

Peabody Energy Announces Cash Tender Offer for Its Outstanding Senior Notes And Senior Subordinated Notes

PRNewswire
ST. LOUIS

Peabody Energy announced today that it is commencing a tender offer for up to \$80 million aggregate principal amount of its outstanding \$400 million 87/8% Senior Notes due 2008 and up to \$80 million aggregate principal amount of its outstanding \$500 million 95/8% Senior Subordinated Notes due 2008. The tender offer will be funded with a portion of the net proceeds from the initial public offering of the company's common stock.

The tender offer is being made pursuant to an Offer to Purchase dated May 8, 2001, and related Letter of Transmittal, which more fully set forth the terms of the tender offer. The tender offer will expire at midnight, New York City time on Tuesday, June 5, 2001, unless extended. Tenders of notes made after midnight, New York City time, on May 24, 2001, may be validly withdrawn at any time until midnight, New York City time on the expiration date. Tenders of notes made prior to midnight, New York City time, on May 24, 2001, may not be validly withdrawn, unless the company reduces the tender offer consideration or is otherwise required by law to permit withdrawal.

The total consideration offered in the tender offer will be 107.875% of the principal amount of the Senior Notes validly tendered and accepted for payment and 108.625% of the principal amount of the Senior Subordinated Notes validly tendered and accepted for payment. The total consideration for each security includes an early tender premium of 3.000% for notes tendered and accepted for payment prior to midnight, New York City time on May 24, 2001. Holders who tender their notes after that time, but prior to the expiration date of the tender offer, will receive 104.875% of the principal amount of the Senior Notes validly tendered and 105.625% of the principal amount of the Senior Subordinated Notes validly tendered.

The tender offer is being made in connection with the pending initial public offering of the company's common stock. The tender offer is conditioned upon, among other things, the receipt of net proceeds from the sale of common stock by the company in its initial public offering sufficient to pay the consideration offered in the tender offer after permanent repayment of the \$125.0 million tranche B term loan under the company's senior credit facility and repayment of \$100.0 million of borrowings under the company's revolving credit facility.

Lehman Brothers Inc. is the Dealer Manager for the tender offer. Additional information regarding the terms of the tender offer may be obtained from Lehman Brothers Inc. at (212) 528-7581 or (800) 438-3242 (toll free). The Information Agent for the tender offer is D.F. King & Co., Inc. Requests for assistance or additional sets of the offer materials may be directed to D.F. King & Co., Inc. at (212) 269-5550 or (800) 207-2872 (toll free).

This press release shall not constitute an offer to purchase or a solicitation of acceptance of the tender offer, which may be made only pursuant to the terms of the Offer to Purchase and related Letter of Transmittal. In any jurisdiction where the laws require the offer to be made by a licensed broker or dealer, the offer shall be deemed made on behalf of the company by Lehman Brothers Inc. or one or more registered brokers or dealers under the laws of such jurisdiction.

Statements concerning the company's business expectations, intentions, plans and beliefs, together with other statements made in this press release that are not historical facts are "forward looking statements" as that term is defined under the federal securities laws. All forward looking statements are subject to the risks and uncertainties which could cause actual outcomes and results to differ materially from those expressed or suggested, including those described in the company's filings with the Securities and Exchange Commission.

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SOURCE: Peabody Energy

Contact: Steven Schaab of Peabody Energy, St. Louis, 314-342-7575; or
Hyonwoo Shin, Dealer Manager, New York, of Lehman Brothers, 212-528-7581, or
800-438-3242

Website: <http://www.peabodyenergy.com/>
