

Peabody Energy (NYSE: BTU) Completes Lower Cost Refinancing

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Peabody Energy today announced that it had completed the refinancing of a new senior secured credit facility and closed on its offering of senior unsecured notes that had priced last week.

"We are pleased with the strong demand for Peabody's debt offering and our ability to receive an attractive coupon. Our new credit facility will enhance our financial flexibility, simplify our capital structure and provide access to currently low interest rates. Peabody's weighted average interest cost will decline approximately 200 basis points as a result of the refinancing," said Executive Vice President and Chief Financial Officer Richard A. Navarre.

The refinancing includes:

- \$650 million of 6 7/8% senior notes due 2013.
- A \$450 million seven-year term loan.
- A \$600 million revolving credit facility that will be initially undrawn, excluding letters of credit.

A portion of the proceeds from the new senior secured credit facility and the senior notes offering will fund the repurchase of Peabody's existing 8-7/8% senior notes and 9-5/8% senior subordinated notes. The remainder of the proceeds will be used to refinance other bank and institutional borrowings and for general corporate purposes. The company expects to incur charges in the first and second quarters on the early extinguishment of the higher yield debt of approximately \$51 million (including \$18 million of accelerated non-cash amortization). Pre-tax benefits from the refinancing will be in the range of \$14 million to \$18 million annually.

Peabody Energy is the world's largest private-sector coal company, with 2002 sales of 198 million tons of coal and \$2.7 billion in revenues. Its coal products fuel more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation.

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: growth in coal and power markets; coal's market share of electricity generation; timing of reductions in customer coal inventories; the pace and extent of the economic recovery and future economic conditions; severity of weather; railroad and other transportation performance and costs; the ability to renew sales contracts upon expiration or renegotiation; the ability to successfully implement operating strategies; the effectiveness of our cost-cutting measures; regulatory and court decisions; future legislation; changes in postretirement benefit and pension obligations; credit, market and performance risk associated with our customers; modification or termination of our long-term coal supply agreements; risks inherent to mining, including geologic conditions or unforeseen equipment problems; terrorist attacks or threats affecting our or our customers' operations; replacement of recoverable reserves; implementation of new accounting standards; inflationary trends, interest rates and access to capital markets; and other risk factors 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. When considering these forward-looking statements, you should keep in mind the cautionary statements in our documents filed with the SEC or incorporated by reference.

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