

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2009  
or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-16463



Peabody Energy Corporation

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)  
701 Market Street, St. Louis, Missouri  
(Address of principal executive offices)

13-4004153  
(I.R.S. Employer Identification No.)  
63101  
(Zip Code)

(314) 342-3400

Registrant's telephone number, including area code

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of Each Class                      |                         |
|--|-------------------------|
| Common Stock, par value \$0.01 per share | New York Stock Exchange |
| Preferred Share Purchase Rights          | New York Stock Exchange |

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

Aggregate market value of the voting stock held by non-affiliates (shareholders who are not directors or executive officers) of the Registrant, calculated using the closing price on June 30, 2009: Common Stock, par value \$0.01 per share, \$8.1 billion.

Number of shares outstanding of each of the Registrant's classes of Common Stock, as of February 12, 2010: Common Stock, par value \$0.01 per share, 268,757,971 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company's 2010 Annual Meeting of Stockholders (the Company's 2010 Proxy Statement) are incorporated by reference into Part III hereof. Other documents incorporated by reference in this report are listed in the Exhibit Index of this Form 10-K.

**PEABODY ENERGY CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

currency forwards, traded coal index contracts and interest rate swaps) and the change in actuarial loss and prior service cost during the periods. The values of the Company's cash flow hedging instruments are affected by changes in interest rates, crude oil, diesel fuel, natural gas and coal prices and the U.S. dollar/Australian dollar exchange rate. The change in the value of the cash flow hedges during 2009 was primarily due to the strengthening of the Australian dollar against the U.S. dollar.

**(19) Guarantees and Financial Instruments With Off-Balance-Sheet Risk**

In the normal course of business, the Company is a party to guarantees and financial instruments with off-balance-sheet risk, such as bank letters of credit, performance or surety bonds and other guarantees and indemnities, which are not reflected in the accompanying consolidated balance sheets. Such financial instruments are valued based on the amount of exposure under the instrument and the likelihood of required performance. In the Company's past experience, virtually no claims have been made against these financial instruments. Management does not expect any material losses to result from these guarantees or off-balance-sheet instruments.

**Letters of Credit and Bonding**

The Company has letters of credit, surety bonds and corporate guarantees (such as self bonds) in support of the Company's reclamation, coal lease obligations, and workers' compensation as follows as of December 31, 2009:

|                   | <u>Reclamation<br/>Obligations</u> | <u>Lease<br/>Obligations</u> | <u>Workers'<br/>Compensation<br/>Obligations</u> | <u>Other<sup>(1)</sup></u> | <u>Total</u>     |
|-------------------|------------------------------------|------------------------------|--|----------------------------|------------------|
|                   | (Dollars in millions)              |                              |  |                            |                  |
| Self bonding      | \$ 821.9                           | \$ —                         | \$ —   | \$ —                       | \$ 821.9         |
| Surety bonds      | 772.3                              | 116.3                        | 8.7  | 57.3                       | 954.6            |
| Letters of credit | 34.9                               | —                            | 43.0   | 237.8                      | 315.7            |
|                   | <u>\$ 1,629.1</u>                  | <u>\$ 116.3</u>              | <u>\$ 51.7</u>                                   | <u>\$295.1</u>             | <u>\$2,092.2</u> |

<sup>(1)</sup> Other includes the six letter of credit obligations described below and an additional \$61.1 million in letters of credit and surety bonds related to collateral for surety companies, road maintenance, performance guarantees and other operations.

The Company owns a 37.5% interest in Dominion Terminal Associates, a partnership that operates a coal export terminal in Newport News, Virginia under a 30-year lease that permits the partnership to purchase the terminal at the end of the lease term for a nominal amount. The partners have severally (but not jointly) agreed to make payments under various agreements which in the aggregate provide the partnership with sufficient funds to pay rents and to cover the principal and interest payments on the floating-rate industrial revenue bonds issued by the Peninsula Ports Authority, and which are supported by letters of credit from a commercial bank. As of December 31, 2009, the Company's maximum reimbursement obligation to the commercial bank was in turn supported by four letters of credit totaling \$42.7 million.

The Company is party to an agreement with the PBGC and TXU Europe Limited, an affiliate of the Company's former parent corporation, under which the Company is required to make special contributions to two of the Company's defined benefit pension plans and to maintain a \$37.0 million letter of credit in favor of the PBGC. If the Company or the PBGC gives notice of an intent to terminate one or more of the covered pension plans in which liabilities are not fully funded, or if the Company fails to maintain the letter of credit, the PBGC may draw down on the letter of credit and use the proceeds to satisfy liabilities under the Employee Retirement Income Security Act of 1974, as amended. The PBGC, however, is required to first apply amounts received from a \$110.0 million guarantee in place from TXU Europe Limited in favor of the PBGC before it

**PEABODY ENERGY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

draws on the Company's letter of credit. On November 19, 2002 TXU Europe Limited was placed under the administration process in the United Kingdom (a process similar to bankruptcy proceedings in the U.S.) and continues under this process as of December 31, 2009. As a result of these proceedings, TXU Europe Limited may be liquidated or otherwise reorganized in such a way as to relieve it of its obligations under its guarantee.

At December 31, 2009, the Company has a \$154.3 million letter of credit for collateral for bank guarantees issued with respect to certain reclamation and performance obligations related to some of the Company's Australian mines.

***Other Guarantees***

The Company has a liability recorded of \$52.3 million as of December 31, 2009 and \$61.8 million as of December 31, 2008 related to reclamation and bonding commitments associated with the purchase of approximately 427 million tons of coal reserves and surface lands in the Illinois Basin in 2007.

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 would be covered by insurance (subject to deductibles). The Company and certain of its subsidiaries have guaranteed other subsidiaries' performance under their 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 as presented in Note 9, and the Company assumes that no amounts could be recovered from third parties.

A subsidiary of the Company owns a 5.06% undivided interest in Prairie State, which is currently under construction. In connection with the development of Prairie State, each owner, including the Company's subsidiary, has a guarantee for its proportionate share of obligations to pay its percentage of the construction costs under the Target Price Engineering, Procurement and Construction Agreement with Bechtel Power Corporation. The Company has capitalized development costs of \$126.5 million and \$69.7 million that were recorded as part of "Investments and other assets" in the consolidated balance sheets as of December 31, 2009 and 2008, respectively. The Company spent \$56.8 million during the year ended December 31, 2009 representing its 5.06% share of the construction costs. Total construction costs for Prairie State are expected to be approximately \$4 billion.

The Company has provided financial guarantees under certain long-term debt agreements entered into by its subsidiaries, and substantially all of the Company'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. See Note 12 for the descriptions of the Company's (and its subsidiaries') debt. Supplemental guarantor/non-guarantor financial information is provided in Note 23.

As part of the Patriot spin-off, the Company agreed to maintain in force several letters of credit that secured Patriot obligations for certain employee benefits and workers' compensation obligations. As of December 31, 2009, these letters of credit were released as Patriot satisfied the beneficiaries with alternate letters of credit or insurance.

A discussion of the Company's accounts receivable securitization program is included in Note 6 to the consolidated financial statements.