

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1994

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 1-9148

THE PITTSTON COMPANY

(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of
incorporation or organization)

54-1317776
(I.R.S. Employer
identification No.)

P.O. BOX 120070
100 FIRST STAMFORD PLACE
STAMFORD, CONNECTICUT
(Address of principal
executive offices)

06912-0070
(Zip Code)

(203) 978-5200

(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 and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

41,669,790 shares of \$1 par value Pittston Services Group Common Stock and 8,336,588 shares of \$1 par value Pittston Minerals Group Common Stock as of August 5, 1994.

PART I - FINANCIAL INFORMATION

THE PITTSTON COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

ASSETS	June 30, 1994	Dec. 31, 1993
Current assets:	(Unaudited)	
Cash and cash equivalents	\$ 34,509	32,412
Short-term investments, at lower of cost or market	23,462	22,946
Accounts receivable (net of estimated amount uncollectible: 1994 - \$16,600; 1993 - \$16,040)	332,561	296,543
Inventories, at lower of cost or market	39,064	24,155
Prepaid expenses	27,625	27,493
Deferred income taxes	56,225	53,642
Total current assets	513,446	457,191

Property, plant and equipment, at cost (net of accumulated depreciation, depletion and amortization: 1994 - \$366,118; 1993 - \$412,533)	419,286	369,821
Intangibles, net of amortization	295,986	215,042
Deferred pension assets	116,726	117,066
Deferred income taxes	87,083	59,846
Coal supply contracts	96,868	35,462
Other assets	110,629	107,073

Total assets	\$1,640,024	1,361,501
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term borrowings	\$ 11,681	9,546
Current maturities of long-term debt	8,473	7,908
Accounts payable	223,709	182,276
Accrued liabilities	267,884	237,714

Total current liabilities	511,747	437,444
Long-term debt, less current maturities	137,224	58,388
Postretirement benefits other than pensions	217,188	212,218
Workers' compensation and other claims	143,787	127,545
Deferred income taxes	19,177	15,847
Other liabilities	218,010	156,547
Shareholders' equity:		
Preferred stock, par value \$10 per share:		
Authorized: 2,000 shares		
\$31.25 Series C Cumulative Convertible Preferred Stock:		
Issued: 1994 - 161 shares	1,610	-
Pittston Services Group common stock, par value \$1 per share: Authorized: 100,000 shares		
Issued: 1994 - 41,567 shares;		
1993 - 41,429 shares	41,567	41,429
Pittston Minerals Group common stock, par value \$1 per share: Authorized 20,000 shares		
Issued: 1994 - 8,329 shares;		
1993 - 8,281 shares	8,329	8,281
Capital in excess of par value	420,155	354,911
Retained earnings	54,073	98,290
Equity adjustment from foreign currency translation	(15,262)	(18,381)
Employee benefits trust, at market value	(117,581)	(131,018)

Total shareholders' equity	392,891	353,512

Total liabilities and shareholders' equity	\$1,640,024	1,361,501
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See accompanying notes to consolidated financial statements.

THE PITTSTON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months		Six Months	
	Ended June 30		Ended June 30	
	1994	1993	1994	1993

Net sales	\$202,149	174,457	378,891	342,448
Operating revenues	457,351	380,202	868,404	743,959

Net sales and operating revenues	659,500	554,659	1,247,295	1,086,407

Cost of sales	189,044	164,663	378,825	322,498
Operating expenses	369,935	315,459	716,179	624,896
Special and other charges	-	-	90,806	-
Selling, general and administrative	62,906	55,075	118,156	108,958

Total costs and expenses	621,885	535,197	1,303,966	1,056,352

Other operating income	5,834	5,809	10,835	10,825

Operating profit (loss)	43,449	25,271	(45,836)	40,880
Interest income	552	502	1,208	1,282
Interest expense	(2,644)	(2,595)	(5,209)	(5,901)
Other income (expense), net	(1,732)	(1,286)	(4,067)	(1,423)
Income (loss) before income taxes	39,625	21,892	(53,904)	34,838
Provision (credit) for income taxes	11,587	7,752	(18,374)	12,542
Net income (loss)	28,038	14,140	(35,530)	22,296
Preferred stock dividends	(1,257)	-	(2,263)	-
Net income (loss) attributed to common shares	\$ 26,781	14,140	(37,793)	22,296
Pittston Services Group:				
Net income attributed to common shares	\$ 21,288	10,970	31,799	16,384
Net income per common share	\$.56	.30	.84	.45
Cash dividend per common share	\$.05	.0455	.10	.0910
Pittston Minerals Group:				
Net income (loss) attributed to common shares	\$ 5,493	3,170	(69,592)	5,912
Net income (loss) per common share:				
Primary	\$.72	.43	(9.20)	.81
Fully diluted	\$.67	.43	(9.20)	.80
Cash dividends per common share	\$.1625	.1477	.3250	.2954

See accompanying notes to consolidated financial statements.

THE PITTSTON COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30	
	1994	1993
Cash flows from operating activities:		
Net income (loss)	\$ (35,530)	22,296
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Noncash charges and other write-offs	46,793	11
Depreciation, depletion and amortization	47,191	37,506
Provision (credit) for deferred income taxes	(17,389)	2,438
Provision (credit) for pensions, noncurrent	642	(1,403)
Provision for uncollectible accounts receivable	1,766	2,812
Equity in earnings of unconsolidated affiliates, net of dividends received	(2,248)	(4,181)
Other operating, net	1,171	493
Change in operating assets and liabilities net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(38,610)	(23,532)
Decrease (increase) in inventories	(9,095)	5,060
Increase in prepaid expenses	(2,619)	(2,996)
Increase in accounts payable and accrued liabilities	23,963	2,754
Decrease (increase) in other assets	4,632	(6,454)
Increase (decrease) in other liabilities	10,661	(3,922)
Increase (decrease) in workers' compensation and other claims, noncurrent	11,608	(6,413)
Other, net	(314)	318
Net cash provided by operating activities	42,622	24,787
Cash flows from investing activities:		

Additions to property, plant and equipment	(42,276)	(54,977)
Property, plant and equipment pending lease financing	2,047	(8,036)
Disposal of property, plant and equipment	1,562	2,868
Acquisitions and related contingent payments	(157,294)	(35)
Other, net	5,575	10,198

Net cash used by investing activities	(190,386)	(49,982)

Cash flows from financing activities:		
Additions to debt	112,737	41,520
Reductions of debt	(33,916)	(8,175)
Repurchase of common stock of the Company	(2,953)	(1,105)
Proceeds from exercise of stock options	4,703	1,227
Proceeds from preferred stock issuance, net of cash expenses	77,359	-
Cost of Services Stock Proposal	(4)	-
Proceeds from the sale of stock to SIP	-	264
Dividends paid	(8,065)	(5,490)

Net cash provided by financing activities	149,861	28,241

Net increase in cash and cash equivalents	2,097	3,046
Cash and cash equivalents at beginning of period	32,412	30,340

Cash and cash equivalents at end of period	\$ 34,509	33,386
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See accompanying notes to consolidated financial statements.

THE PITTSTON COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except per share amounts)

- (1) On July 26, 1993, the shareholders of The Pittston Company (the "Company") approved the Services Stock Proposal, as described in the Company's proxy statement dated June 24, 1993, resulting in the reclassification of the Company's common stock into shares of Pittston Services Group Common Stock ("Services Stock") on a share-for-share basis. In addition, a second class of common stock, designated as Pittston Minerals Group Common Stock ("Minerals Stock") was distributed on a basis of one-fifth of one share of Minerals Stock for each share of the Company's previous common stock. The Pittston Services Group (the "Services Group") consists of the Burlington Air Express Inc. ("Burlington"), Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS") operations of the Company. The Pittston Minerals Group (the "Minerals Group") consists of the Coal and Mineral Ventures operations of the Company. The approval of the Services Stock Proposal did not result in any transfer of assets and liabilities of the Company or any of its subsidiaries. The Company prepares separate financial statements for the Minerals and Services Groups in addition to consolidated financial information of the Company.

Due to the reclassification of the Company's common stock, all stock and per share data in the accompanying financial statements for the period prior to the reclassification have been restated from amounts previously reported. The primary impacts of this restatement are as follows:

* Net income per common share has been restated in the Consolidated Statements of Operations to reflect the two classes of stock, Services Stock and Minerals Stock, as if they were outstanding for all periods presented. For the purposes of computing net income per common share of Services Stock and Minerals Stock, the number of shares of Services Stock are assumed to be the same as the total corresponding number of shares of the Company's common stock. The number of shares of Minerals Stock are assumed to be one-fifth of the shares of the Company's common stock.

* All financial impacts of purchases and issuances of the Company's common stock prior to the effective date of the Services Stock Proposal have been attributed to each Group in relation of their respective common equity to the Company's common stock. Dividends paid by the Company were

attributed to the Services and Minerals Groups in relation to the initial dividends paid on the Services Stock and the Minerals Stock.

The Company, at any time, has the right to exchange each outstanding share of Minerals Stock for shares of Services Stock having a fair market value equal to 115% of the fair market value of one share of Minerals Stock. In addition, upon the sale, transfer, assignment or other disposition, whether by merger, consolidation, sale or contribution of assets or stock or otherwise, of all or substantially all of the properties and assets of the Minerals Group to any person, entity or group (with certain exceptions), the Company is required to exchange each outstanding share of Minerals Stock for shares of Services Stock having a fair market value equal to 115% of the fair market value of one share of Minerals Stock. Shares of Services Stock are not subject to either optional or mandatory exchange.

Holders of Services Stock have one vote per share. Holders of Minerals Stock have one vote per share subject to adjustment on January 1, 1996, and on each January 1 every two years thereafter based upon the relative fair market values of one share of Minerals Stock and one share of Services Stock on each such date. Accordingly, beginning on January 1, 1996, each share of Minerals Stock may have more than, less than or continue to have exactly one vote. Holders of Services Stock and Minerals Stock vote together as a single voting group on all matters as to which all common shareholders are entitled to vote. In addition, as prescribed by Virginia law, certain amendments to the Company's Restated Articles of Incorporation affecting, among other things, the designation, rights, preferences or limitations of one class of common stock, or any merger or statutory share exchange, must be approved by the holders of such class of common stock, voting as a separate voting group, and, in certain circumstances, may also have to be approved by the holders of the other class of common stock, voting as a separate voting group.

In the event of a dissolution, liquidation or winding up of the Company, the holders of Services Stock and Minerals Stock will receive the funds remaining for distribution, if any, to the common shareholders on a per share basis in proportion to the total number of shares of Services Stock and Minerals Stock, respectively, then outstanding to the total number of shares of both classes of common stock then outstanding.

For 1993, all stock activity (including dividends) prior to the Services Stock Proposal has been attributed to the Services Group and the Minerals Group based on the methods described above.

- (2) The number of shares used in the earnings per share computations were as follows:

	Second Quarter		Six Months	
	1994	1993	1994	1993
Services Stock:	37,739	36,656	37,715	36,607
Minerals Stock:				
Primary	7,644	7,331	7,565	7,321
Fully diluted	10,148	7,385	9,905	7,364

Minerals stock's fully diluted earnings per share computation for the six months ended June 30, 1994, is the same as primary earnings per share because it is antidilutive, decreasing the loss per share.

- (3) The amounts of depreciation, depletion and amortization of property, plant and equipment in the 1994 second quarter and six month periods were \$17,262 (\$15,455 in 1993) and \$34,618 (\$30,692 in 1993), respectively.
- (4) Cash payments made for interest and income taxes (net of refunds

received) were as follows:

	Second Quarter		Six Months	
	1994	1993	1994	1993
Interest	\$2,750	2,622	5,816	5,935
Income taxes	\$4,567	7,880	11,514	17,113

During the six months ended June 30, 1994, the Company acquired one business for an aggregate purchase price of \$157,231. See Note 5.

During the six months ended June 30, 1994 and 1993, capital lease obligations of \$1,968 and \$582, respectively, were incurred for leases of property, plant and equipment.

- (5) On January 14, 1994, a wholly owned indirect subsidiary of the Company completed the acquisition of substantially all of the coal mining operations and coal sales contracts of Addington Resources, Inc. for \$157,231. The acquisition has been accounted for as a purchase; accordingly, the purchase price has been allocated to the underlying assets and liabilities based on their respective estimated fair values at the date of acquisition. Based on preliminary estimates, subject to finalization by year-end, the fair value of assets acquired was \$180,017 and liabilities assumed was \$107,174. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed was \$84,388 and is being amortized over a period of forty years. The results of operations of the acquired company have been included in the Company's results of operations since the date of acquisition.

The acquisition was financed by the issuance of \$80,500 of a new series of the Company's preferred stock, convertible into Minerals Stock, and additional debt under existing credit facilities. This financing has been attributed to the Minerals Group. In March 1994, the additional debt incurred for this acquisition was refinanced with a five-year term loan.

The following pro forma results, however, assume that the acquisition and related financing had occurred at the beginning of the periods presented. The unaudited pro forma data below are not necessarily indicative of results that would have occurred if the transaction was in effect for the six month periods ended June 30, 1994 and 1993 and the quarter ended June 30, 1993, nor are they indicative of the future results of operations of the Company.

	Pro Forma (Unaudited)		
	Three Months Ended June 30, 1993	Six Months Ended June 30, 1994	1993
Net sales and operating revenues	\$617,111	1,257,221	1,206,941
Net income (loss)	17,973	(35,106)	27,738
Pittston Services Group:			
Net income attributed to common shares	\$ 10,970	31,799	16,384
Net income per common share	\$.30	.84	.45
Average common shares outstanding	36,656	37,715	36,607
Pittston Minerals Group:			
Net income (loss) attributed to common shares:	\$ 5,745	(69,420)	8,838

Net income (loss) per common share:			
Primary	\$.78	(9.18)	1.21
Fully diluted	\$.71	(9.18)	1.15
Average common shares outstanding:			
Primary	7,331	7,565	7,321
Fully diluted	9,889	10,156	9,868

- (6) The Company has authority to issue up to 2,000 shares of preferred stock, par value \$10 per share. In January 1994, the Company issued 161 shares of its \$31.25 Series C Cumulative Convertible Preferred Stock, par value \$10 per share (the "Convertible Preferred Stock"). The Convertible Preferred Stock pays an annual cumulative dividend of \$31.25 per share payable quarterly, in cash, in arrears, out of all funds of the Company legally available therefor, when, as and if declared by the Board of Directors of the Company, and bears a liquidation preference of \$500 per share, plus an amount equal to accrued and unpaid dividends thereon. Each share of the Convertible Preferred Stock is convertible at the option of the holder at any time after March 11, 1994, unless previously redeemed or, under certain circumstances, called for redemption, into shares of Minerals Stock at a conversion price of \$32.175 per share of Minerals Stock, subject to adjustment in certain circumstances. Except under certain circumstances, the Convertible Preferred Stock is not redeemable prior to February 1, 1997. On and after such date, the Company may at its option, redeem the Convertible Preferred Stock, in whole or in part, for cash initially at a price of \$521.875 per share, and thereafter at prices declining ratably annually on each February 1 to an amount equal to \$500 per share on and after February 1, 2004, plus in each case an amount equal to accrued and unpaid dividends on the date of redemption. Except under certain circumstances or as prescribed by Virginia law, shares of the Convertible Preferred Stock are nonvoting. Other than the Convertible Preferred Stock no shares of preferred stock are presently issued or outstanding.
- (7) During the six months ended June 30, 1994, the Company incurred pre-tax charges of \$90,800 (\$58,100 after-tax) for asset writedowns and accruals for costs related to facilities which are being closed including contractually or statutorily required employee severance and other benefit costs.
- (8) On April 15, 1994, the Company redeemed all of the \$27,811 of 9.2% Convertible Subordinated Debentures due July 1, 2004, at a premium of \$767. The premium and other charges related to the redemption have been included in the Consolidated Statement of Operations in Other income (expense), net.
- (9) As of January 1, 1992, BHS elected to capitalize categories of costs not previously capitalized for home security installations. The additional costs not previously capitalized consisted of costs for installation labor and related benefits for supervisory, installation scheduling, equipment testing and other support personnel and costs incurred in maintaining facilities and vehicles dedicated to the installation process. The effect of this change in accounting principle was to increase operating profit for the Company and the BHS segment for the first six months of 1994 and 1993 by \$2,149 and \$1,636, respectively, and for the second quarter of 1994 and 1993 by \$1,029 and \$762, respectively. The effect of this change increased net income per share of the Services Group for the first six months of 1994 and 1993 by \$.03 and \$.03, respectively, and for the second quarter of 1994 and 1993 by \$.02 and \$.01, respectively.
- (10) Certain prior period amounts have been reclassified to conform to current period financial statement presentation.
- (11) All adjustments have been made which are, in the opinion of management, necessary to a fair presentation of results of operations for the periods reported herein. All such adjustments are of a normal recurring nature.

