Peabody Energy (NYSE: BTU) Announces Improved Results For The Quarter And Six Months Ended September 30, 2001

-- Revenues rise 13% for the quarter and 11% through six months -- EBITDA* improves 17% for the quarter and 26% through six months -- Operating profit increases 37% for the quarter and 57% through six months -- Earnings grow $22 million for the quarter and $47 million through six months

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Peabody Energy today reported EBITDA* of $93.0 million and net income of $4.1 million for the quarter ended September 30, 2001, an increase of $13.5 million and $21.7 million, respectively, over prior-year results.

"Peabody's operations are performing well, and our financial results are beginning to reflect the strong coal industry fundamentals," said Peabody Energy Chairman and Chief Executive Officer Irl F. Engelhardt. "We also have a robust earnings profile, with 91 percent of 2002 production and 66 percent of 2003 production committed at higher average prices than 2001."

QUARTER AND SIX MONTH RESULTS

Quarterly revenues rose 13 percent to $682.3 million, led by a 6 percent increase in total sales volume and improved sales prices in the Powder River Basin and Appalachia. Sales volume for the quarter totaled 49.3 million tons, compared with 46.6 million tons in the prior year. Average revenues per ton improved 4 percent at eastern operations and 7 percent at western operations, reflecting the benefits of higher-priced spot sales volumes in the current year.

Quarterly operating profit totaled $36.2 million, compared with operating profit of $26.5 million in the prior-year quarter, reflecting higher sales volume and pricing and increased contributions from coal trading activities. Unit operating profit increased $0.16 per ton, as higher sales prices overcame increases in energy costs and revenue-based taxes and royalties. Quarterly EBITDA totaled $93.0 million, a 17 percent increase over the prior year.

Improved operating performance and lower interest expense for the quarter led to $21.7 million in increased earnings. Earnings per share for the quarter totaled $0.08.

For the six months ended September 30, improved coal sales volumes, average pricing and contributions from coal trading increased revenues to $1.34 billion, up 11 percent. Sales volumes increased in most regions, reflecting production from new mines at the Black Beauty Coal Company unit, an expansion in New Mexico and incremental improvements at Powder River Basin operations.

Operating profit for the six months improved 57 percent to $86.3 million, while EBITDA for the period increased 26 percent, to $202.4 million. As a result of improved operating profit and substantially lower interest expense, income from continuing operations through six months improved $46.7 million, to $14.0 million. Six-month income from continuing operations included a $3.8 million year-over-year benefit from a refund of previously paid excise taxes.

"Peabody's mines are running at peak levels to meet high customer demand," said Executive Vice President and Chief Financial Officer Richard A. Navarre. "While we have felt some upward pressure on our cost structure due to extended periods of high operating levels, we are taking the steps to manage these costs through best practices and intelligent capital investment. These efforts have helped us to mitigate higher energy costs, increased repair and maintenance expenses and overtime premiums."

Peabody is reporting results for the quarter and six-month period ended September 30, following a fiscal year that ended March 31. Peabody will change to a calendar-year reporting basis effective January 1. To assist in analysis, income statement highlights and key performance indicators since January 1, 2000, are available in downloadable spreadsheets on the company's website at http://www.peabodyenergy.com/ .

MARKET OVERVIEW

"The fundamentals that created America's energy crisis remain, although they are temporarily masked by the recent economic downturn," said Engelhardt. "America will address its energy issues in due course, and we believe that low-cost electricity from domestic coal will remain the cornerstone of America's energy supplies."

Peabody estimates that America is on a pace to set another record for coal consumption in 2001. Coal prices in every region are well above levels of a year ago. And coal stockpiles are at or below normal levels in most regions.

Coal-fueled generating plants operated at record levels in the first half of the year, while the recent economic downturn has trimmed their operating rates during the second half of 2001. Stockpile management activities by customers and operating issues by some competitors are contributing to record demand for Peabody's products.

Peabody expects U.S. coal demand to grow another 2 to 2.5 percent in 2002, assuming an economic upturn in the first half and normal winter weather. Pricing remains strong in the Powder River Basin and Appalachian markets, where most unsold and unpriced production remains.

