety, environmental stewardship and productivity
- We have built this advantageous position through the dark days of the previous cycle and are now poised to deliver superior returns to our shareholders



Slide 25






Arch Coal, Inc.  
Analyst Day 2006

Saint Louis, Missouri  
June 7, 2006

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# Arch Coal, Inc. Analyst Day 2006


John W. Eaves  
President & COO  
Arch Coal, Inc.

Saint Louis, Missouri  
June 7, 2006

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## Our long-term success hinges on three crucial areas of employee performance

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- Operating the world's safest coal mines
- Acting as highly responsible stewards of the land and good corporate citizens
- Achieving superior financial results:
  - ▶ Achieving industry-leading rates of productivity
  - ▶ Identifying continuous improvements and cost control initiatives
  - ▶ Serving the growing needs of our utility and industrial customers

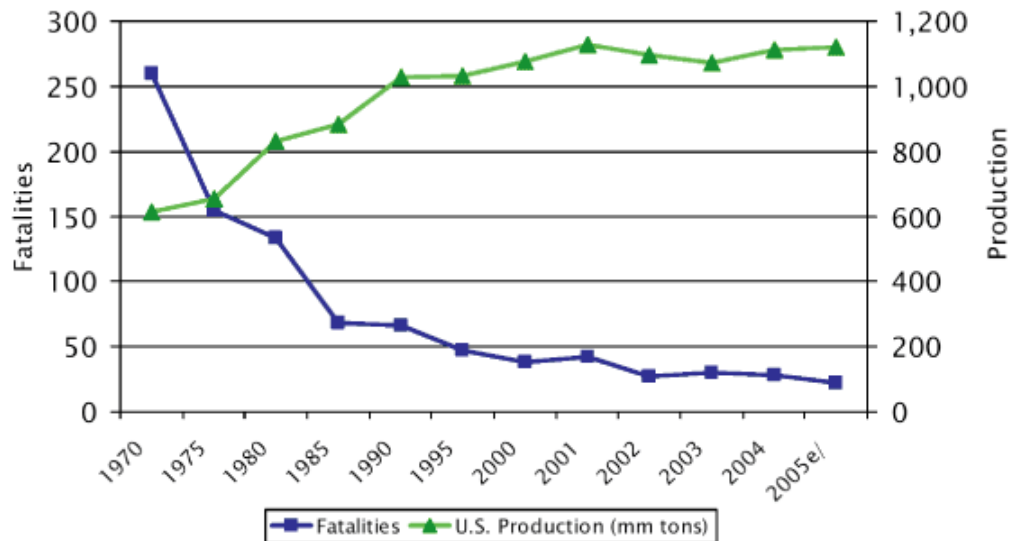
Slide 2

Source: ACI



# The safety trend is positive, but recent events underscore the need for continued diligence

U.S. Coal Mine Safety and Production Trends



Slide 3

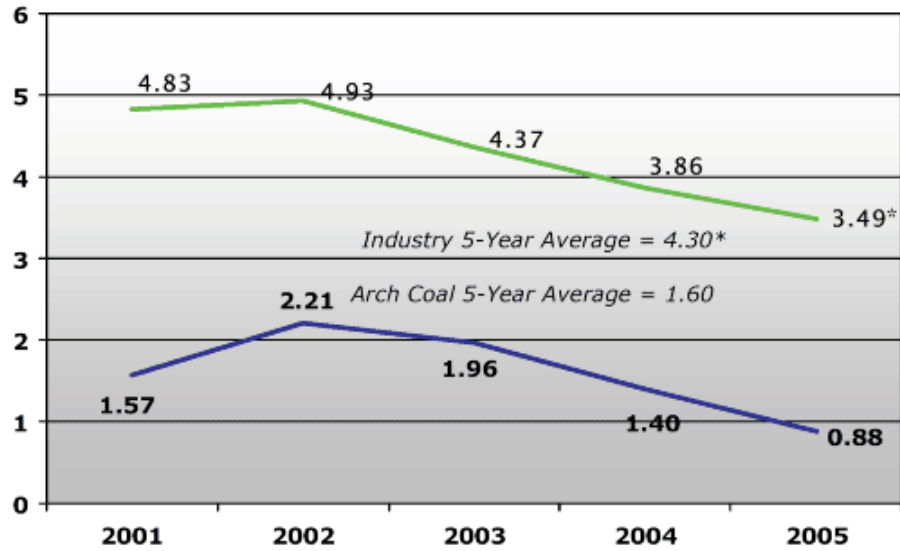
Source: Mine Safety & Health Administration





# Arch is focused on operating the industry's safest mines

Accident Rates  
Ranked by Lost-Time Incidents  
Per 200,000 employee-hours worked



Slide 4

\*MSHA Mine Injury and Worktime Quarterly Statistics



## As a leader in mine safety, our practices often go above-and-beyond the law



- Arch's subsidiaries routinely over-comply with MSHA regulations, including:
  - ▶ *Extra caches of SCSRs*
  - ▶ *Lifelines*
  - ▶ *PED communication systems*
  - ▶ *Mine rescue teams*
- We're sharing our expertise with industry and Congress
- We're considering additional measures
  - ▶ *Refuge chambers*
  - ▶ *Test site for new communications*

Slide 5

Source: ACI





## Arch is a demonstrated leader in environmental performance, stewardship

- Arch earns 2005 and 2004 U.S. Department of Interior "Director's Award," the nation's top reclamation honor
- Arch earns U.S. Department of the Interior "National Good Neighbor Award" in 2004
- Earned 25 state and national awards in past five years, most recently:
  - ▶ Subsidiaries earned West Virginia's top reclamation award for past four years
  - ▶ West Elk earns Pollution Prevention Award, Conservation Award and Outstanding Contemporaneous Reclamation Award in 2005 & 2006
  - ▶ Coal-Mac awarded 2006 "Excellence in Public Service"



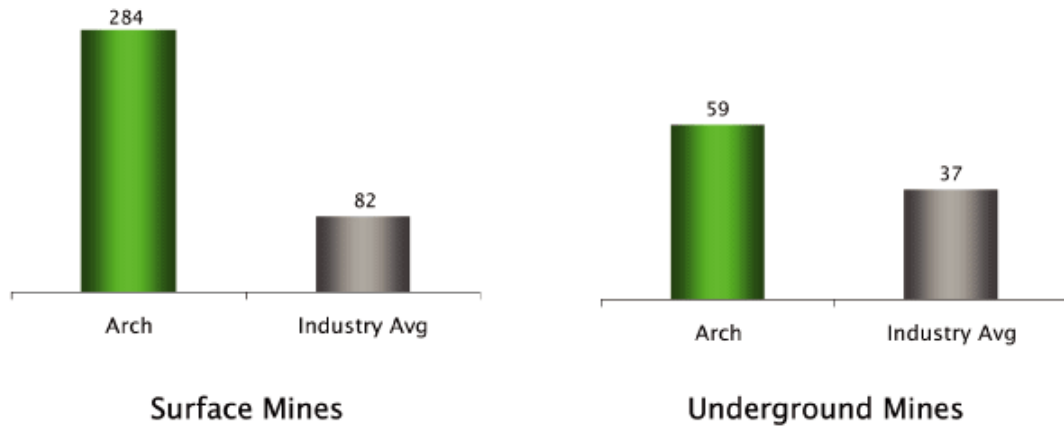
Slide 6

Source: ACI



## A skilled workforce, favorable reserves and the application of new technologies keep productivity strong

2005 U.S. Productivity in Tons Per Employee-Shift



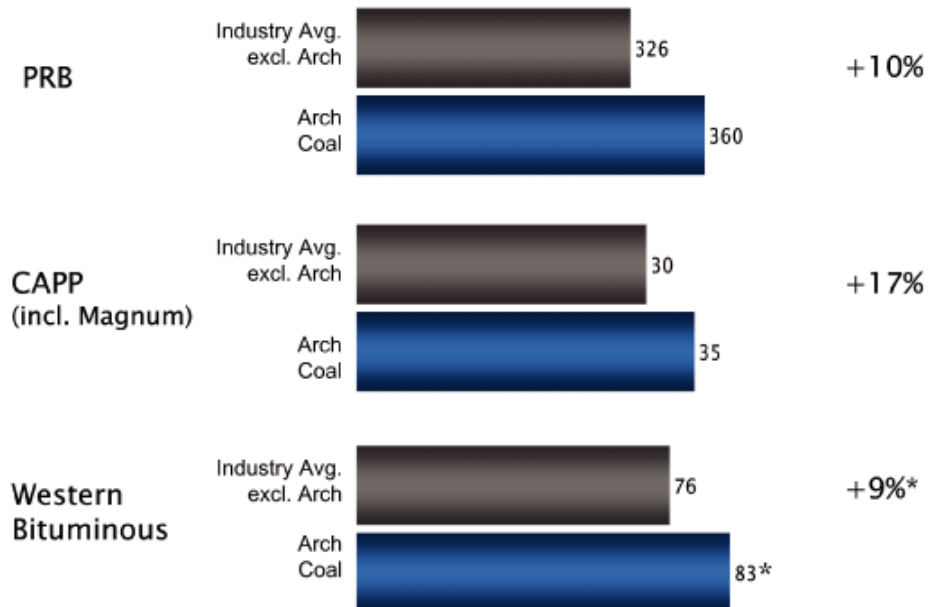
Slide 7

Source: MSHA/Platts




# Arch's large, modern mines are among the industry's most productive

2005 Productivity in tons per employee–shift



\*Arch impacted by West Elk mine shutdown in 4Q05





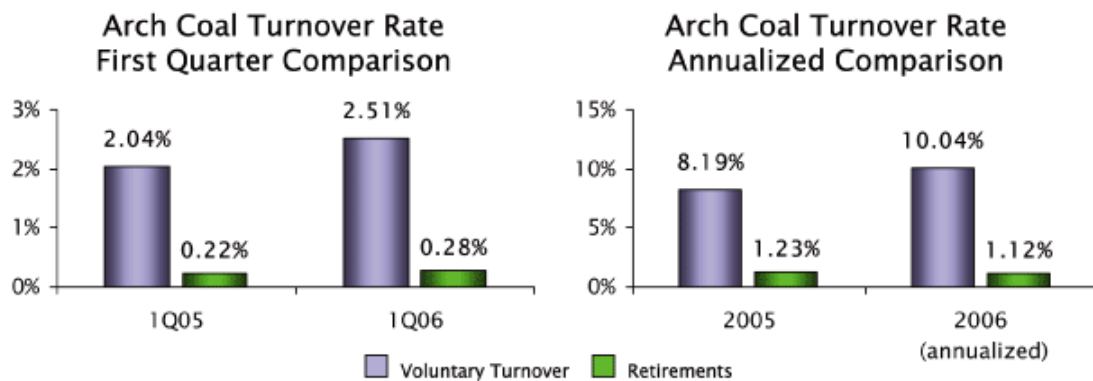
## Miners have incentives to maintain safe, productive and low-cost operations

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- Each mine has site-specific targets, such as:
  - ▶ *Safety performance*
  - ▶ *Production rate*
  - ▶ *Cost per ton*
- Incentive compensation payouts every month or quarter
- The Arch Coal President's Awards given annually to operations for outstanding environmental or safety performance



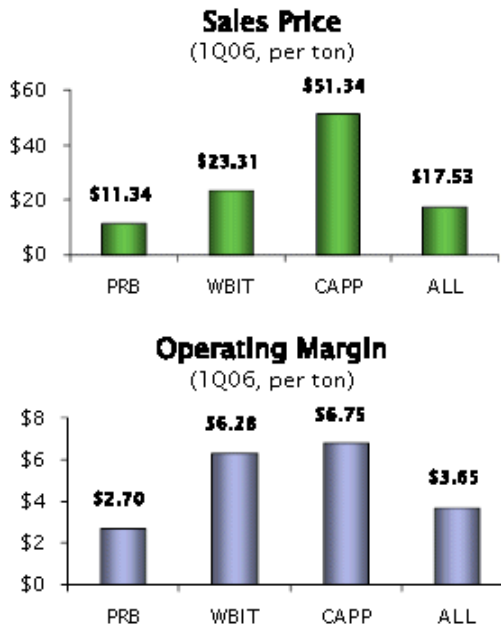
## We're refining our approach to attracting and retaining industry's best employees



