PEABODY ENERGY CORP
Form 10-Q/A
August 14, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
(Amendment No. 1)

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017
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 ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company þ
	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 Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes þ

No ¨

There were 97.2 million shares of the registrant's common stock (par value of $0.01 per share) outstanding at May 5, 2017.

There were 19.2 million shares of the registrant's preferred stock (par value of $0.01 per share) outstanding at May 5, 2017.

There were 0.8 million warrants to purchase an equivalent number of shares of the registrant's common stock outstanding at May 5, 2017.

Explanatory Note

Peabody Energy Corporation (Peabody or the Company) is filing this Amendment No. 1 on Form 10-Q/A (Amended Filing) in order to amend our Quarterly Report on Form 10-K for the quarter ended March 31, 2017, originally filed May 11, 2017 (Original Filing), to correct for an immaterial error in the previously reported 2014 through 2016 financial statements. When determining whether a valuation allowance was required to reduce the deferred tax assets of one our tax paying components to an amount that was more likely than not to be realized, we inappropriately considered the future reversal of existing temporary differences from another tax paying component as a source of taxable income. The initial error occurred in 2013 and resulted in a $251.3 million understatement of the required valuation allowance and an overstatement of retained earnings of the same amount. Although the error does not materially impact the statements of operations presented in the Original Filing, the effect of correcting the entire cumulative balance sheet difference in the current period would be material to the current period results. The correction of the error increased the net deferred tax liabilities by $163.0 million and $156.3 million and increased the accumulated deficit balance by those same amounts as of March 31, 2017 and December 31, 2016, respectively, compared to the amounts previously reported. This error had no impact on our cash flows from operations for any of those years. The following items were impacted by these corrected disclosures:

- Part I. Item 1. - We corrected the items impacted in the financial statements and accompanying footnotes as a result of the error.
- Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - We corrected the items impacted as a result of the error and updated the comparative disclosure as applicable.
- Part I. Item 4. Controls and Procedures - We amended this item to disclose the material weakness that was identified as a result of the error.

Other than as expressly set forth above and except with respect to certain conforming changes made to our Exhibit Index, this Amended Filing does not, and does not purport to, update or restate the information in the Original Filing or reflect any events that have occurred after the Original Filing was filed. See our Quarterly Report on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission subsequent to our Original Filing for updated information.

We are including currently dated certifications by our Principal Executive Officer and Principal Accounting and Financial Officer as Exhibits 31.3 and 31.4 under Section 302 and Exhibits 32.3 and 32.4 under Section 906 of the Sarbanes-Oxley Act of 2002, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (Exchange Act).

TABLE OF CONTENTS

	Page
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2017 and 2016	1
Unaudited Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2017 and 2016	2
Condensed Consolidated Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016	3
Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016	4
Unaudited Condensed Consolidated Statement of Changes in Stockholders’ Equity for the Three Months Ended March 31, 2017	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	49
Item 4. Controls and Procedures	66
PART II — OTHER INFORMATION	
Item 6. Exhibits	67
SIGNATURE	68
EXHIBIT INDEX	69
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

Table of Contents

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.
PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions, except per share data)	
Revenues		
Sales	$1,064.1	$879.8
Other revenues	262.1	147.4
Total revenues	1,326.2	1,027.2
Costs and expenses		
Operating costs and expenses (exclusive of items shown separately below)	963.7	920.2
Depreciation, depletion and amortization	119.9	111.8
Asset retirement obligation expenses	14.6	13.1
Selling and administrative expenses	37.2	48.3
Restructuring charges	—	12.1
Other operating (income) loss:		
Net gain on disposal of assets	(22.8)	(1.8)
Asset impairment	30.5	17.2
(Income) loss from equity affiliates	(15.0)	9.0
Operating profit (loss)	198.1	(102.7)
Interest expense	32.9	126.2
Interest income	(2.7)	(1.4)
Reorganization items, net	41.4	—
Income (loss) from continuing operations before income taxes	126.5	(227.5)
Income tax provision (benefit)	2.2	(59.8)
Income (loss) from continuing operations, net of income taxes	124.3	(167.7)
Loss from discontinued operations, net of income taxes	(4.1)	(3.4)
Net income (loss)	120.2	(171.1)
Less: Net income attributable to noncontrolling interests	4.8	—
Net income (loss) attributable to common stockholders	$115.4	$(171.1)
Income (loss) from continuing operations:		
Basic income (loss) per share	$6.46	$(9.17)
Diluted income (loss) per share	$6.44	$(9.17)
Net income (loss) attributable to common stockholders:		
Basic income (loss) per share	$6.24	$(9.35)
Diluted income (loss) per share	$6.21	$(9.35)
Dividends declared per share	$—	$—

See accompanying notes to unaudited condensed consolidated financial statements.

1

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Net income (loss)	$120.2	$(171.1)
Reclassification for realized losses on cash flow hedges (net of respective net tax provision of $9.1 and $29.2) included in net income (loss)	18.6	49.7
Postretirement plans and workers' compensation obligations (net of respective net tax provision of $2.5 and $2.1)	4.4	3.6
Foreign currency translation adjustment	5.5	2.7
Other comprehensive income, net of income taxes	28.5	56.0
Comprehensive income (loss)	148.7	(115.1)
Less: Comprehensive income attributable to noncontrolling interests	4.8	—
Comprehensive income (loss) attributable to common stockholders	$143.9	$(115.1)

See accompanying notes to unaudited condensed consolidated financial statements.

2

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2017	December 31, 2016
	(Amounts in millions, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$1,068.1	$ 872.3
Restricted cash	80.7	54.3
Successor Notes issuance proceeds - restricted cash	1,000.0	—
Accounts receivable, net of allowance for doubtful accounts of $12.8 at March 31, 2017 and $13.1 at December 31, 2016	312.1	473.0
Inventories	250.8	203.7
Assets from coal trading activities, net	0.6	0.7
Other current assets	493.9	486.6
Total current assets	3,206.2	2,090.6
Property, plant, equipment and mine development, net	8,653.9	8,776.7
Investments and other assets	976.4	910.4
Total assets	$12,836.5	$ 11,777.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$18.2	$ 20.2
Liabilities from coal trading activities, net	0.7	1.2
Accounts payable and accrued expenses	967.3	990.4
Total current liabilities	986.2	1,011.8
Long-term debt, less current portion	950.5	—
Deferred income taxes	179.2	173.9
Asset retirement obligations	707.0	717.8
Accrued postretirement benefit costs	753.9	756.3
Other noncurrent liabilities	511.1	496.2
Total liabilities not subject to compromise	4,087.9	3,156.0
Liabilities subject to compromise	8,416.7	8,440.2
Total liabilities	12,504.6	11,596.2
Stockholders' equity		
Preferred Stock — $0.01 per share par value; 10.0 shares authorized, no shares issued or outstanding as of March 31, 2017 or December 31, 2016	—	—
Perpetual Preferred Stock — 0.8 shares authorized, no shares issued or outstanding as of March 31, 2017 or December 31, 2016	—	—
Series Common Stock — $0.01 per share par value; 40.0 shares authorized, no shares issued or outstanding as of March 31, 2017 or December 31, 2016	—	—
Common Stock — $0.01 per share par value; 53.3 shares authorized,19.3 shares issued and 18.5 shares outstanding as of March 31, 2017 and December 31, 2016	0.2	0.2
Additional paid-in capital	2,423.9	2,422.0
Treasury stock, at cost — 0.8 shares as of March 31, 2017 and December 31, 2016	(371.9)	(371.8)
Accumulated deficit	(1,284.1)	(1,399.5)
Accumulated other comprehensive loss	(448.5)	(477.0)

Peabody Energy Corporation stockholders’ equity	319.6	173.9
Noncontrolling interests	12.3	7.6
Total stockholders’ equity	331.9	181.5
Total liabilities and stockholders’ equity	$12,836.5	$ 11,777.7

See accompanying notes to unaudited condensed consolidated financial statements.