Since January 1, new higher-priced sales commitments totaling nearly 145 million tons have significantly improved the earnings profile of the company. These include:

CALENDAR YEAR	TOTAL SOLD PRODUCTION	ESTIMATED PRODUCTION	SALES COMMITMENTS MADE IN 2001
2001	100%	182 Million Tons	7 Million Tons
2002	91%	199 Million Tons	48 Million Tons
2003	66%	200 Million Tons	36 Million Tons
2004 - Beyond			53 Million Tons

Average pricing for 2002 production, committed this year, has improved approximately $4 per ton for the higher-value Powder River Basin product and approximately $11 per ton for Central Appalachia products over the average spot prices signed for delivery in the first quarter of 2001. More than 80 percent of Peabody's uncommitted sales for 2002 and 2003 are in the Powder River Basin and Appalachia, where prices remain strong.

GROWTH INITIATIVES

Peabody is encouraged by discussions with developers of new coal-fueled generating plants regarding long-term coal supplies for those plants. The company has more than 9.3 billion tons of coal reserves, located in 14 states, which position Peabody well to serve the new plants.

Peabody is also pursuing its own development of coal-fueled generating plants. The company continues to make good progress in permitting, engineering and economic analysis for the Thoroughbred Energy Campus. Thoroughbred represents a planned 1,500 megawatt electricity generating plant to be fueled by a 5 to 6 million ton-per-year coal mine on company-controlled property in Western Kentucky.

Peabody also has filed an air permit and transmission access documents for a sister project, the Prairie State Energy Campus. Prairie State is using the design, engineering and purchasing template from Thoroughbred to achieve economies of scale, and speed the plant development cycle. Prairie State would be built atop a six million ton-per-year coal mine planned on Peabody property in southwestern Illinois. Thoroughbred and Prairie State are modeled to be among the cleanest and lowest-cost coal-fueled plants east of the Mississippi River. Peabody plans to secure partners for the projects with complementary skills in generating plant construction, operation and power marketing.

During the past six months, Peabody invested $124 million in capital, including the purchase of two draglines to lower costs at mines in Indiana and Wyoming, and development of three new mines in Illinois and Kentucky to supply long-term contracts. Capital expenditures for the nine months ended December 31 are expected to total $175 million to $200 million.

Peabody's resource management activities also continue to receive recognition. In the Midwest, the Black Beauty unit has received the Director's Award for excellence in reclamation from the United States Department of Interior. And in August, the

Amateur Trapshooting Association announced the relocation of its headquarters and hall of fame to reclaimed Peabody property in Southern Illinois.

OUTLOOK

Looking ahead, management is targeting EBITDA of $85 million to $95 million and diluted earnings per share of $0.05 to $0.10 for the quarter ended December 31, 2001. Peabody remains comfortable with 2002 EBITDA targets of $500 million to $520 million and earnings per share targets between $2.00 and $2.30.

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 more than 2 percent of worldwide electricity generation.

For comparison purposes, prior-year period information reflects pro-forma data that excludes the results of discontinued operations and Australian operations, which were sold in January 2001.

* EBITDA (also called adjusted EBITDA) is defined as income from continuing operations 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 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.

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; the duration and severity of the current economic downturn and future economic conditions; severity of winter weather; railroad performance; increases in energy costs; 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.

Condensed Income Statement
For the Quarter and Six Months Ended September 30, 2001 and 2000

(Dollars in Millions, Except Share Data)

	Quarter		Six Months	
		Pro Forma(A)		Pro Forma(A)
	Current Year	Prior Year	Current Year	Prior Year
Tons Sold (Millions)	49.3	46.6	96.1	90.4
Revenues	$682.3	$604.9	$1,339.6	$1,208.6
Operating Costs	563.7	504.4	1,089.1	1,005.8
Depreciation, Depletion, and Amortization	56.8	53.0	116.1	105.3
Selling & Administrative	25.6	21.0	48.1	42.7
Operating Profit	36.2	26.5	86.3	54.8
Interest Income	(0.2)	(1.1)	(1.5)	(5.6)
Interest Expense	28.8	49.2	63.3	99.2
Income Tax Expense (Benefit)	1.0	(5.4)	5.3	(9.7)
Minority Interests	2.5	1.4	5.2	3.6
Income (Loss) Before Extraordinary Item	4.1	(17.6)	14.0	(32.7)

	Quarter Ended Sept. 2001	Quarter Ended Sept. 2000	Six Months Ended Sept. 2001	Six Months Ended Sept. 2000
Extraordinary Loss from Debt Extinguishment, Net of Taxes	-	-	(27.6)	-
Net Income (Loss)	$4.1	$(17.6)	$(13.6)	$(32.7)
Diluted EPS (B)				
Income Before Extraordinary Item	$0.08		$0.29	
Extraordinary Loss from Debt Extinguishment	-		(0.57)	
Net Income (Loss)	$0.08		$(0.28)	
EBITDA	$93.0	$79.5	$202.4	$160.1

(A) Excludes results from discontinued operations and Australian operations, which were sold in January 2001.