THE PITTSTON COMPANY AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993

	(In thousands)			
Revenues:				
Burlington	\$302,266	240,316	563,750	471,201
Brink's	128,183	118,369	251,948	230,392
BHS	26,902	21,517	52,706	42,366
Coal	198,380	170,331	371,796	334,316
Mineral Ventures	3,769	4,126	7,095	8,132

Consolidated revenues	\$659,500	554,659	1,247,295	1,086,407
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Operating profit (loss):				
Burlington	\$ 20,770	7,978	29,780	9,452
Brink's	10,216	8,667	16,349	15,086
BHS	7,897	6,462	15,463	12,831
Coal	8,395	5,750	(99,444)	11,289
Mineral Ventures	314	(53)	68	313

Segment operating profit (loss)	47,592	28,804	(37,784)	48,971
General corporate expense	(4,143)	(3,533)	(8,052)	(8,091)

Consolidated operating profit (loss)	43,449	25,271	(45,836)	40,880
Interest income	552	502	1,208	1,282
Interest expense	(2,644)	(2,595)	(5,209)	(5,901)
Other income (expense), net	(1,732)	(1,286)	(4,067)	(1,423)

Income (loss) before income taxes	39,625	21,892	(53,904)	34,838
Provision (credit) for income taxes	11,587	7,752	(18,374)	12,542

Net income (loss)	\$ 28,038	14,140	(35,530)	22,296
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RESULTS OF OPERATIONS

In the second quarter of 1994, The Pittston Company (the "Company") reported net income of \$28.0 million compared with \$14.1 million in the second quarter of 1993. Net income in the second quarter of 1994 was positively impacted by improved results from each of the Company's business segments.

In the first six months of 1994, the Company reported a net loss of \$35.5 million compared with net income of \$22.3 million in the first six months of 1993. The decrease in the first half of 1994 was attributable to the Company's minerals businesses, specifically the Coal segment, whose results included charges for asset writedowns and accruals for costs related to facilities which are being closed which in the aggregate reduced operating profit and net income by \$90.8 million and \$58.1 million, respectively. Net income in the first half of 1994 was positively impacted by improved results from each of the Company's services businesses and decreased net interest expense, partially offset by higher nonoperating expenses compared with the same period of last year.

Burlington Air Express Inc. ("Burlington")

Operating profit in the second quarter of 1994 for Burlington aggregated \$20.8 million, a \$12.8 million increase compared with \$8.0 million in the second quarter of 1993. Worldwide revenues rose 26% to \$302.3 million from \$240.3 million in the prior year. The \$62.0 million increase in revenues resulted primarily from higher volume in both domestic and international markets. In the domestic market, volume during the 1994 second quarter benefitted from the 24 day Teamster strike against the domestic trucking industry. Increased revenues from higher volumes were partially offset by lower average yields (revenues per pound). Total weight shipped worldwide increased 30% to 315.7 million pounds from 242.3 million pounds in the same period a year

earlier. Global average yield decreased 3% or \$.03 to \$.96 per pound in the second quarter of 1994 compared with the same period a year earlier, whereas, total costs decreased 7% or \$.07 to \$.89 per pound for the same period. Operating expenses and selling, general and administrative expenses also increased largely from the increased volume of business.

Operating profit in the Americas region benefitted from strong domestic volume shipments which increased 39% over the second quarter of 1993, as local and national accounts continued their strong shipping levels. The higher volume also reflected the impact of the Teamster strike in April, which added an estimated 8 million pounds of second day freight. However, much of Burlington's new business was retained as overnight volumes were maintained throughout the quarter at the higher levels reached during April. Domestic pricing remains below last year's level, but has stabilized partly as a result of the price increase program which was instituted in the first quarter of 1994. Export volumes also increased while pricing for U.S. exports continued to be impacted by a highly competitive pricing environment.

During the 1994 second quarter, Burlington announced a 20% expansion of its North American private fleet capacity, largely through the acquisition of additional aircraft under relatively short-term leases. This expansion will meet additional customer needs and enhance service quality. Burlington also announced the opening of a new freight station in Ontario, California, improving the service capabilities in the southern California market.

Foreign operating results in the current year quarter decreased from the prior year quarter with results in the Pacific region remaining unchanged and results in the Atlantic region decreased. Although foreign operations also benefitted from a 20% increase in international weight shipped, the impact of increased volumes was more than offset by lower yields, increased airline costs and additional costs incurred in connection with providing complete global logistics services. Decreased yields continue to reflect intense price competition in many overseas markets.

Operating profit in the first half of 1994 for Burlington was \$29.8 million, a \$20.3 million increase over the \$9.5 million profit reported in the first half of 1993. Worldwide revenues rose 20% to \$563.8 million in the current year period from \$471.2 million in the first six months of the prior year. The \$92.6 million increase in revenues resulted principally from higher volume in both domestic and international markets. Increased revenues from higher volumes were partially offset by lower average yields. Total weight shipped worldwide increased 24% to 591.3 million pounds in the first six months of 1994 from 478.2 million pounds in the same period a year earlier. Global average yield decreased 3% or \$.03 to \$.95 per pound in the first six months of 1994 compared with the same period a year earlier, whereas, total costs decreased 6% or \$.06 to \$.90 per pound for the same period. Operating expenses and selling, general and administrative expenses also increased in the 1994 first half compared with the first half of 1993 largely resulting from the increased volume of business.

Operating profit in the America's region for the six months of 1994 benefitted from domestic volume increases, a significant portion of which was from strong shipping levels maintained by local and national accounts. Higher volume, in part, also reflects the impact of the 24 day Teamsters strike which occurred during the second quarter of 1994. Export volumes also increased during the first six months of 1994, while pricing for U.S. exports has been impacted by competitors' aggressive pricing on new business. Operating profit in the Americas region also benefitted from the use of more efficient aircraft placed in service during the first half of 1993 and increased capacity as a result of the fourth quarter 1993 expansion of Burlington's airfreight hub in Toledo, Ohio, which assisted in increasing efficiency. Gains for Americas' operations from increased business volume and efficiencies were partially offset by decreased average yields in the first half of 1994. Average yields continue to reflect a highly competitive pricing environment. Domestic pricing remains below last years level but has stabilized partly as a result of the price increase program which was instituted in the first quarter of 1994.

Foreign operating results in the first six months of the current year decreased from the 1993 level. The benefit of increased volumes was more than offset by lower yields, increased airline costs and additional costs incurred in connection with offering complete global logistics services.

Brink's, Incorporated ("Brink's")

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Brink's operating profit increased \$1.5 million to \$10.2 million in the second quarter of 1994 from \$8.7 million in the second quarter of 1993 with an increase in revenues of \$9.8 million, partially offset by increases in operating expenses and selling, general and administrative expenses of \$7.4 million and a decrease in other operating income of \$.9 million.

Operating results in North America continued at a strong pace in the 1994 second quarter, with revenue increasing \$8.6 million or 12% to \$82.3 million and operating profit increasing \$1.0 million to \$5.2 million or 23% over the prior year's second quarter. The improvement principally reflected increased earnings from the armored car, ATM and air courier business. Revenue growth in North America was attributable to the addition of several new customer accounts as well as additional business from certain existing customers.

Revenue from international subsidiaries increased \$1.2 million or 3% to \$45.8 million in the second quarter of 1994, while operating earnings from international subsidiaries and affiliates increased \$.6 million or 13% to \$5.0 million compared with the 1993 second quarter primarily due to improved results reported by operations in Israel (70% owned), Brazil and Australia, partially offset by declines experienced in Holland (65% owned), France (38% owned) and Mexico (20% owned). Results in Brink's Brazil improved significantly from the prior year second quarter. During the current year second quarter, management in Brazil implemented price increases to defray the substantially higher security costs made necessary by the increase in armed robberies. Although Brink's 20% owned Mexican affiliate reported lower earnings compared to the 1993 second quarter reflecting the impact of the local economic recession and strengthening competition, operating results improved from the first quarter of 1994 reflecting the benefits of cost-cutting efforts implemented in late 1993 and early 1994.

Brink's operating profit increased \$1.3 million to \$16.4 million in the first six months of 1994 from \$15.1 million in the first six months of 1993 with an increase in revenues of \$21.6 million, partially offset by increases in operating expenses and selling, general and administrative expenses of \$18.9 million and a decrease in other operating income of \$1.4 million.

The increase in revenues and operating profit in the first six months of 1994 was primarily due to North American operations. Revenue from North American operations increased \$19.3 million or 14% to \$161.8 million and operating profit increased \$2.2 million or 30% to \$9.4 million. The increase in operating profit was largely attributable to increases from air courier operations, which resulted principally from strong volumes. Operating profit from other North American based operations, including armored car and ATM, also increased compared with 1993 results despite the impact in early 1994 of adverse weather conditions and the California earthquake.

Revenue from international subsidiaries increased \$2.3 million or 3% to \$90.1 million, while operating earnings from international subsidiaries and affiliates decreased \$.9 million or 12% to \$6.9 million. The decline was attributable to operations in Brazil, Holland, Mexico and France, partially offset by increases reported in Israel and Australia. Results for Brink's Mexican affiliate reflected the impact of the local economic recession, restructuring costs which included employee severance costs, and strengthening competition which impacted the first quarter of the year. The decrease for Brink's Brazil in the first half of 1994 reflected the costs of extra security measures made necessary by the significant increase in armed robberies at Brink's and its competitors.

Brink's Home Security, Inc. ("BHS")

Operating profit of BHS increased \$1.4 million to \$7.9 million in the second quarter of 1994 from \$6.5 million in the prior year quarter. In the first half of 1994, operating profit increased \$2.7 million to \$15.5 million from \$12.8 million in the first half of 1993. The increase in operating profit for the second quarter and first half of 1994 compared to the similar periods in 1993 reflected higher monitoring revenues due to an average subscriber base that was 22% and 21% higher for the quarter and year to date 1994, respectively, compared to similar periods in 1993, slightly offset by higher account servicing and administrative costs. Net new subscribers totaled 13,700 and 30,100 in the second quarter and first six months of 1994, respectively, compared with 9,800 and 19,600 in the second quarter and first six months of 1993, respectively. Subscribers at June 30, 1994 totaled 289,600.

Coal

Coal operations earned an operating profit of \$8.4 million in the second quarter of 1994, a \$2.6 million increase over the \$5.8 million in the year earlier quarter. The second quarter of 1994 included the operating results from substantially all the coal mining operations and coal sales contracts of Addington Resources, Inc. ("Addington"), which were acquired by the Minerals Group on January 14, 1994.

Sales volume of 7.2 million tons for the second quarter of 1994 was 31% or 1.7 million tons higher than sales volume in the second quarter of 1993. Virtually all of the increased sales related to steam coal with sales of 4.8 million tons (67% of sales), up from 2.5 million tons in the second quarter of 1993, while metallurgical coal sales decreased 22% from 3.0 million tons in the second quarter of 1993 to 2.4 million tons for the second quarter of this year. Coal produced and purchased totaled 7.3 million tons in the 1994 second quarter, a 38% or 2.0 million ton increase over the same period of 1993. The increase in coal sales and coal produced/purchased in the second quarter of 1994 as compared with the second quarter of 1993 is largely attributable to Addington operations.

In the 1994 second quarter, 30% of total production was derived from deep mines and 70% was derived from surface mines compared with 56% and 44% of deep and surface mine production, respectively, in the 1993 second quarter. Average coal margin (realization less current production costs of coal sold), which was \$2.63 per ton for the 1994 second quarter, decreased \$.32 per ton from the prior year second quarter with a 9% or \$2.61 per ton decrease in average realization and an 8% or \$2.29 per ton decrease in average current production costs of coal sold. The higher percentage of steam coal sales and declines in export metallurgical coal prices contributed to the decline in average realization. The decrease in average cost is largely due to the shift to lower cost surface production.

Coal operations had an operating loss totaling \$99.4 million in the first six months of 1994 compared with an operating profit of \$11.3 million in the year earlier six months. The coal operating loss in the first half of 1994 included \$90.8 million of charges for asset write-downs and accruals for costs related to facilities which are being closed. In addition, the decrease compared with prior six months operating results reflected the adverse impact of the severe winter weather in the 1994 first quarter which particularly hampered surface mine production and river transportation. Operating profit in the first six months of 1993 was negatively impacted by a \$1.8 million charge to settle litigation related to the moisture content of tonnage used to compute royalty payments to the UMWA pension and benefit funds during the period ending February 1, 1988.

Sales volume of 13.3 million tons for the first half of 1994 was 22% or 2.4 million tons higher than sales volume in the first half of 1993. The increased sales related to steam coal with sales of 8.5 million tons (64% of sales), up from 4.9 million tons, while metallurgical coal sales decreased 19% from 5.9 million tons to 4.8 million tons. Coal produced and purchased totaled 13.6 million tons for first half of 1994, a 28% or 2.9 million ton increase over the first half of 1993. The increase in coal sales and coal produced/purchased in the first half of 1994 as compared with the first half of 1993 was largely attributable to the Addington operations.

In the first six months of 1994, 34% of total production was derived from deep mines and 66% was derived from surface mines compared with 59% and 41% of deep and surface mine production, respectively, in the first six months of 1993.

Production in the first half of 1994 was adversely impacted by the extreme cold weather and above-normal precipitation in the first quarter of the year which resulted in a large number of lost production days and interruptions which limited output efficiencies during periods of performance. Sales also suffered due to lost loading days and were impeded by closed and restricted road accessibility, particularly during the first quarter of the year. Sales were further impacted by the lack of rail car availability and the disruption of river barge service initially due to frozen waterways and subsequently due to the heavy snow melt and rain, which raised the rivers above operational levels. The severe weather during the first quarter also reduced output from purchased coal suppliers, which hindered the ability to meet customer shipments during the period. In addition to weather related difficulties, operations in the 1994 first quarter were affected by lost

business due to a utility customer's plant closure and production shortfalls due to withdrawal of contractors from the market.

The metallurgical coal markets continued their long-term decline with price reductions of \$3.85 per ton negotiated early in the year between Canadian and Australian producers and Japanese steel mills. During the 1994 second quarter Coal Operations reached agreement with its major Japanese steel customers for new three-year contracts for metallurgical coal shipments. Such agreements replace sales contracts which expired on March 31, 1994. Pricing under the new agreements for the coal year beginning April 1, 1994 was impacted by the price reductions accepted by foreign producers, but was largely offset by modifications in coal quality specification which allows the Coal Operation flexibility in sourcing and blending the coals. The net margin for coal sold under such agreements is expected to decrease less than \$1 a ton for the current contract year. Agreements reached with certain customers in Europe and Brazil are expected to result in margin reductions of up to \$1 per ton. Sales of metallurgical coal are expected to continue to decrease.

