Peabody Energy Targets 40% to 50% EBITDA Improvement for Calendar 2002

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Peabody Energy announced today that it is targeting year-over-year EBITDA* improvement of approximately 5 to 10 percent for calendar year 2001, and 40 to 50 percent improvement for calendar year 2002.

The earnings guidance is a result of the company's recent decision to change to a calendar-year reporting basis to aid in the financial community's understanding of the company. The company previously reported on a fiscal- year basis ending March 31.

Peabody is currently targeting EBITDA* for calendar 2001 in the $360 to $380 million range, up approximately 5 percent to 10 percent over comparable calendar 2000 results.

Peabody is targeting calendar 2002 EBITDA in the range of $500 to $520 million, which, after excluding a $15 million excise tax refund in 2001, would be an increase of approximately 40 to 50 percent over the comparable calendar 2001 period. The improvements primarily reflect the benefits of higher prices on Appalachian and Powder River Basin sales and increased sales volumes in certain markets, partially offset by higher energy prices. These targets are subject to uncertainties as outlined at the end of the release.

For comparison purposes, the company's targeted results for the nine months ended December 31, 2001, and calendar years 2001 and 2002 follow:

In millions, except share data	TARGET APR - DEC 2001	CALENDAR YEAR TARGET 2001	2002
EBITDA*	$270 - $290	$360 - $380	$500 - $520
Income From Continuing Operations**	$0 - $15	$(3) - $12	$110 - $125
Diluted Earnings Per Share (Before Items)	$0.01 - $0.30	NM***	$2.00 - $2.30
Fully Diluted Shares Outstanding	51.0	NM***	54.0

Income and earnings per share targets for calendar 2002 assume a 15 percent effective tax rate.

Peabody reported U.S. EBITDA of $91.3 million for the quarter ended March 31, 2001 and $109.4 million for the quarter ended June 30, 2001, excluding the results and the gain on sale of the Australian operations. EBITDA, absent these items, from the first half of calendar 2001 totaled $200.7 million, up 18 percent from the comparable prior-year period. U.S. revenues totaled $1.32 billion for the six months through June 2001, up 11 percent from the prior year. Interest expense for the six months totaled $78.2 million, a 21 percent decrease from the prior year as a result of $846 million in debt reductions during the first half of calendar 2001.

Peabody Energy is the world's largest private-sector coal company. Its coal products fuel more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation.

*EBITDA (also called adjusted EBITDA) is defined as income from continuing operations (excluding the results of Australian operations and sale of Australian operations) and before deducting net interest expense, income taxes, minority interests and depreciation, depletion and amortization. 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 is a useful indicator of our ability to meet debt service and capital expenditure requirements. Because EBITDA is not calculated identically by all companies, the presentation herein may not be comparable to similarly titled measures of other companies.

**Income from Continuing Operations excludes a significant tax gain in calendar 2000, the results of Australian operations in 2001, the gain on the sale of Australian assets in 2001 and the extraordinary charge for debt extinguishment in 2001.

***Share information is not meaningful for calendar year 2001 as a result of the company's May 22, 2001 initial public offering.

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; greater than expected environmental legislation and regulation; other unexpected regulatory action, court decisions and legislation; failure to obtain anticipated new coal supply agreements 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.

SOURCE: Peabody Energy

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