PEABODY ENERGY CORP
Form 10-Q
August 03, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 1-16463

_____

PEABODY ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-4004153
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

701 Market Street, St. Louis, Missouri 63101-1826
(Address of principal executive offices) (Zip Code)
(314) 342-3400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No ¨

There were 121.7 million shares of the registrant's common stock (par value of $0.01 per share) outstanding at July 31, 2018.

TABLE OF CONTENTS

	Page
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Unaudited Condensed Consolidated Statements of Operations	1
Unaudited Condensed Consolidated Statements of Comprehensive Income	2
Condensed Consolidated Balance Sheets	3
Unaudited Condensed Consolidated Statements of Cash Flows	4
Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity	6
Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	41
Item 3. Quantitative and Qualitative Disclosures About Market Risk	70
Item 4. Controls and Procedures	71
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	71
Item 1A. Risk Factors	71
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	71
Item 4. Mine Safety Disclosures	72
Item 6. Exhibits	72
EXHIBIT INDEX	73
SIGNATURE	74

Table of Contents

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.
PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions, except per share data)					
Revenues						
Sales	$1,137.3	$1,059.6	$ —	$2,406.4	$1,059.6	$ 1,081.4
Other revenues	172.1	198.7	—	365.7	198.7	244.8
Total revenues	1,309.4	1,258.3	—	2,772.1	1,258.3	1,326.2
Costs and expenses						
Operating costs and expenses (exclusive of items shown separately below)	946.5	927.9	—	2,003.7	927.9	950.2
Depreciation, depletion and amortization	163.9	148.3	—	333.5	148.3	119.9
Asset retirement obligation expenses	13.2	11.0	—	25.5	11.0	14.6
Selling and administrative expenses	44.1	34.7	—	81.1	34.7	36.3
Other operating (income) loss:						
Net loss (gain) on disposals	1.6	(0.5)	—	(29.0)	(0.5)	(22.8)
Asset impairment	—	—	—	—	—	30.5
Income from equity affiliates	(25.2)	(15.7)	—	(47.2)	(15.7)	(15.0)
Operating profit	165.3	152.6	—	404.5	152.6	212.5
Interest expense	38.3	41.4	—	74.6	41.4	32.9
Loss on early debt extinguishment	2.0	—	—	2.0	—	—
Interest income	(7.0)	(1.5)	—	(14.2)	(1.5)	(2.7)
Net periodic benefit costs, excluding service cost	4.6	6.6	—	9.1	6.6	14.4
Reorganization items, net	—	—	585.8	(12.8)	—	627.2
Income (loss) from continuing operations before income taxes	127.4	106.1	(585.8)	345.8	106.1	(459.3)
Income tax provision (benefit)	7.4	4.7	(266.0)	17.5	4.7	(263.8)
Income (loss) from continuing operations, net of income taxes	120.0	101.4	(319.8)	328.3	101.4	(195.5)
Loss from discontinued operations, net of income taxes	(3.6)	(2.7)	(12.1)	(4.9)	(2.7)	(16.2)
Net income (loss)	116.4	98.7	(331.9)	323.4	98.7	(211.7)
Less: Series A Convertible Preferred Stock dividends	—	115.1	—	102.5	115.1	—
Less: Net income attributable to noncontrolling interests	2.7	3.8	—	0.6	3.8	4.8
Net income (loss) attributable to common stockholders	$113.7	$(20.2)	$ (331.9)	$220.3	$(20.2)	$ (216.5)

Income (loss) from continuing operations:

Basic income (loss) per share	$0.94	$(0.18)	$(17.44)	$1.78	$(0.18)	$(10.93)
Diluted income (loss) per share	$0.93	$(0.18)	$(17.44)	$1.76	$(0.18)	$(10.93)
Net income (loss) attributable to common stockholders:						
Basic income (loss) per share	$0.91	$(0.21)	$(18.10)	$1.74	$(0.21)	$(11.81)
Diluted income (loss) per share	$0.90	$(0.21)	$(18.10)	$1.72	$(0.21)	$(11.81)
Dividends declared per share	$0.115	$—	$—	$0.230	$—	$—

See accompanying notes to unaudited condensed consolidated financial statements.

1

Table of Contents

PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)					
Net income (loss)	$116.4	$98.7	$(331.9)	$323.4	$98.7	$(211.7)
Reclassification for realized losses on cash flow hedges (net of respective net tax provision of $0.0, $0.0, $0.0, $0.0, $0.0 and $9.1) included in net income	—	—	—	—	—	18.6
Postretirement plans and workers' compensation obligations (net of respective net tax provision of $0.0, $0.0, $0.0, $0.0, $0.0 and $2.5)	—	—	—	—	—	4.4
Foreign currency translation adjustment	(2.2)	0.5	—	(3.0)	0.5	5.5
Other comprehensive (loss) income, net of income taxes	(2.2)	0.5	—	(3.0)	0.5	28.5
Comprehensive income (loss)	114.2	99.2	(331.9)	320.4	99.2	(183.2)
Less: Series A Convertible Preferred Stock dividends	—	115.1	—	102.5	115.1	—
Less: Net income attributable to noncontrolling interests	2.7	3.8	—	0.6	3.8	4.8
Comprehensive income (loss) attributable to common stockholders	$111.5	$(19.7)	$(331.9)	$217.3	$(19.7)	$(188.0)

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

PEABODY ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2018	December 31, 2017
	(Amounts in millions, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$1,451.7	$ 1,012.1
Restricted cash	—	40.1
Accounts receivable, net of allowance for doubtful accounts of $4.8 at June 30, 2018 and $4.6 at December 31, 2017	503.0	552.1
Inventories	290.5	291.3
Other current assets	223.2	294.4
Total current assets	2,468.4	2,190.0
Property, plant, equipment and mine development, net	4,945.7	5,111.9
Collateral arrangements	—	323.1
Investments and other assets	296.1	470.6
Deferred income taxes	85.5	85.6
Total assets	$7,795.7	$ 8,181.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$45.0	$ 42.1
Accounts payable and accrued expenses	1,038.9	1,202.8
Total current liabilities	1,083.9	1,244.9
Long-term debt, less current portion	1,358.0	1,418.7
Deferred income taxes	5.1	5.4
Asset retirement obligations	672.6	657.0
Accrued postretirement benefit costs	726.8	730.0
Other noncurrent liabilities	404.0	469.4
Total liabilities	4,250.4	4,525.4
Stockholders' equity		
Series A Convertible Preferred Stock — $0.01 per share par value; no shares authorized, issued or outstanding as of June 30, 2018 and 50.0 shares authorized, 30.0 shares issued and 13.5 shares outstanding as of December 31, 2017	—	576.0
Preferred Stock — $0.01 per share par value; 100.0 shares authorized, no shares issued or outstanding as of June 30, 2018 and 50.0 shares authorized, no shares issued or outstanding as of December 31, 2017	—	—
Series Common Stock — $0.01 per share par value; 50.0 shares authorized, no shares issued or outstanding as of June 30, 2018 or December 31, 2017	—	—
Common Stock — $0.01 per share par value; 450.0 shares authorized, 137.7 shares issued and 122.3 shares outstanding as of June 30, 2018 and 111.8 shares issued and 105.2 shares outstanding as of December 31, 2017	1.4	1.0
Additional paid-in capital	3,285.7	2,590.3
Treasury stock, at cost — 15.4 and 5.8 common shares as of June 30, 2018 and December 31, 2017	(564.9)	(175.9)

Retained earnings	781.3	613.6
Accumulated other comprehensive (loss) income	(1.6)	1.4
Peabody Energy Corporation stockholders' equity	3,501.9	3,606.4
Noncontrolling interests	43.4	49.4
Total stockholders' equity	3,545.3	3,655.8
Total liabilities and stockholders' equity	$7,795.7	$ 8,181.2

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor		Predecessor
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)		
Cash Flows From Operating Activities			
Net income (loss)	$323.4	$ 98.7	$ (211.7)
Loss from discontinued operations, net of income taxes	4.9	2.7	16.2
Income (loss) from continuing operations, net of income taxes	328.3	101.4	(195.5)
Adjustments to reconcile income (loss) from continuing operations, net of income taxes to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	333.5	148.3	119.9
Noncash coal inventory revaluation	—	67.3	—
Noncash interest expense, net	8.1	4.2	0.5
Deferred income taxes	0.5	(1.6)	(252.2)
Noncash share-based compensation	16.5	7.0	1.9
Asset impairment	—	—	30.5
Net gain on disposals	(29.0)	(0.5)	(22.8)
Income from equity affiliates	(47.2)	(15.7)	(15.0)
Foreign currency option contracts	6.4	(9.3)	—
Reclassification from other comprehensive earnings for terminated hedge contracts	—	—	27.6
Noncash reorganization items, net	(12.8)	—	(485.4)
Changes in current assets and liabilities:			
Accounts receivable	104.4	(84.4)	159.3
Inventories	0.9	(60.0)	(47.2)
Other current assets	(38.2)	(17.1)	0.2
Accounts payable and accrued expenses	(40.1)	(118.5)	(65.5)
Collateral arrangements	323.1	49.7	(66.4)
Asset retirement obligations	9.2	4.6	10.2
Workers' compensation obligations	(0.6)	(1.2)	(3.1)
Postretirement benefit obligations	(3.1)	(0.7)	0.8
Pension obligations	(46.6)	(2.1)	5.4
Other, net	5.9	(5.1)	(8.0)
Net cash provided by (used in) continuing operations	919.2	66.3	(804.8)
Net cash used in discontinued operations	(3.8)	(0.6)	(8.2)
Net cash provided by (used in) operating activities	915.4	65.7	(813.0)
Cash Flows From Investing Activities			
Additions to property, plant, equipment and mine development	(125.6)	(45.9)	(32.8)
Changes in accrued expenses related to capital expenditures	(0.9)	1.6	(1.4)
Federal coal lease expenditures	(0.5)	—	(0.5)
Proceeds from disposal of assets	52.6	2.5	24.3
Contributions to joint ventures	(243.8)	(96.3)	(95.4)
Distributions from joint ventures	236.8	95.5	90.5

Advances to related parties	(4.6)	(0.9)	(0.4)
Repayments of loans from related parties	70.2	26.5	31.1
Other, net	(2.2)	(1.5)	(0.3)
Net cash (used in) provided by investing activities	(18.0)	(18.5)	15.1

Table of Contents

PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

	Successor		Predecessor
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)		
Cash Flows From Financing Activities			
Proceeds from long-term debt	—	—	1,000.0
Repayments of long-term debt	(63.5)	(23.8)	(2.1)
Payment of deferred financing costs	(1.4)	—	(45.4)
Common stock repurchases	(374.5)	—	—
Repurchases of employee common stock relinquished for tax withholding	(14.5)	—	(0.1)
Dividends paid	(29.3)	—	—
Distributions to noncontrolling interests	(6.6)	(6.4)	(0.1)
Other, net	0.1	—	—
Net cash (used in) provided by financing activities	(489.7)	(30.2)	952.3
Net change in cash, cash equivalents and restricted cash	407.7	17.0	154.4
Cash, cash equivalents and restricted cash at beginning of period [1]	1,070.2	1,095.6	941.2
Cash, cash equivalents and restricted cash at end of period [2]	$1,477.9	$1,112.6	$ 1,095.6

[1] The following table provides a reconciliation of “Cash, cash equivalents and restricted cash at beginning of period”:

Cash and cash equivalents	$1,012.1
Restricted cash	40.1
Restricted cash included in “Investments and other assets”	18.0
Cash, cash equivalents and restricted cash at beginning of period	$1,070.2

[2] The following table provides a reconciliation of “Cash, cash equivalents and restricted cash at end of period”:

Cash and cash equivalents	$1,451.7
Restricted cash included in “Investments and other assets”	26.2
Cash, cash equivalents and restricted cash at end of period	$1,477.9

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Peabody Energy Corporation Stockholders' Equity							
	Series A Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Stockholders' Equity
	(Dollars in millions)							
December 31, 2017	$576.0	$ 1.0	$2,590.3	$(175.9)	$613.6	$ 1.4	$ 49.4	$3,655.8
Impact of adoption of Accounting Standards Update 2014-09	—	—	—	—	(22.5)	—	—	(22.5)
Net income	—	—	—	—	322.8	—	0.6	323.4
Dividends declared	—	—	0.8	—	(30.1)	—	—	(29.3)
Foreign currency translation adjustment	—	—	—	—	—	(3.0)	—	(3.0)
Series A Convertible Preferred Stock conversions	(576.0)	0.4	678.1	—	(102.5)	—	—	—
Share-based compensation for equity-classified awards	—	—	16.5	—	—	—	—	16.5
Common stock repurchases	—	—	—	(374.5)	—	—	—	(374.5)
Repurchase of employee common stock relinquished for tax withholding	—	—	—	(14.5)	—	—	—	(14.5)
Distributions to noncontrolling interests	—	—	—	—	—	—	(6.6)	(6.6)
June 30, 2018	$—	$ 1.4	$3,285.7	$(564.9)	$781.3	$ (1.6)	$ 43.4	$3,545.3

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

PEABODY ENERGY CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The condensed consolidated financial statements include the accounts of Peabody Energy Corporation (PEC) and its consolidated subsidiaries and affiliates (along with PEC, the Company or Peabody). Interests in subsidiaries controlled by the Company are consolidated with any outside stockholder interests reflected as noncontrolling interests, except when the Company has an undivided interest in an unincorporated joint venture. In those cases, the Company includes its proportionate share in the assets, liabilities, revenues and expenses of the jointly controlled entities within each applicable line item of the unaudited condensed consolidated financial statements. All intercompany transactions, profits and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. In the opinion of management, these financial statements reflect all normal, recurring adjustments necessary for a fair presentation and certain prior year amounts have been reclassified for consistency with the current period presentation. As discussed below in Note 2. "Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented," prior year amounts of net periodic benefit costs, excluding the service cost for benefits earned have been reclassified to conform with the new standard. Balance sheet information presented herein as of December 31, 2017 has been derived from the Company's audited consolidated balance sheet at that date. The Company's results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for future quarters or for the year ending December 31, 2018.

Plan of Reorganization and Emergence from Chapter 11 Cases

On April 13, 2016, PEC and a majority of its wholly owned domestic subsidiaries, as well as one international subsidiary in Gibraltar (collectively with PEC, the Debtors), filed voluntary petitions (the Bankruptcy Petitions) under Chapter 11 of Title 11 of the U.S. Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Eastern District of Missouri (the Bankruptcy Court). The Debtors' Chapter 11 cases (the Chapter 11 Cases) were jointly administered under the caption In re Peabody Energy Corporation, et al., Case No. 16-42529.

For periods subsequent to filing the Bankruptcy Petitions, the Company applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, "Reorganizations", in preparing its consolidated financial statements. ASC 852 requires that financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that were realized or incurred in the bankruptcy proceedings were recorded in "Reorganization items, net" in the unaudited condensed consolidated statements of operations.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The Company's reorganization items consisted of the following for the periods presented below:

	Predecessor	Successor	Predecessor
	April 1, 2017	Six Months Ended June 30, 2018	January 1 through April 1, 2017
	(Dollars in millions)		
Gain on settlement of claims [1] [2]	$(3,031.2)	$ (12.8)	$(3,031.2)
Fresh start adjustments, net [1]	3,363.1	—	3,363.1
Fresh start income tax adjustments, net [1]	253.9	—	253.9
Professional fees [3]	—	—	42.5
Accounts payable settlement gains	—	—	(0.7)
Interest income	—	—	(0.4)
Reorganization items, net	$585.8	$ (12.8)	$627.2
Cash paid for "Reorganization items, net"	$14.4	$ —	$45.8

(1) Refer to Note 2. “Emergence from the Chapter 11 Cases and Fresh Start Reporting” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for further information related to the adjustments recorded in the periods April 1, 2017 and January 1 through April 1, 2017.

(2) “Reorganization items, net” for the six months ended June 30, 2018 consisted of settlement gains related to certain unsecured claims.

(3) Professional fees are only those that were directly related to the reorganization including, but not limited to, fees associated with advisors to the Debtors, the unsecured creditors' committee and certain other secured and unsecured creditors.

On March 17, 2017, the Bankruptcy Court entered an order, Docket No. 2763 (the Confirmation Order), confirming the Debtors’ Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as further modified, the Plan). On April 3, 2017 (the Effective Date), the Debtors satisfied the conditions to effectiveness set forth in the Plan, the Plan became effective in accordance with its terms and the Debtors emerged from the Chapter 11 Cases.

On the Effective Date, in accordance with ASC 852, the Company applied fresh start reporting which requires the Company to allocate its reorganization value to the fair value of assets and liabilities in conformity with the guidance for the acquisition method of accounting for business combinations. The Company was permitted to use fresh start reporting because (i) the holders of existing voting shares of the Predecessor (as defined below) company received less than 50% of the voting shares of the emerging entity upon reorganization and (ii) the reorganization value of the Company’s assets immediately prior to Plan confirmation was less than the total of all postpetition liabilities and allowed claims.

Upon adoption of fresh start reporting, the Company became a new entity for financial reporting purposes, reflecting the Successor (as defined below) capital structure. As a result, a new accounting basis in the identifiable assets and liabilities assumed was established with no retained earnings or accumulated other comprehensive income (loss) for financial reporting purposes. The Company selected an accounting convenience date of April 1, 2017 for purposes of applying fresh start reporting as the activity between the convenience date and the Effective Date did not result in a material difference in the results. References to “Successor” in the financial statements and accompanying footnotes are in reference to reporting dates on or after April 2, 2017; references to “Predecessor” in the financial statements and accompanying footnotes are in reference to reporting dates through April 1, 2017 which includes the impact of the Plan provisions and the application of fresh start reporting. As such, the Company’s financial statements for the Successor will not be comparable in many respects to its financial statements for periods prior to the adoption of fresh

start reporting and prior to the accounting for the effects of the Plan. For further information on the Plan and fresh start reporting, see Note 2. “Emergence from the Chapter 11 Cases and Fresh Start Reporting” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

In connection with fresh start reporting, the Company made certain prospective accounting policy elections that impact the Successor periods presented herein. The Company now classifies the amortization associated with its asset retirement obligation assets within “Depreciation, depletion and amortization” in its consolidated statements of operations, rather than within “Asset retirement obligation expenses”, as in Predecessor periods. With respect to its accrued postretirement benefit and pension obligations, the Company now records amounts attributable to prior service cost and actuarial valuation changes, as applicable, currently in earnings rather than recording such amounts within accumulated other comprehensive income and amortizing to expense over the applicable time periods.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(2) Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented

Newly Adopted Accounting Standards

Revenue Recognition. In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. On January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective method. The new standard provides a single principles-based, five-step model to be applied to all contracts with customers, which steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. The Company recognized the cumulative effect of initially applying ASU 2014-09 as an adjustment to the opening balance of retained earnings. Revenue previously recognized under contracts completed prior to January 1, 2018 was not impacted by adoption and comparative information has not been restated. The impact of the adoption of ASU 2014-09 is expected to be immaterial to the Company's results of operations, financial condition and cash flows on an ongoing basis.

The majority of the Company's coal sales revenue will continue to be recognized as title and risk of loss transfer to the customer at mines and ports when coal is loaded to the transportation source, as further described in Note 3. "Revenue Recognition." The impact of the adoption of ASU 2014-09 was limited to a long-term contract in which consideration related to the reimbursement of certain post-mining costs was recognized as costs were incurred, which differs in timing compared to the five-step model described above. The cumulative effects to the Company's consolidated January 1, 2018 balance sheet were to reduce retained earnings for the amount of revenue that would have been deferred and to reduce long-term customer receivables, as noted in the table below:

	Balance at December 31, 2017	Adjustments due to ASU 2014-09	Balance at January 1, 2018
	(Dollars in millions)		
ASSETS			
Investments and other assets	$470.6	$ (22.5)	$448.1
STOCKHOLDERS' EQUITY			
Retained earnings	613.6	(22.5)	591.1

ASU 2014-09 also requires entities to disclose sufficient qualitative and quantitative information to enable financial statement users to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. Such disclosures are included in Note 3. "Revenue Recognition."

Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued ASU 2016-15 to amend the classification of certain cash receipts and cash payments in the statement of cash flows to reduce diversity in practice. The Company retrospectively adopted all the provisions of this new standard in the first quarter of 2018. The classification requirements under the new guidance are either consistent with the Company's current practices or are not applicable to its activities, and as such, did not have a material impact on classification of cash receipts and cash payments in the Company's unaudited condensed consolidated statements of cash flows.

Restricted Cash. In November 2016, the FASB issued ASU 2016-18, which reduces diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The Company retrospectively adopted all the provisions of this new accounting standard in the first quarter of 2018 and as a result of the new guidance, the Company will combine restricted cash with unrestricted cash and cash equivalents when reconciling the beginning and

end of period balances on its statements of cash flows. The amendments also require a company to disclose information about the nature of the restrictions and amounts described as restricted cash and restricted cash equivalents. Such disclosures are included in Note 17. “Financial Instruments and Other Guarantees.” Further, as cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the Company reconciled these amounts to the total shown in the statement of cash flows in a tabular format within the Company’s unaudited condensed consolidated statements of cash flows.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Compensation - Retirement Benefits. In March 2017, the FASB issued ASU 2017-07, which requires employers that sponsor defined benefit pension and other postretirement plans to report the service cost component in the same line item as other compensation costs and to report the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income on a retrospective basis. The guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component will be applied prospectively. The Company adopted all the provisions of this new accounting standard in the first quarter of 2018. While adoption of this guidance did impact financial statement presentation, it did not materially impact the Company's results of operations, financial condition or cash flows. The retrospective impacts to the unaudited condensed consolidated statements of operations were as follows:

	Successor		
	April 2 through June 30, 2017		
	Before Application of Accounting Guidance	Adjustment	After Application of Accounting Guidance
	(Dollars in millions)		
Results of Operations Amounts			
Operating costs and expenses	$934.8	$ (6.9)	$ 927.9
Selling and administrative expenses	34.4	0.3	34.7
Operating profit	146.0	6.6	152.6
Net periodic benefit costs, excluding service cost	—	6.6	6.6
Income from continuing operations before income taxes	106.1	—	106.1

	Predecessor		
	January 1 through April 1, 2017		
	Before Application of Accounting Guidance	Adjustment	After Application of Accounting Guidance
	(Dollars in millions)		
Results of Operations Amounts			
Operating costs and expenses	$963.7	$ (13.5)	$ 950.2
Selling and administrative expenses	37.2	(0.9)	36.3
Operating profit	198.1	14.4	212.5
Net periodic benefit costs, excluding service cost	—	14.4	14.4
Loss from continuing operations before income taxes	(459.3)	—	(459.3)

Compensation - Stock Compensation. In May 2017, the FASB issued ASU 2017-09 to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The Company prospectively applied all the provisions of this new accounting standard on January 1, 2018, and there was no material impact to the Company's financial statements.

10

Accounting Standards Not Yet Implemented

Leases. In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which will require a lessee to recognize on its balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. Additional qualitative disclosures along with specific quantitative disclosures will also be required. The new guidance will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for the Company). In July 2018, the FASB issued the new transition method and practical expedient to simplify the application of the new leasing standard. Under the new transition method, comparative periods presented in the financial statements in the period of adoption will not need to be restated. Instead, a Company would initially apply the new lease requirements at the effective date, and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company would continue to report comparative periods presented in the financial statements in the period of adoption under current GAAP and provide the applicable required disclosures for such periods. The new practical expedient allows lessors to avoid separating lease and associated nonlease components within a contract if certain criteria are met. If elected, lessors will be able to aggregate nonlease components that otherwise would be accounted for under the new revenue standard with the associated lease component if the following conditions are met (1) the timing and pattern of transfer for the nonlease component and the associated lease component are the same and (2) the stand-alone lease component would be classified as an operating lease if accounted for separately. The Company intends to elect some of the available practical expedients on adoption.

The Company is in the process of implementing key systems functionality and internal control processes in order to comply with the new reporting requirements of ASU 2016-02 and expects, through the recognition of significant lease assets and lease liabilities, a material impact on its consolidated balance sheets (dependent upon leases outstanding at adoption date) and related disclosures. ASU 2016-02 is not expected to have a material impact on the Company’s results of operations or its cash flows.

Financial Instruments - Credit Losses. In June 2016, the FASB issued ASU 2016-13 related to the measurement of credit losses on financial instruments. The pronouncement replaces the incurred loss methodology to record credit losses with a methodology that reflects the expected credit losses for financial assets not accounted for at fair value with gains and losses recognized through net income. This standard is effective for fiscal years beginning after December 15, 2019 (January 1, 2020 for the Company) and interim periods therein, with early adoption permitted for fiscal years, and interim periods therein, beginning after December 15, 2018. The Company is in the process of evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

Derivatives and Hedging. In August 2017, the FASB issued ASU 2017-12 to amend the hedge accounting rules to simplify the application of hedge accounting guidance and better align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The guidance expands the ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, as well as eases certain hedge effectiveness assessment requirements. The new guidance will be effective for fiscal years beginning after December 15, 2018 (January 1, 2019 for the Company) and interim periods therein, with early adoption permitted. The amendments to cash flow and net investment hedge relationships that exist on the date of adoption will be applied using a modified retrospective approach. The presentation and disclosure requirements will be applied prospectively. The Company is currently evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

Leases - Land Easements. In January 2018, the FASB issued ASU 2018-01 to provide an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under current leasing guidance. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new leases requirements in Topic 842 to assess whether they meet the definition of a lease. The amendments in this update affect the amendments in ASU 2016-02. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02. The Company is in the process of evaluating the impact that the adoption of this guidance will have on its results of operations, financial condition, cash flows and financial statement presentation.