As a result of the continuing long-term decline in the metallurgical coal markets, which is evidenced by the recent severe price reductions, the Coal Operation accelerated its strategy of decreasing its exposure to these markets by reducing its metallurgical coal production and increasing its production and sales of lower cost surface minable steam coal. After a review of the economic viability of the remaining metallurgical coal assets, certain underground mines are being closed resulting in significant economic impairment of the related preparation plants. In addition, one surface steam coal mine, the Heartland mine, is being closed due to rising costs caused by unfavorable geological conditions. During the second quarter of 1994 the Company reached agreement with Alabama Power Company to transfer the coal sales contract currently serviced by the Heartland mine to another Company location in West Virginia, at comparable economics. The Heartland mine will cease operations by year end. The \$90.8 million in charges to operating earnings in the 1994 first quarter included a reduction in the carrying value of these assets and related accruals for mine closure costs. These charges included asset writedowns of \$46.5 million, mine closing costs, including reclamation expenses, estimated at \$23.1 million and contractually or statutorily required employee severance and other benefit costs estimated at \$21.2 million. Of the total charges, liabilities which are expected to be paid within one year total \$16.8 million with the balance over the next several years. Operating results for the remainder of 1994 and thereafter should benefit from these measures, as well as the continued integration of Addington operations, the planned expansion of surface mine operations and cost reductions resulting from personnel cutbacks and the realignment of administrative duties which were put in place at the end of the 1994 first quarter.

On June 21, 1994 a new collective bargaining agreement between the Coal Operations' union companies and the UMWA was ratified by such companies' union members. The new agreement, replaced the principal labor agreement which expired on June 30, 1994 and will remain in effect until December 31, 1998. This agreement continues the basic principles and provisions established in the predecessor 1990 Agreement with respect to areas of job security, work rules and scheduling. The new agreement provides, among other things, for wage increases of \$.40 per hour on December 15 of each of the years 1994 to 1997 and includes improvements in certain employee benefit programs.

Legislation is currently pending in Congress on pneumoconiosis ("black lung") reform. A bill has been passed by the House of Representatives that, if enacted, would result in substantial modifications to the current procedural and substantive framework for black lung claims. The Senate is currently considering a bill which likewise would create various reforms to the current black lung laws. The Company is unable to predict if any such legislation will be passed and what the final contents will be. At this time, the Company is unable to calculate what impact, if any, such legislation might have on the Company or the coal industry as a whole. Should some or all the proposals in either the House or Senate version of black lung reform eventually be made into law, there can be no assurance that the legislation would not have a material adverse effect on the Company.

Mineral Ventures

Operating profit of Mineral Ventures increased \$.4 million in the 1994 second quarter to an operating profit of \$.3 million, from an operating loss of \$.1 million in the prior year second quarter. The favorable change primarily reflected the fourth quarter 1993 closure of the Uley

graphite property in Australia. The Stawell gold mine in western Victoria, Australia, in which Mineral Ventures has a 67% interest, produced 18,900 ounces in the period compared to 20,600 ounces in the second quarter of 1993.

In the first six months of 1994, operating profit of Mineral Ventures decreased \$.2 million to \$.1 million from \$.3 million in the year earlier six months. Although costs related to the Uley graphite property did not affect operating results in the first six months of 1994 as in the first half of 1993, Mineral Ventures operating results were impacted by increased exploration costs in Nevada as well as lower production at the Stawell gold mine. The production shortfall at the Stawell mine was largely due to an operator accident that occurred in the 1994 first quarter, which also contributed to higher operating costs for the period. The Stawell gold mine produced 35,800 ounces in the first six months of 1994 compared with 39,400 ounces in the comparable period of 1993. Mineral Ventures is continuing gold exploration projects in Nevada and Australia with its joint venture partner.

Foreign Operations

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A portion of the Company's financial results is derived from activities in several foreign countries, each with a local currency other than the U.S. dollar. Since the financial results of the Company are reported in U.S. dollars, they are affected by the changes in the value of the various foreign currencies in relation to the U.S. dollar. The Company's international activity is not concentrated in any single currency, which limits the risks of foreign rate fluctuations. In addition, foreign currency rate fluctuations may adversely affect transactions which are denominated in currencies other than the functional currency. The Company routinely enters into such transactions in the normal course of its business. Although the diversity of its foreign operations limits the risks associated with such transactions, the Company uses foreign exchange forward contracts to hedge the risks associated with certain transactions denominated in currencies other than the functional currency. Realized and unrealized gains and losses on these contracts are deferred and recognized as part of the specific transaction hedged. In addition, cumulative translation adjustments relating to operations in countries with highly inflationary economies are included in net income, along with all transaction gains or losses for the period. Brink's subsidiaries in Brazil and Israel operate in such highly inflationary economies.

Additionally, the Company is subject to other risks customarily associated with doing business in foreign countries, including economic conditions, controls on repatriation of earnings and capital, nationalization, expropriation and other forms of restrictive action by local governments. The future effects, if any, of such risks on the Company cannot be predicted.

Other Operating Income

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Other operating income of \$5.8 million and \$10.8 million for the second quarter and first six months of 1994, respectively, were comparable to other operating income for the same periods a year earlier. Other operating income principally includes the Company's share of net income of unconsolidated affiliates, which are substantially attributable to equity affiliates of Brink's, and royalty income from coal and natural gas properties.

Corporate Expenses

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General corporate expenses increased \$.6 million to \$4.1 million for the 1994 second quarter from \$3.5 million for the 1993 second quarter. In the first six months of 1994, general corporate expenses of \$8.1 million remained unchanged compared to the year earlier six months. The increased expenses for the second quarter principally related to employee related costs and benefits. Expenses in the second quarter and first six months of 1993 included costs incurred for the Company's then proposed reclassification of its common stock into two classes.

Interest Expense

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Interest expense of \$2.6 million for the second quarter of 1994 increased slightly compared to the second quarter of 1993. In the first six months of 1994, interest expense decreased \$.7 million to \$5.2 million from \$5.9 million in the first six months of 1993. Interest

expense for the second quarter and first six months of 1994 included increases due to higher average borrowings under revolving credit and term loan facilities resulting from the Addington acquisition and higher average interest rates, offset by a decrease resulting from the Company's redemption of its 9.2% Convertible Subordinated Debentures in April 1994 and early payment of a term loan which occurred during the 1993 second quarter. Interest expense in the first six months of 1993 included interest assessed on settlement of coal litigation related to the moisture content of tonnage used to compute royalty payments to UMWA pension and benefit funds.

Other Income (Expense), Net

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Other net expense for the second quarter of 1994 increased \$.4 million to a net expense of \$1.7 million from \$1.3 million in the second quarter of 1993. In the first six months of 1994, other net expense increased \$2.7 million to a net expense of \$4.1 million from \$1.4 million in the first six months of 1993. The first six months of 1994 included \$1.2 million of expenses recognized on the Company's redemption of its 9.2% Convertible Subordinated Debentures.

FINANCIAL CONDITION

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Cash Provided by Operations

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Cash provided by operating activities during the first six months of 1994 totaled \$42.6 million compared with \$24.8 million in the first six months of 1993. Operations provided more cash in the 1994 period despite the integration of operating activities of Addington which required cash to finance initial working capital needs. Net income, noncash charges and changes in operating assets and liabilities in the first six months of 1994 were significantly affected by after-tax special and other charges of \$58.1 million which had an impact of approximately \$4.1 million in the first six months of 1994 on cash generated by operations. Of the total \$90.8 million of 1994 pre-tax charges, \$46.5 million was for noncash writedowns of assets and the remainder represents liabilities, of which \$16.8 million are expected to be paid within one year with the balance to be paid over the next several years.

Capital Expenditures

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Cash capital expenditures for the first six months of 1994 totaled \$42.3 million. Of that amount, \$11.0 million was spent by Burlington, \$6.7 million was spent by Brink's, \$16.7 million was spent by BHS, \$6.9 million was spent by Coal, \$.8 million was spent by Mineral Ventures and \$.2 million was spent by the Corporate office. Expenditures incurred by BHS in the first half of 1994 were primarily for customer installations, representing the expansion in the subscriber base. For the full year 1994, capital expenditures are estimated to approximate \$105 million. The foregoing amounts exclude equipment expenditures that have been or are expected to be financed through capital and operating leases, and any acquisition expenditures.

Other Investing Activities

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All other investing activities in the first six months of 1994 used net cash of \$148.1 million. In January 1994, the Company paid approximately \$157 million in cash for the acquisition of substantially all the coal mining operations and coal sales contracts of Addington. The purchase price of the acquisition was financed through the issuance of \$80.5 million of a new series of convertible preferred stock, which is convertible into Pittston Minerals Group Common Stock, and additional debt under credit agreements.

Financing

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The Company intends to fund its capital expenditure requirements during the remainder of 1994 primarily with anticipated cash flows from operating activities and through operating leases if the latter are financially attractive. Shortfalls, if any, will be financed through the Company's revolving credit agreements or short-term borrowing arrangements. In March 1994, the Company entered into a \$350 million revolving credit agreement with a syndicate of banks (the "New Facility"), replacing the Company's previously existing \$250 million of

revolving credit agreements. The New Facility includes a \$100 million five-year term loan, which matures in March 1999. The New Facility also permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250 million until March 1999. As of June 30, 1994, borrowings of \$100 million were outstanding under the five-year term loan portion of the New Facility and \$10.0 million of additional borrowings was outstanding under the remainder of the facility.

Debt

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Outstanding debt, including borrowings under revolving credit agreements, aggregated \$157.4 million at June 30, 1994, up from \$75.8 million at year-end 1993. Cash generated from operating activities and net cash proceeds from the issuance of preferred stock were not sufficient to fund capital expenditures and the Addington acquisition, resulting in additional borrowings under the Company's credit agreements.

On April 15, 1994, the Company redeemed all outstanding 9.2% Convertible Subordinated Debentures due July 1, 2004. The principal amount outstanding was \$27.8 million and the premium paid to call the debt totaled \$.8 million. The Company used cash provided under its revolving credit agreements to redeem the debentures. The premium paid in addition to other charges related to the redemption are included in the Company's Consolidated Statement of Operations for the six months ended June 30, 1994.

Capitalization

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In January 1994, the Company issued \$80.5 million (161,000 shares) of a new series of cumulative preferred stock, convertible into Minerals Stock. The cumulative convertible preferred stock, which is attributable to the Minerals Group, pays an annual cumulative dividend of \$31.25 per share payable quarterly, in cash, in arrears, out of all funds of the Company legally available therefor, when, as and if declared by the Board of Directors of the Company, which commenced March 1, 1994, and bears a liquidation preference of \$500 per share, plus an amount equal to accrued and unpaid dividends thereon.

In July 1994, the Board of Directors of the Company authorized the repurchase from time to time of up to \$15 million of the new series of cumulative convertible preferred stock. As of July 31, 1994, 8,350 shares at a total cost of \$3.4 million were repurchased.

As of June 30, 1994, debt as a percent of capitalization (total debt and shareholders' equity) was 29%, compared with 18% at December 31, 1993.

The increase since December 1993 is largely due to the additional debt incurred under the New Facility to finance the Addington acquisition. The increase in equity as a result of the issuance of preferred stock was largely offset by the net loss incurred for the six months ended June 30, 1994.

In 1993, the Board of Directors of the Company authorized the repurchase of up to 1,250,000 shares of Pittston Services Group Common Stock ("Services Stock") and 250,000 shares of Pittston Minerals Group Common Stock ("Minerals Stock"). As of June 30, 1994, a total of 142,500 shares of Services Stock and 38,500 shares of Minerals Stock had been acquired pursuant to the authorization. Of those amounts, 142,500 shares of Services Stock and 19,700 shares of Minerals Stock were repurchased in the first six months of 1994 at an aggregate cost of \$3.8 million, of which \$.9 million was paid subsequent to the end of the period.

Dividends

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The Board of Directors intends to declare and pay dividends on Services Stock and Minerals Stock based on earnings, financial condition, cash flow and business requirements of the Services Group and the Minerals Group, respectively. Since the Company remains subject to Virginia law limitations on dividends and to dividend restrictions in its public debt and bank credit agreements, losses by one Group could affect the Company's ability to pay dividends in respect of stock relating to the other Group. Dividends on Minerals Stock are also limited by the Available Minerals Dividend Amount as defined in the Company's Articles of Incorporation.

During the first six months of 1994, the Board of Directors declared and the Company paid cash dividends of 10 cents per share of Services Stock and 32.5 cents per share of Minerals Stock. On an equivalent basis,

during the first six months of 1993 the Company paid dividends of 9.1 cents per share and 29.54 cents per share for Services Stock and Minerals Stock, respectively. Dividends paid on the cumulative convertible preferred stock in the first six months of 1994 totaled \$1.8 million.

PITTSTON SERVICES GROUP
BALANCE SHEETS
(In thousands)

ASSETS	June 30, 1994	Dec. 31, 1993
Current assets:	(Unaudited)	
Cash and cash equivalents	\$ 28,371	30,271
Short-term investments, at lower of cost or market	2,070	1,881
Accounts receivable (net of estimated amount uncollectible: 1994 - \$14,201; 1993 - \$13,745)	231,962	211,565
Receivable - Pittston Minerals Group	7,711	-
Inventories, at lower of cost or market	4,111	3,235
Prepaid expenses	18,849	19,258
Deferred income taxes	24,449	22,919
Total current assets	317,523	289,129
Property, plant and equipment, at cost (net of accumulated depreciation and amortization: 1994 - \$218,157; 1993 - \$207,086)	201,979	188,076
Intangibles, net of amortization	211,140	213,634
Deferred pension assets	41,260	42,425
Deferred income taxes	1,478	839
Other assets	71,869	72,838
Total assets	\$845,249	806,941

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Short-term borrowings	\$ 11,681	9,546
Current maturities of long-term debt	8,088	7,878
Accounts payable	149,374	131,893
Payable - Pittston Minerals Group	-	19,098
Accrued liabilities	114,749	113,293
Total current liabilities	283,892	281,708
Long-term debt, less current maturities	49,701	58,109
Postretirement benefits other than pensions	5,558	4,802
Workers' compensation and other claims	9,015	9,043
Deferred income taxes	37,193	33,727
Payable - Pittston Minerals Group	23,875	14,709
Other liabilities	25,742	26,474
Shareholder's equity	410,273	378,369
Total liabilities and shareholder's equity	\$845,249	806,941

See accompanying notes to financial statements.

PITTSTON SERVICES GROUP
STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
Operating revenues	\$457,351	380,202	868,404	743,959

Operating expenses	369,935	315,459	716,179	624,896
Selling, general and administrative expenses	53,558	47,008	99,921	91,873
Total costs and expenses	423,493	362,467	816,100	716,769
Other operating income	2,529	3,358	4,577	5,567
Operating profit	36,387	21,093	56,881	32,757
Interest income	590	367	1,212	848
Interest expense	(1,406)	(2,352)	(3,175)	(4,680)
Other income (expense), net	(1,514)	(1,006)	(3,630)	(1,156)
Income before income taxes	34,057	18,102	51,288	27,769
Provision for income taxes	12,769	7,132	19,489	11,385
Net income	\$ 21,288	10,970	31,799	16,384
Per Pittston Services Group common share:				
Net income	\$.56	.30	.84	.45
Cash dividends	\$.05	.0455	.10	.0910
Average shares outstanding of Pittston Services Group Common Stock				
	37,739	36,656	37,715	36,607

See accompanying notes to financial statements.

