ARCH COAL INC
Form 424B2
October 25, 2004

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-58738

PROSPECTUS SUPPLEMENT
(To Prospectus Dated April 19, 2001)

6,250,000 Shares

Arch Coal, Inc.

Common Stock

$33.85 per share

We are offering 6,250,000 shares of our common stock. We have granted the underwriters an option to purchase up to 937,500 additional shares of common stock to cover over-allotments.

Our common stock is listed on the New York Stock Exchange under the symbol ACI. The last reported sale price of our common stock as reported by the New York Stock Exchange was $34.07 per share on October 21, 2004.

Investing in our common stock involves risks. See Risk Factors beginning on page S-10 of this prospectus supplement and page 3 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 33.85	$211,562,500
Underwriting discount	$ 1.6925	$ 10,578,125
Proceeds to Arch Coal, Inc. (before expenses)	$32.1575	$200,948,375

The underwriters expect to deliver the shares to purchasers on or about October 27, 2004.

Joint Book-Running Managers

Citigroup **Morgan Stanley**

JPMorgan

PNC Capital Markets, Inc.
FRIEDMAN BILLINGS RAMSEY
Legg Mason Wood Walker
Incorporated
Lehman Brothers

Merrill Lynch & Co.
Wachovia Securities

October 21, 2004

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the prospectus is accurate as of any date other than the dates on the front covers of these documents.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain significant aspects of our business contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that you should consider before making an investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus and the documents incorporated into them by reference, including the Risk Factors and Forward-Looking Statements sections and the financial data and related notes, before making an investment decision. Unless otherwise indicated, references in this prospectus supplement and the accompanying prospectus to ACI, the company, we, us, our and similar terms, refer to Arch Coal, Inc. and its subsidiaries. From and after August 1, 2004, following our acquisition of the remaining 35% interest in Canyon Fuel Company, LLC, we consolidate 100% of the results of operations of Canyon Fuel. Except as otherwise indicated, references to pro forma give effect to (1) our acquisition of the remaining 35% interest in Canyon Fuel and the related financing, including the change in accounting resulting from the acquisition, and (2) our acquisition of Triton Coal Company, LLC, the related financing and the sale of Triton s Buckskin mine, as if each occurred on the first day of the applicable period. References to the Transactions refer to (1) the acceptance of our bid for the Little Thunder lease by the U.S. Bureau of Land Management and the related financing and (2) the issuance of the common stock offered hereby and the application of the net proceeds therefrom as set forth under Use of Proceeds. Coal reserves data in this prospectus supplement includes all of the reserves of Canyon Fuel. References to productivity in this prospectus supplement are measured in tons of coal produced per employee-shift.

Our Company

We are the second largest operator of compliance and low sulfur coal mines in the United States, and we operate some of the industry s most productive mines. We mine, process and market compliance and low sulfur coal from mines located in both the eastern and western United States, enabling us to ship coal cost-effectively to most of the major domestic coal-fired electric generation facilities. On a pro forma basis, we sold 137.8 million tons of coal in 2003 and 68.5 million tons of coal during the six months ended June 30, 2004, all of which was compliance and low sulfur. Our largest mine, Black Thunder, is located in Wyoming in the Powder River Basin, the largest and fastest-growing U.S. coal-producing region. We are in the process of integrating the operations of Triton s North Rochelle mine with our Black Thunder mine, creating one of the largest and most productive mines in the world. We operate eight surface mines and 15 underground mines in the Central Appalachian region, which is the nation s second largest coal producing region and the principal source of low sulfur coal in the eastern United States. In addition, we are the largest producer of coal in the Western Bituminous Region, where we operate one underground mine in Colorado and two underground mines in Utah. On a pro forma basis, we generated revenues of $1.9 billion in 2003 and $1.0 billion during the six months ended June 30, 2004.