- We continue to remain focused on attracting and retaining quality employees, even in a tough employment market
- Arch Coal's breadth of jobs, advancement opportunities and our progressive culture give us an edge



## The strong performance by our operating regions reflects years of strategic planning



- Old contracts continue to roll-off
- New contracts negotiated in favorable market conditions
- Managing costs effectively
- Margins expanding

Slide 11

"All" (Consolidated) includes corporate, eliminations and other

Source: ACI







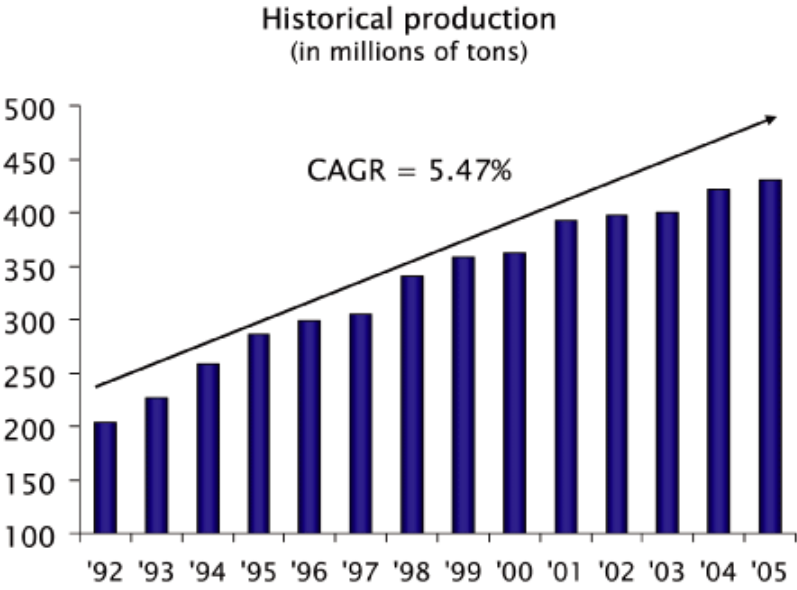
# Powder River Basin

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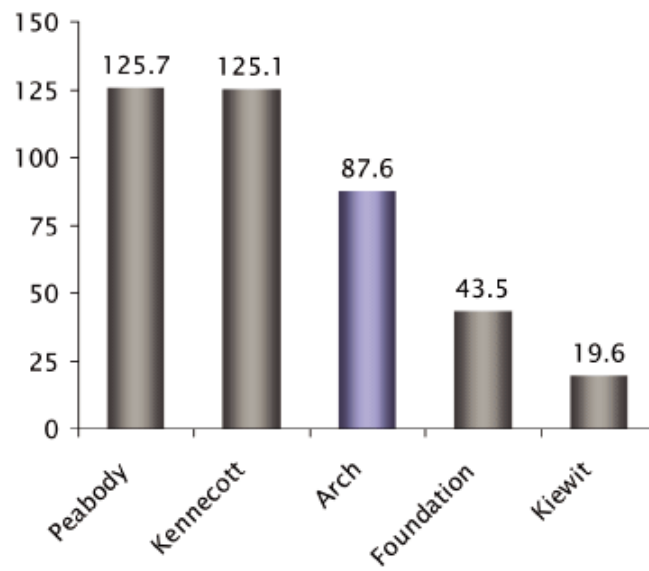
# The Powder River Basin is the nation's largest and fastest growing supply region





## Arch Coal is a top three producer in the Powder River Basin

Major Producers in Powder River Basin  
(2005, mm tons)

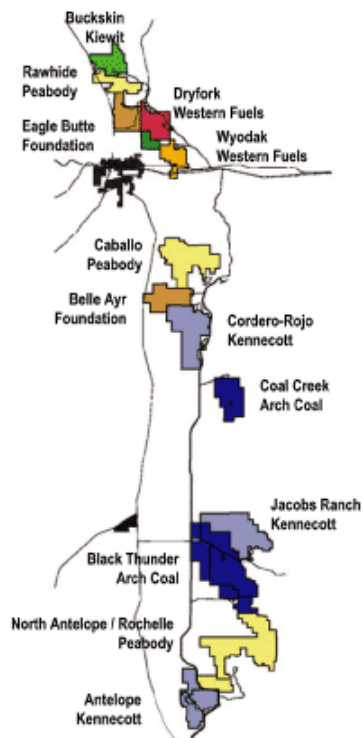


Slide 14

Sources: ACI, Platts



## Arch Coal's position in the Powder River Basin is growing



■ Two surface mines located on joint rail line

- ▶ *Black Thunder*  
87.6mm tons in 2005
- ▶ *Coal Creek*  
Restarting in 2006  
Targeting 15mm TPY

Source: ACI



## Black Thunder is world's largest coal mine

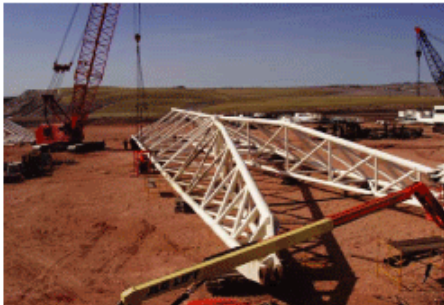
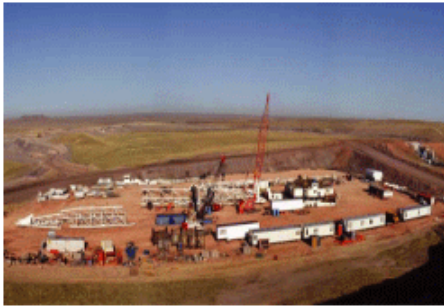


### Black Thunder

- Five draglines, 13 shovels, 71 haul trucks
- GPS-enabled dispatch system
- Workforce totals 950
- 1.5 billion tons of reserves
- Sold south loadout to Peabody for \$84.6 million with plan to build new, state-of-the-art facility in more strategic location by 2008
  - ▶ *Arch has exclusive use of south loadout and rail spur through 9/30/08*



## Coal Creek expands Arch's operations in the Powder River Basin



### Coal Creek

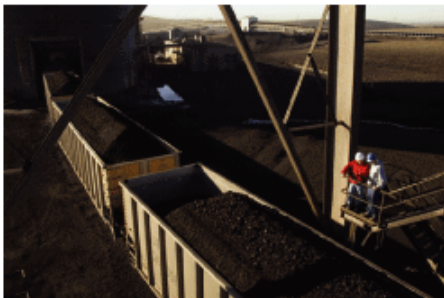
- Restarting; Test shipments commenced in May
- 236 million tons of low-sulfur reserves
- Exceptional geology
  - ▶ *Only 50 mm tons of coal mined at site since opened in 1982*
  - ▶ *Initial stripping ratios of less than 2:1*
- Investing \$50 million to reopen
  - ▶ *Includes relocating, upgrading and erecting dragline*
  - ▶ *Other equipment*

Slide 17

Source: ACI



## Railroad performance is expected to improve over time



- Western rails have doubled in joint line capacity since 1992
- Plan to add nearly 75 miles of third and fourth main line tracks to the PRB joint line by 2008
- These expansions are projected to increase joint line capacity by 75 million tons
- Third main track being added on 18-mile section of joint line adjacent to Black Thunder
- CANAC has been retained to recommend how to take joint line to 490 mm tons of capacity

Slide 18

Source: ACI & Public Sources







# Western Bituminous Region

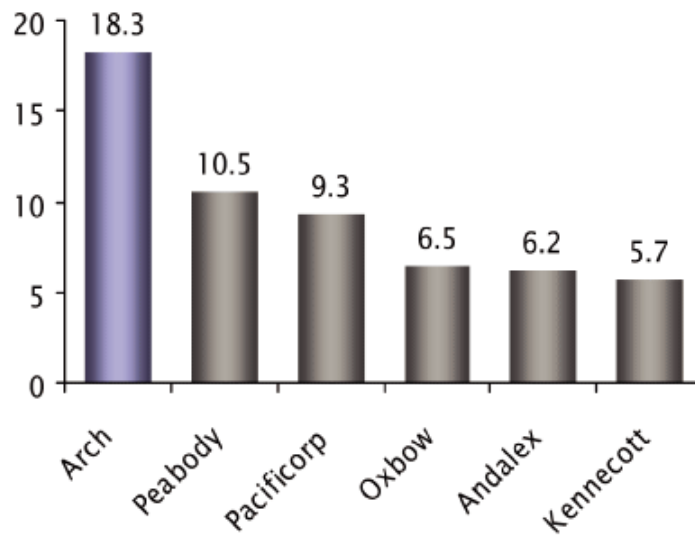
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## Arch Coal is the leading coal producer in the Western Bituminous Region

Major Producers in Western Bituminous Region  
(2005, in mm tons)



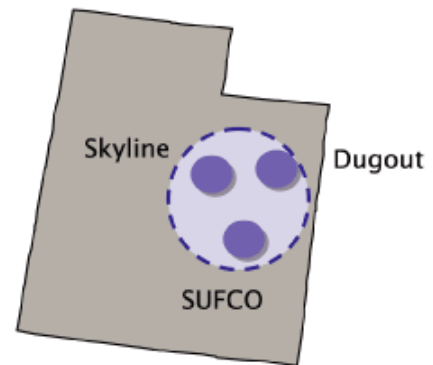
Slide 20

Source: ACI



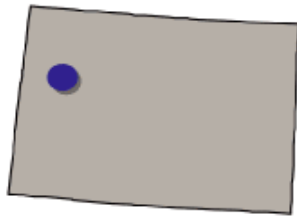
# Arch Coal operates three highly productive longwall mines in Utah

- Reserve base of 145 mm tons
- Coal quality = 11,700 Btu/lb. and 0.9# SO<sub>2</sub>
- SUFCO
  - ▶ 7.5 mm tons (2005)
  - ▶ One of most productive mines in WBIT
  - ▶ Longwall supported by 2 continuous miners
  - ▶ Workforce of 330 people
- Dugout Canyon
  - ▶ 4.9 mm tons (2005)
  - ▶ Longwall mine supported by 2 continuous miners
  - ▶ Workforce of 230 people
- Skyline Complex
  - ▶ Projected 3 mm tons
  - ▶ Longwall started May 2006
  - ▶ One of few remaining longwall reserves in region
  - ▶ One of few Utah mines located on rail line
  - ▶ Workforce of 180 people





## West Elk mine in Colorado is back on track



- Reserve base of 130 mm tons
- 11,900 Btu/lb. and 1.0# SO<sub>2</sub>
- Highly productive longwall supported by 3 continuous miners
- Served by Union Pacific rail system
- Workforce of 400 employees





# Central Appalachia

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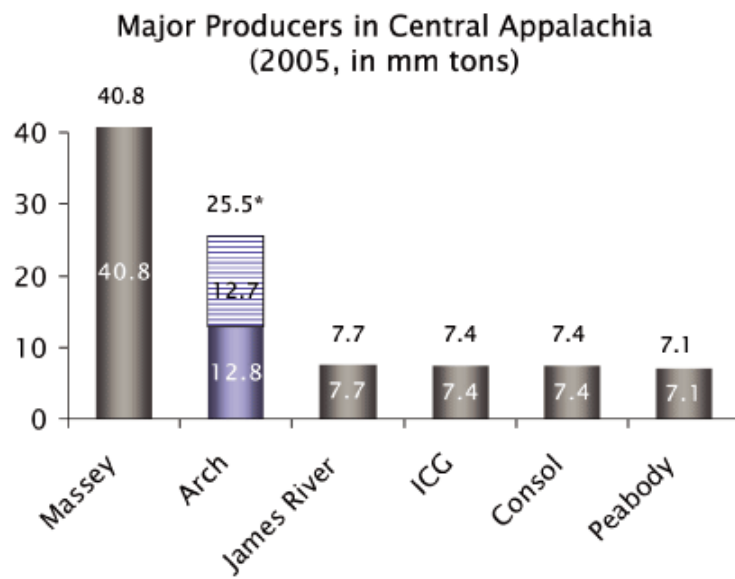
## Arch has sharpened its focus in Central Appalachia



- Focusing on assets with a significant competitive advantage
  - ▶ *Superior geology*
  - ▶ *High-quality coal*
  - ▶ *Low cost structure*
- Taking a more selective and focused approach
- Dramatically reduced legacy liabilities and attendant costs




## Even after disposition, Arch is one of the largest producers in CAPP



\*Arch sold select CAPP assets to Magnum Coal. These tons are reflected in stripes.