PITTSTON SERVICES GROUP
STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30	
	1994	1993
Cash flows from operating activities:		
Net income	\$ 31,799	16,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash charges and other write-offs	306	11
Depreciation and amortization	26,717	24,389
Provision for deferred income taxes	1,539	832
Provision for pensions, noncurrent	1,467	(150)
Provision for uncollectible accounts receivable	1,634	2,757
Equity in earnings of unconsolidated affiliates, net of dividends received	(2,178)	(3,890)
Other operating, net	1,314	1,007
Change in operating assets and liabilities:		
Increase in accounts receivable	(22,031)	(1,599)
Increase in inventories	(876)	(673)
Increase in prepaid expenses	(1,532)	(4,870)
Increase (decrease) in accounts payable and accrued liabilities	29,202	(14,730)
Decrease (increase) in other assets	3,773	(4,571)
Decrease in other liabilities	(816)	(505)
Other, net	(157)	182
Net cash provided by operating activities	70,161	14,574
Cash flows from investing activities:		
Additions to property, plant and equipment	(34,509)	(43,009)
Property, plant and equipment pending lease financing	2,047	(1,163)
Disposal of property, plant and equipment	1,267	1,433
Acquisitions and related contingent payments	(63)	(16)
Other, net	(2,287)	(233)
Net cash used by investing activities	(33,545)	(42,988)

Cash flows from financing activities:

Additions to debt	26,171	41,520
Reductions of debt	(33,666)	(8,175)
Payments (to) from - Minerals Group	(28,777)	-
Repurchase of common stock	(2,552)	(921)
Proceeds from exercise of stock options	3,756	1,023
Proceeds from the sale of stock to SIP	-	220
Proceeds from sale of stock to Minerals Group	322	-
Dividends paid	(3,768)	(3,327)
Cost of Services Stock Proposal	(2)	-
Net cash from the Company	-	894

Net cash provided (used) by financing activities	(38,516)	31,234

Net increase (decrease) in cash and cash equivalents	(1,900)	2,820
Cash and cash equivalents at beginning of period	30,271	28,350

Cash and cash equivalents at end of period	\$ 28,371	31,170
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See accompanying notes to financial statements.

PITTSTON SERVICES GROUP
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(In thousands, except per share amounts)

(1) The approval on July 26, 1993 (the "Effective Date"), by the shareholders of The Pittston Company (the "Company") of the Services Stock Proposal, as described in the Company's proxy statement dated June 24, 1993, resulted in the reclassification of the Company's common stock. The outstanding shares of Company common stock were redesignated as Pittston Services Group Common Stock ("Services Stock") on a share-for-share basis and a second class of common stock, designated as Pittston Minerals Group Common Stock ("Minerals Stock"), was distributed on the basis of one-fifth of one share of Minerals Stock for each share of the Company's previous common stock held by shareholders of record on July 26, 1993. Minerals Stock and Services Stock provide shareholders with separate securities reflecting the performance of the Pittston Minerals Group (the "Minerals Group") and the Pittston Services Group (the "Services Group") respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting either Group. Accordingly, all stock and per share data prior to the reclassification have been restated to reflect the reclassification. The primary impacts of this restatement are as follows:

* Net income per common share has been included in the Statements of Operations. For the purpose of computing net income per common share of Services Stock, the number of shares of Services Stock prior to the Effective Date are assumed to be the same as the total number of shares of the Company's common stock.

* All financial impacts of purchases and issuances of the Company's common stock have been attributed to each Group in relation of their respective common equity to the Company's common stock. Dividends paid by the Company were attributed to the Services and Minerals Groups in relation to the initial dividends paid on the Services Stock and the Minerals Stock.

The Company, at any time, has the right to exchange each outstanding share of Minerals Stock for shares of Services Stock having a fair market value equal to 115% of the fair market value of one share of Minerals Stock. In addition, upon the sale, transfer, assignment or other disposition, whether by merger, consolidation, sale or contribution of assets or stock or otherwise, of all or substantially all of the properties and assets of the Minerals Group to any person, entity or group (with certain exceptions), the Company is required to exchange each outstanding share of Minerals Stock for shares of Services Stock having a fair market value equal to 115% of the fair market value of one share of Minerals Stock. Shares of Services Stock are not subject to either optional or mandatory exchange.

Holders of Services Stock have one vote per share. Holders of Minerals Stock have one vote per share subject to adjustment on

January 1, 1996, and on each January 1 every two years thereafter based upon the relative fair market values of one share of Minerals Stock and one share of Services Stock on each such date. Accordingly, beginning on January 1, 1996, each share of Minerals Stock may have more than, less than or continue to have exactly one vote. Holders of Services Stock and Minerals Stock vote together as a single voting group on all matters as to which all common shareholders are entitled to vote. In addition, as prescribed by Virginia law, certain amendments to the Company's Restated Articles of Incorporation affecting, among other things, the designation, rights, preferences or limitations of one class of common stock, or any merger or statutory share exchange, must be approved by the holders of such class of common stock, voting as a separate voting group, and, in certain circumstances, may also have to be approved by the holders of the other class of common stock, voting as a separate voting group.

In the event of a dissolution, liquidation or winding up of the Company, the holders of Services Stock and Minerals Stock will receive the funds remaining for distribution, if any, to the common shareholders on a per share basis in proportion to the total number of shares of Services Stock and Minerals Stock, respectively, then outstanding to the total number of shares of both classes of common stock then outstanding.

The financial statements of the Services Group include the balance sheets, results of operations and cash flows of the Burlington Air Express Inc. ("Burlington"), Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS") operations of the Company, and a portion of the Company's corporate assets and liabilities and related transactions which are not separately identified with operations of a specific segment. The Services Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate allocations reflected in these financial statements are determined based upon methods which management believes to be an equitable allocation of such expenses and credits.

The Company provides holders of Services Stock separate financial statements, financial reviews, descriptions of business and other relevant information for the Services Group in addition to consolidated financial information of the Company. Notwithstanding the attribution of assets and liabilities (including contingent liabilities) between the Minerals Group and the Services Group for the purpose of preparing their financial statements, this attribution and the change in the capital structure of the Company as a result of the approval of the Services Stock Proposal did not result in any transfer of assets and liabilities of the Company or any of its subsidiaries. Holders of Services Stock are shareholders of the Company, which continues to be responsible for all its liabilities. Therefore, financial developments affecting the Minerals Group or the Services Group that affect the Company's financial condition could affect the results of operations and financial condition of both Groups. Accordingly, the Company's consolidated financial statements must be read in connection with the Services Group's financial statements.

- (2) As of January 1, 1992, BHS elected to capitalize categories of costs not previously capitalized for home security installations. The additional costs not previously capitalized consisted of costs for installation labor and related benefits for supervisory, installation scheduling, equipment testing and other support personnel and costs incurred in maintaining facilities and vehicles dedicated to the installation process. The effect of this change in accounting principle was to increase operating profit for the Services Group and the BHS segment for the first six months of 1994 and 1993 by \$2,149 and \$1,636, respectively, and for the second quarter of 1994 and 1993 by \$1,029 and \$762, respectively. The effect of this change increased net income per share of the Services Group for the first six months of 1994 and 1993 by \$.03 and \$.03, respectively and for the second quarter of 1994 and 1993 by \$.02 and \$.01, respectively.
- (3) The amounts of depreciation and amortization of property, plant and equipment in the 1994 second quarter and six month periods totaled \$11,582 (\$9,926 in 1993) and \$22,306 (\$19,708 in 1993), respectively.
- (4) Cash payments made for interest and income taxes (net of refunds received) were as follows:

	Second Quarter		Six Months	
	1994	1993	1994	1993
Interest	\$ 1,951	1,912	4,404	4,589
Income taxes	\$12,054	9,529	18,887	18,762

During the six month periods ended June 30, 1994 and 1993, capital lease obligations of \$1,222 and \$582, respectively, were incurred for leases of property, plant and equipment.

- (5) On April 15, 1994, the Company redeemed all of the \$27,811 9.2% Convertible Subordinated Debentures due July 1, 2004, at a premium of \$767. This debt had been attributed to the Services Group. The premium and other charges related to the redemption have been included in the Services Group Statement of Operations in Other income (expense), net.
- (6) In January 1994, 161 shares of convertible preferred stock (convertible into Minerals Stock) were issued to finance a portion of the acquisition of substantially all of the coal mining operations and coal sales contracts of Addington Resources, Inc. While the issuance of the preferred stock had no effect on the capitalization of the Services Group, commencing March 1, 1994, annual cumulative dividends of \$31.25 per share of convertible preferred stock are payable quarterly, in cash, in arrears, from the date of original issue out of all funds of the Company legally available therefor, when, as and if declared by the Company's Board. A portion of the acquisition was also financed with additional debt under existing credit facilities. In March 1994, the additional debt incurred for this acquisition was refinanced with a five-year term loan. The acquisition and related financing have been attributed to the Minerals Group.
- (7) Certain prior period amounts have been reclassified to conform to current period financial statement presentation.
- (8) All adjustments have been made which are, in the opinion of management, necessary to a fair presentation of results of operations for the periods reported herein. All such adjustments are of a normal recurring nature.

PITTSTON SERVICES GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

The financial statements of the Pittston Services Group (the "Services Group") include the balance sheets, results of operations and cash flows of Burlington Air Express Inc. ("Burlington"), Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS"), and a portion of The Pittston Company's (the "Company") corporate assets and liabilities and related transactions which are not separately identified with operations of a specific segment. The Services Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate allocations reflected in these financial statements are determined based upon methods which management believes to be an equitable allocation of such expenses and credits. The accounting policies applicable to the preparation of the Services Group's financial statements may be modified or rescinded at the sole discretion of the Company's Board of Directors (the "Board") without the approval of the shareholders, although there is no intention to do so.

The Company provides holders of Pittston Services Group Common Stock ("Services Stock") separate financial statements, financial reviews, descriptions of business and other relevant information for the Services Group in addition to consolidated financial information of the Company. Notwithstanding the attribution of assets and liabilities (including contingent liabilities) between the Pittston Minerals Group (the "Minerals Group") and the Services Group for the purpose of preparing their financial statements, this attribution and the change in the capital structure of the Company as a result of the approval of the Services Stock Proposal, as described in the Company's proxy statement dated June 24, 1993, did not result in any transfer of assets and

liabilities of the Company or any of its subsidiaries. Holders of Services Stock are shareholders of the Company, which continues to be responsible for all its liabilities. Therefore, financial developments affecting the Minerals Group or the Services Group that affect the Company's financial condition could affect the results of operations and financial condition of both Groups. Accordingly, the Company's consolidated financial statements must be read in connection with the Services Group's financial statements.

The following discussion is a summary of the key factors management considers necessary in reviewing the Services Group's results of operations, liquidity and capital resources. This discussion should be read in conjunction with the financial statements and related notes of the Company.

SEGMENT INFORMATION
(In thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993

Revenues:				
Burlington	\$302,266	240,316	563,750	471,201
Brink's	128,183	118,369	251,948	230,392
BHS	26,902	21,517	52,706	42,366

Revenues	\$457,351	380,202	868,404	743,959
=====				
Operating profit:				
Burlington	\$ 20,770	7,978	29,780	9,452
Brink's	10,216	8,667	16,349	15,086
BHS	7,897	6,462	15,463	12,831

Segment operating profit	38,883	23,107	61,592	37,369
General corporate expense	(2,496)	(2,014)	(4,711)	(4,612)

Operating profit	36,387	21,093	56,881	32,757
Interest income	590	367	1,212	848
Interest expense	(1,406)	(2,352)	(3,175)	(4,680)
Other income (expense), net	(1,514)	(1,006)	(3,630)	(1,156)

Income before income taxes	34,057	18,102	51,288	27,769
Provision for income taxes	12,769	7,132	19,489	11,385

Net income	\$ 21,288	10,970	31,799	16,384
=====				

RESULTS OF OPERATIONS

Net income totaled \$21.3 million or \$.56 per share in the second quarter of 1994 compared with \$11.0 million or \$.30 per share in the second quarter of 1993. Operating profit for the 1994 second quarter increased to \$36.4 million from \$21.1 million in the prior year quarter. The increase in net income and operating profit for the 1994 second quarter compared with the same period of 1993 was largely attributable to improved earnings for each of the services segments. Segment operating profit for the 1994 second quarter was partially offset by increased general corporate operating expenses. In addition, net income for the 1994 second quarter was positively affected by lower net interest expense and was negatively impacted by greater other nonoperating expenses compared with the same period last year.

Revenues for the 1994 second quarter increased \$77.2 million compared with the 1993 second quarter, of which \$62.0 million was from Burlington, \$9.8 million was from Brink's and \$5.4 million was from BHS. Operating expenses and selling general and administrative expenses for the 1994 second quarter increased \$61.0 million compared with the same period last year, of which \$49.2 million was from Burlington, \$7.4 million was from Brink's, \$3.9 million was from BHS, and \$.5 million was from an increase in general corporate expenses.

Net income totaled \$31.8 million or \$.84 per share in the first six

months of 1994 compared with \$16.4 million or \$.45 per share in the same period of 1993. Operating profit for the first six months of 1994 increased to \$56.9 million from \$32.8 million in the prior year six month period. The increase in net income and operating profit for the first half of 1994 compared with the same period of 1993 was largely attributable to improved earnings each of the services segments. Net income was positively affected by lower net interest expense and was negatively impacted by higher other nonoperating expenses compared with the same period last year.

Revenues for the first six months of 1994 increased \$124.5 million compared with the first six months of 1993, of which \$92.6 million was from Burlington, \$21.6 million was from Brink's and \$10.3 million was from BHS. Operating expenses and selling general and administrative expenses for the first half of 1994 increased \$99.3 million compared with the same period last year, of which \$72.7 million was from Burlington, \$18.9 million was from Brink's and \$7.7 million was from BHS.

Burlington Air Express Inc. ("Burlington")

Operating profit in the second quarter of 1994 for Burlington aggregated \$20.8 million, a \$12.8 million increase compared with \$8.0 million in the second quarter of 1993. Worldwide revenues rose 26% to \$302.3 million from \$240.3 million in the prior year. The \$62.0 million increase in revenues resulted primarily from higher volume in both domestic and international markets. In the domestic market, volume during the 1994 second quarter benefitted from the 24 day Teamster strike against the domestic trucking industry. Increased revenues from higher volumes were partially offset by lower average yields (revenues per pound). Total weight shipped worldwide increased 30% to 315.7 million pounds from 242.3 million pounds in the same period a year earlier. Global average yield decreased 3% or \$.03 to \$.96 per pound in the second quarter of 1994 compared with the same period a year earlier, whereas, total costs decreased 7% or \$.07 to \$.89 per pound for the same period. Operating expenses and selling, general and administrative expenses also increased largely from the increased volume of business.

Operating profit in the Americas region benefitted from strong domestic volume shipments which increased 39% over the second quarter of 1993, as local and national accounts continued their strong shipping levels. The higher volume also reflected the impact of the Teamster strike in April, which added an estimated 8 million pounds of second day freight. However, much of Burlington's new business was retained as overnight volumes were maintained throughout the quarter at the higher levels reached during April. Domestic pricing remains below last year's level, but has stabilized partly as a result of the price increase program which was instituted in the first quarter of 1994. Export volumes also increased while pricing for U.S. exports continued to be impacted by a highly competitive pricing environment.

During the 1994 second quarter, Burlington announced a 20% expansion of its North American private fleet capacity, largely through the acquisition of additional aircraft under relatively short-term leases. This expansion will meet additional customer needs and enhance service quality. Burlington also announced the opening of a new freight station in Ontario, California, improving the service capabilities in the southern California market.

Foreign operating results in the current year quarter decreased from the prior year quarter with results in the Pacific region remaining unchanged and results in the Atlantic region decreased. Although foreign operations also benefitted from a 20% increase in international weight shipped, the impact of increased volumes was more than offset by lower yields, increased airline costs and additional costs incurred in connection with providing complete global logistics services. Decreased yields continue to reflect intense price competition in many overseas markets.

Operating profit in the first half of 1994 for Burlington was \$29.8 million, a \$20.3 million increase over the \$9.5 million profit reported in the first half of 1993. Worldwide revenues rose 20% to \$563.8 million in the current year period from \$471.2 million in the first six months of the prior year. The \$92.6 million increase in revenues resulted principally from higher volume in both domestic and international markets. Increased revenues from higher volumes were partially offset by lower average yields. Total weight shipped worldwide increased 24% to 591.3 million pounds in the first six months of 1994 from 478.2 million pounds in the same period a year earlier. Global average yield decreased 3% or \$.03 to \$.95 per pound in the first six

months of 1994 compared with the same period a year earlier, whereas, total costs decreased 6% or \$.06 to \$.90 per pound for the same period. Operating expenses and selling, general and administrative expenses also increased in the 1994 first half compared with the first half of 1993 largely resulting from the increased volume of business.

