

# The Power of 3

Arch Coal, Inc. 2008 Annual Report

## Financial Highlights

Year Ended December 31  
(in millions, except per share data)

	2008	2007	2006
Tons sold	139.6	135.0	135.0
Revenues	\$2,983.8	\$2,413.6	\$2,500.4
Income from operations	\$ 460.4	\$ 229.6	\$ 336.7
Net income	\$ 354.3	\$ 174.9	\$ 260.9
Fully diluted earnings per share (EPS)	\$ 2.45	\$ 1.21	\$ 1.80
Adjusted EBITDA*	\$ 753.2	\$ 471.7	\$ 545.0
Dividends declared per common share	\$ 0.34	\$ 0.27	\$ 0.22

\*Adjusted EBITDA is defined and reconciled at the end of this report.

A recognized leader in mine safety and environmental commitment, St. Louis-based Arch Coal, Inc. (NYSE: ACI) is one of the largest coal producers in the United States. Through 11 mining complexes in 6 states, we represent roughly 12% of America's coal supply. Our core business is providing U.S. power generators with cleaner-burning, low-sulfur coal to fuel 6% of our nation's electricity. We also sell coal to domestic and international steel manufacturers, as well as international power producers. In 2008, Arch serviced 175 power plants in 35 states nationwide and customers in 21 countries worldwide.



Arch Coal, Inc.



# The Power of 3

An intersection of life. A global melting pot. Bright lights in a big city. The essence of people, planet and power – with a need to strike a balance among the 3. At Arch Coal, we've always balanced our strategy on 3 key pillars: safety, environmental stewardship and financial performance. Excelling in each of these core values delivered record results for Arch in 2008.

Today, we – as a nation, as an industry and as a company – are at a crossroads. Even in these uncertain times, our focus remains clear. Protect our most important assets. Secure our shared future. Drive growth through innovation. The Power of 3 will chart our course and guide our success in the years ahead.



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planet pg.5



power pg.9

# People

The heart of Arch Coal is our people. At 4,300 strong, we're engineers, highly skilled equipment operators, geologists and business professionals. We mine coal to supply essential energy to America and the world, helping to provide a higher quality of life for many people on this planet.

Arch employee Stevie Addair is a rock truck operator at the Coal-Mac complex in West Virginia.



### We're vital

Coal is a vital part of our energy mix. Countries around the world – including the United States – are embracing coal as a primary source of electricity. Global consumption of coal is expected to climb 1 billion tons in the next decade, effectively replicating the size of the U.S. coal industry.

Coal powers 48% of America's electricity needs today, providing low-cost energy for our people and industries. In 2008, the U.S. coal-mining sector supplied 555,000 jobs and generated \$8 billion in tax revenue for federal and state governments to use for public services.

At Arch, we put our physical resources, capital and talented people to work in selling 140 million tons of coal in 2008. The vast majority of this coal was transported by an extensive U.S. rail network and delivered to 175 power plants across our country, powering the equivalent of 20 million homes. We employ the Power of 3 every single day to help run America.

### We're safe

We're a well-educated, specialized, motivated and loyal workforce. We're also spouses, siblings, parents and good citizens in our communities. That's why safety reigns as a core value at Arch. Our motto is simple: *Home Safely, Every One, Every Day*. This unrelenting focus on safety touches everything we do – from the pre-shift meetings at our mines to the discussions held in our board room.

Our goal is to operate the world's safest mines. We're succeeding in this pursuit by continuously improving our award-winning safety practices, by implementing behavior-based initiatives across our operations and by embracing a model of employee ownership and responsibility. Arch's 2008 lost-time incident rate marked the company's best safety performance on record, and again ranked us 1st among major U.S. coal industry peers.

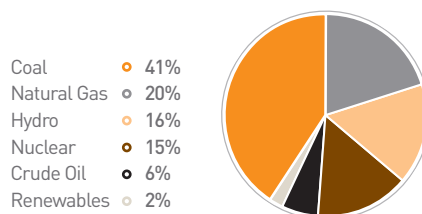
Our outstanding safety record was recognized with 10 national and state awards received in 2008, including 2 Sentinel of Safety certificates from the U.S. Department



Global coal consumption has grown more than 35% since 2000. Our modern necessities – from music players to high-tech computers – are powered by coal. At Arch, we truly have the world's fastest-growing fuel source in our hands.