As of December 31, 2003, on a pro forma basis, we controlled approximately 3.1 billion tons of proven and probable coal reserves, 84% of which was compliance and low sulfur coal. In September 2004, we added to that position by successfully bidding for a 5,084-acre federal coal lease known as Little Thunder, which is located adjacent to our Black Thunder mine in the Powder River Basin. We expect that the Little Thunder lease will be finalized, subject to regulatory review, in the first quarter of 2005. According to the U.S. Bureau of Land Management, Little Thunder contains approximately 719.0 million mineable tons of compliance coal. Compliance coal and low sulfur coal are coals which, when burned, emit 1.2 pounds or less and 1.6 pounds or less of sulfur dioxide per million Btus, respectively. In general, compliance coal does not require electric generators to use expensive sulfur dioxide reduction technologies to comply with the requirements of the Clean Air Act.

Our sales volume has increased from 40.9 million tons in 1997 to 137.8 million tons in 2003 on a pro forma basis, primarily as a result of selective acquisitions as well as the strategic development of existing reserves. We sell substantially all of our coal to producers of electric power, most of whom are large, investment grade utilities. We supplied the fuel for approximately 7% of the electricity used in the United States in 2003 on a pro forma basis. As of September 30, 2004, we had committed and priced 97% of our

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planned 2004 production, approximately 79% of our planned 2005 production and approximately 51% of our planned 2006 production. Our goal with respect to a significant portion of the remainder of our planned production which is uncommitted is to seek long-term supply agreements with our largest and best customers, providing us with a relatively reliable and stable revenue base. The remaining uncommitted position will enable us to take advantage of improving market conditions.

Recent Events

Investment in Mountain Laurel Mining Complex

On July 26, 2004, we announced that we will invest approximately $190.0 million over the next four years to open the Mountaineer II mine, a new underground mine at the Mountain Laurel complex in Central Appalachia. Initial production is expected to begin at Mountaineer II in 2006, with full longwall production expected to begin in mid-2007. At its full rate of production, Mountaineer II is expected to produce approximately 5.0 million tons per year of high Btu, low sulfur coal that can be sold as either steam coal for electric generation or as metallurgical coal for use in the steelmaking process.

Acquisition of Remaining 35% Interest in Canyon Fuel Company, LLC

On July 31, 2004, we purchased the 35% interest in Canyon Fuel Company, LLC not owned by us, for a net purchase price of $98.4 million. As of December 31, 2003, Canyon Fuel controlled approximately 161.0 million tons of high-quality, low sulfur coal reserves in Utah. In 2003, Canyon Fuel produced approximately 13.0 million tons of coal. As a wholly owned subsidiary of ours, Canyon Fuel s results now will be consolidated in our financial statements. We funded the acquisition with $80.2 million in cash on hand and a promissory note payable to the seller.

Acquisition of Triton Coal Company, LLC

On August 20, 2004, we completed our acquisition of Triton s former parent company, Vulcan Coal Holdings, L.L.C., for an aggregate purchase price of $376.0 million, including transaction costs and subject to working capital adjustments. Triton was the nation s sixth largest coal producer in 2003 and operated two mines in the Powder River Basin, North Rochelle and Buckskin. Also on August 20, 2004, we sold Triton s Buckskin mine for net proceeds of approximately $72.9 million. We financed the acquisition of Triton with $254.0 million in cash, including the proceeds from the Buckskin sale, $22.0 million in borrowings under our existing revolving credit facility and $100.0 million in borrowings under a term loan facility. We are in the process of integrating the operations of the North Rochelle mine with our Black Thunder mine. The North Rochelle mine produced 23.9 million tons of 8,800 Btu, compliance coal in 2003 and, as of December 31, 2003, had a reserve base of approximately 215.8 million tons.

Acceptance of Our Bid for Little Thunder

On September 22, 2004, the U.S. Bureau of Land Management accepted our bid of $611.0 million for a 5,084-acre federal coal lease known as Little Thunder, which is located adjacent to our Black Thunder mine in the Powder River Basin. We expect the Little Thunder lease will be finalized, subject to regulatory review, in the first quarter of 2005. According to the U.S. Bureau of Land Management, the lease contains approximately 719.0 million mineable tons of compliance coal. We borrowed $100.0 million under our revolving credit facility and used $22.2 million of cash on hand to fund the first of five annual payments of $122.2 million under the lease. We expect to use Little Thunder s reserves to extend the reserve life of our Black Thunder mine and to begin mining these reserves in 2008.

