Moody's Upgrades Peabody Energy's Corporate Family Rating to Ba1

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Moody's Investors Service has upgraded the corporate family rating of Peabody Energyto Ba1 from Ba3, and the senior unsecured rating to Ba2 from Ba3.

Moody's cited a number of key factors affecting Peabody's rating, including leading reserves, cost efficiency and profitability, financial policies, financial strength, business diversity and size.

"The upgrade recognizes the significant improvement in Peabody's operating performance, cash flow and debt protection measurements over the past three years, as the company's diversity has enabled it to take full advantage of strong coal markets during this period," stated Moody's. "The upgrade also reflects Moody's view that Peabody is positioned to sustain strong operating results and cash flow, which should enable the company to finance organic growth through internally generated funds and continue to generate positive free cash flow."

The upgrade is Peabody's second in the past year. In 2005, Fitch raised Peabody's senior secured credit facility rating to investment grade.

Peabody Energy is the world's largest private-sector coal company, with 2005 sales of 240 million tons of coal and $4.6 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. and 3 percent of worldwide electricity.

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