### World Electricity Generation by Source

(2006, per billion kilowatt-hours)

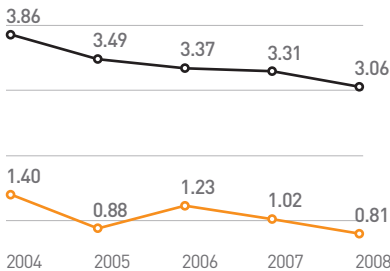


Coal is the primary source for electricity around the world. At 41% of global generation – and 48% of U.S. generation – coal is powering peoples' lives across the planet.



Arch's unwavering pursuit of safety is reflected in the innovative behavior-based programs embraced at our mine sites and the responsible company communications that engage our people.

#### Annual Lost-Time Safety Incident Rate (per 200,000 employee-hours worked)



- U.S. coal industry 5-year average 3.42
- Arch Coal, Inc. 5-year average 1.07

We expect Arch's safety record to outperform the U.S. coal industry and ourselves each and every year. In 2008, Coal-Mac completed 2 million employee hours and Black Thunder completed 1 million employee hours without a single lost-time incident.

of Labor and 2 Mountaineer Guardian Awards – West Virginia's top honors. Our Skyline mine in Utah was again named the safest underground coal mine in the western United States, and the mine rescue team at Black Thunder in Wyoming won 1st place in the 28th International Surface Mine Rescue Competition.

Our accomplishments are significant – and help to dispel the perception that coal mining is unsafe. The reality is that working in America's coal mines today is safer than working in the manufacturing, construction, forestry or even healthcare industries. At the same time, our industry should do even more to improve its record.

That's why we're focused internally on achieving our ultimate goal of a **Perfect 0** – 0 safety incidents and 0 environmental violations each and every year. We're on our way – with 50% of our individual mines, preparation plants and terminals completing 2008 without a single lost-time incident.

#### We're progressive

With advances in the medical, life sciences and energy fields, people now are living longer, more productive and more prosperous lives. Our planet will reach 8 billion people by 2030 – with 75% living in emerging economies. We – as an industry, nation and world – must progress in developing sustainable energy solutions to meet such growth.

At Arch, we're pioneering innovative people practices that help us attract and retain talent. One example is our Supervisor's Development Workshop series that equips and empowers people to lead effectively and build an engaged workforce. This workshop also grants participants a forum for greater executive interaction and fosters networking, team-building and communication among our widely dispersed operations personnel.

All of our human capital programs provide tangible benefits to assist recruiting efforts, improve retention rates, increase employee job satisfaction and ensure that Arch remains an employer of choice. At Arch, we remain committed to protecting our most important asset – our people.

Planet



The soul of Arch Coal resides in the success of our environmental stewardship and community service programs, as well as in our efforts to advance clean coal technologies to benefit our planet.

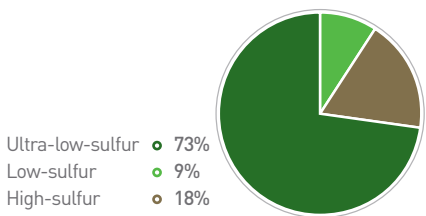
Wildflowers grow on Arch's reclaimed former mining lands in West Virginia.



Coal can help secure our energy future in many sustainable ways. We'll soon drive electric cars like this one that plug into our nation's largely coal-fueled power grid. With advances in clean coal technologies, we can create diesel fuel, gasoline and natural gas from coal, and develop ways to capture and store CO<sub>2</sub> emissions from power plants.



### Arch's 2.8-Billion-Ton Reserve Base



By 2015, the U.S. government will require power plants to reduce sulfur-dioxide emissions nearly 60% below 2003 levels. Arch is helping customers achieve these reductions by mining and marketing cleaner-burning, low-sulfur coal for electric generation.

### We're responsible

Arch excels in restoring lands to a productive state once mining is complete. We're dedicated to supporting wildlife and habitat-enhancement programs at our operations, and we're committed to reclaiming lands that benefit indigenous plant and animal life. Arch strives to be a good corporate citizen in the communities where our people live and work. As a natural-resource company, we understand the importance of a strong environmental ethic and the responsibility of caring for our planet.