Operating profit in the America's region for the six months of 1994 benefitted from domestic volume increases, a significant portion of which was from strong shipping levels maintained by local and national accounts. Higher volume, in part, also reflects the impact of the 24 day Teamsters strike which occurred during the second quarter of 1994. Export volumes also increased during the first six months of 1994, while pricing for U.S. exports has been impacted by competitors' aggressive pricing on new business. Operating profit in the Americas region also benefitted from the use of more efficient aircraft placed in service during the first half of 1993 and increased capacity as a result of the fourth quarter 1993 expansion of Burlington's airfreight hub in Toledo, Ohio, which assisted in increasing efficiency. Gains for Americas' operations from increased business volume and efficiencies were partially offset by decreased average yields in the first half of 1994. Average yields continue to reflect a highly competitive pricing environment. Domestic pricing remains below last years level but has stabilized partly as a result of the price increase program which was instituted in the first quarter of 1994.

Foreign operating results in the first six months of the current year decreased from the 1993 level. The benefit of increased volumes was more than offset by lower yields, increased airline costs and additional costs incurred in connection with offering complete global logistics services.

Brink's, Incorporated ("Brink's")

Brink's operating profit increased \$1.5 million to \$10.2 million in the second quarter of 1994 from \$8.7 million in the second quarter of 1993 with an increase in revenues of \$9.8 million, partially offset by increases in operating expenses and selling, general and administrative expenses of \$7.4 million and a decrease in other operating income of \$.9 million.

Operating results in North America continued at a strong pace in the 1994 second quarter, with revenue increasing \$8.6 million or 12% to \$82.3 million and operating profit increasing \$1.0 million to \$5.2 million or 23% over the prior year's second quarter. The improvement principally reflected increased earnings from the armored car, ATM and air courier business. Revenue growth in North America was attributable to the addition of several new customer accounts as well as additional business from certain existing customers.

Revenue from international subsidiaries increased \$1.2 million or 3% to \$45.8 million in the second quarter of 1994, while operating earnings from international subsidiaries and affiliates increased \$.6 million or 13% to \$5.0 million compared with the 1993 second quarter primarily due to improved results reported by operations in Israel (70% owned), Brazil and Australia, partially offset by declines experienced in Holland (65% owned), France (38% owned) and Mexico (20% owned). Results in Brink's Brazil improved significantly from the prior year second quarter. During the current year second quarter, management in Brazil implemented price increases to defray the substantially higher security costs made necessary by the increase in armed robberies. Although Brink's 20% owned Mexican affiliate reported lower earnings compared to the 1993 second quarter reflecting the impact of the local economic recession and strengthening competition, operating results improved from the first quarter of 1994 reflecting the benefits of cost-cutting efforts implemented in late 1993 and early 1994.

Brink's operating profit increased \$1.3 million to \$16.4 million in the first six months of 1994 from \$15.1 million in the first six months of 1993 with an increase in revenues of \$21.6 million, partially offset by increases in operating expenses and selling, general and administrative expenses of \$18.9 million and a decrease in other operating income of \$1.4 million.

The increase in revenues and operating profit in the first six months of 1994 was primarily due to North American operations. Revenue from North American operations increased \$19.3 million or 14% to \$161.8 million and operating profit increased \$2.2 million or 30% to \$9.4 million. The increase in operating profit was largely attributable to increases from air courier operations, which resulted principally from strong volumes. Operating profit from other North American based operations, including

armored car and ATM, also increased compared with 1993 results despite the impact in early 1994 of adverse weather conditions and the California earthquake.

Revenue from international subsidiaries increased \$2.3 million or 3% to \$90.1 million, while operating earnings from international subsidiaries and affiliates decreased \$.9 million or 12% to \$6.9 million. The decline was attributable to operations in Brazil, Holland, Mexico and France, partially offset by increases reported in Israel and Australia. Results for Brink's Mexican affiliate reflected the impact of the local economic recession, restructuring costs which included employee severance costs, and strengthening competition which impacted the first quarter of the year. The decrease for Brink's Brazil in the first half of 1994 reflected the costs of extra security measures made necessary by the significant increase in armed robberies at Brink's and its competitors.

Brink's Home Security, Inc. ("BHS")

Operating profit of BHS increased \$1.4 million to \$7.9 million in the second quarter of 1994 from \$6.5 million in the prior year quarter. In the first half of 1994, operating profit increased \$2.7 million to \$15.5 million from \$12.8 million in the first half of 1993. The increase in operating profit for the second quarter and first half of 1994 compared to the similar periods in 1993 reflected higher monitoring revenues due to an average subscriber base that was 22% and 21% higher for the quarter and year to date 1994, respectively, compared to similar periods in 1993, slightly offset by higher account servicing and administrative costs. Net new subscribers totaled 13,700 and 30,100 in the second quarter and first six months of 1994, respectively, compared with 9,800 and 19,600 in the second quarter and first six months of 1993, respectively. Subscribers at June 30, 1994 totaled 289,600.

Foreign Operations

A portion of the Services Group's financial results is derived from activities in several foreign countries, each with a local currency other than the U.S. dollar. Since the financial results of the Services Group are reported in U.S. dollars, they are affected by the changes in the value of the various foreign currencies in relation to the U.S. dollar. The Services Group's international activity is not concentrated in any single currency, which limits the risks of foreign rate fluctuations. In addition, foreign currency rate fluctuations may adversely affect transactions which are denominated in currencies other than the functional currency. The Services Group routinely enters into such transactions in the normal course of its business. Although the diversity of its foreign operations limits the risks associated with such transactions, the Company, on behalf of the Services Group, uses foreign exchange forward contracts to hedge the risks associated with certain transactions denominated in currencies other than the functional currency. Realized and unrealized gains and losses on these contracts are deferred and recognized as part of the specific transaction hedged. In addition, cumulative translation adjustments relating to operations in countries with highly inflationary economies are included in net income, along with all transaction gains or losses for the period. Brink's subsidiaries in Brazil and Israel operate in such highly inflationary economies.

Additionally, the Services Group is subject to other risks customarily associated with doing business in foreign countries, including economic conditions, controls on repatriation of earnings and capital, nationalization, expropriation and other forms of restrictive action by local governments. The future effects, if any, of such risks on the Services Group cannot be predicted.

Corporate Expenses

A portion of the Company's corporate general and administrative expenses and other shared services has been allocated to the Services Group based on utilization and other methods and criteria which management believes to be equitable and a reasonable estimate of such expenses as if the Services Group operated on a stand alone basis. These allocations were \$2.5 million and \$2.0 million for the second quarter of 1994 and 1993, respectively, and \$4.7 million and \$4.6 million for the first six months of 1994 and 1993, respectively. General corporate expenses in the 1993 second quarter and six month periods included costs incurred for the Company's then proposed reclassification of its common stock into two classes.

Other Operating Income

Other operating income decreased \$.8 million to \$2.5 million in the 1994 second quarter from \$3.3 million in the 1993 second quarter and decreased \$1.0 million to \$4.6 million in the first six months of 1994 from \$5.6 million in the first six months of 1993. Other operating income consists primarily of equity earnings of foreign affiliates. These earnings, which are primarily attributable to equity affiliates of Brink's, amounted to \$1.8 million and \$2.9 million for the second quarter of 1994 and 1993, respectively, and \$3.4 million and \$4.7 million for the first half of 1994 and 1993, respectively.

Interest Expense

Interest expense for the second quarter of 1994 decreased \$1.0 million to \$1.4 million from \$2.4 million in the second quarter of 1993 and decreased \$1.5 million to \$3.2 million in the first six months of 1994 from \$4.7 million in the first six months of 1993 primarily due to significantly lower average borrowings. Interest expense in the second quarter and first half of 1993 included interest on debt which was retired during the latter half of 1993. The second quarter and first half of 1993 and the first quarter of 1994 included interest on the Company's 9.2% Convertible Subordinated Debentures which were redeemed in April 1994.

Other Income (Expense), Net

Other net expense for the second quarter of 1994 increased \$.5 million to a net expense of \$1.5 million from \$1.0 million in the second quarter of 1993 and increased \$2.4 million to a net expense of \$3.6 million from \$1.2 million in the first six months of 1993. Other operating expense in the first six months of 1994 included expenses of \$1.2 million recognized in the 1994 first quarter on the Company's redemption of its 9.2% Convertible Subordinated Debentures.

FINANCIAL CONDITION

A portion of the Company's corporate assets and liabilities has been attributed to the Services Group based upon utilization of the shared services from which assets and liabilities are generated, which management believes to be equitable and a reasonable estimate of the asset and liabilities which would be generated if the Services Group operated on a stand alone basis.

Cash Provided by Operations

Cash provided by operating activities for the first half of 1994 totaled \$70.2 million compared with \$14.6 million in the first half of 1993. The increase in 1994 compared with 1993 was due to the increase in net income for the current year period and a significant decrease in net cash requirements for operating assets and liabilities.

Capital Expenditures

Cash capital expenditures for the first six months of 1994 totaled \$34.5 million, excluding equipment expenditures that have been or are expected to be financed through capital and operating leases, and any acquisition expenditures. Of the \$34.5 million of cash capital expenditures for the first six months of 1994, \$11.0 million was made by Burlington, \$6.7 million was made by Brink's and \$16.7 million was made by BHS.

Expenditures incurred by BHS in the first half of 1994 were primarily for customer installations, representing the expansion in the subscriber base. For the full year 1994, capital expenditures excluding expenditures that have been or are expected to be financed through capital and operating leases and acquisition expenditures, are estimated to approximate \$75 million.

Financing

The Services Group intends to fund its capital expenditure requirements during the remainder of 1994 primarily with anticipated cash flows from operating activities and through operating and capital leases if the

latter are financially attractive. Shortfalls, if any, will be financed through the Company's revolving credit agreements or short-term borrowing arrangements or borrowings from the Minerals Group. In March 1994, the Company entered into a \$350 million revolving credit agreement with a syndicate of banks (the "New Facility"), replacing the Company's previously existing \$250 million of revolving credit agreements. The New Facility includes a \$100 million five-year term loan, which matures in March 1999. The New Facility also permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250 million until March 1999. As of June 30, 1994, borrowings of \$100 million were outstanding under the five-year term loan portion of the New Facility with an additional \$10.0 million of borrowings outstanding under the remainder of the facility. Of the total amount outstanding under the New Facility \$23.4 million was attributed to the Services Group.

Debt

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Cash used for external debt repayments and net lending to the Minerals Group, net of borrowings totaled \$36.3 million. The amount of the \$100 million term loan attributed to the Services Group was \$23.4 million at June 30, 1994. Net payments to the Minerals Group of \$28.8 million represent repayment of the December 31, 1993 balance of \$13.3 million and additional lending of \$15.5 million to the Minerals Group.

On April 15, 1994, the Company redeemed all outstanding 9.2% Convertible Subordinated Debentures due July 1, 2004. Such debt had been attributed to the Services Group. The principal amount outstanding was \$27.8 million and the premium paid to call the debt totaled \$.8 million. The Company used cash provided under its revolving credit agreements to redeem the debentures. The premium paid in addition to other charges related to the redemption are included in the Statement of Operations for the six months ended June 30, 1994.

Capitalization

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Since the approval of the Services Stock Proposal, capitalization of the Services Group has been affected by all share activity related to Services Stock.

In 1993, the Board of Directors authorized a new share repurchase program under which up to 1,250,000 shares of Services Stock and 250,000 shares of Minerals Stock may be repurchased. As of June 30, 1994, a total of 142,500 shares of Services Stock had been acquired pursuant to the authorization, all of which was acquired in 1994 at an aggregate cost of \$3.4 million, of which \$.9 million was paid subsequent to the end of the second quarter.

Dividends

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The Board of Directors intends to declare and pay dividends on Services Stock based on earnings, financial condition, cash flow and business requirements of the Services Group. Since the Company remains subject to Virginia law limitations on dividends and to dividend restrictions in its public debt and bank credit agreements, losses by the Minerals Group could affect the Company's ability to pay dividends in respect of stock relating to the Services Group.

As a result of the Company's issuance in January 1994 of 161,000 shares of a new series of preferred stock, convertible into Minerals Stock, the Company pays an annual cumulative dividend of \$31.25 per share payable quarterly, in cash, in arrears, out of all funds of the Company legally available therefor, when, and if declared by the Board of Directors of the Company which commenced March 1, 1994. Such stock, which is attributable to the Minerals Group, also bears a liquidation preference of \$500 per share, plus an amount equal to accrued and unpaid dividends thereon.

During the first half of 1994, the Board of Directors declared and the Company paid cash dividends of 10 cents per share of Services Stock. On an equivalent basis, during the first half of 1993 the Company paid dividends of 9.1 cents per share of Services Stock.

Assets	June 30, 1994	Dec. 31, 1993

Current assets:	(Unaudited)	
Cash and cash equivalents	\$ 6,138	2,141
Short-term investments, at lower of cost or market	21,392	21,065
Accounts receivable (net of estimated amount uncollectible: 1994 - \$2,399; 1993 - \$2,295)	100,599	84,978
Receivable - Pittston Services Group	-	19,098
Inventories, at lower of cost or market:		
Coal	30,721	18,649
Other	4,232	2,271

	34,953	20,920
Prepaid expenses	8,776	8,235
Deferred income taxes	31,777	30,723

Total current assets	203,635	187,160
Property, plant and equipment, at cost (net of accumulated depreciation, depletion and amortization: 1994 - \$147,961; 1993 - \$205,447)	217,307	181,745
Deferred pension assets	75,466	74,641
Deferred income taxes	103,620	76,887
Coal supply contracts	96,868	35,462
Intangibles, net	84,846	1,408
Receivable - Pittston Services Group	23,875	14,709
Other assets	38,760	34,235

Total assets	\$844,377	606,247
=====		

Liabilities and Shareholder's Equity

Current liabilities:		
Current maturities of long-term debt	\$ 385	30
Accounts payable	74,335	50,383
Payable - Pittston Services Group	7,711	-
Accrued liabilities	153,135	124,421

Total current liabilities	235,566	174,834
Long-term debt, less current maturities	87,523	279
Postretirement benefits other than pensions	211,630	207,416
Workers' compensation and other claims	134,772	118,502
Other liabilities	192,268	130,073
Shareholder's equity	(17,382)	(24,857)

Total liabilities and shareholder's equity	\$844,377	606,247
=====		

See accompanying notes to financial statements.

PITTSTON MINERALS GROUP
STATEMENT OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993

Net sales	\$202,149	174,457	378,891	342,448

Cost of sales	189,976	164,663	379,757	322,498
Special and other charges	-	-	90,806	-
Selling, general and administrative expenses	8,416	8,067	17,303	17,085

Total costs and expenses	198,392	172,730	487,866	339,583

Other operating income	3,305	2,451	6,258	5,258

Operating profit (loss)	7,062	4,178	(102,717)	8,123
Interest income	49	135	100	434
Interest expense	(1,325)	(243)	(2,138)	(1,221)
Other income (expense), net	(218)	(280)	(437)	(267)

Income (loss) before income taxes	5,568	3,790	(105,192)	7,069
Provision (credit) for income taxes	(1,182)	620	(37,863)	1,157

Net income (loss)	6,750	3,170	(67,329)	5,912
Preferred stock dividends	(1,257)	-	(2,263)	-

Net income (loss) attributed to common shares	\$ 5,493	3,170	(69,592)	5,912
=====				

Per Pittston Minerals Group common share:

Net income (loss):				
Primary	\$.72	.43	(9.20)	.81

Fully diluted	\$.67	.43	(9.20)	.80

Cash dividends	\$.1625	.1477	.3250	.2954

Average shares outstanding of Pittston Minerals Group Common Stock:

Primary	7,644	7,331	7,565	7,321

Fully diluted	10,148	7,385	9,905	7,364
=====				

See accompanying notes to financial statements.