3

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Cash Flows From Operating Activities		
Net income (loss)	$120.2	$(171.1)
Loss from discontinued operations, net of income taxes	4.1	3.4
Income (loss) from continuing operations, net of income taxes	124.3	(167.7)
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	119.9	111.8
Noncash interest expense	0.5	6.9
Deferred income taxes	1.7	(43.4)
Noncash share-based compensation	1.9	2.4
Asset impairment	30.5	17.2
Net gain on disposal of assets	(22.8)	(1.8)
(Income) loss from equity affiliates	(15.0)	9.0
Gain on voluntary employee beneficiary association settlement	—	(68.1)
Settlement of hedge positions	—	(17.8)
Unrealized gains on non-coal trading derivative contracts	—	(25.0)
Reclassification from other comprehensive earnings for terminated hedge contracts	27.6	—
Noncash reorganization items, net	10.0	—
Changes in current assets and liabilities:		
Accounts receivable	159.3	125.8
Change in receivable from accounts receivable securitization program	—	(168.5)
Inventories	(47.2)	(8.0)
Net assets from coal trading activities	(0.5)	6.0
Other current assets	0.1	(36.0)
Accounts payable and accrued expenses	(54.9)	(71.1)
Restricted cash	(94.1)	(100.2)
Asset retirement obligations	10.2	9.0
Workers' compensation obligations	(3.1)	(3.3)
Accrued postretirement benefit costs	0.8	(0.2)
Accrued pension costs	5.4	5.4
Take-or-pay obligation settlement	(5.5)	(15.5)
Other, net	(2.5)	(5.8)
Net cash provided by (used in) continuing operations	246.6	(438.9)
Net cash used in discontinued operations	(8.2)	(0.1)
Net cash provided by (used in) operating activities	238.4	(439.0)
Cash Flows From Investing Activities		
Additions to property, plant, equipment and mine development	(32.8)	(13.3)
Changes in accrued expenses related to capital expenditures	(1.4)	(3.4)
Federal coal lease expenditures	(0.5)	(0.4)
Proceeds from disposal of assets	24.3	2.1
Contributions to joint ventures	(95.4)	(81.7)

Distributions from joint ventures	90.5	87.4
Advances to related parties	(0.4)	(1.2)
Repayments of loans from related parties	31.1	2.1
Other, net	(0.3)	(4.5)
Net cash provided by (used in) investing activities	15.1	(12.9)
Cash Flows From Financing Activities		
Proceeds from long-term debt	1,000.0	947.0
Successor Notes issuance proceeds into escrow	(1,000.0)	—
Repayments of long-term debt	(2.1)	(6.2)
Payment of deferred financing costs	(55.4)	(2.8)
Distributions to noncontrolling interests	(0.1)	—
Other, net	(0.1)	(1.8)
Net cash (used in) provided by financing activities	(57.7)	936.2
Net change in cash and cash equivalents	195.8	484.3
Cash and cash equivalents at beginning of period	872.3	261.3
Cash and cash equivalents at end of period	$1,068.1	$745.6

See accompanying notes to unaudited condensed consolidated financial statements.

4

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Peabody Energy Corporation Stockholders' Equity						
	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders' Equity
	(Dollars in millions)						
December 31, 2016	$0.2	$2,422.0	$(371.8)	$(1,399.5)	$(477.0)	$7.6	$181.5
Net income	—	—	—	115.4	—	4.8	120.2
Net realized losses on cash flow hedges (net of $9.1 net tax provision)	—	—	—	—	18.6	—	18.6
Postretirement plans and workers' compensation obligations (net of $2.5 net tax provision)	—	—	—	—	4.4	—	4.4
Foreign currency translation adjustment	—	—	—	—	5.5	—	5.5
Share-based compensation for equity-classified awards	—	1.9	—	—	—	—	1.9
Repurchase of employee common stock relinquished for tax withholding	—	—	(0.1)	—	—	—	(0.1)
Distributions to noncontrolling interests	—	—	—	—	—	(0.1)	(0.1)
March 31, 2017	$0.2	$2,423.9	$(371.9)	$(1,284.1)	$(448.5)	$12.3	$331.9

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
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 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, 2016. In the opinion of management, these financial statements reflect all normal, recurring adjustments necessary for a fair presentation. Balance sheet information presented herein as of December 31, 2016 has been derived from the Company’s audited consolidated balance sheet at that date. The Company's results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for future quarters or for the year ending December 31, 2017.
The Company has classified items within discontinued operations in the unaudited condensed consolidated financial statements for disposals (by sale or otherwise) that have occurred prior to January 1, 2015 when the operations and cash flows of a disposed component of the Company were eliminated from the ongoing operations of the Company as a result of the disposal and the Company no longer had any significant continuing involvement in the operation of that component.
Correction of Prior Period Financial Information
Subsequent to the Original Filing, an immaterial error was identified that impacted previously reported results. When determining whether a valuation allowance was required to reduce the deferred tax assets of one of its tax paying components to an amount that was more likely than not to be realized, the Company inappropriately considered the future reversal of existing temporary differences from another tax paying component as a source of taxable income. Although the error does not materially impact the statements of operations presented in the Original Filing, the effect of correcting the entire cumulative balance sheet difference in the current period would be material to the current period results. The correction of the error increased the net deferred tax liabilities by $163.0 million and $156.3 million and increased the accumulated deficit balance by those same amounts as of March 31, 2017 and December 31, 2016, respectively, compared to the amounts previously reported. The error did not have an impact on the Company’s liquidity or cash flows from operations, nor did it have an impact on the Company’s compliance with any of its debt covenants. Financial information included in the accompanying financial statements and the notes thereto reflect the effects of the corrections described in the preceding discussion and tables below.

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

The tables below set forth the revised statement of operations and balance sheet amounts as compared to the amounts previously reported.

	Quarter Ended March 31, 2017		Quarter Ended March 31, 2016	
	Previously Reported	As Adjusted	Previously Reported	As Adjusted
	(In millions, except per share data)			
Results of Operations Amounts				
Income tax (benefit) provision	$(4.5)	$ 2.2	$(65.8)	$ (59.8)
Income (loss) from continuing operations, net of income taxes	131.0	124.3	(161.7)	(167.7)
Net income (loss)	126.9	120.2	(165.1)	(171.1)
Net income (loss) attributable to common stockholders	122.1	115.4	(165.1)	(171.1)
Basic EPS - Income (loss) from continuing operations	$6.82	$ 6.46	$(8.85)	$ (9.17)
Diluted EPS - Income (loss) from continuing operations	$6.80	$ 6.44	$(8.85)	$ (9.17)
Basic EPS - Income (loss) attributable to common stockholders	$6.60	$ 6.24	$(9.03)	$ (9.35)
Diluted EPS - Income (loss) attributable to common stockholders	$6.57	$ 6.21	$(9.03)	$ (9.35)

Plan of Reorganization and Emergence from Chapter 11 Cases

On April 13, 2016, (the Petition Date), Peabody and a majority of the Company’s wholly owned domestic subsidiaries, as well as one international subsidiary in Gibraltar (collectively with the Company, 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.

