PEABODY ENERGY CORP
Form 10-Q
August 03, 2018

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

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

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

701 Market Street, St. Louis, Missouri	63101-1826
(Address of principal executive offices)	(Zip Code)

(314) 342-3400
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

Income (loss) from continuing operations:

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

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes to unaudited condensed consolidated financial statements.

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PEABODY ENERGY CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

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

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

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

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

See accompanying notes to unaudited condensed consolidated financial statements.

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

See accompanying notes to unaudited condensed consolidated financial statements.

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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, 2017. In the opinion of management, these financial statements reflect all normal, recurring adjustments necessary for a fair presentation and certain prior year amounts have been reclassified for consistency with the current period presentation. As discussed below in Note 2. "Newly Adopted Accounting Standards and Accounting Standards Not Yet Implemented," prior year amounts of net periodic benefit costs, excluding the service cost for benefits earned have been reclassified to conform with the new standard. Balance sheet information presented herein as of December 31, 2017 has been derived from the Company's audited consolidated balance sheet at that date. The Company's results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for future quarters or for the year ending December 31, 2018.

Plan of Reorganization and Emergence from Chapter 11 Cases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Newly Adopted Accounting Standards

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

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

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

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

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

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

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

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

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

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

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

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Accounting Standards Not Yet Implemented

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

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

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

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

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

(3) Revenue Recognition

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

Sales

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

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

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

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

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

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Other Revenues

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

Accounts Receivable

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

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

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

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

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Disaggregation of Revenues

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

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

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

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

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

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Revenue by contract duration was as follows:

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

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

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

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

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

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

Committed Revenue From Contracts With Customers

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

(4) Discontinued Operations

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

Summarized Results of Discontinued Operations

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

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

Assets and Liabilities of Discontinued Operations

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

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

Patriot-Related Matters

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

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

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

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

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

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

(5) Inventories

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

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

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

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(6) Derivatives and Fair Value Measurements
Risk Management — Corporate Hedging Activities
The Company is exposed to several risks in the normal course of business, including (1) foreign currency exchange rate risk for non-U.S. dollar expenditures and balances, (2) price risk on coal produced by and diesel fuel utilized in the Company's mining operations and (3) interest rate risk that has been partially mitigated by fixed rates on long-term debt. The Company manages a portion of its price risk related to the sale of coal (excluding coal trading activities) using long-term coal supply agreements, rather than using derivative instruments. Derivative financial instruments have historically been used to manage the Company's risk exposure to foreign currency exchange rate risk, primarily on Australian dollar expenditures made in its Australian mining platform. This risk was historically managed using forward contracts and options designated as cash flow hedges, with the objective of reducing the variability of cash flows associated with forecasted foreign currency expenditures. The Company previously used derivative instruments to manage its exposure to the variability of diesel fuel prices used in production in the U.S. and Australia with swaps or options, which it also designated as cash flow hedges, with the objective of reducing the variability of cash flows associated with forecasted diesel fuel purchases. These risk management activities are collectively referred to as "Corporate Hedging" and are actively monitored for compliance with the Company's risk management policies.
The Company had no diesel fuel derivatives in place as of June 30, 2018 or December 31, 2017. As of June 30, 2018, the Company had currency options outstanding with an aggregate notional amount of $1,125.0 million Australian dollars to hedge currency risk associated with anticipated Australian dollar expenditures during the remainder of 2018 and over the first three months of 2019. The instruments are quarterly average rate options whereby the Company is entitled to receive payment on the notional amount should the quarterly average Australian dollar-to-U.S. dollar exchange rate exceed amounts ranging from $0.79 to $0.82 over the remainder of 2018 and the first three months of 2019. The Company does not seek cash flow hedge accounting treatment for the currency options and thus changes in fair value are reflected in current earnings. The currency options' fair value of $1.8 million and $4.2 million was included in "Other current assets" in the accompanying condensed consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively.
The tables below show the classification and amounts of pre-tax gains and losses related to the Company's Corporate Hedging derivatives:

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

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

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

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

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

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

Fair Value Measurements

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

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

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

	December 31, 2017			Total

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

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

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

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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, 2018 and December 31, 2017:

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

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

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

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

(7) Coal Trading

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

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

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

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