

Peabody Energy (NYSE: BTU) Acquires Coal Reserves and Surface Assets in Illinois and Indiana

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Peabody Energy announced today that its subsidiaries have acquired selected assets from Lexington Coal Company for \$61 million in cash. Strong growth and long-term demand for Illinois Basin coal and increased investments in technologies allows Peabody to further expand its leadership position in the region. The transaction is expected to be accretive to earnings in 2006.

The acquired properties have significant synergies with other Peabody subsidiaries, enabling lower-cost mining and longer mine lives. Purchased assets include:

- * Approximately 10 million tons of reserves, a preparation plant, mining equipment and facilities near Coulterville, Ill. The newly formed Coulterville Coal Company may also access adjacent coal reserves owned by Peabody subsidiaries. The mine is expected to begin production in 2005 and will produce approximately 2 million tons per year when it reaches full capacity in 2006. The mine will supply coal under a new agreement with Northern Indiana Public Service Company with terms that can be extended through 2015.
- * Approximately 40 million tons of coal reserves, a preparation plant, facilities, a shovel and other mobile mining equipment in Knox County, Ind. The assets will be operated by Peabody subsidiary Black Beauty Coal Company's Miller Creek Mine, which is expected to access these surface reserves in 2006.
- * Approximately 20 million tons of reserves, a preparation plant, significant surface land reserves, a large dragline and other mobile mining equipment in Sullivan County, Ind. The assets will be operated by Black Beauty's Farmersburg Mine. Development of the operation is targeted for 2007.

Peabody Energy is well positioned to fuel the future energy needs of America and the world. Peabody is the world's largest private-sector coal company, with 2004 sales of 227 million tons and \$3.6 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity and 3 percent of worldwide electricity. The company is serving global coal demand from electricity generators and steelmakers, and is growing to serve new global customers and emerging "Btu Conversion" markets.

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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