Peabody Energy Announces Results for the Quarter and Fiscal Year Ended March 31, 2001

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Peabody Energy today reported adjusted EBITDA* of $582.8 million and $269.6 million for the fiscal year and fourth quarter ended March 31, 2001, compared with adjusted EBITDA of $443.0 and $110.9 million in the respective prior-year periods. Net income totaled $107.0 million and $117.0 million for the full year and fourth quarter, compared with net income of $28.2 million and $58.9 million for the respective prior-year periods. For the quarter, the company reduced debt by $461 million, bringing full-year debt reduction to $671 million.

Current-year results include the sale of the company's Australian mining operations for US$447 million in cash and $119 million in debt assumption. The sale resulted in a fourth quarter pretax gain of $172 million, which is reflected in the adjusted EBITDA reported above. Adjusted EBITDA also includes results of Australian operations through January 29, 2001. Prior- year fourth quarter results included a $144 million tax benefit for fiscal year 2000 that is reflected in the "Income Tax Expense" line of the income statement.

Sales volume for the quarter and year totaled 48.7 million tons and 192.4 million tons, both company records, compared with 46.0 million tons and 190.3 million tons for the respective prior-year periods.

Fourth quarter revenues rose 4 percent to $685.0 million, compared with revenues of $658.3 million in the prior-year period, as increased volume and pricing in the Powder River Basin and Appalachia and increased volumes at Black Beauty overcame lower Midwest volumes related to the prior-year suspension of three Illinois Basin mines. For the full year, revenues totaled $2.67 billion, compared with prior-year revenues of $2.71 billion.

Fourth quarter adjusted EBITDA from U.S. operations totaled $91.3 million, compared with prior-year results of $90.1 million. Full-year adjusted EBITDA from U.S. operations was $332.2 million compared with $361.2 million for the prior year, as improved results from the Powder River Basin were overcome by $28 million in higher energy-related costs, as well as soft market conditions in the first half of the year.

During the year, Peabody Energy also:

-- Continued to improve productivity at U.S. operations to a record 122.8 tons per miner shift, a 6 percent improvement over the prior year.

-- Invested $187 million in capital expenditures, which primarily targeted cost improvement initiatives and new capacity in the Eastern U.S. to serve long-term sales contracts.

-- Continued development of six new mines in Illinois, Kentucky and Indiana to satisfy long-term contracts from low-cost production sources. The company also announced the expansion of the Lee Ranch Mine in New Mexico to satisfy new customer agreements.

-- Filed the air permit application for Thoroughbred Energy Campus, a 1,500 megawatt electricity generating plant that will be fueled by a 5 to 6 million ton-per-year coal mine. The project will be built on 4,500 acres of company-controlled land atop Peabody-controlled reserves in Western Kentucky.

-- Purchased coalbed methane assets in the third and fourth quarters for $11 million in the Powder River Basin and entered into a joint venture to develop coalbed methane reserves on company-owned lands in Illinois.

-- Completed the sale of Citizens Power to Edison Mission Energy and other parties for approximately $105 million.

-- Received 10 national and regional reclamation awards, including an unprecedented six of the 12 "Excellence in Surface Mining" Awards granted to all of industry by the U.S. Department of Interior in 2000.

-- Was honored as the world's best coal company at the 2000 Financial Times Global Energy Awards. The company was recognized for safety, environmental concern, productivity, market/technology innovation and shareholder value.

"This concludes a year in which Peabody reduced $671 million in debt, completed two strategic divestitures and positioned the company to capitalize on improving industry fundamentals," said Peabody Energy Chairman and Chief Executive Officer Irl F. Engelhardt.

"We believe that industry fundamentals are exciting. Coal stockpiles are below normal levels in most regions. Coal-based generating plants are running at record levels. And the competitive advantage of coal to fuel electricity in the United States is expanding. Total U.S. production has increased more than 9 percent this calendar year, led by a 15 percent increase in demand from the Powder River Basin, where Peabody is the number-one producer."

Engelhardt noted that Peabody is pursuing a strategy of securing profitable, long-term sales contracts in markets where prices are stable, while actively trading and growing its volumes of unpriced production in regions with high volatility and improving pricing.

Over the past three months, Peabody Energy entered into sales commitments for 4 million tons of coal for the calendar year 2001, 31 million tons for calendar year 2002, 21 million tons for calendar year 2003 and 18 million tons for calendar year 2004, at prices substantially above prior-year levels. Peabody currently has 2 million tons of unpriced volume remaining for calendar year 2001, 37 million tons for calendar year 2002, 80 million tons for calendar year 2003 and 111 million tons for calendar year 2004. Approximately 90 percent of the company's unpriced volumes are in the Powder River Basin and Appalachian regions.

Peabody Energy is the world's largest private-sector coal company. Its coal fuels more than 9 percent of all U.S. electricity generation and 2.5 percent of worldwide electricity generation.

U.S. coal shipment estimates come from the U.S. Energy Information Administration.

Certain statements in this press release are forward looking as defined in the Private Securities Litigation Reform Act of 1995. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this release. These risks include, but are not limited to, changes in coal and power markets, economic conditions and weather; railroad performance; the ability to successfully implement operating strategies; regulatory and court decisions; future legislation and other risks detailed from time to time in the company's reports filed with the Securities and Exchange Commission. These factors are difficult to accurately predict and may be beyond the control of the company.

