PEABODY ENERGY CORP
Form 10-Q
August 14, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 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 100.3 million shares of the registrant's common stock (par value of $0.01 per share) outstanding at July 31, 2017.
There were 18.4 million shares of the registrant's Series A convertible preferred stock (par value of $0.01 per share) outstanding at July 31, 2017.

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

	Successor	Predecessor		Successor	Predecessor	
	April 2 through June 30, 2017	April 1, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions, except per share data)					
Revenues						
Sales	$1,059.6	$—	$892.4	$1,059.6	$1,081.4	$1,771.9
Other revenues	198.7	—	147.8	198.7	244.8	295.5
Total revenues	1,258.3	—	1,040.2	1,258.3	1,326.2	2,067.4
Costs and expenses						
Operating costs and expenses (exclusive of items shown separately below)	934.8	—	996.2	934.8	963.7	1,916.4
Depreciation, depletion and amortization	148.3	—	115.9	148.3	119.9	227.7
Asset retirement obligation expenses	11.0	—	11.5	11.0	14.6	24.6
Selling and administrative expenses	34.4	—	34.2	34.4	37.2	82.5
Restructuring charges	—	—	3.1	—	—	15.2
Other operating (income) loss:						
Net gain on disposal of assets	(0.5)	—	(13.7)	(0.5)	(22.8)	(15.5)
Asset impairment	—	—	—	—	30.5	17.2
(Income) loss from equity affiliates	(15.7)	—	0.7	(15.7)	(15.0)	9.7
Operating profit (loss)	146.0	—	(107.7)	146.0	198.1	(210.4)
Interest expense	41.4	—	59.0	41.4	32.9	185.2
Interest income	(1.5)	—	(1.3)	(1.5)	(2.7)	(2.7)
Reorganization items, net	—	585.8	95.4	—	627.2	95.4
Income (loss) from continuing operations before income taxes	106.1	(585.8)	(260.8)	106.1	(459.3)	(488.3)
Income tax provision (benefit)	4.7	(266.0)	(37.6)	4.7	(263.8)	(97.4)
Income (loss) from continuing operations, net of income taxes	101.4	(319.8)	(223.2)	101.4	(195.5)	(390.9)
Loss from discontinued operations, net of income taxes	(2.7)	(12.1)	(3.0)	(2.7)	(16.2)	(6.4)
Net income (loss)	98.7	(331.9)	(226.2)	98.7	(211.7)	(397.3)
Less: Series A Convertible Preferred Stock dividends	115.1	—	—	115.1	—	—
Less: Net income attributable to noncontrolling interests	3.8	—	1.7	3.8	4.8	1.7
Net loss attributable to common stockholders	$(20.2)	$(331.9)	$(227.9)	$(20.2)	$(216.5)	$(399.0)
Loss from continuing operations:						
Basic loss per share	$(0.18)	$(17.44)	$(12.30)	$(0.18)	$(10.93)	$(21.47)
Diluted loss per share	$(0.18)	$(17.44)	$(12.30)	$(0.18)	$(10.93)	$(21.47)
Net loss attributable to common stockholders:						
Basic loss per share	$(0.21)	$(18.10)	$(12.46)	$(0.21)	$(11.81)	$(21.82)

Diluted loss per share	$(0.21)	$(18.10)	$(12.46)	$(0.21)	$(11.81)	$(21.82)
Dividends declared per share	$—	$—	$—	$—	$—	$—

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Successor	Predecessor		Successor	Predecessor	
	April 2 through June 30, 2017	April 1, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)					
Net income (loss)	$98.7	$(331.9)	$(226.2)	$ 98.7	$(211.7)	$(397.3)
Reclassification for realized losses on cash flow hedges (net of respective net tax provision of $0.0, $0.0, $23.1, $0.0, $9.1 and $52.3) included in net income (loss)	—	—	39.4	—	18.6	89.1
Postretirement plans and workers' compensation obligations (net of respective net tax provision of $0.0, $0.0, $2.1, $0.0, $2.5 and $4.2)	—	—	3.6	—	4.4	7.2
Foreign currency translation adjustment	0.5	—	(1.8)	0.5	5.5	0.9
Other comprehensive income, net of income taxes	0.5	—	41.2	0.5	28.5	97.2
Comprehensive income (loss)	99.2	(331.9)	(185.0)	99.2	(183.2)	(300.1)
Less: Series A Convertible Preferred Stock dividends	115.1	—	—	115.1	—	—
Less: Comprehensive income attributable to noncontrolling interests	3.8	—	1.7	3.8	4.8	1.7
Comprehensive loss attributable to common stockholders	$(19.7)	$(331.9)	$(186.7)	$ (19.7)	$(188.0)	$(301.8)

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) Successor June 30, 2017	Predecessor December 31, 2016
	(Amounts in millions, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$1,095.7	$ 872.3
Restricted cash	—	54.3
Accounts receivable, net of allowance for doubtful accounts of $4.5 at June 30, 2017 and $13.1 at December 31, 2016	396.5	473.0
Inventories	313.5	203.7
Assets from coal trading activities, net	0.6	0.7
Other current assets	171.8	486.6
Total current assets	1,978.1	2,090.6
Property, plant, equipment and mine development, net	5,214.2	8,776.7
Restricted cash collateral	561.7	529.3
Investments and other assets	561.2	381.1
Total assets	$8,315.2	$ 11,777.7
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities		
Current portion of long-term debt	$189.0	$ 20.2
Liabilities from coal trading activities, net	1.2	1.2
Accounts payable and accrued expenses	1,147.0	990.4
Total current liabilities	1,337.2	1,011.8
Long-term debt, less current portion	1,768.1	—
Deferred income taxes	—	173.9
Asset retirement obligations	635.0	717.8
Accrued postretirement benefit costs	746.3	756.3
Other noncurrent liabilities	596.9	496.2
Total liabilities not subject to compromise	5,083.5	3,156.0
Liabilities subject to compromise	—	8,440.2
Total liabilities	5,083.5	11,596.2
Stockholders’ equity		
Predecessor Preferred Stock — $0.01 per share par value; 10.0 shares authorized, no shares issued or outstanding as December 31, 2016	—	—
Predecessor Perpetual Preferred Stock — 0.8 shares authorized, no shares issued or outstanding as of December 31, 2016	—	—
Predecessor Series Common Stock — $0.01 per share par value; 40.0 shares authorized, no shares issued or outstanding as of December 31, 2016	—	—
Predecessor Common Stock — $0.01 per share par value; 53.3 shares authorized,19.3 shares issued and 18.5 shares outstanding as of December 31, 2016	—	0.2
Successor Series A Convertible Preferred Stock — $0.01 per share par value; 50.0 shares authorized, 30.0 shares issued and 18.4 shares outstanding as of June 30, 2017	800.7	—

Successor Preferred Stock — $0.01 per share par value; 50.0 shares authorized, no shares issued or outstanding as of June 30, 2017	—	—
Successor Series Common Stock — $0.01 per share par value; 50.0 shares authorized, no shares issued or outstanding as of June 30, 2017	—	—
Successor Common Stock — $0.01 per share par value; 450.0 shares authorized, 70.9 shares issued and 100.2 shares outstanding as of June 30, 2017	1.0	—
Additional paid-in capital	2,286.3	2,422.0
Treasury stock, at cost — No shares as of June 30, 2017 and 0.8 shares as of December 31, 2016	—	(371.8)
Retained earnings (accumulated deficit)	94.9	(1,399.5)
Accumulated other comprehensive income (loss)	0.5	(477.0)
Peabody Energy Corporation stockholders' equity	3,183.4	173.9
Noncontrolling interests	48.3	7.6
Total stockholders' equity	3,231.7	181.5
Total liabilities and stockholders' equity	$8,315.2	$ 11,777.7

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor	
	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)		
Cash Flows From Operating Activities			
Net income (loss)	$98.7	$(211.7)	$(397.3)
Loss from discontinued operations, net of income taxes	2.7	16.2	6.4
Income (loss) from continuing operations, net of income taxes	101.4	(195.5)	(390.9)
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	148.3	119.9	227.7
Noncash coal inventory revaluation	67.3	—	—
Noncash interest expense	4.2	0.5	16.3
Deferred income taxes	(1.6)	(252.2)	(61.8)
Noncash share-based compensation	7.0	1.9	5.1
Asset impairment	—	30.5	17.2
Net gain on disposal of assets	(0.5)	(22.8)	(15.5)
(Income) loss from equity affiliates	(15.7)	(15.0)	9.7
Gain on voluntary employee beneficiary association settlement	—	—	(68.1)
Foreign currency option contracts	(9.3)	—	—
Reclassification from other comprehensive earnings for terminated hedge contracts	—	27.6	—
Settlement of hedge positions	—	—	(25.0)
Noncash reorganization items, net	—	569.3	96.8
Changes in current assets and liabilities:			
Accounts receivable	(84.4)	159.3	34.4
Change in receivable from accounts receivable securitization program	—	—	(168.5)
Inventories	(60.0)	(47.2)	3.7
Net assets from coal trading activities	0.5	(0.5)	6.3
Other current assets	(17.1)	0.1	(33.4)
Accounts payable and accrued expenses	(119.0)	(64.9)	(16.7)
Restricted cash	75.7	(94.1)	(79.7)
Asset retirement obligations	4.6	10.2	14.2
Workers' compensation obligations	(1.2)	(3.1)	(6.7)
Accrued postretirement benefit costs	(0.7)	0.8	(0.6)
Accrued pension costs	(2.1)	5.4	11.5
Take-or-pay obligation settlement	—	(5.5)	(15.5)
Other, net	(6.1)	(2.5)	11.9
Net cash provided by (used in) continuing operations	91.3	222.2	(427.6)
Net cash used in discontinued operations	(0.6)	(8.2)	(4.2)
Net cash provided by (used in) operating activities	90.7	214.0	(431.8)
Cash Flows From Investing Activities			
Additions to property, plant, equipment and mine development	(45.9)	(32.8)	(38.1)