## Our CAPP operations are located in West Virginia, Virginia and Kentucky

---

### ■ Coal-Mac

- ▶ *3.2 mm tons (2005)*
- ▶ *Low-cost surface operation with excellent geology*
- ▶ *Excavator added in 2Q06*
- ▶ *Steam coal*
- ▶ *Located on CSX and NS rail systems*

### ■ Cumberland River/Pardee

- ▶ *2.3 mm tons (2005)*
- ▶ *Surface and deep (continuous miners)*
- ▶ *Flexibility to ship met or steam*
- ▶ *Located on NS system*

### ■ Lone Mountain

- ▶ *2.6 mm tons (2005)*
- ▶ *Continuous miner operation*
- ▶ *Flexibility to ship met or steam*
- ▶ *Located on NS and CSX rail*

### ■ Mingo Logan

- ▶ *4.7 mm tons (2005)*
- ▶ *Longwall mine*
- ▶ *Located on NS*
- ▶ *Flexibility to ship met or steam*

### ■ Mountain Laurel



## Mountain Laurel complex expected to be cornerstone of Arch's CAPP operations



- Mountain Laurel Complex
  - ▶ *Can be sold met or steam*
  - ▶ *Projected 8 million TPY*
- Located on CSX system
- Mountaineer II longwall mine
  - ▶ *Continuous miner commenced earlier this year*
  - ▶ *Longwall to begin operation in second half of 2007*
- Cardinal preparation plant and loadout facility
  - ▶ *Prep plant began processing coal in May*
  - ▶ *Loadout online in July*
- Spruce No. 1 surface mine
  - ▶ *Permitting continues*

Slide 27

Source: ACI








# Achieving Superior Financial Results

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## We continue to seek new and inventive ways to drive down costs at all our mines

---

- Intensifying process improvement efforts and extending best practices across all operations
- Shifted focus from optimizing production to optimizing margins
  - ▶ *Efforts showed with improved margins in all regions in first quarter 2006*
- Applying advanced technologies where true returns are possible
- Central purchasing creates stronger buying power and leverages preferred status among vendors



## Equipment reliability delivers consistent productivity at Arch Coal

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- Predictive maintenance saved more than \$5 million in 2005
- In 2006, expanding on predictive techniques and improving maintenance planning, scheduling, reporting and analysis
- Maintenance Engineer added to each mining complex
- Examples of predictive maintenance initiatives include:
  - ▶ *Infrared Thermography*
  - ▶ *Vibration Analysis*

Slide 30

Source: ACI





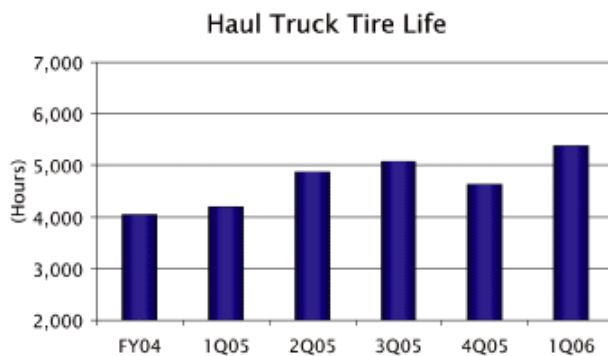
## Process improvement initiatives are increasing margins and profitability

---

- Dedicated “Process Improvement Director” assigned to each mining complex
- Identify 3–5 projects per year per location with high degree of achievability and ROI
- Examples of process improvement initiatives include:
  - ▶ *Developing Prep Plant Best Practices*
  - ▶ *Improved Conveyor Run-Time*
  - ▶ *Extending Tire Life*




## Tire life is just one example of a very successful process improvement initiative



- Through the combined efforts of maintenance and operations, we've improved tire life by 32% so far
- Savings estimated at \$3 million for 2004-2005
- Our goal is to reach 7,000 hours per tire by continuing our efforts in tire and road maintenance and training





## Operational strategy for achieving superior value for our stakeholders

---

- Strengthen low-cost position in core basins by driving down costs through process improvement and predictive maintenance initiatives
- Maintain and improve upon already strong safety and environmental performance
- Continue to pursue profitable growth in core basins through organic growth, reserve additions and strategic acquisitions
- Capitalize on Arch's strong reserve position, modern mines and innovative workforce





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Analyst Day 2006

Saint Louis, Missouri  
June 7, 2006

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# Arch Coal, Inc. Analyst Day 2006

David N. Warnecke  
Vice President, Marketing and Trading  
Arch Coal, Inc.


Saint Louis, Missouri  
June 7, 2006

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# Agenda

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- U.S. Coal Market Overview
- U.S. Coal Pricing Update
- Overview of Low-Sulfur Basins in which Arch operates
- Arch's Current Market Position

Slide 2





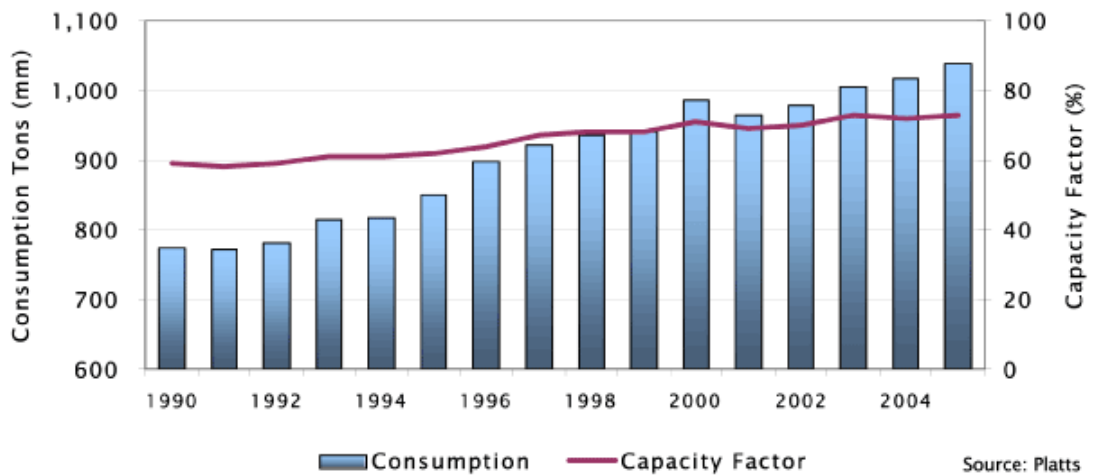
# U.S. Coal Market Overview

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## Demand continues to grow at existing plants

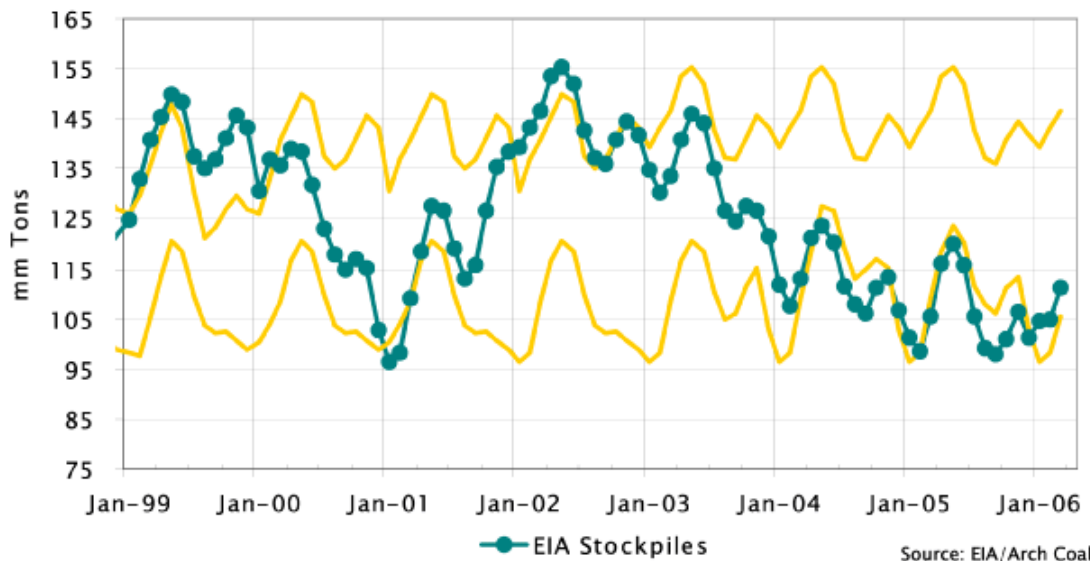


- Demand for coal for power generation continues to grow
- Excess capacity at existing plants represents lowest cost incremental MWhr for power generators
  - ▶ Coal-based plants operated at 73% capacity factor average in 2005
  - ▶ Over 95MW of installed coal-based generating capacity (~30% of U.S. coal capacity) operated in excess of 80% capacity factor in 2005

Slide 4



## Utility stockpile levels may need to increase further

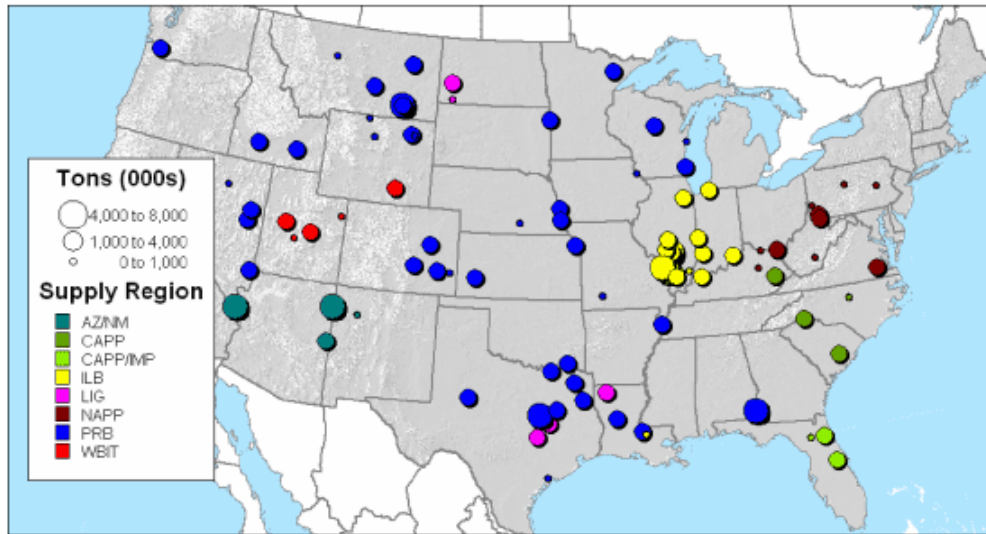


- Utilities may desire to build stocks in advance of the expiration of the UMWA/BCOA labor agreement
- Utilities may be targeting higher stock levels going forward

Slide 5



## New coal plants are on the horizon



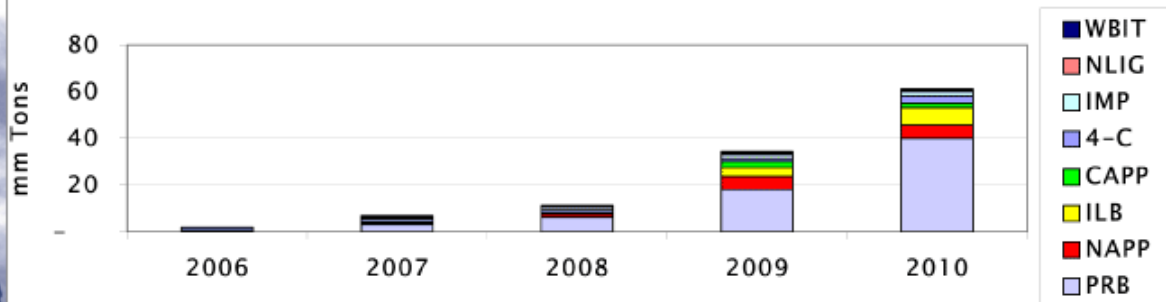
Source: Platts/ACI

- New coal-fueled power plants coming on-line
- Largest number of plants located in high-growth regions and will likely be fueled with PRB coal