Table of Contents
PEABODY ENERGY CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(3) Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers” (ASC 606), which the Company adopted on January 1, 2018, using the modified retrospective approach. See Note 2. “Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented” for further discussion of the adoption, including the impact on the Company’s opening balance sheet.

Sales

The majority of the Company’s revenue is derived from the sale of coal under long-term coal supply agreements (those with initial terms of one year or longer and which often include price reopener and/or extension provisions) and contracts with terms of less than one year, including sales made on a spot basis. The Company’s revenue from coal sales is realized and earned when risk of loss passes to the customer. Under the typical terms of the Company’s coal supply agreements, title and risk of loss transfer to the customer at the mine or port, where coal is loaded to the transportation source(s) that serves each of the Company’s mines. The Company incurs certain “add-on” taxes and fees on coal sales. Reported coal sales include taxes and fees charged by various federal and state governmental bodies and the freight charged on destination customer contracts.

The Company’s U.S. operating platform primarily sells thermal coal to electric utilities in the U.S. under long-term contracts, with a portion sold into the seaborne markets as conditions warrant. A significant portion of the coal production from the U.S. mining segments is sold under long-term supply agreements, and customers of those segments continue to pursue long-term sales agreements in recognition of the importance of reliability, service and predictable coal prices to their operations. The terms of coal supply agreements result from competitive bidding and extensive negotiations with customers. Consequently, the terms of those agreements may vary in many respects, including price adjustment features, price reopener terms, coal quality requirements, quantity parameters, permitted sources of supply, treatment of environmental constraints, extension options, force majeure and termination and assignment provisions.

The Company's Australian operating platform is primarily export focused with customers spread across several countries, while a portion of the metallurgical and thermal coal is sold within Australia. Generally, revenues from individual countries vary year by year based on electricity and steel demand, the strength of the global economy, governmental policies and several other factors, including those specific to each country. A majority of these sales are executed through annual and multi-year international coal supply agreements that contain provisions requiring both parties to renegotiate pricing periodically. Industry commercial practice, and the Company’s typical practice, is to negotiate pricing for seaborne metallurgical coal contracts on a quarterly, spot or index basis and seaborne thermal coal contracts on an annual, spot or index basis. The portion of volume priced on a shorter-term basis and index linked basis has increased in recent years. In the case of periodically negotiated pricing, the Company may deliver coal under provisional pricing until a final agreed-upon price is determined. The resulting make-whole settlements are recognized when reasonably estimable.

Contract pricing is set forth on a per ton basis, and revenue is generally recorded as the product of price and volume delivered. Many of the Company’s coal supply agreements contain provisions that permit the parties to adjust the contract price upward or downward at specified times. These contract prices may be adjusted based on inflation or deflation and/or changes in the factors affecting the cost of producing coal, such as taxes, fees, royalties and changes in the laws regulating the mining, production, sale or use of coal. In a limited number of contracts, failure of the parties to agree on a price under those provisions may allow either party to terminate the contract. The Company sometimes experiences a reduction in coal prices in new long-term coal supply agreements replacing some of its expiring contracts. Coal supply agreements also typically contain force majeure provisions allowing temporary suspension of performance by the Company or the customer during the duration of specified events beyond the control of the affected party. Most of the coal supply agreements contain provisions requiring the Company to deliver coal meeting quality thresholds for certain characteristics such as Btu, sulfur content, ash content, grindability and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price

adjustments, the rejection of deliveries or termination of the contracts. Moreover, some of these agreements allow the Company's customers to terminate their contracts in the event of changes in regulations affecting the industry that restrict the use or type of coal permissible at the customer's plant or increase the price of coal beyond specified limits.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Other Revenues

"Other revenues" may include net revenues from coal trading activities as discussed in Note 7. “Coal Trading,” as well as coal sales revenues that were derived from the Company’s mining operations and sold through the Company’s coal trading business. Also included are revenues from customer contract-related payments, royalties related to coal lease agreements, sales agency commissions, farm income and property and facility rentals. Royalty income generally results from the lease or sublease of mineral rights to third parties, with payments based upon a percentage of the selling price or an amount per ton of coal produced.

Accounts Receivable

The timing of revenue recognition, billings and cash collections results in accounts receivable from customers. Customers are invoiced as coal is shipped or at periodic intervals in accordance with contractual terms. Invoices typically include customary adjustments for the resolution of price variability related to prior shipments, such as coal quality thresholds. Payments are generally received within thirty days of invoicing. “Accounts receivable, net” at June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Trade receivables, net	$412.7	$ 504.2
Miscellaneous receivables, net	90.3	47.9
Accounts receivable, net	$503.0	$ 552.1

Trade receivables, net presented above have been shown net of reserves of $0.5 million and $0.3 million as of June 30, 2018 and December 31, 2017, respectively. Miscellaneous receivables, net presented above have been shown net of reserves of $4.3 million as of both June 30, 2018 and December 31, 2017. Included in “Operating costs and expenses” in the unaudited condensed consolidated statements of operations was a charge for doubtful trade receivables of $0.2 million and $4.5 million for the six months ended June 30, 2018 and the period April 2 through June 30, 2017, respectively. No charges for doubtful accounts were recognized during the three months ended June 30, 2018 or the period January 1 through April 1, 2017.

The Company also records long-term customer receivables related to the reimbursement of certain post-mining costs which are included within “Investments and other assets” in the accompanying condensed consolidated balance sheets. The balance of such receivables was $47.5 million and $139.3 million as of June 30, 2018 and December 31, 2017, respectively. The balance was adjusted in connection with the adoption of ASC 606, as described in Note 2. “Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented.” Also in connection with the adoption of ASC 606, the Company prospectively records a portion of the consideration received as “Interest income” rather than “Other revenues” in the accompanying unaudited condensed consolidated statements of operations, due to the embedded financing element within the related contract. Interest income related to these arrangements amounted to $2.1 million and $4.2 million during the three and six months ended June 30, 2018, respectively.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Disaggregation of Revenues

Revenue by product type and market is set forth in the following tables. With respect to its Australian Mining segments, the Company classifies as “Export” certain revenue from domestically-delivered coal under contracts in which the price is derived on a basis similar to export contracts.

	Successor Three Months Ended June 30, 2018							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
Thermal coal								
Domestic	$321.5	$ 196.9	$ 131.1	$ —	$ 38.5	$ —	$ —	$ 688.0
Export	—	0.6	4.3	—	228.7	—	—	233.6
Total thermal	321.5	197.5	135.4	—	267.2	—	—	921.6
Metallurgical coal								
Export	—	—	—	417.2	—	—	—	417.2
Total metallurgical	—	—	—	417.2	—	—	—	417.2
Other	—	—	4.2	0.3	0.2	10.0	(44.1)	(29.4)
Total revenues	$321.5	$ 197.5	$ 139.6	$ 417.5	$ 267.4	$ 10.0	$ (44.1)	$ 1,309.4

	Successor April 2 through June 30, 2017							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
Thermal coal								
Domestic	$361.1	$ 194.8	$ 123.8	$ —	$ 28.1	$ —	$ —	$ 707.8
Export	—	—	—	—	210.9	—	—	210.9
Total thermal	361.1	194.8	123.8	—	239.0	—	—	918.7
Metallurgical coal								
Export	—	—	—	287.8	—	—	—	287.8
Total metallurgical	—	—	—	287.8	—	—	—	287.8
Other	4.3	0.1	1.6	—	0.2	5.2	40.4	51.8
Total revenues	$365.4	$ 194.9	$ 125.4	$ 287.8	$ 239.2	$ 5.2	$ 40.4	$ 1,258.3

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Successor Six Months Ended June 30, 2018							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
Thermal coal								
Domestic	$710.7	$ 397.8	$261.4	$ —	$ 74.6	$ —	$ —	$ 1,444.5
Export	—	1.3	12.3	—	393.6	—	—	407.2
Total thermal	710.7	399.1	273.7	—	468.2	—	—	1,851.7
Metallurgical coal								
Export	—	—	—	882.5	—	—	—	882.5
Total metallurgical	—	—	—	882.5	—	—	—	882.5
Other	0.1	0.1	9.6	1.2	0.6	30.1	(3.8)	37.9
Total revenues	$710.8	$ 399.2	$283.3	$ 883.7	$ 468.8	$ 30.1	$ (3.8)	$ 2,772.1

	Predecessor January 1 through April 1, 2017							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
Thermal coal								
Domestic	$394.3	$ 193.2	$133.5	$ —	$ 27.3	$ —	$ —	$ 748.3
Export	—	—	—	—	197.2	—	—	197.2
Total thermal	394.3	193.2	133.5	—	224.5	—	—	945.5
Metallurgical coal								
Export	—	—	—	324.6	—	—	—	324.6
Total metallurgical	—	—	—	324.6	—	—	—	324.6
Other	—	—	16.2	4.3	0.3	15.0	20.3	56.1
Total revenues	$394.3	$ 193.2	$149.7	$ 328.9	$ 224.8	$ 15.0	$ 20.3	$ 1,326.2

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue by contract duration was as follows:

	Successor Three Months Ended June 30, 2018							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
One year or longer	$310.8	$ 194.1	$ 126.5	$ 255.1	$ 173.2	$ —	$ —	$ 1,059.7
Less than one year	10.7	3.4	8.9	162.1	94.0	—	—	279.1
Other	—	—	4.2	0.3	0.2	10.0	(44.1)	(29.4)
Total revenues	$321.5	$ 197.5	$ 139.6	$ 417.5	$ 267.4	$ 10.0	$ (44.1)	$ 1,309.4

	Successor April 2 through June 30, 2017							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
One year or longer	$326.7	$ 187.3	$ 122.7	$ 253.4	$ 135.6	$ —	$ —	$ 1,025.7
Less than one year	34.4	7.5	1.1	34.4	103.4	—	—	180.8
Other	4.3	0.1	1.6	—	0.2	5.2	40.4	51.8
Total revenues	$365.4	$ 194.9	$ 125.4	$ 287.8	$ 239.2	$ 5.2	$ 40.4	$ 1,258.3

	Successor Six Months Ended June 30, 2018							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
One year or longer	$654.2	$ 381.7	$ 253.8	$ 652.6	$ 350.5	$ —	$ —	$ 2,292.8
Less than one year	56.5	17.4	19.9	229.9	117.7	—	—	441.4
Other	0.1	0.1	9.6	1.2	0.6	30.1	(3.8)	37.9
Total revenues	$710.8	$ 399.2	$ 283.3	$ 883.7	$ 468.8	$ 30.1	$ (3.8)	$ 2,772.1

	Predecessor January 1 through April 1, 2017							
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining	Trading and Brokerage	Corporate and Other [1]	Consolidated
	(Dollars in millions)							
One year or longer	$357.7	$ 193.2	$ 129.3	$ 240.6	$ 134.1	$ —	$ —	$ 1,054.9
Less than one year	36.6	—	4.2	84.0	90.4	—	—	215.2
Other	—	—	16.2	4.3	0.3	15.0	20.3	56.1

Total revenues	$394.3	$ 193.2	$ 149.7	$ 328.9	$ 224.8	$ 15.0	$ 20.3	$ 1,326.2

(1) Corporate and Other revenue includes unrealized gains and losses related to mark-to-market activity from financial contract hedge activities intended to secure pricing related to certain coal sales contracts. During the three and six months ended June 30, 2018, such net unrealized losses were $48.1 million and $9.5 million, respectively. During the periods April 2 through June 30, 2017 and January 1 through April 1, 2017, such net unrealized gains were $9.4 million and $16.6 million, respectively. When such gains and losses are realized in connection with recognition of the underlying transaction, they are reclassified to realized gains and losses and are then reflected in Trading and Brokerage revenue (realized losses of $9.6 million and $29.5 million during the three and six months ended June 30, 2018, respectively, and realized losses of $7.7 million and $11.1 million during the periods April 2 through June 30, 2017 and January 1 through April 1, 2017, respectively). At June 30, 2018 and December 31, 2017, the financial contracts' fair values resulted in net liabilities of $48.4 million and $38.9 million, respectively. Assets and liabilities related to the financial contracts were deemed Level 2 according to the U.S. GAAP fair value hierarchy as the valuations are corroborated by the use of market-based pricing.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Committed Revenue From Contracts With Customers

The Company expects to recognize revenue subsequent to June 30, 2018 of approximately $6.3 billion related to contracts with customers in which volumes and prices per ton were fixed or reasonably estimable at June 30, 2018. Approximately 45% of such amount is expected to be recognized over the next twelve months and the remainder thereafter. Actual revenue related to such contracts may differ materially for various reasons, including price adjustment features for coal quality and cost escalations, volume optionality provisions and potential force majeure events. This estimate of future revenue does not include any revenue related to contracts with variable prices per ton that cannot be reasonably estimated, such as the majority of Australian metallurgical and seaborne thermal coal contracts where pricing is negotiated or settled quarterly or annually.

(4) Discontinued Operations

Discontinued operations include certain former Australian Thermal Mining and Midwestern U.S. Mining segment assets that have ceased production and other previously divested legacy operations, including Patriot Coal Corporation and certain of its wholly-owned subsidiaries (Patriot).

Summarized Results of Discontinued Operations

Results from discontinued operations were as follows during the periods presented below:

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)					
Loss from discontinued operations, net of income taxes	$(3.6)	$ (2.7)	$ (12.1)	$(4.9)	$ (2.7)	$ (16.2)

Assets and Liabilities of Discontinued Operations

Assets and liabilities classified as discontinued operations included in the Company's condensed consolidated balance sheets were as follows:

	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Assets:		
Other current assets	$0.5	$ 0.3
Total assets classified as discontinued operations	$0.5	$ 0.3
Liabilities:		
Accounts payable and accrued expenses	$70.9	$ 70.6
Other noncurrent liabilities	171.1	170.0
Total liabilities classified as discontinued operations	$242.0	$ 240.6

Patriot-Related Matters

A significant portion of the liabilities in the table above relate to a former subsidiary, Patriot Coal Corporation.

In 2012, Patriot filed voluntary petitions for relief under the Bankruptcy Code. In 2013, the Company entered into a definitive settlement agreement (2013 Agreement) with Patriot and the United Mine Workers of America (UMWA), on behalf of itself, its represented Patriot employees and its represented Patriot retirees, to resolve all then disputed issues related to Patriot's bankruptcy. In May 2015, Patriot again filed voluntary petitions for relief under the Bankruptcy Code in the Eastern District of Virginia and subsequently initiated a process to sell some or all of its assets to qualified bidders. On October 9, 2015, Patriot's bankruptcy court entered an order confirming Patriot's plan of

reorganization, which provided, among other things, for the sale of substantially all of Patriot's assets to two different buyers.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Black Lung Occupational Disease Liabilities. Patriot had federal and state black lung occupational disease liabilities related to workers employed in periods prior to Patriot's spin-off from the Company in 2007. Upon spin-off, Patriot indemnified the Company against any claim relating to these liabilities, which amounted to approximately $150 million at that time. The indemnification included any claim made by the U.S. Department of Labor (DOL) against the Company with respect to these obligations as a potentially liable operator under the Federal Coal Mine Health and Safety Act of 1969. The 2013 Agreement included Patriot's affirmance of indemnities provided in the spin-off agreements, including the indemnity relating to such black lung liabilities; however, Patriot rejected this indemnity in its May 2015 bankruptcy.

By statute, the Company had secondary liability for the black lung liabilities related to Patriot's workers employed by former subsidiaries of the Company. The Company's accounting for the black lung liabilities related to Patriot is based on an interpretation of applicable statutes. Management believes that inconsistencies exist among the applicable statutes, regulations promulgated under those statutes and the DOL's interpretative guidance. The Company may seek clarification from the DOL regarding these inconsistencies and the accounting for these liabilities could be reduced in the future depending on the DOL's responses to inquiries. Whether the Company will ultimately be required to fund certain of those obligations in the future as a result of Patriot's May 2015 bankruptcy remains uncertain. The amount of the liability was $135.5 million at June 30, 2018, which was determined on an actuarial basis based on the best information available to the Company. While the Company has recorded a liability, it intends to review each claim on a case-by-case basis and contest liability estimates as appropriate. The amount of the Company's recorded liability reflects only Patriot workers employed by former subsidiaries of the Company that are presently retired, disabled or otherwise not actively employed. The Company cannot reliably estimate the potential liabilities for Patriot's workers employed by former subsidiaries of the Company that are presently active in the workforce because of the potential for such workers to continue to work for another coal operator that is a going concern.

UMWA 1974 Pension Plan (UMWA Plan) Litigation. On July 16, 2015, a lawsuit was filed by the UMWA Plan, the UMWA 1974 Pension Trust (Trust) and the Trustees of the UMWA Plan and Trust (Trustees) in the United States District Court for the District of Columbia, against PEC, Peabody Holding Company, LLC, a subsidiary of the Company, and Arch Coal, Inc. The plaintiffs sought, pursuant to the Employee Retirement Income Security Act of 1974 (ERISA) and the Multiemployer Pension Plan Amendments Act of 1980, a declaratory judgment that the defendants were obligated to arbitrate any opposition to the Trustees' determination that the defendants have statutory withdrawal liability as a result of the 2015 Patriot bankruptcy. After a legal and arbitration process and with the approval of the Bankruptcy Court, on January 25, 2017, the UMWA Plan and the Debtors agreed to a settlement of the claim whereby the UMWA Plan will be entitled to $75 million to be paid by the Company in increments through 2021. The balance of the liability, on a discounted basis, was $48.8 million at June 30, 2018.

(5) Inventories

Inventories as of June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Materials and supplies	$101.3	$ 101.5
Raw coal	63.8	78.1
Saleable coal	125.4	111.7
Total	$290.5	$ 291.3

Materials and supplies inventories presented above have been shown net of reserves of $0.2 million and $0.6 million as of June 30, 2018 and December 31, 2017, respectively.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(6) Derivatives and Fair Value Measurements

Risk Management — Corporate Hedging Activities

The Company is exposed to several risks in the normal course of business, including (1) foreign currency exchange rate risk for non-U.S. dollar expenditures and balances, (2) price risk on coal produced by and diesel fuel utilized in the Company's mining operations and (3) interest rate risk that has been partially mitigated by fixed rates on long-term debt. The Company manages a portion of its price risk related to the sale of coal (excluding coal trading activities) using long-term coal supply agreements, rather than using derivative instruments. Derivative financial instruments have historically been used to manage the Company's risk exposure to foreign currency exchange rate risk, primarily on Australian dollar expenditures made in its Australian mining platform. This risk was historically managed using forward contracts and options designated as cash flow hedges, with the objective of reducing the variability of cash flows associated with forecasted foreign currency expenditures. The Company previously used derivative instruments to manage its exposure to the variability of diesel fuel prices used in production in the U.S. and Australia with swaps or options, which it also designated as cash flow hedges, with the objective of reducing the variability of cash flows associated with forecasted diesel fuel purchases. These risk management activities are collectively referred to as "Corporate Hedging" and are actively monitored for compliance with the Company's risk management policies.

The Company had no diesel fuel derivatives in place as of June 30, 2018 or December 31, 2017. As of June 30, 2018, the Company had currency options outstanding with an aggregate notional amount of $1,125.0 million Australian dollars to hedge currency risk associated with anticipated Australian dollar expenditures during the remainder of 2018 and over the first three months of 2019. The instruments are quarterly average rate options whereby the Company is entitled to receive payment on the notional amount should the quarterly average Australian dollar-to-U.S. dollar exchange rate exceed amounts ranging from $0.79 to $0.82 over the remainder of 2018 and the first three months of 2019. The Company does not seek cash flow hedge accounting treatment for the currency options and thus changes in fair value are reflected in current earnings. The currency options' fair value of $1.8 million and $4.2 million was included in "Other current assets" in the accompanying condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively.

The tables below show the classification and amounts of pre-tax gains and losses related to the Company's Corporate Hedging derivatives:

		Successor		
		Three Months Ended June 30, 2018		
Financial Instrument	Income Statement Classification	Total loss recognized in income	Loss realized in income on derivatives	Unrealized gain recognized in income on non-designated derivatives
		(Dollars in millions)		
Foreign currency option contracts	Operating costs and expenses	$(2.2)	$ (2.3)	$ 0.1
Total		$(2.2)	$ (2.3)	$ 0.1

		Successor		
		April 2 through June 30, 2017		
Financial Instrument	Income Statement Classification	Total gain recognized in income	Loss realized in income on derivatives	Unrealized gain recognized in income on non-designated derivatives

		(Dollars in millions)		
Foreign currency option contracts	Operating costs and expenses	$2.9	$ (0.3)	$ 3.2
Total		$2.9	$ (0.3)	$ 3.2

19

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		Successor		
		Six Months Ended June 30, 2018		
Financial Instrument	Income Statement Classification	Total loss recognized in income	Loss realized in income on derivatives	Unrealized loss recognized in income on non-designated derivatives
		(Dollars in millions)		
Foreign currency option contracts	Operating costs and expenses	$(6.4)	$ (4.7)	$ (1.7)
Total		$(6.4)	$ (4.7)	$ (1.7)

		Predecessor	
		January 1 through April 1, 2017	
Financial Instrument	Income Statement Classification	Total loss recognized in income	Loss reclassified from other comprehensive loss into income
		(Dollars in millions)	
Commodity swap contracts	Operating costs and expenses	$(11.0)	$ (11.0)
Foreign currency option contracts	Operating costs and expenses	(16.6)	(16.6)
Total		$(27.6)	$ (27.6)

Cash Flow Presentation. The Company classifies the cash effects of its Corporate Hedging derivatives within the “Cash Flows From Operating Activities” section of the accompanying unaudited condensed consolidated statements of cash flows.

Fair Value Measurements

The Company uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. These levels include: Level 1 - inputs are quoted prices in active markets for the identical assets or liabilities; Level 2 - inputs are other than quoted prices included in Level 1 that are directly or indirectly observable through market-corroborated inputs; and Level 3 - inputs are unobservable, or observable but cannot be market-corroborated, requiring the Company to make assumptions about pricing by market participants.

Financial Instruments Measured on a Recurring Basis. The following tables set forth the hierarchy of the Company’s net financial asset positions for which fair value is measured on a recurring basis:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Foreign currency contracts	$—	$ 1.8	$—	$ 1.8
Total net financial assets	$—	$ 1.8	$—	$ 1.8

	December 31, 2017			
				Total

	Level 1	Level 2	Level 3	
	(Dollars in millions)			
Foreign currency contracts	$ —	$ 4.2	$ —	$ 4.2
Total net financial assets	$ —	$ 4.2	$ —	$ 4.2

For Level 1 and 2 financial assets and liabilities, the Company utilizes both direct and indirect observable price quotes, including interest rate yield curves, exchange indices, broker/dealer quotes, published indices, issuer spreads, benchmark securities and other market quotes. In the case of certain debt securities, fair value is provided by a third-party pricing service. Below is a summary of the Company's valuation techniques for Level 1 and 2 financial assets and liabilities:

- Foreign currency forward and option contracts: valued utilizing inputs obtained in quoted public markets (Level 2) except when credit and non-performance risk is considered to be a significant input, then the Company classifies such contracts as Level 3.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Other Financial Instruments. The Company used the following methods and assumptions in estimating fair values for other financial instruments as of June 30, 2018 and December 31, 2017:

- Cash and cash equivalents, restricted cash, accounts receivable, including those within the Company's accounts receivable securitization program, notes receivable and accounts payable have carrying values which approximate fair value due to the short maturity or the liquid nature of these instruments.
- Long-term debt fair value estimates are based on observed prices for securities with an active trading market when available (Level 2), and otherwise on estimated borrowing rates to discount the cash flows to their present value (Level 3).

The carrying amounts and estimated fair values of the Company's current and long-term debt as of June 30, 2018 and December 31, 2017 are summarized as follows:

	June 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in millions)			
Current and Long-term debt	$1,403.0	$1,465.2	$1,460.8	$1,547.4

The Company had no transfers between fair value hierarchy levels for either financial instruments measured on a recurring basis or other financial instruments during the three and six months ended June 30, 2018, the period April 2 through June 30, 2017 or the period January 1 through April 1, 2017. The Company's policy is to value all transfers between levels using the beginning of period valuation.

(7) Coal Trading

The Company engages in the direct and brokered trading of coal and freight-related contracts (coal trading). Except those contracts for which the Company has elected to apply a normal purchases and normal sales exception, all derivative coal trading contracts are accounted for at fair value. Coal brokering is conducted both as principal and agent in support of various coal production-related activities that may involve coal produced from the Company's mines, coal sourcing arrangements with third-party mining companies or offtake agreements with other coal producers. The Company's Trading and Brokerage segment also provides transportation-related services, which involve both financial derivative contracts and physical contracts. Collectively, coal and freight-related hedging activities include both economic hedging and, from time to time, cash flow hedging in support of the Company's coal trading strategy.

The Company includes instruments associated with coal trading transactions as a part of its trading book. Trading revenues from such transactions are recorded in "Other revenues" in the unaudited condensed consolidated statements of operations and include realized and unrealized gains and losses on derivative instruments, including those that arise from coal deliveries related to contracts accounted for on an accrual basis under the normal purchases and normal sales exception. Therefore, the Company has elected the trading exemption surrounding disclosure of its coal trading activities.

