

UNITED STATES  
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, 1999

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.)

1000 Virginia Center Parkway, Glen Allen, Virginia 23058-4229  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (804) 553-3600

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 X No \_\_\_

As of August 6, 1999, 40,861,415 shares of \$1 par value Pittston Brink's Group Common Stock, 20,824,910 shares of \$1 par value Pittston BAX Group Common Stock and 9,186,434 shares of \$1 par value Pittston Minerals Group Common Stock were outstanding.

1

PART I - FINANCIAL INFORMATION  
THE PITTSTON COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

June 30  
1999

December 31  
1998

ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 79,005	83,894
Short-term investments	1,216	1,767
Accounts receivable (net of estimated uncollectible amounts: 1999 - \$34,723; 1998 - \$32,122)	575,716	606,344
Inventories	51,388	42,770
Prepaid expenses and other current assets	44,145	33,374
Deferred income taxes	48,406	52,494
<b>Total current assets</b>	<b>799,876</b>	<b>820,643</b>
Property, plant and equipment, at cost (net of accumulated depreciation, depletion and amortization: 1999 - \$603,896; 1998 - \$573,250)	869,868	849,883
Intangibles, net of accumulated amortization	348,862	345,600
Deferred pension assets	123,525	119,500
Deferred income taxes	66,484	63,489
Other assets	126,904	132,022
<b>Total assets</b>	<b>\$2,335,519</b>	<b>2,331,137</b>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 69,803	88,283
Current maturities of long-term debt	60,081	36,509
Accounts payable	278,307	284,341
Accrued liabilities	366,711	388,300
<b>Total current liabilities</b>	<b>774,902</b>	<b>797,433</b>
Long-term debt, less current maturities	334,441	323,308
Postretirement benefits other than pensions	243,249	239,550
Workers' compensation and other claims	90,628	93,324
Deferred income taxes	21,043	20,615
Other liabilities	131,749	120,879
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, par value \$10 per share:		
Authorized: 2,000 shares \$31.25		
Series C Cumulative Convertible Preferred Stock;		
Issued and outstanding: 1999 - 30 shares;		
1998 - 113 shares	296	1,134
Pittston Brink's Group Common Stock, par value \$1 per share:		
Authorized: 100,000 shares;		
Issued and outstanding: 1999 - 40,861 shares;		
1998 - 40,961 shares	40,861	40,961
Pittston BAX Group Common Stock, par value \$1 per share:		
Authorized: 50,000 shares;		
Issued and outstanding: 1999 - 20,825 shares;		
1998 - 20,825 shares	20,825	20,825
Pittston Minerals Group Common Stock, par value \$1 per share:		
Authorized: 20,000 shares;		
Issued and outstanding: 1999 - 9,186 shares;		
1998 - 9,186 shares	9,186	9,186
Capital in excess of par value	348,294	403,148
Retained earnings	441,916	401,186
Accumulated other comprehensive income	(57,564)	(51,865)
Employee benefits trust, at market value	(64,307)	(88,547)
<b>Total shareholders' equity</b>	<b>739,507</b>	<b>736,028</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$2,335,519</b>	<b>2,331,137</b>