Slide 6



## New coal-based generation expected to come online by 2010



Source: Platts/ACI

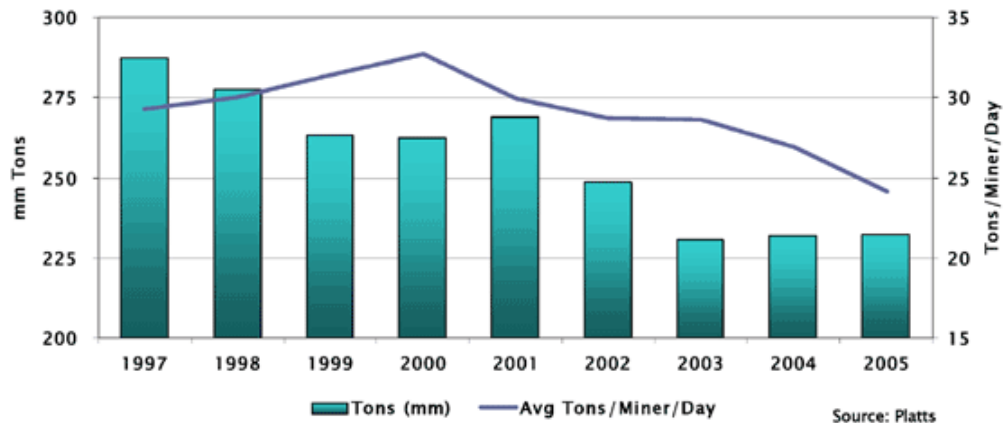
- Current coal-fired capacity is approximately 310GW
- Approximately 90GW of new coal-based generation has been announced, equating to over 300 mm tons of new coal demand
- Arch believes that over 20GW of new capacity will be constructed by 2010 (enough to consume over 65 mm tons)
  - ▶ *We expect most of these plants to consume PRB coal*

Slide 7





## CAPP production has been on the decline

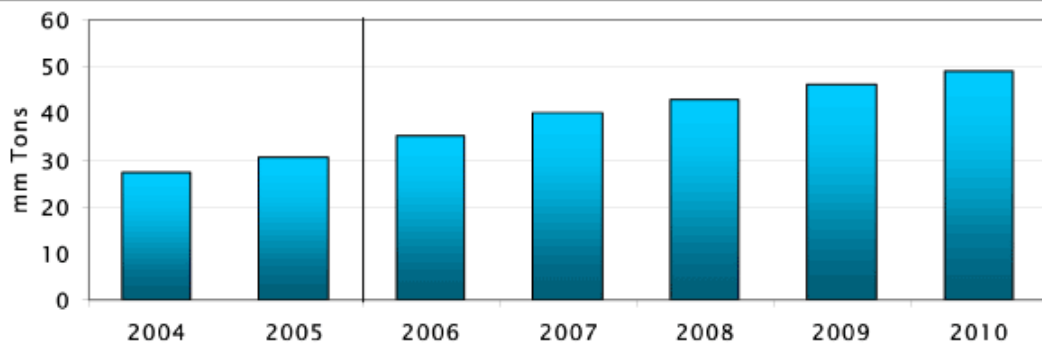


- Central Appalachian production has declined by 18% since 1997
  - ▶ Reserve degradation, permitting, labor
- While prices for this coal remain at historical highs, production decrease will continue

Slide 8



## Imports can grow, but challenges remain



Source: Hill & Assoc

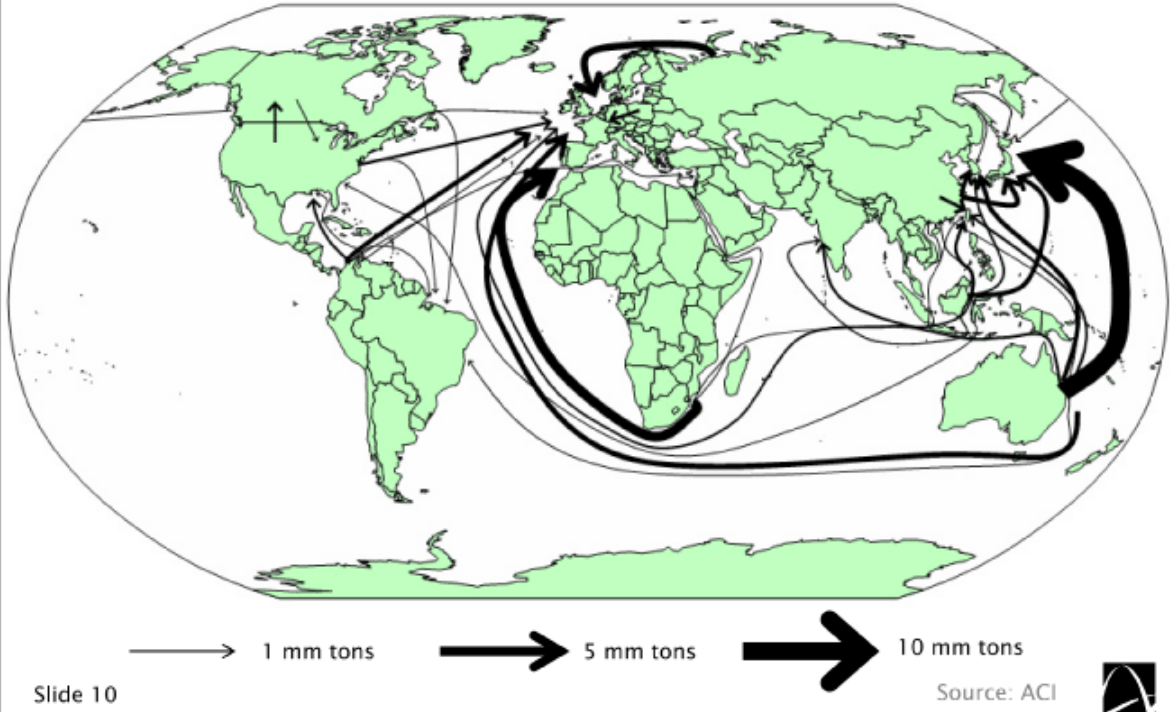
- Imports are increasing, however in small increments
  - ▶ *Imported coal represents less than 3% of U.S. coal supply*
- Colombian labor strike highlights risk of seaborne coal dependence
- Port expansions are on-going, however rail infrastructure improvements to handle this volume are behind
- Current spot price of Colombian coal is \$53/mt (CIF Colombia)
  - ▶ *Delivered to U.S. Gulf, price is \$61.95/short ton (12500 Btu basis)*
  - ▶ *Assuming inland rail, delivered cost is more than current CAPP prices*

Slide 9

Source: McCloskey's CoalFax 5/25




# Outside U.S., China and India are changing seaborne markets for international coal



Slide 10

Source: ACI





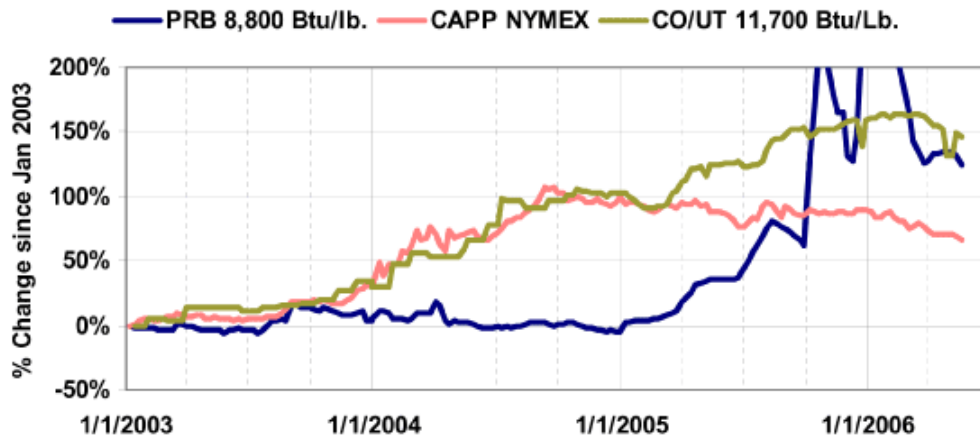
# U.S. Coal Pricing Update

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## Coal prices remain very strong

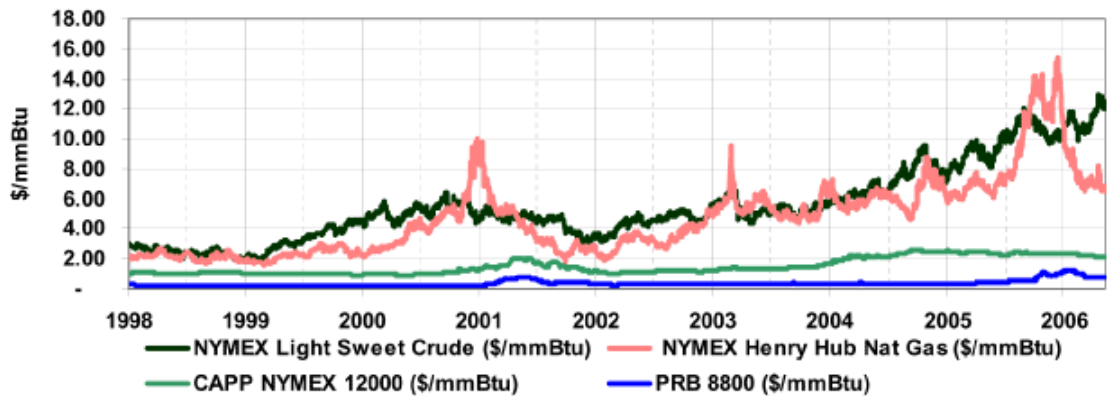


### ■ Coal prices remain well above historic levels (2007 delivery)

- ▶ PRB 8800 pricing at \$13.25/ton
- ▶ PRB 8400 pricing at \$9.95/ton
- ▶ CAPP pricing in the \$49.50–\$56.75/ton range
- ▶ WBIT prices remain in the \$39.25–\$40.00/ton range



## Coal prices have potential to increase further



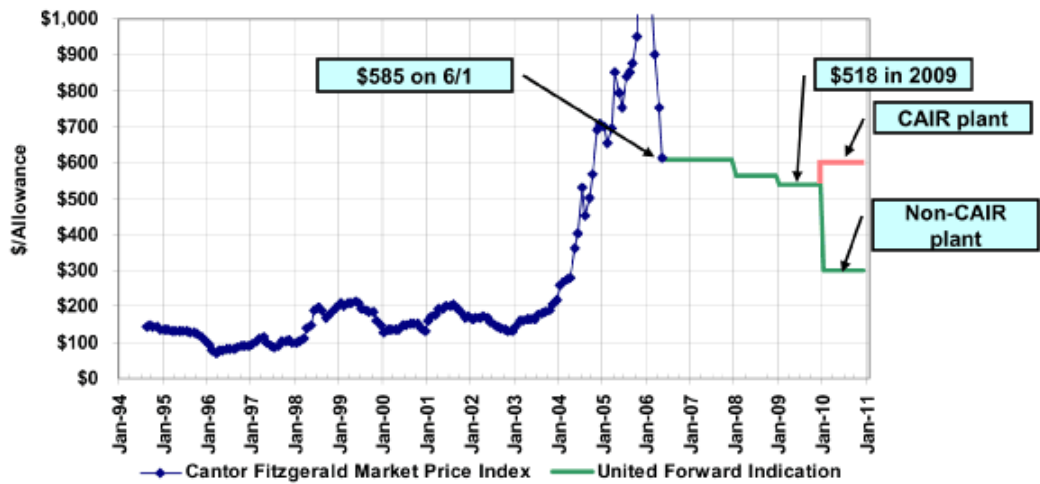
Source: Argus & Bloomberg

- Marginal cost of CAPP production increasing
- Demand continues to be very strong, with new generation becoming a real factor in next four years





## Forward Cost Curve – per ton of SO<sub>2</sub> (measured by the SO<sub>2</sub> ea forward market prices)




- Despite recent declines, market is still paying a significant premium for low-sulfur coal
- Forward price strip anticipates that premium will continue
  - ▶ *Additional scrubbing capacity is planned*
  - ▶ *Conversely, utilities in CAIR states will need two allowances for every ton of SO<sub>2</sub> emitted beginning in 2010*

