

Peabody Energy (NYSE: BTU) and Shenhua Group Corporation Sign Memorandum of Understanding for Strategic Cooperation

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Shenhua Group Corporation Limited and Peabody Energy today announced that the two companies have signed a memorandum of understanding to pursue business development opportunities of mutual interest. Shenhua Group Corporation is the wholly-state owned parent company of the Hong Kong listed China Shenhua Energy Company Limited.

The agreement formalizes the parties' mutual interest in working together in coal and coal-related projects and initiatives.

"This is a very positive first step in advancing a strategic alliance between the world's largest coal company and the leading coal-based energy company in China," said Peabody President and Chief Executive Officer Gregory H. Boyce. "Since opening our Beijing office last summer, we have initiated discussions with a number of top-tier companies and are pleased to be moving our activities to the next level."

In coming months, the companies intend to identify specific projects for cooperation, including possible development of coal projects both in and outside of China and the exchange of best practices.

China is the world's largest and fastest-growing coal-consuming nation, with annual coal demand of approximately 2 billion tons in 2005. China is expected to develop more than 90,000 megawatts of coal-fueled electricity generating plants by 2008, and is investing in coal gasification and coal-to- liquids technologies. Long-term growth potential is great, as per-capita coal use in China is currently just one-third that of the United States.

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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