PITTSTON MINERALS GROUP
STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30	
	1994	1993

Cash flows from operating activities:		
Net income (loss)	\$ (67,329)	5,912
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Noncash charges and other write-offs	46,487	-
Depreciation, depletion and amortization	20,474	13,117
Provision (credit) for deferred income taxes	(18,928)	1,606
Credit for pensions, noncurrent	(825)	(1,253)
Provision for uncollectible accounts receivable	132	55
Equity in (earnings) loss of unconsolidated affiliates, net of dividends received	(70)	(291)
Other operating, net	(333)	(514)
Change in operating assets and liabilities net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(16,579)	(21,933)
Decrease (increase) in inventories	(8,219)	5,733
Decrease (increase) in prepaid expenses	(1,087)	1,874
Increase (decrease) in accounts payable and accrued liabilities	(5,239)	17,484
Decrease (increase) in other assets	859	(1,883)
Increase (decrease) in other liabilities	11,092	(3,520)
Increase (decrease) in workers' compensation and other claims, noncurrent	11,636	(6,310)
Other, net	(185)	136

Net cash provided (used) by operating activities	(28,114)	10,213

Cash flows from investing activities:		
Additions to property, plant and equipment	(7,767)	(11,968)
Property, plant and equipment pending lease financing	-	(6,873)
Disposal of property, plant and equipment	295	1,435
Acquisitions and related contingent payments	(157,231)	(19)
Other, net	7,862	10,431

Net cash used by investing activities	(156,841)	(6,994)

Cash flows from financing activities:

Additions to debt	86,566	-
Reductions of debt	(251)	-
Payments (to) from - Services Group	28,777	-
Repurchase of common stock	(401)	(184)
Proceeds from exercise of stock options	947	204
Proceeds from the sale of stock to SIP	-	44
Proceeds from sale of stock to Services Group	254	-
Proceeds from the issuance of preferred stock, net of cash expenses	77,359	-
Cost of Services Stock Proposal	(2)	-
Dividends paid	(4,297)	(2,163)
Net cash to the Company	-	(894)

Net cash provided (used) by financing activities	188,952	(2,993)

Net increase in cash and cash equivalents	3,997	226
Cash and cash equivalents at beginning of period	2,141	1,990

Cash and cash equivalents at end of period	\$ 6,138	2,216
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See accompanying notes to financial statements.

PITTSTON MINERALS GROUP
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(In thousands, except per share amounts)

(1) The approval on July 26, 1993 (the "Effective Date"), by the shareholders of The Pittston Company (the "Company") of the Services Stock Proposal, as described in the Company's proxy statement dated June 24, 1993, resulted in the reclassification of the Company's common stock. The outstanding shares of Company common stock were redesignated as Pittston Services Group Common Stock ("Services Stock") on a share-for-share basis and a second class of common stock, designated as Pittston Minerals Group Common Stock ("Minerals Stock"), was distributed on the basis of one-fifth of one share of Minerals Stock for each share of the Company's previous common stock held by shareholders of record on July 26, 1993. Minerals Stock and Services Stock provide shareholders with separate securities reflecting the performance of the Pittston Minerals Group (the "Minerals Group") and the Pittston Services Group (the "Services Group") respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting either group. Accordingly, all stock and per share data prior to the reclassification have been restated to reflect the reclassification. The primary impacts of this restatement are as follows:

* Net income per common share has been included in the Statements of Operations. For the purpose of computing net income per common share of Minerals Stock, the number of shares of Minerals Stock are assumed to be one-fifth of the total number of shares of the Company's common stock.

* All financial impacts of purchases and issuances of the Company's common stock prior to the Effective Date have been attributed to each Group in relation of their respective common equity to the Company's common stock. Dividends paid by the Company were attributed to the Services and Minerals Groups in relation to the initial dividends paid on the Services Stock and the Minerals Stock.

The Company, at any time, has the right to exchange each outstanding share of Minerals Stock for shares of Services Stock having a fair market value equal to 115% of the fair market value of one share of Minerals Stock. In addition, upon the sale, transfer, assignment or other disposition, whether by merger, consolidation, sale or contribution of assets or stock or otherwise, of all or substantially all of the properties and assets of the Minerals Group to any person, entity or group (with certain exceptions), the Company is required to exchange each outstanding share of Minerals Stock for shares of Services Stock having a fair market value equal to 115% of the fair market value of one share of Minerals Stock. Shares of Services Stock are not subject to either optional or mandatory exchange.

Holders of Services Stock have one vote per share. Holders of Minerals Stock have one vote per share subject to adjustment on January 1, 1996, and on each January 1 every two years thereafter based upon the relative fair market values of one share of Minerals Stock and one share of Services Stock on each such date. Accordingly, beginning on January 1, 1996, each share of Minerals Stock may have more than, less than or continue to have exactly one vote. Holders of Services Stock and Minerals Stock vote together as a single voting group on all matters as to which all common shareholders are entitled to vote. In addition, as prescribed by Virginia law, certain amendments to the Company's Restated Articles of Incorporation affecting, among other things, the designation, rights, preferences or limitations of one class of common stock, or any merger or statutory share exchange, must be approved by the holders of such class of common stock, voting as a separate voting group, and, in certain circumstances, may also have to be approved by the holders of the other class of common stock, voting as a separate voting group.

In the event of a dissolution, liquidation or winding up of the Company, the holders of Services Stock and Minerals Stock will receive the funds remaining for distribution, if any, to the common shareholders on a per share basis in proportion to the total number of shares of Services Stock and Minerals Stock, respectively, then outstanding to the total number of shares of both classes of common stock then outstanding.

The financial statements of the Minerals Group include the balance sheets, results of operations and cash flows of the Coal and Mineral Ventures operations of the Company, and a portion of the Company's corporate assets and liabilities and related transactions which are not separately identified with operations of a specific segment. The Minerals Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate allocations reflected in these financial statements are determined based upon methods which management believes to be an equitable allocation of such expenses and credits.

The Company provides holders of Minerals Stock separate financial statements, financial reviews, descriptions of business and other relevant information for the Minerals Group in addition to consolidated financial information of the Company. Notwithstanding the attribution of assets and liabilities (including contingent liabilities) between the Minerals Group and the Services Group for the purpose of preparing their financial statements, this attribution and the change in the capital structure of the Company as a result of the approval of the Services Stock Proposal did not result in any transfer of assets and liabilities of the Company or any of its subsidiaries. Holders of Minerals Stock are shareholders of the Company, which continues to be responsible for all its liabilities. Therefore, financial developments affecting the Minerals Group or the Services Group that affect the Company's financial condition could affect the results of operations and financial condition of both Groups. Accordingly, the Company's consolidated financial statements must be read in connection with the Minerals Group's financial statements.

- (2) Minerals stock's fully diluted earnings per share computation for the six months ended June 30, 1994, is the same as primary earnings per share because it is antidilutive, decreasing the loss per share.
- (3) The amounts of depreciation, depletion and amortization of property, plant and equipment in the 1994 second quarter and six month periods totaled \$5,680 (\$5,529 in 1993) and \$12,312 (\$10,984 in 1993), respectively.
- (4) Cash payments made for interest and income taxes (net of refunds received) were as follows:

	Second Quarter		Six Months	
	1994	1993	1994	1993
Interest	\$ 886	710	1,516	1,346

Income taxes	\$(7,487)	(1,649)	(7,373)	(1,649)
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During the six months ended June 30, 1994, the Minerals Group acquired one business for an aggregate purchase price of \$157,231. See Note 5.

During the six months ended June 30, 1994, capital lease obligations of \$746 were incurred for leases of property, plant and equipment.

- (5) On January 14, 1994, a wholly owned indirect subsidiary of the Minerals Group completed the acquisition of substantially all of the coal mining operations and coal sales contracts of Addington Resources, Inc. for \$157,231. The acquisition has been accounted for as a purchase; accordingly, the purchase price has been allocated to the underlying assets and liabilities based on their respective estimated fair values at the date of acquisition. Based on preliminary estimates, subject to finalization by year-end, the fair value of assets acquired was \$180,017 and liabilities assumed was \$107,174. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed was \$84,388 and is being amortized over a period of 40 years. The results of operations of the acquired company have been included in the Minerals Group's results of operations since the date of acquisition.

The acquisition was financed by the issuance of \$80,500 of a new series of the Company's preferred stock, convertible into Minerals Stock, and additional debt under existing credit facilities. This financing has been attributed to the Minerals Group. In March 1994, the additional debt incurred for this acquisition was refinanced with a five-year term loan.

The following pro forma results, however, assume that the acquisition and related financing had occurred at the beginning of the periods presented. The unaudited pro forma data below are not necessarily indicative of results that would have occurred if the transaction were in effect for the six month periods ended June 30, 1994 and 1993 and the quarter ended June 30, 1993, nor are they indicative of the future results of operations of the Minerals Group.

	Pro Forma (Unaudited)		
	Three Months Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Net sales and operating revenues	\$236,909	388,817	462,982
Net income (loss)	7,003	(66,905)	11,354
Pittston Minerals Group:			
Net income (loss) attributed to common shares:	\$ 5,745	(69,420)	8,838
Net income (loss) per common share:			
Primary	\$.78	(9.18)	1.21
Fully diluted	\$.71	(9.18)	1.15
Average common shares outstanding:			
Primary	7,331	7,565	7,321
Fully diluted	9,889	10,156	9,868

- (6) The Company has authority to issue up to 2,000 shares of preferred stock, par value \$10 per share. In January 1994, the Company issued 161 shares of its \$31.25 Series C Cumulative Convertible Preferred Stock, par value \$10 per share (the "Convertible

Preferred Stock"). The Convertible Preferred Stock pays an annual cumulative dividend of \$31.25 per share payable quarterly, in cash, in arrears, out of all funds of the Company legally available therefor, when, as and if declared by the Board of Directors of the Company, and bears a liquidation preference of \$500 per share, plus an amount equal to accrued and unpaid dividends thereon. Each share of the Convertible Preferred Stock is convertible at the option of the holder at any time after March 11, 1994, unless previously redeemed or, under certain circumstances, called for redemption, into shares of Minerals Stock at a conversion price of \$32.175 per share of Minerals Stock, subject to adjustment in certain circumstances. Except under certain circumstances, the Convertible Preferred Stock is not redeemable prior to February 1, 1997. On and after such date, the Company may at its option, redeem the Convertible Preferred Stock, in whole or in part, for cash initially at a price of \$521.875 per share, and thereafter at prices declining ratably annually on each February 1 to an amount equal to \$500 per share on and after February 1, 2004, plus in each case an amount equal to accrued and unpaid dividends on the date of redemption. Except under certain circumstances or as prescribed by Virginia law, shares of the Convertible Preferred Stock are nonvoting. Other than the Convertible Preferred Stock no shares of preferred stock are presently issued or outstanding.

- (7) During the six month period ended June 30, 1994, the Minerals Group incurred pre-tax charges of \$90,800 (\$58,100 after-tax) for asset writedowns and accruals for costs related to facilities which are being closed including contractually or statutorily required employee severance and other benefit costs.
- (8) Certain prior period amounts have been reclassified to conform to current period financial statement presentation.
- (9) All adjustments have been made which are, in the opinion of management, necessary to a fair presentation of results of operations for the periods reported herein. All such adjustments are of a normal recurring nature.

PITTSTON MINERALS GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

The financial statements of the Pittston Minerals Group (the "Minerals Group") include the balance sheets, results of operations and cash flows of the Coal and Mineral Ventures operations of The Pittston Company (the "Company"), and a portion of the Company's corporate assets and liabilities and related transactions which are not separately identified with operations of a specific segment. The Minerals Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate allocations reflected in these financial statements are determined based upon methods which management believes to be an equitable allocation of such expenses and credits. The accounting policies applicable to the preparation of the Minerals Group's financial statements may be modified or rescinded at the sole discretion of the Company's Board of Directors (the "Board") without the approval of the shareholders, although there is no intention to do so.

The Company provides to holders of the Pittston Minerals Group Common Stock ("Minerals Stock") separate financial statements, financial reviews, descriptions of business and other relevant information for the Minerals Group in addition to consolidated financial information of the Company. Notwithstanding the attribution of assets and liabilities (including contingent liabilities) between the Minerals Group and the Pittston Services Group (the "Services Group") for the purpose of preparing their financial statements, this attribution and the change in the capital structure of the Company as a result of the approval of the Services Stock Proposal, as described in the Company's proxy statement dated June 24, 1993, did not result in any transfer of assets and liabilities of the Company or any of its subsidiaries. Holders of Minerals Stock are shareholders of the Company, which continues to be responsible for all its liabilities. Therefore, financial developments affecting the Minerals Group or the Services Group that affect the Company's financial condition could affect the results of operations and financial condition of both Groups. Accordingly, the Company's consolidated financial statements must be read in connection with the Minerals Group's financial statements.

The following discussion is a summary of the key factors management considers necessary in reviewing the Minerals Group's results of operations, liquidity and capital resources. This discussion should be read in conjunction with the financial statements and related notes of the Company.

SEGMENT INFORMATION
(In thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
Net sales:				
Coal	\$198,380	170,331	371,796	334,316
Mineral Ventures	3,769	4,126	7,095	8,132
Net sales	\$202,149	174,457	378,891	342,448
Operating profit (loss):				
Coal	\$ 8,395	5,750	(99,444)	11,289
Mineral Ventures	314	(53)	68	313
Segment operating profit (loss)	8,709	5,697	(99,376)	11,602
General corporate expense	(1,647)	(1,519)	(3,341)	(3,479)
Operating profit (loss)	7,062	4,178	(102,717)	8,123
Interest income	49	135	100	434
Interest expense	(1,325)	(243)	(2,138)	(1,221)
Other income (expense), net	(218)	(280)	(437)	(267)
Income (loss) before income taxes	5,568	3,790	(105,192)	7,069
Provision (credit) for income taxes	(1,182)	620	(37,863)	1,157
Net income (loss)	\$ 6,750	3,170	(67,329)	5,912

RESULTS OF OPERATIONS

In the second quarter of 1994, the Minerals Group reported net income of \$6.8 million or \$.72 per share (\$.67 per share on a fully diluted basis) compared with net income of \$3.2 million or \$.43 per share in the second quarter of 1993. Operating profit for the 1994 second quarter totaled \$7.1 million, or \$2.9 million greater than the \$4.2 million operating profit reported in the same period of last year. Operating profit increased for both the Coal and Mineral Ventures segment and was only slightly offset by an increase in general corporate operating expenses. Net income for the 1994 second quarter was negatively impacted by increased net interest expense compared with the same period of last year.

For the first six months of 1994, the Minerals Group reported a net loss of \$67.3 million or \$9.20 per share and an operating loss of \$102.7 million compared with net income of \$5.9 million or \$.81 per share and operating profit of \$8.1 million the first half of 1993. The decrease in both net income and operating profit for the current six month period compared with the same period of last year was attributable to the Coal segment whose results included charges for asset writedowns, accruals for costs related to facilities which are being closed and operating losses incurred related to these facilities, which in the aggregate reduced operating profit and net income by \$90.8 million and \$58.1 million, respectively. Mineral Ventures operations also reported a decrease in operating profit in the first half of 1994, while general corporate expenses remained comparable to the prior year period. The first six months of 1993 was adversely affected by a one-time coal litigation charge and corporate charges related to the Company's then proposed reclassification of its common stock into two classes. Net income for the first half of 1994 was also affected by greater net interest expense compared to the same period of last year.

Coal

Coal operations earned an operating profit of \$8.4 million in the second quarter of 1994, a \$2.6 million increase over the \$5.8 million in the year earlier quarter. The second quarter of 1994 included the operating results from substantially all the coal mining operations and coal sales contracts of Addington Resources, Inc. ("Addington"), which were acquired by the Minerals Group on January 14, 1994.

Sales volume of 7.2 million tons for the second quarter of 1994 was 31% or 1.7 million tons higher than sales volume in the second quarter of 1993. Virtually all of the increased sales related to steam coal with sales of 4.8 million tons (67% of sales), up from 2.5 million tons in the second quarter of 1993, while metallurgical coal sales decreased 22% from 3.0 million tons in the second quarter of 1993 to 2.4 million tons for the second quarter of this year. Coal produced and purchased totaled 7.3 million tons in the 1994 second quarter, a 38% or 2.0 million ton increase over the same period of 1993. The increase in coal sales and coal produced/purchased in the second quarter of 1994 as compared with the second quarter of 1993 is largely attributable to Addington operations.