Trading revenues (losses) recognized during the periods presented below were as follows:

	Successor		Successor		Predecessor
Trading Revenues by Type of Instrument	Three Months Ended June 30, 2018	April 2 through June 30, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)				
Futures, swaps and options	$(15.3)	$ (7.3)	$(32.2)	$ (7.3)	$ (10.2)

Physical purchase/sale contracts	25.3	12.5	62.3	12.5	25.2
Total trading revenues	$10.0	$ 5.2	$30.1	$ 5.2	$ 15.0

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Offsetting and Balance Sheet Presentation

The Company's coal trading assets and liabilities include financial instruments, such as swaps, futures and options, cleared through various exchanges, which involve the daily net settlement of open positions. The Company must post cash collateral in the form of initial margin, in addition to variation margin, on exchange-cleared positions that are in a net liability position and receives variation margin when in a net asset position. The Company also transacts in coal trading financial swaps and options through over-the-counter (OTC) markets with financial institutions and other non-financial trading entities under International Swaps and Derivatives Association Master Agreements, which contain symmetrical default provisions. Certain of the Company's coal trading agreements with OTC counterparties also contain credit support provisions that may periodically require the Company to post, or entitle the Company to receive, variation margin. Physical coal and freight-related purchase and sale contracts included in the Company's coal trading assets and liabilities are executed pursuant to master purchase and sale agreements that also contain symmetrical default provisions and allow for the netting and setoff of receivables and payables that arise during the same time period. The Company offsets its coal trading asset and liability derivative positions, and variation margin related to those positions, on a counterparty-by-counterparty basis in the condensed consolidated balance sheets, with the fair values of those respective derivatives reflected in "Other current assets" and "Accounts payable and accrued expenses."

The fair value of assets and liabilities from coal trading activities presented on a gross and net basis as of June 30, 2018 and December 31, 2017 is set forth below:

Affected Line Item in the Condensed Consolidated Balance Sheets	Gross Amounts of Recognized Assets (Liabilities) [1]	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Variation Margin Posted	Net Amounts of Assets (Liabilities) Presented in the Condensed Consolidated Balance Sheets
	(Dollars in millions)			
	Fair Value as of June 30, 2018			
Other current assets	$81.8	$ (74.6)	$ —	$ 7.2
Accounts payable and accrued expenses	(137.1)	74.6	47.5	(15.0)
Total, net	$(55.3)	$ —	$ 47.5	$ (7.8)
	Fair Value as of December 31, 2017			
Other current assets	$77.1	$ (74.5)	$ —	$ 2.6
Accounts payable and accrued expenses	(122.0)	74.5	35.8	(11.7)
Total, net	$(44.9)	$ —	$ 35.8	$ (9.1)

(1) Amounts include net liabilities of $48.4 million and $38.9 million at June 30, 2018 and December 31, 2017, respectively, representing the fair value of financial contracts related to hedge activities intended to secure pricing under certain coal sales contracts, as further described in Note 3. "Revenue Recognition."

The Company is exposed to the risk of changes in coal prices on the value of its coal trading portfolio. At June 30, 2018, the estimated future realization of the value of the financial trading portfolio was $4.9 million of gains during the remainder of 2018, $0.5 million of losses during 2019, and $2.2 million of losses during 2020.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Fair Value Measurements

The following tables set forth the hierarchy of the Company's net financial liability coal trading positions for which fair value is measured on a recurring basis as of June 30, 2018 and December 31, 2017:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Futures, swaps and options	$—	$(0.3)	$—	$(0.3)
Physical purchase/sale contracts	—	(7.5)	—	(7.5)
Total net financial liabilities	$—	$(7.8)	$—	$(7.8)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Futures, swaps and options	$(3.0)	$(4.2)	$—	$(7.2)
Physical purchase/sale contracts	—	(1.9)	—	(1.9)
Total net financial liabilities	$(3.0)	$(6.1)	$—	$(9.1)

For Level 1 and 2 financial assets and liabilities, the Company utilizes both direct and indirect observable price quotes, including U.S. interest rate curves; LIBOR yield curves; Chicago Mercantile Exchange Group, Intercontinental Exchange, Baltic Exchange and Singapore Exchange contract prices; broker quotes; published indices; and other market quotes. Below is a summary of the Company's valuation techniques for Level 1 and 2 financial assets and liabilities:

- Futures, swaps and options: generally valued based on unadjusted quoted prices in active markets (Level 1) or a valuation that is corroborated by the use of market-based pricing (Level 2) except when credit and non-performance risk is considered to be a significant input (greater than 10% of fair value), then the Company classifies as Level 3.
- Physical purchase/sale contracts: purchases and sales at locations with significant market activity corroborated by market-based information (Level 2) except when credit and non-performance risk is considered to be a significant input (greater than 10% of fair value), then the Company classifies as Level 3.

Credit and Non-performance Risk. The fair value of the Company's coal derivative assets and liabilities reflects adjustments for credit risk. The Company's exposure is substantially with electric utilities, energy marketers, steel producers and nonfinancial trading houses. The Company's policy is to independently evaluate each customer's creditworthiness prior to entering into transactions and to regularly monitor the credit extended. If the Company engages in a transaction with a counterparty that does not meet its credit standards, the Company seeks to protect its position by requiring the counterparty to provide an appropriate credit enhancement. Also, when appropriate (as determined by its credit management function), the Company has taken steps to reduce its exposure to customers or counterparties whose credit has deteriorated and who may pose a higher risk of failure to perform under their contractual obligations. These steps include obtaining letters of credit or cash collateral (margin), requiring prepayments for shipments or the creation of customer trust accounts held for the Company's benefit to serve as collateral in the event of a failure to pay or perform. To reduce its credit exposure related to trading and brokerage activities, the Company seeks to enter into netting agreements with counterparties that permit the Company to offset asset and liability positions with such counterparties and, to the extent required, the Company will post or receive margin amounts associated with exchange-cleared and certain OTC positions. The Company also continually monitors counterparty and contract non-performance risk, if present, on a case-by-case basis.

At June 30, 2018, 27% of the Company's credit exposure related to coal trading activities was with investment grade counterparties, while 72% was with non-investment grade counterparties and 1% was with counterparties that are not rated.

Performance Assurances and Collateral

The Company is required to post variation margin on positions that are in a net liability position and is entitled to receive and hold variation margin on positions that are in a net asset position with an exchange and certain of its OTC derivative contract counterparties. At June 30, 2018 and December 31, 2017, the Company posted a net variation margin of $47.5 million and $35.8 million, respectively.

In addition to the requirements surrounding variation margin, the Company is required by the exchanges upon which it transacts to post certain additional collateral, known as initial margin, which represents an estimate of potential future adverse price movements across the Company's portfolio under normal market conditions. The Company posted initial margin of $19.8 million as of June 30, 2018, compared to $18.8 million as of December 31, 2017, which is reflected in "Other current assets" in the condensed consolidated balance sheets. As of June 30, 2018 and December 31, 2017, the Company was in receipt of $1.1 million and $1.8 million, respectively, of the required variation and initial margin.

Certain of the Company's derivative trading instruments require the parties to provide additional performance assurances whenever a material adverse event jeopardizes one party's ability to perform under the instrument. If the Company was to sustain a material adverse event (using commercially reasonable standards), its counterparties could request collateralization on derivative trading instruments in net liability positions which, based on an aggregate fair value at June 30, 2018 and December 31, 2017, would have amounted to collateral postings to counterparties of approximately $9.7 million and $7.0 million, respectively. As of June 30, 2018, the Company was not required to post collateral, whereas on December 31, 2017, the Company was required to post approximately $0.4 million in collateral to counterparties for such positions.

Certain of the Company's other derivative trading instruments require the parties to provide additional performance assurances whenever a credit downgrade occurs below a certain level, as specified in each underlying contract. The terms of such derivative trading instruments typically require additional collateralization, which is commensurate with the severity of the credit downgrade. The Company's collateral requirement owed to its counterparties for these ratings based derivative trading instruments for June 30, 2018 remained at zero, consistent with December 31, 2017. As of June 30, 2018 and December 31, 2017, no collateral was posted to counterparties to support such derivative trading instruments.

Table of Contents
PEABODY ENERGY CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(8) Intangible Contract Assets and Liabilities

At the Effective Date, the Company recorded intangible assets of $314.9 million and liabilities of $58.7 million to reflect the inherent fair value of certain U.S. coal supply agreements as a result of favorable and unfavorable differences between contract terms and estimated market terms for the same coal products, and also recorded intangible liabilities of $116.2 million related to unutilized capacity under its port and rail take-or-pay contracts. The balances and respective balance sheet classifications of such assets and liabilities at June 30, 2018 and December 31, 2017, net of accumulated amortization, are set forth in the following tables:

	June 30, 2018 (Dollars in millions)		
	Assets	Liabilities	Net Total
Coal supply agreements	$115.5	$(35.4)	$80.1
Take-or-pay contracts	—	(70.5)	(70.5)
Total	$115.5	$(105.9)	$9.6
Balance sheet classification:			
Investments and other assets	$115.5	$—	$115.5
Accounts payable and accrued expenses	—	(22.4)	(22.4)
Other noncurrent liabilities	—	(83.5)	(83.5)
Total	$115.5	$(105.9)	$9.6

	December 31, 2017 (Dollars in millions)		
	Assets	Liabilities	Net Total
Coal supply agreements	$177.2	$(42.7)	$134.5
Take-or-pay contracts	—	(90.7)	(90.7)
Total	$177.2	$(133.4)	$43.8
Balance sheet classification:			
Investments and other assets	$177.2	$—	$177.2
Accounts payable and accrued expenses	—	(27.6)	(27.6)
Other noncurrent liabilities	—	(105.8)	(105.8)
Total	$177.2	$(133.4)	$43.8

Amortization of the intangible assets and liabilities related to coal supply agreements occurs ratably based upon coal volumes shipped per contract and is recorded as a component of “Depreciation, depletion and amortization” in the accompanying unaudited condensed consolidated statements of operations. Such amortization amounted to $25.1 million and $54.4 million during the three and six months ended June 30, 2018, respectively, and $29.7 million for the period April 2 through June 30, 2017. The Company anticipates net amortization of sales contracts, based upon expected shipments in the next five years, to be an expense of approximately $43 million during the six months ended December 31, 2018, and for the years 2019 through 2022, expense of approximately $27 million, $8 million, $3 million and $1 million, respectively.

Future unutilized capacity and the amortization periods related to the take-or-pay contract intangible liabilities are based upon estimates of forecasted usage. Such amortization, which is classified as a reduction to “Operating costs and expenses” in the accompanying unaudited condensed consolidated statements of operations, amounted to $7.8 million and $16.1 million during the three and six months ended June 30, 2018, respectively, and $9.5 million for the period

April 2 through June 30, 2017. The Company anticipates net amortization of take-or-pay contract intangible liabilities to be approximately $11 million during the six months ended December 31, 2018, and for the years 2019 through 2022, approximately $18 million, $9 million, $4 million and $3 million, respectively, and $25 million thereafter.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(9) Equity Method Investments

The Company had total equity method investments of $62.5 million and $83.8 million reflected in “Investments and other assets” in the condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively, related to Middlemount Coal Pty Ltd (Middlemount). As noted in Note 2. “Emergence from the Chapter 11 Cases and Fresh Start Reporting” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the carrying value of the equity method investments was adjusted to fair value in connection with fresh start reporting based on the net present value of future cash flows associated with the Company’s 50% equity interest in Middlemount.

The Company received cash payments from Middlemount of $34.1 million and $69.8 million during the three and six months ended June 30, 2018, respectively, and $21.0 million and $31.1 million during the periods April 2 through June 30, 2017 and January 1 through April 1, 2017, respectively.

(10) Property, Plant, Equipment and Mine Development

The composition of property, plant, equipment and mine development, net, as of June 30, 2018 and December 31, 2017 is set forth in the table below. Refer to Note 2. “Emergence from the Chapter 11 Cases and Fresh Start Reporting” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for details regarding the impact of fresh start reporting on property, plant, equipment and mine development.

	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Land and coal interests	$3,899.9	$ 3,890.5
Buildings and improvements	453.4	470.6
Machinery and equipment	1,258.6	1,149.3
Less: Accumulated depreciation, depletion and amortization	(666.2)	(398.5)
Property, plant, equipment and mine development, net	$4,945.7	$ 5,111.9

(11) Income Taxes

The Company’s effective tax rate before remeasurement for the six months ended June 30, 2018 is based on the Company’s estimated full year effective tax rate, comprised of expected statutory tax benefit, offset by foreign rate differential and changes in valuation allowance. The Company’s income tax provision of $7.4 million for the three months ended June 30, 2018 included a tax benefit of $0.4 million related to the remeasurement of foreign income tax accounts. The Company recorded an income tax provision of $4.7 million for the period of April 2 through June 30, 2017, which included a tax provision of $0.1 million related to the remeasurement of foreign income tax accounts. The Company recorded an additional income tax benefit of $266.0 million on April 1, 2017. The Company’s income tax provision of $17.5 million for the six months ended June 30, 2018 included tax provisions of $0.1 million related to the remeasurement of foreign income tax accounts. The Company’s income tax benefit of $263.8 million for the period January 1 through April 1, 2017 included a tax provision of $9.4 million related to the remeasurement of foreign income tax accounts.

On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law making significant changes to the Internal Revenue Code. Certain provisions of the Act applied to taxable years beginning after December 31, 2017 and therefore have an impact on the six months ended June 30, 2018. The Company has determined that a significant portion of the provisions will not have a material impact. The Company is continuing to gather additional information and anticipates completing the accounting for the following item by December 31, 2018:

- Global Intangible Low-Taxed Income (GILTI): The Act subjects a U.S. shareholder to current tax on GILTI of its controlled foreign corporations (CFCs) for taxable years beginning after December 31, 2017. GILTI is calculated as the excess of a U.S. shareholder’s pro-rata share of net income of CFCs over a calculated return on specific tangible assets of the CFCs. The GILTI will be offset by net operating losses in the U.S. and a corresponding valuation allowance release and will not impact the effective tax rate. The Company has elected to account for GILTI as a

period charge in the period the tax arises.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The Company has not completed its assessment for the income tax effects of the Act related to the repeal of the corporate alternative minimum tax system, remeasurement of deferred tax assets and liabilities and elimination of executive compensation exemptions. However, as noted in Note 11. “Income Taxes” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Company was able to reasonably estimate certain effects for these items and therefore recorded provisional adjustments. The Company has not made any additional measurement-period adjustments related to these items during the six months ended June 30, 2018. The Company is continuing to gather additional information and anticipates completing the analysis for these items by December 22, 2018, within the one-year measurement period.

(12) Long-term Debt

In accordance with the Plan, the Company was recapitalized with new debt and equity instruments, including the 6.000% Senior Secured Notes due March 2022, the 6.375% Senior Secured Notes due March 2025 and the Senior Secured Term Loan due 2025 in the table below. The Company’s total indebtedness as of June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018	December 31, 2017
	(Dollars in millions)	
6.000% Senior Secured Notes due March 2022	$500.0	$ 500.0
6.375% Senior Secured Notes due March 2025	500.0	500.0
Senior Secured Term Loan due 2025, net of original issue discount	397.9	444.2
Capital lease and other obligations	59.5	76.0
Less: Debt issuance costs	(54.4)	(59.4)
	1,403.0	1,460.8
Less: Current portion of long-term debt	45.0	42.1
Long-term debt	$1,358.0	$ 1,418.7

In connection with the Chapter 11 Cases, the Company was required to pay adequate protection payments of $29.8 million to certain first lien creditors of the Predecessor company during the period January 1 through April 1, 2017. The adequate protection payments were recorded as “Interest expense” in the unaudited condensed consolidated statements of operations and ceased upon the Effective Date. The Company did not record interest expense subsequent to the filing of the Bankruptcy Petitions for the majority non-first lien Predecessor indebtedness, which was automatically stayed in accordance with Section 502(b)(2) of the Bankruptcy Code. The amount of contractual interest stayed was $92.9 million for the period January 1, 2017 through the Effective Date.

6.000% and 6.375% Senior Secured Notes

On February 15, 2017, one of PEC’s subsidiaries entered into an indenture (the Indenture) with Wilmington Trust, National Association, as trustee, relating to the issuance by PEC’s subsidiary of $500.0 million aggregate principal amount of 6.000% senior secured notes due 2022 (the 2022 Notes) and $500.0 million aggregate principal amount of 6.375% senior secured notes due 2025 (the 2025 Notes and, together with the 2022 Notes, the Senior Notes). The Senior Notes were sold on February 15, 2017 in a private transaction exempt from the registration requirements of the Securities Act of 1933. The proceeds from the Senior Notes were used to repay the Predecessor company first lien obligations.

The Senior Notes were issued at par value. The Company paid aggregate debt issuance costs of $49.5 million related to the offering, which will be amortized over the respective terms of the Senior Notes. Interest payments on the Senior Notes are scheduled to occur each year on March 31st and September 30th until maturity. During the three and six months ended June 30, 2018 and the period April 2 through June 30, 2017, the Company recorded interest expense of $17.5 million, $34.9 million and $15.1 million related to the Senior Notes, respectively.

The Company may redeem the 2022 Notes, in whole or in part, beginning in 2019 at 103.0% of par, in 2020 at 101.5% of par, and in 2021 and thereafter at par. The 2025 Notes may be redeemed, in whole or in part, beginning in

2020 at 104.8% of par, in 2021 at 103.2% of par, in 2022 at 101.6% of par, and in 2023 and thereafter at par. In addition, prior to the first date on which the Senior Notes are redeemable at the redemption prices noted above, the Company may also redeem some or all of the Senior Notes at a calculated make-whole premium, plus accrued and unpaid interest.

The Indenture contains customary conditions of default and imposes certain restrictions on the Company's activities, including its ability to incur liens, incur debt, make investments, engage in fundamental changes such as mergers and dissolutions, dispose of assets, enter into transactions with affiliates and make certain restricted payments, such as cash dividends and share repurchases.

The Senior Notes rank senior in right of payment to any subordinated indebtedness and equally in right of payment with any senior indebtedness to the extent of the collateral securing that indebtedness. The Senior Notes are jointly and severally and fully and unconditionally guaranteed on a senior secured basis by substantially all of the Company's material domestic subsidiaries and secured by first priority liens over (1) substantially all of the assets of the Company and the guarantors, except for certain excluded assets, (2) 100% of the capital stock of each domestic restricted subsidiary of the Company, (3) 100% of the non-voting capital stock of each first tier foreign subsidiary of the Company or a foreign subsidiary holding company and no more than 65% of the voting capital stock of each first tier foreign subsidiary of the Company or a foreign subsidiary holding company, (4) a legal charge of 65% of the voting capital stock and 100% of the non-voting capital stock of Peabody Investments (Gibraltar) Limited and (5) all intercompany debt owed to the Company or any guarantor, in each case, subject to certain exceptions. The obligations under the Senior Notes are secured on a pari passu basis by the same collateral securing the Credit Agreement (as defined below), subject to certain exceptions.

On July 30, 2018, the Company announced the commencement of solicitations of consents (the Consent Solicitations) to amend the Indenture governing the Senior Notes. The Consent Solicitations are being made to holders of record as of July 30, 2018 (collectively, the Holders). The Consent Solicitations will expire on August 10, 2018, unless extended. The proposed amendments to the Indenture would amend, among other matters, the Restricted Payments, as defined in the Indenture, covenant to permit an additional category of permitted Restricted Payments at any time not to exceed the sum of $650.0 million, and $150.0 million per calendar year, commencing with calendar year 2019, with unused amounts in any calendar year carrying forward to and available for Restricted Payments in any subsequent calendar year.

Holders who validly deliver and do not validly revoke consents prior to the expiration will receive a consent fee of $10.00 in cash per $1,000 principal amount of 2022 Notes or $30.00 in cash per $1,000 principal amount of 2025 Notes, subject to the receipt of the requisite consents described below. The Company is soliciting consents as a single proposal from Holders of at least a majority in aggregate principal amount of the outstanding Senior Notes of each series. Accordingly, adoption of the proposed amendments will require the consent of Holders of at least a majority in aggregate principal amount of the Senior Notes of each series outstanding as of July 30, 2018, with the Senior Notes of each series voting separately as a class.

Credit Agreement

In connection with an exit facility commitment letter, on the Effective Date, the Company entered into a credit agreement, dated as of April 3, 2017, among the Company, as Borrower, Goldman Sachs Bank USA, as Administrative Agent, and other lenders party thereto (the Credit Agreement). The Credit Agreement originally provided for a $950.0 million senior secured term loan (the Senior Secured Term Loan), which was to mature in 2022 prior to the amendments described below. The proceeds from the Senior Secured Term Loan were used to repay the Predecessor company first lien obligations.

Following the voluntary prepayments and amendments described below, the Credit Agreement provided for a $400.0 million first lien senior secured term loan, which bore interest at LIBOR plus 2.75% per annum as of June 30, 2018. During the three and six months ended June 30, 2018 and the period April 2 through June 30, 2017, the Company recorded interest expense of $6.6 million, $13.4 million and $13.1 million related to the Senior Secured Term Loan, respectively.

Proceeds from the Senior Secured Term Loan were received net of an original issue discount and deferred financing costs of $37.3 million that will be amortized over its term. The loan principal is payable in quarterly installments plus accrued interest through December 2024 with the remaining balance due in March 2025. The loan principal is voluntarily prepayable at 101% of the principal amount repaid if voluntarily prepaid prior to October 2018 (subject to certain exceptions, including prepayments made with internally generated cash) and is voluntarily prepayable at any time thereafter without premium or penalty. The Senior Secured Term Loan may require mandatory principal prepayments of 75% of Excess Cash Flow (as defined in the Credit Agreement) for any fiscal year (commencing with

the fiscal year ending December 31, 2018). The mandatory principal prepayment requirement changes to (i) 50% of Excess Cash Flow if the Company's Total Leverage Ratio (as defined in the Credit Agreement and calculated as of December 31) is less than or equal to 2.00:1.00 and greater than 1.50:1.00, (ii) 25% of Excess Cash Flow if the Company's Total Leverage Ratio is less than or equal to 1.50:1.00 and greater than 1.00:1.00, or (iii) zero if the Company's Total Leverage Ratio is less than or equal to 1.00:1.00. If required, mandatory prepayments resulting from Excess Cash Flows are payable within 100 days after the end of each fiscal year. In certain circumstances, the Senior Secured Term Loan also requires that Excess Proceeds (as defined in the Credit Agreement) of $10.0 million or greater from sales of Company assets be applied against the loan principal, unless such proceeds are reinvested within one year.

The Credit Agreement contains customary conditions of default and imposes certain restrictions on the Company's activities, including its ability to incur liens, incur debt, make investments, engage in fundamental changes such as mergers and dissolutions, dispose of assets, enter into transactions with affiliates and make certain restricted payments, such as cash dividends and share repurchases. Obligations under the Credit Agreement are secured on a pari passu basis by the same collateral securing the Senior Notes.

Since entering into the Credit Agreement, the Company has voluntarily prepaid $546.0 million of the original $950.0 million loan principal amount on the Senior Secured Term Loan in various installments. On September 18, 2017, the Company entered into an amendment to the Credit Agreement which permitted the Company to add an incremental revolving credit facility in addition to the Company's ability to add one or more incremental term loan facilities under the Credit Agreement. The incremental revolving credit facility and/or incremental term loan facilities can be in an aggregate principal amount of up to $350.0 million plus additional amounts so long as the Company is below Total Leverage Ratio requirements as set forth in the Credit Agreement. The amendment also made available an additional restricted payment basket that permits additional repurchases, dividends or other distributions with respect to the Company's Common and Preferred Stock in an aggregate amount up to $450.0 million so long as the Company's Fixed Charge Coverage Ratio (as defined in the Credit Agreement) would not exceed 2.00:1.00 on a pro forma basis.

During the fourth quarter of 2017, the Company entered into the incremental revolving credit facility (the Revolver) for an aggregate commitment of $350.0 million for general corporate purposes. The Company paid aggregate debt issuance costs of $4.7 million. The Revolver matures in November 2020 and permits loans which bear interest at LIBOR plus 3.25%. The Revolver is subject to a 2.00:1.00 First Lien Leverage Ratio requirement (as defined in the Credit Agreement), modified to limit unrestricted cash netting to $800.0 million. Capacity under the Revolver may also be utilized for letters of credit which incur combined fees of 3.375% per annum. Unused capacity under the Revolver bears a commitment fee of 0.5% per annum. As of June 30, 2018, the Revolver has only been utilized for letters of credit amounting to $129.8 million. Such letters of credit were primarily in support of the Company's reclamation obligations, as further described in Note 17. "Financial Instruments and Other Guarantees." During the three and six months ended June 30, 2018, the Company recorded interest expense and fees of $1.3 million and $3.1 million, respectively, related to the Revolver.

On April 11, 2018, the Company entered into another amendment to the Credit Agreement which lowered the interest rate on the Senior Secured Term Loan to its current level of LIBOR plus 2.75% and eliminated an existing 1.0% LIBOR floor. The amendment also extends the maturity of the Senior Secured Term Loan by three years to 2025 and eliminates previous capital expenditure restriction covenants on both the Senior Secured Term Loan and the Revolver. In connection with this amendment, the Company voluntarily repaid $46.0 million of principal on the Senior Secured Term Loan. The amendment was accounted for partially as a debt modification and partially as an extinguishment, the latter of which relating to certain lenders no longer participating in the Senior Secured Term Loan syndicate subsequent to the amendment. As a result, the Company charged a pro rata portion of debt issuance costs and original issue discount of $2.0 million to "Loss on early debt extinguishment" in the accompanying unaudited condensed consolidated statements of operations during the three months ended June 30, 2018. The Company also capitalized $1.0 million of deferred financing costs for fees paid to the remaining lenders and expensed $0.9 million of other fees associated with the amendment to "Interest expense" in the accompanying unaudited condensed consolidated statements of operations during the three months ended June 30, 2018.

Restricted Payments Under the Senior Notes and Credit Agreement

In addition to the $450.0 million restricted payment basket provided for under the September 18, 2017 amendment, the Credit Agreement provides a builder basket for additional restricted payments subject to a maximum Total Leverage Ratio of 2.00:1.00 (as defined in the Credit Agreement).

The Indenture provides a builder basket for restricted payments that is calculated based upon the Company's Consolidated Net Income, and is subject to a Fixed Charge Coverage Ratio of at least 2.25:1.00 (as defined in the Indenture).

