

Peabody Essential

**“Coal:
Growing Globally”**

**2009 Coal Trading
Association
Conference**
December 8, 2009

*Paul Demzik
President, Peabody
COALTRADE International
Peabody Energy
NYSE: BTU*

Trends Defining Global Coal Markets

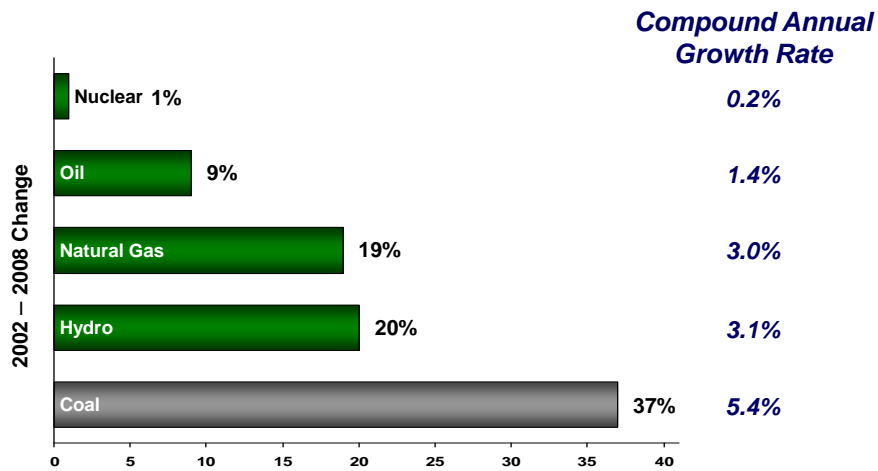
- **Strong long-term coal demand driven by developing countries**
- Asia-Pacific region leads economic recovery and global coal demand
- U.S. markets lag recovery; long-term fundamentals favor PRB and ILB
- Key elements of successful trading: global reach, market intelligence, reputation, risk management

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Coal: The World's Fastest Growing Fuel Six Successive Years



Change in Global Energy Consumption



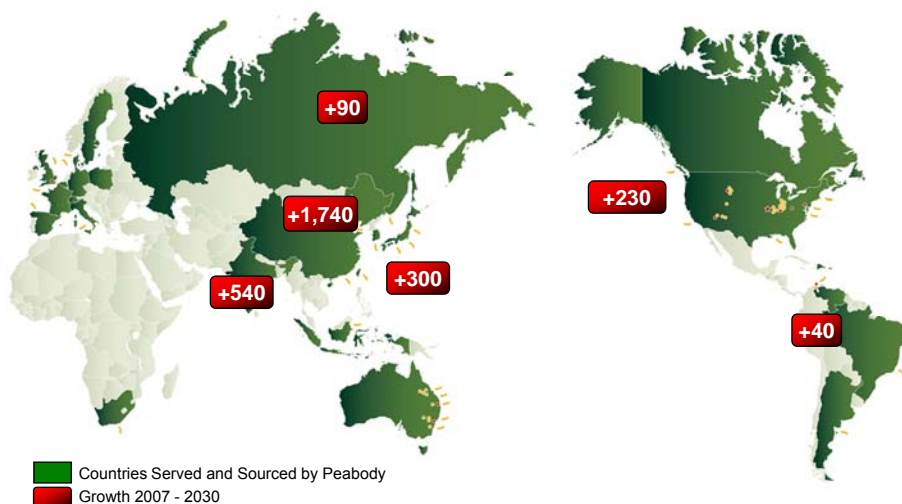
Source: BP Statistical Review of World Energy, June 2009.