Earnings for Three and Nine Months Ended September 30, 2004

On October 15, 2004, we announced that we had income available to common shareholders of $9.0 million, or $0.16 per fully diluted share, $0.19 per fully diluted share excluding charges related to the termination of hedge accounting for interest rate swaps, for our third quarter ended September 30, 2004. During the same period of 2003, we had income available to common shareholders of $9.3 million, or

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$0.18 per fully diluted share, including a net gain of $0.16 per share related to mark-to-market adjustments and charges stemming from the termination of hedge accounting. Revenues increased 49% for the quarter to $527.8 million, compared to $354.3 million during the same period last year, due principally to higher realizations and the addition of North Rochelle and Canyon Fuel, which was previously accounted for on the equity method, during the quarter. Sales volumes increased 34% to 33.8 million tons, compared to 25.3 million tons during the same period of 2003. Results in the third quarter were adversely impacted by rail disruptions, which may continue in the fourth quarter.

For the nine months ended September 30, 2004, income available to common shareholders increased to $33.1 million, or $0.60 per fully diluted share, excluding a net gain of $81.9 million associated with the sale of nearly all of our remaining interest in Natural Resource Partners LP, as well as other non-recurring items. That compares to a loss of $12.8 million, or $0.24 per fully diluted share, excluding charges related to early debt extinguishment and the cumulative effect of accounting change, during the same period of 2003. Total coal sales for the nine months increased 27% to $1.4 billion and coal sales volumes increased 17% to 86.1 million tons, compared to $1.1 billion and 73.6 million tons in the same period of 2003.

Demand for Coal

Over the last 20 years, total domestic coal consumption in the United States has increased 49% from approximately 737.0 million tons in 1983 to 1.1 billion tons in 2003. This growth has been driven primarily by increased demand for electricity, which has risen 66% over that same period. In 2003, electric generators accounted for approximately 92% of U.S. coal consumption.

We believe that demand for our coal will continue to grow for the following reasons:

Demand for electricity is expected to continue to increase. Demand for electricity in the United States has increased steadily for decades. The U.S. Energy Information Administration expects that demand for electricity will increase by 1.5% per year through 2025. Coal is currently the source fuel for approximately 50% of the electric power produced in the United States. The U.S. Energy Information Administration expects that demand for coal will increase by 1.8% per year through 2025 to fuel electric generation growth. In addition, construction of a number of new coal-fired electric generation plants has been announced in recent years to meet the United States need for inexpensive baseload generating capacity.

Other fuels used for electric generation face significant obstacles to future growth. Nuclear power plants, which provide approximately 20% of the nation s electricity, operated at approximately 88% of their rated capacity in 2003. Given normal refueling and maintenance requirements, as well as a number of recently announced equipment replacements, it appears unlikely that the U.S. nuclear system will be able to materially improve upon current utilization rates. Moreover, high costs and safety concerns mean that new nuclear capacity is unlikely for the foreseeable future. Natural gas is the third leading source of fuel for electric generation, with an approximately 16% market share in 2003. While many new gas-fired power plants have been constructed in the past several years, North American natural gas production grew by only 0.5% in 2003 despite a significant increase in drilling activity. This has resulted in concerns about the adequacy of natural gas to meet the needs of the home heating market and for power generation, especially in the winter months. Natural gas is currently trading at prices that are two to three times higher than in the 1990 s. We believe that coal-fired power plants have a significant economic advantage over gas plants for baseload production. Hydro-power generation facilities accounted for 7% of the nation s electricity in 2003, but new facilities are unlikely, due to significant capital requirements and vigorous environmental opposition.

Coal-fired electric generation is increasingly clean. Since the passage of the Clean Air Act, which provided for reductions in the amount of sulfur dioxide emissions, demand for compliance and low sulfur coal has increased by approximately 45%. This shift to compliance and lower sulfur coal, as well as the application of emissions control technologies, has contributed to a nearly 50% decline in emissions of the six principal pollutants since 1970, according to the U.S. Environmental Protection Agency even as coal consumption for electric generation has tripled over that same time frame.