Under both the Indenture and Credit Agreement, additional restricted payments are permitted through a $50.0 million general basket and an annual aggregate $25.0 million basket which allows dividends and Common Stock repurchases. The payment of dividends and purchases of Common Stock under this latter basket are permitted so long as the Company's Total Leverage Ratio would not exceed 1.25:1.00 on a pro forma basis (as defined in the Credit Agreement and Indenture).

Copies of the Indenture documents are incorporated as Exhibit 4.3 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission (SEC) on April 3, 2017. A copy of the Credit Agreement is included as Exhibit 10.3 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017, and copies of the subsequent amendments referenced above are included as Exhibits 10.1 to the Current Reports on Form 8-K filed by the Company with the SEC on September 18, 2017, November 20, 2017, December 19, 2017 and April 11, 2018, respectively.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(13) Pension and Postretirement Benefit Costs

The components of net periodic pension and postretirement benefit costs, excluding the service cost for benefits earned, are included in "Net periodic benefit costs, excluding service cost" in the unaudited condensed consolidated statements of operations.

Net periodic pension (benefit) cost included the following components:

	Successor		Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)				
Service cost for benefits earned	$0.5	$ 0.6	$1.1	$ 0.6	$ 0.6
Interest cost on projected benefit obligation	7.9	9.3	15.7	9.3	9.7
Expected return on plan assets	(10.7)	(11.2)	(21.4)	(11.2)	(11.0)
Amortization of prior service cost and net actuarial loss	—	—	—	—	6.4
Net periodic pension (benefit) cost	$(2.3)	$ (1.3)	$(4.6)	$ (1.3)	$ 5.7

Annual contributions to the qualified plans are made in accordance with minimum funding standards and the Company's agreement with the Pension Benefit Guaranty Corporation. Funding decisions also consider certain funded status thresholds defined by the Pension Protection Act of 2006 (generally 80%). As of June 30, 2018, the Company's qualified plans were expected to be at or above the Pension Protection Act thresholds. Prior to emergence from the Chapter 11 Cases, the Company incurred pension costs for two non-qualified pension plans which it no longer sponsors. Minimum funding standards are legislated by ERISA and are modified by pension funding stabilization provisions included in the Moving Ahead for Progress in the 21st Century Act of 2012, the Highway and Transportation Funding Act of 2014 and the Bipartisan Budget Act of 2015. Based upon minimum funding requirements, the Company is not required to make any contributions to its qualified pension plans in 2018; however, during the three and six months ended June 30, 2018, the Company made discretionary contributions of $12.0 million and $42.0 million, respectively, to its qualified pension plans.

Net periodic postretirement benefit cost included the following components:

	Successor		Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)				
Service cost for benefits earned	$2.1	$ 2.3	$4.1	$ 2.3	$ 2.3
Interest cost on accumulated postretirement benefit obligation	7.1	8.3	14.2	8.3	8.4
Amortization of prior service cost and net actuarial loss	—	—	—	—	3.2
Net periodic postretirement benefit cost	$9.2	$ 10.6	$18.3	$ 10.6	$ 13.9

(14) Accumulated Other Comprehensive Income

The following table sets forth the after-tax components of accumulated other comprehensive income and changes thereto recorded during the six months ended June 30, 2018:

	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars in millions)	
December 31, 2017	$1.4	$ 1.4
Current period change	(3.0)	(3.0)
June 30, 2018	$(1.6)	$ (1.6)

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of accumulated other comprehensive income (loss) related to postretirement plans and workers' compensation obligations and cash flow hedges related to Predecessor periods were eliminated in accordance with fresh start reporting as described in Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The following table provides additional information regarding items reclassified out of "Accumulated other comprehensive income (loss)" into earnings during the period presented below:

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss) [1] Predecessor January 1 through April 1, 2017 (Dollars in millions)	Affected line item in the unaudited condensed consolidated statement of operations
Net actuarial loss associated with postretirement plans and workers' compensation obligations:		
Postretirement health care and life insurance benefits	$ (5.5)	Net periodic benefit costs, excluding service cost
Defined benefit pension plans	(6.3)	Net periodic benefit costs, excluding service cost
Insignificant items	2.7	
	(9.1)	Total before income taxes
	3.3	Income tax benefit
	$ (5.8)	Total after income taxes
Prior service credit associated with postretirement plans:		
Postretirement health care and life insurance benefits	$ 2.3	Net periodic benefit costs, excluding service cost
Defined benefit pension plans	(0.1)	Net periodic benefit costs, excluding service cost
	2.2	Total before income taxes
	(0.8)	Income tax provision
	$ 1.4	Total after income taxes
Cash flow hedges:		
Foreign currency cash flow hedge contracts	$ (16.6)	Operating costs and expenses
Fuel and explosives commodity swaps	(11.0)	Operating costs and expenses
Insignificant items	(0.1)	
	(27.7)	Total before income taxes

9.1	Income tax benefit
$ (18.6)	Total after income taxes

(1) Presented as gains (losses) in the unaudited condensed consolidated statements of operations.

(15) Other Events

Divestitures

In June 2018, Peabody entered into an agreement to sell approximately 23 million tonnes of metallurgical coal resources adjacent to its Millennium Mine to Stanmore Coal Limited (Stanmore) for $30.0 million Australian dollars. The sale was completed in July 2018 and the Company recorded a gain of approximately $22 million during the third quarter of 2018. On completion, Stanmore paid Peabody $6.0 million Australian dollars, to be followed by the remaining $24.0 million Australian dollars over the subsequent twelve months.

On February 6, 2018, the Company sold its 50% interest in the Red Mountain Joint Venture (RMJV) with BHP Billiton Mitsui Coal Pty Ltd (BMC) for $20.0 million and recorded a gain of $7.1 million, which is included within "Net loss (gain) on disposals" in the accompanying unaudited condensed consolidated statements of operations for the six months ended June 30, 2018. RMJV operated the coal handling and preparation plant utilized by the Company's Millennium Mine. BMC assumed the reclamation obligations and other commitments associated with the assets of RMJV. The Millennium Mine will have continued usage of the coal handling and preparation plant and the associated rail loading facility until the end of 2019 via a coal washing take-or-pay agreement with BMC.

In January 2018, Peabody entered into an agreement to sell its share in certain surplus land assets in Queensland's Bowen Basin to Pembroke Resources South Pty Ltd for approximately $37 million Australian dollars, net of transaction costs. The necessary approval of the Australian Foreign Investment Review Board to complete the transaction was received on March 29, 2018, satisfying all the conditions precedent to the sale, and the Company recorded a gain of $20.6 million, which is included within "Net loss (gain) on disposals" in the accompanying unaudited condensed consolidated statements of operations for the six months ended June 30, 2018.

The Company had a 37.5% interest in Dominion Terminal Associates, a partnership that operates a coal export terminal in Newport News, Virginia that exports both metallurgical and thermal coal primarily to Europe and Brazil. On March 31, 2017, the Company completed a sale of its interest in Dominion Terminal Associates to Contura Terminal, LLC and Ashland Terminal, Inc., both of which are partners of the Dominion Terminal Associates. The Company collected $20.5 million in proceeds and recorded $19.7 million of gain on the sale, which was classified in "Net loss (gain) on disposals" in the accompanying unaudited condensed consolidated statements of operations during the period January 1 through April 1, 2017.

In November 2016, the Company entered into a definitive share sale and purchase agreement (SPA) for the sale of all of the equity interest in Metropolitan Collieries Pty Ltd, the entity that owns the Metropolitan Mine in New South Wales, Australia and the associated interest in the Port Kembla Coal Terminal, to South32 Limited (South32). The SPA provided for a cash purchase price of $200 million and certain contingent consideration, subject to a customary working capital adjustment. South32 terminated the agreement in April 2017 after it was unable to obtain necessary approvals from the Australian Competition and Consumer Commission within the timeframe required under the SPA. As a result of the termination, the Company retained an earnest deposit posted by South32 which was recorded in "Other revenues" in the accompanying unaudited condensed consolidated statements of operations during the period April 2 through June 30, 2017.

In November 2015, the Company entered into a definitive agreement to sell its New Mexico and Colorado assets to Bowie Resource Partners, LLC (Bowie) in exchange for cash proceeds of $358 million and the assumption of certain liabilities. Bowie agreed to pay the Company a termination fee of $20 million (Termination Fee) in the event the Company terminated the agreement because Bowie failed to obtain financing and close the transaction. On April 12, 2016, Peabody terminated the agreement and demanded payment of the Termination Fee. Following a favorable judgment by the Bankruptcy Court, the Company collected the Termination Fee from Bowie. The Termination Fee is included in "Other revenues" in the accompanying unaudited condensed consolidated statements of operations during the period April 2 through June 30, 2017.

Asset Impairment

As described in Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Company adjusted the book values of its property, plant, equipment and mine development assets to their respective estimated fair values at the time of fresh start reporting.

During the three and six months ended June 30, 2018, the Company recognized no asset impairment charges. During the period January 1 through April 1, 2017, the Company recognized asset impairment charges of $30.5 million related to terminated coal lease contracts in the Midwestern United States.

(16) Earnings per Share (EPS)

Basic and diluted EPS are computed using the two-class method, which is an earnings allocation that determines EPS for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. The Company's convertible preferred stock was considered a participating security because holders were entitled to receive dividends on an if-converted basis. The Predecessor Company's restricted stock awards were considered participating securities because holders were entitled to receive non-forfeitable dividends during the vesting term. Diluted EPS includes securities that could potentially dilute basic EPS during a reporting period and assumes that participating securities are not executed or converted. As such, the Company includes the share-based compensation awards in its potentially dilutive securities. The calculation of diluted EPS for the Predecessor Company also considered the impact of its Convertible Junior Subordinated Debentures due December 2066 (the Debentures). Dilutive securities are not included in the computation of loss per share when a company reports a net loss from continuing operations as the impact would be anti-dilutive.

For all but the performance units, the potentially dilutive impact of the Company's share-based compensation awards is determined using the treasury stock method. Under the treasury stock method, awards are treated as if they had been exercised with any proceeds used to repurchase common stock at the average market price during the period. Any incremental difference between the assumed number of shares issued and purchased is included in the diluted share computation. For the performance units, their contingent features result in an assessment for any potentially dilutive common stock by using the end of the reporting period as if it were the end of the contingency period for all units granted.

Up to the time of cancellation, a conversion of the Debentures could have resulted in payment for any conversion value in excess of the principal amount of the Debentures in the Predecessor Company's common stock. For diluted EPS purposes, potential common stock was calculated based on whether the market price of the Predecessor Company's common stock at the end of each reporting period was in excess of the conversion price of the Debentures. The effect of the Debentures was excluded from the calculation of diluted EPS for all Predecessor periods presented herein because to do so would have been anti-dilutive for those periods.

The computation of diluted EPS excluded aggregate share-based compensation awards of less than 0.1 million for the period April 2 through June 30, 2017 and approximately 0.2 million for the periods April 1, 2017 and January 1 through April 1, 2017, respectively, because to do so would have been anti-dilutive for those periods. No aggregate share-based compensation awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2018. Because the potential dilutive impact of such share-based compensation awards is calculated under the treasury stock method, anti-dilution generally occurs when the exercise prices or unrecognized compensation cost per share of such awards are higher than the Company's average stock price during the applicable period.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The following illustrates the earnings allocation method utilized in the calculation of basic and diluted EPS.

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(In millions, except per share data)					
EPS numerator:						
Income (loss) from continuing operations, net of income taxes	$120.0	$101.4	$(319.8)	$328.3	$101.4	$(195.5)
Less: Series A Convertible Preferred Stock dividends	—	115.1	—	102.5	115.1	—
Less: Net income attributable to noncontrolling interests	2.7	3.8	—	0.6	3.8	4.8
Income (loss) from continuing operations attributable to common stockholders, before allocation of earnings to participating securities	117.3	(17.5)	(319.8)	225.2	(17.5)	(200.3)
Less: Earnings allocated to participating securities	—	—	—	6.4	—	—
Income (loss) from continuing operations attributable to common stockholders, after allocation of earnings to participating securities [1]	117.3	(17.5)	(319.8)	218.8	(17.5)	(200.3)
Loss from discontinued operations, net of income taxes	(3.6)	(2.7)	(12.1)	(4.9)	(2.7)	(16.2)
Less: Loss from discontinued operations allocated to participating securities	—	—	—	(0.1)	—	—
Loss from discontinued operations attributable to common stockholders, after allocation of earnings to participating securities	(3.6)	(2.7)	(12.1)	(4.8)	(2.7)	(16.2)
Net income (loss) attributable to common stockholders, after allocation of earnings to participating securities [1]	$113.7	$(20.2)	$(331.9)	$214.0	$(20.2)	$(216.5)
EPS denominator:						
Weighted average shares outstanding — basic	124.5	96.8	18.3	122.7	96.8	18.3
Impact of dilutive securities	1.5	—	—	1.9	—	—
Weighted average shares outstanding — diluted [2]	126.0	96.8	18.3	124.6	96.8	18.3
Basic EPS attributable to common stockholders:						
Income (loss) from continuing operations	$0.94	$(0.18)	$(17.44)	$1.78	$(0.18)	$(10.93)
Loss from discontinued operations	(0.03)	(0.03)	(0.66)	(0.04)	(0.03)	(0.88)
Net income (loss) attributable to common stockholders	$0.91	$(0.21)	$(18.10)	$1.74	$(0.21)	$(11.81)
Diluted EPS attributable to common stockholders:						
Income (loss) from continuing operations	$0.93	$(0.18)	$(17.44)	$1.76	$(0.18)	$(10.93)
Loss from discontinued operations	(0.03)	(0.03)	(0.66)	(0.04)	(0.03)	(0.88)
Net income (loss) attributable to common stockholders	$0.90	$(0.21)	$(18.10)	$1.72	$(0.21)	$(11.81)

(1) There was no reallocation adjustment for participating securities to arrive at the numerator to calculate diluted EPS for the three months ended June 30, 2018, due to the conversion of all remaining shares of Preferred Stock as of January 31, 2018. The reallocation adjustment for participating securities to arrive at the numerator to calculate

diluted EPS was $0.1 million for the six months ended June 30, 2018.

(2) The two-class method assumes that participating securities are not exercised or converted. As such, weighted average diluted shares outstanding excluded 4.2 million shares and 39.2 million shares related to the participating securities for the six months ended June 30, 2018 and the period April 2 through June 30, 2017, respectively.

In accordance with the Plan, each share of the Predecessor Company's common stock outstanding prior to the Effective Date, including all options and warrants to purchase such stock, were extinguished, canceled and discharged, and each such share, option or warrant has no further force or effect after the Effective Date. Furthermore, all of the Predecessor Company's equity award agreements under prior incentive plans, and the equity awards granted pursuant thereto, were extinguished, canceled and discharged and have no further force or effect after the Effective Date.

As of January 31, 2018, all 30.0 million shares of Preferred Stock issued upon the Effective Date had been converted into 59.3 million shares of common stock, which is inclusive of the shares that had been issued for the payable in-kind preferred stock dividends.

(17) Financial Instruments and Other Guarantees

In the normal course of business, the Company is a party to various guarantees and financial instruments that carry off-balance-sheet risk and are not reflected in the accompanying condensed consolidated balance sheets. At June 30, 2018, such instruments included $1,587.9 million of surety bonds and bank guarantees and $276.1 million of letters of credit. Such financial instruments provide support for the Company's reclamation bonding requirements, lease obligations, insurance policies and various other performance guarantees. The Company periodically evaluates the instruments for on-balance-sheet treatment based on the amount of exposure under the instrument and the likelihood of required performance. The Company does not expect any material losses to result from these guarantees or off-balance-sheet instruments in excess of liabilities provided for in the accompanying condensed consolidated balance sheets.

The Company is required to provide various forms of financial assurance in support of its mining reclamation obligations in the jurisdictions in which it operates. Such requirements are typically established by statute or under mining permits. Historically, such assurances have taken the form of third-party instruments such as surety bonds, bank guarantees, letters of credit, collateral held in restricted accounts and self-bonding arrangements in the U.S. In connection with its emergence from the Chapter 11 Cases, the Company elected to utilize primarily a portfolio of surety bonds to support its U.S. obligations.

At June 30, 2018, the Company's asset retirement obligations for its U.S. operations of $474.4 million were supported by surety bonds of $1,077.4 million, as well as letters of credit issued under the Company's receivables securitization program and Revolver amounting to $138.3 million. At June 30, 2018, the Company's asset retirement obligations for its Australia operations of $229.8 million were supported by a combination of $230.7 million of surety bonds and bank guarantees and $14.4 million of similarly issued letters of credit.

Accounts Receivable Securitization

As described in Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Company entered into the Sixth Amended and Restated Receivables Purchase Agreement, as amended, dated as of April 3, 2017 (the Receivables Purchase Agreement) to extend the Company's receivables securitization facility previously in place and expand that facility to include certain receivables from the Company's Australian operations. The term of the receivables securitization program (Securitization Program) ends on April 3, 2020, subject to certain liquidity requirements and other customary events of default set forth in the Receivables Purchase Agreement. The Securitization Program provides for up to $250.0 million in funding accounted for as a secured borrowing, limited to the availability of eligible receivables, and may be secured by a combination of collateral and the trade receivables underlying the program, from time to time. Funding capacity under the Securitization Program may also be utilized for letters of credit in support of other obligations. During 2017, the Company entered into amendments to the Securitization Program to include the receivables of additional Australian operations, reduce the restrictions on the availability of certain eligible receivables, add an additional servicer and reduce program fees.

Under the terms of the Securitization Program, the Company contributes the trade receivables of its participating subsidiaries on a revolving basis to P&L Receivables, its wholly-owned, bankruptcy-remote subsidiary, which then sells the receivables to unaffiliated banks. P&L Receivables retains the ability to repurchase the receivables in certain

circumstances. The assets and liabilities of P&L Receivables are consolidated with Peabody, and the Securitization Program is treated as a secured borrowing for accounting purposes, but the assets of P&L Receivables will be used first to satisfy the creditors of P&L Receivables, not Peabody's creditors. The borrowings under the Securitization Program remain outstanding throughout the term of the agreement, subject to the Company maintaining sufficient eligible receivables, by continuing to contribute trade receivables to P&L Receivables, unless an event of default occurs.

At June 30, 2018, the Company had no outstanding borrowings and $146.3 million of letters of credit issued under the Securitization Program. The letters of credit were primarily in support of portions of the Company's obligations for reclamation, workers' compensation and postretirement benefits. The Company had no collateral requirement under the Securitization Program at June 30, 2018 and December 31, 2017. The Company incurred fees associated with the Securitization Program of $1.9 million during the three months ended June 30, 2018, $3.8 million during the six months ended June 30, 2018 and $4.8 million during the period April 2 through June 30, 2017, which have been recorded as interest expense in the accompanying unaudited condensed consolidated statements of operations. As it relates to the former receivables securitization facility in place prior to the Effective Date, the Company incurred interest expense of $2.0 million during the period January 1 through April 1, 2017.

Collateral Arrangements and Restricted Cash

The Company remits cash to certain regulatory authorities and other third parties as collateral for financial assurances associated with a variety of long-term obligations and commitments surrounding the mining, reclamation and shipping of its production. The Company had $323.1 million held by third parties related to such obligations at December 31, 2017. All such collateral was returned to the Company during the six months ended June 30, 2018, largely as the result of replacing collateral balances with third-party surety bonding in Australia.

The Company also had $40.1 million of restricted cash at December 31, 2017 related to a class of pending unsecured creditors' claims in connection with the Chapter 11 Cases. The restriction was released on March 22, 2018 after the Debtors satisfied all such claims.

Other

The Company is the lessee under numerous equipment and property leases. It is common in such commercial lease transactions for the Company, as the lessee, to agree to indemnify the lessor for the value of the property or equipment leased, should the property be damaged or lost during the course of the Company's operations. The Company expects that losses with respect to leased property, if any, would be covered by insurance (subject to deductibles). The Company and certain of its subsidiaries have guaranteed other subsidiaries' performance under various lease obligations. Aside from indemnification of the lessor for the value of the property leased, the Company's maximum potential obligations under its leases are equal to the respective future minimum lease payments, and the Company assumes that no amounts could be recovered from third parties.

The Company has provided financial guarantees under certain long-term debt agreements entered into by its subsidiaries and substantially all of the Company's U.S. subsidiaries provide financial guarantees under long-term debt agreements entered into by the Company. The maximum amounts payable under the Company's debt agreements are equal to the respective principal and interest payments.

(18) Commitments and Contingencies

Commitments

Unconditional Purchase Obligations

As of June 30, 2018, purchase commitments for capital expenditures were $159.4 million, all of which is obligated within the next three years, with $138.0 million obligated in the next year.

There were no other material changes to the Company's commitments from the information provided in Note 25. "Commitments and Contingencies" to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Contingencies

From time to time, the Company or its subsidiaries are involved in legal proceedings arising in the ordinary course of business or related to indemnities or historical operations. The Company believes it has recorded adequate reserves for these liabilities. The Company discusses its significant legal proceedings below, including ongoing proceedings and those that impacted the Company's results of operations for the periods presented.

Table of Contents
PEABODY ENERGY CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Litigation Relating to the Chapter 11 Cases

Ad Hoc Committee. A group of creditors (the Ad Hoc Committee) that held certain interests in the Company's prepetition indebtedness appealed the Bankruptcy Court's order confirming the Plan. On December 29, 2017, the United States District Court for the Eastern District of Missouri (the District Court) entered an order dismissing the Ad Hoc Committee's appeal, and, in the alternative, affirming the order confirming the Plan. On January 26, 2018, the Ad Hoc Committee appealed the District Court's order to the United States Court of Appeals for the Eighth Circuit (the Eighth Circuit). In its appeal, the Ad Hoc Committee does not ask the Eighth Circuit to reverse the order confirming the Plan. Instead, the Ad Hoc Committee asks the Eighth Circuit to award the Ad Hoc Committee members either unspecified damages or the right to buy an unspecified amount of Company stock at a discount. The Company does not believe the appeal is meritorious and will vigorously defend it.

Litigation Relating to Continuing Operations

Peabody Monto Coal Pty Ltd, Monto Coal 2 Pty Ltd and Peabody Energy Australia PCI Pty Ltd (PEA-PCI). In October 2007, a claim was made against Peabody Monto Coal Pty Ltd and Monto Coal 2 Pty Ltd, wholly-owned subsidiaries of Macarthur Coal Limited (Macarthur). The claim alleged that the Macarthur companies breached certain agreements by failing to develop a mine project. The claim was amended to assert that Macarthur induced the alleged breach of the Monto Coal Joint Venture Agreement. The Company acquired Macarthur and its subsidiaries in 2011. These claims, which are pending before the Supreme Court of Queensland, Australia, seek damages of up to $1.8 billion Australian dollars, plus interest and costs.

The Company asserts that the Macarthur companies were never under an obligation to develop the mine project because the project was not economically viable. The Company disputes all of the claims brought by the plaintiffs and is vigorously defending its position. Based on the Company’s evaluation of the issues and their potential impact, the amount of any future loss currently cannot be reasonably estimated.

Berenergy Corporation. The Company has been in a legal dispute with Berenergy Corporation (Berenergy) regarding Berenergy’s access to certain of its underground oil deposits beneath the Company’s North Antelope Rochelle Mine and contiguous undisturbed areas. Berenergy contends the Company should not be able to mine the area where Berenergy and Peabody hold conflict leases. Berenergy also contends if the Company does mine the area, then the Company should be liable to Berenergy for the cost of certain special procedures and equipment required to access the secondary deposits remotely from outside the Company’s mine area, which has been estimated as $13.1 million by Berenergy. The Company believes that any claims related to this matter are without merit and constitute prepetition claims. The Company is currently seeking to resolve the underlying access conflict through the Bureau of Land Management (BLM), and believes that the likelihood of a material loss resulting from the matter is remote.

County of San Mateo, County of Marin, City of Imperial Beach. The Company was named as a defendant, along with numerous other companies, in three nearly identical lawsuits. The lawsuits seek to hold a wide variety of companies that produce fossil fuels liable for the alleged impacts of the greenhouse gas emissions attributable to those fuels. The lawsuits primarily assert that the companies’ products have caused a sea level rise that is damaging the plaintiffs. The complaints specifically alleged that the defendants’ activities from 1965 to 2015 caused such damage. The Company filed a motion to enforce the Confirmation Order in the Bankruptcy Court because the Confirmation Order enjoins claims that arose before the effective date of the Plan. The motion to enforce was granted on October 24, 2017, and the Bankruptcy Court ordered the plaintiffs to dismiss their lawsuits against the Company. On November 26, 2017, the plaintiffs appealed the Bankruptcy Court’s October 24, 2017 order to the District Court. On November 28, 2017, plaintiffs sought a stay pending appeal from the Bankruptcy Court, which was denied December 8, 2017. On December 19, 2017, the plaintiffs moved the District Court for a stay pending appeal. No decision from the District Court has been made on the request for a stay and the briefing on the appeal has been completed. The parties are waiting for a decision on the motion for stay and on the merits of the appeal. In the underlying cases pending in California, the U.S. District Court for the Northern District of California granted plaintiffs’ motion for remand and decided the cases should be heard in state court. The defendants appealed the order granting remand to the Ninth

Circuit and sought a stay of the U.S. District Court for the Northern District of California decision pending completion of the Ninth Circuit appeal. The U.S. District Court for the Northern District of California granted defendants' request for a stay pending completion of the Ninth Circuit appeal. The plaintiffs filed a motion to dismiss part of the appeal. Regardless of whether state court or federal court is the venue, the Company believes the lawsuits should be dismissed under enforcement of the Confirmation Order. The Company does not believe the lawsuits are meritorious and, if the lawsuits are not dismissed, the Company intends to vigorously defend them.