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Asia Represents 90% of Nearly 3 Billion Ton Long-Term Global Demand Growth



Growth in Coal Demand (Tons in Millions) Through 2030



Countries Served and Sourced by Peabody
 Growth 2007 - 2030

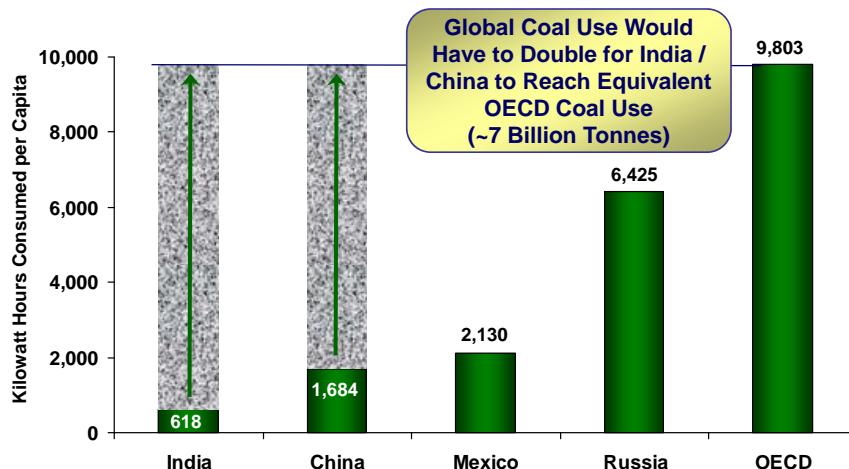
Source: World Energy Outlook 2009, International Energy Agency; Annual Energy Outlook Forecasts.

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The Long-Term Growth of Electricity and Coal is Only Beginning

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Electricity Use (kWh) Per Person



Source: 2007-2008 Human Development Report, United Nations.

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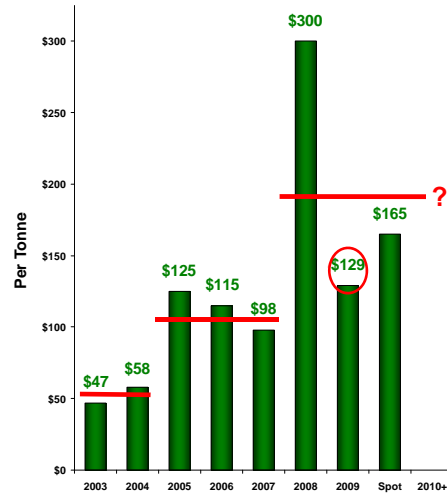
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Pacific Met and Thermal Coal Prices Rebase at Higher Levels

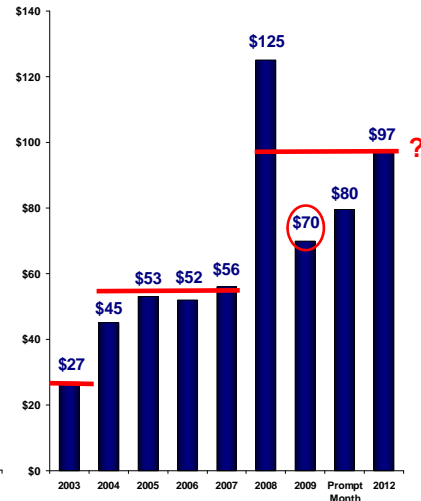


Current Spot Higher than Benchmark

High-Quality Hard Coking Coal



Newcastle Thermal Coal



Source: Third party broker data. Pricing as of November 10, 2009.

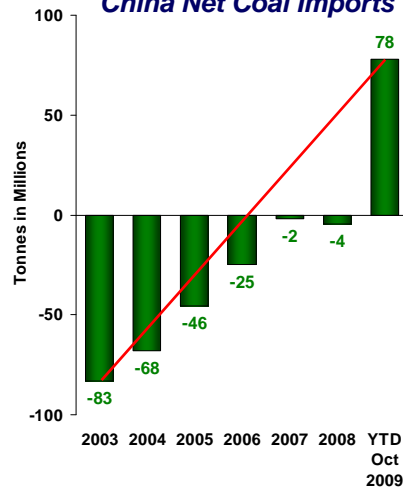
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China Leading the Pacific Market Recovery