Changes in accrued expenses related to capital expenditures	1.6	(1.4)	(7.1)
Federal coal lease expenditures	—	(0.5)	(0.5)
Proceeds from disposal of assets	2.5	24.3	116.0
Contributions to joint ventures	(96.3)	(95.4)	(159.7)
Distributions from joint ventures	95.5	90.5	163.5
Advances to related parties	(0.9)	(0.4)	(2.2)
Repayments of loans from related parties	26.5	31.1	2.1
Other, net	(1.5)	(0.3)	(8.3)
Net cash (used in) provided by investing activities	(18.5)	15.1	65.7
Cash Flows From Financing Activities			
Proceeds from long-term debt	—	1,000.0	1,422.0
Successor Notes issuance proceeds into escrow	—	(1,000.0)	—
Repayments of long-term debt	(23.8)	(2.1)	(9.0)
Payment of deferred financing costs	—	(45.4)	(29.5)
Distributions to noncontrolling interests	(6.4)	(0.1)	(2.5)
Other, net	—	(0.1)	(1.9)
Net cash (used in) provided by financing activities	(30.2)	(47.7)	1,379.1
Net change in cash and cash equivalents	42.0	181.4	1,013.0
Cash and cash equivalents at beginning of period	1,053.7	872.3	261.3
Cash and cash equivalents at end of period	$1,095.7	$1,053.7	$1,274.3

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Peabody Energy Corporation Stockholders' Equity							
	Series A Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Stockholders' Equity
	(Dollars in millions)							
December 31, 2016 - Predecessor	$—	$0.2	$2,422.0	$(371.8)	$(1,399.5)	$(477.0)	$7.6	$181.5
Net loss	—	—	—	—	(216.5)	—	4.8	(211.7)
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)
Elimination of Predecessor equity	—	(0.2)	(2,423.9)	371.9	1,616.0	448.5	(12.3)	—
April 1, 2017 - Predecessor	$—	$—	$—	$—	$—	$—	$—	$—
Issuance of Successor equity	1,305.4	0.7	1,774.9	—	—	—	50.9	3,131.9
April 2, 2017 - Successor	$1,305.4	$0.7	$1,774.9	$—	$—	$—	$50.9	$3,131.9
Net income	—	—	—	—	94.9	—	3.8	98.7
Foreign currency translation adjustment	—	—	—	—	—	0.5	—	0.5
Warrant conversions	—	0.1	(0.1)	—	—	—	—	—
Series A Convertible Preferred Stock conversions	(507.7)	0.2	507.5	—	—	—	—	—
Series A Convertible Preferred Stock dividends	3.0	—	(3.0)	—	—	—	—	—
Share-based compensation for equity-classified awards	—	—	7.0	—	—	—	—	7.0
	—	—	—	—	—	—	(6.4)	(6.4)

Distributions to noncontrolling interests								
June 30, 2017 - Successor	$ 800.7	$ 1.0	$ 2,286.3	$ —	$ 94.9	$ 0.5	$ 48.3	$ 3,231.7

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as amended on July 10, 2017. In the opinion of management, these financial statements reflect all normal, recurring adjustments necessary for a fair presentation and certain prior year amounts have been reclassified for consistency with the current period presentation. As fully described in Note 21. "Correction of Prior Period Financial Statements," the financial statements also reflect certain adjustments to correct for errors which impacted previously reported results. 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 and six months ended June 30, 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.

Plan of Reorganization and Emergence from Chapter 11 Cases

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

For periods subsequent to filing the Bankruptcy Petitions, the Company applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, “Reorganizations”, in preparing its consolidated financial statements. ASC 852 requires that financial statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that were realized or incurred in the bankruptcy proceedings were recorded in "Reorganization items, net" in the unaudited condensed consolidated statements of operations. In addition, the pre-petition obligations that were impacted by the bankruptcy reorganization process were classified as "Liabilities subject to compromise" in the accompanying condensed consolidated balance sheet at December 31, 2016.

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.

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

Upon adoption of fresh start reporting, the Company became a new entity for financial reporting purposes, reflecting the Successor (as defined below) capital structure. As a result, a new accounting basis in the identifiable assets and liabilities assumed was established with no retained earnings or accumulated other comprehensive income (loss) (OCI) for financial reporting purposes. The Company selected an accounting convenience date of April 1, 2017 for purposes of applying fresh start reporting as the activity between the convenience date and the Effective Date does not result in a material difference in the results. References to “Successor” in the financial statements and accompanying footnotes are in reference to reporting dates on or after April 2, 2017; references to “Predecessor” in the financial statements and accompanying footnotes are in reference to reporting dates through April 1, 2017 which includes the impact of the Plan provisions and the application of fresh start reporting. As such, the Company’s financial statements for the Successor will not be comparable in many respects to its financial statements for periods prior to the adoption of fresh start reporting and prior to the accounting for the effects of the Plan. For further information on the Plan and fresh start reporting, see Note 3. “Emergence from the Chapter 11 Cases and Fresh Start Reporting.”

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

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

Newly Adopted Accounting Standards

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.

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 its coal sales will remain consistent with its current practice. The Company is reviewing its portfolio of coal sales contracts and the various terms and clauses within each contract. The Company is also 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 plans to adopt the standard under the modified retrospective approach.

Lease Accounting. In February 2016, the FASB issued accounting guidance that will require a lessee to recognize on its balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. Additional qualitative disclosures along with specific quantitative disclosures will also be required. The new guidance will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for the Company), 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 the classification 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 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) Emergence from the Chapter 11 Cases and Fresh Start Reporting

The following is a summary of certain provisions of the Plan, as confirmed by the Bankruptcy Court pursuant to the Confirmation Order, and is not intended to be a complete description of the Plan, which is included in its entirety as Exhibit 2.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on March 20, 2017.

The consummation of the Plan resulted in the following capital structure on the Effective Date.

- Successor Notes - $1,000.0 million first lien senior secured notes.
- Successor Credit Facility - A first lien credit facility of $950.0 million.
- Series A Preferred Stock - $750.0 million for 30.0 million shares of Series A Convertible Preferred Stock.
- Common Stock and Warrants - $750.0 million for common stock and warrants issued in connection with a Rights Offering (as defined below), resulting in, together with other issuances of common stock, the issuance of 70.9 million shares of a single class of common stock and warrants to purchase 6.2 million shares of common stock.

The new debt and equity instruments comprising the Successor Company's capital structure are further described below.

Treatment of Classified Claims and Interests

The following summarizes the various classes of claimants' recoveries under the Plan. Undefined capitalized terms used in this section, Treatment of Classified Claims and Interests, are defined in the Plan.

First Lien Lender Claims (Classes 1A - 1D)	Paid in full in cash.
Second Lien Notes Claims (Classes 2A - 2D)	A combination of (1) $450 million of cash, first lien debt and/or new second lien notes and (2)(a) new common stock, par value $0.01 per share, of the Reorganized Peabody (Common Stock) and (b) subscription rights in the Rights Offering.
Other Secured Claims (Classes 3A - 3E)	At the election of the Debtors, (1) reinstatement, (2) payment in full in cash, (3) receipt of the applicable collateral or (4) such other treatment consistent with section 1129(b) of the Bankruptcy Code.
Other Priority Claims (Classes 4A - 4E)	Paid in full in cash.
General Unsecured Claims	Class 5A: Against Peabody Energy: a pro rata share of $5 million in cash plus an amount of additional cash (up to $2 million) not otherwise paid to holders of Convenience Claims. Class 5B: Against the Encumbered Guarantor Debtors: (1) Reorganized Peabody common stock and subscription rights in the Rights Offering or (2) at the election of the claim holder, cash from a pool of $75 million in cash to be paid by the Debtors and the Reorganized Debtors into a segregated account in accordance with the terms set forth in the Plan. Class 5C: Against the Gold Fields Debtors: units in the Gold Fields Liquidating Trust. Class 5D: Against Peabody Holdings (Gibraltar) Limited: no recoveries. Class 5E: Against the Unencumbered Debtors: cash in the amount of such holder’s allowed claim, less any amounts attributable to late fees, postpetition interest or penalties.
Convenience Claims	Class 6A: Against Peabody Energy: up to 72.5% of such claim in cash, provided that total payments to Convenience Claims may not exceed $2 million. Class 6B: Against the Encumbered Guarantor Debtors: up to 72.5% of such claim in cash, provided that total payments to Convenience Claims may not exceed $18 million.
United Mine Workers of America 1974 Pension Plan Claim (Classes 7A -	$75 million in cash paid over five years. See Note 5. "Discontinued Operations," for additional details.

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Unsecured Subordinated Debentures Claims (Class 8A)	(1) Payment of the reasonable and documented fees and expenses of the trustee under the 2066 subordinated indenture up to $350,000; and (2) because this class voted in favor of the Plan and in connection with the settlement of certain potential intercreditor disputes as part of the global settlement embodied therein, and because the trustee under the 2066 subordinated indenture did not object to, and affirmatively supported, the Plan, holders of allowed Unsecured Subordinated Debenture Claims received from specified noteholder co-proponents their pro rata share of penny warrants exercisable for 1.0% of the fully diluted Reorganized Peabody common stock from the pool of penny warrants issued to the noteholder co-proponents under the Rights Offering and/or the terms of the Backstop Commitment Agreement (as defined below).
Section 510(b) Claims (Class 10A)	No recovery.
Peabody Energy Equity Interests (Class 11A)	No recovery, as further described under Cancellation of Prior Common Stock below.

Cancellation of Prior Common Stock

In accordance with the Plan and as previously disclosed, 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.

Issuance of Equity Securities

Section 1145 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 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 were similarly issued pursuant to the exemption from registration provided by Section 1145 of the Bankruptcy Code.

Section 4(a)(2) Securities

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 Series A Convertible Preferred Stock (the Preferred Stock) to 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 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 additional Private Warrants to specified parties to the Private Placement Agreement and Backstop Commitment Agreement on account of commitment premiums contemplated by those agreements.

Any shares of Common Stock issued pursuant to the conversion of the Preferred Stock or the exercise of such Private Warrants have been or 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 were subject to restrictions on transfer; however, substantially all such shares were registered with the SEC on a resale Form S-1 effective July 14, 2017.

Current Equity Structure

As of June 30, 2017, 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).

Other Forms of Equity Authorized under the Company’s Certificate of Incorporation

As noted on the accompanying condensed consolidated balance sheets, the Company’s Fourth Amended and Restated Certificate of Incorporation authorizes the issuances of additional series of preferred stock, as well as series common stock. Other than the Series A Convertible Preferred Stock, no other series of preferred stock is outstanding as of June 30, 2017. Additionally, as of June 30, 2017, no series common stock is outstanding. A copy of the Company’s Fourth Amended and Restated Certificate of Incorporation is included as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed by the Company with the SEC on April 3, 2017.