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 Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Net sales	\$ 90,956	134,408	199,709	284,306
Operating revenues	881,328	792,696	1,727,461	1,505,462
Net sales and operating revenues	972,284	927,104	1,927,170	1,789,768
Costs and expenses:				
Cost of sales	95,972	133,278	211,415	277,442
Operating expenses	729,127	658,680	1,442,011	1,254,451
Selling, general and administrative expenses	121,097	102,732	228,201	201,988
Total costs and expenses	946,196	894,690	1,881,627	1,733,881
Other operating income, net	3,244	3,089	9,317	6,116
Operating profit	29,332	35,503	54,860	62,003
Interest income	1,381	1,067	2,586	2,248
Interest expense	(9,310)	(9,527)	(19,507)	(16,911)
Other income (expense), net	95	1,017	(275)	(418)
Income before income taxes	21,498	28,060	37,664	46,922
Provision for income taxes	5,576	7,298	9,082	13,332
Net income	15,922	20,762	28,582	33,590
Preferred stock dividends, net (Note 7)	(231)	(887)	18,083	(1,751)
Net income attributed to common shares	\$ 15,691	19,875	46,665	31,839
Pittston Brink's Group: Net income attributed to common shares	\$ 19,605	20,570	36,403	37,607
Net income per common share:				
Basic	\$ .50	.53	.93	.97
Diluted	.50	.52	.93	.96
Cash dividend per common share	\$ .025	.025	.05	.05
Pittston BAX Group: Net income (loss) attributed to common shares	\$ 3,051	989	3,472	(1,977)
Net income (loss) per common share:				
Basic	\$ .16	.05	.18	(.10)
Diluted	.16	.05	.18	(.10)
Cash dividends per common share	\$ .06	.06	.12	.12
Pittston Minerals Group: Net income (loss) attributed to common shares (Note 7)	\$ (6,965)	(1,684)	6,790	(3,791)
Net income (loss) per common share:				
Basic	\$ (.79)	(.20)	.78	(.46)
Diluted	(.79)	(.20)	(1.17)	(.46)
Cash dividends per common share	\$ -	.025	.025	.1875
Comprehensive income	\$ 16,397	16,267	40,966	27,185

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  
1999                      1998

	1999	1998
<hr/>		
Cash flows from operating activities:		
Net income	\$28,582	33,590
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	87,373	73,318
Provision for aircraft heavy maintenance	24,970	18,580
Provision for deferred income taxes	99	6,201
Provision for pensions, noncurrent	3,377	1,678
Provision for uncollectible accounts receivable	7,884	5,500
Minority interest expense	427	2,240
Equity in earnings of unconsolidated affiliates, net of dividends received	(2,406)	(530)
Other operating, net	6,487	6,001
Change in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease (increase) in accounts receivable	41,389	(20,051)
Increase in inventories	(11,299)	(411)
Increase in prepaid expenses and other current assets	(7,604)	(5,939)
Increase in other assets	(5,093)	(3,885)
Decrease in accounts payable and accrued liabilities	(30,928)	(40,735)
Increase (decrease) in other liabilities	5,538	(4,489)
Decrease in workers' compensation and other claims, noncurrent	(3,304)	(4,218)
Other, net	738	(5,434)
<hr/>		
Net cash provided by operating activities	146,230	61,416
<hr/>		
Cash flows from investing activities:		
Additions to property, plant and equipment	(120,379)	(122,660)
Aircraft heavy maintenance expenditures	(36,468)	(20,524)
Proceeds from disposal of property, plant and equipment	2,383	14,711
Acquisitions, net of cash acquired, and related contingency payments	(429)	(34,361)
Dispositions of other assets and investments	1,143	8,482
Other, net	4,749	(4,539)
<hr/>		
Net cash used by investing activities	(149,001)	(158,891)
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Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(15,873)	27,859
Additions to long-term debt	93,350	123,859
Reductions of long-term debt	(52,035)	(40,154)
Repurchase of stock of the Company (Note 7)	(23,494)	(12,694)
Proceeds from exercise of stock options	1,250	6,308
Dividends paid	(5,316)	(7,291)
<hr/>		
Net cash (used) provided by financing activities	(2,118)	97,887
<hr/>		
Net (decrease) increase in cash and cash equivalents	(4,889)	412
Cash and cash equivalents at beginning of period	83,894	69,878
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Cash and cash equivalents at end of period	\$79,005	70,290
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See accompanying notes to consolidated financial statements.

THE PITTSTON COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

- (1) The Pittston Company (the "Company") prepares consolidated financial statements in addition to separate financial statements for the Pittston Brink's Group (the "Brink's Group"), the Pittston BAX Group (the "BAX Group") and the Pittston Minerals Group (the "Minerals Group"). The Brink's Group consists of the Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS") operations of the Company. The BAX Group consists of the BAX Global Inc. ("BAX Global") operations of the Company. The Minerals Group consists of the Pittston Coal Company ("Pittston Coal") and Pittston Mineral Ventures ("Mineral Ventures") operations of the Company. The Company's capital structure includes three issues of Common Stock: Pittston Brink's Group Common Stock ("Brink's Stock"), Pittston BAX Group Common Stock ("BAX Stock") and Pittston Minerals Group Common Stock ("Minerals Stock"), which were designed to provide shareholders with separate securities reflecting the performance of the Brink's Group, BAX Group and Minerals Group, respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting any Group or the Company as a whole. The Company prepares separate financial information including separate financial statements for the Brink's, BAX and Minerals Groups in addition to the consolidated financial information of the Company. Holders of Brink's Stock, BAX Stock and Minerals Stock are shareholders of the Company, which is responsible for all its liabilities. Financial developments affecting the Brink's Group, the BAX Group or the Minerals Group that affect the Company's financial condition could affect the results of operations and financial condition of each of the Groups.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with applicable quarterly reporting regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period amounts have been reclassified to conform to the current period's financial statement presentation. Operating results for the interim periods of 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and related notes included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