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 revised March 15, 2017 (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.

The Company's capital structure has been significantly altered through the implementation of the Plan subsequent to March 31, 2017. As a result of the consummation of the Plan and the transactions contemplated thereby, the Company will be subject to the fresh start reporting rules required under the Financial Accounting Standards Board Accounting Standards Codification Topic 852, "Reorganizations." Under applicable fresh start reporting rules that applied to the Company upon the Effective Date, assets and liabilities will be adjusted to fair values and accumulated deficit will be restated to zero. Accordingly, the Company's consolidated financial condition and results of operations from and after the Effective Date will, in many ways, not be comparable to the financial condition or results of operations reflected in its consolidated historical financial statements.

In addition, in accordance with the Plan, a nine member Board of Directors of the reorganized Company was established (the Board). The Board is comprised of the Company’s Chief Executive Officer and eight independent directors.

Cancellation of Prior Common Stock

In accordance with the Plan, each share of the 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 Company's equity award agreements under prior incentive plans, and the awards granted pursuant thereto, were extinguished, canceled and discharged and have no further force or effect after the Effective Date.

Registration Rights Agreement

On the Effective Date, the Company entered into a registration rights agreement (the Registration Rights Agreement) with certain parties (together with any person or entity that becomes a party to the Registration Rights Agreement, the Holders) that received shares of the Company's new common stock (the Common Stock) and new Series A Convertible Preferred Stock (the Preferred Stock) in the Company on the Effective Date, as provided in the Plan. The Registration Rights Agreement provides Holders with registration rights for the Holders' Registrable Securities (as defined in the Registration Rights Agreement).

The registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration statement and the Company's right to delay or withdraw a registration statement under certain circumstances. A copy of the Registration Rights Agreement is included as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission (SEC) on April 3, 2017.

Warrant Agreement

On the Effective Date, the Company entered into a warrant agreement (the Warrant Agreement) with American Stock Transfer and Trust Company, LLC. In accordance with the Plan, the Company issued approximately 6.2 million warrants to purchase up to an aggregate of approximately 6.2 million shares of Common Stock at an exercise price of $0.01 per share (the Warrants) to all Noteholder Co-Proponents (as defined in the Plan) and subscribers in the Rights Offering (as defined in the Plan) and related backstop commitment. All unexercised Warrants will expire, and the rights of the holders of such Warrants to purchase Common Stock will terminate on July 3, 2017.

A copy of the Warrant Agreement is included as Exhibit 4.1 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

Issuance of Equity Securities

On the Effective Date, in connection with the Company's emergence from the Chapter 11 Cases and in reliance on the exemption from registration requirements of the Securities Act of 1933 (the Securities Act) provided by Section 1145 of the Bankruptcy Code, the Company issued:

- 11.6 million shares of Common Stock pursuant to the initial distribution of Common Stock to holders of Allowed Claims (as defined in the Plan) in Classes 2A, 2B, 2C, 2D and 5B on account of such claims as provided in the Plan; and
- 51.2 million shares of Common Stock and 2.9 million Warrants (the 1145 Warrants) pursuant to the completed Rights Offering to certain holders of the Company's prepetition indebtedness for total consideration of $704.4 million.

Any shares of Common Stock issued pursuant to the exercise of such 1145 Warrants will similarly be issued pursuant to the exemption from registration provided by Section 1145 of the Bankruptcy Code.

In addition, on the Effective Date, in connection with the Company's emergence from the Chapter 11 Cases and in reliance on the exemption from registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act, the Company issued:

- 30.0 million shares of Preferred Stock to specified parties to the Private Placement Agreement, dated as of December 22, 2016 (as amended, the Private Placement Agreement), among the Company and the other parties thereto, for total consideration of $750.0 million;
- 3.3 million shares of Common Stock and 0.2 million Warrants (the Private Warrants, and together with the 1145 Warrants, the Warrants) to specified parties to the Backstop Commitment Agreement, dated as of December 22, 2016 (as amended, the Backstop Commitment Agreement), among the Company and the other parties thereto, on account of their commitments under that agreement, for total consideration of $45.6 million; and
-

4.8 million shares of Common Stock and 3.1 million Private Warrants to specified parties to the Private Placement Agreement and Backstop Commitment Agreement on account of commitment premiums contemplated by those agreements.

Pursuant to the Plan and Rights Offering, holders of Allowed Claims in Classes 2A, 2B, 2C, 2D and 5B were offered the opportunity to purchase up to 54.5 million units, each unit being comprised of (1) one share of Common Stock and (2) a fraction of a Warrant. The purchase price for the units offered in the rights offering was $13.75 per unit. A total of 51.2 million units were purchased in the Rights Offering. Pursuant to the Backstop Commitment Agreement, the remaining 3.3 million units that were not purchased in the Rights Offering were purchased by the parties to the Backstop Commitment Agreement at the same per unit price.

Any shares of Common Stock issued pursuant to the conversion of the Preferred Stock or the exercise of such Private Warrants will be issued pursuant to the exemption from registration provided by Section 3(a)(9) and/or Section 4(a)(2) of the Securities Act.

The securities issued in reliance on Section 4(a)(2) of the Securities Act are subject to restrictions on transfer unless otherwise registered under the Securities Act.

The Company would have approximately 137.3 million shares of Common Stock issued, assuming full conversion of the Preferred Stock (including make-whole shares issuable upon conversion of the Preferred Stock) and full exercise of all Warrants. This amount excludes approximately 3.6 million shares of Common Stock which underly unvested equity awards granted under the 2017 Incentive Plan (as defined below).

2022 and 2025 Notes

On February 15, 2017, one of PEC's subsidiaries entered into an 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 (together with the 2022 Notes, the Successor Notes). The Successor Notes were sold on February 15, 2017 in a private transaction exempt from the registration requirements of the Securities Act.

Prior to the Effective Date, PEC's subsidiary deposited the proceeds of the offering of the Successor Notes into an escrow account pending confirmation of the Plan and certain other conditions being satisfied. On the Effective Date, the net proceeds from the offering were released from escrow to the Company and PEC became a co-obligor of the Successor Notes by executing a supplemental indenture, and, thereafter, became the sole issuer of the Successor Notes upon the merger of the subsidiary with and into PEC, with PEC as the surviving corporation. In the accompanying condensed consolidated balance sheets, the Company recorded restricted cash of $1,000.0 million and a corresponding long-term debt obligation, net of debt issuance costs of $49.5 million, to reflect the proceeds of the Successor Notes offerings held in escrow at March 31, 2017. The proceeds from the Successor Notes were used on the Effective Date to repay the predecessor first lien obligations.

The Successor 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 Successor Notes are secured on a pari passu basis by the same collateral securing the Successor Credit Agreement (as defined below), subject to certain exceptions.