Preferred Stock

The Preferred Stock accrues dividends at a rate of 8.5% per year, payable in-kind semi-annually on April 30 and October 31 of each year as additional shares of Series A Convertible Preferred Stock, and may be converted into a number of shares of our common stock as described below. The Preferred Stock will also participate on an as-converted basis (giving effect to any accrued and unpaid dividends) in any dividend, distribution or payments to holders of Common Stock. Upon the Company's liquidation, dissolution or wind up, whether voluntarily or involuntarily, the holders of Preferred Stock are granted a liquidation preference of $25.00 per share of Preferred Stock, plus any accrued but unpaid dividends through the date of liquidation. The Preferred Stock may also participate on an as-converted basis in any payments upon liquidation payable to the holders of Common Stock.

The Preferred Stock shall be convertible into Common Stock at any time, at the option of the holders at an initial conversion price of $16.25, representing a discount of 35% to the equity value assigned to the Common Stock by the Plan (subject to customary any-dilution adjustments, the Conversion Price). If at any time following the Effective Date, less than 7,500,000 shares of Preferred Stock remain outstanding, then the Company shall have the right, but not the obligation, to redeem all (but not less than all) of the remaining shares of Preferred Stock, following thirty days’ notice, and on no more than 60 days’ notice, at a redemption price equal to $25 per share of Preferred Stock, payable in cash or shares of Common Stock at the Company's election, subject to certain adjustments; provided that the Company shall not redeem any shares of Preferred Stock for cash during any time that any obligations under the Successor Credit Agreement (as defined below) remain outstanding. At any time following the Effective Date, if holders of at least 66 2/3% of the Preferred Stock elect to convert, then all remaining outstanding Preferred Stock will automatically convert at the same time and on the same terms.

In addition, beginning on the Effective Date, each outstanding share of Preferred Stock shall automatically convert into a number of shares of Common Stock at the Conversion Price (such conversion, the Mandatory Conversion) if the volume weighted average price of the Common Stock exceeds $32.50 (the Conversion Threshold) for at least 45 trading days in a 60 consecutive trading day period, including each of the last 20 days in such 60 consecutive trading day period (such period, the Mandatory Conversion Period).

Finally, the Preferred Stock shall automatically convert into shares of Common Stock immediately prior to the consummation of a Fundamental Change (generally defined as significant business combinations, as fully defined in the Certificate of Designation of Series A Convertible Preferred Stock included as Exhibit 3.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 3, 2017) if either (1) at consummation of the Fundamental

Change, the price of the Common Stock exceeds the Conversion Threshold, or (2) the consideration payable in the Fundamental Change per share of Common Stock exceeds the Conversion Threshold and is payable in cash.
Upon any optional or mandatory conversion of the Preferred Stock that occurs on or prior to the three year anniversary of its initial issuance, holders of the Preferred Stock will be deemed to have (1) received dividends through the last payment of dividends prior to the conversion, including dividends received on prior dividends, to the extent accrued and not previously

paid; and (2) dividends on the shares of Preferred Stock then outstanding and any shares deemed issued pursuant to the preceding clause accruing from the last dividend date preceding the date of the conversion through, but not including, the three year anniversary of their initial issuance, and all dividends on prior dividends. In respect of an optional or mandatory conversion occurring after the three year anniversary of its initial issuance, there shall be deemed to have been issued in respect of all shares of Preferred Stock at the time outstanding (1) dividends through the date of payment of the dividend immediately preceding the date of the conversion, including dividends on such dividends, to the extent accrued and not previously paid, and (2) dividends on (a) the shares of Preferred Stock at the time outstanding and (b) any shares of Preferred Stock deemed issued pursuant to the preceding clause (1) accruing from the date of payment of the dividend immediately preceding the conversion, through, but not including, the date of conversion and all dividends on such dividends.

There are no restrictions on the repurchase or redemption of the Preferred Stock while there is any arrearage in the payment of dividends.

The Preferred Stock votes with the Common Stock as a single class on an as-converted basis on all matters submitted to a vote of the holders of Common Stock with the exception of certain matters, as outlined in the Certificate of Designation of Series A Convertible Preferred Stock, in which the holders of Preferred Stock are entitled to vote as a separate class with a majority vote required for approval. Such matters include any Fundamental Change requiring approval of the holders of Common Stock and authorization of cash dividends on Common Stock in excess of $100 million payable in any 12-month period.

Rights Offering

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.

Registration Rights Agreement

On the Effective Date, the Company entered into a registration rights agreement (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 Common Stock and 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). Substantially all of the Holders’ Registrable Securities were registered with the SEC on Form S-1 effective July 14, 2017.

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 an underwritten offering 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 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 6.2 million warrants to purchase one share of Common Stock each at an exercise price of $0.01 per share 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 Warrants described above under the heading “Issuance of Equity Securities” were issued under the Warrant Agreement. All unexercised Warrants expired, and the rights of the holders of such Warrants to purchase Common Stock terminated on July 3, 2017, with less than 0.1% of the Warrants unexercised.

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.

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6.00% and 6.375% Senior Secured Notes (collectively, the Successor 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 proceeds from the Successor Notes were used to repay the predecessor first lien obligations.

The Successor Notes are further described in Note 13. "Long-term Debt" and 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.

Successor 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. On the Effective Date, the proceeds from the Successor Credit Agreement were used to repay the predecessor first lien obligations.

The Successor Credit Agreement is further described in Note 13. "Long-term Debt" and 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.

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, as amended, dated as of April 3, 2017 (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.

The Receivables Purchase Agreement is further described in Note 18. "Financial Instruments and Other Guarantees" and 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.

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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.

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Reorganization Value

Fresh start reporting provides, among other things, for a determination of the value to be assigned to the equity of the emerging company as of a date selected for financial reporting purposes. In conjunction with the bankruptcy proceedings, a third-party financial advisor provided an enterprise value of the Company of approximately $4.2 billion to $4.9 billion. The final equity value of $3,081.0 million was based upon the approximate low end of the enterprise value established by the third-party valuation and cash held by the Successor company in connection with the emergence from the Chapter 11 Cases, less the fair value of Successor debt issued on the Effective Date as described above. The final equity value equated to a per share value of $22.02 per equivalent common share issued in accordance with the Plan.

The enterprise value of the Company was estimated using two primary valuation methods: a comparable public company analysis and a discounted cash flow (DCF) analysis. The comparable public company analysis is based on the enterprise value of selected publicly traded companies that have operating and financial characteristics comparable in certain respects to the Company, for example, operational requirements and risk and profitability characteristics. Selected companies are comprised of coal mining companies with primary operations in the United States. Under this methodology, certain financial multiples and ratios that measure financial performance and value are calculated for each selected company and then applied to the Company’s financials to imply an enterprise value for the Company. The DCF analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows by that asset or business. The basis of the DCF analysis was the Company’s prepared projections which included a variety of estimates and assumptions, such as pricing and demand for coal. The Company’s pricing was based on its view of the market taking into account third-party forward pricing curves adjusted for the quality of products sold by the Company. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company’s control and, therefore, may not be realized. Changes in these estimates and assumptions may have a significant effect on the determination of the Company’s enterprise value. The assumptions used in the calculations for the DCF analysis included projected revenue, cost and cash flows for the nine months ending December 31, 2017 through each respective mine life and represented the Company’s best estimates at the time the analysis was prepared. The DCF analysis was completed using discount rates at a range of estimated weighted average costs of capital ranging from 11% to 14%. The DCF analysis involves complex considerations and judgments concerning appropriate discount rates. Due to the unobservable inputs to the valuation, the fair value would be considered Level 3 in the fair value hierarchy.

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 all employees, including its executive officers (the Emergence Awards). The fair value of the Emergence Awards on the Effective Date was $80.0 million. 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.

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Effect of Plan and Fresh Start Reporting Adjustments
The following balance sheet illustrates the impacts of the implementation of the Plan and the application of fresh start reporting, which results in the opening balance sheet of the Successor company.

As of April 1, 2017	Predecessor (a)	Effect of Plan (b)	Fresh Start Adjustments (c)	Successor
	(Dollars in millions)			
ASSETS				
Current assets				
Cash and cash equivalents	$1,068.1	$(14.4) (d)	$—	$1,053.7
Restricted cash	80.7	(54.7) (d)	—	26.0
Successor Notes issuance proceeds - restricted cash	1,000.0	(1,000.0) (d)	—	—
Accounts receivable, net	312.1	—	—	312.1
Inventories	250.8	—	70.1 (k)	320.9
Assets from coal trading activities, net	0.6	—	—	0.6
Other current assets	493.9	(18.1) (e)	(333.0) (l)	142.8
Total current assets	3,206.2	(1,087.2)	(262.9)	1,856.1
Property, plant, equipment and mine development, net	8,653.9	—	(3,461.4) (m)	5,192.5
Investments and other assets	976.4	3.9 (f)	238.0 (n)	1,218.3
Total assets	$12,836.5	$(1,083.3)	$(3,486.3)	$8,266.9
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Current portion of long-term debt	$18.2	$9.5 (g)	$—	$27.7
Liabilities from coal trading activities, net	0.7	—	—	0.7
Accounts payable and accrued expenses	967.3	257.6 (h)	14.8 (o)	1,239.7
Total current liabilities	986.2	267.1	14.8	1,268.1
Long-term debt, less current portion	950.5	903.2 (g)	—	1,853.7
Deferred income taxes	179.2	—	(177.8) (p)	1.4
Asset retirement obligations	707.0	—	(73.9) (q)	633.1
Accrued postretirement benefit costs	753.9	—	(6.9) (r)	747.0
Other noncurrent liabilities	511.1	—	120.6 (s)	631.7
Total liabilities not subject to compromise	4,087.9	1,170.3	(123.2)	5,135.0
Liabilities subject to compromise	8,416.7	(8,416.7) (i)	—	—
Total liabilities	12,504.6	(7,246.4)	(123.2)	5,135.0
Stockholders' equity				
Common Stock (Predecessor)	0.2	(0.2) (j)	—	—
Common Stock (Successor)	—	0.7 (b)	—	0.7
Series A Preferred Stock (Successor)	—	1,305.4 (b)	—	1,305.4
Additional paid-in capital (Predecessor)	2,423.9	(2,423.9) (j)	—	—
Additional paid-in capital (Successor)	—	1,774.9 (b)	—	1,774.9
Treasury stock, at cost	(371.9)	371.9 (j)	—	—
Accumulated deficit	(1,284.1)	5,134.3 (j)	(3,850.2) (t)	—
Accumulated other comprehensive loss	(448.5)	—	448.5 (t)	—
Peabody Energy Corporation stockholders' equity	319.6	6,163.1	(3,401.7)	3,081.0
Noncontrolling interests	12.3	—	38.6 (u)	50.9
Total stockholders' equity	331.9	6,163.1	(3,363.1)	3,131.9

Total liabilities and stockholders’ equity	$12,836.5	$(1,083.3)	$(3,486.3)	$8,266.9

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(a) Represents the Predecessor consolidated balance sheet at April 1, 2017.