Dramatic Shift to Net Imports Since 2003

China Net Coal Imports

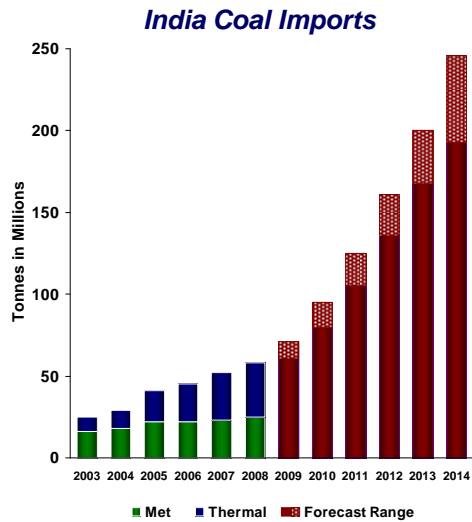


- YTD imports up 169%, exports down 50%
- 78 MT net importer YTD; 160+ million tonne shift since 2003
- Structurally short of met coal
- Securing long-term thermal and met coal assets
- Australia the largest coal supplier to China YTD

Source: International Energy Agency, World Energy Outlook 2008; industry reports.

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India Likely to be World's Fastest Growing Coal Importer



- Up to 200 MTPA importer within five years
- Coal generation up 7.4% YTD
- ~50% of plants <7 days of inventories
- Targeting 13 GW of new coal-based plants per year

Source: International Energy Agency, World Energy Outlook 2008; industry reports and Peabody analysis.

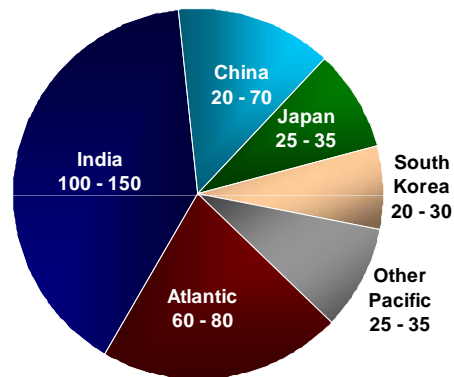
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Global Seaborne Demand: ~300 MTPA of Growth by 2014



Five-Year CAGR of 7.5%

Growth in Seaborne Imports 2009 – 2014
(Tonnes in Millions)



- 100+ MTPA of new seaborne coal demand from generation under construction
- Pacific demand growth ~75% of total demand increases
- India to dominate growth in global coal imports

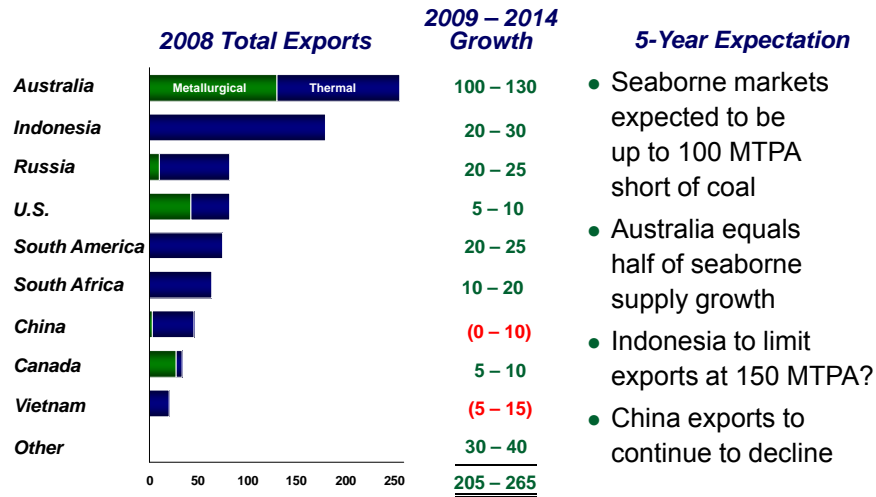
Source: Barlow Jonker; Peabody analysis.