There is growing demand for coal from the Powder River Basin. As a result of the low sulfur content and significant production cost advantage of Powder River Basin coal, demand for Powder River Basin coal has approximately doubled since 1990. Furthermore, production of low sulfur coal in certain other key regions is declining, due principally to reserve degradation, rising mining costs and regulatory and permitting challenges. We believe these factors should spur continued demand for Powder River Basin coal.

There is a supply and demand imbalance in the Central Appalachian region. Production in the Central Appalachian region has declined more than 20% over the last six years, due principally to reserve degradation, an increasingly difficult permitting environment, labor shortages, years of under-investment, increasing cost structures and transportation challenges. At the same time, demand for the region s coal has remained strong due to an expanding economy, a shortage of competing fuels, recovery in the U.S. steel industry and increased demand for the region s high Btu coal in the global export market. This supply and demand imbalance in Central Appalachia has caused prices for coal produced in this region to increase by 70% over the latest twelve month period ending September 30, 2004. Those companies with large reserve positions and extensive experience operating in the region and managing the permitting process are positioned to benefit from increasing coal prices in the region.

Significant excess capacity is available at existing coal-fired electric generation plants. Coal-fired electric generation plants operated at an average of 72% of rated capacity in 2003. We believe that these plants will ultimately achieve an average utilization rate of between 80% and 85%. We believe excess capacity at coal-fired plants represents the lowest cost source of additional electricity in the United States. In 2003, coal-fired electric power had an average cost of $18.11 per megawatt hour, compared to $57.35 for natural gas and $56.21 for crude oil, according to *Platts Global Energy.*

Competitive Strengths

We believe that the following competitive strengths are instrumental to our success:

We are a leading producer and marketer of cleaner-burning coal, with a reserve base consisting entirely of compliance and low sulfur coal. Demand for clean-burning, low sulfur coal has grown dramatically since the adoption of the Clean Air Act. In 2003, on a pro forma basis, we sold 137.8 million tons of compliance and low sulfur coal. We are the second largest producer of compliance and low sulfur coal in the United States and are the only producer with top three positions in each of the nation s principal low sulfur basins, the Powder River Basin, Western Bituminous region and Central Appalachia. As of December 31, 2003, on a pro forma basis, we controlled approximately 3.1 billion tons of proven and probable coal reserves, 84% of which was compliance and low sulfur coal, and which does not include approximately 719.0 million tons of compliance coal from the Little Thunder lease.

Our operations and low-sulfur reserves are balanced in the western and eastern United States. In 2003, on a pro forma basis, we sold 88.0 million tons of compliance and low sulfur coal from the Powder River Basin, 20.2 million tons of compliance and low sulfur coal from the Western Bituminous region and 29.7 million tons of compliance and low sulfur coal from the Central Appalachia region of the eastern United States. We believe that this geographic diversity provides us with a competitive advantage, allowing us to source coal from multiple regions and giving us greater flexibility to meet the needs of certain of our customers.

We have high quality reserves and significant expansion opportunities in each of the reserve basins in which we operate. In the Powder River Basin, the nation s largest and fastest growing supply basin, we controlled 1.7 billion tons of reserves on a pro forma basis as of December 31, 2003, not including the Little Thunder lease. Our Coal Creek mine presents strategic idle capacity in the region. We estimate that, with an investment of $40.0 million to $60.0 million, Coal Creek could produce 12.5 million tons of coal annually. In Central Appalachia, we control approximately 849.0 million tons of high Btu, low sulfur reserves that should support low-cost mining in the region for many years to come. We believe that our underground Mountain Laurel mine, with an estimated total underground reserve base of 107.0 million tons of high Btu, low sulfur coal, which can be sold as either high quality steam or metallurgical coal, is the best undeveloped longwall reserve in the region. We expect to reach full production of up to 5.0 million tons per year at the mine by

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mid-2007. We also believe the North Lease reserves at our idle Skyline mine provide an attractive expansion opportunity in the Western Bituminous region.