(b) Represents amounts recorded for the implementation of the Plan on the Effective Date. This includes the settlement of liabilities subject to compromise through a combination of cash payments, the issuance of new common stock and warrants and the issuance of new debt. The following is the calculation of the total pre-tax gain on the settlement of the liabilities subject to compromise.

	(Dollars in millions)
Liabilities subject to compromise	$8,416.7
Less amounts issued to settle claims:	
Successor Common Stock (at par)	(0.7)
Successor Series A Convertible Preferred Stock	(1,305.4)
Successor Additional paid-in capital	(1,774.9)
Issuance of Successor Notes	(1,000.0)
Issuance of Successor Term Loan	(950.0)
Cash payments and accruals for claims and professional fees	(336.4)
Other:	
Write-off of Predecessor debt issuance costs, see also (e) below	(18.1)
Total pre-tax gain on plan effects, see also (j) below	$3,031.2

At the Effective Date, 70.9 million shares of Successor Common Stock were issued and outstanding at a par value of $0.01 per share.

Successor Preferred Stock was recorded at fair value and is based upon the $750.0 million cash raised upon emergence from bankruptcy through the Private Placement Agreement, plus a premium to account for the fair value of the preferred shares' conversion and dividend features. Each preferred share is convertible, at the holder's election or upon the occurrence of certain triggering events, into common shares at a 35% discount relative to the initial per share purchase price of $25.00 and provides for three years of guaranteed paid-in-kind dividends, payable semiannually, at a rate of 8.5% per annum. The 46.2 million shares of Successor Common Stock issuable upon conversion of the preferred shares issued under the Plan and an additional 13.1 million shares of Successor Common Stock attributable to such preferred shares' guaranteed paid-in-kind dividend feature constitute approximately 42% ownership of the Plan Equity Value (as defined in the Plan) of $3,105.0 million in the reorganized Company, and thus have a fair value of $1,305.4 million.

Successor Additional paid-in capital was recorded at the Plan Equity Value less the amounts recorded for par value of the Successor Common Stock, the fair value of the Successor Preferred Stock, and certain fees incurred associated with the Registration Rights Agreement.

(c) Represents the fresh start reporting adjustments required to record the assets and liabilities of the Company at fair value.

(d) The following table reflects the sources and uses of cash and restricted cash at emergence:

	(Dollars in millions)
Sources:	
Private placement and rights offering	$1,500.0
Net proceeds from Senior Secured Term Loan	912.7
Escrowed interest from Successor Notes offering	8.0
Net impact on collateral requirements	11.6
Uses:	
Payments to secured lenders	(3,489.2)

Professional fees	(8.3)
Securitization facility deferred financing costs	(3.9)
Total cash outflow at emergence	$(1,069.1)

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(e) Primarily represents the write off of deferred financing costs associated with the cancellation and discharge of Predecessor revolving debt obligations.
(f) Represents the payment of deferred financing costs associated with the Receivables Purchase Agreement.
(g) Represents a new $950 million Senior Secured Term Loan, net of an original issue discount and deferred financing costs of $37.3 million, as contemplated by the Plan. Under the Plan, the Company also issued $1.0 billion of Successor Notes, net of $49.5 million of deferred financing costs. The Successor Notes and the related proceeds held in escrow were included on Company's unaudited condensed consolidated balance sheet at March 31, 2017. The new debt instruments issued in accordance with the Plan are further described in Note 13. "Long-term Debt."
(h) Represents an accrual to account for amounts paid subsequent to the Effective Date for professional fees and certain unsecured claims and settlements set forth in the Plan.
(i) Liabilities subject to compromise include secured and unsecured 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 immediately prior to emergence and at December 31, 2016:

	Predecessor	
	April 1, 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 April 1, 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 April 1, 2017 and December 31, 2016.
(2) Includes liabilities for unfunded non-qualified pension plans, all the participants of which are former employees.

(j) Reflects the impacts of the reorganization adjustments:

	(Dollars in millions)
Total pre-tax gain on plan effects, see also (b) above	$3,031.2
Cancellation of Predecessor Common Stock	0.2
Cancellation of Predecessor Additional paid-in capital	2,423.9
Cancellation of Predecessor Treasury stock	(371.9)
Successor debt issuance costs and other items, see also (f) and (g) above	50.9
Net impact on accumulated deficit	$5,134.3

(k)

Represents adjustment to increase the book value of coal inventories to their estimated fair value, less costs to sell the inventories.

(l) Represents adjustments comprising $228.5 million related to assets classified as held-for-sale at March 31, 2017 which were reclassified as held-for-use and considered in connection with the valuations described in (m) below, $89.5 million to write off certain existing short-term mine development costs, and $15.0 million of various prepaid assets deemed to have no future utility subsequent to the Effective Date.

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(m) Represents a $3,461.4 million reduction in property, plant and equipment to estimated fair value as discussed below:

	Predecessor	Fresh Start Adjustments	Successor
	(Dollars in millions)		
Land and coal interests	$10,297.7	$(6,511.8)	$3,785.9
Buildings and improvements	1,479.3	(1,013.2)	466.1
Machinery and equipment	2,143.8	(1,203.3)	940.5
Less: Accumulated depreciation, depletion and amortization	(5,266.9)	5,266.9	—
Net impact on accumulated deficit	$8,653.9	$(3,461.4)	$5,192.5

The fair value of land and coal interests, excluding the asset related to the Company's asset retirement obligations described below, was established at $3,504.7 million utilizing a discounted cash flow model and the market approach. The market approach was used to provide a starting value of the coal mineral reserves without consideration for economic obsolescence. The DCF model was based on assumptions market participants would use in the pricing of these assets as well as projections of revenues and expenditures that would be incurred to mine or maintain these coal reserves through the life of mine. The basis of the DCF analysis was the Company's prepared projections which included a variety of estimates and assumptions, such as pricing and demand for coal. The Company's pricing was based on its view of the market taking into account third-party forward pricing curves adjusted for the quality of products sold by the Company. The fair value of land and coal interests also includes $281.2 million corresponding to the asset retirement obligation discussed in item (q) below.

The fair value of buildings and improvements and machinery and equipment were set at $466.1 million and $940.5 million, respectively, utilizing both market and cost approaches. The market approach was used to estimate the value of assets where detailed information for the asset was available and an active market was identified with a sufficient number of sales of comparable property that could be independently verified through reliable sources. The cost approach was utilized where there were limitations in the secondary equipment market to derive values from. The first step in the cost approach is the estimation of the cost required to replace the asset via construction or purchasing a new asset with similar utility adjusting for depreciation due to physical deterioration, functional obsolescence due to technology changes and economic obsolescence due to external factors such as regulatory changes. Useful lives were assigned to all assets based on remaining future economic benefit of each asset.

(n) Primarily to recognize fair value of $314.9 million inherent in certain U.S. coal supply agreements as a result of favorable differences between contract terms and estimated market terms for the same coal products, partially offset by a reduction in the fair value of certain equity method investments. The intangible asset related to coal supply agreements will be amortized on a per ton shipped basis through 2025, predominately over the next three years. See also Note 9. "Sales Contracts."

(o) Represents $32.6 million to account for the short-term portion of the value of certain contract-based intangibles primarily consisting of unutilized capacity of certain port and rail take-or-pay contracts, partially offset by $15.7 million related to liabilities classified as held-for-sale at March 31, 2017 which were reclassified as held-for-use and considered in connection with the valuations described in (m) above, and various other fair value adjustments. The intangible liabilities related to port and rail take-or-pay contracts will be amortized ratably over the terms of each contact, which vary in duration through 2043.

(p) Represents the tax impact of fresh start reporting. See also Note 12. "Income Taxes."

(q) Represents the fair value adjustment related to the Company's asset retirement obligations which was calculated using discounted cash flow models based on current mine plans. The credit-adjusted, risk-free interest rates utilized to estimate the Company's asset retirement obligations were 9.36% for its U.S. reclamation obligations and 4.36% for its Australia reclamation obligations.

(r)

Represents the remeasurement of liabilities associated with the Company's postretirement benefits obligations as of the Effective Date as the reorganization of the Company pursuant to the Plan represented a remeasurement event under ASC 715 "Compensation - Retirement Benefits." The relevant discount rate was adjusted to 4.1% from 4.15% used in the Company's most recent year-end remeasurement process.

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(s) Represents $83.6 million to account for the long-term portion of the value of contract-based intangibles related to unutilized capacity of port and rail take-or-pay contracts as described in (o) above and $58.7 million to account for the fair value inherent in certain U.S. coal supply agreements as a result of unfavorable differences between contract terms and estimated market terms for the same coal products as described in (n) above, partially offset by a remeasurement reduction of $9.2 million of the Company's pension liabilities in accordance with ASC 715 as described in (r) above, as the relevant discount rate was adjusted to 4.1% from 4.15% used in the Company's most recent year-end remeasurement process, and certain other valuation adjustments.

(t) Represents the elimination of remaining equity balances in accordance with fresh start reporting requirements.

(u) Represents adjustment to increase the book value of noncontrolling interests to fair value based on an estimate of the rights of the noncontrolling interests.

Reorganization Items, Net

The Company's reorganization items for the period January 1 through April 1, 2017, and the three and six months ended June 30, 2016 consisted of the following:

	Predecessor			
	April 1, 2017	Three Months Ended June 30, 2016	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)			
Gain on settlement of claims (per above)	$(3,031.2)	$—	$(3,031.2)	$—
Fresh start adjustments, net (per above)	3,363.1	—	3,363.1	—
Fresh start income tax adjustments, net	253.9	—	253.9	—
Loss on termination of derivative contracts	—	75.2	—	75.2
Professional fees	—	21.6	42.5	21.6
Accounts payable settlement gains	—	(0.2)	(0.7)	(0.2)
Interest income	—	(0.2)	(0.4)	(0.2)
Other	—	(1.0)	—	(1.0)
Reorganization items, net	$585.8	$95.4	$627.2	$95.4
Cash paid for "Reorganization items, net"	$14.4	$—	$45.8	$—

The fresh start income tax adjustments included in the above table are comprised of tax benefits related to Predecessor deferred tax liabilities of $177.8 million, accumulated other comprehensive income of $81.5 million and unrecognized tax benefits of $6.7 million, partially offset by $12.1 million of tax expense related to the deferred tax assets of Predecessor discontinued operations.