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Global Seaborne Supply: Expected to Lag Demand Growth



Australia Remains Key Global Seaborne Supplier



Source: Barlow Jonker; Peabody analysis. Tonnes in million, except U.S. Excludes land-based exports, except U.S.

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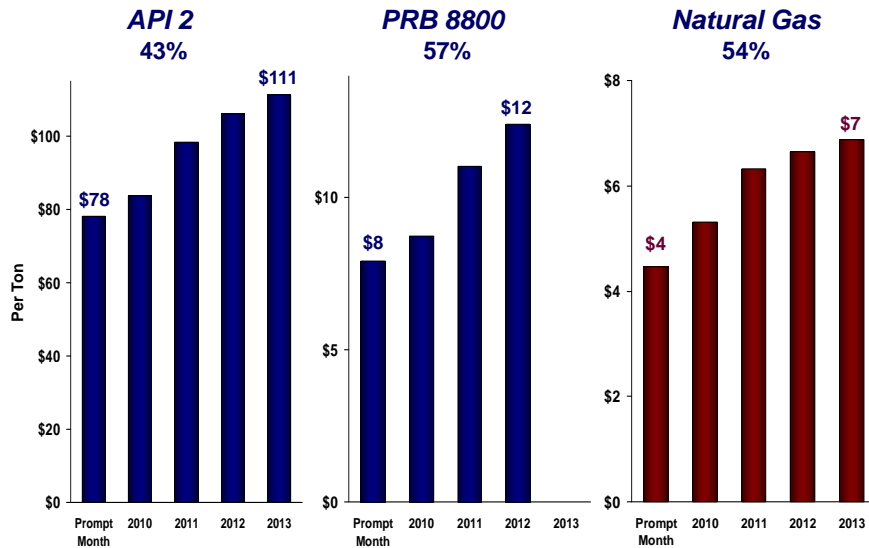
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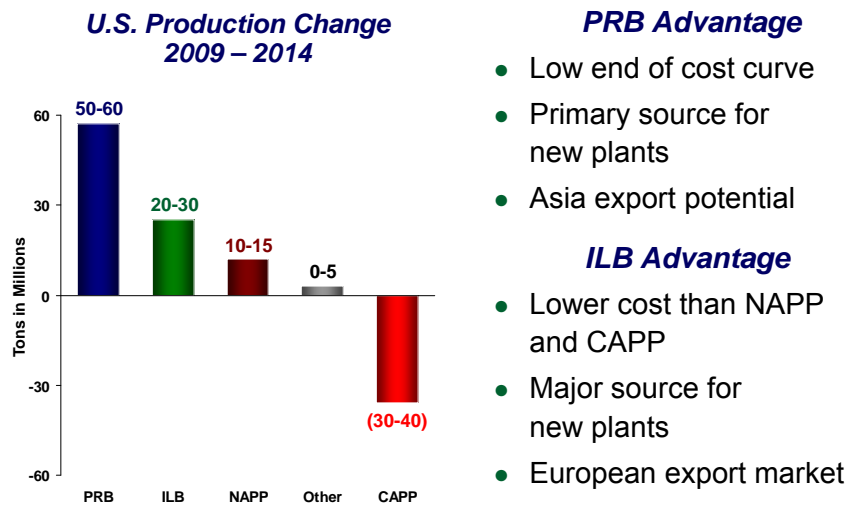
Market Contangos, Underinvestment Suggest Sharp Rebound



Source: Third party broker data. Natural gas futures based on Henry Hub. Pricing as of November 10, 2009.