Our stewardship record exemplifies this commitment. Arch achieved its best environmental performance on record in 2008, again ranking us 1st among major U.S. coal industry peers. We also know that we can do better. That's why we're working toward the **Perfect 0** in environmental compliance – with 60% of our operations achieving this goal last year.

Arch's success is also measured by the 8 national and state environmental awards earned in 2008, including 2 Good Neighbor Awards from the U.S. Department of Interior. Since the program was established in 2003, the company has earned 5 national Good Neighbor Awards.

Specifically, Arch's Coal-Mac subsidiary in West Virginia won the Gold Good Neighbor Award in 2008 for community service. Coal-Mac partnered with a local high school to construct a new baseball field, saving the school an estimated \$1 million in construction costs.

Arch's Thunder Basin subsidiary in Wyoming earned the Bronze Good Neighbor Award last year for efforts in wildlife research, habitat enhancement and education. Black Thunder extended the classroom experience of ecology students by sponsoring a visit to view hunting practices by birds of prey on reclaimed lands. The mine also continues to participate in an international study of ferruginous hawks with the Nature Conservancy and the U.S. Forest Service.

Beyond the external recognition, Arch's internal competition for our prestigious President's Award inspires the



most exemplary stewardship practices at our operations. Examples include West Elk's award-winning reconstruction of Monument Dam to ensure longevity of this water resource for surrounding communities, as well as Coal-Mac's cultivation of switchgrass on former mining lands for potential use in renewable energy production. These programs, along with many others, illustrate Arch's continued pledge to protect our planet for current and future generations.

### We're making strides

We're also committed to making coal an increasingly clean resource that meets our nation's environmental objectives. America's air quality improved dramatically from 1970 to 2007, while coal use for electric generation tripled. The Environmental Protection Agency estimates that power-plant emissions have declined by 57% during the past 37 years – even with significant growth in the nation's gross domestic product, energy consumption and population.

Arch's strategy of mining cleaner-burning, low-sulfur coal continues to aid power producers in achieving strict emission standards. Roughly 82% of our 2.8-billion-ton reserve base is low in sulfur content, with 73% meeting the most stringent requirements of the Clean Air Act without the application of scrubber technology.

Additionally, we're striving to advance clean coal solutions for our planet's benefit. Arch has made select investments in technology companies focused on making coal combustion cleaner. We're also partnering with a coal-conversion company that plans to transform coal into domestic supplies of gasoline, with the potential to capture CO<sub>2</sub> emissions during the conversion process for use in enhanced oil recovery. We remain passionately committed to balancing the Power of 3 in everything we do.

### We're taking action

We are confident that the development and deployment of technology to reduce greenhouse gas emissions is the key to addressing climate concerns. Great strides already have been made in reducing power-plant emissions – and



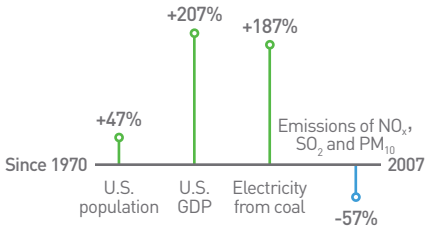
Arch excels in restoring formerly mined lands to a natural state where animals can roam. Elk frequent reclaimed lands at the West Elk mine in Colorado. In 2008, Arch's Canyon Fuel subsidiary in the Western Bituminous region earned its 3rd consecutive Utah Earth Day Award for its exemplary commitment to wildlife-habitat enhancement.



The Black Thunder mine has won national awards for its environmental stewardship practices, and actively participates in wildlife research studies with the U.S. Forest Service and with local schools. In total, Arch has won 5 national Good Neighbor Awards from the U.S. Department of Interior since 2003.



### Clean Coal Technologies At Work



NO<sub>x</sub> (Nitrogen Oxide), SO<sub>2</sub> (Sulfur Dioxide), PM<sub>10</sub> (Particulate Matter)

Since 1970, great progress has been made in achieving economic growth while advancing environmental goals. Similar success is possible with CO<sub>2</sub> emissions. That's why Arch and other companies are committing funds to advance technologies that promote clean coal use and that address climate concerns. We want to ensure prosperity for future generations.