Copies of the indenture documents underlying the Successor Notes are incorporated as Exhibits 4.2 and 4.3 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

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 Successor Credit Agreement). The Successor Credit Agreement provides for a $950 million senior secured term loan, which matures in 2022 and bears interest at a fluctuating rate of LIBOR plus 4.50% per annum with a 1.00% LIBOR floor. The obligations under the Successor Credit Agreement are secured on a pari passu basis by the same collateral securing the Successor Notes.
A copy of the Successor 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.

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Securitization Facility

In connection with a receivables securitization program commitment letter, on the Effective Date, the Company entered into the Sixth Amended and Restated Receivables Purchase Agreement, dated as of April 3, 2017 (the Receivables Purchase Agreement), among P&L Receivables Company, LLC (P&L Receivables), as the Seller, the Company, as the Servicer, the sub-servicers party thereto, the various purchasers and purchaser agents party thereto and PNC Bank, National Association (PNC), as administrator. The Receivables Purchase Agreement extends the receivables securitization facility previously in place and expands that facility to include certain receivables from the Company's Australian operations.

A copy of the Receivables Purchase Agreement is included as Exhibit 10.4 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

Cancellation of Prepetition Obligations

In accordance with the Plan, on the Effective Date all of the obligations of the Debtors with respect to the following debt instruments were canceled:

- Indenture governing $1,000.0 million outstanding aggregate principal amount of the Company's 10.00% Senior Secured Second Lien Notes due 2022, dated as of March 16, 2015, among the Company, U.S. Bank National Association (U.S. Bank), as trustee and collateral agent, and the guarantors named therein, as supplemented;
- Indenture governing $650.0 million outstanding aggregate principal amount of the Company's 6.50% Senior Notes due 2020, dated as of March 19, 2004, among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Indenture governing $1,518.8 million outstanding aggregate principal amount of the Company's 6.00% Senior Notes due 2018, dated as of November 15, 2011, among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Indenture governing $1,339.6 million outstanding aggregate principal amount of the Company's 6.25% Senior Notes due 2021, dated as of November 15, 2011, by and among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Indenture governing $250.0 million outstanding aggregate principal amount of the Company's 7.875% Senior Notes due 2026, dated as of March 19, 2004, among the Company, U.S. Bank, as trustee, and the guarantors named therein, as supplemented;
- Subordinated Indenture governing $732.5 million outstanding aggregate principal amount of the Company's Convertible Junior Subordinated Debentures due 2066, dated as of December 20, 2006, among the Company and U.S. Bank, as trustee, as supplemented; and
- Amended and Restated Credit Agreement, as amended and restated as of September 24, 2013 (the 2013 Credit Facility), related to $1,170.0 million outstanding aggregate principal amount of term loans under a term loan facility (the 2013 Term Loan Facility) and $1,650.0 million under a revolving credit facility (the 2013 Revolver), which includes approximately $675 million of posted but undrawn letters of credit and approximately $947 million in outstanding borrowings, by and among the Company, Citibank, N.A., as administrative agent, swing line lender and letter of credit issuer, Citigroup Global Markets, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., Crédit Agricole Corporate and Investment Bank, HSBC Securities (USA) Inc., Morgan Stanley Senior Funding, Inc., PNC Capital Markets LLC and RBS Securities Inc., as joint lead arrangers and joint book managers, and the lender parties thereto, as amended by that certain Omnibus Amendment Agreement, dated as of February 5, 2015.

2017 Incentive Compensation Plan

In accordance with the Plan, the Peabody Energy Corporation 2017 Incentive Plan (the 2017 Incentive Plan) became effective as of the Effective Date. The 2017 Incentive Plan is intended to, among other things, help attract and retain employees and directors upon whom, in large measure, the Company depends for sustained progress, growth and profitability. The 2017 Incentive Plan also permits awards to consultants.

Unless otherwise determined by the Board, the compensation committee of the Board will administer the 2017 Incentive Plan. The 2017 Incentive Plan generally provides for the following types of awards:

- options (including non-qualified stock options and incentive stock options);
- stock appreciation rights;
- restricted stock;
- restricted stock units;
- deferred stock;
- performance units;
- dividend equivalents; and
- cash incentive awards.

The aggregate number of shares of Common Stock reserved for issuance pursuant to the 2017 Incentive Plan is 14.1 million. The 2017 Incentive Plan will remain in effect, subject to the right of the Board to terminate the 2017 Incentive Plan at any time, subject to certain restrictions, until the earlier to occur of (a) the date all shares of Common Stock subject to the 2017 Incentive Plan are purchased or acquired and the restrictions on all restricted stock granted under the 2017 Incentive Plan have lapsed, according to the 2017 Incentive Plan's provisions, and (b) ten years from the Effective Date.

Grant of Emergence Awards

On the Effective Date, the Company granted restricted stock units under the 2017 Incentive Plan and the terms of the relevant restricted stock unit agreement to employees, including its executive officers (the Emergence Awards). The Emergence Awards granted to our executive officers generally will vest ratably on each of the first three anniversaries of the Effective Date, subject to, among other things, each such executive officer's continued employment with the Company. The Emergence Awards will become fully vested upon each such executive officer's termination of employment by the Company and its subsidiaries without Cause or by the executive for Good Reason (each, as defined in the 2017 Incentive Plan or award agreement) or due to a termination of employment with the Company and its subsidiaries by reason of death or Disability (as defined in the 2017 Incentive Plan or award agreement). In order to receive the Emergence Awards, the executive officers were required to execute restrictive covenant agreements protecting the Company's interests.

Copies of the 2017 Incentive Plan and related documents are included as Exhibits 10.6, 10.7 and 10.8 to the Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

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

Newly Adopted Accounting Standards

Going Concern. In August 2014, the Financial Accounting Standards Board (FASB) issued disclosure guidance that requires management to evaluate, at each annual and interim reporting period, whether substantial doubt exists about an entity's ability to continue as a going concern and, if applicable, to provide related disclosures. As outlined by that guidance, substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or are available to be issued). The new guidance became effective for annual reporting periods ending after December 15, 2016 (the year ending December 31, 2016 for the Company) and interim periods thereafter.

The Company had been operating its business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court, incurred net losses for the years ended 2016, 2015 and 2014, and had an accumulated deficit as of December 31, 2016 and 2015. These conditions raise substantial doubt about the Company's ability to continue as a going concern. However, the Bankruptcy Court entered the Confirmation Order confirming the Plan on March 17, 2017. On April 3,

2017, 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. Based on the emergence from the Chapter 11 Cases and the Company's liquidity at emergence and its financial projections, management believes it is probable the conditions that raise substantial doubt about its ability to continue as a going concern have been alleviated.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business, the likelihood of which has been increased by the Company's emergence from the Chapter 11 Cases and its ability to obtain exit financing, but is contingent on the Company’s ability to successfully maintain sufficient liquidity, among other factors. The implementation of the Plan will materially change the amounts and classifications of assets and liabilities reported in the condensed consolidated financial statements. The accompanying condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern or as a consequence of the Bankruptcy Petitions.

Inventory. In July 2015, the FASB issued guidance which requires entities to measure most inventory "at the lower of cost and net realizable value", thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). The guidance does not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The new guidance became effective prospectively for annual periods beginning after December 15, 2016 (January 1, 2017 for the Company). There was no material impact to the Company's results of operations, financial condition, cash flows or financial statement presentation in connection with the adoption of the guidance.

