

Peabody Energy (NYSE: BTU) Targets Significant Value Creation Amid Long-Term Supercycle for Coal

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Peabody Energy's executives today observed that the company is in a strong position to create significant growth and shareholder value against the backdrop of very favorable long-term supply and demand fundamentals for the global coal industry. The outlook came at the company's 2010 Analyst and Investor Forum in New York, where senior executives reviewed the company's long-term projects and prospects.

"I believe we are in the early stages of a long-term supercycle for coal. And Peabody, with its unmatched asset base, market positions and growth projects, is uniquely positioned to capitalize on this sustained trend," said Peabody Energy Chairman and Chief Executive Officer Gregory H. Boyce. "Peabody is poised for significant valuation growth from rising earnings and multiples."

Coal Drives Global Generation and Steel Production

Boyce observed that coal has been the world's fastest-growing fuel this past decade, with demand growing at nearly twice the rate of natural gas and hydro power and more than four times faster than global oil consumption. "It's stunning that any mature commodity could expand nearly 50 percent in a decade and speaks to the strong appetite for the products we fuel, as well as coal's abundance and stable cost," he said. Coal demand is also expected to grow faster than other fuels in coming decades.

Asia-Pacific nations are leading a historic global build-out in coal-fueled electricity generation. More than 94 gigawatts of new generation are expected to come on line in 2010, representing 375 million tonnes of coal consumption per year. If growth continues at the current pace, generators would add another 1 billion tonnes of new coal demand every three years.

This comes at a time when the world faces the dual challenge of providing power to the 3.6 billion people who lack adequate access to electricity, while accommodating another 2 billion expected from population growth over the next 20 years.

Global growth in steel production compounds coal demand growth. Demand for steel is projected to rise 50 percent by 2020, with a similar increase of metallurgical coal needed as a basic feedstock.

Peabody estimates that seaborne coal demand will expand by some 300 to 400 million tonnes by 2015, with China and India representing half to two-thirds of this growth. The company believes that supply sources will be strained to match demand growth.

Peabody Targets Growth Projects in Australia, Asia and United States

Against this market backdrop, Boyce emphasized the strength of Peabody's unique platform and growth projects. The company has leading positions in the fastest growing regions in the United States and Australia, and emerging opportunities in Asia. "High-growth regions offer greater opportunities to increase volumes, pricing and margins," said Boyce. "Companies such as Peabody, who have leading positions in these regions, warrant a significant premium to peers in more mature markets."

Peabody's Australia platform is poised to supply increasing demand for coal throughout the Pacific Rim. The company is advancing projects that could double its metallurgical and thermal export coal platform by 2014, targeting 35 to 40 million tons of production, assuming a favorable investment climate in Australia.

In the Asia-Pacific region, Peabody is developing a pipeline of projects and partnerships to expand its presence:

- In China, the world's largest coal consuming nation, Peabody is advancing a number of growth projects from those in the nascent stage to active construction, including joint ventures with potential partners including utilities, steel companies and coal companies.
- In India, the world's fastest-growing coal importer, Peabody was recently selected by Coal India as one of a few companies to serve as

- a key partner for long-term supplies and other strategic ventures.
- In Indonesia, the world's largest thermal coal exporting nation, Peabody is exploring partnerships with local suppliers, who are increasingly seeking new avenues to move coal to market.
- In Mongolia, Peabody's joint venture is driving exploration of dozens of resource licenses to develop coal properties, while continuing efforts to be a part of the development of the Tavan Tolgoi reserves.

Peabody President and Chief Commercial Officer Rick Navarre introduced a multi-pronged approach to build an Asian platform with a long-term goal of reaching 100 million tons per year. Peabody is targeting: increased exports from its Australian operations; expanded coal trading; participation in coal conversion and clean coal projects; active production through joint ventures; and development of a Mongolian export base.

"We expect global seaborne markets could be some 100 million tons short of coal by 2015 as emerging economies, led by China and India, achieve growth rates that are two to three times that of developed nations," said Navarre. "Peabody has the resources and capabilities to fill this gap in the fastest-growing markets of Asia by capitalizing on our advantages: open-cut mining expertise; a strong safety and operating track record; and deep engineering, project management and trading capabilities. Through our 'Asia 100' Vision, we look forward to turning prospects to projects to results as the decade progresses."

In the United States, Peabody announced that it has now begun operations at the new Bear Run Mine in Indiana. Bear Run is targeting 8 million tons of annual production by 2012, and the company notes that the mine's potential capacity could reach 12 million tons per year with additional investment. The company also noted that its new El Segundo Mine in New Mexico is the most productive mine outside of the Powder River Basin. And in the Western United States, Peabody's flagship mine - North Antelope Rochelle - is on track to ship 100 million tons or more in 2010.

Peabody Reaffirms Financial Targets for 2010

The company reaffirmed its financial targets for 2010, including EBITDA of \$1.6 billion to \$1.9 billion and adjusted earnings per share of \$2.45 to \$3.15. Boyce added that 2010 results could rival Peabody's record year of 2008.

"We're surprised at Peabody's current valuation, which prices BTU similar to small regional producers at late-cycle multiples, as opposed to an expanding global leader serving the fastest-growth markets in the world," said Boyce. "BTU is positioned for extraordinary growth... and we look forward to creating extraordinary value."

Peabody Energy is the world's largest private-sector coal company and a global leader in clean coal solutions. With 2009 sales of 244 million tons and \$6 billion in revenues, Peabody fuels 10 percent of U.S. power and 2 percent of worldwide electricity, lighting cities on six continents. Peabody is energizing the world, one Btu at a time.

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 June 17, 2010. 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 the company's results include, but are not limited to: demand for coal in United States and international power generation and steel production markets; price volatility and demand, particularly in higher-margin products and in our trading and brokerage businesses; reductions and/or deferrals of purchases by major customers and ability to renew sales contracts; changes in tax policies; credit and performance risks associated with customers, suppliers, trading, banks and other financial counterparties; geologic, equipment, permitting and operational risks related to mining; transportation availability, performance and costs; availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires; impact of weather on demand, production and transportation; successful implementation of business strategies, including our Btu Conversion and generation development initiatives; negotiation of labor contracts, employee relations and workforce availability; changes in postretirement benefit and pension obligations and funding requirements; replacement and development of coal reserves; access to capital and credit

markets and availability and costs of credit, margin capacity, surety bonds, letters of credit, and insurance; effects of changes in interest rates and currency exchange rates (primarily the Australian dollar); effects of acquisitions or divestitures; economic strength and political stability of countries in which we have operations or serve customers; legislation, regulations and court decisions or other government actions, including new environmental requirements affecting the use of coal; litigation, including claims not yet asserted; and other risks detailed in the company's reports filed with the Securities and Exchange Commission (SEC).

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