Slide 14

Source: Cantor Fitzgerald, UPI & ACI





# Overview of Low-Sulfur Basins where Arch operates

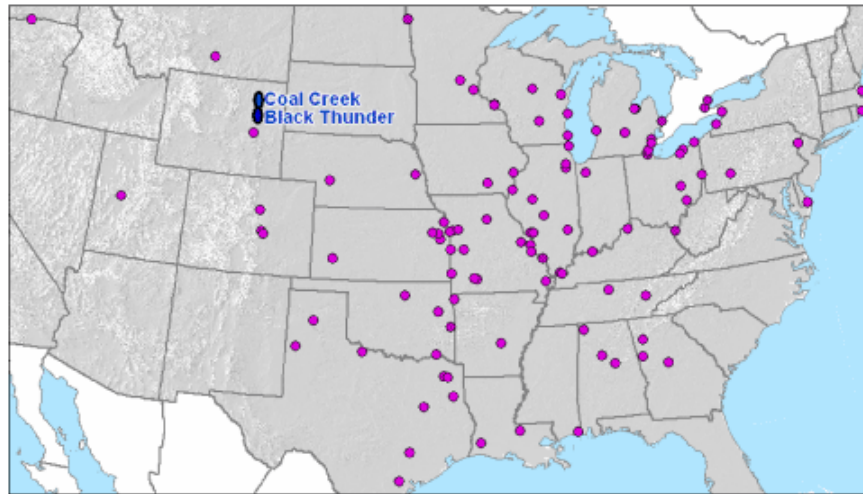
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# Bulk of coal demand growth is likely to benefit Powder River Basin

Total market opportunity for PRB coal likely to exceed 525 mm tons by 2010



- Expansion possibilities include
  - ▶ *New plants across the country*
  - ▶ *Blend fuel for plants east of Mississippi*
  - ▶ *Ohio River and Great Lakes particularly attractive market*
- Rail expansion projects will further extend reach

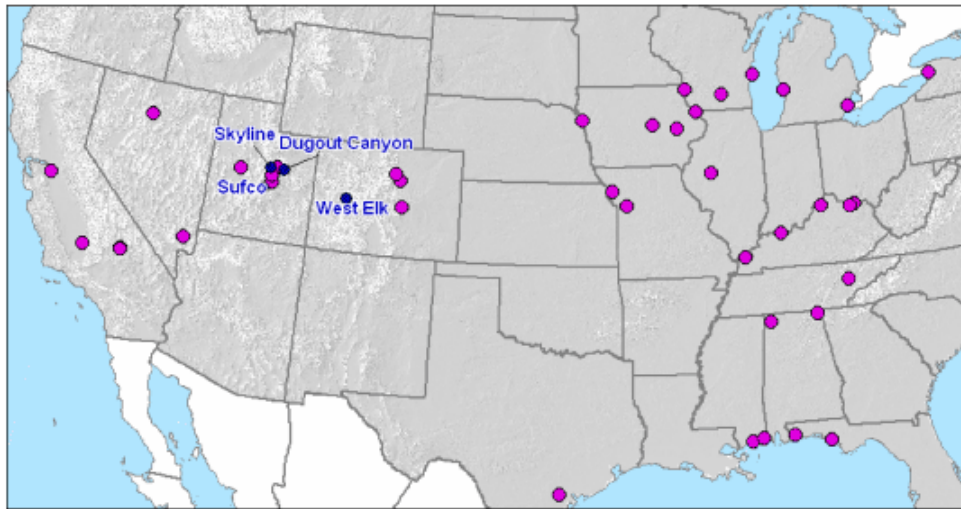
Slide 16

Source: ACI



# Demand for Western Bituminous coal could extend beyond current market

Market opportunity could approach 100 mm tons by 2010



- Expansion expected
  - ▶ Core market of Nevada, Utah, and Colorado growing briskly
  - ▶ New generation projects in Utah/Nevada (such as IPA #3)
  - ▶ High-Btu blend-stock with PRB coal on the Ohio River/Lakes

Slide 17

Source: ACI



## Central Appalachia will retain a strong core demand despite supply challenges




- Strong core demand remains intact, even as supply declines
- Expansion in demand
  - ▶ *Continuing strong economic growth in the Southeast*
  - ▶ *Met market expansion potential for exports to Europe and Brazil*
- Core marketplace: Rail-served plants in the Southeast and Upper Midwest

Slide 18

Source: ACI





## Arch sees current supply portfolio well-positioned for CAIR

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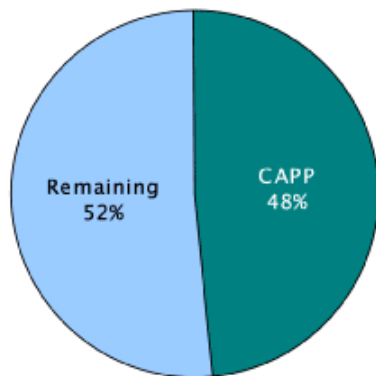
- Southeast is highly dependant on CAPP
  - ▶ *One of the fastest growing U.S. markets for electric power*
  - ▶ *Current rail corridors limit competition from NAPP*
    - » CAPP coal regions are 200 rail miles closer to this marketplace
    - » Congested I-95 corridor currently near capacity
  - ▶ *NAPP capable of only modest production growth*
- Many Southeast utilities remain principally focused on CAPP coal
  - ▶ *Original boilers favor CAPP coal*
  - ▶ *Ash fusion characteristics suited for CAPP coal*
  - ▶ *Some scrubber designs require low-sulfur coal*



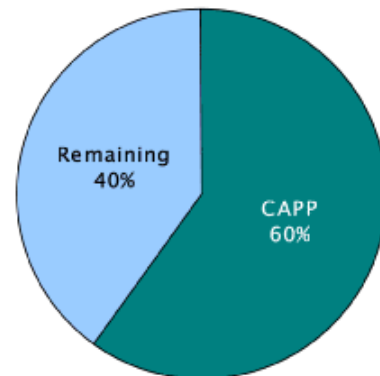


## Currently scrubbed plants in the Southeast use large quantities of CAPP coal

SE/Rail-Served Currently Scrubbed



SE/Rail-Served Not Scrubbed



Source: Platts

- Current scrubbed plants in the Southeast use CAPP coal because it is the most economic choice
  - ▶ *Geographically closer to these power plants, so transportation costs are lower*
  - ▶ *Better plant operating efficiencies (i.e. less parasitic loss and lower sorbent material costs)*

Slide 20

Source: ACI





# Arch's Current Market Position

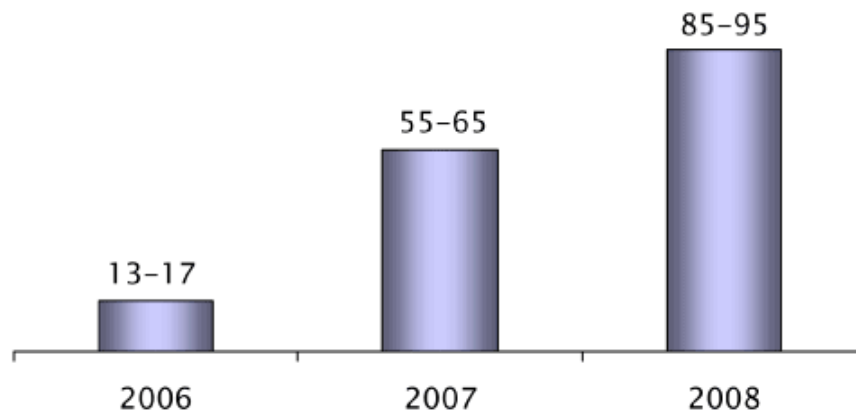
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## Arch is layering in new contracts while maintaining exposure to market dynamics


Unpriced tons  
(in millions, at 3/31/06)



Slide 22

Source: ACI






## Fundamental changes in Arch's coal contracts

---

- Terms & conditions near bilateral
- Embedded volume options all but gone
- Sourcing flexibility has become the norm
- Payment terms have been shortened
- Term agreements are making a comeback
  - ▶ *Typically have "market adjustment provisions"*
    - » Indexed to third party prices
    - » Explicit escalators to cover specific cost items
  - ▶ *Arch open to creative approaches ensuring ROA (i.e. all-in cost plus ROI)*
- Indication that many utilities desire to secure their base-load fuel supply with a credit worthy producer





## Arch is a preferred supplier to the power generation industry

---

- Excellent reputation for honoring contracts
  - ▶ *Customers' view that past performance is good indicator of future reliability*
    - » While difficult to quantify, Arch believes it is a sought-after participant in many utility supply portfolios
- Arch has a strong balance sheet
  - ▶ *State commissions are questioning utilities about the merit of signing supply agreements with producers with limited financial wherewithal*
- Arch's diverse supply provides many fuel-choice options
  - ▶ *Broad national portfolio of mines*
  - ▶ *Diverse product slate*
  - ▶ *Significant shipper on all four Class-1 railroads and inland waterways*
- Arch is focused on securing full value for its products and meeting its customers' needs

Slide 24

Source: ACI





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David B. Peugh  
Vice President, Business Development  
Arch Coal, Inc.

Saint Louis, Missouri  
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## Arch has strengthened the company through successful transactions

---

- Acquired assets in the trough of the cycle
- Assembled highly strategic assets at a time when other producers were exiting the industry
- Focused on low-sulfur assets leading up to the implementation of Phase II of the Clean Air Act
- Built an inventory of attractive reserves that will enable Arch to continue to grow organically
- Monetized certain assets and used proceeds to fund more strategic opportunities

Slide 2

Source: ACI





## Overview of Key Arch Transactions

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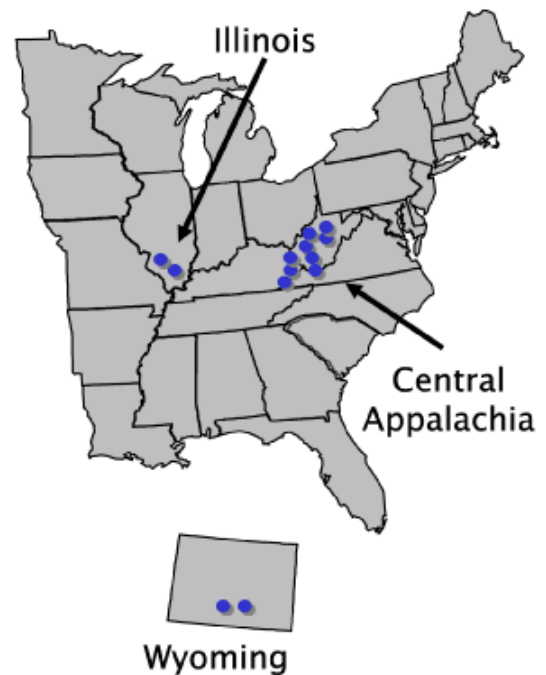


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## Ashland Coal Merger

- Arch was formed in June 1997 with the merger of Ashland Coal and Arch Mineral
- The merger established Arch as a leading producer of low-sulfur coal in the eastern United States



Slide 4

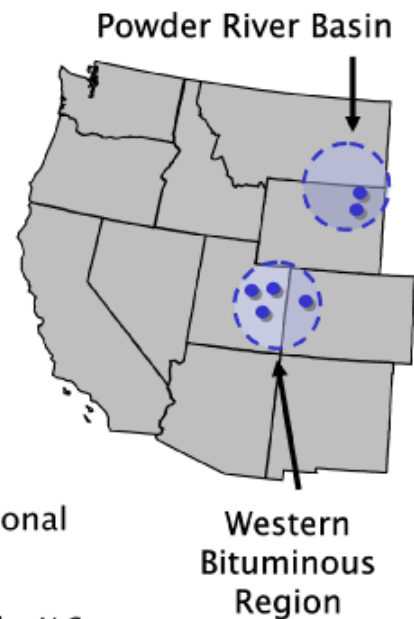
Source: ACI





## ARCO Acquisition

- Arch acquired core operations in the western U.S. in June 1998
  - ▶ *Black Thunder and Coal Creek in PRB*
  - ▶ *West Elk and 65% of Canyon Fuel in WBIT*
- Transaction valued at \$1.14B
  - ▶ *Quadrupled Arch's coal production*
  - ▶ *Acquired reserves of 1.3B tons*
  - ▶ *Enhanced cash flow generation*
- Established Arch as a national, multi-regional producer of low-sulfur coal
  - ▶ *Became second largest coal producer in the U.S.*
  - ▶ *Operations in all major low-sulfur basins*