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.

(4) Asset Impairment

The Company's mining and exploration assets and mining-related investments may be adversely affected by numerous 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, as amended.

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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 period January 1 through April 1, 2017, the Company recognized impairment charges of $30.5 million related to terminated coal lease contracts in the Midwestern United States and during the six months ended June 30, 2016 the Company recognized impairment charges of $17.2 million to write down certain targeted divestiture assets in Queensland, Australia.

(5) Discontinued Operations

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

Summarized Results of Discontinued Operations

Results from discontinued operations were as follows during the periods April 1, 2017, April 2 through June 30, 2017, January 1 through April 1, 2017, and the three and six months ended June 30, 2016:

	Successor	Predecessor		Successor	Predecessor	
	April 2 through June 30, 2017	April 1, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)					
Loss from discontinued operations, net of income taxes	$(2.7)	$(12.1)	$ (3.0)	$ (2.7)	$(16.2)	$ (6.4)

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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:

	Successor June 30, 2017	Predecessor December 31, 2016
	(Dollars in millions)	
Assets:		
Other current assets	$0.2	$ 0.2
Investments and other assets	—	15.9
Total assets classified as discontinued operations	$0.2	$ 16.1
Liabilities:		
Accounts payable and accrued expenses	$55.8	$ 55.9
Other noncurrent liabilities	184.9	198.5
Liabilities subject to compromise	—	20.9
Total liabilities classified as discontinued operations	$240.7	$ 275.3

Patriot-Related Matters

A significant portion of the liabilities in the table above relate to a former subsidiary, Patriot Coal Corporation. In 2012, Patriot filed voluntary petitions for relief under Chapter 11 of Title 11 of the U.S. Code. In 2013, the Company entered into a definitive settlement agreement (2013 Agreement) with Patriot and the United Mine Workers of America (UMWA), on behalf of itself, its represented Patriot employees and its represented Patriot retirees, to resolve all then disputed issues related to Patriot’s bankruptcy. In May 2015, Patriot again filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Eastern District of Virginia and subsequently initiated a process to sell some or all of its assets to qualified bidders. On October 9, 2015, Patriot's bankruptcy court entered an order confirming Patriot's plan of reorganization, which provided, among other things, for the sale of substantially all of Patriot's assets to two different buyers.

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

By statute, the Company remains secondarily liable for the black lung liabilities related to Patriot’s workers employed by former subsidiaries of the Company. Whether the Company will ultimately be required to fund certain of those obligations in the future as a result of Patriot’s May 2015 bankruptcy remains uncertain. The amount of the liability at June 30, 2017 was $124.6 million. While the Company has recorded this liability, it intends to review each claim on a case-by-case basis and contest liability as appropriate. The amount of the Company's recorded liability reflects only Patriot workers employed by former subsidiaries of the Company that are presently retired, disabled or otherwise not actively employed. The Company cannot reliably estimate the potential liabilities for Patriot's workers employed by former subsidiaries of the Company that are presently active in the workforce because of the potential for such workers to continue to work for another coal operator that is a going concern.

The Company's accounting for the black lung liabilities related to Patriot is based on an interpretation of applicable statutes. Management believes that there exist inconsistencies among the applicable statutes, regulations promulgated under those statutes and the Department of Labor's interpretative guidance. The Company may seek clarification from the Department of Labor regarding these inconsistencies and the accounting for these liabilities could be reduced in the future depending on the Department of Labor's responses to inquiries.

UMWA VEBA. In connection with the 2013 Agreement, the Company was required to provide total payments of $310.0 million, payable over four years through 2017, to partially fund the newly established voluntary employee beneficiary association (VEBA) and settle all Patriot and UMWA claims involving the Patriot bankruptcy. After making scheduled payments to Patriot and the VEBA amounting to $165 million through 2015, the parties agreed to a settlement of the Company's remaining VEBA payment obligations for $75 million. As a result of the settlement, the Company recognized a gain of $68.1 million during the six months ended June 30, 2016, which was classified in "Operating costs and expenses" in the unaudited condensed consolidated statement of operations and is included in the Company's Corporate and Other segment results. The Company's obligation has been satisfied and the matter has concluded.

UMWA 1974 Pension Plan (UMWA Plan) Litigation. On July 16, 2015, a lawsuit was filed by the UMWA Plan, the UMWA 1974 Pension Trust (Trust) and the Trustees of the UMWA Plan and Trust (Trustees) in the United States District Court for the District of Columbia, against PEC, PHC, a subsidiary of the Company, and Arch Coal, Inc. (Arch). The plaintiffs sought, pursuant to the Employee Retirement Income Security Act of 1974 (ERISA) and the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA), a declaratory judgment that the defendants were obligated to arbitrate any opposition to the Trustees' determination that the defendants have statutory withdrawal liability as a result of the 2015 Patriot bankruptcy. After a legal and arbitration process and with the approval of the Bankruptcy Court, on January 25, 2017, the UMWA Plan and the Debtors agreed to a settlement of the claim whereby the UMWA Plan will be entitled to $75 million to be paid by the Company in increments through 2021. In connection with the settlement, the Company recorded a liability representing the present value of the installments of $54.3 million and recognized an equivalent charge to "Loss from discontinued operations, net of income taxes" during 2016. The balance of the liability was $52.6 million at June 30, 2017.

(6) Inventories

Inventories as of June 30, 2017 and December 31, 2016 consisted of the following:

	Successor June 30, 2017	Predecessor December 31, 2016
	(Dollars in millions)	
Materials and supplies	$105.0	$ 104.5
Raw coal	55.3	29.6
Saleable coal	153.2	69.6
Total	$313.5	$ 203.7

Materials and supplies inventories presented above have been shown net of reserves of $5.6 million as of December 31, 2016. At June 30, 2017, the amount of such reserves was immaterial due to the application of fresh start reporting at the Effective Date.

(7) 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 and/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.

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As of June 30, 2017, the Company had no diesel fuel derivatives in place. Subsequent to the Effective Date, the Company entered into a series of currency options and, as of June 30, 2017, had currency options outstanding with an aggregate notional amount of approximately $940.0 million Australian dollars to hedge currency risk associated with anticipated Australian dollar expenditures during the remainder of 2017. The instruments are average rate options whereby the Company is entitled to receive payment on the notional amount should the average Australian dollar-to-U.S. dollar exchange rate exceed approximately $0.77 over the respective measurement period. The currency options are not expected to receive cash flow hedge accounting treatment and changes in fair value will be reflected in current earnings. At June 30, 2017, the currency options' fair value of $9.3 million was included in "Other current assets" in the accompanying unaudited condensed consolidated balance sheet.
The tables below show the classification and amounts of pre-tax gains and losses related to the Company’s Corporate Hedging derivatives during the Successor period April 2 through June 30, 2017 and the Predecessor periods January 1 through April 1, 2017, and the three and six months ended June 30, 2016:

Financial Instrument	Income Statement Classification of (Losses) Gains	Successor April 2 through June 30, 2017 Total gain recognized in income	Loss realized in income on derivatives	Unrealized gain recognized in income on non-designated derivatives
		(Dollars in millions)		
Foreign currency option contracts	Operating costs and expenses	$2.9	$ (0.3)	$ 3.2
Total		$2.9	$ (0.3)	$ 3.2

Financial Instrument	Income Statement Classification of (Losses) Gains	Predecessor Three Months Ended June 30, 2016 Total loss recognized in income	Loss reclassified from other comprehensive income into income [(1)]	(Loss) gain realized in income on derivatives	Unrealized gain (loss)recognized in income on non- designated derivatives
		(Dollars in millions)			
Commodity swap contracts	Operating costs and expenses	$(18.6)	$ (22.2)	$ (1.8)	$ 5.4
Commodity swap contracts	Reorganization items, net	(38.8)	—	(38.8)	
Foreign currency forward contracts	Operating costs and expenses	(45.7)	(40.2)	24.9	(30.4)
Foreign currency forward contracts	Reorganization items, net	(36.4)	—	(36.4)	
Total		$(139.5)	$ (62.4)	$ (52.1)	$ (25.0)

(1) Includes the reclassification from "Accumulated other comprehensive income (loss)" into earnings of $13.6 million and $9.0 million of previously unrecognized losses on foreign currency and fuel contracts, respectively, monetized in the first quarter of 2016.

Financial Instrument	Income Statement Classification of (Losses) Gains	Predecessor January 1 through April 1, 2017 Total loss recognized in income	Loss reclassified from other comprehensive loss into income	(Loss) gain realized 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)	$ —	$ —

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		Predecessor			
		Six Months Ended June 30, 2016			
Financial Instrument	Income Statement Classification of (Losses) Gains	Total loss recognized in income	Loss reclassified from other comprehensive income into income [1]	(Loss) gain realized in income on derivatives	Unrealized gain (loss)recognized in income on non-designated derivatives
		(Dollars in millions)			
Commodity swap contracts	Operating costs and expenses	$(58.9)	$ (47.0)	$ (11.9)	$ —
Commodity swap contracts	Reorganization items, net	(38.8)	—	(38.8)	
Foreign currency forward contracts	Operating costs and expenses	(91.4)	(94.1)	2.7	—
Foreign currency forward contracts	Reorganization items, net	(36.4)	—	(36.4)	
Total		$(225.5)	$ (141.1)	$ (84.4)	$ —

(1) Includes the reclassification from "Accumulated other comprehensive income (loss)" into earnings of $13.6 million and $9.0 million of previously unrecognized losses on foreign currency and fuel contracts, respectively, monetized in the first quarter of 2016.

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.

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

	Successor			
	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Foreign currency contracts	$ —	$ 9.3	$ —	$ 9.3
Total net financial liabilities	$ —	$ 9.3	$ —	$ 9.3

As of December 31, 2016, the Company did not have any outstanding financial positions.

