Peabody/Arch JV Combines PRB and Colorado Assets

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Peabody/Arch PRB and Colorado Joint Venture: Key Takeaways

1. Highly synergistic joint venture aimed at strengthening competitiveness against natural gas and renewables

2. Expected to create substantial value for customers, shareholders; Benefits railroads, employees and communities

3. Expected to unlock synergies with NPV of $820 million; Average synergies of ~$120 million per year over initial 10 years

4. Unites strong, culturally aligned workforces with commitment to safety and sustainability

Note: Synergies of approximately $820 million represent the combined net present value of estimated pre-tax synergies projected over standalone life-of-mine plans assuming third-party price assumptions and a 10 percent discount rate. Average combined synergies of approximately $120 million per year projected over initial 10 years.
Joint Venture: Structure

- Ownership split of 66.5% Peabody and 33.5% Arch, determined by NPV of life-of-mine plans utilizing common assumptions
- Governance of JV overseen by 5-member board of managers
  - Voting rights in proportion to ownership percentages
- Peabody to serve as operator of JV and market coal
  - Leveraging shared services systems
- Peabody and Arch to share JV profits, capital requirements and cash distributions in proportion to ownership percentage
- Each company expects to proportionally consolidate JV within respective financial statements
- Closing subject to regulatory approvals and usual conditions
  - Peabody and Arch will continue to operate independently until closing
JV Combines Low-Cost, Highly Productive PRB Assets with High-Quality Colorado Assets

- JV will operate 5 of top 10 most productive mines in United States
- Centerpiece includes two of the most productive U.S. coal mines – NARM and Black Thunder
- Caballo, Rawhide and Coal Creek mines have among best overburden-to-coal ratios in world
- Colorado assets offer additional synergies and ability to better serve domestic customers while preserving seaborne coal optionality

Note: Productivity data per MSHA for full-year 2018 based on production per total employee hours.
Integration projected to lead to substantial synergies, including:
- Optimization of mine planning and sequencing and accessing otherwise isolated reserves
- Improved efficiencies in deployment of combined equipment fleet
- More efficient procurement, warehousing
- Enhanced blending capabilities to more closely meet customer requirements
- Improved utilization of combined rail loadout system, other rail efficiencies
- Reductions in long-term capital requirements
- Leveraging Peabody’s shared services

NARM and Black Thunder to operate as a single complex

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Synergies Expected to Reduce Costs; Lower Cost Structure Enables Coal to Better Compete Against Other Energy Sources

- Natural gas and renewables continue to increase share of U.S. electricity mix
- Coal’s competitiveness largely based on price of natural gas, availability of subsidized wind, solar
- JV expected to improve competitiveness of coal against natural gas and renewables

**U.S. Electricity Mix (Twh)**

- Coal
- Natural Gas
- Nuclear
- Hydro
- Renewables
- Other

**Average Henry Hub Natural Gas Price**

- 2004 – 2008: $7.64/mmBtu
- 2009 – 2013: $3.82/mmBtu
- 2014 – 2018: $3.11/mmBtu

Source: EIA and CME Group.
For Peabody, Extraordinary Example of Industrial Logic Creating Significant Value

"Optimize lowest-cost, highest-margin U.S. thermal assets in low-capital fashion to maximize cash generation"

- Strategic portfolio fit
- **Enhances** financial strength
- Returns above cost of capital
- **Rapid** payback period
- **Substantial** tangible synergies
- Significant value for our shareholders

Clear demonstration of Peabody's U.S. strategy

Fully aligned with stated investment filters

Continued commitment to shareholder returns
## Joint Venture Mines

*(tons in millions)*

<table>
<thead>
<tr>
<th>Mine</th>
<th>Company</th>
<th>Basin</th>
<th>2018 Sales Volumes</th>
<th>Proven &amp; Probable Reserves</th>
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<tr>
<td>NARM</td>
<td>Peabody</td>
<td>PRB</td>
<td>98.4</td>
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<tr>
<td>Black Thunder</td>
<td>Arch</td>
<td>PRB</td>
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<td>Caballo</td>
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<td>PRB</td>
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<td>Rawhide</td>
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<td>Arch</td>
<td>PRB</td>
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