Slide 5

Source: ACI



## Canyon Fuel Acquisition

- Purchased remaining 35% in July 2004
  - ▶ *Utah mining operations consolidated on Arch's financial statements after purchase*
- Transaction valued at \$97.4MM
  - ▶ *Pricing in region has increased approximately 25% since transaction*
- Solidified Arch's position as #1 producer of low-sulfur western bituminous coal



**SUFCO**

**Skyline**

**Dugout Canyon**

Slide 6

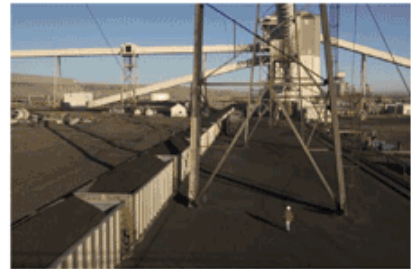
Source: ACI





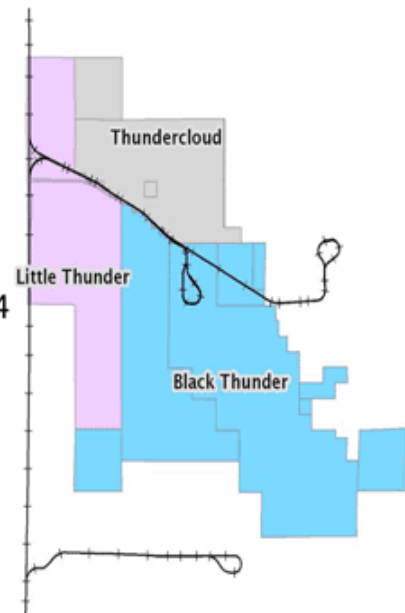
## North Rochelle Acquisition


- Arch expanded its position in the PRB by acquiring Triton's North Rochelle mine in August 2004
  - ▶ *Two mines share 5.5 mile property line*
  - ▶ *Identified initial synergies of over \$20 mm*
- Transaction valued at \$309 mm, net of the sale of the Buckskin mine
  - ▶ *Reserve base of 226 mm tons*
- North Rochelle mine was integrated with the operations of Black Thunder, creating the world's largest coal mine



## Federal Lease Acquisitions

- Arch added reserves in the PRB through its acquisition of the Thundercloud federal reserve tract in October 1998
  - ▶ *Paid \$158 mm for 412 mm tons of reserves*
- Arch further expanded its PRB reserves with Little Thunder acquisition in September 2004
  - ▶ *Paid \$611 mm for 719 mm tons of reserves*
  - ▶ *\$122 mm payment (2<sup>nd</sup> of 5) made in 2006*
- Allowed Arch to obtain high-quality, low-sulfur coal reserves and to expand its low-cost operations at Black Thunder
- Also expanded WBIT operations with federal lease acquisitions at Canyon Fuel and West Elk





## Arch has proven to be adept at growing via acquisition

---

- Arch has historically grown by acquisition, with expertise in
  - ▶ *Identifying opportunities*
  - ▶ *Executing strategies*
  - ▶ *Integrating operations efficiently*

**ARCO**

**Thundercloud**

**North  
Rochelle**

**Canyon  
Fuel**

**Little  
Thunder**

Slide 9

Source: ACI





## Key Divestitures

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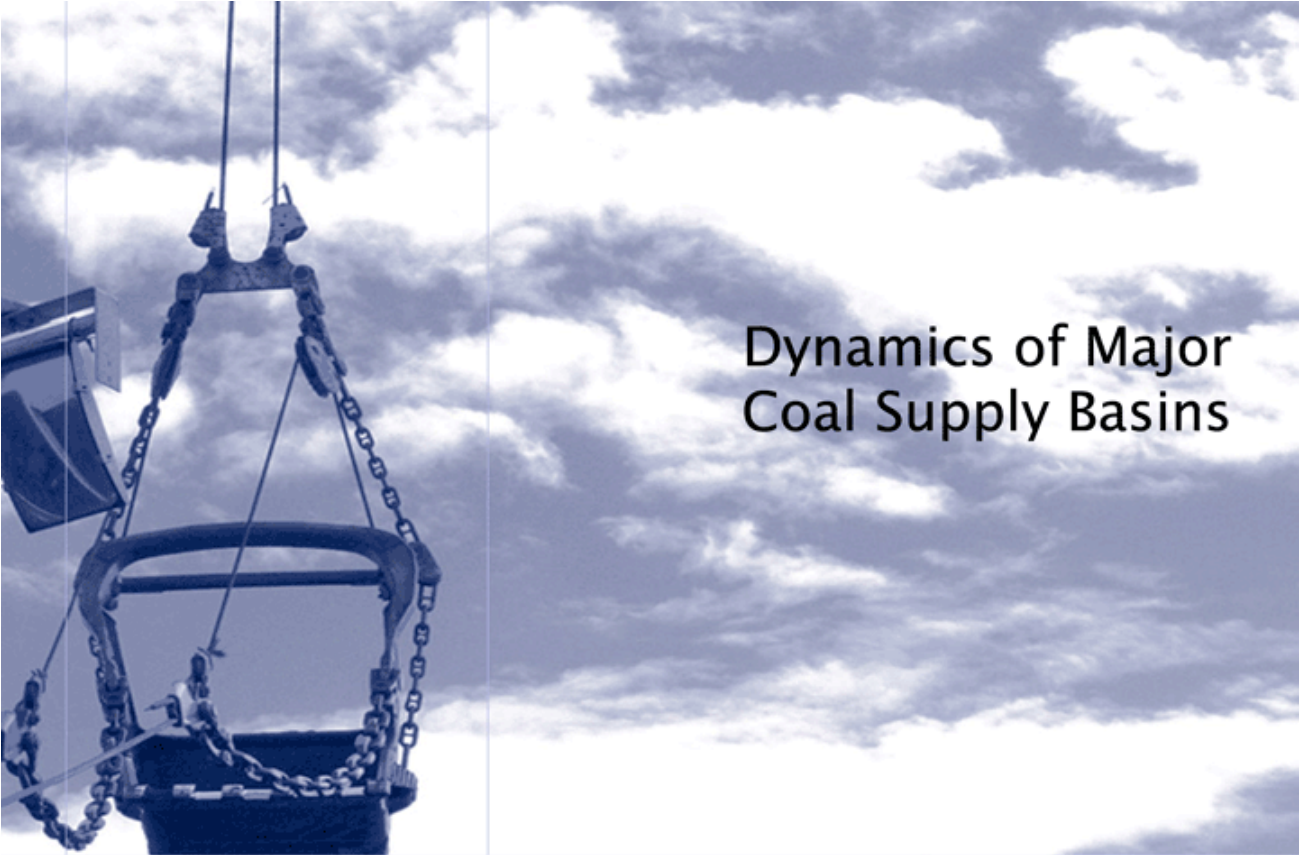
### *NRP Unit Sale*

- Monetized assets valued on books at \$85 mm
- Total proceeds exceeded \$250 mm
  - ▶ *Sold limited partnership units and G.P. interest in 2003*
  - ▶ *Sold remaining limited partnership units in 2004*
- Used proceeds from sale to fund North Rochelle acquisition, re-deploying capital in a higher return, more strategic direction for the company

### *Magnum Transaction*

- Sold stock in 3 subsidiaries, including 4 associated mines and reserves. Mines included in the sale:
  - ▶ *Hobet 21*
  - ▶ *Arch of West Virginia*
  - ▶ *Samples*
  - ▶ *Campbells Creek*
- Transaction enabled Arch to lower risk of the company by substantially reducing legacy liabilities by over \$500 mm
  - ▶ *Strengthened balance sheet*
  - ▶ *Sharpened focus in CAPP*





## Dynamics of Major Coal Supply Basins

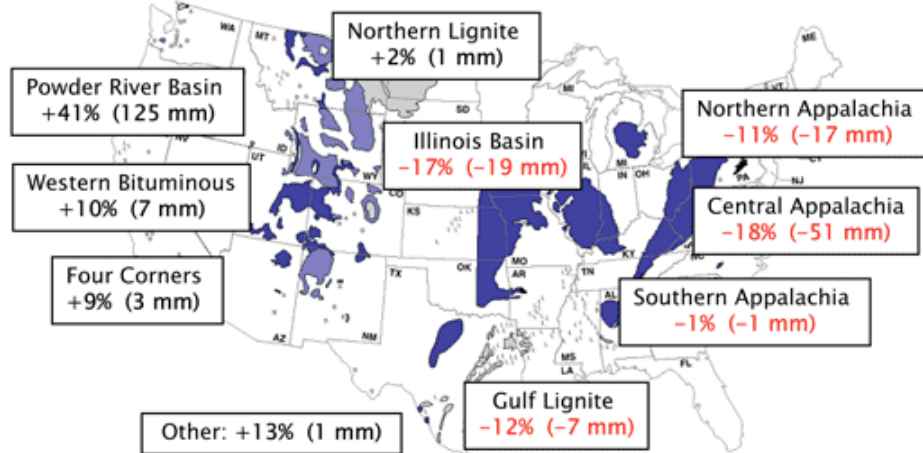
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# Major supply shifts are underway in U.S. coal market

(Change in Output by Region since 1997)



## 2005 Regional Production

<i>Producing Basin</i>	<i>Tons (mm)</i>	<i>Producing Basin</i>	<i>Tons (mm)</i>
Powder River Basin	430	Gulf Lignite	50
Central Appalachia	236	Four Corners	42
Northern Appalachia	138	Northern Lignite	30
Illinois Basin	93	Southern Appalachia	25
Western Bituminous	78	Other	11

Slide 12

Source: MSHA/Platts





## Appalachian region is in decline

### ■ Central Appalachia

- ▶ *Reserve base continues to degrade and deplete*
- ▶ *Arch projects output will fall below 200 mm tons by 2010*

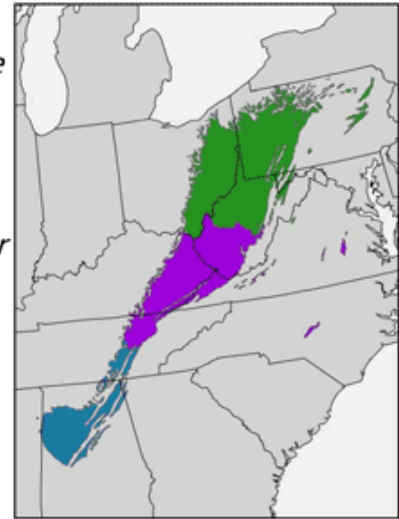
### ■ Northern Appalachia

- ▶ *Reserve degradation in process, but at a slower pace*
- ▶ *Arch projects modest growth through 2010*
- ▶ *Announced projects require significant capital, development of seams other than Pitt 8, or are continuous miner operations*
- ▶ *As a result, marginal production costs are likely to increase*

### ■ Southern Appalachia

- ▶ *Has been in degradation for some time*

**Arch expects CAPP and SAPP to decline more than NAPP grows**



## Illinois and Lignite regions face challenges to grow

### ■ Illinois Basin

- ▶ *Low-cost surface reserves largely exhausted*
- ▶ *Low-cost underground reserves being depleted*
- ▶ *Next generation of mines likely to employ longwalls*
- ▶ *Significant capital requirements*
- ▶ *Risky investment without base of long-term contracts*
- ▶ *Growth likely to be modest until majority of new scrubbers installed*
- ▶ *Even then, longwall mines will take years to develop*
- ▶ *Arch believes Illinois will be developed, but appears to be a second decade event*



### ■ Gulf/Northern Lignite

- ▶ *Captive market*

Slide 14

Source: ACI



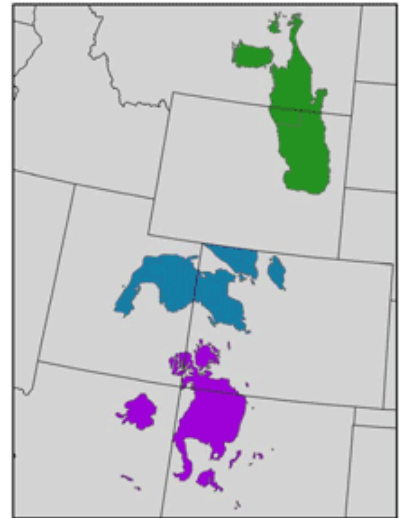
## Some western regions can grow with investment

### ■ Powder River Basin

- ▶ *Economics will remain compelling*
- ▶ *Source of most new supply growth over next 5 years, in Arch's view*
- ▶ *Potential to grow substantially, but will require significant investment of time and money*

### ■ Western Bituminous

- ▶ *Limited prospects for growth*
- ▶ *Some competitors near end of reserve life*
- ▶ *Few longwall mineable reserves left*





# Arch's Evolving Strategy

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## Where does Arch go from here?

