

# Peabody/Arch JV Combines PRB and Colorado Assets

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**Peabody**

DELIVERING  
**RESULTS**  
GENERATING  
**VALUE**



# Statement on Forward-Looking Information

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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*

## Joint Venture: Structure

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- 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

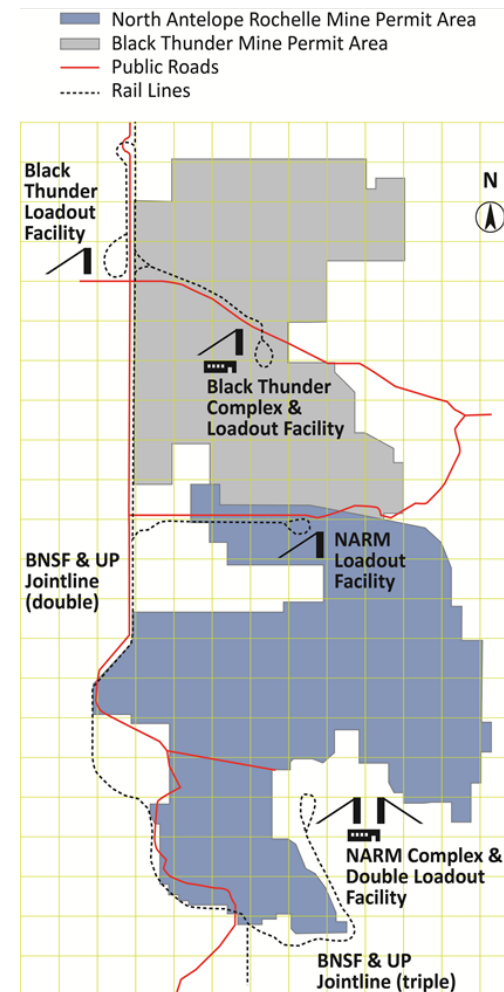
# JV Combines Low-Cost, Highly Productive PRB Assets with High-Quality Colorado Assets



- 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

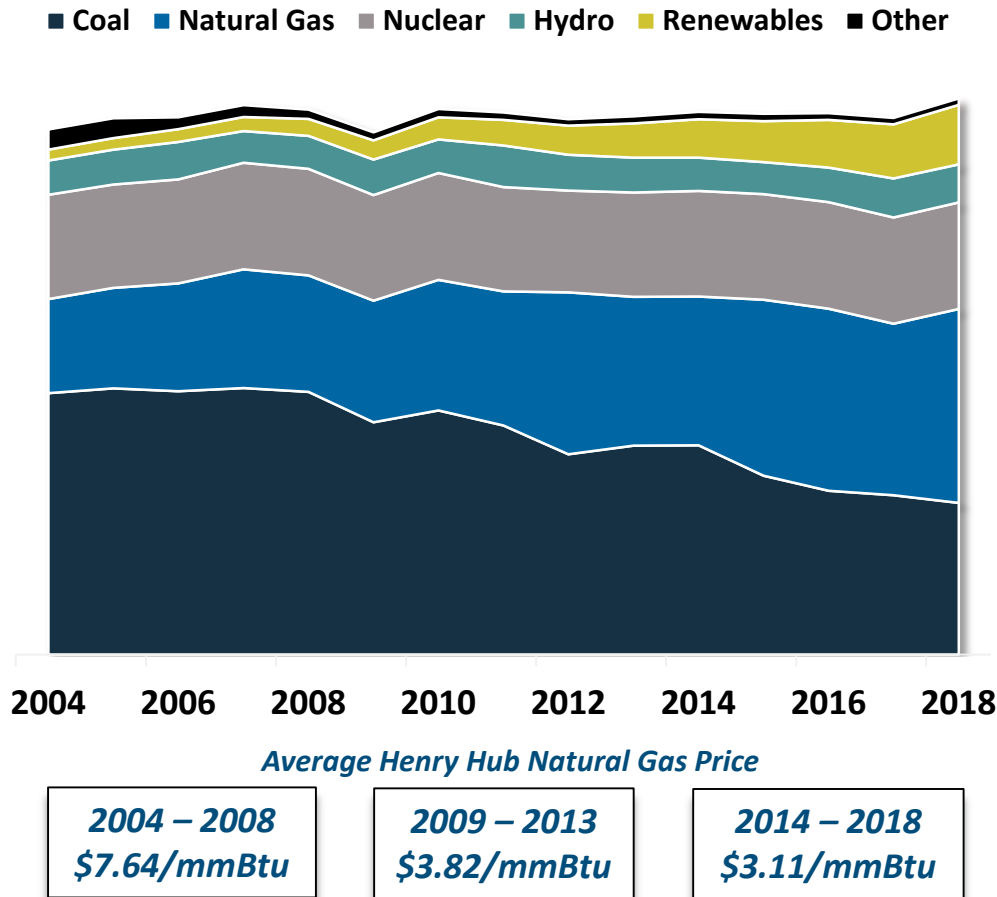
# Expected to Unlock Pre-Tax Synergies of ~\$820 Million; Projected 10-Year Average Synergies of ~\$120 Million Per Year

- 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



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

*U.S. Electricity Mix (Twh)*



- 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

# For Peabody, Extraordinary Example of Industrial Logic Creating Significant Value

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## *Clear demonstration of Peabody's U.S. strategy*

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

## *Fully aligned with stated investment filters*

## *Continued commitment to shareholder returns*

- Strategic portfolio fit
- **ENHANCES** financial strength
- Returns above cost of capital
- **RAPID** payback period
- **SUBSTANTIAL** tangible synergies
- Significant value for our shareholders





# Appendix

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## Joint Venture Mines

*(tons in millions)*

Mine	Company	Basin	2018 Sales Volumes	Proven & Probable Reserves
NARM	Peabody	PRB	98.4	1,698
Black Thunder	Arch	PRB	71.1	816
Caballo	Peabody	PRB	11.3	465
Rawhide	Peabody	PRB	9.5	258
Coal Creek	Arch	PRB	8.0	95
West Elk	Arch	Colorado	4.8	54
Twentymile	Peabody	Colorado	2.9	28