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Who Will Supply the U.S. Market? PRB, ILB Dominate U.S. Supply Growth



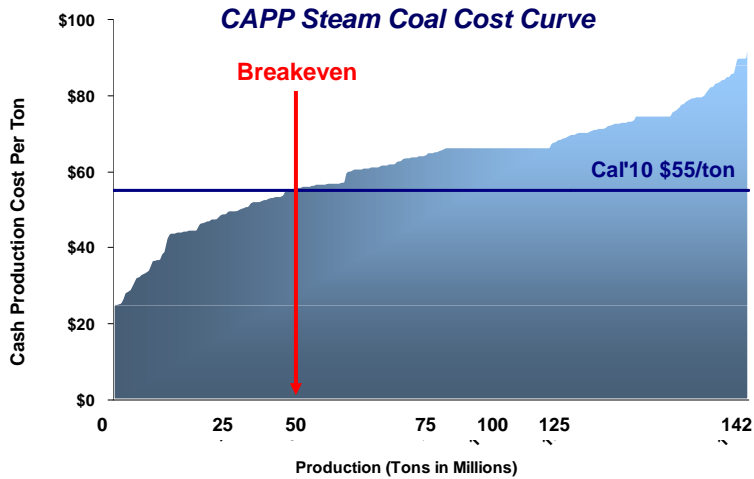
Source: Industry reports and Peabody analysis.

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More U.S. Production Reductions Coming?

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~90 Million Tons of CAPP Uneconomic at 2010 Prices



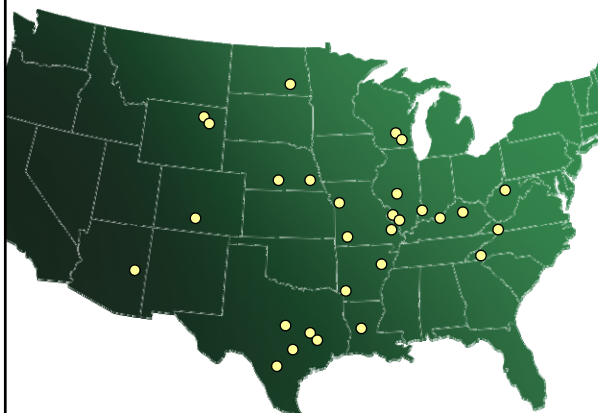
Dollar per ton values FOB mine for NYMEX product, pricing as of November 13, 2009.
Source: Industry reports and Peabody analysis.

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29 Units in U.S. Under Construction Requiring 65 – 70 MTPA of Coal

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PRB, ILB to Serve Nearly 2/3 of New Coal-Based Generation



The 1,600 MW Prairie State Energy Campus under construction in Southern Illinois; startup in 2011

○ Coal-Fueled Plants Under Construction

Includes units under construction and newly completed during 2009.

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Peabody's View: Key Elements of a Successful Trading Operation



- Extensive global footprint
- Vast market intelligence
- Trading activities backed by assets
- Reputation as solid business partner
- Risk management culture and processes

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Peabody Expanding Highly Successful Global Model



Peabody Footprint 2003 – 2004 Additions

Wilkie Creek & RAG (Queensland, Venezuela & Colorado)



Peabody Expanding Highly Successful Global Model



Peabody Footprint 2005 Addition

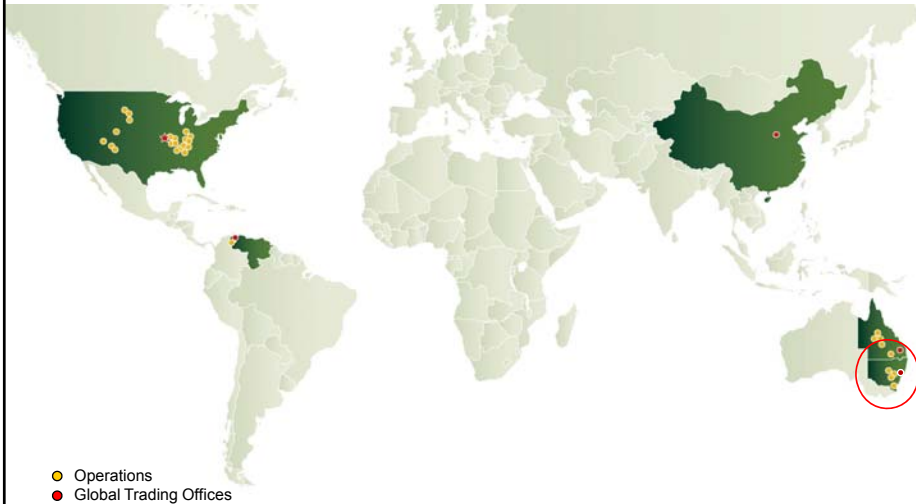
Beijing Office - Business Development & Trading (2006)