---

- Our focus has been low-sulfur
  - ▶ *Current operations in PRB, WBIT and CAPP*
  - ▶ *Aren't limiting ourselves to this strategy as we look ahead*
- With any resource business, acquiring and developing reserves is an essential component
  - ▶ *Large scale, low-cost mines with quality reserves is criteria used for basis of acquisition opportunities*
- Changing national and international landscape will dictate where opportunities lie
  - ▶ *Domestic opportunities still exist*
  - ▶ *International opportunities may exist where Arch can partner to share best practices and add value*

Slide 17

Source: ACI



## Arch has three avenues with which to pursue growth strategies

- Organic growth remains a centerpiece of our strategy

*Powder River Basin*



*Western Bituminous*



*Central Appalachia*



- M&A remains a contributor to growth in an extractive industry


- ▶ *Both federal lease reserve and mine acquisitions*
- ▶ *Will remain judicious in spending and not overpay*

- Potential to participate in technologies to move along the value chain

- ▶ *Create new markets for coal supply beyond electric generation*







## Conversion technologies are increasingly economically viable at elevated oil & gas prices

---

- CTL viewed as economic at \$35–\$40/bbl oil
  - ▶ *Two-step process involving gasification and liquefaction*
  - ▶ *Increasingly stringent diesel requirements (CA)*
  - ▶ *Constraints to refining capacity*
  
- Proven technology
  - ▶ *Fueled German war machine in WWII*
  - ▶ *Sasol operates 2 CTL facilities today in S. Africa*
  - ▶ *New projects using gasification or liquefaction*
    - » Eastern Chemical, IGCC plants in IN & FL
  
- Government incentives could facilitate adoption
  - ▶ *Public policy geared to domestic energy security*
  - ▶ *DoD interested in a single battlefield fuel*

Slide 19

Source: ACI





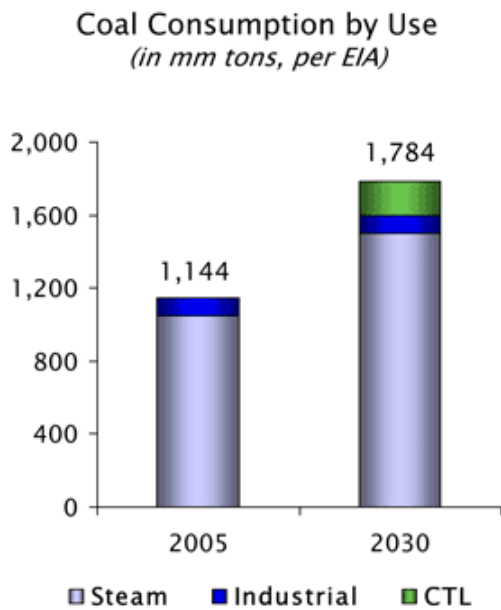
## So why aren't new plants already under development?

---

- Uncertainty about future oil prices
- Perceived first-mover disadvantage
- Scaling up of the liquefaction process
  - ▶ *Technology works, but how quickly will a new plant achieve targeted utilization rates?*
  - ▶ *Several leading FT providers have yet to employ technology at full-scale plants*
- Concerns about future constraints on CO<sub>2</sub>



## The long-term implications of coal conversion technologies are profound

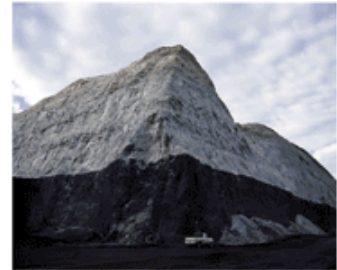


- EIA projects conversion of 190 mm tons of coal by 2030
- Potential to transform coal marketplace
  - ▶ *Currently captive to one principal industry*
- Creates flexibility in developing new reserves
  - ▶ *Steam or CTG/CTL*
  - ▶ *Pursue highest return development opportunity*



## Arch can leverage its existing asset base to participate

- Small number of players in the industry that can provide the reserve base to participate as a host to a CTL facility
  - ▶ *CTL hinges on low-cost fuel source*
- Role for Arch to play as a fuel supplier
  - ▶ *Can leverage current undeveloped reserves*
  - ▶ *Long-term supply agreements with current operations to supply coal to a CTL facility*
- Arch can leverage its strategic position to participate more fully in Btu-conversion technologies
  - ▶ *Opportunities for equity participation*
  - ▶ *Expect to be presented with attractive opportunities*



Slide 22

Source: ACI



## Arch has option to expand its current participation in Btu conversion technologies



- Process enriches and upgrades low-grade subbituminous coal and lignite into a high Btu, low moisture, low emission product
- Potential for Arch's role to expand
  - ▶ *Option to build plant adjacent to Coal Creek mine*
  - ▶ *Arch to become the fuel supplier for the plant (coal supply agreement)*
  - ▶ *Equity stake*



- Construct CTL facility on Arch's Carbon Basin reserves
  - ▶ *DKRW granted option on Arch's reserves*
  - ▶ *Arch operates coal mine*
  - ▶ *Proximity to pipeline system*
- Licensed for GE gasifier and Rentech FT process
- Potential for Arch's role to expand
  - ▶ *Equity stake*



## Arch's future strategic growth possibilities are exciting

---

- Organic growth projects in key operating basins continue to provide the central vehicle for growth
- Acquisitions provide an additional avenue for growth and one in which Arch has demonstrated proficiency
- Btu conversion technologies can create an entire new market for coal and provide significant upside



Slide 24







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# Arch Coal, Inc. Analyst Day 2006

Robert J. Messey  
Senior Vice President and Chief Financial Officer  
Arch Coal, Inc.

Saint Louis, Missouri  
June 7, 2006

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## Forward-looking information

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This presentation contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from changes in the demand for our coal by the domestic electric generation industry; from legislation and regulations relating to the Clean Air Act and other environmental initiatives; from operational, geological, permit, labor and weather-related factors; from fluctuations in the amount of cash we generate from operations; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. For a description of some of the risks and uncertainties that may affect our future results, you should see the risk factors described from time to time in the reports we file with the Securities and Exchange Commission.

This presentation includes certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA. These non-GAAP financial measures are not measures of financial performance in accordance with generally accepted accounting principles and may exclude items that are significant in understanding and assessing our financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income from operations, cash flows from operations, earnings per fully-diluted share or other measures of profitability, liquidity or performance under generally accepted accounting principles. You should be aware that our presentation of these measures may not be comparable to similarly-titled measures used by other companies. A reconciliation of these financial measures to the most comparable measures presented in accordance with generally accepted accounting principles has been included at the end of this presentation.

Slide 2





## Arch has been busy in recent months

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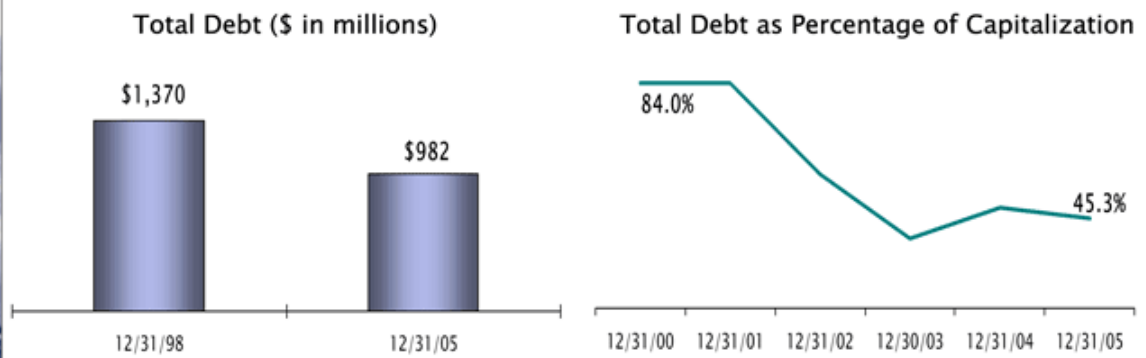
- Magnum transaction completed in December 2005
- Peabody swap effectuated in December 2005
- Preferred stock conversion to common in December 2005
- \$100 mm asset securitization program launched in February 2006
- Renewed shelf registration to maintain flexibility in March 2006
- 2-for-1 common stock split effective May 16, 2006
- Dividend increase of 50% beginning in June 2006

Slide 3

Source: ACI



## Arch is committed to maintaining a strong balance sheet



- Arch has significantly reduced its debt level since 1998
- Current debt to capital ratio is in the targeted range for Arch and is comparable to major coal competitors

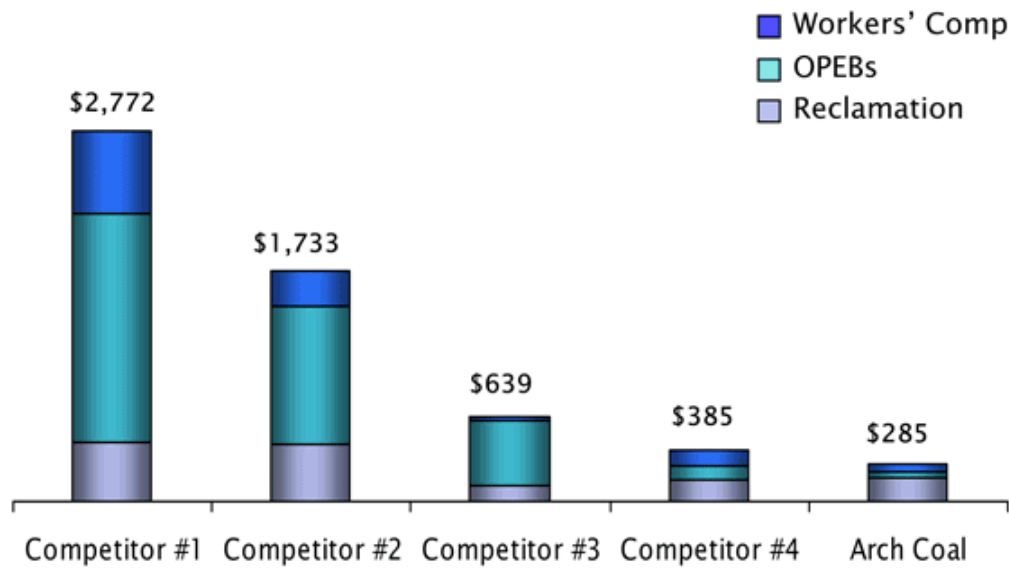
Slide 4

Source: ACI



# Arch has the industry's cleanest balance sheet among major coal producers

Legacy Liabilities of Largest U.S. Coal Companies  
12/31/05 (in mm)