- (2) The following are reconciliations between the calculations of basic and diluted net income (loss) per share by Group:

BRINK'S GROUP	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Numerator:				
Net income - Basic and diluted net income per share numerator	\$ 19,605	20,570	36,403	37,607
Denominator:				
Basic weighted average common shares outstanding	38,974	38,713	38,939	38,596
Effect of dilutive securities:				
Stock options	197	493	200	547
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Diluted weighted average common shares outstanding	39,171	39,206	39,139	39,143
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Options to purchase 765 and 784 shares of Brink's Stock, at prices between \$27.25 and \$39.56 per share, were outstanding during the three and six months ended June 30, 1999, respectively, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Options to purchase 25 shares of Brink's Stock, at prices between \$39.42 and \$39.56 per share, were outstanding during both the three and six months ended June 30, 1998, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

The shares of Brink's Stock held in The Pittston Company Employee Benefits Trust ("Trust") are subject to the treasury stock method and effectively are not included in the basic and diluted net income per share calculations. As of June 30, 1999, 1,818 shares of Brink's Stock (2,272 in 1998) remained in the Trust.

BAX GROUP	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Numerator:				
Net income (loss) - Basic and diluted net income (loss) per share numerator	\$ 3,051	989	3,472	(1,977)
Denominator:				
Basic weighted average common shares outstanding	19,183	19,524	19,110	19,501
Effect of dilutive securities:				
Stock options	38	169	25	-
-----				
Diluted weighted average common shares outstanding	19,221	19,693	19,135	19,501
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Options to purchase 1,903 shares of BAX Stock, at prices between \$10.31 and \$27.91 per share, and options to purchase 2,044 shares of BAX Stock, at prices between \$9.41 and \$27.91 per share, were outstanding during the three and six months ended June 30, 1999, respectively, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Options to purchase 1,018 shares of BAX Stock, at prices between \$17.94 and \$27.91 per share, were outstanding during the three months ended June 30, 1998, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. Options to purchase 2,381 shares of BAX Stock, at prices between \$5.78 and \$27.91 per share, were outstanding for the six months ended June 30, 1998, but were not included in the computation of diluted net loss per share because the effect of all options would be antidilutive.

The shares of BAX Stock held in the Trust are subject to the treasury stock method and effectively are not included in the basic and diluted net income (loss) per share calculations. As of June 30, 1999, 1,592 shares of BAX Stock (537 in 1998) remained in the Trust.

MINERALS GROUP	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Numerator:				
Net loss	\$ (6,734)	(797)	(11,293)	(2,040)
Convertible Preferred Stock dividends, net	(231)	(887)	18,083	(1,751)
-----				
Basic net income (loss) per share numerator	(6,965)	(1,684)	6,790	(3,791)
Effect of dilutive securities:				
Convertible Preferred Stock dividends, net	-	-	(18,083)	-
-----				
Diluted net loss per share numerator	\$ (6,965)	(1,684)	(11,293)	(3,791)
Denominator:				
Basic weighted average common shares outstanding	8,770	8,309	8,671	8,267
Effect of dilutive securities:				
Assumed conversion of Convertible Preferred Stock	-	-	992	-
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Diluted weighted average common shares outstanding	8,770	8,309	9,663	8,267
-----				

Options to purchase 558 shares of Minerals Stock, at prices between \$1.59 and \$25.74 per share, were outstanding during the three months ended June 30, 1999, but were not included in the computation of diluted net loss per share because the effect of all options would be antidilutive. Options to purchase 698 shares of Minerals Stock, at prices between \$1.81 and \$25.74 per share, were outstanding during the six months ended June 30, 1999, but were not included in the computation of diluted net loss per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Options to purchase 677 and 679 shares of Minerals Stock, at prices between \$6.53 and \$25.74 per share, were outstanding during the three and six months ended June 30, 1998, respectively, but were not included in the computation of diluted net loss per share because the effect of all options would be antidilutive.