(Photos): Chairman/CEO Leer and performers at the Washington University Clean Coal Utilization kick-off event in Hong Kong.

we believe that further progress must be made. So, we're taking action by investing \$8 million in university programs, as well as government and industry pilot projects dedicated to clean coal research.

One such example is the Consortium for Clean Coal Utilization at Washington University in St. Louis, of which Arch is a contributing member. This project will bring university scientists, industries, foundations and government organizations together to develop technologies that will result in a cleaner, more efficient use of coal and to advance carbon capture and storage solutions. We're also helping fund the University of Wyoming's Clean Coal Technology Center – as well as industry research projects – to develop the next generation of clean coal technologies to ensure a secure and sustainable energy future for our planet.

In addition, we're actively working to educate policy makers on the need for a global solution in addressing climate concerns. Greenhouse gas emissions in the developing world already surpass that of the developed world. We need to ensure that any technology employed to reduce these emissions will be shared with emerging economies, too.

As an industry, we're pursuing various Btu-conversion technologies to transform coal into diesel fuel, gasoline, synthetic natural gas and hydrogen. We also support electric vehicle adoption because batteries plugged into the nation's power grid benefit coal demand – and hold the greatest promise for de-carbonizing America's automotive fleet.

In short, if we want to address climate concerns, we need to invest more in coal. As the world's population moves up the industrialization curve, energy demand will grow. Coal has been the fastest-growing energy resource on the planet since 2000, and we believe this trend will continue. It's imperative that we protect our planet with technology advancement because the world will require all resources, as well as conservation, to meet our growing energy needs. We need to secure our shared future together.

# Power

The minds of Arch Coal are dedicated to leading the U.S. coal industry in safety, environmental stewardship and financial performance. Our goal is to continuously enhance shareholder value by responsibly mining and marketing coal to power people's lives in the 21st century.



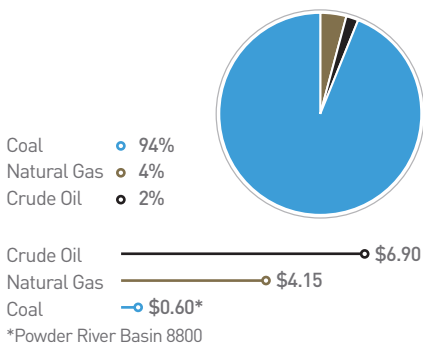


We rely on coal to power our lives – and we expect that power to be there when we need it most. At 48% of our nation’s electricity, coal is the largest – and one of the most reliable – power sources in America today. We also believe that coal will do the heavy lifting to meet our growing energy needs tomorrow.



### U.S. Fossil-Energy Reserves

(in \$ per million Btu – 3/2/09)



It’s often said that the United States is the Saudi Arabia of coal. This chart demonstrates why. Coal is the most abundant – and also the most affordable – fossil-fuel resource in America. We use it today to power our homes, but could use it tomorrow to power our cars. Coal is the key to granting America a secure energy future.

### We’re powerful

Arch is one of the largest coal producers in the United States, supplying the fuel to power 6% of America’s electricity. Our national scope of operations comprises a leading position in 3 major low-sulfur coal basins – the Powder River Basin, the Western Bituminous region and Central Appalachia. We also control a significant undeveloped reserve base and an equity stake in a private coal producer in the high-sulfur Illinois Basin.

Arch’s mining complexes are modern, efficient, automated and possess significant scale advantage. The Black Thunder mine is one of the largest mining operations in the world, contributing 8% of U.S. coal needs. We employ the largest earth-moving equipment in existence – called draglines – as well as immense haul trucks, shovels, bulldozers and high-tech computer equipment to keep the mine running seamlessly all 365 days of the year.

Arch also utilizes the most efficient underground mining methods – employing a total of 5 longwall mining systems at complexes in Utah and Colorado and at Mountain Laurel in West Virginia. In 2008, 3 of our longwall mines ranked among the top 10 most productive underground mines in the nation.

Our scale advantage is evident in our productivity performance. In 2008, our surface mines were 140% more productive per hour than the U.S. surface coal industry average, while our underground mines were 86% more efficient than the underground average.