In the 1994 second quarter, 30% of total production was derived from deep mines and 70% was derived from surface mines compared with 56% and 44% of deep and surface mine production, respectively, in the 1993 second quarter.

Average coal margin (realization less current production costs of coal sold), which was \$2.63 per ton for the 1994 second quarter, decreased \$.32 per ton from the prior year second quarter with a 9% or \$2.61 per ton decrease in average realization and an 8% or \$2.29 per ton decrease in average current production costs of coal sold. The higher percentage of steam coal sales and declines in export metallurgical coal prices contributed to the decline in average realization. The decrease in average cost is largely due to the shift to lower cost surface production.

Coal operations had an operating loss totaling \$99.4 million in the first six months of 1994 compared with an operating profit of \$11.3 million in the year earlier six months. The coal operating loss in the first half of 1994 included \$90.8 million of charges for asset writedowns and accruals for costs related to facilities which are being closed. In addition, the decrease compared with prior six months operating results reflected the adverse impact of the severe winter weather in the 1994 first quarter which particularly hampered surface mine production and river transportation. Operating profit in the first six months of 1993 was negatively impacted by a \$1.8 million charge to settle litigation related to the moisture content of tonnage used to compute royalty payments to the UMWA pension and benefit funds during the period ending February 1, 1988.

Sales volume of 13.3 million tons for the first half of 1994 was 22% or 2.4 million tons higher than sales volume in the first half of 1993. The increased sales related to steam coal with sales of 8.5 million tons (64% of sales), up from 4.9 million tons, while metallurgical coal sales decreased 19% from 5.9 million tons to 4.8 million tons. Coal produced and purchased totaled 13.6 million tons for first half of 1994, a 28% or 2.9 million ton increase over the first half of 1993. The increase in coal sales and coal produced/purchased in the first half of 1994 as compared with the first half of 1993 was largely attributable to Addington operations.

In the first six months of 1994, 34% of total production was derived from deep mines and 66% was derived from surface mines compared with 59% and 41% of deep and surface mine production, respectively, in the first six months of 1993.

Production in the first half of 1994 was adversely impacted by the extreme cold weather and above-normal precipitation in the first quarter of the year which resulted in a large number of lost production days and interruptions which limited output efficiencies during periods of performance. Sales also suffered due to lost loading days and were impeded by closed and restricted road accessibility, particularly during the first quarter of the year. Sales were further impacted by the lack of rail car availability and the disruption of river barge service initially due to frozen waterways and subsequently due to the heavy snow melt and rain, which raised the rivers above operational levels. The severe weather during the first quarter also reduced output from purchased coal suppliers, which hindered the ability to meet customer shipments during the period. In addition to weather related difficulties, operations in the 1994 first quarter were affected by lost business due to a utility customer's plant closure and production shortfalls due to withdrawal of contractors from the market.

The metallurgical coal markets continued their long-term decline with price reductions of \$3.85 per ton negotiated early in the year between Canadian and Australian producers and Japanese steel mills. During the 1994 second quarter Coal Operations reached agreement with its major Japanese steel customers for new three-year contracts for metallurgical coal shipments. Such agreements replace sales contracts which expired on March 31, 1994. Pricing under the new agreements for the coal year beginning April 1, 1994 was impacted by the price reductions accepted by foreign producers, but was largely offset by modifications in coal quality specification which allows the Coal Operation flexibility in sourcing and blending the coals. The net margin for coal sold under such agreements is expected to decrease less than \$1 a ton for the current contract year. Agreements reached with certain customers in Europe and Brazil are expected to result in margin reductions of up to \$1 per ton. Sales of metallurgical coal are expected to continue to decrease.

As a result of the continuing long-term decline in the metallurgical coal markets, which is evidenced by the recent severe price reductions, the Coal Operation accelerated its strategy of decreasing its exposure to these markets by reducing its metallurgical coal production and increasing its production and sales of lower cost surface minable steam coal. After a review of the economic viability of the remaining metallurgical coal assets, certain underground mines are being closed resulting in significant economic impairment of the related preparation plants. In addition, one surface steam coal mine, the Heartland mine, is being closed due to rising costs caused by unfavorable geological conditions. During the second quarter of 1994 the Company reached agreement with Alabama Power Company to transfer the coal sales contract currently serviced by the Heartland mine to another Company location in West Virginia, at comparable economics. The Heartland mine will cease operations by year end. The \$90.8 million in charges to operating earnings in the 1994 first quarter included a reduction in the carrying value of these assets and related accruals for mine closure costs. These charges included asset writedowns of \$46.5 million, mine closing costs, including reclamation expenses, estimated at \$23.1 million and contractually or statutorily required employee severance and other benefit costs estimated at \$21.2 million. Of the total charges, liabilities which are expected to be paid within one year total \$16.8 million with the balance over the next several years. Operating results for the remainder of 1994 and thereafter should benefit from these measures, as well as the continued integration of Addington operations, the planned expansion of surface mine operations and cost reductions resulting from personnel cutbacks and the realignment of administrative duties which were put in place at the end of the 1994 first quarter.

On June 21, 1994 a new collective bargaining agreement between the Coal Operations' union companies and the UMWA was ratified by such companies' union members. The new agreement, replaced the principal labor agreement which expired on June 30, 1994 and will remain in effect until December 31, 1998. This agreement continues the basic principles and provisions established in the predecessor 1990 Agreement with respect to areas of job security, work rules and scheduling. The new agreement provides, among other things, for wage increases of \$.40 per hour on December 15 of each of the years 1994 to 1997 and includes improvements in certain employee benefit programs.

Legislation is currently pending in Congress on pneumoconiosis ("black lung") reform. A bill has been passed by the House of Representatives that, if enacted, would result in substantial modifications to the current procedural and substantive framework for black lung claims. The Senate is currently considering a bill which likewise would create various reforms to the current black lung laws. The Company is unable to predict if any such legislation will be passed and what the final contents will be. At this time, the Company is unable to calculate what impact, if any, such legislation might have on the Company or the coal industry as a whole. Should some or all the proposals in either the House or Senate version of black lung reform eventually be made into law, there can be no assurance that the legislation would not have a material adverse effect on the Company.

Mineral Ventures

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Operating profit of Mineral Ventures increased \$.4 million in the 1994 second quarter to an operating profit of \$.3 million, from an operating loss of \$.1 million in the prior year second quarter. The favorable change primarily reflected the fourth quarter 1993 closure of the Uley graphite property in Australia. The Stawell gold mine in western Victoria, Australia, in which Mineral Ventures has a 67% interest,

produced 18,900 ounces in the period compared to 20,600 ounces in the second quarter of 1993.

In the first six months of 1994, operating profit of Mineral Ventures decreased \$.2 million to \$.1 million from \$.3 million in the year earlier six months. Although costs related to the Uley graphite property did not affect operating results in the first six months of 1994 as in the first half of 1993, Mineral Ventures operating results were impacted by increased exploration costs in Nevada as well as lower production at the Stawell gold mine. The production shortfall at the Stawell mine was largely due to an operator accident that occurred in the 1994 first quarter, which also contributed to higher operating costs for the period. The Stawell gold mine produced 35,800 ounces in the first six months of 1994 compared with 39,400 ounces in the comparable period of 1993. Mineral Ventures is continuing gold exploration projects in Nevada and Australia with its joint venture partner.

Other Operating Income

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Other operating income for the second quarter of 1994 increased \$.8 million to \$3.3 million from \$2.5 million recognized in the year earlier quarter and increased \$1.0 million to \$6.3 million in the first half of 1994 from \$5.3 million in the first six months of last year. Other operating income principally includes royalty income from coal and natural gas properties and gains and losses attributable to sales of property and equipment.

Corporate Expenses

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A portion of the Company's corporate general and administrative expenses and other shared services has been allocated to the Minerals Group based on utilization and other methods and criteria which management believes to be equitable and a reasonable estimate of such expenses as if the Minerals Group operated on a stand alone basis. These allocations were \$1.6 million and \$1.5 million for the second quarter of 1994 and 1993, respectively and were \$3.3 million and \$3.5 million for the first six months of 1994 and 1993, respectively. General corporate expenses in the second quarter and first six months of 1993 included costs incurred for the Company's then proposed reclassification of its common stock into two classes.

Interest Expense

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Interest expense for the second quarter of 1994 increased \$1.1 million to \$1.3 million from \$.2 million in the second quarter of 1993 and increased \$.9 million to \$2.1 million in the first six months of 1994 from \$1.2 million in the first six months of 1993. Interest expense in the second quarter and first six months of 1994 included interest incurred on borrowings used to finance the Addington acquisition and initial working capital requirements. Interest expense in the first six months of 1993 included interest assessed on settlement of coal litigation related to the moisture content of tonnage used to compute royalty payments to UMW pension and benefit funds.

FINANCIAL CONDITION

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A portion of the Company's corporate assets and liabilities has been attributed to the Minerals Group based upon utilization of the shared services from which assets and liabilities are generated, which management believes to be equitable and a reasonable estimate of the asset and liabilities which would be generated if the Minerals Group operated on a stand alone basis.

Cash Provided by Operations

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Operating activities for the first half of 1994 used cash of \$28.1 million, while operations in the first half of 1993 provided cash of \$10.2 million. Operations provided less cash in the 1994 period largely due to the integration of operating activities of Addington which required cash to finance initial working capital needs. Net income, noncash charges and changes in operating assets and liabilities in the first half of 1994 were significantly affected by after-tax special and other charges of \$58.1 million which had an impact of approximately \$4.1 million in the first six months on cash generated by operations. Of the total \$90.8 million of the 1994 first half pre-tax charges, \$46.5 million was for noncash writedowns of assets and the remainder repre-

sents liabilities, of which \$16.8 million are expected to be paid within one year with the balance to be paid over the next several years.

Capital Expenditures

Cash capital expenditures for the first six months of 1994 totaled \$7.8 million, excluding equipment expenditures that have been or are expected to be financed through capital and operating leases, and any acquisition expenditures. For the full year 1994, capital expenditures, excluding expenditures that have been or are expected to be financed through capital and operating leases and acquisition expenditures, are estimated to approximate \$30 million.

Other Investing Activities

All other investing activities in the first half of 1994 used net cash of \$149.1 million. In January 1994, the Company paid approximately \$157 million in cash for the acquisition of substantially all the coal mining operations and coal sales contracts of Addington. The purchase price of the acquisition was subsequently financed through the issuance of \$80.5 million of a new series of preferred stock, convertible into Pittston Minerals Group Common Stock, and additional debt under revolving credit agreements.

Financing

The Minerals Group intends to fund its capital expenditure requirements during the remainder of 1994 primarily with anticipated cash flows from operating activities and through operating and capital leases if the latter are financially attractive. Shortfalls, if any, will be financed through the Company's revolving credit agreements or short-term borrowing arrangements or borrowings from the Services Group. In March 1994, the Company entered into a \$350 million revolving credit agreement with a syndicate of banks (the "New Facility"), replacing the Company's previously existing \$250 million of revolving credit agreements. The New Facility includes a \$100 million five-year term loan, which matures in March 1999. The New Facility also permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250 million until March 1999. As of June 30, 1994, borrowings of \$100 million were outstanding under the five-year term loan portion of the New Facility with an additional \$10.0 million of borrowings outstanding under the remainder of the facility. Of the total amount outstanding under the New Facility, \$86.6 million was attributed to the Minerals Group, of which \$76.6 million related to the term-loan portion of the facility and \$10.0 million related to the remainder of the facility.

Debt

Net cash proceeds from external outstanding debt and net lending from the Services Group totaled \$115.1 million for the first six months of 1994, including borrowings under the New Facility which were attributed to the Minerals Group aggregating \$86.6 million at June 30, 1994. Cash proceeds from the issuance of preferred stock was not sufficient to fund current operating activities, capital expenditures, other net investing activities and net costs related to share activity during the first six months of 1994, resulting in additional borrowings under the Company's revolving credit agreements. Net payments from the Services Group of \$28.8 million represents repayment of the December 31, 1993 balance of \$13.3 million and additional lending from the Services Group of \$15.5 million.

Capitalization

Since the creation of Minerals Stock upon approval of the Services Stock Proposal, capitalization of the Minerals Group has been affected by all share activity related to Minerals Stock.

In January 1994, the Company issued \$80.5 million (161,000 shares) of a new series of preferred stock, convertible into Minerals Stock, to finance a portion of the Addington acquisition. Such stock has been attributed to the Minerals Group.

In July 1994, the Board of Directors of the Company authorized the repurchase from time to time of up to \$15 million of the new series of cumulative convertible preferred stock. As of July 31, 1994, 8,350 shares at a total cost of \$3.4 million were repurchased.

In 1993, the Board of Directors of the Company authorized a new share repurchase program under which up to 1,250,000 shares of Services Stock and 250,000 shares of Minerals Stock may be repurchased. As of June 30, 1994, a total of 38,500 shares of Minerals Stock had been acquired pursuant to the authorization. Of that amount, 19,700 shares of Minerals Stock were repurchased in the first half of 1994 at an aggregate cost of \$.4 million.

Dividends

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The Board of Directors intends to declare and pay dividends on Services Stock and Minerals Stock based on earnings, financial condition, cash flow and business requirements of the Services Group and the Minerals Group, respectively. Since the Company remains subject to Virginia law limitations on dividends and to dividend restrictions in its public debt and bank credit agreements, losses by one Group could affect the Company's ability to pay dividends in respect of stock relating to the other Group. Dividends on Minerals Stock are also limited by the Available Minerals Dividend Amount as defined in the Company's Articles of Incorporation.

As a result of the Company's issuance in January 1994 of 161,000 shares of a new series of preferred stock, convertible into Minerals Stock, the Company pays an annual cumulative dividend of \$31.25 per share payable quarterly, in cash, in arrears, out of all funds of the Company legally available therefor, when, and if declared by the Board of Directors of the Company which commenced March 1, 1994. Such stock which is attributable to the Minerals Group, also bears a liquidation preference of \$500 per share, plus an amount equal to accrued and unpaid dividends thereon.

During the first half of 1994, the Board of Directors declared and the Company paid cash dividends of 32.5 cents per share of Minerals Stock. On an equivalent basis, during the first half of 1993 the Company paid dividends of 29.54 cents per share of Minerals Stock. Dividends paid on the cumulative convertible preferred stock in the first six months of 1994 totaled \$1.8 million.

PART II - OTHER INFORMATION

Item 5. Other Information

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In 1988 the trustees of certain pension and benefit trust funds (the "Funds") established under collective bargaining agreements with the United Mine Workers of America (the "UMWA") brought an action (the so-called "Evergreen Case") against the Company and a number of its coal subsidiaries in the United States District Court for the District of Columbia, claiming that the defendants are obligated to contribute to the Funds in accordance with the provisions of the 1988 National Bituminous Coal Wage Agreement (the "1988 NBCWA"), to which neither the Company nor any of its subsidiaries is a signatory. In January 1992 the District Court issued an order granting summary judgment on the issue of liability which was thereafter affirmed by the Court of Appeals. In June 1993 the United States Supreme Court denied a petition for a writ of certiorari. The case has been remanded to the District Court, and damage and other issues remain to be decided. In September 1993 the Company filed a motion seeking relief from the District Court's grant of summary judgment to plaintiffs based on, among other things, the Company's allegation that plaintiffs improperly withheld evidence that directly refutes plaintiffs' representations to the District Court and the Court of Appeals in this case. In December 1993 that motion was denied. On May 23, 1994, the trustees filed a Motion for Entry of Final Judgment seeking approximately \$71.1 million in delinquent contributions, interest and liquidated damages through May 31, 1994, plus approximately \$17.4 thousand additional interest and liquidated damages for each day between May 31, 1994 and the date final judgment is entered. The Company has opposed this motion.