Income Taxes. In November 2015, the FASB issued accounting guidance that requires entities to classify all deferred tax assets and liabilities, along with any related valuation allowance as noncurrent on the balance sheet. Under the new guidance, each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The new guidance does not change the existing requirement that only permits offsetting within a jurisdiction. The new guidance will be effective prospectively or retrospectively for annual periods beginning after December 15, 2016 and interim periods therein, with early adoption permitted. The Company elected early adoption of this guidance effective December 31, 2016 on a prospective basis. There was no material impact to the Company's results of operations, financial condition, cash flows or financial statement presentation in connection with the adoption of the guidance.

Compensation - Stock Compensation. In March 2016, the FASB issued accounting guidance which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The new guidance will be effective prospectively for annual periods beginning after December 15, 2016 and interim periods therein, with early adoption permitted. The Company elected early adoption of this guidance effective December 31, 2016. There was no material impact to the Company's results of operations, financial condition, cash flows or financial statement presentation in connection with the adoption of the guidance.

Accounting Standards Not Yet Implemented

Revenue Recognition. In May 2014, the FASB issued a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. 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. More specifically, revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. The standard 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.

The new standard will be effective for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company), with early adoption permitted. The standard allows for either a full retrospective adoption or a modified retrospective adoption. The Company's primary source of revenue is from the sale of coal through both short-term and long-term contracts with utilities, industrial customers and steel producers whereby revenue is currently recognized when risk of loss has passed to the customer. Upon adoption of this new standard, the Company believes that the timing of revenue recognition related to our coal sales will remain consistent with our current practice. The Company is currently evaluating other revenue streams to determine the potential impact related to the adoption of the standard, as well as potential disclosures required by the standard. The Company will be adopting the standard under the modified retrospective approach.

Lease Accounting. In February 2016, the FASB issued accounting guidance that will require a lessee to recognize in 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), with early adoption permitted. Upon adoption, the Company will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. 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.

Financial Instruments - Credit Losses. In June 2016, the FASB issued accounting guidance 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.

Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued accounting guidance to amend the classification of certain cash receipts and cash payments in the statement of cash flows to reduce diversity in practice. The new guidance will be effective for fiscal years beginning after December 15, 2017 (January 1, 2018 for the Company) and interim periods therein, with early adoption permitted. The amendments in this update should be applied retrospectively to all periods presented, unless deemed impracticable, in which case, prospective application is permitted. The Company is currently evaluating this guidance and its impact on classification of certain cash receipts and cash payments in the Company's statements of cash flows.

Restricted Cash. In November 2016, the FASB issued accounting guidance which will reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance will be effective retrospectively for fiscal years beginning after December 15, 2017 (January 1, 2018 for the Company) and interim periods therein, with early adoption permitted. The Company is currently evaluating this guidance and its impact, if any, on the Company's statements of cash flows.

Compensation - Retirement Benefits. In March 2017, the FASB issued accounting guidance which requires employers that sponsor defined benefit pension and other postretirement plans to disaggregate the service cost component from other components of net periodic benefit costs and to disclose the amounts of net periodic benefit costs that are included in each income statement line item. The standard requires employers 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. The new guidance will be effective retrospectively for fiscal years beginning after December 15, 2017 (January 1, 2018 for the Company) and interim periods therein, with early adoption permitted. 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.

(3) Reorganization Items, Net

In accordance with Accounting Standards Codification 852, "Reorganizations," the statement of operations shall portray the results of operations of the reporting entity during the pendency of the Chapter 11 Cases. Revenues, expenses (including professional fees), realized gains and losses, and provisions for losses resulting from reorganization and restructuring of the business shall be reported separately as reorganization items.

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

The Company's reorganization items for the three months ended March 31, 2017 consisted of the following:

	Three Months Ended March 31, 2017
	(Dollars in millions)
Professional fees	$ 42.5
Accounts payable settlement gains	(0.7)
Interest income	(0.4)
Reorganization items, net	$ 41.4

As a result of filing the Bankruptcy Petitions, counterparties to certain derivative contracts terminated the agreements shortly thereafter in accordance with their contractual terms and the Company adjusted the corresponding liabilities to be equivalent to the termination value and allowed claim amount of each contract. Such liabilities are considered first lien debt and are included within "Liabilities subject to compromise" in the accompanying condensed consolidated balance sheet at March 31, 2017.
Professional fees are only those that are 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.
During the three months ended March 31, 2017, $31.4 million of cash payments were made for "Reorganization items, net".

(4) Liabilities Subject to Compromise

Liabilities subject to compromise include unsecured or under-secured liabilities incurred prior to the Petition Date. These liabilities represent the amounts expected to be allowed on known or potential claims to be resolved through the Chapter 11 Cases and remain subject to future adjustments based on negotiated settlements with claimants, actions of the Bankruptcy Court, rejection of executory contracts, proofs of claims or other events. Additionally, liabilities subject to compromise also include certain items that were assumed under the Plan, and as such, were subsequently reclassified to liabilities not subject to compromise. Generally, actions to enforce or otherwise effect payment of prepetition liabilities are subject to the injunction provisions set forth in the Plan, as discussed in Note 19. "Commitments and Contingencies".
Liabilities subject to compromise consisted of the following:

Previously Reported Balance Sheet Line	March 31, 2017	December 31, 2016
	(Dollars in millions)	
Debt [(1)]	$8,077.4	$8,080.3
Interest payable	172.6	172.6
Environmental liabilities	61.9	61.9
Trade payables	55.2	58.4
Postretirement benefit obligations [(2)]	23.0	34.6
Other accrued liabilities	26.6	32.4

Liabilities subject to compromise	$ 8,416.7	$ 8,440.2

(1) Includes $7,768.3 million and $7,771.2 million of first lien, second lien and unsecured debt at March 31, 2017 and December 31, 2016, respectively, and $257.3 million of derivative contract terminations, and $51.8 million of liabilities secured by prepetition letters of credit at March 31, 2017 and December 31, 2016.

(2) Includes liabilities for unfunded non-qualified pension plans, all the participants of which are former employees.

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

(5) Asset Impairment

The Company's mining and exploration assets and mining-related investments may be adversely affected by numerous uncertain factors that may cause the Company to be unable to recover all or a portion of the carrying value of those assets. As a result of various unfavorable conditions, including but not limited to sustained trends of weakness in U.S. and international seaborne coal market pricing and certain asset-specific factors, the Company recognized aggregate impairment charges of $247.9 million, $1,277.8 million, and $154.4 million during the years ended December 31, 2016, 2015 and 2014, respectively. For additional information surrounding those charges, refer to Note 4. "Asset Impairment" to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The Company generally does not view short-term declines subsequent to previous impairment assessments in thermal and metallurgical coal prices in the markets in which it sells its products as an indicator of impairment. However, the Company generally views a sustained trend (for example, over periods exceeding one year) of adverse coal market pricing or unfavorable changes thereto as a potential indicator of impairment. Because of the volatile and cyclical nature of U.S. and international seaborne coal markets, it is reasonably possible that prices in those market segments may decrease and/or fail to improve in the near term, which, absent sufficient mitigation such as an offsetting reduction in the Company's operating costs, may result in the need for future adjustments to the carrying value of the Company's long-lived mining assets and mining-related investments.