In 2003, our mines ranked among the most productive in the regions in which we operate. Coal production costs vary dramatically and are affected by a number of factors, such as mining methods, coal seam thickness, overburden stripping ratios and depth of underground reserves. In 2003, our Black Thunder mine produced 382 tons per employee-shift compared to an average of 349 tons per employee-shift for the Powder River Basin as a whole. Through careful management, the application of advanced technologies and the use of efficient mining equipment, we have increased productivity levels at our Black Thunder mine by 13% since our acquisition of the mine in June 1998. In the Western Bituminous region, our productivity level was 94 tons per employee-shift compared to an average in the region of 75 tons per employee-shift. We are also one of the most productive operators in Central Appalachia, with productivity levels of 44 tons per employee-shift in 2003 compared to an average in the region of 35 tons per employee-shift.

We have longstanding relationships and multiple long-term contracts with many of the largest coal-burning utilities in the United States. We supply coal to 134 power plants operated by 50 electricity generators in 33 states. We are recognized as a preferred supplier to many of these customers, with a reputation for reliability and superior customer service. As of September 30, 2004, we had committed and priced substantially all of our planned 2004 production, approximately 80% of our planned 2005 production and approximately 50% of our planned 2006 production. Our long-term supply agreements provide us with a relatively reliable and stable revenue base, while our uncommitted position enables us to increase our participation in coal markets as pricing improves.

We are a recognized, industry leader in safety and environmental performance. Our profitability depends, in part, on our ability to avoid lost-time injuries and environmental violations. We operate some of the nation s safest mines, with a 2003 total incident rate of 1.96 per 200,000 hours worked, which is more than two times better than the industry average of 4.37 per 200,000 hours worked. We also emphasize environmental compliance company-wide, basing incentive compensation for much of our management team in part on several key environmental metrics. In the past two years, we earned 14 awards for reclamation excellence, including the U.S. Department of Interior s Directors Award. In addition, we have won the West Virginia Department of Environmental Protection s Greenlands award in each of the last three years. We believe achieving excellence in safety and environmental performance lowers the likelihood of production disruptions at our mines, which allows us to better maintain lower production costs.

Our management team has a proven track record. Our management team has a proven track record of increasing productivity, making strategic acquisitions, developing and maintaining strong customer relationships and effectively positioning us for future growth. Our senior executives have an average of 12 years of experience in the coal industry and eight years of experience with us.

Business Strategy

We believe that we are well positioned for improved financial performance through implementation of a strategy consisting of the following:

Capitalizing on the ongoing shift to compliance and low sulfur coals. To comply with the Clean Air Act, many power producers have opted to burn compliance and low sulfur coal rather than install expensive scrubbing equipment. Our reserve base of compliance and low sulfur coal should enable us to benefit from this trend. We expect the Powder River Basin to continue to capture a significant portion of the growth in U.S. coal demand, and we intend to continue our expansion efforts in this highly strategic basin. We believe our acquisition of Triton s North Rochelle mine, our expected lease of the Little Thunder reserve tract, which we anticipate will be finalized in the first quarter of 2005, and our idle Coal Creek mine provide attractive opportunities for continued growth in the Powder River Basin. Our recently announced development of our Mountain Laurel mine in Central Appalachia will contribute approximately 5.0 million tons of production of low sulfur coal by mid-2007. Our acquisition of the remaining 35% interest in Canyon Fuel further strengthens our position in the Western Bituminous region, and our significant reserve base in the region creates opportunities for future growth.

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Strengthening our position as a low-cost producer. We focus on continuous improvement at all of our operations, with an emphasis on lowering costs and improving productivity. We seek to reduce costs by pursuing advanced technologies, such as GPS-enabled equipment dispatch, and by leveraging our significant economies of scale, experienced and innovative workforce, large fleet of mining equipment, information technology systems, centralized purchasing and land management function. In addition, we expect that the integration of North Rochelle into our Black Thunder mine will provide between $15 million and $20 million of annual operating synergies.

