

Peabody Energy (NYSE: BTU) Lowers Borrowing Cost of Credit Facility

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Peabody Energy announced today that it has completed a repricing of its senior secured credit facility, consisting of an amended \$450 million term loan and a \$900 million revolver. The annual pre-tax benefits of the repricing are expected to be \$5 million to \$6 million, based on estimated usage.

As of June 30, 2004, the revolver was undrawn except for letters of credit. Other terms and conditions of the credit agreement remain substantially the same.

"Peabody's track record of performance gives the financial community continued confidence in the company and offers us very favorable borrowing rates," said Executive Vice President and Chief Financial Officer Richard A. Navarre. "This refinancing again lowers Peabody's interest expense and enhances our financial flexibility to capitalize on future growth opportunities."

Peabody Energy is the world's largest private-sector coal company, with 2003 sales of 203 million tons and \$2.8 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity generation and more than 2.5 percent of worldwide electricity.

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 Oct. 27, 2004. These factors are difficult to accurately predict and may be beyond the control of the company. These risks include, but are not limited to: growth in coal and power markets; future economic conditions; weather; transportation performance and costs; ability to renew sales contracts; successful implementation of business strategies; regulatory and court decisions; future legislation; changes in post-retirement benefit and pension obligations; labor relations and availability; capacity and cost of surety bonds and letters of credit; effects of currency exchange rates; risks associated with customers; geology and equipment risks inherent to mining; terrorist attacks or threats; replacement of reserves; implementation of new accounting standards; inflationary trends; effects of interest rates; effects of acquisitions or divestitures; and other risks detailed in the company's reports filed with the Securities and Exchange Commission. The use of "Peabody," "the company," and "our" relate to Peabody, its subsidiaries and majority-owned affiliates.

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