### We’re growing

Coal consumption is growing worldwide, from 41% of global electricity consumption today to an estimated 44% by 2030. Developing countries will account for much of this growth – with electricity demand expanding at rates nearly 5 times faster than that of the developed world. Coal consumption is growing here at home, too. The U.S. Department of Energy predicts that America’s coal consumption will grow more than 20%, reaching nearly 1.4 billion tons, by 2030.



Over the long term, we believe that raising the global population's standard of living will drive a secular uptrend in energy use. The challenge is to provide power for an expected 8 billion people worldwide in a sustainable way that also protects our planet.

Given the price of competing fossil-fuel energy sources, coal represents an affordable fuel choice for electric generation. Coal reserves are geographically dispersed around the world – with meaningful deposits in the Americas, Africa, Australia, China, India and Russia – rather than largely concentrated in one region like crude oil. Additionally – unlike some renewable energy sources – coal is a great baseload power source because of its reliability. And, with the commercialization of carbon capture and storage technology, coal also can be increasingly green energy.

As our nation's most abundant fossil fuel, coal can help America secure its own energy future. Coal accounts for 94% of the U.S. hydrocarbon resource base compared with 6% for natural gas and crude oil combined. On a global basis, coal's share is dominant as well, representing nearly 60% of known world fossil-fuel energy reserves.

For these reasons, we expect coal to remain an important energy source – so finding a balance by employing the Power of 3 is critical to ensuring sustainability.

### We're committed

Over the past decade, Arch has evolved into a market-driven company. We credit that strategy with providing our best financial performance on record in 2008 – and are confident that it will continue to drive future value creation at the company.

Looking ahead, we'll continue to focus on containing costs and on reducing production and capital spending levels in a weak market cycle. We'll constantly strive for excellence in our 3 key pillars. We'll evaluate opportunities to transform the asset base. In essence, we're committed to delivering shareholder value by growing our future earnings power beyond our current capability.



In 2008, Arch's surface operations produced 15 more tons of coal per hour than the U.S. surface coal industry average, while our underground mines were nearly 2 times more efficient than the underground industry average.

### Arch's National Network of Mines



Note: Arch owns an equity interest in Knight Hawk Holdings LLC, a private coal producer in the Illinois Basin. Arch also controls a significant undeveloped reserve base in that region.



**Steven F. Leer**  
Chairman and Chief Executive Officer



## Dear Fellow Shareholders

By any account, 2008 was a tumultuous year. The U.S. economy fell into recession, causing the stock market to fall from 13,000 to below 9,000 by year's end – and below 7,000 at the writing of this letter. Global energy markets soared in advance of the Beijing Olympics – and subsequently collapsed under the weight of the world's financial crisis. In November, America elected a new Democratic president after 8 years under a Republican administration.

Throughout 2008, however, Arch Coal's core strategy remained unchanged. As a company, we've continued to embrace the **Power of 3** – people, planet and power – in everything we do. We need to protect our most important assets. We want to sustain our planet for future generations. We have the power to deliver an even more promising future.

Since our inception in 1997, Arch has built its foundation upon 3 key pillars – safety, environmental stewardship and financial performance. I believe embracing these core values is critical for achieving success within the energy industry today.

Our commitment to these core values was evident in 2008. We set new company records for each pillar of performance. I'm proud of the efforts of our employees to achieve such outstanding results – and I'm confident that the continued pursuit of these values will keep our company on the right course and drive our success in the years ahead.

### **Celebrating accomplishments**

Last year was a tale of 2 markets. During the 1st half of 2008, metallurgical coal demand skyrocketed. Strong pull from seaborne coal markets boosted U.S. coal exports. Major supply constraints – including reserve degradation, transportation and infrastructure bottlenecks, as well as regulatory

hurdles – put stress on already tight coal markets. These factors drove coal prices to record highs. However, the global financial crisis and ensuing economic recession dampened demand for energy and steel by the year's 2nd half. Milder weather, high generator coal-stockpile levels, slowing industrial activity and declining prices for competing fuels all caused coal markets to weaken considerably.