The conversion of the Convertible Preferred Stock to 460 and 1,764 shares of Minerals Stock has been excluded in the computation of diluted net loss per share in the three months ended June 30, 1999, and in the three and six months ended June 30, 1998, respectively, because the effect of the assumed conversion would be antidilutive.

The shares of Minerals Stock held in the Trust are subject to the treasury stock method and effectively are not included in the basic and diluted net income (loss) per share calculations. As of June 30, 1999, 335 shares of Minerals Stock (58 in 1998) remained in the Trust.

- (3) Depreciation, depletion and amortization of property, plant and equipment totaled \$38,628 and \$75,565 in the second quarter and first six months of 1999, respectively, compared to \$33,474 and \$62,160 in the second quarter and first six months of 1998, respectively.
- (4) Cash payments made for interest and income taxes, net of refunds received, were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Interest	\$ 9,106	8,787	19,366	16,315
-----				
Income taxes	\$ 17,782	14,081	22,431	19,084
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During the first quarter of 1998, Brink's recorded the following noncash investing and financing activities in connection with the acquisition of substantially all of the remaining shares of its affiliate in France: seller financing of the equivalent of US \$27,500 and the assumption of borrowings of approximately US \$19,000 and capital leases of approximately US \$30,000.

- (5) 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 Brink's Group and the BHS segment by \$1,144 and \$2,205 for the second quarter and six month periods of 1998, respectively. The effect of this change increased diluted net income per common share of the Brink's Group by \$0.02 and \$0.04 in the second quarter and six month periods of 1998.
- (6) The cumulative impact of foreign currency translation adjustments deducted from shareholders' equity was \$60,117 and \$48,887 at June 30, 1999 and December 31, 1998, respectively.

The cumulative impact of cash flow hedges added to shareholders' equity was \$2,009 at June 30, 1999. The cumulative impact of cash flow hedges deducted from shareholders' equity was \$3,309 at December 31, 1998.

- (7) Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased shares in the periods presented as follows:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Brink's Stock:				
Shares	-	114.1	100.0	114.1
Cost	\$ -	4,355	2,514	4,355
BAX Stock:				
Shares	-	227.4	-	404.9
Cost	\$ -	3,691	-	7,196
Convertible Preferred Stock:				
Shares	-	-	83.9	0.4
Cost	\$ -	-	20,980	146
Excess carrying amount (a)	\$ -	-	19,201	23
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(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4,300. On March 15, 1999, the Company purchased 83.9 shares (or 839 depositary shares) of its Convertible Preferred Stock for \$20,980. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of the \$19,201, which is the excess of the carrying amount over the cash paid to the holders of the Convertible Preferred Stock.

At June 30, 1999, the Company had the remaining authority to purchase 900 shares of Brink's Stock; 1,465 shares of BAX Stock; 1,000 shares of Minerals Stock and an additional \$7,556 of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22,184 at June 30, 1999.

- (8) As of January 1, 1999, the Company adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The Company has determined that the capitalized mine development costs for its gold and coal mining operations relate to acquiring and constructing long-lived assets and preparing them for their intended use. Accordingly, the adoption of SOP No. 98-5 had no material impact on the results of operations of the Company.



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

The financial statements of The Pittston Company (the "Company") include balance sheets, results of operations and cash flows of the Brink's, Incorporated ("Brink's"), Brink's Home Security, Inc. ("BHS"), BAX Global Inc. ("BAX Global"), Pittston Coal Company ("Pittston Coal") and Pittston Mineral Ventures ("Mineral Ventures") operations of the Company as well as the Company's corporate assets and liabilities and related transactions which are not separately identified with operations of a specific segment.

The following discussion is a summary of the key factors management considers necessary in reviewing the Company's results of operations, liquidity and capital resources.

