Peabody Energy (NYSE: BTU) Announces Improved Results for the Quarter and Nine Months Ended December 31, 2001

- Revenues rise 23% for the quarter and 15% for nine months - EBITDA* improves 9% for the quarter and 20% for nine months - Income before early debt extinguishment grows $21 million for the quarter and $68 million for nine months - Management targets 20% to 30% EBITDA improvement for the first quarter and full year 2002

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Peabody Energy today reported EBITDA* of $87.7 million and $290.1 million for the quarter and nine-month period ended December 31, 2001, a year-on-year increase of 9 percent and 20 percent, respectively. Income before an extraordinary item related to debt prepayment totaled $5.3 million for the quarter and $19.3 million through nine months, compared with losses of $15.6 million and $48.3 million in the respective prior-year periods.

Diluted earnings per share before extraordinary items totaled $0.10 and $0.38 for the quarter and nine-month period. Per-share comparisons with the prior year are not meaningful given the change in capital structure resulting from Peabody's May 2001 initial public offering.

"Peabody's improving performance reflects the strength of its sales contract position, portfolio of low-cost operations and talented team throughout the company," said Peabody Energy Chairman and Chief Executive Officer Irl F. Engelhardt. "In the midst of the recession, mild winter weather and the recent disruption in the energy trading markets, Peabody's U.S. operations posted improved year-over-year results for the fourth successive quarter. Management anticipates a much stronger 2002, driven by improved pricing and the benefit of new mines that will come on-line in the second half of the year to serve long-term contracts."

QUARTER AND NINE-MONTH RESULTS

The strong coal markets of the past year drove improvements in sales volumes and average pricing. Revenues for the quarter rose 23 percent to $687.2 million, while nine-month revenues increased 15 percent to $2,026.8 million. Sales volume totaled 50.4 million tons for the quarter and 146.5 million tons through nine months, compared with 43.3 million tons and 133.7 million tons in the respective prior-year periods. For the nine months, average revenues per ton improved 3 percent at eastern operations and 6 percent at western operations.

Quarterly EBITDA totaled $87.7 million for three months and $290.1 million through nine months, reflecting increased sales volume and pricing and stronger contributions from coal trading activities. Operating profit totaled $29.2 million for the quarter and $115.5 million through nine months, compared with $29.1 million and $83.9 million for the respective prior-year periods. Results were net of a $6.6 million pre-tax charge ($0.11 per share for the quarter) related to Enron, as well as a charge related to a potential workers' compensation settlement in West Virginia. While year-over-year costs increased slightly, 28 of the 40 cents per ton of cost increases were driven by royalties and taxes on higher-priced coal sales, and increased energy- related expenses.

Interest expense declined 48 percent in the quarter and 40 percent for the nine-month period, following the repayment of $835 million in debt since December 2000. Net debt at December 2001 stood at $993 million.

Income before an extraordinary item totaled $5.3 million and $19.3 million for the three and nine months ended December 31, an increase of $20.9 million and $67.6 million over the prior year. Extraordinary items included an after- tax charge of $1.4 million for the quarter and $29.0 million through nine months, related to the early extinguishment of debt.

"Peabody's operations performed well, overcoming a number of challenges in 2001," said Peabody Executive Vice President and Chief Financial Officer Richard A. Navarre. "Peabody's U.S. operations achieved record sales volume and revenues leading to significantly improved earnings."

Peabody is reporting results for the quarter and nine-month period ended December 31, following a fiscal year that ended March 31. Peabody will change to a calendar-year reporting basis effective January 1. To assist in analysis of the company, 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/ and calendar year 2001 highlights have been attached.

MARKET OVERVIEW

Peabody's sales volumes rose to an industry record 194.4 million tons for calendar year 2001, 10 percent higher than the prior calendar year. Peabody estimates that total industry coal shipments in 2001 set a new U.S. record of 1.12 billion tons, an increase of approximately 4 percent. High coal consumption by U.S. electricity generators in the first half of 2001 moderated as the economy softened and as mild weather reduced fourth quarter heating degree days 26 percent from the prior year. Coal production was bolstered by reduced hydro generation and increases in customer coal stockpiles from 36 to 38 days of supplies at the beginning of the year to 48 to 50 days by year end.

Peabody expects U.S. generation from coal to grow approximately 1 to 2 percent in 2002, driven by a strong economic recovery in the second half of the year. Very low natural gas prices are expected during the first half of 2002, resulting in a slight reduction in capacity utilization at coal plants during that time in the Northeast and southern United States. Peabody expects customers to work down stockpiles during the first nine months of 2002. A return to normal hydro generation levels in western states is also expected to slightly dampen coal demand during the first half of 2002.