Peabody Expanding Highly Successful Global Model



*Peabody Footprint 2006 Addition
Excel (Queensland, New South Wales)*



Peabody Expanding Highly Successful Global Model



*Peabody Footprint 2006 – 2007 Addition
London Trading Hub*



Peabody Expanding Highly Successful Global Model



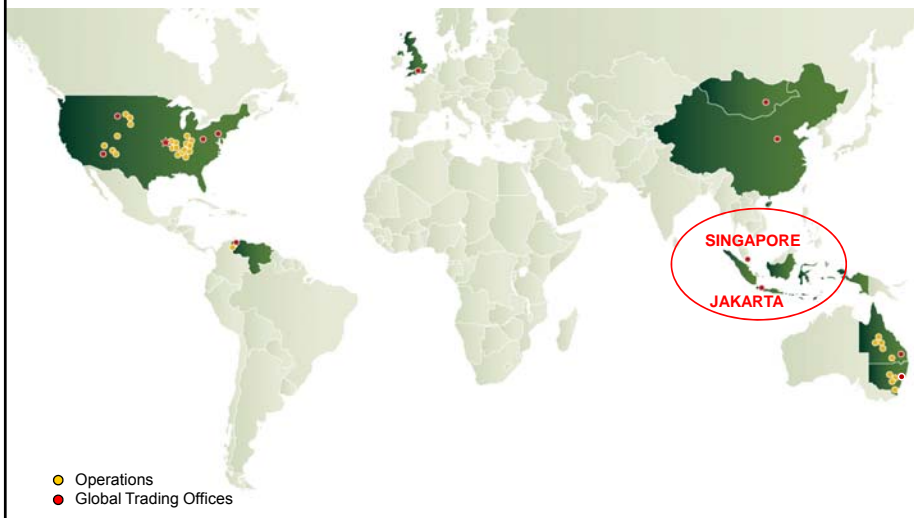
*Peabody Footprint 2007 Addition
Mongolia Business Development Office*



Peabody Expanding Highly Successful Global Model



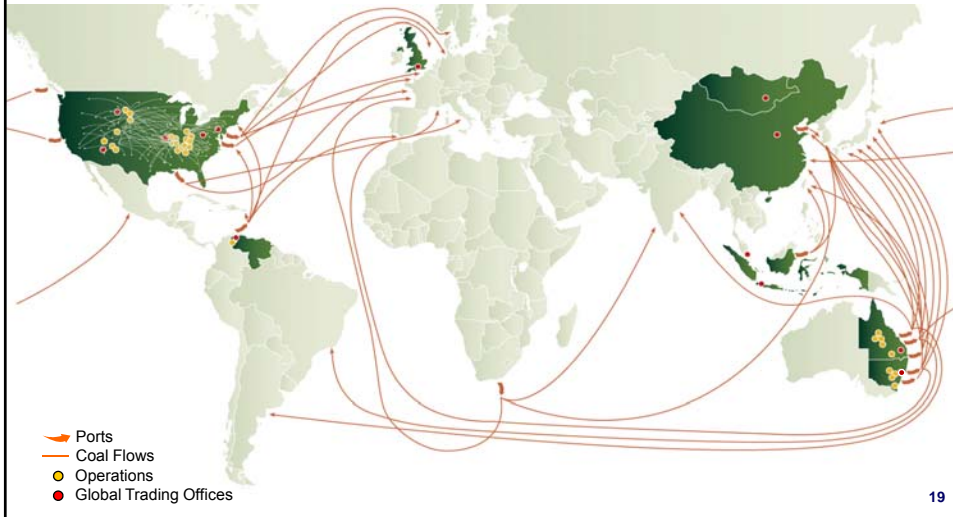
*Peabody Footprint 2009 – 2010 Addition
Growing Asian Presence – Singapore Trading Hub, Jakarta Office*