Slide 5

Source: SEC filings compiled by ACI







## Arch has liquidity to fund its future growth

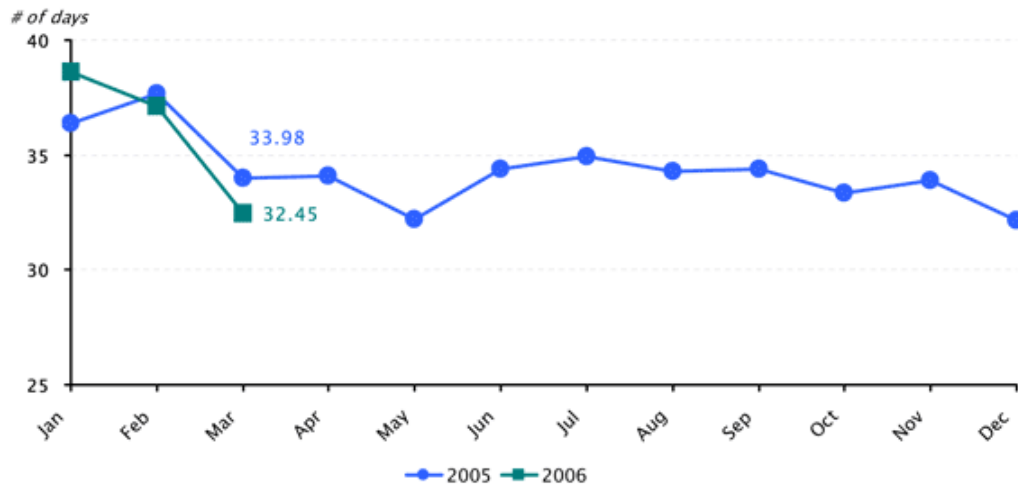
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- Internally generated cash flow
  - ▶ *Expect to generate significant free cash flow in 2007 and 2008 as majority of contracts roll over to market pricing*
- Revolver funding
  - ▶ *Capacity of \$700 mm is substantially all undrawn*
- Asset securitization
  - ▶ *Gives Arch an additional \$100 mm of liquidity*
- Self-bonding
  - ▶ *Reduced exposure to surety market by \$230 mm*
  - ▶ *Represents approximately \$4 mm in annual savings*



# Arch has focused on improving its working capital position


## Days Sales Outstanding



■ Focused on credit worthiness of customers

▶ *Close to 80% of customers are investment grade companies*





## Arch's recent financial results validate its strategy

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### Select Financial Highlights

<i>In millions (except per share data)</i>	<u>Q1 2006</u>	<u>Q1 2005</u>
Reported Tons Sold	31.7	37.0
Revenue	\$634.6	\$600.5
COS	483.0	519.6
DD&A	45.8	50.9
SG&A	17.9	22.3
Income from Operations	94.1	26.0
Net Income	60.7	6.6
EPS	\$0.84	\$0.07
Adjusted EBITDA	\$140.0	\$76.9

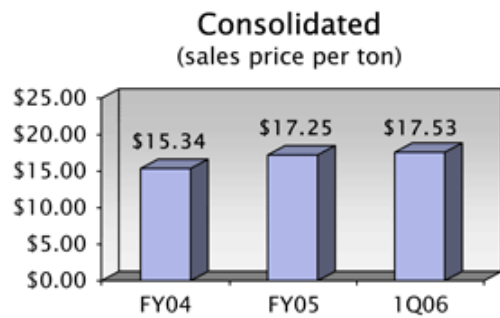
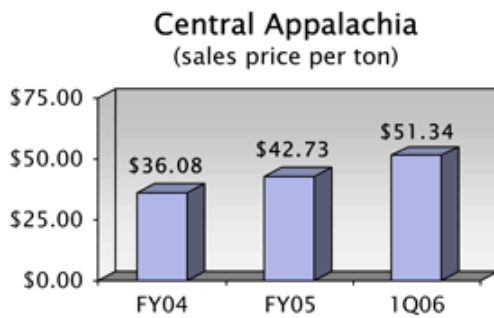
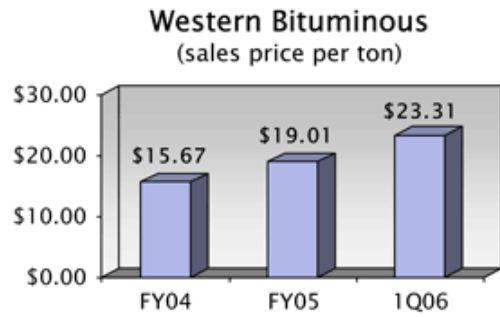
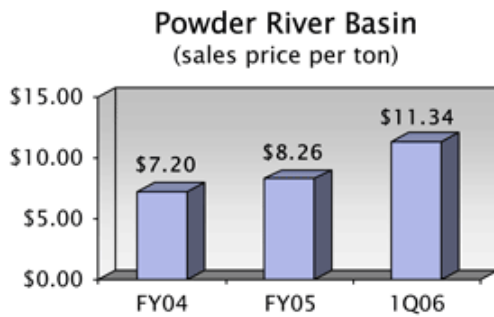
*Note: Reconciliation appears on last page of handout*

Slide 8

Source: ACI



# Arch has sequentially improved its pricing realization per ton



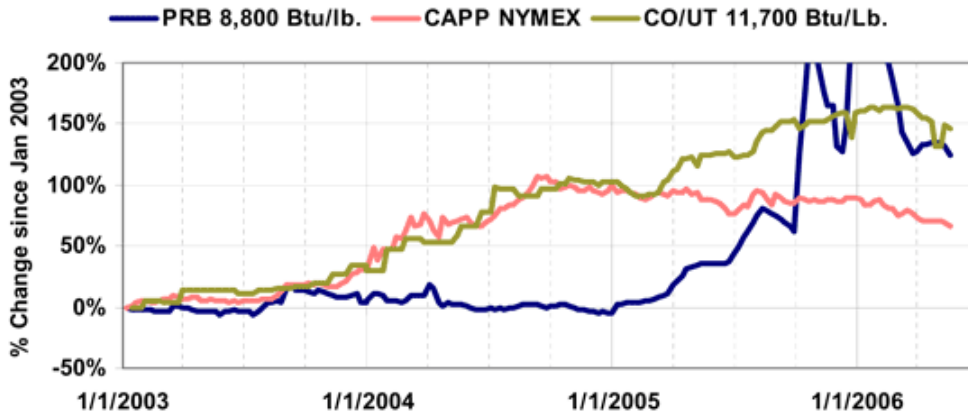
Slide 9

Source: ACI



# Percent change in spot prices by basin

Based on prices quoted in *Coal Daily* (6/2/06)



*Arch's average per-ton realization by basin vs. current spot price*

<i>Operating Region</i>	<i>Targeted Sales* (in mm tons)</i>	<i>Per-Ton Realization (1Q06)</i>	<i>Spot Prices per Ton (2007 delivery)</i>
Powder River Basin	100+	\$11.34	\$13.25**
Western Bituminous	20+	\$23.31	\$39.25-\$40.00
Central Appalachia	13-14	\$51.34	\$49.50-\$56.75

\*From operations (excludes brokered tons)

\*\*Includes a premium of almost \$0.80 per ton vs. benchmark for ultra-low-sulfur Black Thunder coal, based on an SO<sub>2</sub> allowance price of \$585

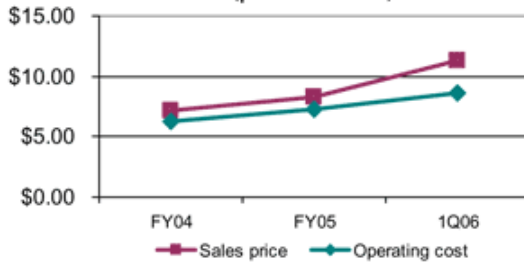
Slide 10

Source: ACI, United & Argus



# Arch achieved margin expansion in all regions in 1Q06

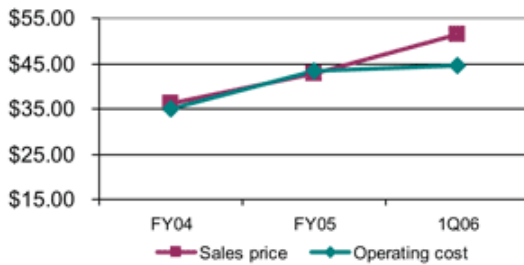
**Powder River Basin**  
(per ton basis)



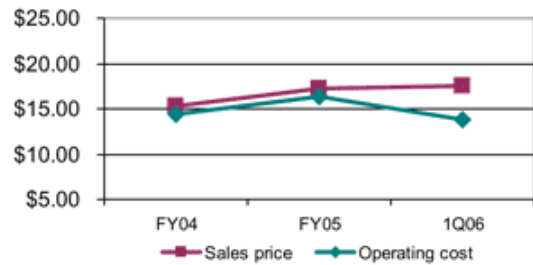
**Western Bituminous**  
(per ton basis)



**Central Appalachia**  
(per ton basis)



**Consolidated**  
(per ton basis)




Slide 11 *Note: Operating cost per ton represent fully loaded cost including DD&A.*

Source: ACI







## Arch expects to be an AMT tax payer for the next several years

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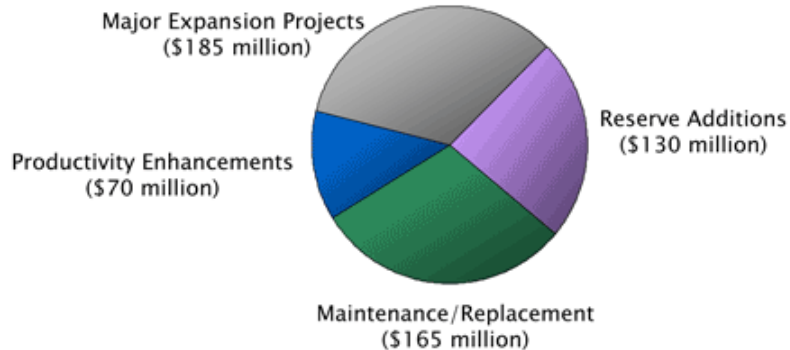
- Why is Arch an AMT payer?
  - ▶ *Percentage depletion accounting for resource companies*
  - ▶ *Arch projects that it will be an AMT payer for next several years*
- Cash vs. book taxes
  - ▶ *Book taxes at 10% (AMT less valuation allowance changes)*
  - ▶ *Over long-term, expect cash taxes to be in line with book taxes*
- Arch has accumulated a significant deferred tax asset offset by a valuation allowance
  - ▶ *Valuation allowance established to reserve NOL and AMT credits*
  - ▶ *Expect valuation allowance to be reduced as NOL and AMT credits are utilized*



## Arch has the financial flexibility to support maintenance and organic growth projects

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### \$550 Million Projected for 2006 Capital Spending



- Expansion projects: Mountaineer II longwall mine, Spruce surface mine, Skyline's North Lease longwall mine, Coal Creek surface mine
- Reserve additions: Little Thunder federal lease reserve payment
- Identified expansion projects will boost wholly owned production by around 23 million tpy in 2007 annualized





## Arch prioritizes its use of free cash flow

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- Invest in core businesses to enhance profit growth and return on capital
  - ▶ *Three major organic growth projects currently in progress*
- Constantly evaluating opportunities to further upgrade and expand reserve base
- Consider acquisitions or investments that strategically fit and create shareholder value
- Arch believes its current level of debt is appropriate
- If growth opportunities are not sufficiently attractive, we will return cash to shareholders via
  - ▶ *Share repurchase*
  - ▶ *Dividend increase*





## Panel Q&A Discussion

Progressive. Responsible. Vital. Growing.



Arch Coal, Inc.

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# Reconciliation to Non-GAAP Measures (Adjusted EBITDA)

(In thousands, except per share data)

We have disclosed certain non-GAAP measures as defined by Regulation G.  
The following reconciles these items to net income as reported under GAAP.

## Adjusted EBITDA:

<sup>(A)</sup> Adjusted EBITDA is defined as net income before the effect of net interest expense; income taxes; our depreciation, depletion and amortization; expenses resulting from early extinguishment of debt; and other non-operating expenses.

	Three Months Ended	
	March 31,	
	2006	2005
	(Unaudited)	
Net income	\$ 60,687	\$ 6,575
Income tax expense	17,900	700
Interest expense, net	14,157	16,226
Depreciation, depletion and amortization	45,821	50,903
Expenses from early debt extinguishment and other non-operating	1,393	2,451
<b>Adjusted EBITDA</b>	<b>\$ 139,958</b>	<b>\$ 76,855</b>
Adjusted EBITDA Excluding Special Items		
Adjusted EBITDA	\$ 139,958	\$ 76,855
Long-term incentive compensation plan expense	-	9,937
<b>Adjusted EBITDA excluding special items</b>	<b>\$ 139,958</b>	<b>\$ 86,792</b>