In furtherance of its ongoing effort to identify other available legal options for seeking relief from what it believes to be an erroneous finding of liability in the Evergreen Case, the Company has filed suit against the Bituminous Coal Operators Association and others to hold them responsible for any damages sustained by the Company as a result of the Evergreen Case. Although the Company is continuing that effort, the Company, following the District Court's ruling in December 1993, recorded in the Company's financial statements an accrual for the potential liability that may result from an adverse judgment in the

Evergreen Case. In any event, any final judgment in the Evergreen Case will be subject to appeal.

As a result of the Coal Industry Retiree Health Benefit Act of 1992, there is no continuing liability in this case in respect of health benefit funding after February 1, 1993.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit
Number

- | | |
|-----|---|
| 10* | Employment agreement dated as of June 1, 1994, between the Registrant and D. L. Marshall. |
| 11 | Statement re Computation of Earnings Per Common Share. |

* Management contract or compensatory plan or arrangement.

(b) A report on Form 8-K dated June 15, 1994, was filed with respect to the Company's announcement that it expects second quarter earnings for the Company's Services Group to significantly exceed results for 1993's second quarter.

A report on Form 8-K dated June 17, 1994, was filed with respect to the Company's announcement that certain of its coal subsidiaries had reached agreement with the United Mine Workers of America for a successor collective bargaining agreement, subject to ratification by the subsidiaries' union employees.

A report on Form 8-K dated June 21, 1994, was filed with respect to the Company's announcement that a new collective bargaining agreement between certain of the Company's Coal Group subsidiaries and the United Mine Workers of America, replacing the current agreement which expired on June 30 and which will remain in effect until December 31, 1998, was ratified by the subsidiaries' union employees.

SIGNATURE

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

THE PITTSTON COMPANY

August 12, 1994

By G. R. Rogliano

(G. R. Rogliano)
Vice President -
Controllershship and Taxes
(Duly Authorized Officer and
Chief Accounting Officer)

As of June 1, 1994

Mr. David L. Marshall
11 Old Parish Road
Darien, CT 06820

Dear Dave:

This will set forth the terms and conditions of your employment by The Pittston Company (the "Company") from and after the date of this agreement.

1. Employment. The Company agrees to employ you, and you agree to serve in the Company's employ, on and subject to the terms and conditions hereinafter set forth, for the period commencing on the date of this agreement and ending on May 31, 1995 (the "Employment Period"). This agreement shall replace all prior and/or existing employment agreements between the Company and you, including, without limitation, the Agreement dated as of September 1, 1992, and the Supplemental Agreement dated February 27, 1984, including any amendments or modifications to such agreements (together, the "Prior or Existing Agreements"). As of the effective date of the Employment Period, all such Prior or Existing Agreements shall terminate.

2. Duties. Subject to the further provisions of this Section 2, during the Employment Period you will, as and to the extent hereinafter provided, render services to the Company and, at its request, to one or more of its affiliates ("Affiliates"). All such services will be rendered at the request of and subject to the direction and control of the Chairman of the Board of the Company. Such services may include, among other things, representation of the Company and its Affiliates in the negotiation and completion of mergers and acquisitions and the provision of advice to and consultation with members of management of the Company and its Affiliates with respect to various matters.

During the Employment Period you will use your best efforts to perform faithfully and efficiently the responsibilities assigned to you hereunder, except for temporary periods of illness or incapacity.

It is understood and agreed, with respect to the services to the Company which you shall render pursuant to this Section 2, that

(i) the Chairman of the Board will, insofar as reasonably practicable, consider your convenience in the timing of requests, and your failure or inability, by reason of temporary illness or other cause beyond your control, to respond to such requests during any such temporary period shall not be deemed to constitute a default on your part in the performance hereunder of such services; and

(ii) except as and to the extent that the Chairman of the Board or his designee may otherwise prescribe in writing, you shall not have any authority to negotiate or conclude any contracts on behalf of, or otherwise to bind, the Company or any of its Affiliates.

3. Compensation. (a) During the Employment Period you will receive a salary of \$200,000 per year for all of such services, payable in equal installments no less frequently than monthly.

(b) Eligibility for Certain Benefit Plans. In

addition to your salary, during the Employment Period you will be entitled to participate in the Company's Pension-Retirement Plan, Savings-Investment Plan and all other employee benefit plans in which you participate as of the day prior to the Employment Period, in accordance with the terms and conditions of each such plan.

(c) Supplement Retirement Benefit. You have been provided with a Supplemental Retirement Plan pursuant to which you shall be entitled to receive a pension calculated in accordance with the provisions of the Pension-Retirement Plan of The Pittston Company and Its Subsidiaries (the "Pittston Pension Plan") (except that the limitations set forth in Section 13.01(a) thereof and in the second paragraph of Section 13.07 thereof shall be disregarded) with full credit for determining your benefit accrual for the period of your employment with Freeport-McMoRan Inc., the Company or any of their respective Affiliates (as hereinafter defined) or predecessor companies. The amount of such Supplemental Retirement Benefit will be offset by the following:

- the amount of any benefit payable to you in respect to the Freeport-McMoRan Retirement Plan;
- the amount of any benefit payable to you under the Pittston Pension Plan and any other pension plan of the Company; and
- the amount of any general offset specifically set forth in the Pittston Pension Plan (it being understood and agreed that any such offset shall be applied without duplication of any offset (whether in respect of the Social Security taxable wage base or otherwise) taken into account in calculating benefits under such Plan).

For purposes of determining the net Supplemental Retirement Benefit under this Paragraph 3(c), the Supplemental Retirement Benefit before offset and the amount of the benefits which offset the Supplemental Retirement Benefit shall be calculated on an actuarially equivalent basis (i.e., assuming the same frequency of payments (e.g., monthly), the same commencement date for payments, and to the extent feasible the same form of annuity (e.g., single life annuity)).

It is the intention of the parties that payments under this Paragraph 3(c) shall be made to you (or your beneficiary) at such time and in such manner as provided for under the Pittston Pension Plan and that the procedures, terms and provisions of that Plan, generally, shall be applicable hereunder. The obligation of the Company under this Paragraph 3(c) to provide a pension shall continue in effect notwithstanding the termination of your employment with the Company and its Affiliates.

Anything contained in this Agreement to the contrary notwithstanding, the Company shall not have any obligations under this Paragraph 3(c), if your employment shall be terminated for Cause (as hereinafter defined).

As used in this Agreement, the term "affiliate" shall have the meaning ascribed thereto in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on the date of this Agreement.

(d) Eligibility for Retiree Medical Benefits. In the event that your employment shall terminate for any reason, or if you shall, at any time, elect to retire on an Early Retirement Date under the Pittston Pension Plan, you shall be deemed to be eligible for early retiree medical coverage under the Company's Comprehensive Medical Expense Benefits Plan (the "Medical Plan"), anything in this Agreement or the Medical Plan to the contrary notwithstanding. The obligation of the Company under this Paragraph 3(d) to provide such coverage shall continue in effect notwithstanding the termination of your employment with the Company and its Affiliates; provided, however, that nothing herein shall affect in any way the Company's right to make future changes in the Medical Plan or to terminate the Plan entirely; and provided, further, that any such change which

relates to your eligibility for such coverage under the Plan (including the so-called "rule of 75") or which has the purpose or effect of discriminating against you or your beneficiaries as to benefits under such Plan shall not adversely affect such eligibility or benefits as applicable immediately prior to such change.

(e) Business Expenses. During the Employment Period the Company shall, in accordance with policies then in effect with respect to payments of expenses, pay or reimburse you for all reasonable out-of-pocket travel and other expenses (other than ordinary commuting expenses) incurred by you in performing services hereunder. All such expenses shall be accounted for in such reasonable detail as the Company may require.

(f) Stock Option Exercise Dates. The Company shall amend the terms of all stock option grants awarded to you prior to 1993 to permit all such grants to be exercisable by April 15, 1994.

4. Termination. (a) Death. This agreement shall terminate automatically upon your death.

(b) Cause. The Company may terminate your employment for Cause. For purposes of this agreement, "Cause" means (i) an act or acts of dishonesty or disloyalty on your part which are intended to result in your substantial personal enrichment at the expense of the Company or any of its Affiliates or to adversely affect the business of any of them or (ii) a violation or violations by you of your obligations under Section 2, Section 7 or Section 8 other than any insubstantial and inadvertent violation remedied by you promptly after receipt of notice thereof given by the Company.

5. Obligations of the Company upon Termination.

(a) Death. If your employment is terminated by reason of your death, this agreement shall terminate without further obligations to your legal representatives under this agreement other than those obligations accrued hereunder at the date of your death.

(b) Cause. If your employment is terminated for Cause, the Company shall pay you your full salary through the date of such termination at the rate in effect at such date, and the Company shall have no further obligations to you under this agreement, anything contained in this agreement to the contrary notwithstanding.

6. Full Settlement. Subject to full compliance by the Company with all of its obligations under this agreement, this agreement shall be deemed to constitute the settlement of such claims as you might otherwise be entitled to assert against the Company by reason of the termination of your employment for any reason during or after the Employment Period, including, without limitation, all claims for discrimination on the basis of age, sex or race or for any other alleged violation of public policy arising out of such termination. The Company agrees to pay, to the fullest extent permitted by law, all expenses (including, without limitation, counsel fees) which you may reasonably incur as a result of your successful contest, by judicial proceedings or otherwise, of the validity or enforceability of, or liability under, any provision of this agreement. The parties acknowledge and agree that the foregoing constitutes a complete release of all such claims.

7. Covenant Not to Compete. You agree that during the Employment Period and during the period ending three years thereafter (the "Non-Compete Period"), you shall not compete with any business then conducted by the Company or any Affiliate within the Pittston Services Group (the "Business"). For purposes of this Agreement, the term "compete" shall mean engaging in a business as a more than ten percent (10%) stockholder, an officer, a director, an employee, a partner, an agent, a consultant, or any other individual or representative capacity if it involves:

(i) engaging in the Business in

competition with the Company or an Affiliate within the Pittston Services Group in any state of the United States in which the Company or any of such Affiliates (which shall mean for purposes of this Paragraph 7 any such Affiliate in which the Company owns, directly or indirectly, an equity interest of twenty percent (20%) or more) operates at anytime during the Non-Compete Period; or

(ii) rendering services or advice pertaining to the Business to or on behalf of any person, firm or corporation which is in competition with the Company or any Affiliate within the Pittston Services Group at any time during the Non-Compete Period in any state of the United States.

In the event the restrictions against engaging in a competitive activity contained in this Paragraph 7 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographic area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, and over the maximum geographic area as to which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

Clauses (i) and (ii), above, are intended by the Company as separate and divisible provisions, and if for any reason any one is held to be invalid or unenforceable, neither the validity nor the enforceability of the other shall thereby be affected.

8. Confidential Information. (a) You acknowledge that in the course of your employment you may receive, have access to, or develop confidential or proprietary information or trade secrets relating to the business of the Company or its Affiliates. You will hold in a fiduciary capacity for the benefit of the Company and such Affiliates all such confidential or proprietary information, secrets, knowledge or data relating to their respective businesses, including, without limitation, information relating to strategic plans, public and shareholder relations, marketing, pricing, purchasing of transportation (ground or air) arrangements, plans or programs, computer programs, communication systems, cost data, or customer lists, obtained by you prior to, during or after the Employment Period, and you will not, during the Employment Period or thereafter, communicate or divulge any such information, secrets, knowledge or data to any other person, firm or corporation without the prior written consent of the Chairman of the Board of the Company. All records, files, drawings, documents, notes, equipment and the like relating to the business or activities of the Company or any of such Affiliates which you shall prepare or use or come into contact with shall be and remain the sole property of the Company or such Affiliates, as the case may be, and upon termination of your employment with the Company all of such property shall be returned to the Company in accordance with the directions given by it.

(b) Equitable Relief. You acknowledge that the foregoing provisions of Sections 7 and 8 are essential to the Company and are reasonable and necessary to protect the legitimate interests of the Company and its Affiliates and that damages sustained by the breach of such provisions would cause irreparable harm to the Company because of the special services that have been performed by you and that recovery of damages at law would not be an adequate remedy. You further agree that the Company and its Affiliates, in addition to any other remedy which any of them may have under this agreement or at law, shall be entitled to injunctive and other equitable relief to prevent to curtail any breach of any such provision. If any provision of Sections 7 or 8 shall be deemed to be invalid, illegal or unenforceable as written by reason of the extent or duration thereof, or otherwise, the determining body or authority making such determination shall be empowered to reduce such provision so as to be enforceable to the greatest extent possible and, as

so reduced, such provision shall then be deemed to be rewritten and enforced as reduced.

(c) The provisions of this Section 8 shall survive the termination of this agreement.

9. Successors. (a) This agreement is personal to you and without the prior written consent of the Company shall not be assignable by you or otherwise than by will or the laws of descent and distribution. This agreement shall inure to the benefit of and be enforceable by your legal representatives.

(b) This agreement shall inure to the benefit of and be binding upon the Company and its successors.

10. Governing Law. This agreement shall be governed by and construed in accordance with the substantive and procedural law of New York without reference to principles of conflict of laws. The parties hereto agree that any dispute hereunder may be submitted to any court of competent jurisdiction in New York and for purposes thereof each party hereto submits to such jurisdiction.

11. Miscellaneous. (a) This agreement contains the entire understanding with you with respect to the subject matter hereof and supersedes any and all prior agreements or understandings, written or oral, relating to such subject matter. This agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. The captions of this agreement are not part of the provisions hereof and shall have no force or effect.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepared, addressed as follows:

If to you:

11 Old Parish Road
Darien, CT 06820

If to the Company:

100 First Stamford Place
P. O. Box 120070
Stamford, CT 06912-0070

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be deemed to be given when mailed by certified or registered mail, return receipt requested.

(c) The invalidity or unenforceability of any provision of this agreement shall not affect the validity or enforceability of any other provision of this agreement.

(d) The Company may withhold from any amounts payable under this agreement such federal, state or local taxes for which withholding is provided pursuant to any applicable law or regulation.

Please confirm that the foregoing is in accordance with our agreement.

Very truly yours,

THE PITTSTON COMPANY

By _____
Chairman of the Board

I hereby confirm that the foregoing is in accordance with our agreement.

David L. Marshall

Dated as of June 1, 1994

Fully Diluted Earnings Per Common Share: (a)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
PITSTON SERVICES GROUP:				
Net income attributed to common shares	\$21,288	10,970	31,799	16,384
Average common shares outstanding	37,739	36,656	37,715	36,607
Incremental shares of stock options	483	272	505	215
Pro forma common shares outstanding	38,222	36,928	38,220	36,822
Fully diluted earnings per common share:	\$.56	.30	.83	.45
PITSTON MINERALS GROUP:				
Net income (loss) attributed to common shares	\$ 5,493	3,170	(69,592)	5,912
Preferred stock dividends	1,257	-	2,263	-
Fully diluted net income (loss) attributed to common shares	\$ 6,750	3,170	(67,329)	5,912
Average common shares outstanding	7,577	7,331	7,565	7,321
Incremental shares of stock options	67	54	87	43
Conversion of preferred stock	2,504	-	2,253	-
Pro forma common shares outstanding	10,148	7,385	9,905	7,364
Fully diluted earnings (loss) per common share:	\$.67	.43	(9.20)(b)	.80

(a) On July 26, 1993, the outstanding shares of The Pittston Company's common stock were redesignated as Pittston Services Group common stock on a share-for-share and a second class of stock, designated as Pittston Minerals Group common stock ("Minerals Stock") was distributed on a basis of one-fifth of one share of Minerals Stock for each share of The Pittston Company's common stock. Accordingly, all common share, stock options and per share data prior to the redesignation has been restated to reflect the new equity structure of The Pittston Company.

(b) Antidilutive, therefore the same as primary.

Primary Earnings Per Share:

Primary earnings per share can be computed from the information on the face of the Consolidated Statements of Operations.