Peabody Energy (NYSE: BTU) Closes on Purchases of Operations From RAG Coal International

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Peabody Energy announced today that it has closed on purchases of coal operations from RAG Coal International AG. The combined purchase price of $432 million was funded from Peabody's recently completed equity and debt offerings. The transactions are expected to be accretive to earnings in the first 12 months.

The purchases include:

-- Two Queensland, Australia, operations that are expected to produce 6.5 million to 7.0 million tonnes per year of metallurgical coal used by steel producers in Asia, Europe and South America; and

-- The Twentymile Mine in Colorado, which is expected to produce 8 million tons per year of steam coal that serves customers in the Midwest, Southwest and Mexico. Twentymile is perennially one of the largest and most productive underground mines in America.

Peabody also has a memorandum of understanding to purchase RAG's 25.5 percent interest in the Paso Diablo Mine in Venezuela, a 6.5 million tonne-per-year operation that exports coal to customers in North America and Europe.

Peabody Energy is the world's largest private-sector coal company, with 2003 sales of 203 million tons of coal and $2.8 billion in revenues. Its coal products fuel approximately 9.8 percent of all U.S. electricity generation and nearly 2.5 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. For detailed risk factors, please refer to the company's filings with the U.S. Securities and Exchange Commission. These factors are difficult to accurately predict and may be beyond the control of the company.

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