RESULTS OF OPERATIONS

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Net sales and operating revenues:				
Brink's	\$334,586	309,751	665,349	571,674
BHS	57,016	50,061	112,137	98,471
BAX Global	489,726	432,884	949,975	835,317
Pittston Coal	87,497	130,176	193,045	276,096
Mineral Ventures	3,459	4,232	6,664	8,210
Net sales and operating revenues	\$972,284	927,104	1,927,170	1,789,768
-----				
Operating profit (loss):				
Brink's	\$ 22,517	24,047	42,500	45,966
BHS	14,333	13,895	28,337	27,397
BAX Global	8,747	6,279	13,188	6,709
Pittston Coal	(9,334)	(1,714)	(16,318)	788
Mineral Ventures	(1,238)	(278)	(2,028)	(325)
-----				
Segment operating profit	35,025	42,229	65,679	80,535
General corporate expense	(5,693)	(6,726)	(10,819)	(18,532)
-----				
Operating profit	\$ 29,332	35,503	54,860	62,003
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In the second quarter of 1999, the Company reported net income of \$15.9 million compared with \$20.8 million in the second quarter of 1998. Operating profit totaled \$29.3 million in the 1999 second quarter compared with \$35.5 million in the prior year second quarter. Lower operating results at Pittston Coal (\$7.6 million), Brink's (\$1.5 million) and Mineral Ventures (\$1.0 million) were partially offset by increases in operating profits at BAX Global (\$2.5 million) and BHS (\$0.4 million) as well as lower corporate expenses, as discussed below (\$1.0 million).

In the first six months of 1999, the Company reported net income of \$28.6 million compared with \$33.6 million in the first six months of 1998. Operating profit totaled \$54.9 million in the first six months of 1999 compared with \$62.0 million in the prior year's comparable period. Lower operating results at Pittston Coal (\$17.1 million), Brink's (\$3.5 million) and Mineral Ventures (\$1.7 million) were partially offset by increases in operating profits at BAX Global (\$6.5 million) and BHS (\$0.9 million) as well as lower corporate expenses (\$7.7 million). Corporate expenses in the first six months of 1998 included \$5.8 million of additional expenses related to a retirement agreement between the Company and its former Chairman and CEO. Corporate expenses in the 1998 second quarter also include costs associated with a severance agreement with a former member of the Company's senior management.

Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of \$19.2 million, which is the excess of the carrying amount of the Convertible Preferred Stock over the cash paid to the holders of the Convertible Preferred Stock.

## BRINK'S

Brink's consolidated revenues totaled \$334.6 million in the second quarter of 1999 compared with \$309.8 million in the second quarter of 1998 representing an increase of 8% and growth in all geographic regions. Brink's operating profit of \$22.5 million in the second quarter of 1999 represented a \$1.5 million (6%) decrease versus the \$24.0 million of operating profit reported in the prior year quarter. Operating profit increases in Latin America and North America were more than offset by a decrease in operating results in Asia/Pacific due to costs incurred in connection with business expansion in Australia and, to a lesser extent, a decrease in operating profit in Europe.

North American revenue increases stemmed from growth in the armored car operations, which include ATM services. The margin contributed by the increased revenue was aided by lower than normal operating expenses which were largely offset by an increase in information technology expenditures in North America. The increased information technology spending is intended to enhance Brink's capabilities in transportation of valuables, ATM servicing, money processing and air courier operations as well as to implement communication improvements. Revenue increases from European operations are primarily due to the acquisition of the remaining 50% interest of Brink's affiliate in Germany late in the second quarter of 1998, and the decline in operating profit was largely due to a loss in Germany and lower results in France versus the prior year's quarter. Despite overall difficult economic conditions in Latin America, operating performance improved significantly in Brazil and in Brink's 20% owned Mexican affiliate, which posted equity earnings versus an equity loss in the same quarter last year. The company's Venezuelan and Colombian subsidiaries experienced declines in operating profit due to recessionary economic conditions in those countries.

Brink's consolidated revenues totaled \$665.3 million in the first six months of 1999, up 16% compared with \$571.7 million in the first six months of 1998 with growth in all geographic regions. Brink's operating profit of \$42.5 million in the first six months of 1999 represented a \$3.5 million decrease compared to the \$46.0 million operating profit reported in the prior year period. The decrease in operating profit was primarily due to costs incurred in connection with business expansion in Australia and, to a lesser extent, decreases in operating profits in North America and Latin America partially offset by higher operating profit in Europe.

