Peabody Energy Announces 2009 Production Cutbacks in Powder River Basin and Australia Metallurgical Coal

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Peabody Energy announced today that it is reducing its 2009 targets for Powder River Basin coal and Australian metallurgical coal production, reflecting the effects of the global recession.

2009 U.S. production is now targeted at 190 to 195 million tons, compared with actual 2008 production in excess of 200 million tons. Targeted 2009 Powder River Basin volumes are being reduced by approximately 10 million tons from 2008 levels to better match production with expected demand and address the current excess customer inventories. The Powder River Basin reductions will be concentrated in lower-quality, lower-margin coal products. Equipment will be relocated to other locations to optimize production and reduce capital spending. Following these cutbacks, U.S. production is essentially fully priced for 2009.

2009 metallurgical coal production from Australia operations also will be reduced by up to 2 million tons due to the decline in worldwide steel demand. The company's total Australia production is expected to be 22 to 24 million tons in 2009 compared with 2008 sales of approximately 24 million tons.

"We are taking prompt market-driven actions to make adjustments to our production platform and respond to the global economic downturn," says Peabody Chairman and Chief Executive Officer Gregory H. Boyce. "We remain confident in the mid- and long-term outlook for coal demand and expect Peabody to prosper in this environment as we await an economic rebound."

Actual 2009 production will depend on a number of factors, including the speed of recovery in global markets for electricity generation and steel, as well as the magnitude and timing of stimulus initiatives in the United States, China and other nations.

Peabody Energy is the world's largest private-sector coal company. Its coal products fuel approximately 10 percent of all U.S. electricity generation and 2 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 forward-looking statements are based on numerous assumptions that the company believes are reasonable, but they are open to a wide range of uncertainties and business risks that may cause actual results to differ materially from expectations as of Jan. 7, 2009. These factors are difficult to accurately predict and may be beyond the company's control. The company does not undertake to update its forward-looking statements. Factors that could affect results include those described in this press release as well as risks detailed in the company's reports filed with the Securities and Exchange Commission.

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