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

- Investments in debt and equity securities: U.S. government securities and marketable equity securities are valued based on quoted prices in active markets (Level 1) and investment-grade corporate bonds and U.S. government agency securities are valued based on the various inputs listed above that may preclude the security from being measured using an identical asset in an active market (Level 2).
- Commodity swap contracts — diesel fuel and explosives: valued based on 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, then the Company classifies such contracts as Level 3.
- Foreign currency forward and option contracts: valued utilizing inputs obtained in quoted public markets (Level 2) except when credit and non-performance risk is considered to be a significant input, then the Company classifies such contracts as Level 3.

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Other Financial Instruments. The Company used the following methods and assumptions in estimating fair values for other financial instruments as of June 30, 2017 and December 31, 2016:

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

The estimated fair value of the Company's current and long-term debt as of December 31, 2016 is unable to be determined given it was subject to compromise in connection with the Plan. The carrying amounts and estimated fair values of the Company's long-term debt as of June 30, 2017 is summarized as follows:

	Successor June 30, 2017	
	Carrying Amount	Estimated Fair Value
	(Dollars in millions)	
Long-term debt	$1,957.1	$2,009.9

(8) Coal Trading

The Company engages in the direct and brokered trading of coal and freight-related contracts (coal trading). Except those contracts for which the Company has elected to apply a normal purchases and normal sales exception, all derivative coal trading contracts are accounted for at fair value.

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 recognized during the Successor period April 2 through June 30, 2017 and the Predecessor periods January 1 through April 1, 2017, and the three and six months ended June 30, 2016 were as follows:

	Successor	Predecessor	Successor	Predecessor	
Trading Revenues by Type of Instrument	April 2 through June 30, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)				
Futures, swaps and options	$(7.3)	$ (19.3)	$ (7.3)	$(10.2)	$(23.1)
Physical purchase/sale contracts	12.5	36.8	12.5	25.2	36.9
Total trading revenues	$5.2	$ 17.5	$ 5.2	$15.0	$13.8

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Offsetting and Balance Sheet Presentation
The Company's coal trading assets and liabilities include financial instruments, such as swaps, futures and options, cleared through various exchanges, which involve the daily net settlement of open positions. The Company must post cash collateral in the form of initial margin, in addition to variation margin, on exchange-cleared positions that are in a net liability position and receives variation margin when in a net asset position. The Company also transacts in coal trading financial swaps and options through over-the-counter (OTC) markets with financial institutions and other non-financial trading entities under International Swaps and Derivatives Association (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."
The fair value of assets and liabilities from coal trading activities presented on a gross and net basis as of June 30, 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 Posted [1]	Net Amounts of Assets (Liabilities) Presented in the Condensed Consolidated Balance Sheets
	(Dollars in millions)			
	Successor			
	Fair Value as of June 30, 2017			
Assets from coal trading activities, net	$145.5	$ (144.9)	$ —	$ 0.6
Liabilities from coal trading activities, net	(162.1)	144.9	16.0	(1.2)
Total, net	$(16.6)	$ —	$ 16.0	$ (0.6)
	Predecessor			
	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 posted at June 30, 2017 and December 31, 2016, respectively, related to cash flow hedges.

See Note 7. "Derivatives and Fair Value Measurements" for information on balance sheet offsetting related to the Company’s Corporate Hedging activities.

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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 June 30, 2017 and December 31, 2016:

	Successor			
	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Physical purchase/sale contracts	$ —	$ (0.6)	$ —	$ (0.6)
Total net financial liabilities	$ —	$ (0.6)	$ —	$ (0.6)

	Predecessor			
	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 adjustment as of December 31, 2016 is considered to be significant unobservable inputs in the valuation of the contracts resulting in Level 3 classification. During the second quarter of 2017, two of the major rating agencies upgraded the Company's corporate credit rating upon emergence from the Chapter 11 proceedings. With the credit rating upgrade, the credit valuation adjustment as of June 30, 2017 no longer has a material impact on the valuation of contracts and is in line with the Company’s historical range.
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.

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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:

	Successor	Predecessor	Successor	Predecessor	
	April 2 through June 30, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)				
Beginning of period	$(0.7)	$ (3.9)	$ (0.7)	$(1.1)	$(15.6)
Transfers into Level 3	—	0.4	—	—	0.4
Transfers out of Level 3	0.7	—	0.7	0.2	10.7
Total gains realized/unrealized:					
Included in earnings	—	(1.3)	—	0.2	(1.4)
Sales	—	—	—	—	(0.1)
Settlements	—	3.7	—	—	4.9
End of period	$—	$ (1.1)	$ —	$(0.7)	$(1.1)

The Company had no transfers between Levels 1 and 2 during the Successor period April 2 through June 30, 2017 or the Predecessor periods January 1 through April 1, 2017, and the three and six months ended June 30, 2016. Transfers of liabilities into/out of Level 3 from/to Level 2 during the Successor period April 2 through June 30, 2017, and the Predecessor periods January 1 through April 1, 2017, and the three and six months ended June 30, 2016 were due to the relative value of unobservable inputs to the total fair value measurement of certain derivative contracts falling below, or in the case of transfers in rising above, the 10% threshold. The Company’s policy is to value all transfers between levels using the beginning of period valuation.

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:

	Successor	Predecessor	Successor	Predecessor	
	April 2 through June 30, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)				
Changes in unrealized (losses) gains (1)	$ —	$ (0.1)	$ —	$ 0.3	$ (0.2)

(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 June 30, 2017, future net cash realizations of the Company's trading portfolio are expected to be immaterial.

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

At June 30, 2017, 59% of the Company’s credit exposure related to coal trading activities was with investment grade counterparties, while 32% was with non-investment grade counterparties and 9% was with counterparties that are not rated.

Performance Assurances and Collateral

The Company is required to post variation margin on positions that are in a net liability position and is entitled to receive and hold variation margin on positions that are in a net asset position with an exchange and certain of its OTC derivative contract counterparties. At June 30, 2017 and December 31, 2016, the Company posted a net variation margin of $16.0 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 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. During the quarter, the Company’s initial margin requirement was reduced, and as a result the Company posted initial margin of $8.6 million as of June 30, 2017, compared to $16.2 million as of December 31, 2016, which is reflected in “Other current assets” in the condensed consolidated balance sheets. As of June 30, 2017, the Company had posted $1.5 million in excess of the required variation and initial margin, while at December 31, 2016, the Company was in receipt of $2.0 million of this required amount.

Certain of the Company’s derivative trading instruments require the parties to provide additional performance assurances whenever a material adverse event jeopardizes one party’s ability to perform under the instrument. If the Company was to sustain a material adverse event (using commercially reasonable standards), its counterparties could request collateralization on derivative trading instruments in net liability positions which, based on an aggregate fair value at June 30, 2017 and December 31, 2016, would have amounted to collateral postings to counterparties of approximately $1 million and $2 million, respectively. As of June 30, 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 2017, two of the major rating agencies upgraded the Company's corporate credit rating upon emergence from the Chapter 11 proceedings. The Company’s collateral requirement owed to its counterparties for these ratings based derivative trading instruments for June 30, 2017 remained at zero, consistent with December 31, 2016. As of June 30, 2017 and December 31, 2016, no collateral was posted to counterparties to support such derivative trading instruments.

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(9) Intangible Contract Assets and Liabilities
As described in Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting," at the Effective Date, the Company recorded intangible assets of $314.9 million and liabilities of $58.7 million to reflect the inherent fair value of certain U.S. coal supply agreements as a result of favorable and unfavorable differences between contract terms and estimated market terms for the same coal products, and also recorded intangible liabilities of $116.2 million related to unutilized capacity under its port and rail take-or-pay contracts. The balances and respective balance sheet classifications of such assets and liabilities at June 30, 2017, net of accumulated amortization, are set forth in the following table:

	Successor June 30, 2017 (Dollars in millions)		
	Assets	Liabilities	Net Total
Coal supply agreements	$279.7	$(53.2)	$226.5
Take-or-pay contracts	—	(106.7)	(106.7)
Total	$279.7	$(159.9)	$119.8
Balance sheet classification:			
Investments and other assets	$279.7	$—	$279.7
Accounts payable and accrued expenses	—	(30.6)	(30.6)
Other noncurrent liabilities	—	(129.3)	(129.3)
Total	$279.7	$(159.9)	$119.8

Amortization of the intangible assets and liabilities related to coal supply agreements occurs ratably based upon coal volumes shipped per contract and is recorded as a component of "Depreciation, depletion and amortization" in the accompanying condensed consolidated statements of operations. Such amortization amounted to $29.7 million during the Successor period April 2, 2017 through June 30, 2017. The Company anticipates net amortization of sales contracts, based upon expected shipments in the next five years, to be an expense of approximately $67.2 million during the six months ended December 31, 2017, and for the years 2018 through 2021, expense of approximately $76.6 million, $37.9 million, $8.8 million, and $7.3 million, respectively.
Future unutilized capacity and the amortization periods related to the take-or-pay contract intangible liabilities are based upon estimates of forecasted usage and may differ from actual usage. Such amortization amounted to $9.5 million during the Successor period April 2, 2017 through June 30, 2017, which is classified as a reduction to "Operating costs and expenses" in the accompanying condensed consolidated statements of operations. The Company anticipates net amortization of take-or-pay contract intangible liabilities to be approximately $12.8 million during the six months ended December 31, 2017, and for the years 2018 through 2021, approximately $27.1 million, $18.2 million, $9.2 million, and $4.4 million, respectively.
(10) Equity Method Investments and Financing Receivables
The Company had total equity method investments and financing receivables of $66.9 million and $84.8 million reflected in "Investments and other assets" in the condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively, related to Middlemount Coal Pty Ltd (Middlemount). As noted in Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting," the carrying value of the equity method investments and financing receivables was adjusted to fair value in connection with fresh start reporting based on the net present value of future cash flows associated with the Company's 50% equity interest in Middlemount.

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The Company periodically makes loans to Middlemount pursuant to the related shareholders’ agreement for purposes of funding capital expenditures and working capital requirements. The Priority Loans (the amount loaned by the Company in excess of the amount loaned by the other shareholder) 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 June 30, 2017, but have been extended to December 31, 2018 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 in 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 and in-substance equity. 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 Company received loan repayments from Middlemount of approximately $21.0 million during the Successor period April 2 through June 30, 2017 and approximately $31.1 million and $2.1 million during the Predecessor period January 1 through April 1, 2017 and the six months ended June 30, 2016, respectively.
One of the Company's Australian subsidiaries and the other shareholder of Middlemount are parties to an agreement, as amended from time to time, to provide a revolving loan (Revolving Loans) to Middlemount not to exceed $50.0 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, 2018. As of June 30, 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

The composition of property, plant, equipment and mine development, net, as of June 30, 2017 and December 31, 2016 is set forth in the table below. Refer to Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" for details regarding the impact of fresh start reporting on property, plant, equipment and mine development.