10th Circuit U.S. Bureau of Land Management Appeal. On September 15, 2017, the Tenth Circuit Court of Appeals reversed the District Court of Wyoming's decision upholding BLM's approval of four coal leases in the Powder River Basin. Two of the four leases relate to the Company's North Antelope Rochelle Mine in Wyoming. There is no immediate impact on the Company's leases as the Court of Appeals did not vacate the leases as part of its ruling. Rather, the Court of Appeals remanded the case back to the District Court of Wyoming with directions to order BLM to revise its environmental analysis. On November 27, 2017, the District Court of Wyoming ordered BLM to revise its environmental analysis. Plaintiffs then asked the court to order remedy briefing, which defendants and intervenors opposed because the District Court of Wyoming already addressed the proper remedy in its November 27, 2017 order. On April 2, 2018, the federal respondents filed a status report advising the District Court of Wyoming that they would conduct an environmental assessment to remedy the National Environmental Policy Act defect found by the Tenth Circuit, and that the draft environmental assessment would be completed and ready for public review and comment on or before June 30, 2018. On April 19, 2018, the court orally denied plaintiffs' request for remedy briefing without prejudice. Plaintiffs may renew their request if BLM does not submit a draft environmental assessment by the end of July 2018. The Company's operations will continue in the normal course during this period since the decision has no impact on mining at this time. The Company currently believes that its operations are unlikely to be materially impacted by this case, but the timing and magnitude of any impact on the Company's future operations is not certain.
Wilpinjong Extension Project (WEP). On August 14, 2017, the Wollar Progress Association (WPA) applied to the Land & Environment Court for a judicial review of the New South Wales Planning Assessment Commission's decision to approve the WEP. The matter was heard by the court in early February 2018. On June 19, 2018, the court rejected the WPA's application. This decision confirms that Wilpinjong can continue to mine in accordance with its granted approvals. The WPA had 28 days to notify the court of its intention to appeal the decision, and no such notice was filed.
Central Arizona Water Conservation District (CAWCD). On May 1, 2018, the Company, along with the Hopi Tribe and the UMWA, filed a lawsuit against the CAWCD. CAWCD operates, on behalf of the Bureau of Reclamation, the Central Arizona Project (CAP), an aqueduct system that brings water from the Colorado River to three counties in Arizona. CAWCD historically obtained most of CAP's power requirements from the Navajo Generating Station (NGS), which is served by a single Peabody mine. NGS is owned by several private companies and one governmental entity. The non-governmental owners of NGS issued a statement that they do not currently intend to be the operators of the plant beyond December 2019. A potential investor is in the process of negotiating the purchase of the non-governmental ownership interests in NGS. Recently, CAWCD made the decision to obtain a portion of CAP's power requirements from sources other than NGS for 2020 and thereafter. The lawsuit seeks a determination that federal law requires CAWCD to obtain CAP's power requirements from NGS.
Other
At times the Company becomes a party to other disputes, including those related to contract miner performance, claims, lawsuits, arbitration proceedings, regulatory investigations and administrative procedures in the ordinary course of business in the U.S., Australia and other countries where the Company does business. Based on current information, the Company believes that such other pending or threatened proceedings are likely to be resolved without a material adverse effect on its financial condition, results of operations or cash flows.
(19) Segment Information
The Company reports its results of operations through the following reportable segments: Powder River Basin Mining, Midwestern U.S. Mining, Western U.S. Mining, Australian Metallurgical Mining, Australian Thermal Mining, Trading and Brokerage and Corporate and Other. The Company's chief operating decision maker uses Adjusted EBITDA as the primary metric to measure the segments' operating performance.
Adjusted EBITDA is a non-GAAP measure defined as income (loss) from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expenses, depreciation, depletion and amortization and reorganization items, net. Adjusted EBITDA is also adjusted for the discrete items that management excluded in

analyzing the segments' operating performance, as displayed in the reconciliation below. Management believes non-GAAP performance measures are used by investors to measure the Company's operating performance and lenders to measure the Company's ability to incur and service debt. Adjusted EBITDA is not intended to serve as an alternative to U.S. GAAP measures of performance and may not be comparable to similarly-titled measures presented by other companies.

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reportable segment results were as follows:

	Successor		Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)				
Revenues:					
Powder River Basin Mining	$321.5	$365.4	$710.8	$365.4	$ 394.3
Midwestern U.S. Mining	197.5	194.9	399.2	194.9	193.2
Western U.S. Mining	139.6	125.4	283.3	125.4	149.7
Australian Metallurgical Mining	417.5	287.8	883.7	287.8	328.9
Australian Thermal Mining	267.4	239.2	468.8	239.2	224.8
Trading and Brokerage	10.0	5.2	30.1	5.2	15.0
Corporate and Other	(44.1)	40.4	(3.8)	40.4	20.3
Total	$1,309.4	$1,258.3	$2,772.1	$1,258.3	$ 1,326.2
Adjusted EBITDA:					
Powder River Basin Mining	$62.0	$84.8	$136.5	$84.8	$ 91.7
Midwestern U.S. Mining	42.0	46.5	73.2	46.5	50.0
Western U.S. Mining	33.9	44.9	65.9	44.9	50.0
Australian Metallurgical Mining	158.5	71.9	324.9	71.9	109.6
Australian Thermal Mining	107.6	105.9	169.2	105.9	75.6
Trading and Brokerage	3.1	(5.1)	4.3	(5.1)	8.8
Corporate and Other [1]	(37.5)	(31.1)	(40.5)	(31.1)	(44.4)
Total	$369.6	$317.8	$733.5	$317.8	$ 341.3

(1) Includes the gain of $20.6 million on the sale of certain surplus land assets in Queensland and the gain of $7.1 million recognized on the sale of the Company's interest in the RMJV during the six months ended June 30, 2018 and the gain of $19.7 million recognized on the sale of Dominion Terminal Associates during the period January 1 through April 1, 2017, as described in Note 15. "Other Events".

Table of Contents

PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

A reconciliation of consolidated income (loss) from continuing operations, net of income taxes to Adjusted EBITDA follows:

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)					
Income (loss) from continuing operations, net of income taxes	$120.0	$101.4	$ (319.8)	$328.3	$101.4	$ (195.5)
Depreciation, depletion and amortization	163.9	148.3	—	333.5	148.3	119.9
Asset retirement obligation expenses	13.2	11.0	—	25.5	11.0	14.6
Asset impairment	—	—	—	—	—	30.5
Changes in deferred tax asset valuation allowance and amortization of basis difference related to equity affiliates	(8.4)	(4.3)	—	(16.0)	(4.3)	(5.2)
Interest expense	38.3	41.4	—	74.6	41.4	32.9
Loss on early debt extinguishment	2.0	—	—	2.0	—	—
Interest income	(7.0)	(1.5)	—	(14.2)	(1.5)	(2.7)
Reorganization items, net	—	—	585.8	(12.8)	—	627.2
Break fees related to terminated asset sales	—	(28.0)	—	—	(28.0)	—
Unrealized losses (gains) on economic hedges	48.1	(9.4)	—	9.5	(9.4)	(16.6)
Unrealized (gains) losses on non-coal trading derivative contracts	(0.1)	(3.2)	—	1.7	(3.2)	—
Coal inventory revaluation	—	67.3	—	—	67.3	—
Take-or-pay contract-based intangible recognition	(7.8)	(9.9)	—	(16.1)	(9.9)	—
Income tax provision (benefit)	7.4	4.7	(266.0)	17.5	4.7	(263.8)
Total Adjusted EBITDA	$369.6	$317.8	$ —	$733.5	$317.8	$ 341.3

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As used in this report, the terms "we," "us," "our," and the "Company" refer to Peabody Energy Corporation and its consolidated subsidiaries and affiliates, collectively, unless the context indicates otherwise. The term "Peabody" refers to Peabody Energy Corporation and not its consolidated subsidiaries and affiliates.

Cautionary Notice Regarding Forward-Looking Statements

This report includes statements of our expectations, intentions, plans and beliefs that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to come within the safe harbor protection provided by those sections. These statements relate to future events or our future financial performance, including, without limitation, the section captioned "Outlook" in this Item 2. We use words such as "anticipate," "believe," "expect," "may," "forecast," "pro "should," "estimate," "plan," "outlook," "target," "likely," "will," "to be" or other similar words to identify forward-looking sta Without limiting the foregoing, all statements relating to our future operating results, anticipated capital expenditures, future cash flows and borrowings and sources of funding are forward-looking statements and speak only as of the date of this report. These forward-looking statements are based on numerous assumptions that we believe are reasonable, but are subject to a wide range of uncertainties and business risks, and actual results may differ materially from those discussed in these statements. These factors are difficult to accurately predict and may be beyond our control. Factors that could affect our results or an investment in our securities include, but are not limited to:

- as a result of our emergence from our Chapter 11 Cases, our historical financial information is not indicative of our future financial performance;
- our profitability depends upon the prices we receive for our coal;
- if a substantial number of our long-term coal supply agreements terminate, our revenues and operating profits could suffer if we are unable to find alternate buyers willing to purchase our coal on comparable terms to those in our contracts;
- the loss of, or significant reduction in, purchases by our largest customers could adversely affect our revenues;
- our trading and hedging activities do not cover certain risks, and may expose us to earnings volatility and other risks;
- our operating results could be adversely affected by unfavorable economic and financial market conditions;
- our ability to collect payments from our customers could be impaired if their creditworthiness or contractual performance deteriorates;
- risks inherent to mining could increase the cost of operating our business;
- if transportation for our coal becomes unavailable or uneconomic for our customers, our ability to sell coal could suffer;
- a decrease in the availability or increase in costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires could decrease our anticipated profitability;
- take-or-pay arrangements within the coal industry could unfavorably affect our profitability;
- an inability of trading, brokerage, mining or freight counterparties to fulfill the terms of their contracts with us could reduce our profitability;
- we may not recover our investments in our mining, exploration and other assets, which may require us to recognize impairment charges related to those assets;
- our ability to operate our company effectively could be impaired if we lose key personnel or fail to attract qualified personnel;
- we could be negatively affected if we fail to maintain satisfactory labor relations;
- we could be adversely affected if we fail to appropriately provide financial assurances for our obligations;
- our mining operations are extensively regulated, which imposes significant costs on us, and future regulations and developments could increase those costs or limit our ability to produce coal;
- our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in material liabilities to us;

- we may be unable to obtain, renew or maintain permits necessary for our operations, which would reduce our production, cash flows and profitability;
- our mining operations are subject to extensive forms of taxation, which imposes significant costs on us, and future regulations and developments could increase those costs or limit our ability to produce coal competitively;

- if the assumptions underlying our asset retirement obligations for reclamation and mine closures are materially inaccurate, our costs could be significantly greater than anticipated;
- our future success depends upon our ability to continue acquiring and developing coal reserves that are economically recoverable;
- we face numerous uncertainties in estimating our economically recoverable coal reserves and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs and decreased profitability;
- our global operations increase our exposure to risks unique to international mining and trading operations;
- joint ventures, partnerships or non-managed operations may not be successful and may not comply with our operating standards;
- we may undertake further repositioning plans that would require additional charges;
- we could be exposed to significant liability, reputational harm, loss of revenue, increased costs or other risks if we sustain cyber attacks or other security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us, our customers or other third-parties;
- our expenditures for postretirement benefit and pension obligations could be materially higher than we have predicted if our underlying assumptions prove to be incorrect;
- concerns about the environmental impacts of coal combustion, including perceived impacts on global climate issues, are resulting in increased regulation of coal combustion in many jurisdictions, unfavorable lending policies by government-backed lending institutions and development banks toward the financing of new overseas coal-fueled power plants and divestment efforts affecting the investment community, which could significantly affect demand for our products or our securities;
- our financial performance could be adversely affected by our indebtedness;
- despite our and our subsidiaries' indebtedness, we may still be able to incur substantially more debt, including secured debt. This could further increase the risks associated with our indebtedness;
- we may not be able to generate sufficient cash to service all of our indebtedness or other obligations;
- the terms of our indenture governing our senior secured notes and the agreements and instruments governing our other post-emergence indebtedness impose restrictions that may limit our operating and financial flexibility;
- the price of our securities may be volatile;
- our Common Stock is subject to dilution and may be subject to further dilution in the future;
- there may be circumstances in which the interests of a significant stockholder could be in conflict with other stockholders' interests;
- the payment of dividends on our stock or repurchases of our stock is dependent on a number of factors, and future payments and repurchases cannot be assured;
- we may not be able to fully utilize our deferred tax assets;
- divestitures and acquisitions are a potentially important part of our long-term strategy, subject to our investment criteria, and involve a number of risks, any of which could cause us not to realize the anticipated benefits;
- our certificate of incorporation and by-laws include provisions that may discourage a takeover attempt;
- diversity in interpretation and application of accounting literature in the mining industry may impact our reported financial results; and
- other risks and factors detailed in this report, including, but not limited to, those discussed in "Legal Proceedings," set forth in Part II, Item 1 and in "Risk Factors," set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this document and in our other Securities and Exchange Commission (SEC) filings, including, but not limited to, the more detailed discussion of these factors and other factors that could affect our results contained in Item 1A. "Risk Factors" and Item 3. "Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2017. These forward-looking statements speak only as of the date on which such statements were made, and we undertake no obligation to update these statements except as required by federal securities laws.

Table of Contents

Overview

We are the world's largest private-sector coal company by volume. In 2017, we produced and sold 188.3 million and 191.5 million tons of coal, respectively, from continuing operations. As of June 30, 2018, we owned interests in 23 coal mining operations located in the United States (U.S.) and Australia. We have a majority interest in 22 of those mining operations and a 50% equity interest in Middlemount Coal Pty Ltd. (Middlemount), which owns the Middlemount Mine in Queensland, Australia. In addition to our mining operations, we market and broker coal from other coal producers, both as principal and agent, and trade coal and freight-related contracts.

We conduct business through six operating segments: Powder River Basin Mining, Midwestern U.S. Mining, Western U.S. Mining, Australian Metallurgical Mining, Australian Thermal Mining and Trading and Brokerage. Refer to Note 19. "Segment Information" to the accompanying unaudited condensed consolidated financial statements for further information regarding those segments and the components of our Corporate and Other segment.

Filing Under Chapter 11 of the United States Bankruptcy Code

On April 13, 2016 (the Petition Date), Peabody and a majority of its wholly owned domestic subsidiaries, as well as one international subsidiary in Gibraltar (collectively with Peabody, the Debtors) filed voluntary petitions for reorganization (the Bankruptcy Petitions) under Chapter 11 of Title 11 of the U.S. Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Eastern District of Missouri (the Bankruptcy Court). The Debtors' Chapter 11 cases (collectively, the Chapter 11 Cases) were jointly administered under the caption In re Peabody Energy Corporation, et al., Case No. 16-42529 (Bankr. E.D. Mo.).

On March 17, 2017, the Bankruptcy Court entered an order, Docket No. 2763, confirming the Debtors' Second Amended Joint Plan of Reorganization of Debtors and Debtors in Possession (as further modified, the Plan). On April 3, 2017 (the Effective Date), the Debtors satisfied the conditions to effectiveness set forth in the Plan, the Plan became effective in accordance with its terms and the Debtors emerged from the Chapter 11 Cases.

A group of creditors (the Ad Hoc Committee) that held certain interests in the Company's prepetition indebtedness appealed the Bankruptcy Court's order confirming the Plan. On December 29, 2017, the United States District Court for the Eastern District of Missouri (the District Court) entered an order dismissing the Ad Hoc Committee's appeal, and, in the alternative, affirming the order confirming the Plan. On January 26, 2018, the Ad Hoc Committee appealed the District Court's order to the United States Court of Appeals for the Eighth Circuit (the Eighth Circuit). In its appeal, the Ad Hoc Committee does not ask the Eighth Circuit to reverse the order confirming the Plan. Instead, the Ad Hoc Committee asks the Eighth Circuit to award the Ad Hoc Committee members either unspecified damages or the right to buy an unspecified amount of Company stock at a discount. The Company does not believe the appeal is meritorious and will vigorously defend it.

Upon emergence, in accordance with Accounting Standards Codification (ASC) 852, we applied fresh start reporting to our consolidated financial statements as of April 1, 2017 and became a new entity for financial reporting purposes reflecting the Successor (as defined below) capital structure. As a new entity, a new accounting basis in the identifiable assets and liabilities assumed was established with no retained earnings or accumulated other comprehensive income (loss). For additional details, refer to Note 1. "Basis of Presentation" to the unaudited condensed consolidated financial statements and Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

References to "Successor" are in reference to reporting dates on or after April 2, 2017; references to "Predecessor" are in reference to reporting dates through April 1, 2017, which include the impact of the Plan provisions and the application of fresh start reporting. Although the 2017 Successor period and the 2017 Predecessor period are distinct reporting periods, the effects of emergence and fresh start reporting did not have a material impact on the comparability of our results of operations between the periods, unless otherwise noted below. Accordingly, references to the 2017 results of operations for the six months ended June 30, 2017 combine the two periods to enhance the comparability of such information to the current year. References to the 2017 results of operations for the three months ended June 30, 2017 exclude the impact of any fresh start reporting adjustments recorded April 1, 2017, unless otherwise noted below.

Results of Operations

Non-GAAP Financial Measures

The following discussion of our results of operations includes references to and analysis of Adjusted EBITDA, which is a financial measure not recognized in accordance with U.S. generally accepted accounting principles (GAAP). Adjusted EBITDA is used by management as the primary metric to measure each of our segment's operating performance.

Table of Contents

Also included in the discussion of our results of operations are references to Revenues per Ton, Costs per Ton and Adjusted EBITDA Margin per Ton for each mining segment. These metrics are used by management to measure each of our mining segment's operating performance. Management believes Costs per Ton and Adjusted EBITDA Margin per Ton best reflect controllable costs and operating results at the mining segment level. We consider all measures reported on a per ton basis to be operating/statistical measures; however, we include reconciliations of the related non-GAAP financial measures (Adjusted EBITDA and Total Reporting Segment Costs) in the "Reconciliation of Non-GAAP Financial Measures" contained within this Item 2.

In our discussion of liquidity and capital resources, we include references to Free Cash Flow which is also a non-GAAP measure. Free Cash Flow is used by management as a measure of our financial performance and our ability to generate excess cash flow from our business operations.

We believe non-GAAP performance measures are used by investors to measure our operating performance and lenders to measure our ability to incur and service debt. These measures are not intended to serve as alternatives to U.S. GAAP measures of performance and may not be comparable to similarly-titled measures presented by other companies. Refer to the "Reconciliation of Non-GAAP Financial Measures" contained within this Item 2 for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Three and Six Months Ended June 30, 2018 Compared to the Three and Six Months Ended June 30, 2017

Summary

Spot pricing for premium low-vol hard coking coal (Premium HCC), premium low-vol pulverized coal injection (Premium PCI) coal and Newcastle index thermal coal, and prompt month pricing for Powder River Basin (PRB) 8,880 Btu/Lb coal and Illinois Basin 11,500 Btu/Lb coal during the three months ended June 30, 2018 is set forth in the table below. Pricing for our Western U.S. Mining segment is not included as there is no similar spot or prompt pricing data available.

In the U.S., the pricing included in the table below is not necessarily indicative of the pricing we realized during the three months ended June 30, 2018 since we generally sell coal under long-term contracts where pricing is determined based on various factors. Such long-term contracts in the U.S. may vary significantly in many respects, including price adjustment features, price reopener terms, coal quality requirements, quantity parameters, permitted sources of supply, treatment of environmental constraints, extension options, force majeure and termination and assignment provisions. Competition from alternative fuels such as natural gas and other coal producers may also impact our realized pricing.

The seaborne pricing included in the table below is also not necessarily indicative of the pricing we realized during the three months ended June 30, 2018 since the majority of our Australian sales are executed through annual and multi-year international coal supply agreements that contain provisions requiring both parties to renegotiate pricing periodically. Our typical practice is to negotiate pricing for seaborne metallurgical coal contracts on a quarterly, spot or index basis and seaborne thermal coal contracts on an annual, spot or index basis.

	High	Low	Average	June 30, 2018
Premium HCC [(1)]	$201.00	$174.50	$190.23	$199.00
Premium PCI coal [(1)]	$150.55	$128.85	$140.10	$135.50
Newcastle index thermal coal [(1)]	$116.00	$92.00	$103.90	$114.40
PRB 8,800 Btu/Lb coal [(2)]	$12.80	$12.40	$12.54	$12.45
Illinois Basin 11,500 Btu/Lb coal [(2)]	$41.00	$36.55	$37.34	$41.00

(1) Prices expressed per tonne.

(2) Prices expressed per ton.

With respect to seaborne metallurgical coal, global steel production increased approximately 5% during the six months ended June 30, 2018 as compared to the prior year period. India imports increased approximately 16% through June 30, 2018, compared to the prior year driven by a 5% increase in steel production. Despite continued strength in Chinese steel production, metallurgical coal imports declined approximately 7 million tonnes during the six months ended June 30, 2018, as compared to the prior year primarily due to increased reliance on domestic supplies.

Table of Contents

Seaborne thermal coal demand and pricing continue to be supported by robust Asian demand, primarily in China and India. Chinese thermal coal imports rose approximately 20%, or 19 million tonnes, through June 30, 2018, compared to the prior year on sturdy industrial activity and an increase of approximately 8% in thermal coal power generation driven by favorable weather conditions. In addition, domestic coal production has been unable to keep pace with the increased power generation and industrial demands, along with customer restocking. India's domestic coal production has also been unable to keep pace with growing electricity demand, resulting in an increase of approximately 13%, or 9 million tonnes, in thermal coal imports through June 30, 2018, compared to the prior year. Coal inventories at India's power plants remain below targeted levels, further supporting the need for additional thermal coal imports.

In the United States, stronger weather compared to the first half of 2017 drove overall electricity demand higher year-over-year through June 30, 2018. However, the combination of year-to-date coal plant retirements, weak natural gas prices, stronger nuclear generation and increased renewable generation have negatively impacted coal generation. Through the six months ended June 30, 2018, utility consumption of Powder River Basin coal fell approximately 5% compared to the prior year due to ongoing pressure from retirements and regional natural gas prices that continue to trade at a discount to quoted Henry Hub prices.

Net income from continuing operations, net of income taxes of $120.0 million for the three months ended June 30, 2018 included revenues of $1,309.4 million and income from equity affiliates of $25.2 million. These were offset by operating costs of $946.5 million, depreciation, depletion and amortization of $163.9 million, selling and administrative expenses of $44.1 million and interest expense of $38.3 million related to the new debt instruments for the Successor Company. Adjusted EBITDA for the three months ended June 30, 2018 was $369.6 million.

Net income from continuing operations, net of income taxes of $101.4 million for the period April 2 through June 30, 2017 included revenues of $1,258.3 million and income from equity affiliates of $15.7 million. These were offset by operating costs of $927.9 million, depreciation, depletion and amortization of $148.3 million and interest expense of $41.4 million related to the new debt instruments for the Successor Company. Net loss attributable to common stockholders of $20.2 million was primarily driven by the Series A Convertible Preferred Stock (Preferred Stock) dividends of $115.1 million for the Preferred Stock issued by the Successor Company. Adjusted EBITDA for the period April 2 through June 30, 2017 was $317.8 million.

For the six months ended June 30, 2018, net income from continuing operations, net of income taxes of $328.3 million included revenues of $2,772.1 million, income from equity affiliates of $47.2 million, net gain on disposals of $29.0 million and a credit of $12.8 million in reorganization items, net. These were offset by operating costs of $2,003.7 million, depreciation, depletion and amortization of $333.5 million, selling and administrative expenses of $81.1 million and interest expense of $74.6 million related to the new debt instruments for the Successor Company. Net income attributable to common stockholders of $220.3 million included dividends of $102.5 million related to the conversion of the remaining shares of Preferred Stock. Adjusted EBITDA for the six months ended June 30, 2018 was $733.5 million.

For the period January 1 through April 1, 2017, net loss from continuing operations, net of income taxes of $195.5 million included revenues of $1,326.2 million and a tax benefit of $263.8 million. These were offset by operating costs of $950.2 million, depreciation, depletion and amortization of $119.9 million, interest expense of $32.9 million and reorganization items, net of $627.2 million which included the impact of the Plan provisions and the application of fresh start reporting. Adjusted EBITDA for the period January 1 through April 1, 2017 was $341.3 million.

As of June 30, 2018, our available liquidity was approximately $1.78 billion. Refer to the "Liquidity and Capital Resources" section contained within this Item 2 for a further discussion of factors affecting our available liquidity.