Peabody Expanding Highly Successful Global Model

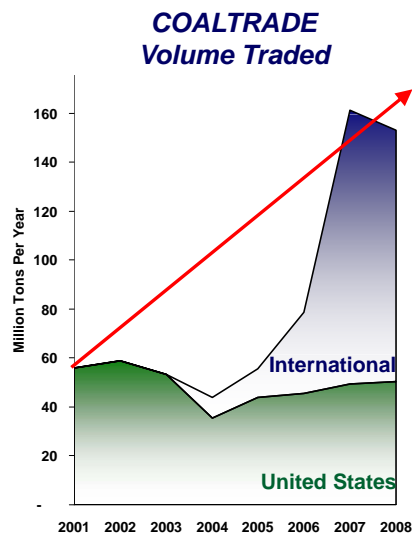
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The Power of the Global BTU Platform



Peabody's Global Expansion Drives Higher Trading & Brokerage Results

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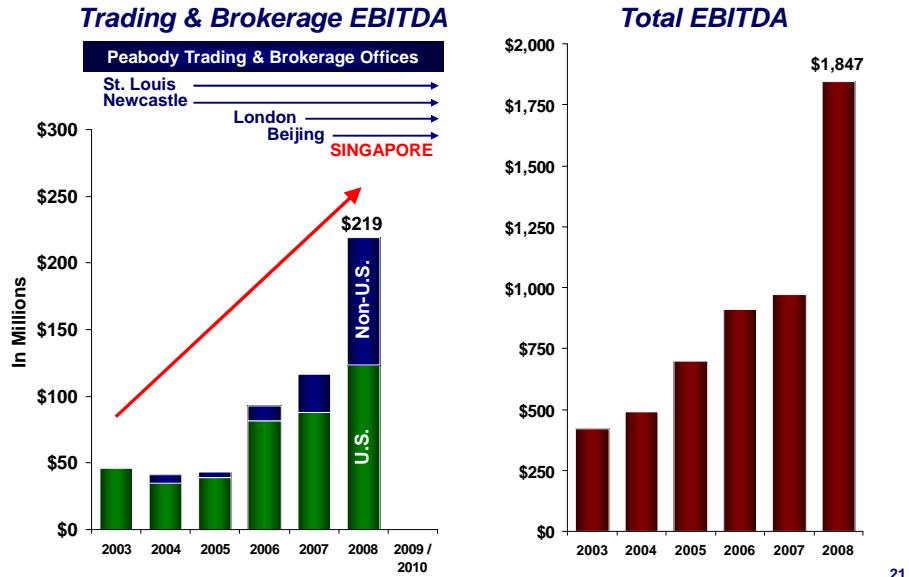


- Actively trading on 5 continents with 16% annual growth
- Peabody COALTRADE represents 15 – 20% of U.S. market and 10 – 15% of international market
- International trade volume has averaged 87% annual growth

Values in short tons.

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Peabody's Global Expansion Drives Higher Trading & Brokerage Results



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Peabody Energy: The Only Global Pure-Play Coal Investment



- Best access to fastest-growing global markets
- Major planned expansion of Australia-based met and thermal coal production
- Highly contracted U.S. position
- Unmatched size, global trading platform and portfolio diversification



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In Summary...



- Coal will remain the world's fastest growing fuel
- The Asia-Pacific region will remain the growth engine for the world
- The U.S. and Atlantic markets will be slow to recover
- Peabody, strategically positioned to participate in the fastest-growing coal markets

Coal... and Peabody... Growing Globally

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PeabodyEnergy.com

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