(B) Weighted average diluted shares outstanding were 53,653,950 and 48,916,333 for the quarter and six months ended September 30, 2001, respectively.

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

Supplemental Financial Data
For the Quarter and Six Months Ended September 30, 2001 and 2000

	Quarter Ended Sept. 2001	Quarter Ended Sept. 2000 (A)	Six Months Ended Sept. 2001	Six Months Ended Sept. 2000 (A)
Tons Sold (in Millions)				
East	13.1	12.2	26.3	25.0
West	32.5	31.6	62.9	59.8
Trading and Brokerage	3.7	2.8	6.9	5.6
Total	49.3	46.6	96.1	90.4
Revenues - Coal Operations	Dollars per Ton		Dollars per Ton	
East	$24.92	$23.99	$24.86	$24.23
West	8.44	7.90	8.35	8.00
Total	13.17	12.37	13.21	12.77
Operating Costs - Coal Operations(B)				
East	$21.00	$20.72	$20.99	$20.56
West	6.18	5.67	6.14	5.79
Total	10.43	9.85	10.51	10.14
Gross Margin - Coal Operations				

East	$3.92	$3.27	$3.87	$3.67
West	2.26	2.23	2.21	2.21
Total	2.74	2.52	2.70	2.63
Operating Profit per Ton	$0.73	$0.57	$0.90	$0.61
	Dollars in Millions		Dollars in Millions	
Gross Margin - Coal Operations	$124.8	$110.4	$240.8	$223.9
Gross Margin - Trading Operations	10.1	3.4	19.1	4.6
Selling & Administrative	(25.6)	(21.0)	(48.1)	(42.7)
Depreciation, Depletion, and Amortization	(56.8)	(53.0)	(116.1)	(105.3)
Other Operating Costs and Revenues	(16.3)	(13.3)	(9.4)	(25.7)
EBITDA	93.0	79.5	202.4	160.1
Operating Profit	$36.2	$26.5	$86.3	$54.8
Capital Expenditures	$81.0	$51.3	$124.0	$69.3

(A) Excludes results from discontinued operations and Australian operations, which were sold in January 2001.
(B) Excludes depreciation, depletion, and amortization; selling and administrative expenses; and certain other costs related to past mining activities.

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Condensed Balance Sheet
As of September 30, 2001, June 30, 2001 and March 31, 2001

(In Millions)	Sept. 30	June 30	March 31
Cash & Cash Equivalents	$44.2	$31.2	$62.7
Receivables	177.0	162.5	147.8
Inventories	208.0	212.6	210.2
Assets from Coal/Allowance Trading Activities	96.6	128.4	172.3
Other Current Assets	31.2	32.9	37.0
Total Current Assets	557.0	567.6	630.0
Net Property, Plant & Equipment	4,335.3	4,312.7	4,322.6
Investments & Other Assets	264.3	265.3	256.9
Total Assets	$5,156.6	$5,145.6	$5,209.5

Current Maturities of Debt	$27.3	$27.7	$36.3
Liabilities from Coal/Allowance			
Trading Activities	81.5	116.4	163.7
Accounts Payable & Accruals	564.7	506.9	577.0
Total Current Liabilities	673.5	651.0	777.0
Long-Term Debt	1,010.0	993.3	1,369.3
Deferred Taxes	562.3	562.5	570.7
Other Long-Term Liabilities	1,803.9	1,829.7	1,819.8
Total Liabilities	4,049.7	4,036.5	4,536.8
Minority Interests	42.8	41.9	41.5
Stockholders' Equity	1,064.1	1,067.2	631.2
Total Liabilities &			
Stockholders' Equity	$5,156.6	$5,145.6	$5,209.5

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

SOURCE: Peabody Energy

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