Table of Contents

Tons Sold

The following tables present tons sold by operating segment:

Three Month Comparison	Successor		(Decrease) Increase to Volumes	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	Tons	%
	(Tons in millions)			
Powder River Basin Mining	26.2	28.5	(2.3)	(8)%
Midwestern U.S. Mining	4.7	4.6	0.1	2 %
Western U.S. Mining	3.5	3.2	0.3	9 %
Australian Metallurgical Mining	2.9	2.0	0.9	45 %
Australian Thermal Mining	5.0	4.6	0.4	9 %
Total tons sold from mining segments	42.3	42.9	(0.6)	(1)%
Trading and Brokerage	0.8	0.7	0.1	14 %
Total tons sold	43.1	43.6	(0.5)	(1)%

Six Month Comparison	Successor		Predecessor	Combined	(Decrease) Increase to Volumes	
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017	Tons	%
	(Tons in millions)					
Powder River Basin Mining	58.6	28.5	31.0	59.5	(0.9)	(2)%
Midwestern U.S. Mining	9.4	4.6	4.5	9.1	0.3	3 %
Western U.S. Mining	7.2	3.2	3.4	6.6	0.6	9 %
Australian Metallurgical Mining	5.9	2.0	2.2	4.2	1.7	40 %
Australian Thermal Mining	8.8	4.6	4.6	9.2	(0.4)	(4)%
Total tons sold from mining segments	89.9	42.9	45.7	88.6	1.3	1 %
Trading and Brokerage	1.5	0.7	0.4	1.1	0.4	36 %
Total tons sold	91.4	43.6	46.1	89.7	1.7	2 %

Table of Contents

Supplemental Financial Data

The following tables present supplemental financial data by operating segment:

Three Month Comparison	Successor Three Months Ended June 30, 2018	April 2 through June 30, 2017	(Decrease) Increase $	%
Revenues per Ton - Mining Operations [1]				
Powder River Basin	$12.24	$ 12.84	$(0.60)	(5)%
Midwestern U.S.	42.12	42.62	(0.50)	(1)%
Western U.S.	39.87	38.91	0.96	2 %
Australian Metallurgical	143.98	145.31	(1.33)	(1)%
Australian Thermal	53.68	51.52	2.16	4 %
Costs per Ton - Mining Operations [1][2]				
Powder River Basin	$9.88	$ 9.86	$0.02	— %
Midwestern U.S.	33.16	32.45	0.71	2 %
Western U.S.	30.21	24.98	5.23	21 %
Australian Metallurgical	89.37	109.07	(19.70)	(18)%
Australian Thermal	32.05	28.67	3.38	12 %
Adjusted EBITDA Margin per Ton - Mining Operations [1][2]				
Powder River Basin	$2.36	$ 2.98	$(0.62)	(21)%
Midwestern U.S.	8.96	10.17	(1.21)	(12)%
Western U.S.	9.66	13.93	(4.27)	(31)%
Australian Metallurgical	54.61	36.24	18.37	51 %
Australian Thermal	21.63	22.85	(1.22)	(5)%

(1) This is an operating/statistical measure not recognized in accordance with U.S. GAAP. Refer to the “Reconciliation of Non-GAAP Financial Measures” section below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

(2) Includes revenue-based production taxes and royalties; excludes depreciation, depletion and amortization; asset retirement obligation expenses; selling and administrative expenses; coal inventory revaluation; take-or-pay contract-based intangible recognition; and certain other costs related to post-mining activities.

Table of Contents

Six Month Comparison	Successor		Predecessor	Combined		
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017	(Decrease) Increase $	%
Revenues per Ton - Mining Operations [1]						
Powder River Basin	$12.12	$ 12.84	$ 12.70	$ 12.77	$(0.65)	(5)%
Midwestern U.S.	42.39	42.62	42.96	42.79	(0.40)	(1)%
Western U.S.	39.40	38.91	44.68	41.85	(2.45)	(6)%
Australian Metallurgical	148.58	145.31	150.22	147.95	0.63	— %
Australian Thermal	53.57	51.52	48.65	50.09	3.48	7 %
Costs per Ton - Mining Operations [1][2]						
Powder River Basin	$9.79	$ 9.86	$ 9.75	$ 9.80	$(0.01)	— %
Midwestern U.S.	34.61	32.45	31.84	32.15	2.46	8 %
Western U.S.	30.24	24.98	29.76	27.41	2.83	10 %
Australian Metallurgical	93.96	109.07	100.16	104.39	(10.43)	(10)%
Australian Thermal	34.23	28.67	32.27	30.49	3.74	12 %
Adjusted EBITDA Margin per Ton - Mining Operations [1][2]						
Powder River Basin	$2.33	$ 2.98	$ 2.95	$ 2.97	$(0.64)	(22)%
Midwestern U.S.	7.78	10.17	11.12	10.64	(2.86)	(27)%
Western U.S.	9.16	13.93	14.92	14.44	(5.28)	(37)%
Australian Metallurgical	54.62	36.24	50.06	43.56	11.06	25 %
Australian Thermal	19.34	22.85	16.38	19.60	(0.26)	(1)%

(1) This is an operating/statistical measure not recognized in accordance with U.S. GAAP. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

(2) Includes revenue-based production taxes and royalties; excludes depreciation, depletion and amortization; asset retirement obligation expenses; selling and administrative expenses; asset impairment; coal inventory revaluation; take-or-pay contract-based intangible recognition; and certain other costs related to post-mining activities.

Revenues

The following tables present revenues by reporting segment:

Three Month Comparison	Successor		(Decrease) Increase to Revenues	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	$	%
	(Dollars in millions)			
Powder River Basin Mining	$321.5	$365.4	$(43.9)	(12)%
Midwestern U.S. Mining	197.5	194.9	2.6	1 %
Western U.S. Mining	139.6	125.4	14.2	11 %
Australian Metallurgical Mining	417.5	287.8	129.7	45 %

Australian Thermal Mining	267.4	239.2	28.2	12 %
Trading and Brokerage	10.0	5.2	4.8	92 %
Corporate and Other	(44.1)	40.4	(84.5)	(209)%
Total revenues	$1,309.4	$1,258.3	$51.1	4 %

Table of Contents

Six Month Comparison	Successor		Predecessor	Combined	(Decrease) Increase to Revenues	
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017	$	%
	(Dollars in millions)					
Powder River Basin Mining	$710.8	$365.4	$ 394.3	$ 759.7	$(48.9)	(6)%
Midwestern U.S. Mining	399.2	194.9	193.2	388.1	11.1	3 %
Western U.S. Mining	283.3	125.4	149.7	275.1	8.2	3 %
Australian Metallurgical Mining	883.7	287.8	328.9	616.7	267.0	43 %
Australian Thermal Mining	468.8	239.2	224.8	464.0	4.8	1 %
Trading and Brokerage	30.1	5.2	15.0	20.2	9.9	49 %
Corporate and Other	(3.8)	40.4	20.3	60.7	(64.5)	(106)%
Total revenues	$2,772.1	$1,258.3	$ 1,326.2	$ 2,584.5	$187.6	7 %

Powder River Basin Mining. Segment revenues decreased during the three and six months ended June 30, 2018 compared to the same periods in the prior year due to lower realized coal pricing (three months, $12.6 million; six months, $35.2 million) and demand-based volume decreases (three months, 2.3 million tons, $31.3 million; six months, 0.9 million tons, $13.7 million) which were impacted by decreased natural gas pricing.

Midwestern U.S. Mining. Segment revenues increased during the three and six months ended June 30, 2018 compared to the same periods in the prior year due to favorable volume and mix variances (three months, $4.6 million; six months, $13.7 million), which were slightly offset by lower realized coal pricing (three months, $2.0 million; six months, $2.6 million).

Western U.S. Mining. Segment revenues increased during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to favorable volume and mix variances. Segment revenues increased during the six months ended June 30, 2018 compared to the same period in the prior year due to favorable volume and mix variances ($24.4 million), offset by lower realized coal pricing ($6.9 million) and lower liquidated damages received ($9.3 million).

Australian Metallurgical Mining. Segment revenues increased significantly during the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily due to favorable volume variances (three months, 0.9 million tons, $117.2 million; six months, 1.7 million tons, $262.8 million) resulting from the unfavorable 2017 impacts of Cyclone Debbie and an extended longwall move at our Metropolitan Mine.

Australian Thermal Mining. Segment revenues increased during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to improved realized coal pricing ($24.9 million) related to higher spot pricing and favorable volume and mix variances ($3.3 million). Segment revenues increased slightly during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to improved realized coal pricing ($54.8 million).This increase was offset by an unfavorable volume and mix variance ($50.0 million) which was primarily attributable to longwall production issues at our Wambo Mine.

Trading and Brokerage. Segment revenues increased during the three and six months ended June 30, 2018 compared to the same periods in the prior year due to increased prices and increased physical volumes shipped.

Corporate and Other. Segment revenues decreased during the three and six months ended June 30, 2018 compared to the same periods in the prior year due to unrealized losses on economic hedges (three months, $57.5 million; six months, $35.5 million) and the prior year receipt of break fees (three and six months, $28.0 million) related to terminated asset sales which are further described in Note 15. “Other Events” of the accompanying unaudited condensed consolidated financial statements.

Table of Contents

Adjusted EBITDA

The following tables present Adjusted EBITDA for each of our reporting segments:

Three Month Comparison	Successor		(Decrease) Increase to Segment Adjusted EBITDA	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	$	%
	(Dollars in millions)			
Powder River Basin Mining	$62.0	$84.8	$(22.8)	(27)%
Midwestern U.S. Mining	42.0	46.5	(4.5)	(10)%
Western U.S. Mining	33.9	44.9	(11.0)	(24)%
Australian Metallurgical Mining	158.5	71.9	86.6	120 %
Australian Thermal Mining	107.6	105.9	1.7	2 %
Trading and Brokerage	3.1	(5.1)	8.2	161 %
Corporate and Other	(37.5)	(31.1)	(6.4)	(21)%
Adjusted EBITDA [1]	$369.6	$317.8	$51.8	16 %

(1) This is a financial measure not recognized in accordance with U.S. GAAP. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Six Month Comparison	Successor		Predecessor	Combined	(Decrease) Increase to Segment Adjusted EBITDA	
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017	$	%
	(Dollars in millions)					
Powder River Basin Mining	$136.5	$84.8	$ 91.7	$ 176.5	$(40.0)	(23)%
Midwestern U.S. Mining	73.2	46.5	50.0	96.5	(23.3)	(24)%
Western U.S. Mining	65.9	44.9	50.0	94.9	(29.0)	(31)%
Australian Metallurgical Mining	324.9	71.9	109.6	181.5	143.4	79 %
Australian Thermal Mining	169.2	105.9	75.6	181.5	(12.3)	(7)%
Trading and Brokerage	4.3	(5.1)	8.8	3.7	0.6	16 %
Corporate and Other	(40.5)	(31.1)	(44.4)	(75.5)	35.0	46 %
Adjusted EBITDA [1]	$733.5	$317.8	$ 341.3	$ 659.1	$74.4	11 %

(1) This is a financial measure not recognized in accordance with U.S. GAAP. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Powder River Basin Mining. Segment Adjusted EBITDA decreased during the three months ended June 30, 2018 compared to the same period in the prior year due to lower sales sales volumes primarily at our North Antelope Rochelle Mine and Rawhide Mine ($13.7 million), lower realized coal pricing, net of sales-related costs ($11.8

million) and increased pricing for fuel and explosives ($6.9 million). This decrease was partially offset by lower materials, services and repairs costs ($10.6 million). Segment Adjusted EBITDA decreased during the six months ended June 30, 2018 compared to the same period in the prior year due to lower realized coal pricing, net of sales-related costs ($28.0 million) and increased pricing for fuel and explosives ($10.7 million).

Midwestern U.S. Mining. Segment Adjusted EBITDA decreased during the three and six months ended June 30, 2018 compared to the same periods in the prior year as the result of higher materials, services and repairs costs (three months, $5.3 million; six months, $10.7 million), increased pricing for fuel and explosives (three months, $5.0 million; six months, $8.0 million) and increased labor costs (three months, $1.8 million; six months, $7.8 million), partially offset by the favorable impact of mine sequencing (three months, $5.4 million; six months, $9.1 million).

Table of Contents

Western U.S. Mining. Segment Adjusted EBITDA decreased during the three months ended June 30, 2018 compared to the same period in the prior year primarily due to the unfavorable impact of mine sequencing ($20.1 million) at our Kayenta Mine and El Segundo Mine, partially offset by decreased labor costs ($3.8 million) and increased sales volumes ($3.5 million). Segment Adjusted EBITDA decreased during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to the unfavorable impact of mine sequencing ($15.7 million) primarily at our Kayenta Mine, higher materials, services and repairs costs ($9.9 million), lower realized coal pricing, net of sales related costs ($7.9 million) and lower liquidated damages received ($7.5 million), partially offset by increased sales volumes ($7.2 million) and decreased labor costs ($4.2 million).

Australian Metallurgical Mining. Segment Adjusted EBITDA increased during the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily due to favorable volume variances (three months, $36.6 million; six months, $105.7 million) resulting from increased sales volumes across the platform due to the impact of Cyclone Debbie and an extended longwall move during the prior year periods and favorable production costs (three months, $51.6 million; six months, $50.1 million) due to an extended longwall move at our Metropolitan Mine in the prior year and the current year winding-down of operations at our Millennium Mine.

Australian Thermal Mining. Segment Adjusted EBITDA increased during the three months ended June 30, 2018 as compared to the same period in the prior year due to improved realized coal pricing, net of sales-related costs ($22.9 million), partially offset by the unfavorable impact of mine sequencing at our Wilpinjong Mine ($16.2 million). Segment Adjusted EBITDA decreased during the six months ended June 30, 2018 compared to the same period in the prior year primarily due to geologic and longwall production issues at our Wambo Mine which contributed to an unfavorable volume and mix variance ($50.0 million) and unfavorable production costs ($19.9 million), offset by improved realized coal pricing, net of sales-related costs ($50.5 million).

Trading and Brokerage. Segment Adjusted EBITDA increased during the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily due to improved pricing and market and business opportunities recognized, partially offset by losses recorded in the current period on forward financial hedging as relevant pricing decreased.

Corporate and Other Adjusted EBITDA. The following tables present a summary of the components of Corporate and Other Adjusted EBITDA:

Three Month Comparison	Successor		(Decrease) Increase to Adjusted EBITDA	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	$	%
	(Dollars in millions)			
Resource management activities [1]	$0.7	$1.2	$(0.5)	(42)%
Selling and administrative expenses	(44.1)	(34.7)	(9.4)	(27)%
Corporate hedging	(2.3)	(0.4)	(1.9)	(475)%
Other items, net [2]	8.2	2.8	5.4	193 %
Corporate and Other Adjusted EBITDA	$(37.5)	$(31.1)	$(6.4)	(21)%

(1) Includes gains (losses) on certain surplus coal reserve and surface land sales and property management costs and revenues.

(2) Includes results from equity affiliates (before the impact of related changes in deferred tax asset valuation allowance and amortization of basis difference), costs associated with past mining activities, certain coal royalty expenses, gains (losses) on certain asset disposals, minimum charges on certain transportation-related contracts and expenses related to our other commercial activities.

Table of Contents

Six Month Comparison	Successor		Predecessor	Combined	Increase (Decrease) to Adjusted EBITDA	
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017	$	%
	(Dollars in millions)					
Resource management activities [1]	$21.5	$1.2	$2.9	$4.1	$17.4	424 %
Selling and administrative expenses	(81.1)	(34.7)	(36.3)	(71.0)	(10.1)	(14)%
Corporate hedging	(4.7)	(0.4)	(27.6)	(28.0)	23.3	83 %
Gain on sale of interest in Dominion Terminal Associates	—	—	19.7	19.7	(19.7)	(100)%
Other items, net [2]	23.8	2.8	(3.1)	(0.3)	24.1	8,033 %
Corporate and Other Adjusted EBITDA	$(40.5)	$(31.1)	$(44.4)	$(75.5)	$35.0	46 %

(1) Includes gains (losses) on certain surplus coal reserve and surface land sales and property management costs and revenues.

(2) Includes results from equity affiliates (before the impact of related changes in deferred tax asset valuation allowance and amortization of basis difference), costs associated with past mining activities, certain coal royalty expenses, gains (losses) on certain asset disposals, minimum charges on certain transportation-related contracts and expenses related to our other commercial activities.

During the three months ended June 30, 2018, Corporate and Other Adjusted EBITDA was unfavorably impacted as compared to the same period in the prior year by increased selling and administrative expenses primarily related to project work around the industry and our portfolio. This decrease was partially offset by increases in “Other items, net” related to improved Middlemount results driven by higher pricing and sales volumes ($5.4 million).

During the six months ended June 30, 2018, the increase associated with “Other items, net” was attributable to improved Middlemount results as compared to the prior year driven by higher pricing and sales volumes ($9.2 million), a gain recognized on the sale of our interest in the Red Mountain Joint Venture ($7.1 million) and the impact of the accounting policy election made in connection with fresh start reporting to prospectively record amounts attributable to prior service cost and actuarial valuation changes in earnings rather than accumulated other comprehensive income and amortizing to expense ($7.1 million). The increase associated with corporate hedging results, which includes foreign currency and commodity hedging, was due to a decrease in realized losses as compared to the same period in the prior year. The increase in resource management activities was primarily due to a $20.6 million gain recorded in connection with the sale of certain surplus land assets in Queensland’s Bowen Basin during the first quarter of 2018. During the first quarter of 2017, a $19.7 million gain was recorded in connection with the sale of our interest in Dominion Terminal Associates.

Table of Contents

Income (Loss) From Continuing Operations, Net of Income Taxes

The following tables present income (loss) from continuing operations, net of income taxes:

Three Month Comparison	Successor		Predecessor	Combined	Increase (Decrease) to Income	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Three Months Ended June 30, 2017	$	%
	(Dollars in millions)					
Adjusted EBITDA [1]	$369.6	$317.8	$ —	$317.8	$51.8	16 %
Depreciation, depletion and amortization	(163.9)	(148.3)	—	(148.3)	(15.6)	(11)%
Asset retirement obligation expenses	(13.2)	(11.0)	—	(11.0)	(2.2)	(20)%
Changes in deferred tax asset valuation allowance and amortization of basis difference related to equity affiliates	8.4	4.3	—	4.3	4.1	95 %
Interest expense	(38.3)	(41.4)	—	(41.4)	3.1	7 %
Loss on early debt extinguishment	(2.0)	—	—	—	(2.0)	n.m.
Interest income	7.0	1.5	—	1.5	5.5	367 %
Reorganization items, net	—	—	(585.8)	(585.8)	585.8	100 %
Break fees related to terminated asset sales	—	28.0	—	28.0	(28.0)	(100)%
Unrealized (losses) gains on economic hedges	(48.1)	9.4	—	9.4	(57.5)	(612)%
Unrealized gains on non-coal trading derivative contracts	0.1	3.2	—	3.2	(3.1)	(97)%
Coal inventory revaluation	—	(67.3)	—	(67.3)	67.3	100 %
Take-or-pay contract-based intangible recognition	7.8	9.9	—	9.9	(2.1)	(21)%
Income tax (provision) benefit	(7.4)	(4.7)	266.0	261.3	(268.7)	(103)%
Income (loss) from continuing operations, net of income taxes	$120.0	$101.4	$ (319.8)	$(218.4)	$338.4	155 %

[1] This is a financial measure not recognized in accordance with U.S. GAAP. Refer to the “Reconciliation of Non-GAAP Financial Measures” section below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Table of Contents

Six Month Comparison	Successor		Predecessor	Combined
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017
	(Dollars in millions)			
Adjusted EBITDA [1]	$733.5	$317.8	$341.3	$659.1
Depreciation, depletion and amortization	(333.5)	(148.3)	(119.9)	(268.2)
Asset retirement obligation expenses	(25.5)	(11.0)	(14.6)	(25.6)
Asset impairment	—	—	(30.5)	(30.5)
Changes in deferred tax asset valuation allowance and amortization of basis difference related to equity affiliates	16.0	4.3	5.2	9.5
Interest expense	(74.6)	(41.4)	(32.9)	(74.3)
Loss on early debt extinguishment	(2.0)	—	—	—
Interest income	14.2	1.5	2.7	4.2
Reorganization items, net	12.8	—	(627.2)	(627.2)
Break fees related to terminated asset sales	—	28.0	—	28.0
Unrealized (losses) gains on economic hedges	(9.5)	9.4	16.6	26.0
Unrealized (losses) gains on non-coal trading derivative contracts	(1.7)	3.2	—	3.2
Coal inventory revaluation	—	(67.3)	—	(67.3)
Take-or-pay contract-based intangible recognition	16.1	9.9	—	9.9
Income tax (provision) benefit	(17.5)	(4.7)	263.8	259.1
Income (loss) from continuing operations, net of income taxes	$328.3	$101.4	$(195.5)	$(94.1)

[1] This is a financial measure not recognized in accordance with U.S. GAAP. Refer to the “Reconciliation of Non-GAAP Financial Measures” section below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Depreciation, Depletion and Amortization. The following tables present a summary of depreciation, depletion and amortization expense by segment:

Three Month Comparison	Successor		(Decrease) Increase to Income	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	$	%
	(Dollars in millions)			
Powder River Basin Mining	$(45.2)	$(38.2)	$(7.0)	(18)%
Midwestern U.S. Mining	(25.9)	(35.3)	9.4	27 %
Western U.S. Mining	(33.6)	(24.8)	(8.8)	(35)%
Australian Metallurgical Mining	(33.6)	(27.2)	(6.4)	(24)%
Australian Thermal Mining	(23.5)	(19.8)	(3.7)	(19)%
Corporate and Other	(2.1)	(3.0)	0.9	30 %
Total	$(163.9)	$(148.3)	$(15.6)	(11)%

Table of Contents

Six Month Comparison	Successor		Predecessor
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)		
Powder River Basin Mining	$(96.2)	$(38.2)	$ (32.0)
Midwestern U.S. Mining	(55.8)	(35.3)	(13.3)
Western U.S. Mining	(68.9)	(24.8)	(23.6)
Australian Metallurgical Mining	(64.9)	(27.2)	(20.6)
Australian Thermal Mining	(42.5)	(19.8)	(24.0)
Trading and Brokerage	(0.1)	—	—
Corporate and Other	(5.1)	(3.0)	(6.4)
Total	$(333.5)	$(148.3)	$ (119.9)

Additionally, the following table presents a summary of our weighted-average depletion rate per ton for active mines in each of our mining segments:

	Successor		Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
Powder River Basin Mining	$0.81	$ 0.83	$0.81	$ 0.83	$ 0.69
Midwestern U.S. Mining	0.86	0.75	0.86	0.75	0.61
Western U.S. Mining	2.17	1.06	2.31	1.06	4.30
Australian Metallurgical Mining	1.31	0.76	1.00	0.76	4.72
Australian Thermal Mining	1.93	1.72	1.86	1.72	2.62

Depreciation, depletion and amortization expense increased during the three months ended June 30, 2018 as compared to the same period in the prior year primarily due to higher depletion driven by higher sales volumes across the Australian platform and increased depreciation across the organization due to capital expenditures made since the Effective Date. These increases were offset by lower amortization of the fair value of certain U.S. coal supply agreements.

Depreciation, depletion and amortization expense for the six months ended June 30, 2018 includes depreciation expense ($131.2 million), depletion expense ($94.3 million), amortization of the fair value of certain U.S. coal supply agreements ($54.4 million) and amortization associated with our asset retirement obligation assets ($36.3 million). Depreciation, depletion and amortization expense for the period January 1 through April 1, 2017 included depletion expense ($62.0 million) and depreciation expense ($48.2 million).

Asset Impairment. Refer to Note 15. “Other Events” in the accompanying unaudited condensed consolidated financial statements for information surrounding the impairment charges recorded during period January 1 through April 1, 2017.

Interest Expense. Interest expense decreased for the three months ended June 30, 2018, primarily due to lower expense for the Senior Secured Term Loan due 2025 as the result of principal prepayments and refinancing ($7.2 million), partially offset by increased expenses for surety bonds and letters of credit ($3.4 million).

Interest expense for the six months ended June 30, 2018 primarily related to the 6.000% Senior Secured Notes due March 2022, the 6.375% Senior Secured Notes due March 2025 and the Senior Secured Term Loan due 2025 ($49.7

million). For additional details on debt, refer to Note 12. “Long-term Debt” to the accompanying unaudited condensed consolidated financial statements. The remainder of the interest expense ($24.9 million) for the six months ended June 30, 2018 related to the new surety program, additional letters of credit issued under the revolver and fees for the accounts receivable securitization program.

Interest expense for the period January 1 through April 1, 2017 was impacted by our filing of the Bankruptcy Petitions, which resulted in only accruing adequate protection payments subsequent to the Petition Date to certain secured lenders and other parties in accordance with Section 502(b)(2) of the Bankruptcy Code.

Loss on Early Debt Extinguishment. The loss on early debt extinguishment recorded during the three and six months ended June 30, 2018, related to the amendment of the Senior Secured Term Loan due 2025 as described in Note 12. “Long-term Debt” to the accompanying unaudited condensed consolidated financial statements.

Table of Contents

Interest Income. The increase in interest income for the three months ended June 30, 2018, was driven by higher cash balances and the Company's adoption of ASC Topic 606, "Revenue from Contracts with Customers" (ASC 606) on January 1, 2018. As a result of the adoption, the Company is prospectively required to recognize a portion of consideration received for the reimbursement of certain post-mining costs as interest income rather than revenue, due to the embedded financing element within the related contract. For additional details on the adoption of ASC 606, refer to Note 2. "Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented" and Note 3. "Revenue Recognition" to the accompanying unaudited condensed consolidated financial statements.
Interest income for the six months ended June 30, 2018 was impacted by the same drivers as discussed above.
Reorganization Items, Net. The reorganization items recorded during the six months ended June 30, 2018 were impacted by a favorable adjustment of the bankruptcy claims accrual. The reorganization items recorded during the period January 1 through April 1, 2017 reflected the impact of the Plan provisions and the application of fresh start reporting and other expenses recorded in connection with our Chapter 11 Cases. Refer to Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and Note 1. "Basis of Presentation" to the accompanying unaudited condensed consolidated financial statements for further information regarding our reorganization items.
Break Fees Related to Terminated Asset Sales. During the period April 2 through June 30, 2017 we received break fees of $28.0 million related to terminated asset sales which are further described in Note 15. "Other Events" of the accompanying unaudited condensed consolidated financial statements.
Unrealized (Losses) Gains on Economic Hedges. Unrealized (losses) gains primarily relate to mark-to-market activity from financial contract hedge activities intended to secure pricing related to certain coal sales contracts. For additional information, refer to Note 3. "Revenue Recognition" to the accompanying unaudited condensed consolidated financial statements.
Coal Inventory Revaluation. As a part of the fresh start reporting adjustments, the book value of coal inventories was increased to reflect the estimated fair value, less costs to sell the inventories. During the period April 2 through June 30, 2017, this adjustment was fully amortized as the inventory was sold. For additional details, refer to Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.
Take-or-Pay Contract-Based Intangible Recognition. Included in the fresh start reporting adjustments were contract-based intangible liabilities for port and rail take-or-pay contracts. During the three and six months ended June 30, 2018 and the period April 2 through June 30, 2017 the Company has ratably recognized these contract-based intangible liabilities. For additional details, refer to Note 2. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and Note 8. "Intangible Contract Assets and Liabilities" to the accompanying unaudited condensed consolidated financial statements.
Income Tax (Provision) Benefit. The income tax provision recorded for the three and six months ended June 30, 2018 and the period April 2 through June 30, 2017, was computed using the annual effective tax rate method and was comprised primarily of the expected statutory tax expense offset by foreign rate differential and changes in valuation allowance.
The income tax benefit recorded for the periods April 1, 2017 and January 1 through April 1, 2017, was primarily comprised of benefits related to Predecessor deferred tax liabilities ($177.8 million), accumulated other comprehensive income ($81.5 million) and unrecognized tax benefits ($6.7 million).
Refer to Note 11. "Income Taxes" in the accompanying unaudited condensed consolidated financial statements for additional information.

