

Peabody Energy Raises Earnings Guidance for Third Calendar Quarter

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Peabody Energy today announced that it expects EBITDA* of \$90 to \$95 million for the quarter ending September 30, 2001, up more than 10% from the company's prior guidance of \$80 to \$85 million. The company reported comparable EBITDA of \$79.5 million for the quarter ended September 30, 2000.

The company is targeting diluted earnings per share from continuing operations of \$0.05 to \$0.10 for the third calendar quarter. The company had previously expected to report a loss for the third quarter.

Against a backdrop of strong coal industry fundamentals, Peabody reported that its operations continue to perform well and it has a large percentage of business committed for 2001, 2002 and 2003. The company now expects to report results for the last three quarters of calendar 2001 at the high end of the range of prior guidance, which targeted EBITDA of \$270 to \$290 million and diluted earnings per share** of \$0.01 to \$0.30. Peabody recently announced that it is changing its reporting period from a March 31 fiscal year to a calendar-year basis.

Peabody also reaffirmed its calendar 2002 EBITDA target in the range of \$500 to \$520 million and its earnings per share target in the range of \$2.00 to \$2.30.

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 the gain on sale of Australian operations) and before deducting net interest expense, income taxes, minority interests and depreciation, depletion and amortization.

** Earnings per share from continuing operations exclude an extraordinary charge for debt extinguishment in the second quarter of calendar 2001.

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.

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