Continuing to focus on excellence in safety performance and environmental stewardship. We intend to continue to improve upon our recognized industry leadership as the operator of some of the safest mines in the United States. We also will continue our commitment to achieve environmental excellence and to restore mined properties to a condition that is as good as or better than existed before they were mined. Our ability to avoid lost-time injuries and environmental violations improves our cost structure, fosters good government relationships and ultimately enhances our financial performance.

Enhancing strong relationships with customers. We are recognized as a preferred provider of compliance and low sulfur coal to many electric generators, and we have a reputation for reliability, quality assurance and customer service. We intend to maintain our strong customer relationships and to build upon these relationships and our status as a preferred supplier to the nation s largest electric generators in order to enhance our market position.

Concurrent Offering

Concurrently with our offering of common stock, our 99%-owned subsidiary, Arch Western Finance, LLC, is privately offering $250.0 million principal amount of 6 3/4% Senior Notes due 2013. Net proceeds from the senior notes offering will be used, in conjunction with net proceeds from our offering, to repay all or part of the outstanding indebtedness incurred to finance our acquisition of Triton and the first annual payment under the Little Thunder lease, with the remaining net proceeds from the offerings being used for general corporate purposes, including the development of Mountain Laurel. The notes have not been registered and are not being registered at this time under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This prospectus supplement is not an offer of the notes for sale or a solicitation of an offer to buy the notes. Our offering of common stock is not contingent upon the completion by Arch Western Finance of its offering of the notes.

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The Offering

Common stock offered	6,250,000 shares
Common stock to be outstanding after this offering	61,486,024 shares
Overallotment option	937,500 shares
Use of proceeds	We intend to use the net proceeds to repay borrowings under our revolving credit facility incurred to finance our acquisition of Triton and the first annual payment under the Little Thunder lease, and the remaining net proceeds will be used for general corporate purposes, including the development of Mountain Laurel. See Use of Proceeds for more information regarding our use of the net proceeds from this offering.
New York Stock Exchange symbol	ACI

The number of shares of our common stock to be outstanding after this offering is based on 55,236,024 shares outstanding as of September 30, 2004 and excludes:

- an aggregate of 6,895,688 shares of common stock reserved for issuance upon conversion of shares of our 5% Perpetual Cumulative Convertible Preferred Stock;
- an aggregate of 3,251,835 shares of common stock reserved for issuance upon exercise of outstanding options, at a weighted average exercise price of $20.96 per share; and
- an aggregate of 2,887,531 shares of common stock available for future issuance under our incentive compensation plans.

Unless otherwise noted, the information in this prospectus supplement assumes that the underwriters overallotment option will not be exercised.

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Summary Consolidated Historical and Pro Forma Financial and Operating Data

The following table sets forth a summary of certain of our historical and pro forma consolidated financial and operating data for the dates and periods indicated and should be read in conjunction with our audited consolidated financial statements and related notes, our unaudited interim consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference into this prospectus supplement. The summary historical consolidated financial data for the six months ended June 30, 2003 and 2004 are derived from our unaudited interim consolidated financial statements and, in the opinion of our management, fairly present our results for such periods. Our results for the six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the year ended December 31, 2004 or for any other future period.

The summary pro forma consolidated financial and operating data set forth below for the year ended December 31, 2003 and the six months ended June 30, 2004 gives effect to (1) our acquisition of the remaining 35% interest in Canyon Fuel, the related financing and the change in accounting resulting from the acquisition, and (2) our acquisition of Vulcan Coal Holdings, L.L.C., Triton s former parent company, the related financing and the sale of Triton s Buckskin mine, as if each had occurred on the first day of the applicable period with respect to the statement of operations and operating data, and as of June 30, 2004, with respect to balance sheet data, and have been derived from our and Canyon Fuel s historical financial statements and the historical financial statements of Vulcan. The pro forma adjustments are based upon available information and certain assumptions that we consider reasonable. The pro forma results of operations are not necessarily indicative of the results of operations that would have been achieved had the transactions reflected therein been consummated on the date indicated or that will be achieved in the future. The unaudited summary pro forma consolidated financial data are only a summary and should be read in conjunction with Capitalization, Selected Consolidated Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our, Vulcan s and Canyon Fuel s respective consolidated financial statements and the notes thereto included or incorporated by reference in this prospectus supplement. The unaudited summary pro forma consolidated financial data also should be read in conjunction with the unaudited pro forma financial information and the pro forma background and introduction thereto contained in the Current Reports on Form 8-K/A filed by us on October 14 and 15, 2004 and incorporated by reference in this prospectus supplement.