During the three months ended March 31, 2017 and 2016, the Company recognized impairment charges of $30.5 million related to terminated coal lease contracts in the Midwestern United States, and $17.2 million to write down certain targeted divestiture assets in Queensland, Australia from their carrying value to their estimated fair value, respectively.

The Company's assets whose recoverability and values are most sensitive to near-term pricing and other market factors include certain Australian metallurgical and thermal assets for which impairment charges were recorded in 2015, certain U.S. coal mines for which management's estimates for future cash flows from operations have declined, and other U.S. coal properties being leased to unrelated mining companies under royalty agreements. These assets had an aggregate carrying value of $1,367.6 million as of March 31, 2017. The Company conducted a review of those assets for recoverability as of March 31, 2017 and determined that no impairment charge was necessary as of that date. However, the carrying value of these assets will likely be adjusted downward in connection with emergence from the Chapter 11 Cases and the related fresh start reporting rules, mitigating the exposure to future impairment charges.

(6) 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 three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Loss from discontinued operations, net of income taxes	$(4.1)	$(3.4)

15

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

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:

	March 31, 2017	December 31, 2016
	(Dollars in millions)	
Assets:		
Other current assets	$0.2	$ 0.2
Investments and other assets	15.9	15.9
Total assets classified as discontinued operations	$16.1	$ 16.1
Liabilities:		
Accounts payable and accrued expenses	$50.6	$ 55.9
Other noncurrent liabilities	199.7	198.5
Liabilities subject to compromise	20.9	20.9
Total liabilities classified as discontinued operations	$271.2	$ 275.3

Patriot-Related Matters. A significant portion of the liabilities in the table above relate to a former subsidiary, Patriot Coal Corporation. Refer to Note 20. "Matters Related to the Bankruptcy of Patriot Coal Corporation" for information associated with the impacts from the bankruptcy of Patriot.

(7) Inventories

Inventories as of March 31, 2017 and December 31, 2016 consisted of the following:

	March 31, 2017	December 31, 2016
	(Dollars in millions)	
Materials and supplies	$101.6	$ 104.5
Raw coal	40.9	29.6
Saleable coal	108.3	69.6
Total	$250.8	$ 203.7

Materials and supplies inventories presented above have been shown net of reserves of $6.1 million and $5.6 million as of March 31, 2017 and December 31, 2016, respectively.

(8) Derivatives and Fair Value Measurements

Risk Management — Non-Coal Trading 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 (those with terms longer than one year), 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 has historically been 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 has also 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 has 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.

16

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

The Company's Bankruptcy Petitions constituted an event of default under the Company's derivative financial instrument contracts and the counterparties terminated the agreements shortly thereafter in accordance with contractual terms. The terminated positions were first-lien obligations under the Company's secured credit agreement dated September 24, 2013 (as amended, the 2013 Credit Facility). The resulting net settlement liability of $257.3 million was accounted for as a prepetition liability subject to compromise without credit valuation adjustments. As of March 31, 2017, the Company had no derivative financial instruments in place in relation to diesel fuel or foreign currency exchange rate. Subsequent to the Effective Date, the Company entered into a series of currency options with an aggregate notional amount of approximately $1.3 billion Australian dollars to hedge currency risk associated with anticipated Australian dollar expenditures during the remainder of 2017. The currency options are not expected to receive cash flow hedge accounting treatment and changes in fair value will be reflected in current earnings.
Based on the previous fair value adjustments of the Company's foreign currency and diesel fuel hedge contracts recorded in "Accumulated other comprehensive loss", the net loss expected to be reclassified from comprehensive income to earnings over the next 12 months is approximately $65.0 million (which excludes the impact of fresh start reporting rules in connection with emergence from the Chapter 11 Cases).
The tables below show the classification and amounts of pre-tax gains and losses related to the Company’s Corporate Hedging derivatives during the three months ended March 31, 2017 and March 31, 2016:

		Three Months Ended March 31, 2017			
Financial Instrument	Income Statement Classification of (Losses) Gains	Total realized loss recognized in income	Loss reclassified from other comprehensive loss into income	(Loss) gain recognized in income on derivatives	Unrealized gain (loss)recognized in income on non-designated derivatives
		(Dollars in millions)			
Commodity swap contracts	Operating costs and expenses	$(11.0)	$ (11.0)	$ —	$ —
Foreign currency forward contracts	Operating costs and expenses	(16.6)	(16.6)	—	—
Total		$(27.6)	$ (27.6)	$ —	$ —

		Three Months Ended March 31, 2016			
Financial Instrument	Income Statement Classification of (Losses) Gains	Total realized loss recognized in income	Loss reclassified from other comprehensive loss into income	(Loss) gain recognized in income on derivatives	Unrealized gain (loss)recognized in income on non- designated derivatives
		(Dollars in millions)			
Commodity swap contracts	Operating costs and expenses	$(34.9)	$ (24.8)	$ (10.1)	$ (5.4)
Foreign currency forward contracts	Operating costs and expenses	(76.1)	(53.9)	(22.2)	30.4
Total		$(111.0)	$ (78.7)	$ (32.3)	$ 25.0

Cash Flow Presentation. The Company classifies the cash effects of its Corporate Hedging derivatives within the "Cash Flows From Operating Activities" section of the 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.

The estimated fair value of the Company’s current and long-term debt as of December 31, 2016 and March 31, 2017 is unable to be determined given it is subject to compromise in connection with the Plan.

(9) Coal Trading

The Company engages in the direct and brokered trading of coal and freight-related contracts (coal trading). Except those 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.

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 three months ended March 31, 2017 and 2016 were as follows:

Trading Revenues by Type of Instrument	Three Months Ended March 31, 2017	2016
	(Dollars in millions)	
Futures, swaps and options	$7.1	$(4.0)
Physical purchase/sale contracts	24.5	(4.8)
Total trading revenues (losses)	$31.6	$(8.8)

Risk Management

Hedge Ineffectiveness. In some instances prior to 2016, the Company designated an existing coal trading derivative as a hedge and, thus, the derivative would have a non-zero fair value at hedge inception. The “off-market” nature of these derivatives, which is best described as an embedded financing element within the derivative, is a source of ineffectiveness. In other instances, the Company used coal trading derivatives that settled at a different time, had different quality specifications or had different location bases than the occurrence of the transaction being hedged. These collectively yield ineffectiveness to the extent that the derivative hedge contract does not exactly offset changes in the fair value or expected cash flows of the hedged item.

The Company had no coal trading positions designated as cash flow hedges as of March 31, 2017 and December 31, 2016.

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 OTC markets with financial institutions and other non-financial trading entities under ISDA 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 “Assets from coal trading activities, net” and “Liabilities from coal trading activities, net."

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

The fair value of assets and liabilities from coal trading activities presented on a gross and net basis as of March 31, 2017 and December 31, 2016 is set forth below:

Affected Line Item in the Condensed Consolidated Balance Sheets	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Variation Margin (Held) Posted [1]	Net Amounts of Assets (Liabilities) Presented in the Condensed Consolidated Balance Sheets
	(Dollars in millions)			
	Fair Value as of March 31, 2017			
Assets from coal trading activities, net	$157.5	$ (155.2)	$ (1.7)	$ 0.6
Liabilities from coal trading activities, net	(185.3)	155.2	29.4	(0.7)
Total, net	$(27.8)	$ —	$ 27.7	$ (0.1)
	Fair Value as of December 31, 2016			
Assets from coal trading activities, net	$191.2	$ (190.5)	$ —	$ 0.7
Liabilities from coal trading activities, net	(249.1)	190.5	57.4	(1.2)
Total, net	$(57.9)	$ —	$ 57.4	$ (0.5)

(1) None of the net variation margin (held) posted at March 31, 2017 and December 31, 2016, respectively, related to cash flow hedges.