	Successor June 30, 2017	Predecessor December 31, 2016
	(Dollars in millions)	
Land and coal interests	$3,785.8	$ 10,330.8
Buildings and improvements	467.3	1,507.6
Machinery and equipment	1,084.9	2,130.2
Less: Accumulated depreciation, depletion and amortization	(123.8)	(5,191.9)
Total, net	$5,214.2	$ 8,776.7

(12) Income Taxes

The Company’s income tax provision of $4.7 million for the Successor period April 2 through June 30, 2017 included a tax provision of $0.1 million related to the remeasurement of foreign income tax accounts. The Company recorded an income tax benefit of $266.0 million for the Predecessor period April 1, 2017. The Company’s income tax benefit for the three months ended June 30, 2016 was $37.6 million, which included a tax benefit of $5.3 million related to the remeasurement of foreign income tax accounts. The Company’s income tax benefit of $263.8 million for the Predecessor period January 1 through April 1, 2017 included a tax provision of $9.4 million related to the remeasurement of foreign income tax accounts and was calculated utilizing a discrete period method. The Company’s income tax benefit of $97.4 million for the six months ended June 30, 2016 included a tax provision of $2.4 million related to the remeasurement of foreign income tax accounts. The Company’s effective tax rates for the Predecessor period January 1 through April 1, 2017 and the Successor period April 2 through June 30, 2017 are comprised of the expected statutory tax expense offset by foreign rate differential and changes in valuation allowance.

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As described in Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting," the Plan provided that the Company’s pre-petition equity and certain obligations were cancelled and extinguished and a significant portion of its long-term debt was discharged in exchange for new common stock and other consideration. Generally, absent an exception, for US tax purposes a debtor recognizes cancellation of debt income (CODI) upon discharge of its outstanding indebtedness for an amount of consideration less than the adjusted issue price of such indebtedness. The Company excluded CODI with respect to the plan of reorganization from its taxable income in accordance with US Internal Revenue Code (IRC) Section 108, which allows a taxpayer that is a debtor in a reorganization case to exclude CODI from taxable income if the discharge is granted by a bankruptcy court or pursuant to a plan of reorganization approved by a bankruptcy court. However, in such event, Section 108 requires a reduction in certain income tax attributes otherwise available to the taxpayer, in most cases by the amount of such CODI. Generally, the amount of CODI realized by a taxpayer is the adjusted issue price of any indebtedness discharged less the sum of (i) the amount of cash paid, (ii) the issue price of any new indebtedness issued, and (iii) the fair market value of any consideration, including equity, issued to the creditors.

The actual reduction in tax attributes does not occur until the first day of the Company’s taxable year subsequent to the date of emergence, or January 1, 2018. The Company estimates that it will be able to retain approximately $4 billion of gross US federal net operating losses (NOLs), $100 million of general business credits, $30 million of alternative minimum tax (AMT) credits, and $270 million of foreign tax credits (FTCs) after giving effect to such required reductions.

In connection with the Company’s emergence from bankruptcy, the Company experienced an “ownership change” as defined in US IRC Section 382. As a result, the Company’s ability to use pre-ownership change NOLs, general business credits, AMT credits, FTCs and other tax attributes to offset future taxable income or taxes owed is limited. Under US IRC Section 382 and Section 383, an entity that experiences an ownership change in bankruptcy generally is subject to an annual limitation (the Annual Limitation) on its use of its pre-ownership change NOLs and other tax attributes after the ownership change equal to the equity value of the entity immediately after implementation of the plan of reorganization (reflecting the increase, if any, in value resulting from the surrender or cancellation of any claims against the Company thereunder), multiplied by the long-term tax exempt rate posted by the Internal Revenue Service, subject to certain adjustments. A significant portion of the Company’s retained NOLs (stated above) are not subject to the Annual Limitation because they are deemed attributable to the period after the ownership change. The Company also had a net unrealized built-in gain at the time of the ownership change; therefore, certain built-in gains recognized within five years after the ownership change will increase the Annual Limitation for the five-year recognition period beginning April 3, 2017 through April 2, 2022. There is significant uncertainty surrounding which assets with built-in gains will be realized within this period which otherwise would allow the Company to realize the incremental NOLs and other attributes in excess of the Annual Limitation. The estimated Annual Limitation will not prevent the usage of NOLs, provided there is sufficient income in the carryforward period. The Company maintains a full valuation allowance against its US net deferred tax assets. The Company has reduced the deferred tax assets and corresponding valuation allowance related to general business credits and FTCs as a result of the Annual Limitation.

(13) Long-term Debt

The Company’s total indebtedness as of June 30, 2017 and December 31, 2016 is set forth in the table below. As of December 31, 2016, substantially all of the Company's long-term debt, with the exception of capital lease obligations, was recorded in “Liabilities subject to compromise” in the consolidated balance sheets. Refer to Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting" for additional information.

	Successor	Predecessor
	June 30, 2017	December 31, 2016
	(Dollars in millions)	
6.00% Senior Secured Notes due March 2022	$500.0	$ —
6.375% Senior Secured Notes due March 2025	500.0	—
Senior Secured Term Loan due 2022	943.1	—
2013 Revolver	—	1,558.1
2013 Term Loan Facility due September 2020	—	1,162.3
6.00% Senior Notes due November 2018	—	1,518.8
6.50% Senior Notes due September 2020	—	650.0
6.25% Senior Notes due November 2021	—	1,339.6
10.00% Senior Secured Second Lien Notes due March 2022	—	979.4
7.875% Senior Notes due November 2026	—	247.8
Convertible Junior Subordinated Debentures due December 2066	—	386.1
Capital lease and other obligations	92.4	20.1
Less: Debt issuance costs	(78.4)	(70.8)
	1,957.1	7,791.4
Less: Current portion of long-term debt	189.0	20.2
Less: Liabilities subject to compromise	—	7,771.2
Long-term debt	$1,768.1	$ —

As more fully described in Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting", on the Effective Date, all of the debt instruments associated with the Predecessor indebtedness included in the above table, with the exception of the capital lease and other obligations, were canceled and the debt obligations discharged. In accordance with the Plan, the Company was concurrently recapitalized with new debt and equity instruments, including the 6.000% Senior Notes due March 2022, the 6.375% Senior Notes due March 2025, and the Senior Secured Term Loan due 2022, included with the Successor obligations in the above table.

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 during the Predecessor period January 1, 2017 through April 1, 2017.

For the remaining non-first lien Predecessor indebtedness included in the table above, with the exception of capital lease and other obligations, the Company did not record interest expense subsequent to the filing of the Bankruptcy Petitions. The amount of contractual interest for such obligations which was automatically stayed in accordance with Section 502(b)(2) of the Bankruptcy Code was $92.9 million for the period January 1, 2017 through the Effective Date.

6.00% and 6.375% Senior Secured Notes (collectively, the Successor Notes)

The Successor Notes were issued at par value. The Company paid aggregate debt issuance costs of $49.5 million related to the offering, which will be amortized over the respective terms of the Successor Notes.

Interest payments on the Successor Notes are scheduled to occur each year on March 31st and September 30th until maturity. During the Successor period April 2, 2017 through June 30, 2017, the Company recorded interest expense of $15.1 million related to the Successor Notes.

The Company may redeem the 6.00% Senior Secured Notes due March 2022, in whole or in part, beginning in 2019 at 103.0% of par, in 2020 at 101.5% of par, and in 2021 and thereafter at par. The 6.375% Senior Secured Notes due March 2025 may be redeemed, in whole or in part, beginning in 2020 at 104.8% of par, in 2021 at 103.2% of par, in 2022 at 101.6% of par, and in 2023 and thereafter at par.

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

The Successor Notes rank senior in right of payment to any subordinated indebtedness and equally in right of payment with any senior indebtedness to the extent of the collateral securing that indebtedness. The 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, subject to certain exceptions.

Successor Credit Agreement

The Successor Credit Agreement provides for a $950 million first lien senior secured term loan (the Senior Secured Term Loan), which bears interest at a fluctuating rate of LIBOR plus 4.50% per annum with a 1.00% LIBOR floor. During the Successor period April 2, 2017 through June 30, 2017, the Company recorded interest expense of $25.5 million related to the Senior Secured Term Loan.

Proceeds from the Senior Secured Term Loan were received net of an original issue discount and deferred financing costs of $37.3 million that will be amortized over its five-year term. The loan principal is payable in quarterly installments of $2.4 million plus accrued interest through December 2021 with the remaining balance due in March 2022. The loan principal is voluntarily prepayable at any time without premium or penalty. The Senior Secured Term Loan may require mandatory principal prepayments of 75% of Excess Cash Flow (as defined in the Successor Credit Agreement) generated from the Effective Date through December 31, 2017. For 2018 and subsequent years, mandatory principal prepayments are calculated as (i) 50% of Excess Cash Flow if the Company's Total Leverage Ratio (as defined in the Successor Credit Agreement and calculated as of December 31) is less than or equal to 2.00:1.00 and greater than 1.50:1.00, (ii) 25% of Excess Cash Flow if the Company's Total Leverage Ratio is less than or equal to 1.50:1.00 and greater than 1.00:1.00, or (iii) zero if the Company's Total Leverage Ratio is less than or equal to 1.00:1.00. If required, mandatory prepayments resulting from Excess Cash Flows are payable within 100 days after the end of each fiscal year. In certain circumstances, the Senior Secured Term Loan also requires that Excess Proceeds (as defined in the Successor Credit Agreement) of $10 million or greater from sales of Company assets be applied against the loan principal, unless such proceeds are reinvested within one year.

Under the Successor Credit Agreement, the Company's annual capital expenditures are limited to $220 million, $220 million, $250 million, $250 million, and $300 million from 2017 through 2021, respectively, subject to certain carryforward and carryback provisions if the annual thresholds are either not reached or exceeded. The agreement contains customary conditions of default and imposes certain restrictions on the Company's activities, including its ability to incur liens, incur debt, make investments, engage in fundamental changes such as mergers and dissolutions, dispose of assets, enter into transactions with affiliates, and make certain restricted payments, such as cash dividends and share repurchases.