Table of Contents

Net Income (Loss) Attributable to Common Stockholders

The following table presents net income (loss) attributable to common stockholders:

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)					
Income (loss) from continuing operations, net of income taxes	$120.0	$101.4	$ (319.8)	$328.3	$101.4	$ (195.5)
Loss from discontinued operations, net of income taxes	(3.6)	(2.7)	(12.1)	(4.9)	(2.7)	(16.2)
Net income (loss)	116.4	98.7	(331.9)	323.4	98.7	(211.7)
Less: Series A Convertible Preferred Stock dividends	—	115.1	—	102.5	115.1	—
Less: Net income attributable to noncontrolling interests	2.7	3.8	—	0.6	3.8	4.8
Net income (loss) attributable to common stockholders	$113.7	$(20.2)	$ (331.9)	$220.3	$(20.2)	$ (216.5)

Loss from Discontinued Operations, Net of Income Taxes. The loss from discontinued operations for the periods April 1, 2017 and January 1 through April 1, 2017, primarily consisted of fresh start tax adjustments ($12.1 million) as discussed in Note 2. “Emergence from the Chapter 11 Cases and Fresh Start Reporting” in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Series A Convertible Preferred Stock Dividends. The Series A Convertible Preferred Stock dividends for the six months ended June 30, 2018 were comprised of the deemed dividends granted for all remaining Preferred Stock shares that were converted as of January 31, 2018. The Series A Convertible Preferred Stock dividends for the period April 2 through June 30, 2017 were comprised of the deemed dividends ($112.0 million) granted for the Preferred Stock shares that were converted during the period and the first semi-annual payment of preferred dividends ($3.1 million) which was pro-rated for the period of April 3 through April 30, 2017.

Diluted EPS

The following table presents diluted EPS:

	Successor		Predecessor	Successor		Predecessor
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
Diluted EPS attributable to common stockholders:						
Income (loss) from continuing operations	$0.93	$(0.18)	$ (17.44)	$1.76	$(0.18)	$ (10.93)
Loss from discontinued operations	(0.03)	(0.03)	(0.66)	(0.04)	(0.03)	(0.88)
Net income (loss) attributable to common stockholders	$0.90	$(0.21)	$ (18.10)	$1.72	$(0.21)	$ (11.81)

Diluted EPS is commensurate with the changes in results from continuing operations and discontinued operations during that period. Diluted EPS reflects weighted average diluted common shares outstanding of 126.0 million and 124.6 million for the three and six months ended June 30, 2018, respectively, 96.8 million for the period April 2 through June 30, 2017, and 18.3 million for the periods April 1, 2017 and January 1 through April 1, 2017, respectively.

Table of Contents

Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA is defined as income (loss) from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expenses, depreciation, depletion and amortization and reorganization items, net. Adjusted EBITDA is also adjusted for the discrete items that management excluded in analyzing each of our segment's operating performance, as displayed in the reconciliation below.

Three Month Comparison	Successor		Predecessor	Combined
	Three Months Ended June 30, 2018	April 2 through June 30, 2017	April 1, 2017	Three Months Ended June 30, 2017
	(Dollars in millions)			
Income (loss) from continuing operations, net of income taxes	$120.0	$101.4	$(319.8)	$(218.4)
Depreciation, depletion and amortization	163.9	148.3	—	148.3
Asset retirement obligation expenses	13.2	11.0	—	11.0
Changes in deferred tax asset valuation allowance and amortization of basis difference related to equity affiliates	(8.4)	(4.3)	—	(4.3)
Interest expense	38.3	41.4	—	41.4
Loss on early debt extinguishment	2.0	—	—	—
Interest income	(7.0)	(1.5)	—	(1.5)
Reorganization items, net	—	—	585.8	585.8
Break fees related to terminated asset sales	—	(28.0)	—	(28.0)
Unrealized losses (gains) on economic hedges	48.1	(9.4)	—	(9.4)
Unrealized gains on non-coal trading derivative contracts	(0.1)	(3.2)	—	(3.2)
Coal inventory revaluation	—	67.3	—	67.3
Take-or-pay contract-based intangible recognition	(7.8)	(9.9)	—	(9.9)
Income tax provision (benefit)	7.4	4.7	(266.0)	(261.3)
Total Adjusted EBITDA	$369.6	$317.8	$—	$317.8

Six Month Comparison	Successor		Predecessor	Combined
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017
	(Dollars in millions)			
Income (loss) from continuing operations, net of income taxes	$328.3	$101.4	$(195.5)	$(94.1)
Depreciation, depletion and amortization	333.5	148.3	119.9	268.2
Asset retirement obligation expenses	25.5	11.0	14.6	25.6
Asset impairment	—	—	30.5	30.5
Changes in deferred tax asset valuation allowance and amortization of basis difference related to equity affiliates	(16.0)	(4.3)	(5.2)	(9.5)
Interest expense	74.6	41.4	32.9	74.3
Loss on early debt extinguishment	2.0	—	—	—
Interest income	(14.2)	(1.5)	(2.7)	(4.2)
Reorganization items, net	(12.8)	—	627.2	627.2
Break fees related to terminated asset sales	—	(28.0)	—	(28.0)
Unrealized losses (gains) on economic hedges	9.5	(9.4)	(16.6)	(26.0)

Unrealized losses (gains) on non-coal trading derivative contracts	1.7	(3.2)	—	(3.2)
Coal inventory revaluation	—	67.3	—	67.3
Take-or-pay contract-based intangible recognition	(16.1)	(9.9)	—	(9.9)
Income tax provision (benefit)	17.5	4.7	(263.8)	(259.1)
Total Adjusted EBITDA	$733.5	$317.8	$ 341.3	$ 659.1

Table of Contents

Revenues per Ton and Adjusted EBITDA Margin per Ton are equal to revenues by segment and Adjusted EBITDA by segment, respectively, divided by segment tons sold. Costs per Ton is equal to Revenues per Ton less Adjusted EBITDA Margin per Ton, and are reconciled to operating costs and expenses as follows:

Three Month Comparison	Successor	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017
	(Dollars in millions)	
Operating costs and expenses	$946.5	$927.9
Break fees related to terminated asset sales	—	28.0
Unrealized gains on non-coal trading derivative contracts	0.1	3.2
Coal inventory revaluation	—	(67.3)
Take-or-pay contract-based intangible recognition	7.8	9.9
Net periodic benefit costs, excluding service cost	4.6	6.6
Total Reporting Segment Costs	$959.0	$908.3

Six Month Comparison	Successor		Predecessor	Combined
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017
	(Dollars in millions)			
Operating costs and expenses	$2,003.7	$927.9	$ 950.2	$1,878.1
Break fees related to terminated asset sales	—	28.0	—	28.0
Unrealized (losses) gains on non-coal trading derivative contracts	(1.7)	3.2	—	3.2
Coal inventory revaluation	—	(67.3)	—	(67.3)
Take-or-pay contract-based intangible recognition	16.1	9.9	—	9.9
Net periodic benefit costs, excluding service cost	9.1	6.6	14.4	21.0
Total Reporting Segment Costs	$2,027.2	$908.3	$ 964.6	$1,872.9

The following tables present Reporting Segment Costs by reporting segment:

Three Month Comparison	Successor	
	Three Months Ended June 30, 2018	April 2 through June 30, 2017
	(Dollars in millions)	
Powder River Basin Mining	$259.5	$ 280.6
Midwestern U.S. Mining	155.5	148.4
Western U.S. Mining	105.7	80.5
Australian Metallurgical Mining	259.0	215.9

Australian Thermal Mining	159.8	133.3
Trading and Brokerage	6.9	10.3
Corporate and Other	12.6	39.3
Total Reporting Segment Costs	$959.0	$ 908.3

Table of Contents

Six Month Comparison	Successor		Predecessor	Combined
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2017
	(Dollars in millions)			
Powder River Basin Mining	$574.3	$ 280.6	$ 302.6	$ 583.2
Midwestern U.S. Mining	326.0	148.4	143.2	291.6
Western U.S. Mining	217.4	80.5	99.7	180.2
Australian Metallurgical Mining	558.8	215.9	219.3	435.2
Australian Thermal Mining	299.6	133.3	149.2	282.5
Trading and Brokerage	25.8	10.3	6.2	16.5
Corporate and Other	25.3	39.3	44.4	83.7
Total Reporting Segment Costs	$2,027.2	$ 908.3	$ 964.6	$ 1,872.9

The following tables present revenues, Reporting Segment Costs, Adjusted EBITDA and tons sold by mining segment:

Three Month Comparison	Successor				
	Three Months Ended June 30, 2018				
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining
	(Amounts in millions, except per ton data)				
Revenues	$321.5	$ 197.5	$ 139.6	$ 417.5	$ 267.4
Reporting Segment Costs	259.5	155.5	105.7	259.0	159.8
Adjusted EBITDA	62.0	42.0	33.9	158.5	107.6
Tons sold	26.2	4.7	3.5	2.9	5.0
Revenues per Ton	$12.24	$ 42.12	$ 39.87	$ 143.98	$ 53.68
Costs per Ton	9.88	33.16	30.21	89.37	32.05
Adjusted EBITDA Margin per Ton	2.36	8.96	9.66	54.61	21.63

	Successor				
	April 2 through June 30, 2017				
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining
	(Amounts in millions, except per ton data)				
Revenues	$365.4	$ 194.9	$ 125.4	287.8	$ 239.2
Reporting Segment Costs	280.6	148.4	80.5	215.9	133.3
Adjusted EBITDA	84.8	46.5	44.9	71.9	105.9
Tons sold	28.5	4.6	3.2	2.0	4.6
Revenues per Ton	$12.84	$ 42.62	$ 38.91	$ 145.31	$ 51.52
Costs per Ton	9.86	32.45	24.98	109.07	28.67
Adjusted EBITDA Margin per Ton	2.98	10.17	13.93	36.24	22.85

Table of Contents

Six Month Comparison	Successor				
	Six Months Ended June 30, 2018				
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining
	(Amounts in millions, except per ton data)				
Revenues	$710.8	$ 399.2	$ 283.3	$ 883.7	$ 468.8
Reporting Segment Costs	574.3	326.0	217.4	558.8	299.6
Adjusted EBITDA	136.5	73.2	65.9	324.9	169.2
Tons sold	58.6	9.4	7.2	5.9	8.8
Revenues per Ton	$12.12	42.39	$ 39.40	$ 148.58	53.57
Costs per Ton	9.79	34.61	30.24	93.96	34.23
Adjusted EBITDA Margin per Ton	2.33	7.78	9.16	54.62	19.34
	Successor				
	April 2 through June 30, 2017				
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining
	(Amounts in millions, except per ton data)				
Revenues	$365.4	$ 194.9	$ 125.4	287.8	$ 239.2
Reporting Segment Costs	280.6	148.4	80.5	215.9	133.3
Adjusted EBITDA	84.8	46.5	44.9	71.9	105.9
Tons sold	28.5	4.6	3.2	2.0	4.6
Revenues per Ton	$12.84	$ 42.62	$ 38.91	$ 145.31	$ 51.52
Costs per Ton	9.86	32.45	24.98	109.07	28.67
Adjusted EBITDA Margin per Ton	2.98	10.17	13.93	36.24	22.85
	Predecessor				
	January 1 through April 1, 2017				
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining
	(Amounts in millions, except per ton data)				
Revenues	$394.3	$ 193.2	$ 149.7	328.9	$ 224.8
Reporting Segment Costs	302.6	143.2	99.7	219.3	149.2
Adjusted EBITDA	91.7	50.0	50.0	109.6	75.6
Tons sold	31.0	4.5	3.4	2.2	4.6
Revenues per Ton	$12.70	$ 42.96	$ 44.68	$ 150.22	$ 48.65
Costs per Ton	9.75	31.84	29.76	100.16	32.27
Adjusted EBITDA Margin per Ton	2.95	11.12	14.92	50.06	16.38

Table of Contents

	Combined Six Months Ended June 30, 2017				
	Powder River Basin Mining	Midwestern U.S. Mining	Western U.S. Mining	Australian Metallurgical Mining	Australian Thermal Mining
	(Amounts in millions, except per ton data)				
Revenues	$759.7	$ 388.1	$ 275.1	616.7	$ 464.0
Reporting Segment Costs	583.2	291.6	180.2	435.2	282.5
Adjusted EBITDA	176.5	96.5	94.9	181.5	181.5
Tons sold	59.5	9.1	6.6	4.2	9.2
Revenues per Ton	$12.77	$ 42.79	$ 41.85	$ 147.95	$ 50.09
Costs per Ton	9.80	32.15	27.41	104.39	30.49
Adjusted EBITDA Margin per Ton	2.97	10.64	14.44	43.56	19.60

Free Cash Flow is defined as net cash provided by operating activities less net cash used in investing activities. See the table below for a reconciliation of Free Cash Flow to its most comparable measure under U.S. GAAP.

Six Month Comparison	Successor		Predecessor
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017
	(Dollars in millions)		
Net cash provided by (used in) operating activities	$915.4	$ 65.7	$ (813.0)
Net cash (used in) provided by investing activities	(18.0)	(18.5)	15.1
Free Cash Flow	$897.4	$ 47.2	$ (797.9)

Outlook

As part of its normal planning and forecasting process, Peabody utilizes a broad approach to develop macroeconomic assumptions for key variables, including country-level gross domestic product, industrial production, fixed asset investment and third-party inputs, driving detailed supply and demand projections for key demand centers for coal, electricity generation and steel. Specific to the U.S., the Company evaluates individual plant needs, including expected retirements, on a plant by plant basis in developing its demand models. Supply models and cost curves concentrate on major supply regions/countries that impact the regions in which the Company operates.

Our estimates involve risks and uncertainties and are subject to change based on various factors as described more fully in the “Cautionary Notice Regarding Forward-Looking Statements” section contained within this Item 2.

Our near-term outlook is intended to coincide with the next 12 to 24 months, with subsequent periods addressed in our long-term outlook.

Near-Term Outlook

Seaborne Thermal Coal. Chinese thermal coal imports rose approximately 20%, or 19 million tonnes, through June 30, 2018, compared to the prior year on sturdy industrial activity and an approximately 8% increase in thermal coal power generation driven by favorable weather conditions. In addition, domestic coal production has been unable to keep pace with the increased power generation and industrial demands, along with customer restocking.

India’s domestic coal production has also been unable to keep pace with growing electricity demand, resulting in an increase of approximately 13%, or 9 million tonnes, in thermal coal imports through June 30, 2018, compared to the prior year. Coal inventories at India’s power plants remain below targeted levels, further supporting the need for additional thermal coal imports.

In addition, the Association of Southeast Asian Nations (ASEAN) imports increased compared to the prior year on continued urbanization and general economic growth. Peabody expects this trend to continue as 56 gigawatts of new coal plants in 24 countries worldwide are expected to come online in 2018. The majority of new plants are located in the Asia-Pacific region, with additional plants announced in a number of other countries anticipated to come online in future years.

Table of Contents

Through May 31, 2018, Australian exports have remained essentially flat, with Indonesia and U.S. thermal coal exports increasing approximately 18 million tonnes and 8 million tonnes, respectively, supporting ongoing strength in seaborne pricing. Annual contracts under Japanese Reference Pricing terms were recently reported as settled in July at $110 per tonne.

Seaborne Metallurgical Coal. Global steel production remains solid, rising 5% year-to-date through June 30, 2018, with June output increasing approximately 6% from the prior year per World Steel Association. In addition, Chinese steel production reached its highest ever monthly output of approximately 81 million tonnes in May, putting China's share of global steel production at approximately 53%. Chinese steel production in June fell slightly from the high in May, to approximately 80 million tonnes.

Despite continued strength in Chinese steel production, metallurgical coal imports declined approximately 7 million tonnes year-to-date through June 30, 2018, compared to the prior year primarily due to increased reliance on domestic supplies and greater scrap steel usage. However, as expected, India continues to lead the growth in metallurgical coal demand, with imports increasing approximately 16% through June 30, 2018 compared to the prior year driven by a 5% increase in steel production.

Australian exports rebounded from the prior year effects of Cyclone Debbie, increasing approximately 6 million tonnes through May compared to the prior year.

Compared to the prior year, second quarter 2018 seaborne hard coking coal spot pricing remained steady at an average price of approximately $190 per tonne. The index-based settlement price for premium hard coking coal was approximately $197 per tonne compared to approximately $194 per tonne in the prior year. The spot price for premium hard coking coal was $172 per tonne at July 31, 2018. The second quarter benchmark low-vol PCI price was negotiated at $155 per tonne, with the third quarter benchmark settled at $150 per tonne. The spot price for low-vol PCI was $118.15 per tonne at July 31, 2018.

In 2018 seaborne thermal and metallurgical demand are expected to be most impacted by growth in India and ASEAN countries and changes in Chinese policy. Seaborne supply remains tight on continued logistic and operational constraints across the industry.

U.S. Thermal Coal. In the U.S., industry conditions remain challenged as utility coal consumption declined 5% from the prior year, despite a 4.5% increase in total load. Natural gas and renewable generation continued to rise, along with an increase in nuclear generation driven by the timing of refueling across nuclear plants. In addition, retirements continue to weigh on coal demand and account for an estimated 3% of the decline in year-to-date coal demand. Excluding the impact of retirements, the company estimates that U.S. coal demand declined approximately 2% through June. Powder River Basin demand decreased 5% due to ongoing pressure from retirements and regional natural gas prices which continue to trade at a discount to quoted Henry Hub prices.

While domestic demand has weakened, U.S. exports have continued to benefit from strong seaborne pricing, with exports up through May increasing 48% compared to the prior year. As a result of hearty U.S. exports and declining U.S. coal production, stockpiles have decreased from the prior year by an estimated 34 million tons as of the end of June to approximately 46 days of maximum burn.

Long-Term Outlook

There were no significant changes to our Long-term Outlook subsequent to December 31, 2017. Information regarding our Long-term Outlook is outlined in Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2017.

Regulatory Update

Other than as described in the following section, there were no significant changes to our regulatory matters subsequent to December 31, 2017. Information regarding our regulatory matters is outlined in Part I, Item 1. "Business" in our Annual Report on Form 10-K for the year ended December 31, 2017.

Regulatory Matters - U.S.

Clean Water Act (CWA). The CWA of 1972 directly impacts U.S. coal mining operations by requiring effluent limitations and treatment standards for wastewater discharge from mines through the National Pollutant Discharge

Elimination System (NPDES). Regular monitoring, reporting and performance standards are requirements of NPDES permits that govern the discharge of water from mine-related point sources into receiving waters.

Table of Contents

The U.S. Army Corps of Engineers (Corps) regulates certain activities affecting navigable waters and waters of the U.S., including wetlands. Section 404 of the CWA requires mining companies to obtain Corps permits to place material in streams for the purpose of creating slurry ponds, water impoundments, refuse areas, valley fills or other mining activities.

States are empowered to develop and apply “in stream” water quality standards. These standards are subject to change and must be approved by the United States Environmental Protection Agency (EPA). Discharges must either meet state water quality standards or be authorized through available regulatory processes such as alternate standards or variances. “In stream” standards vary from state to state. Additionally, through the CWA section 401 certification program, states have approval authority over federal permits or licenses that might result in a discharge to their waters. States consider whether the activity will comply with their water quality standards and other applicable requirements in deciding whether or not to certify the activity.

A final rule defining the scope of waters protected under the Clean Water Act (commonly called the Waters of the United States (WOTUS Rule)), was published by the EPA and the Corps in June 2015, but that rule is not currently in effect. The U.S. Court of Appeals for the Sixth Circuit stayed the 2015 Rule nationwide on October 9, 2015, and that stay remained in place until early 2018. Before the Sixth Circuit lifted its nationwide stay, EPA and the Corps finalized a rule on February 6, 2018 that amended the 2015 WOTUS Rule by specifying that the Rule does not apply until February 6, 2020. Consequently, the pre-2015 definitions of WOTUS remain in effect nationwide. EPA and the Corps are still in the process of repealing the 2015 WOTUS Rule and developing a replacement rule. The agencies proposed to repeal the 2015 Rule in July 2017, but they have not yet finalized a repeal action. Further, EPA and the Corps have indicated that they plan to propose a replacement definition of WOTUS in mid-2018. The 2015 WOTUS Rule and the recent February 2018 revision (adding an applicability date) are each the subject of numerous lawsuits in various courts. Some courts have signaled that they intend to adjudicate the merits of the 2015 Rule, though EPA and the Corps are pushing to stay such litigation. Depending on the outcome of litigation and/or rulemaking activity, the scope of CWA authority could increase, decrease, or stay the same relative to the current, pre-2015 definitions of WOTUS. An expansion of CWA authority may impact our operations in some areas by way of additional requirements.

Regulatory Matters - Australia

Occupational Health and Safety. State legislation requires us to provide and maintain a safe workplace by providing safe systems of work, safety equipment and appropriate information, instruction, training and supervision. In recognition of the specialized nature of mining and mining activities, specific occupational health and safety obligations have been mandated under state legislation specific to the coal mining industry. There are some differences in the application and detail of the laws, and mining operators, directors, officers and certain other employees are all subject to the obligations under this legislation.

A small number of coal mine workers in Queensland and New South Wales have been diagnosed with coal worker’s pneumoconiosis (CWP, also known as black lung) following decades of assumed eradication of the disease. This has led the Queensland government to sponsor review of the system of screening coal mine workers for the disease with a view to improving early detection. The Queensland government has instituted increased reporting requirements for dust monitoring results, broader coal mine worker health assessment requirements and voluntary retirement examinations for coal mine workers to be arranged by the relevant employer and further reform may follow. Peabody has undertaken a review of its practices and offered its Queensland workers the opportunity for additional CWP screening.

The Queensland government held a Parliamentary inquiry into the re-emergence of CWP in the State which included public hearings with appearances by representatives of the coal mining industry, including us, coal mine workers, the Department of Natural Resources and others. The Queensland Parliamentary Committee conducting the inquiry issued its final report on May 29, 2017. In finding that it is highly unlikely CWP was ever eradicated in Queensland, the Committee made 68 recommendations to ensure the safety and health of mine workers. These include an immediate reduction to the occupational exposure limit for respirable coal dust equivalent to 1.5mg/m^3 for coal dust and 0.05

mg/m^3 for silica and the establishment of a new and independent Mine Safety Authority to be funded by a dedicated proportion of coal and mineral royalties and overseeing the Mines Safety Inspectorate.

On August 23, 2017, the Queensland Parliament passed the Workers' Compensation and Rehabilitation (Coal Workers' Pneumoconiosis) and Other Legislation Amendment Act 2017, which amends the Workers' Compensation and Rehabilitation Act 2003 by establishing a medical examination process for retired or former coal workers with suspected CWP, introducing an additional lump sum compensation for workers with CWP, and clarifying that a worker with CWP can access further workers' compensation entitlements if they experience disease progression.

Table of Contents

On August 24, 2017, the Queensland Parliamentary Committee released a report containing a draft of the Mine Safety and Health Authority Bill 2017, which proposes to establish the Mine Safety Authority foreshadowed in the Committee's recommendations released in May 2017. The draft bill has been referred to the Parliamentary Portfolio Committee for review.

On September 7, 2017, the Queensland Parliament introduced a bill to amend legislation which, if passed, would increase civil penalties for mining companies breaching their obligations under the Coal Mining Safety and Health Act 1999. The proposed amendments contained in the Mines Legislation (Resources Safety) Amendment Bill (MLA Bill) would also give the Chief Executive of the Department of Natural Resources and Mining new powers to suspend or cancel an individual's statutory certificate of competency and issue site senior executives notices if they fail to meet their safety and health obligations. Higher levels of competency for the statutory position of ventilation officer at underground mines will also be required if the legislation is passed.

The MLA Bill lapsed on October 29, 2017 when a Queensland state election was called. However, on March 20, 2018 the MLA Bill was re-introduced to Parliament and the legislative amendments are expected to commence later in 2018.

Mining Rehabilitation (Reclamation). Mine reclamation is regulated by state specific legislation. As a condition of approval for mining operations, companies are required to progressively reclaim mined land and provide appropriate bonding to the relevant state government as a safeguard to cover the costs of reclamation in circumstances where mine operators are unable to do so. Self-bonding is not permitted. Our mines provide financial assurance to the relevant authorities which is calculated in accordance with current regulatory requirements. This financial assurance is in the form of cash, surety bonds or bank guarantees which are supported by a combination of cash collateral, deeds of indemnity and guarantee and letters of credit issued under our credit facility and accounts receivable securitization program. We operate in both the Queensland and New South Wales state jurisdictions.

