

# **Peabody Energy Prices \$675 Million of Convertible Junior Subordinated Debentures**

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Peabody Energy today announced that it has priced \$675 million principal amount of Convertible Junior Subordinated Debentures due 2066 in a public offering, pursuant to a registration statement filed with the Securities and Exchange Commission. The company has granted the underwriters an option to purchase up to an additional \$75 million of debentures to cover over-allotments.

The debentures will pay interest semiannually at a rate of 4.75% per year. The initial conversion price is \$61.95, reflecting a 40% premium over today's closing stock price of \$44.25. The debentures are convertible under certain circumstances including when the price of BTU shares reaches \$86.73. Upon conversion, holders will receive cash in the amount of, or preferred stock with a liquidation preference equal to, the principal amount, and only any value in excess of the principal amount will be delivered in BTU common stock.

The company will use commercially reasonable efforts to raise net proceeds by issuing securities to pay holders the principal amount of the debentures, together with accrued and unpaid interest, on December 15, 2041, the scheduled maturity date.

Lehman Brothers Inc., Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. are the joint book running managers for the offering.

The company expects to close the sale of the debentures on December 20, 2006, subject to the satisfaction of customary closing conditions. Net proceeds of the offering are expected to be used primarily to repay debt under the company's revolving credit facility and term loan facility, which partly financed the recent acquisition of Excel Coal Limited, and for other corporate purposes.

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. electricity generation and 3 percent of worldwide electricity.

## **About the Offering**

A preliminary prospectus supplement related to the offering was filed with the Securities and Exchange Commission and is available on the SEC's website <http://www.sec.gov/>. Copies of the prospectus supplement relating to the offering may also be obtained from Lehman Brothers c/o ADP Financial Services Integrated Distribution Services, 1155 Long Island Avenue, Edgewood, NY 11717, telephone (888) 603-5847, facsimile (631) 254-7268, e-mail via [monica\\_castillo@adp.com](mailto:monica_castillo@adp.com); Morgan Stanley, Attention: Prospectus Department, 180 Varick Street 2/F, New York, NY 10014, telephone (866) 718-1649, e-mail via [prospectus@morganstanley.com](mailto:prospectus@morganstanley.com); or Citigroup Global Markets Inc., Brooklyn Army Terminal, 140 58th Street, 8th Floor, Brooklyn, NY 11220, telephone (718) 765-6732, facsimile (718) 765-6734.

The company has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the company has filed with the SEC for more complete information about the company and this offering. You may get these documents for free by visiting EDGAR on the SEC website at [sec.gov](http://sec.gov). Alternatively, the company, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it. If you are a retail investor, call toll-free (800) 584-6837 or if you are an institutional investor, call toll-free (866) 718-1649.

## **Forward-Looking Statements**

Statements contained in this press release that are not historical facts, including statements regarding the

company's intended use of proceeds from the offering, may be considered forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Many of these risks and uncertainties cannot be predicted with accuracy and some might not even be anticipated. Some of the factors that could significantly impact the forward-looking statements in this press release are discussed in our reports filed with the Securities and Exchange Commission. Any forward-looking statement is qualified by reference to these risks and factors. These risks and factors are not exclusive, and the company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this release except as required by law. Additional information regarding these and other factors may be contained in the company's SEC filings, including without limitation, the company's Form 10-K for its fiscal year ended December 31, 2005, and its Form 10-Q for the fiscal quarter ended September 30, 2006. The company's filings are available from the Securities and Exchange Commission or may be obtained on the company's website at <http://www.peabodyenergy.com/>.

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