Despite the turmoil of 2008, Arch delivered its best financial performance in company history. We set new records for revenues, net income, earnings per share, adjusted EBITDA and cash flow from operations. We realized higher pricing in each of our operating regions – the Powder River Basin, the Western Bituminous region and particularly Central Appalachia. Cost containment at our mines helped expand profitability. And, our enhanced trading and optimization function contributed in a meaningful way to our results. Lastly, we returned more than \$100 million to shareholders by raising our dividend – and by repurchasing 1.5 million shares of the company's common stock.

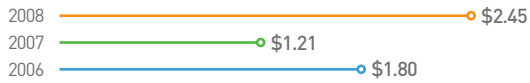
Arch sold coal to many places on the planet in 2008 – reaching 5 continents and 21 countries worldwide. Our metallurgical coal sales totaled 4.4 million tons, thanks to a full-year contribution from our newest mine in West Virginia, Mountain Laurel. We also opened up new markets for our Western Bituminous coal – with shipments to Mexico and Morocco. In addition, we embarked on our first shipments of Powder River Basin coal to the Asia-Pacific region in 2009 – and expect that trend to grow over time.

Arch's operations also attained major milestones in 2008. The Black Thunder mine in Wyoming put into service a new, state-of-the-art train loadout after 3 years of development and a cost of \$120 million.



## Arch Coal, Inc. Earnings Per Share

(in \$ per common share)



The new West Loadout will increase efficiency, reduce truck hauls and support future expansion at the mine. We also transitioned to a new coal seam at the West Elk mine in Colorado after 4 years of development and an estimated cost of \$225 million. The E-seam allows West Elk to continue production of a high-Btu, low-sulfur product in the under-supplied Western Bituminous region.

### Confronting challenges, seizing opportunities

Looking ahead, coal markets will likely remain depressed in 2009 – pressured by muted power and steel demand, high U.S. power-plant coal stockpiles and low competing fuel prices. At the same time, corrective market forces are already at work. Supply rationalization is under way – in metallurgical and steam-coal markets – while capital spending is being slashed industry-wide. These actions should bring coal fundamentals into better balance, and will set the stage for the next market upswing when world economies begin to improve.

At Arch, we remain committed to following a market-driven strategy by matching our production and capital spending levels to our expectations of market demand. This strategy will preserve the inherent value of our reserve base through the whole market cycle. We also will act aggressively to control costs as we've done successfully in the past. Since 2006, Arch has delivered its 3 best financial performances in company history – a testament to our ability to manage effectively through market upswings and downturns.

Our goal is to emerge from the current downturn as an even stronger company – and we are well positioned to take advantage of opportunities that may arise in this challenging environment. One such opportunity is our recently announced intention to purchase the Jacobs Ranch mine in the Powder River Basin of Wyoming. Upon completion, the transaction will enhance Arch's low-cost position in the nation's largest and fastest-growing coal-supply region. Additionally, the integration of Jacobs Ranch into Arch's flagship Black Thunder operation will create one of the largest and most-efficient mining complexes in the world.

### Growing coal's installed base

Over the intermediate and long term, we believe coal's future is very bright. America needs power today as we rebuild our economy and in the future as power demand resumes its steady climb upward. Coal is – and will remain – the country's backbone for electricity. It also represents one of the most affordable and abundant energy sources for America. That's why more than 25 new coal plants are being built right here in the United States, and – upon completion during the next 4 years – will collectively expand coal demand by 55 million tons annually. These new plants – along with a continued increase in utilization at America's existing 311-gigawatt coal-fueled generation fleet – will drive future growth in domestic coal demand.

In total, 170 gigawatts of new coal-fueled capacity are being built around the world today. Countries





## Arch Coal, Inc. Adjusted EBITDA\*

(in \$ millions)



\*Adjusted EBITDA is defined and reconciled at the end of this report.



with plentiful coal deposits are fueling their economies with this indigenous power source. Over the past 10 years, global coal production has grown by 1.6 billion metric tons – which is substantially larger in size than the U.S. coal industry today. As world economic growth resumes, developed and developing economies will use steel produced with metallurgical coal to construct buildings, and electricity produced with coal to power them.