Obligations under the Successor Credit Agreement are secured on a pari passu basis by the same collateral securing the Successor Notes.

On July 31, 2017, the Company voluntarily prepaid $150 million of loan principal on the Senior Secured Term Loan.

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Restricted Payments Under the Successor Notes and Successor Credit Agreement
The Indenture and the Successor Credit Agreement allow for an aggregate, cumulative $50 million of otherwise restricted payments. Additive to this general limit are certain "builder basket" provisions that may increase the amount of allowable restricted payments, as calculated periodically based upon the Company's operating performance. Further, beginning on January 1, 2018, the payment of dividends and purchases of the Company's own common stock are permitted under additional provisions in the Indenture and the Successor Credit Agreement in an aggregate amount in any calendar year not to exceed $25 million, so long as the Company's Total Leverage Ratio (as defined in the Indenture and Successor Credit Agreement) would not exceed 1.25:1.00 on a pro forma basis.
Capital Lease Obligations
The Company leases equipment and facilities under various noncancelable lease agreements and historically, the majority of the Company's leases have been accounted for as operating leases. Certain lease agreements were subject to the restrictive covenants of the 2013 Credit Facility which was canceled upon emergence from the Chapter 11 Cases and included cross-acceleration provisions, under which the lessor could require certain remedies including, but not limited to, immediate recovery of the present value of any remaining lease payments. During the Chapter 11 Cases, the Debtors amended and assumed or made a lump sum payment to terminate certain leases. In relation to the Company's non-Debtor subsidiaries, the Company successfully negotiated standstill agreements during the Chapter 11 Cases and successfully amended the leases, with those amendments becoming effective upon emergence from the Chapter 11 Cases. Certain of these amendments resulted in new lease agreements which are being accounted for as capital leases with an initial aggregate obligation of approximately $79.9 million.
(14) Pension and Postretirement Benefit Costs
Net periodic pension cost included the following components:

	Successor	Predecessor	Successor	Predecessor	
	April 2 through June 30, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)				
Service cost for benefits earned	$0.6	$ 0.7	$ 0.6	$0.6	$ 1.3
Interest cost on projected benefit obligation	9.3	10.3	9.3	9.7	20.7
Expected return on plan assets	(11.2)	(11.3)	(11.2)	(11.0)	(22.6)
Amortization of prior service cost and net actuarial loss	—	6.3	—	6.4	12.5
Net periodic pension cost	$(1.3)	$ 6.0	$ (1.3)	$5.7	$ 11.9

Annual contributions to the qualified plans are made in accordance with minimum funding standards and the Company's agreement with the Pension Benefit Guaranty Corporation (PBGC). Funding decisions also consider certain funded status thresholds defined by the Pension Protection Act of 2006 (generally 80%). As of June 30, 2017, the Company's qualified plans were expected to be at or above the Pension Protection Act thresholds. However, while the Company remained in bankruptcy proceedings during 2017, certain forms of payment (generally lump sum payments) from the plans were restricted. The restrictions have been removed now that the Company has emerged from the Chapter 11 Cases. Prior to emergence from the Chapter 11 Cases, the Company incurred pension costs for two non-qualified pension plans which it no longer sponsors. Minimum funding standards are legislated by ERISA and are modified by pension funding stabilization provisions included in the Moving Ahead for Progress in the 21st Century Act of 2012 (MAP-21), the Highway and Transportation Funding Act of 2014 (HATFA) and the Bipartisan Budget Act of 2015 (BBA15). During the Successor period April 2 through June 30, 2017, the Company contributed $0.8 million to its qualified pension plans. The Company expects to contribute approximately $5.9 million to its pension plans to meet minimum funding requirements for its qualified plans in 2017.

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Net periodic postretirement benefit cost included the following components:

	Successor	Predecessor	Successor	Predecessor	
	April 2 through June 30, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(Dollars in millions)				
Service cost for benefits earned	$2.3	$ 2.6	$ 2.3	$2.3	$ 5.2
Interest cost on accumulated postretirement benefit obligation	8.3	8.8	8.3	8.4	17.6
Amortization of prior service cost and net actuarial loss	—	2.3	—	3.2	4.7
Net periodic postretirement benefit cost	$10.6	$ 13.7	$ 10.6	$13.9	$ 27.5

(15) Accumulated Other Comprehensive Income (Loss)

The following table sets forth the after-tax components of accumulated other comprehensive income (loss) and changes thereto recorded during the Predecessor period January 1 through April 1, 2017 and the Successor period April 2 through June 30, 2017:

	Foreign Currency Translation Adjustment	Net Actuarial Loss Associated with Postretirement Plans and Workers' Compensation Obligations	Prior Service Cost Associated with Postretirement Plans	Cash Flow Hedges	Total Accumulated Other Comprehensive (Loss) Income
	(Dollars in millions)				
Predecessor Company					
December 31, 2016	$(148.2)	$ (256.3)	$ 21.7	$(94.2)	$ (477.0)
Reclassification from other comprehensive income to earnings	—	5.8	(1.4)	18.6	23.0
Current period change	5.5	—	—	—	5.5
Fresh start reporting adjustment	142.7	250.5	(20.3)	75.6	448.5
April 1, 2017	$—	$ —	$ —	$—	$ —
Successor Company					
Current period change	0.5	—	—	—	0.5
June 30, 2017	$0.5	$ —	$ —	$—	$ 0.5

The components of accumulated other comprehensive income (loss) related to postretirement plans and workers' compensation obligations and cash flow hedges related to Predecessor periods were eliminated in accordance with fresh start reporting as described in Note 3. "Emergence from the Chapter 11 Cases and Fresh Start Reporting." The following table provides additional information regarding items reclassified out of "Accumulated other comprehensive income (loss)" into earnings during the Predecessor periods January 1 through April 1, 2017 and the three and six months ended June 30, 2016:

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss) [(1)] Predecessor Three Months Ended June 30, 2016	January 1 through April 1, 2017	Six Months Ended June 30, 2016	Affected line item in the unaudited condensed consolidated statement of operations
	(Dollars in millions)			
Net actuarial loss associated with postretirement plans and workers' compensation obligations:				
Postretirement health care and life insurance benefits	$(5.1)	$(5.5)	$(10.2)	Operating costs and expenses
Defined benefit pension plans	(5.1)	(5.3)	(10.2)	Operating costs and expenses
Defined benefit pension plans	(1.1)	(1.0)	(2.1)	Selling and administrative expenses
Insignificant items	2.9	2.7	5.8	
	(8.4)	(9.1)	(16.7)	Total before income taxes
	3.1	3.3	6.2	Income tax benefit
	$(5.3)	$(5.8)	$(10.5)	Total after income taxes
Prior service credit associated with postretirement plans:				
Postretirement health care and life insurance benefits	$2.8	$2.3	$5.5	Operating costs and expenses
Defined benefit pension plans	(0.1)	(0.1)	(0.2)	Operating costs and expenses
	2.7	2.2	5.3	Total before income taxes
	(1.0)	(0.8)	(2.0)	Income tax provision
	$1.7	$1.4	$3.3	Total after income taxes
Cash flow hedges:				
Foreign currency cash flow hedge contracts	$(40.2)	$(16.6)	$(94.1)	Operating costs and expenses
Fuel and explosives commodity swaps	(22.2)	(11.0)	(47.0)	Operating costs and expenses
Insignificant items	(0.1)	(0.1)	(0.3)	
	(62.5)	(27.7)	(141.4)	Total before income taxes
	23.1	9.1	52.3	Income tax benefit
	$(39.4)	$(18.6)	$(89.1)	Total after income taxes

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

(16) Other Events

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

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

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

(17) Earnings per Share (EPS)

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

For all but the Predecessor Company's performance units, which are further described in Note 20. "Share-Based Compensation" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as amended, the potentially dilutive impact of the Company’s share-based compensation awards is determined using the treasury stock method. Under the treasury stock method, awards are treated as if they had been exercised with any proceeds used to repurchase common stock at the average market price during the period. Any incremental difference between the assumed number of shares issued and purchased is included in the diluted share computation. For the Predecessor Company’s performance units, their contingent features resulted in an assessment for any potentially dilutive common stock by using the end of the reporting period as if it were the end of the contingency period for all units granted.

A conversion of the Debentures could have resulted, up to the time of the cancellation, in payment for any conversion value in excess of the principal amount of the Debentures in the Predecessor Company’s common stock. For diluted EPS purposes, potential common stock was calculated based on whether the market price of the Predecessor

Company's common stock at the end of each reporting period was in excess of the conversion price of the Debentures. The effect of the Debentures was excluded from the calculation of diluted EPS for all periods presented herein because to do so would have been anti-dilutive for those periods.

The computation of diluted EPS for the Successor Company excluded aggregate share-based compensation awards of less than 0.1 million for the period of April 2 through June 30, 2017. The computation of diluted EPS for the Predecessor Company excluded aggregate share-based compensation awards of approximately 0.2 million for the periods of April 1, 2017 and January 1 through April 1, 2017, respectively, and 0.4 million for the three and six months ended June 30, 2016, respectively, because to do so would have been anti-dilutive for those periods. Because the potential dilutive impact of such share-based compensation awards is calculated under the treasury stock method, anti-dilution generally occurs when the exercise prices or unrecognized compensation cost per share of such awards are higher than the Company's average stock price during the applicable period.

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

	Successor	Predecessor		Successor	Predecessor	
	April 2 through June 30, 2017	April 1, 2017	Three Months Ended June 30, 2016	April 2 through June 30, 2017	January 1 through April 1, 2017	Six Months Ended June 30, 2016
	(In millions, except per share data)					
EPS numerator:						
Income (loss) from continuing operations, net of income taxes	$101.4	$(319.8)	$(223.2)	$ 101.4	$(195.5)	$(390.9)
Less: Series A Convertible Preferred Stock dividends	115.1	—	—	115.1	—	—
Less: Net income attributable to noncontrolling interests	3.8	—	1.7	3.8	4.8	1.7
Loss from continuing operations attributable to common stockholders, after allocation of earnings to participating securities	(17.5)	(319.8)	(224.9)	(17.5)	(200.3)	(392.6)
Loss from discontinued operations attributable to common stockholders, after allocation of earnings to participating securities	(2.7)	(12.1)	(3.0)	(2.7)	(16.2)	(6.4)
Net loss attributable to common stockholders, after allocation of earnings to participating securities	$(20.2)	$(331.9)	$(227.9)	$ (20.2)	$(216.5)	$(399.0)