Peabody has sales commitments in place for 93 percent of its anticipated 2002 production, with approximately 75 percent of the uncommitted production to be delivered during the second half of 2002. Peabody expects its 2002 production to total approximately 195 million tons and total sales to approach 210 million tons. Peabody expects average pricing increases for the entire year, with revenue improvements during the last six months 5 percent higher than the first six months. While pricing has softened in most U.S. markets, it remains above the average pricing for Peabody's 2001 deliveries. For 2003, 66 percent of the currently planned production is sold.

"Peabody's sales backlog of 1 billion tons, with contracts extending as long as 10 and 15 years, provides Peabody with a profitable business base," said Engelhardt. "During 2001, Peabody's earnings profile improved significantly as nearly 200 million tons of new business were signed at significantly higher prices. Management expects the new business to lead to profit improvements in 2002 and beyond."

GROWTH INITIATIVES

Peabody continues to make good progress toward the development of coal- fueled generating plants. While the economic recession and mild weather have masked the energy crisis that existed less than a year ago, Peabody believes that those same issues will return with a stronger economy. Peabody believes that the need for low-cost, baseload generation in the 2005 timeframe and beyond continues to exist, and Peabody aims to develop clean, low-cost plants to satisfy that need.

In late December, a draft air quality permit was issued to Peabody by the Commonwealth of Kentucky for the Thoroughbred Energy Campus. Thoroughbred represents a planned 1,500 megawatt electricity generating plant to be fueled by a 6 million ton-per-year coal mine on company-controlled property in Western Kentucky. The plant, which would serve the SERC and ECAR power pools, could come on-line by 2006.

Modeling suggests that Thoroughbred would be among the cleanest and lowest-cost coal-fueled plants east of the Mississippi River. In 2000, Thoroughbred's projected low-cost structure would have allowed it to dispatch in the first 25 percent of generating plants in the region using all forms of energy. Thoroughbred has selected an engineering, procurement and construction contractor, and is negotiating with potential joint venture partners with complementary skills in generating plant construction, operation and power marketing.

Peabody also is continuing development and permitting work for the sister project, the 1,500 megawatt Prairie State Energy Campus. Prairie State and its supplying mine would be sited on Peabody property in Southern Illinois.

During the past nine months, Peabody invested $194 million in capital to lower costs and expand operations to serve long-term contracts. Capital expenditures for 2002 are expected to total $165 million to $195 million.

OUTLOOK

Peabody expects much stronger earnings in 2002. For the quarter ended March 31, 2002, management is targeting EBITDA of

$110 million to $120 million, a 20 to 30 percent improvement over the prior year, and diluted earnings per share of $0.30 to $0.45. The company is targeting 2002 EBITDA of $475 million to $500 million and 2002 earnings per share between $1.60 and $2.00. Depreciation, depletion and amortization for the full year is expected to be $250 million to $260 million, and 2002 interest expense is likely to fall within the $105 million to $110 million range.

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 Australian operations, which were sold in January 2001, and discontinued operations.

* 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 its 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 weather; railroad performance; increases in energy costs; the ability to successfully implement operating strategies; regulatory and court decisions; future legislation; credit and market risk associated with the company's customers; 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 Nine Months Ended December 31, 2001 and 2000

(Dollars in Millions, Except Share Data)

	Quarter		Nine Months	
		Pro Forma(A)		Pro Forma(A)
	Current Year	Prior Year	Current Year	Prior Year
Tons Sold (Millions)	50.4	43.3	146.5	133.7
	(Unaudited)	(Unaudited)		(Unaudited)
Revenues	$687.2	$558.1	$2,026.8	$1,766.7
Operating Costs	574.1	454.4	1,663.2	1,460.1
Depreciation, Depletion, & Amortization	58.5	51.6	174.6	156.9
Selling & Administrative	25.4	23.0	73.5	65.8
Operating Profit	29.2	29.1	115.5	83.9
Interest Income	(0.7)	(0.7)	(2.2)	(6.2)
Interest Expense	25.4	48.5	88.7	147.6
Income Tax Expense (Benefit)	(2.8)	(4.1)	2.5	(13.8)
Minority Interests	2.0	1.0	7.2	4.6
Income (Loss) Before Extraordinary Item	5.3	(15.6)	19.3	(48.3)

Extraordinary Loss from Debt				
Extinguishment, Net of Taxes	(1.4)	-	(29.0)	-
Net Income (Loss)	$3.9	$(15.6)	$(9.7)	$(48.3)
Diluted EPS(B)				
Income Before				
Extraordinary Item	$0.10	nm	$0.38	nm
Extraordinary Loss from Debt				
Extinguishment	(0.03)	nm	(0.57)	nm
Net Income (Loss)	$0.07	nm	$(0.19)	nm
EBITDA	$87.7	$80.7	$290.1	$240.8

(A) Excludes results from Australian operations, which were sold in January 2001, and discontinued operations.
(B) Weighted average diluted shares outstanding were 53.8 million and 50.5 million for the quarter and nine months ended December 31, 2001, respectively.