See Note 8. "Derivatives and Fair Value Measurements" for information on balance sheet offsetting related to the Company's Corporate Hedging activities.

Fair Value Measurements

The following tables set forth the hierarchy of the Company's net financial asset (liability) coal trading positions for which fair value is measured on a recurring basis as of March 31, 2017 and December 31, 2016:

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Physical purchase/sale contracts	$—	$0.6	$(0.7)	$(0.1)
Total net financial assets (liabilities)	$—	$0.6	$(0.7)	$(0.1)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Futures, swaps and options	$—	$(0.1)	$—	$(0.1)
Physical purchase/sale contracts	—	0.7	(1.1)	(0.4)
Total net financial assets (liabilities)	$—	$0.6	$(1.1)	$(0.5)

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 (CME) Group,

Intercontinental Exchange (ICE), LCH.Clearnet (formerly known as the London Clearing House), NOS Clearing ASA and Singapore Exchange (SGX) 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.

Physical purchase/sale contracts include a credit valuation adjustment based on credit and non-performance risk (Level 3). The credit valuation adjustment has not historically had a material impact on the valuation of the contracts resulting in Level 2 classification. However, due to the Company's corporate credit rating downgrades in 2016, the credit valuation adjustments as of March 31, 2017 and December 31, 2016 are considered to be significant unobservable inputs in the valuation of the contracts resulting in Level 3 classification.

The Company's risk management function, which is independent of the Company's commercial trading function, is responsible for valuation policies and procedures, with oversight from executive management. Generally, the Company's Level 3 instruments or contracts are valued using bid/ask price quotations and other market assessments obtained from multiple, independent third-party brokers or other transactional data incorporated into internally-generated discounted cash flow models. Decreases in the number of third-party brokers or market liquidity could erode the quality of market information and therefore the valuation of the Company's market positions. The Company's valuation techniques include basis adjustments to the foregoing price inputs for quality, such as sulfur and ash content, location differentials, expressed as port and freight costs, and credit risk. The Company's risk management function independently validates the Company's valuation inputs, including unobservable inputs, with third-party information and settlement prices from other sources where available. A daily process is performed to analyze market price changes and changes to the portfolio. Further periodic validation occurs at the time contracts are settled with the counterparty. These valuation techniques have been consistently applied in all periods presented, and the Company believes it has obtained the most accurate information available for the types of derivative contracts held.

The following table summarizes the quantitative unobservable inputs utilized in the Company's internally-developed valuation models for physical purchase/sale contracts classified as Level 3 as of March 31, 2017:

Input	Range Low	Range High	Weighted Average
Credit and non-performance risk	26%	26%	26 %

Significant increases or decreases in the inputs in isolation could result in a significantly higher or lower fair value measurement. The unobservable inputs do not have a direct interrelationship; therefore, a change in one unobservable input would not necessarily correspond with a change in another unobservable input.

The following table summarizes the changes in the Company’s recurring Level 3 net financial assets:

	Three Months Ended March 31, 2017	2016
	(Dollars in millions)	
Beginning of period	$(1.1)	$(15.6)
Transfers out of Level 3	0.2	10.7
Total gains realized/unrealized:		
Included in earnings	0.2	(0.1)
Sales	—	(0.1)
Settlements	—	1.2
End of period	$(0.7)	$(3.9)

The Company had no transfers between Levels 1 and 2 during the three months ended March 31, 2017 and 2016. Transfers of liabilities out of Level 3 to Level 2 during the three months ended March 31, 2017 were due to the

relative value of unobservable inputs to the total fair value measurement of certain derivative contracts falling below the 10% threshold. The Company’s policy is to value all transfers between levels using the beginning of period valuation.

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table summarizes the changes in net unrealized (losses) gains relating to Level 3 net financial assets held both as of the beginning and the end of the period:

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Changes in unrealized gains (losses) [1]	$0.3	$(0.1)

(1) Within the unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of comprehensive income for the periods presented, unrealized gains and losses from Level 3 items are combined with unrealized gains and losses on positions classified in Level 1 or 2, as well as other positions that have been realized during the applicable periods.

As of March 31, 2017, the Company's trading portfolio was expected to have negative net cash realizations in 2017, reaching substantial maturity in 2017 on a fair value basis.

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 March 31, 2017, 23% of the Company’s credit exposure related to coal trading activities was with investment grade counterparties, while 47% was with non-investment grade counterparties and 30% 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 March 31, 2017 and December 31, 2016, the Company posted a net variation margin of $27.7 million and $57.4 million, respectively.

In addition to the requirements surrounding variation margin, the Company is required by the exchanges upon which it transacts and by certain of its OTC arrangements 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. As of March 31, 2017 and December 31, 2016, the Company had posted initial margin of $13.9

million and $16.2 million, respectively, which is reflected in "Other current assets" in the condensed consolidated balance sheets. As of March 31, 2017 and December 31, 2016, the Company had posted $0.2 million in excess and was in receipt of $2.0 million of the required variation and initial margin, respectively.
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 March 31, 2017 and December 31, 2016, would have amounted to collateral postings to counterparties of approximately $1 million and $2 million, respectively. As of March 31, 2017, the Company was required to post no collateral to counterparties for such positions. Approximately $1 million collateral was required to be posted to counterparties as of December 31, 2016.

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. During the second quarter of 2016, each of the three rating agencies downgraded the Company's corporate credit rating due to the Bankruptcy Petitions. Despite the rating agencies downgrades, the Company’s additional collateral requirement owed to its counterparties for these ratings based derivative trading instruments would have been zero at March 31, 2017 and December 31, 2016 based on the aggregate fair value of all derivative trading instruments with such features. As of March 31, 2017 and December 31, 2016, no collateral was posted to counterparties to support such derivative trading instruments.

(10) Financing Receivables

The Company had total financing receivables of $94.4 million and $84.8 million reflected in "Investments and other assets" in the condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016, respectively.

The Company periodically assesses the collectability of accounts and loans receivable by considering factors such as specific evaluation of collectability, historical collection experience, the age of the receivable and other available evidence. Below is a description of the Company's financing receivables outstanding as of March 31, 2017.