The increase in North American revenues for the first six months of 1999 resulted primarily from continued growth in armored car operations, which include ATM services, and the decrease in operating profit was primarily due to increased expenditures on information technology to support business operations. The increase in revenue from European operations was primarily due to the acquisition of nearly all the remaining shares of Brink's affiliate in France in the first quarter of 1998 as well as the acquisition of the remaining 50% interest of Brink's affiliate in Germany late in the second quarter of 1998. The operating profit increase was primarily due to the improved results from operations and the increased ownership position in France which more than offset unfavorable results in Germany. Operating profits in Latin America were impacted by weaker business conditions in the first quarter of 1999 in a number of Latin American countries including Venezuela, Colombia and Chile. Steps to reduce costs and other actions have been recently taken in response to these conditions.

## BHS

Revenues for BHS increased \$7.0 million (14%) to \$57.0 million in the second quarter of 1999 compared to the 1998 quarter. In the first six months of 1999, revenues for BHS increased \$13.7 million (14%) to \$112.1 million. The increase in revenues was due to higher ongoing monitoring and service revenues, reflecting a 12% increase in the subscriber base as well as higher average monitoring fees. As a result of such growth, monthly recurring revenues at June 30, 1999 grew 15% versus those as measured at June 30, 1998.

Operating profit in the second quarter of 1999 increased \$0.4 million (3%) compared to the 1998 second quarter. In the first six months of 1999, operating profit increased \$0.9 million (3%) to \$28.3 million. Operating profit was favorably impacted by increases generated from monitoring and service activities of \$1.3 million (7%) and \$3.1 million (9%) for the second quarter and first six months of 1999, respectively. This improvement over the prior year was due to a 12% growth in the subscriber base combined with higher average monitoring fees, offset, in part, by an increase in disconnect expense. Growth in overall operating profit was negatively affected by the up-front net cost of marketing, sales and installation related to gaining new subscribers which increased \$0.8 million and \$2.2 million during the second quarter and first six months of 1999, respectively, as compared to 1998. This increase in up-front net cost was due to higher levels of sales and marketing costs.

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 Brink's Group and the BHS segment for the three and six month periods ended June 30, 1998 by \$1.1 million and \$2.2 million, respectively. The effect of this change increased diluted net income per common share of the Brink's Group by \$0.02 and \$0.04 in the three and six-month periods ended June 30, 1998, respectively.

#### BAX GLOBAL

BAX Global's worldwide operating revenues increased 13% to \$489.7 million in the second quarter of 1999 as compared to \$432.9 million in the second quarter of 1998, as increases in the Atlantic and Pacific regions were partially offset by a decrease in the Americas region. The increase in revenue primarily represented increases in the Pacific region which benefited from the award of several new contracts during late 1998 and early 1999 and the acquisition of the remaining 67% interest in a freight agent in Taiwan in the first quarter of 1999. Additionally, revenue increases at Air Transport International ("ATI") and in the Atlantic region were partially offset by lower US domestic expedited freight revenue due to lower volumes which more than offset higher average yields.

In the current quarter BAX Global reported an operating profit of \$8.7 million as compared to \$6.3 million reported in the second quarter of 1998. The current quarter operating profit benefited primarily from favorable results in the Pacific region reflecting additional contracts and the Americas region reflecting higher yields and lower transportation costs in the US due to increased operating efficiency and lower costs of fuel, partially offset by higher station and administrative costs in the US and the effect of additional expenses at ATI which was acquired on April 30, 1998. In addition, the Atlantic region's operating profit increased due to higher export and import volumes.

BAX Global's worldwide operating revenues increased 14% to \$950.0 million in the first six months of 1999 as compared to \$835.3 million in the first six months of 1998, with increases in all geographic regions. The increase in revenue was primarily due to increases in the Pacific region which benefited from the award of several new contracts during late 1998 and early 1999 and the acquisition of the remaining 67% interest in a freight agent in Taiwan in the first quarter of 1999. Revenue increases in the Americas region were primarily the result of the inclusion of revenues from ATI which was acquired in late April 1998 partially offset by decreases in expedited freight services revenues in the US, as well as decreases in US export revenues.