* Adjusted EBITDA is defined as income from continuing operations (and income for Australian mining operations through January 29, 2001) before deducting net interest expense, income taxes, minority interests and provisions for depreciation, depletion and amortization. Adjusted EBITDA is not a substitute for operating income, net income and cash flow from operating activities as determined in accordance with generally accepted accounting principles as a measure of profitability or liquidity. It is presented as additional information because management believes it a useful indicator of our ability to meet debt service and capital expenditure requirements. Because adjusted EBITDA is not calculated identically by all companies, the presentation herein may not be comparable to similarly titled measures of other companies. Adjusted EBITDA excludes interest income of $1.7 million for the quarter and $8.7 million for the year ended March 31, 2001, compared with $1.6 million in the prior-year quarter and $4.4 million for the prior year.

Condensed Income Statement
For the Year Ended March 31, 2001 and 2000

(In Millions)	Quarter		Twelve Months	
	Current Year	Prior Year	Current Year	Prior Year
Tons Sold (Millions)	48.7	46.0	192.4	190.3
Revenues	$685.0	$658.3	$2,669.7	$2,710.5
Operating Costs	554.7	518.6	2,159.3	2,172.2
DD&A	60.8	58.7	241.0	249.8
Selling & Administrative	32.4	28.8	99.3	95.3
Gain on Sale of Australian Operations	(171.7)	-	(171.7)	-
Operating Profit	208.8	52.2	341.8	193.2
Interest Income	(1.7)	(1.6)	(8.7)	(4.4)
Interest Expense	44.2	52.0	197.7	205.0
Income Tax Expense (Benefit)	39.0	(143.0)	42.7	(141.5)
Minority Interests	2.9	3.6	7.5	15.5
Income from Continuing Operations	124.4	141.2	102.6	118.6
Income (Loss) from Discontinued Operations (a)	1.1	(82.3)	12.9	(90.4)
Extraordinary Loss from Debt Extinguishment, Net of Taxes	(8.5)	-	(8.5)	-
Net Income	$117.0	$58.9	$107.0	$28.2
Adjusted EBITDA:				
U.S. Operations	$91.3	$90.1	$332.2	$361.2
Australian Operations	6.6	20.8	78.9	81.8
Gain on Sale of Australian Operations	171.7	-	171.7	-
	$269.6	$110.9	$582.8	$443.0

(a) Represents results of operations of Citizens Power LLC, an Unrestricted Subsidary

Adjusted EBITDA Analysis
As of March 31, 2001 and 2000

(In Millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Adjusted EBITDA from Continuing Operations - Fiscal Year 2000	$107.5	$108.9	$115.7	$110.9	$443.0
U.S. Operations	(9.6)	(9.6)	(10.9)	1.2	(28.9)
Australian Operations	3.5	0.9	6.8	(14.2)	(3.0)
Gain on Sale of Australian Operations	-	-	-	171.7	171.7
Adjusted EBITDA from Continuing					

Operations - Fiscal Year 2001	$101.4	$100.2	$111.6	$269.6	$582.8

Condensed Balance Sheet
As of March 31, 2001 and 2000

(In Millions)

	March 2001	March 2000
Cash & Cash Equivalents	$62.7	$65.6
Receivables	147.8	153.0
Inventories	210.2	242.1
Assets from Coal/Allowance Trading Activities	172.3	78.7
Other Current Assets	37.0	93.1
Total Current Assets	630.0	632.5
Net Property, Plant & Equipment	4,322.6	4,815.5
Investment in Discontinued Operations	-	90.0
Investments & Other Assets	256.9	288.8
Total Assets	$5,209.5	$5,826.8
Current Maturities of Debt	$36.3	$58.0
Liabilities from Coal/Allowance Trading Activities	163.7	75.9
Accounts Payable & Accruals	577.0	586.7
Total Current Liabilities	777.0	720.6
Long-Term Debt	1,369.3	2,018.2
Deferred Taxes	570.7	625.1
Other Long-Term Liabilities	1,819.8	1,913.2
Total Liabilities	4,536.8	5,277.1
Minority Interests	41.5	41.3
Stockholders' Equity	631.2	508.4
Total Liabilities & Stockholders' Equity	$5,209.5	$5,826.8

Debt Analysis
As of March 31, 2001

(In Millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Beginning Balance	$2,076.2	$2,054.7	$1,963.0	$1,866.5	$2,076.2
Increase (Decrease) in:					
Acquisition Debt	(10.0)	(100.0)	-	(455.0)	(565.0)
Black Beauty	(5.1)	(3.7)	14.4	11.7	17.3
Other U.S. Debt	0.3	(1.2)	-	(20.0)	(20.9)
Australia	(8.1)	10.0	(113.4)	-	(111.5)
Net Decrease	(22.9)	(94.9)	(99.0)	(463.3)	(680.1)
Amortization of Debt Discount	1.4	3.2	2.5	2.4	9.5
Overall Decrease	(21.5)	(91.7)	(96.5)	(460.9)	(670.6)

Ending Balance	$2,054.7	$1,963.0	$1,866.5	$1,405.6	$1,405.6

Summary:	
Senior Credit Facilities	$125.0
Senior Notes	399.1
Senior Subordinated Notes	498.9
Black Beauty	211.0
Other	171.6
Ending Balance	$1,405.6

This information is intended to be reviewed in conjunction with the company's audited financial statements and its filings with the Securities and Exchange Commission.

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