Middlemount. The Company periodically makes loans (Priority Loans) to Middlemount Coal Pty Ltd (Middlemount), in which the Company owns a 50% equity interest, pursuant to the related shareholders’ agreement for purposes of funding capital expenditures and working capital requirements. The Priority Loans bear interest at a rate equal to the monthly average 30-day Australian Bank Bill Swap Reference Rate plus 3.5%. They were due to expire on December 31, 2016, but have been extended to June 30, 2017 in conjunction with a commercial agreement with the stockholders concerning the distribution of available cash against outstanding payables and the loans. The agreement requires the distribution of available cash at least twice each month. Available cash is defined as the amount of Middlemount's bank accounts that will not be required to pay known bills within the next 35 days. The available cash is distributed to stockholders in a 50/50 ratio, unless there is no marketing royalty payment overdue. In that situation, 100% of the available cash is distributed to the Company until its Priority Loans are repaid in full. Based on the existence of letters of support from related entities of the stockholders, the expected timing of repayment of these loans is projected to extend beyond the stated expiration date and so the Company considers these loans to be of a long-term nature. As a result, (i) the foreign currency impact related to the shareholder loans is included in foreign currency translation adjustment in the condensed consolidated balance sheets and the unaudited condensed consolidated statements of comprehensive income and (ii) interest income on the Priority Loans is recognized when cash is received. The carrying value of the loans of $94.4 million and $84.8 million was reflected in "Investments and other assets" in the condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016, respectively. The Company received approximately $31.0 million and $2.0 million from Middlemount during the three month periods ended March 31, 2017 and 2016, respectively.

On August 8, 2016, one of the Company's Australian subsidiaries and the other shareholder of Middlemount entered into an agreement to provide a revolving loan (Revolving Loans) to Middlemount not to exceed $60.0 million Australian dollars (Revolving Loan Limit). The Company’s participation in the Revolving Loans will not, at any time, exceed its 50% equity interest of the Revolving Loan Limit. The Revolving Loans bear interest at 15% per annum and expire on December 31, 2017. As of March 31, 2017 and December 31, 2016, the carrying value of the Revolving Loans due to the Company's Australian subsidiary was zero.

(11) Property, Plant, Equipment and Mine Development

Property, plant, equipment and mine development, net, as of March 31, 2017 and December 31, 2016 consisted of the following:

	March 31, 2017	December 31, 2016
	(Dollars in millions)	
Land and coal interests	$10,297.7	$ 10,330.8
Buildings and improvements	1,479.3	1,507.6
Machinery and equipment	2,143.8	2,130.2
Less: Accumulated depreciation, depletion and amortization	(5,266.9)	(5,191.9)
Total, net	$8,653.9	$ 8,776.7

Table of Contents

PEABODY ENERGY CORPORATION
(DEBTOR-IN-POSSESSION)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

During the three-months ended March 31, 2017, the Company decreased its estimate for the useful lives of certain property, plant, equipment and mine development assets due to changes in mine closure expectations. The assets impacted by the change in estimate had a net book value of $192.7 million at March 31, 2017.

(12) Income Taxes

For the three months ended March 31, 2017, the Company determined that the annual effective tax rate method would not represent a reliable estimate of the interim income tax provision because of the Company's emergence from the Chapter 11 Cases on April 3, 2017. As a result, the Company utilized a discrete period method to calculate taxes for the three months ended March 31, 2017. Under the discrete period method, the Company determined the income tax provision based upon actual results as if the interim period were an annual period. For the three months ended March 31, 2016, the Company utilized the annual effective tax rate method to calculate the income tax provision for the three-month period then ended.

The Company's income tax provision of $2.2 million and benefit of $59.8 million for the three months ended March 31, 2017 and 2016, respectively, included a tax provision of $9.4 million and $7.9 million, respectively, related to the remeasurement of foreign income tax accounts. The Company's effective tax rate for the three month period ended March 31, 2017 is comprised of the expected statutory tax expense offset by foreign rate differential, changes in valuation allowance and a tax allocation to results from continuing operations related to the tax effects of items credited directly to "Accumulated other comprehensive loss."

(13) Current and Long-term Debt

The Company's total indebtedness as of March 31, 2017 and December 31, 2016 consisted of the following:

	March 31, 2017	December 31, 2016
	(Dollars in millions)	
6.000% Senior Notes due March 2022	$475.4	$ —
6.375% Senior Notes due March 2025	475.1	—
2013 Revolver	1,555.2	1,558.1
2013 Term Loan Facility due September 2020	1,154.5	1,154.5
6.00% Senior Notes due November 2018	1,509.9	1,509.9
6.50% Senior Notes due September 2020	645.8	645.8
6.25% Senior Notes due November 2021	1,327.7	1,327.7
10.00% Senior Secured Second Lien Notes due March 2022	962.3	962.3
7.875% Senior Notes due November 2026	245.9	245.9
Convertible Junior Subordinated Debentures due December 2066	367.1	367.1
Capital lease obligations	17.6	19.7
Other	0.5	0.4
	8,737.0	7,791.4
Less: Current portion of long-term debt	18.2	20.2
Less: Liabilities subject to compromise	7,768.3	7,771.2
Long-term debt	$950.5	$ —

The carrying amounts of the Successor Notes, the 2013 Term Loan Facility due September 2020, the 10.00% Senior Secured Second Lien Notes due March 2022 (the Senior Secured Second Lien Notes), the 6.00% Senior Notes due November 2018, the 6.50% Senior Notes due September 2020, the 6.25% Senior Notes due November 2021, the 7.875% Senior Notes due November 2026 (collectively, the Senior Notes), and the Convertible Junior Subordinated Debentures due December 2066 (the Debentures) have been presented above net of the respective unamortized debt

issuance costs and original issue discounts, as applicable.

As of March 31, 2017 and December 31, 2016, substantially all of the Company's long-term debt, with the exception of the Successor Notes and capital lease obligations, was recorded in “Liabilities subject to compromise” in the consolidated balance sheets. Refer to Note 4. "Liabilities Subject to Compromise" for additional information.

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

In connection with the Chapter 11 Cases, the Company was required to pay monthly adequate protection payments to certain first lien creditors in accordance with the rates defined in its existing prepetition credit facility which included the 2013 Revolver and the 2013 Term Loan Facility due September 2020. The adequate protection payments were recorded as "Interest expense" in the consolidated statement of operations, which totaled $29.8 million for the three months ended March 31, 2017.

The Company has not recorded interest expense on the 6.00% Senior Notes due November 2018, the 6.50% Senior Notes due September 2020, the 6.25% Senior Notes due November 2021, the Debentures, the Senior Secured Second Lien Notes or the 7.875% Senior Notes due November 2026 since the filing of the Bankruptcy Petitions on the Petition Date. The Company's contractual interest obligation of $92.9 million for the three months ended March 31, 2017 was automatically stayed in accordance with Section 502(b)(2) of the Bankruptcy Code.

Financing costs related to the Company’s prepetition indebtedness were being amortized to interest expense over the remaining term of the associated debt prior to the Bankruptcy Petitions. The remaining balance at March 31, 2017 was $89.0 million.

As more fully described in Note 1. "Basis of Presentation", on the Effective Date, all of the debt instruments associated with the indebtedness included in the above table, with the exception of the 6.000% Senior Notes due March 2022, the 6.375% Senior Notes due March 2025, and $18.0 million of capital lease and other obligations outstanding at March 31, 2017, were canceled and the debt obligations discharged. The Company was concurrently recapitalized with new debt and equity instruments, including the 6.000% Senior Notes due March 2022 and the 6.375% Senior Notes due March 2025, in accordance with the Plan.

(14) Pension and Postretirement Benefit Costs

Net periodic pension cost included the following components:

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Service cost for benefits earned	$0.6	$0.6
Interest cost on projected benefit obligation	9.7	10.4
Expected return on plan assets	(11.0)	(11.3)
Amortization of prior service cost and net actuarial loss	6.4	6.2
Net periodic pension cost	$5.7	$