	Year Ended December 31,			Pro Forma Year Ended December 31,	Six Months Ended June 30,		Pro Forma Six Months Ended June 30,
	2001	2002	2003	2003	2003	2004	2004
				(In thousands)			
Consolidated Statement of Operations Data:							
Coal sales revenues	$1,403,370	$1,473,558	$1,435,488	$1,876,205	$706,282	$826,268	$1,032,961
Cost of coal sales	1,336,218	1,412,541	1,418,362	1,821,907	705,963	781,892	980,467
Selling, general and administrative expenses	42,889	40,019	47,295	58,103	23,763	27,984	33,121
Long-term incentive compensation expense	1,515		16,217	16,217			
Amortization of coal supply agreements	27,460	22,184	16,622	24,970	10,320	1,238	4,666
Other expenses	18,190	30,118	18,980	22,421	9,520	12,819	14,757
Other operating income	85,358	60,581	122,359	104,603	46,386	129,444	123,217
Income from operations	62,456	29,277	40,371	37,190	3,102	131,779	123,167
Interest expense	(64,211)	(51,922)	(50,133)	(57,850)	(23,219)	(28,842)	(32,732)
Interest income	4,264	1,083	2,636	3,069	826	1,613	1,656
Other non-operating income (expense), net (1)			4,256	4,256	(3,950)	(3,759)	(3,759)
(Benefit from) provision for income taxes	(4,700)	(19,000)	(23,210)	(25,273)	(8,600)	19,700	17,941

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	Year Ended December 31,			Pro Forma Year Ended December 31,	Six Months Ended June 30,		Pro Forma Six Months Ended June 30,
	2001	2002	2003	2003	2003	2004	2004
	(In thousands, except per share and per tonnage data)						
Income (loss) before cumulative effect of accounting change	7,209	(2,562)	20,340	11,938	(14,641)	81,091	70,391
Cumulative effect of accounting change (2)			(3,654)	(10,462)	(3,654)		
Net income (loss)	7,209	(2,562)	16,686	1,476	(18,295)	81,091	70,391
Preferred stock dividends			(6,589)	(6,589)	(2,995)	(3,594)	(3,594)
Net income (loss) available to common shareholders	$ 7,209	$ (2,562)	$ 10,097	$ (5,113)	$ (21,290)	$ 77,497	$ 66,797
Consolidated Balance Sheet Data (at period end):							
Cash and cash equivalents	$ 6,890	$ 9,557	$ 254,541		$ 108,779	$ 296,300	$ 58,356
Total assets	2,203,559	2,182,808	2,387,649		2,301,222	2,498,349	2,808,697
Working capital	49,813	37,799	237,007		142,425	333,953	97,116
Total debt	773,855	747,342	706,371		700,168	700,071	841,886
Stockholders equity	570,742	534,863	688,035		642,345	806,029	806,029
Per Share Data:							
Basic earnings (loss) per common share before cumulative effect of accounting change	$ 0.15	$ (0.05)	$ 0.26	$ 0.10	$ (0.34)	$ 1.43	$ 1.23
Basic earnings (loss) per common share	0.15	(0.05)	0.19	(0.10)	(0.41)	1.43	1.23
Diluted earnings (loss) per common share before cumulative effect of accounting change	0.15	(0.05)	0.26	0.10	(0.34)	1.31	1.13
Diluted earnings (loss) per common share	0.15	(0.05)	0.19	(0.10)	(0.41)	1.31	1.13
Dividends per common share	0.23	0.23	0.23	0.23			