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

Unaudited Supplemental Financial Data
For the Quarter and Nine Months Ended December 31, 2001 and 2000

	Quarter Ended		Nine Months Ended	
	Dec. 2001	Dec. 2000(A)	Dec. 2001	Dec. 2000(A)
Revenue Summary (Dollars in Millions)				
Mining Operations	$583.8	$512.9	$1,762.8	$1,596.6
Trading & Brokerage Operations	101.7	40.8	239.8	159.2
Other	1.7	4.4	24.2	10.9
Total	$687.2	$558.1	$2,026.8	$1,766.7
Tons Sold (in Millions)				
East	12.0	11.6	38.2	36.6
West	33.2	29.9	96.2	89.7
Trading & Brokerage	5.2	1.8	12.1	7.4
Total	50.4	43.3	146.5	133.7
Revenues - Mining Operations	Dollars per Ton		Dollars per Ton	
East	$24.98	$23.78	$24.90	$24.09
West	8.54	7.93	8.42	7.97
Total	12.90	12.37	13.11	12.64
Operating Costs - Mining Operations(B)				
East	$21.63	$20.50	$21.20	$20.54

West	6.09	5.56	6.12	5.71
Total	10.21	9.74	10.41	10.01
Gross Margin - Mining Operations (B)				
East	$3.35	$3.28	$3.70	$3.55
West	2.45	2.37	2.30	2.26
Total	2.69	2.63	2.70	2.63
Operating Profit per Ton	$0.58	$0.67	$0.79	$0.63

	Dollars in Millions		Dollars in Millions	
Gross Margin - Mining Operations	$121.8	$108.9	$362.7	$332.7
Gross Margin - Trading & Brokerage Operations ©	5.3	3.8	24.3	8.4
Selling & Administrative	(25.4)	(23.0)	(73.5)	(65.8)
Other Operating Costs and Revenues	(14.0)	(9.0)	(23.4)	(34.5)
EBITDA	87.7	80.7	290.1	240.8
Depreciation, Depletion & Amortization	(58.5)	(51.6)	(174.6)	(156.9)
Operating Profit	29.2	29.1	115.5	83.9
Capital Expenditures	70.2	40.0	194.2	109.3

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

(B) Excludes depreciation, depletion, and amortization; selling and administrative expenses; and certain other costs related to past mining activities.

© Tons traded (millions) for the quarter and nine months ended December 31, 2001 were 17.9 and 39.4, respectively. Tons traded for the quarter and nine months ended December 31, 2000 were 25.1 and 41.5, respectively.

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

Condensed Balance Sheet
As of December 31, 2001 and March 31, 2001

(In Millions)	December 31	March 31

Cash & Cash Equivalents	$38.6	$62.7
Receivables	178.1	147.8
Inventories	215.7	210.2
Assets from Coal/Allowance Trading Activities	60.5	172.3
Other Current Assets	34.6	37.0
Total Current Assets	527.5	630.0
Net Property, Plant & Equipment	4,361.1	4,322.6
Investments & Other Assets	262.3	256.9
Total Assets	$5,150.9	$5,209.5
Current Maturities of Debt	$46.5	$36.3
Liabilities from Coal/Allowance Trading Activities	45.7	163.7
Accounts Payable & Accruals	592.1	577.0
Total Current Liabilities	684.3	777.0
Long-Term Debt	984.6	1,369.3
Deferred Taxes	564.8	570.7
Other Long-Term Liabilities	1,834.6	1,819.8
Total Liabilities	4,068.3	4,536.8
Minority Interests	47.1	41.5
Stockholders' Equity	1,035.5	631.2
Total Liabilities & Stockholders' Equity	$5,150.9	$5,209.5

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

Unaudited Selected Pro Forma
Calendar 2001 Financial Highlights

(Tons and Dollars in Millions)

	Quarter Ended				
	March 31,(A) 2001	June 30, 2001	Sept. 30, 2001	Dec. 31, 2001	Calendar 2001
Tons Sold	47.9	46.8	49.3	50.4	194.4
Revenues	$664.5	$657.3	$682.3	$687.2	$2,691.3
EBITDA	$91.3	$109.4	$93.0	$87.7	$381.4
Operating Profit	$32.7	$50.1	$36.2	$29.2	$148.2
Income (Loss) Before Extraordinary Item	$(2.9)	$9.9	$4.1	$5.3	$16.4

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

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