We also expect many developing countries to import coal to supplement their growing needs. Metallurgical coal remains a scarce global commodity – with Central Appalachia poised to become an increasingly critical source in the global infrastructure supply chain. We also believe international customers will continue to turn to U.S. steam coal – both eastern and western – to diversify their coal supplies. With Arch's national network of mines and extensive reserve base, we plan to capitalize on this secular uptrend in energy use.

Additionally, energy security remains a serious concern. Developments in many countries, such as Venezuela and Russia, suggest that resource nationalism is on the rise. We believe that countries will look to satisfy their growing energy requirements by utilizing the resources they have at home. With advances in technology, we can convert America's coal resources into synthetic natural gas, diesel fuel or gasoline – as envisioned by Arch's equity investment in DKRW – to reduce our dependency on foreign oil and to provide a

competitive energy-cost advantage for our nation's industrial sector.

### Excelling as a responsible energy company

I believe our most important accomplishment of 2008 was Arch's record safety and environmental performance. Arch's 2008 lost-time incident rate again ranked 1st among major coal industry peers and represented the company's best safety performance on record. Roughly 50% of our mines and facilities worked an entire year without a single lost-time incident. We also improved our industry-leading environmental-compliance record in 2008, surpassing the previous record set in 2007. And, our mines excelled in environmental-stewardship practices last year – earning 2 national Good Neighbor Awards and 6 state awards. At the same time, we believe there is still room for improvement. That's why we're actively committed to pursuing our ultimate goal – a **Perfect 0** – in safety incidents and environmental violations each and every year.

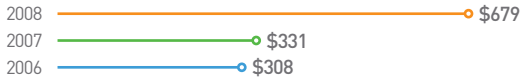
During 2008, Arch continued to support its communities through the company's signature *Teacher Achievement Awards* program and grants made by the Arch Coal Foundation. We strive to be a good neighbor and partner in the places we call home – and want to leave a lasting legacy.

Looking ahead, because coal will remain an important energy source in coming decades, we believe it is essential to increase investments in



### Arch Coal, Inc. Cash Flow from Operations

(in \$ millions)



technologies that continue to make coal use in this country and around the world cleaner, more efficient and more climate friendly. In reality, the energy industry – through the development and application of clean technologies – has been using coal in increasingly clean ways for decades and continues to make advancements that further reduce emissions. The challenge now is to address CO<sub>2</sub> emissions related to fossil-fuel use by enabling the development of carbon capture, utilization and storage solutions.

That’s why Arch has pledged \$8 million for university research and pilot projects geared toward the advancement of clean coal technologies – including carbon capture and storage. Arch joins a consortium of companies across industries along with governmental organizations and academia in funding these projects to ensure a more secure and sustainable energy future. Furthermore, Arch will continue to help fund and direct the coal-industry advocacy campaign – *Coal: America’s Power* – which is critical in communicating to America that clean coal technologies are advancing rapidly and that U.S. ingenuity will drive even greater improvements in coal utilization in the future.

#### The Power of 3

Arch’s ultimate success is tied to our commitment to people, planet and power. The **Power of 3** will influence the external environment in which we operate and guide our company’s future direction.

Our talented people continue to lead the U.S. coal industry in safety and environmental performance, thus creating a cultural competitive advantage. Our focus on mining and marketing predominantly low-sulfur coal provides us with a distinct marketing advantage. Our large and diverse mining complexes span the nation and grant us a substantial scale advantage. Our operations employ advanced and efficient mining equipment and techniques to achieve productivity levels that are superior to our competition, providing a significant cost advantage. With relatively low levels of legacy liabilities, our balance sheet ranks among the best in the industry – a significant financial advantage in these uncertain economic times.

Historically, Arch has grown organically and strategically, wisely spending capital in a responsible manner. We are well positioned in the current market environment to pursue opportunities to transform the asset base, and we are committed to enhancing shareholder value in everything we do. I thank you for your interest in and continued support of Arch Coal.

**Steven F. Leer**  
Chairman and Chief Executive Officer  
March 9, 2009

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  - (b) Nominating and Corporate  
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  - (c) Finance Committee
  - (d) Personnel and Compensation  
Committee
  - (e) Energy and Environmental  
Policy Committee
- \* Committee Chair

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Senior Vice President and  
Chief Financial Officer

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General Counsel and Secretary

**PAUL A. LANG**  
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