On February 15, 2018, the Queensland Government re-introduced the Mineral and Energy Resources (Financial Provisioning) Bill 2018 (MERFP Bill) to Parliament, which contained proposed legislation to give effect to some of the policy reforms, including a remodeled financial assurance (FA) framework that takes into account the financial strength of the Environmental Authority holder and the risk level of the mine, a state-wide pooled FA fund covering most mines and most of the total industry liability, discontinuation of prior discounting of FA requirements, other options for providing FA for those mines that are not part of the pooled FA fund (for example, allowing insurance bonds or cash), updated rehabilitation cost calculations, and regular monitoring and reporting measures for progressive mine rehabilitation. It is expected that the MERFP Bill will become law commencing in late 2018 with a three-year transition period. In June 2018, the government released draft regulations and a number of guidelines on the operation of certain aspects of the proposed new law. Peabody has made submissions to the government as part of the consultation process for these draft regulations and guidelines and will continue to assess the impact of the proposed FA framework and progressive rehabilitation and closure planning requirements on its business.

Planning and Environment. Effective from March 1, 2018, the Environmental Planning and Assessment Act 1979 (EPA Act) was amended to introduce a number of changes to planning and environment laws in New South Wales. One of these changes was to revoke a process for modifying development approvals under section 75W of the EPA Act. As a result, new development approvals will need to be obtained in lieu of modification of existing approvals, which could take additional time to achieve. Peabody and other mining companies will be required to comply with this in respect of future development approvals in New South Wales.

National Energy Guarantee. In October 2017, the Australian Federal Government released a plan aimed at delivering an affordable and reliable energy system that meets Australia's international commitments to emissions reduction. The plan is referred to as the National Energy Guarantee (NEG) and will result in changes to the National Electricity Market and associated legislative framework. The NEG will require electricity retailers to enter into contracts with electricity generators to meet a minimum level of dispatchable 'on demand' electricity where there is an identified gap and to maintain emissions below a prescribed level. On February 15, 2018, the first public consultation paper for the NEG was released by the independent Energy Security Board (ESB), the first step in a consultation process to assist

the ESB in advising the Council of Australian Governments (COAG) Energy Council on the design for the NEG framework. The COAG agreed on April 20, 2018 that more detailed design work be undertaken on the NEG and for the COAG to consider this for final decision in August 2018. The detailed design paper for the NEG was released on June 17, 2018. The design paper contains a proposal for the imposition of an obligation on certain large energy users (defined as users which have a peak demand at a single site of 5 megawatts per annum, which would include two of Peabody's Australian mine sites) to meet the proposed reliability standard as well as sourcing electricity with a specified average emissions intensity. The transfer of this reliability obligation from energy retailers to large energy users would likely require users to incur additional costs in managing the risk. If the NEG receives COAG approval, it is anticipated that legislation would be passed at the end of 2018.

Table of Contents

Liquidity and Capital Resources

Overview

Our primary sources of cash are proceeds from the sale of our coal production to customers. We have also generated cash from the sale of non-strategic assets, including coal reserves and surface lands, borrowings under our credit facilities and, from time to time, the issuance of securities. Our primary uses of cash include the cash costs of coal production, capital expenditures, coal reserve lease and royalty payments, debt service costs, capital and operating lease payments, postretirement plans, take-or-pay obligations, post-mining retirement obligations, and selling and administrative expenses. We have also used cash for dividends and share repurchases. We believe that our capital structure will allow us to satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations and cash on hand.

Any future determinations to return capital to stockholders, such as dividends or share repurchases (excluding repurchases authorized under the Repurchase Program described in “Unregistered Sales of Equity Securities and Use of Proceeds” in Part II, Item 2 of this report), will be at the discretion of our Board of Directors and will depend on a variety of factors, including the restrictions set forth under our various debt obligations, our net income or other sources of cash, liquidity position and potential alternative uses of cash, such as internal development projects or acquisitions, as well as economic conditions and expected future financial results. Our ability to declare dividends or repurchase shares in the future will depend on our future financial performance, which in turn depends on the successful implementation of our strategy and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of coal and other factors specific to our industry, many of which are beyond our control.

Total Indebtedness. Our total indebtedness as of June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018	December 31, 2017
	(Dollars in millions)	
6.000% Senior Secured Notes due March 2022	$500.0	$ 500.0
6.375% Senior Secured Notes due March 2025	500.0	500.0
Senior Secured Term Loan due 2025, net of original issue discount	397.9	444.2
Capital lease and other obligations	59.5	76.0
Less: Debt issuance costs	(54.4)	(59.4)
	1,403.0	1,460.8
Less: Current portion of long-term debt	45.0	42.1
Long-term debt	$1,358.0	$ 1,418.7

Refer to Note 12. “Long-term Debt” to the accompanying unaudited condensed consolidated financial statements for further information regarding our indebtedness.

Liquidity

As of June 30, 2018, our available liquidity was $1,775.9 million which was comprised of cash and cash equivalents and availability under our accounts receivable securitization program described below. As of June 30, 2018, our cash balances totaled $1,451.7 million, including approximately $1,201.4 million held by Australian subsidiaries, $228.7 million held by U.S. subsidiaries, and the remaining balance held by other foreign subsidiaries in accounts predominantly domiciled in the U.S. A significant majority of the cash held by our foreign subsidiaries is denominated in U.S. dollars. This cash is generally used to support non-U.S. liquidity needs, including capital and operating expenditures in Australia and the foreign operations of our Trading and Brokerage segment, however, we may repatriate a portion of foreign-held cash in the near term. We do not expect restrictions or potential taxes on the repatriation of amounts held by our foreign subsidiaries to have a material effect on our overall liquidity, financial condition or results of operations.

During the six months ended June 30, 2018, collateral balances of $323.1 million related primarily to reclamation assurance for our Australian mines, and various port, rail and other contract performance requirements in Australia

were returned to the Company as a result of implementing third-party surety bonding in Australia.
Our ability to maintain adequate liquidity depends on the successful operation of our business and appropriate management of operating expenses and capital spending. Our anticipated liquidity needs are highly sensitive to changes in each of these and other factors.

Table of Contents

The Senior Notes and Credit Agreement

As described in Note 12. “Long-term Debt” of the accompanying unaudited condensed consolidated financial statements, on the Effective Date, the proceeds from the 6.000% Senior Secured Notes due March 2022 and the 6.375% Senior Secured Notes due March 2025 (collectively, the Senior Notes) and the Senior Secured Term Loan under the Credit Agreement (the Credit Agreement) were used to repay the Predecessor company first lien obligations. The proceeds from the Senior Notes and the Senior Secured Term Loan, net of debt issuance costs and an original issue discount, as applicable, were $950.5 million and $912.7 million, respectively.

Since entering into the Credit Agreement, we have voluntarily prepaid $546.0 million of the original $950.0 million loan principal on the Senior Secured Term Loan through June 30, 2018 in various installments. The Credit Agreement has been amended at various dates since its inception primarily to (i) lower the interest rate on the Senior Secured Term Loan from LIBOR plus 4.50% per annum with a 1.00% LIBOR floor to LIBOR plus 2.75% with no floor, (ii) extend the maturity of the Senior Secured Term Loan by three years to 2025, (iii) allow for an incremental revolving credit facility and one or more incremental term loans in an aggregate principal amount of up to $350.0 million plus additional amounts so long as the Company maintains compliance with the Total Leverage Ratio, as defined in the Credit Agreement, (iv) make available an additional restricted payment basket that permits additional repurchases, dividends or other distributions with respect to our Common and Preferred Stock in an aggregate amount up to $450.0 million so long as our Fixed Charge Coverage Ratio, as defined in the Credit Agreement, would not exceed 2.00:1.00 on a pro forma basis, and (v) eliminate the previous capital expenditure restriction covenants on both the Senior Secured Term Loan and the Revolver (as defined below).

Interest payments on the Senior Notes are scheduled to occur each year on March 31 and September 30 until maturity. We may redeem the 6.000% Senior Secured Notes beginning in 2019 and the 6.375% Senior Secured Notes beginning in 2020, in whole or in part, and subject to periodically decreasing redemption premiums, through maturity.

The Senior Secured Term Loan principal is payable in quarterly installments plus accrued interest through December 2024 with the remaining balance due in March 2025. The loan principal is voluntarily prepayable at 101% of the principal amount repaid if voluntarily prepaid prior to October 2018 (subject to certain exceptions, including prepayments made with internally generated cash) and is voluntarily prepayable at any time thereafter without premium or penalty. The Senior Secured Term Loan may require mandatory principal prepayments of 75% of Excess Cash Flow (as defined in the Credit Agreement) for any fiscal year (commencing with the fiscal year ending December 31, 2018). The mandatory principal prepayment requirement changes to (i) 50% of Excess Cash Flow if our Total Leverage Ratio (as defined in the Credit Agreement and calculated as of December 31) is less than or equal to 2.00:1.00 and greater than 1.50:1.00, (ii) 25% of Excess Cash Flow if our Total Leverage Ratio is less than or equal to 1.50:1.00 and greater than 1.00:1.00, or (iii) zero if the our Total Leverage Ratio is less than or equal to 1.00:1.00. If required, mandatory prepayments resulting from Excess Cash Flows are payable within 100 days after the end of each fiscal year. In certain circumstances, the Senior Secured Term Loan also requires that Excess Proceeds (as defined in the Credit Agreement) of $10 million or greater from sales of our assets be applied against the loan principal, unless such proceeds are reinvested within one year.

During the fourth quarter of 2017, the Company entered into the incremental revolving credit facility permitted under the Credit Agreement (the Revolver) for an aggregate commitment of $350.0 million for general corporate purposes. The Revolver matures in November 2020 and permits loans which bear interest at LIBOR plus 3.25%. The Revolver is subject to a 2.00:1.00 First Lien Leverage Ratio requirement, modified to limit unrestricted cash netting to $800.0 million. Capacity under the Revolver may also be utilized for letters of credit which incur combined fees of 3.375% per annum. Unused capacity under the Revolver bears a commitment fee of 0.5% per annum. As of June 30, 2018, the Revolver had utilized for letters of credit amounting to $129.8 million. Such letters of credit were primarily in support of our reclamation obligations.

In addition to the $450.0 million restricted payment basket provided for under the amendments described above, the Credit Agreement provides a builder basket for additional restricted payments subject to a maximum Total Leverage Ratio of 2.00:1.00 (as defined in the Credit Agreement).

The Indenture provides a builder basket for restricted payments that is calculated based upon our Consolidated Net Income, and is subject to a Fixed Charge Coverage Ratio of at least 2.25:1.00 (as defined in the Indenture).
Under both the Indenture and Credit Agreement, additional restricted payments are permitted through a $50.0 million general basket and an annual aggregate $25.0 million basket which allows dividends and Common Stock repurchases. The payment of dividends and purchases of Common Stock under this latter basket are permitted so long as our Total Leverage Ratio would not exceed 1.25:1.00 on a pro forma basis (as defined in the Credit Agreement and Indenture).

Table of Contents

On July 30, 2018, we announced the commencement of solicitations of consents (the Consent Solicitations) to amend the Indenture governing the Senior Notes. The Consent Solicitations are being made to holders of record as of July 30, 2018 (collectively, the Holders). The Consent Solicitations will expire on August 10, 2018, unless extended. The proposed amendments to the Indenture would amend, among other matters, the Restricted Payments, as defined in the Indenture, covenant to permit an additional category of permitted Restricted Payments at any time not to exceed the sum of $650.0 million, and $150.0 million per calendar year, commencing with calendar year 2019, with unused amounts in any calendar year carrying forward to and available for Restricted Payments in any subsequent calendar year.

Holders who validly deliver and do not validly revoke consents prior to the expiration will receive a consent fee of $10.00 in cash per $1,000 principal amount of 6.000% Senior Secured Notes due March 2022 or $30.00 in cash per $1,000 principal amount of 6.375% Senior Secured Notes due March 2025, subject to the receipt of the requisite consents described below. We are soliciting consents as a single proposal from Holders of at least a majority in aggregate principal amount of the outstanding Senior Notes of each series. Accordingly, adoption of the proposed amendments will require the consent of Holders of at least a majority in aggregate principal amount of the Senior Notes of each series outstanding as of July 30, 2018, with the Senior Notes of each series voting separately as a class.

Accounts Receivable Securitization

As described in Note 17. “Financial Instruments and Other Guarantees” of the accompanying unaudited condensed consolidated financial statements, on the Effective Date, we entered into an amended receivables purchase agreement to extend the accounts receivable securitization facility previously in place and expand that facility to include certain receivables from the Company’s Australian operations. The term of the accounts receivable securitization program (Securitization Program) ends on April 3, 2020, subject to certain liquidity requirements and other customary events of default. The Securitization Program provides for up to $250 million in funding accounted for as a secured borrowing, limited to the availability of eligible receivables, and may be secured by a combination of cash collateral and the trade receivables underlying the program, from time to time. Funding capacity under the Securitization Program may also be utilized for letters of credit in support of other obligations.

At June 30, 2018, we had no outstanding borrowings and $146.3 million of letters of credit issued under the Securitization Program. The letters of credit were primarily in support of portions of our obligations for reclamation, workers’ compensation and postretirement benefits.

Capital Requirements

There were no material changes to our capital requirements from the information provided in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017. The Company has no minimum pension funding requirement for 2018, but made discretionary contributions of $42.0 million to its qualified plans during the six months ended June 30, 2018.

Contractual Obligations

There were no material changes to our contractual obligations from the information previously provided in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017 and Item 2 of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018.

Historical Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2018 and the periods April 2 through June 30, 2017 and January 1 through April 1, 2017, as reported in the accompanying unaudited condensed consolidated financial statements:

	Successor		Predecessor
	Six Months Ended June 30, 2018	April 2 through June 30, 2017	January 1 through April 1, 2017

	(Dollars in millions)		
Net cash provided by (used in) operating activities	$915.4	$65.7	$(813.0)
Net cash (used in) provided by investing activities	(18.0)	(18.5)	15.1
Net cash (used in) provided by financing activities	(489.7)	(30.2)	952.3
Net change in cash, cash equivalents and restricted cash	407.7	17.0	154.4
Cash, cash equivalents and restricted cash at beginning of period	1,070.2	1,095.6	941.2
Cash, cash equivalents and restricted cash at end of period	$1,477.9	$1,112.6	$1,095.6

Table of Contents

Cash Flow - Successor

Cash provided by operating activities in the six months ended June 30, 2018 resulted from cash generated from our mining operations. In addition, $323.1 million of collateral was returned as we replaced collateral with other forms of financial assurance.

Cash provided by operating activities in the period April 2, 2017 through June 30, 2017 resulted from improved supply and demand conditions leading to increased cash from our mining operations. In addition, cash that was restricted in the Predecessor period became unrestricted. These factors were partially offset by the greater use of working capital related to coal stockpile increases and the payment of claims and professional fees related to the Chapter 11 Cases.

Cash used in investing activities in the six months ended June 30, 2018 resulted from additions to property, plant, equipment and mine development, which was partially offset by repayments of loans from related parties and proceeds from disposals of assets, including $20.0 million from the disposal of our interest in the Red Mountain Joint Venture.

Cash used in investing activities in the period April 2, 2017 through June 30, 2017 resulted from additions to property, plant, equipment and mine development, which was partially offset by repayments of loans from related parties.

Cash used in financing activities in the six months ended June 30, 2018 resulted primarily from $374.5 million of repurchases of common stock and $29.3 million of stock dividends paid in accordance with our shareholder return initiatives, as well as $63.5 million of payments of long-term debt, including a $46.0 million prepayment made in connection with amending our Senior Secured Term Loan.

Cash used in financing activities in the period April 2, 2017 through June 30, 2017 resulted primarily from distributions to noncontrolling interests and scheduled payments of long-term debt.

Cash Flow - Predecessor

Cash used in operating activities in the period January 1, 2017 through April 1, 2017 resulted from cash used in settlement of bankruptcy claims, partially offset by cash generated from our operations from improved supply and demand conditions.

Cash provided by investing activities in the period January 1, 2017 through April 1, 2017 resulted from repayments of loans from related parties and proceeds from disposals of assets driven by the sale of Dominion Terminal Associates, which was offset by payments for additions to property, plant and equipment.

Cash provided by financing activities in the period January 1, 2017 through April 1, 2017 resulted from debt proceeds related to our recapitalization upon emergence from the Chapter 11 cases, partially offset by related deferred financing costs.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to various guarantees and financial instruments that carry off-balance-sheet risk and are not reflected in the accompanying condensed consolidated balance sheets. At June 30, 2018, such instruments included $1,587.9 million of surety bonds and bank guarantees and $276.1 million of letters of credit. Such financial instruments provide support for our reclamation bonding requirements, lease obligations, insurance policies, and various other performance guarantees. We periodically evaluate the instruments for on-balance-sheet treatment based on the amount of exposure under the instrument and the likelihood of required performance. We do not expect any material losses to result from these guarantees or off-balance-sheet instruments in excess of liabilities provided for in our unaudited condensed consolidated balance sheets.

We could experience a decline in our liquidity as financial assurances associated with reclamation bonding requirements, bank guarantees, surety bonds or other obligations are required to be collateralized by cash or letters of credit.

As described in Note 17. “Financial Instruments and Other Guarantees” of the accompanying unaudited condensed consolidated financial statements, we are required to provide various forms of financial assurance in support of our mining reclamation obligations in the jurisdictions in which we operate. Such requirements are typically established by statute or under mining permits. Historically, such assurances have taken the form of third-party instruments such

as surety bonds, bank guarantees, and letters of credit, as well as self-bonding arrangements in the U.S. In connection with our emergence from the Chapter 11 Cases, we shifted away from extensive self-bonding in the U.S. in favor of increased usage of surety bonds and similar third-party instruments, but have retained the ability to utilize self-bonding in the future, dependent upon state-by-state approval and internal cost-benefit considerations. This divergence in practice may impact our liquidity in the future due to increased collateral requirements and surety and related fees.

Table of Contents

At June 30, 2018, we had total asset retirement obligations of $704.2 million which were backed by a combination of surety bonds, bank guarantees, and letters of credit.

Bonding requirement amounts may differ significantly from the related asset retirement obligation because such requirements are calculated under the assumption that reclamation begins currently, whereas our accounting liabilities are discounted from the end of a mine's economic life (when final reclamation work would begin) to the balance sheet date.

Guarantees and Other Financial Instruments with Off-Balance Sheet Risk. See Note 17. "Financial Instruments and Other Guarantees" to our unaudited condensed consolidated financial statements for a discussion of our accounts receivable securitization program and guarantees and other financial instruments with off-balance sheet risk.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition, results of operations, liquidity and capital resources is based upon our financial statements, which have been prepared in accordance with U.S. GAAP. We are also required under U.S. GAAP to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our critical accounting policies are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2017. Our critical accounting policies remain unchanged at June 30, 2018.

Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented

See Note 2. "Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented" to our unaudited condensed consolidated financial statements for a discussion of newly adopted accounting standards and accounting standards not yet implemented.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Risk

We have historically utilized currency forwards and options to hedge currency risk associated with anticipated Australian dollar expenditures. The accounting for these derivatives is discussed in Note 6. "Derivatives and Fair Value Measurements" to the accompanying unaudited condensed consolidated financial statements. As of June 30, 2018, the Company had currency options outstanding with an aggregate notional amount of $1,125.0 million Australian dollars to hedge currency risk associated with anticipated Australian dollar expenditures during the remainder of 2018 and over the first three months of 2019. Assuming we had no foreign currency hedging instruments in place, our exposure in operating costs and expenses due to a $0.05 change in the Australian dollar/U.S. dollar exchange rate is approximately $90 to $100 million for the next twelve months. Taking into consideration the currency option contracts in place as of June 30, 2018, our net exposure to unfavorable rate changes for the next twelve months is approximately $85 to $95 million.

Other Non-Coal Trading Activities — Diesel Fuel Price Risk

Diesel Fuel Hedges. Previously, we managed price risk of the diesel fuel used in our mining activities through the use of cost pass-through contracts and from time to time, derivatives, primarily swaps. However, as of June 30, 2018, we did not have any diesel fuel derivative instruments in place.

We expect to consume 120 to 130 million gallons of diesel fuel during the next twelve months. A $10 per barrel change in the price of crude oil (the primary component of a refined diesel fuel product) would increase or decrease our annual diesel fuel costs by approximately $29 million based on our expected usage.

Table of Contents

Item 4. Controls and Procedures.

Our disclosure controls and procedures are designed to, among other things, provide reasonable assurance that material information, both financial and non-financial, and other information required under the securities laws to be disclosed is accumulated and communicated to senior management, including our principal executive and financial officers, on a timely basis. Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2018, and concluded that such controls and procedures are effective to provide reasonable assurance that the desired control objectives were achieved. Additionally, there have been no changes to our internal control over financial reporting during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various legal and regulatory proceedings. For a description of our significant legal proceedings refer to Note 4. “Discontinued Operations” and Note 18. “Commitments and Contingencies” to the unaudited condensed consolidated financial statements included in Part I, Item 1. “Financial Statements” of this Quarterly Report, which information is incorporated by reference herein.

Item 1A. Risk Factors.

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 26, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Share Repurchase Programs

On August 1, 2017, we announced that our Board of Directors authorized a share repurchase program to allow repurchases of up to $500 million of the then outstanding shares of our Common Stock (Repurchase Program). On April 25, 2018, we announced that the Board authorized the expansion of the Repurchase Program to $1.0 billion. Repurchases may be made from time to time at the Company’s discretion. The specific timing, price and size of purchases will depend on the share price, general market and economic conditions and other considerations, including compliance with various debt agreements as they may be amended from time to time. The Repurchase Program does not have an expiration date and may be discontinued at any time. Through June 30, 2018, we have repurchased approximately 15.0 million shares of our Common Stock for $549.9 million, leaving $450.1 million available for share repurchase under the Repurchase Program. Subsequent to June 30, 2018 and through July 31, 2018, we have purchased an additional 0.6 million shares of our Common Stock for $25.0 million. The purchases were made in compliance with our debt provisions that limit our ability to repurchase shares following the Effective Date. Limitations on share repurchases imposed by our debt instruments are discussed in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Share Relinquishments

We routinely allow employees to relinquish Common Stock to pay estimated taxes upon the vesting of restricted stock units and the payout of performance units that are settled in Common Stock under our equity incentive plans. The value of Common Stock tendered by employees is determined based on the closing price of our Common Stock on the dates of the respective relinquishments.

Table of Contents

Purchases of Equity Securities

The following table summarizes all share purchases for the three months ended June 30, 2018:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value that May Yet Be Used to Repurchase Shares Under the Publicly Announced Program (In millions)
April 1 through April 30, 2018	1,896,612	$ 37.10	1,513,851	$ 593.2
May 1 through May 31, 2018	1,943,067	40.25	1,942,900	515.1
June 1 through June 30, 2018	1,405,758	46.23	1,405,698	450.1
Total	5,245,437	$ 40.71	4,862,449	

(1) Includes shares withheld to cover the withholding taxes upon the vesting of equity awards, which are not part of the Repurchase Program.

Dividends

During the three and six months ended June 30, 2018, the Company declared dividends per share of $0.115 and $0.230, respectively. On July 19, 2018, the Company declared an additional dividend per share of $0.125 to be paid on August 23, 2018 to shareholders of record as of August 2, 2018. The declaration and payment of dividends and the amount of dividends will depend on our results of operations, financial condition, cash requirements, future prospects, any limitations imposed by our debt covenants and other factors that our Board of Directors may deem relevant to such evaluations. Payment of dividends is subject to certain limitations following the Effective Date, as set forth in our debt provisions. Such limitations on dividends are discussed in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Mandatory Conversion of Preferred Stock

Each outstanding share of our Preferred Stock was subject to mandatory automatic conversion into a number of shares of Common Stock if the volume weighted average price of the Common Stock exceeded $32.50 for at least 45 trading days in a 60 consecutive trading day period, including each of the last 20 days in such 60 consecutive trading day period. On January 31, 2018, the requirements for such a mandatory conversion were met and the then outstanding 13.2 million shares of Preferred Stock were automatically converted into 24.8 million shares of Common Stock. As a result of this mandatory conversion, we recorded a non-cash preferred dividend charge of $102.5 million during the six months ended June 30, 2018. After the mandatory conversion, no shares of Preferred Stock are issued or outstanding and all rights of the prior holders of Preferred Stock have terminated.

Item 4. Mine Safety Disclosures.

Our “Safety a Way of Life Management System” has been designed to set clear and consistent expectations for safety and health across our business. It aligns to the National Mining Association’s CORESafety® framework and encompasses three fundamental areas: leadership and organization, safety and health risk management and assurance. We also partner with other companies and certain governmental agencies to pursue new technologies that have the potential to improve our safety performance and provide better safety protection for employees.

We continually monitor our safety performance and regulatory compliance. The information concerning mine safety violations or other regulatory matters required by SEC regulations is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits.

See Exhibit Index at page 73 of this report.

Table of Contents

EXHIBIT INDEX

The exhibits below are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K.

Exhibit No.	Description of Exhibit
10.1†	Amendment No. 5 to Credit Agreement, by and among Peabody Energy Corporation, the subsidiaries of Peabody Energy Corporation party thereto as reaffirming parties, the lenders party thereto and Goldman Sachs Bank USA, as administrative agent
31.1†	Certification of periodic financial report by the Registrant's Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of periodic financial report by the Registrant's Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Registrant's Chief Executive Officer
32.2†	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by the Registrant's Chief Financial Officer
95†	Mine Safety Disclosure required by Item 104 of Regulation S-K
101†	Interactive Data File (Form 10-Q for the quarterly period ended June 30, 2018 filed in XBRL). The financial information contained in the XBRL-related documents is "unaudited" and "unreviewed"
†	Filed herewith.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEABODY ENERGY CORPORATION

Date: August 3, 2018 By: /s/ AMY B. SCHWETZ

Amy B. Schwetz
Executive Vice President and Chief Financial Officer
(On behalf of the registrant and as Principal Financial Officer)