For the first six months of 1999, BAX Global reported an operating profit of \$13.2 million as compared to \$6.7 million reported in the same period of 1998. The operating profit in the first half of 1999 included the benefit of \$1.6 million of incentive accrual reversals related to 1998 as such incentives were not paid as a result of a management decision made during the first quarter of 1999. Operating profit in the 1999 period benefited from favorable results in the Pacific region reflecting additional contracts and in the Americas region primarily reflecting higher yields and lower transportation costs in the US due to increased operating efficiency and lower costs of fuel partially offset by higher station and administrative costs and the effect of additional expenses at ATI which was acquired on April 30, 1998. In addition, the Atlantic region's operating profit increased due to higher export and import volumes.

#### PITTSTON COAL

Net sales for Pittston Coal totaled \$87.5 million in the second quarter of 1999 compared to \$130.2 million in the prior year quarter. Pittston Coal incurred an operating loss of \$9.3 million in the second quarter of 1999 compared to an operating loss of \$1.7 million in 1998. The operating loss in the second quarter of 1998 included a \$2.2 million loss on the sale of certain coal assets at the Elkay mining operation in West Virginia ("Elkay Assets").

Net sales for Pittston Coal totaled \$193.0 million in the first six months of 1999 compared to \$276.1 million in the same period of 1998. Pittston Coal incurred an operating loss of \$16.3 million in the first six months of 1999 compared to an operating profit of \$0.8 million in 1998.

The decline in net sales for the second quarter of 1999 versus 1998 is primarily due to reduced sales volume. Steam coal sales in the second quarter of 1999 decreased by 0.3 million tons (14%), to 2.0 million tons and metallurgical coal sales declined by 1.0 million tons (52%), to 1.0 million tons when compared to the second quarter 1998. The steam sales reduction was due primarily to the sale of certain Elkay Assets during the second quarter of 1998 and the closing of a surface mine in Kentucky in the third quarter of 1998. The decline in metallurgical sales was primarily due to continued softness in market conditions resulting from lower worldwide steel production and a strong US dollar relative to the currencies of other coal exporting nations. Steam coal sales represented 67% and 54% of total volume in the second quarter of 1999 and 1998, respectively, reflecting the impact of the significant decline in metallurgical volumes.

The lower operating results in the second quarter of 1999 as compared to the prior year's period were primarily due to a \$3.1 million decrease in total coal margin. In addition, selling, general and administrative expenses (due to an increase in provisions related to accounts receivable as discussed further below) and inactive employee costs increased \$2.0 million and \$1.7 million, respectively, in the second quarter of 1999, compared to the same period in 1998, while other operating income declined \$0.8 million.

Total coal margin for the second quarter of 1999 decreased compared to the 1998 second quarter due to lower sales volume and realizations combined with a net decrease in coal margin per ton. Coal margin per ton decreased to \$1.90 per ton in the second quarter of 1999 from \$2.01 per ton for the 1998 second quarter. This overall change was primarily due to a decrease in metallurgical coal margins. Metallurgical coal margins were negatively impacted in the second quarter of 1999 by lower realizations per ton primarily resulting from the previously mentioned soft market conditions which negatively impacted annual contract negotiations. Steam coal realizations per ton improved slightly in the second quarter of 1999 as compared to the 1998 quarter. However, total steam coal sales were lower as this improvement in price was more than offset by reduced volume as a result of the sale of the Elkay Assets. Steam coal margins per ton also improved over the prior year's quarter as higher realizations per ton were only slightly offset by increased production costs per ton. The overall decrease in current production cost of coal sold is largely due to improved performance from the Company's deep mines.

Metallurgical sales in 1999 are expected to continue to be lower than 1998 levels, due to market conditions, as well as the disadvantage caused by the relative strength of the US dollar versus currencies of other metallurgical coal producing countries. Both of these factors have negatively impacted 1999 contract negotiations for the contract year that commenced April 1, 1999.

Other operating income amounted to \$1.9 million in the second quarter of 1999 as compared to \$2.7 million in the comparable period of 1998. This decrease was primarily due to a reduction in gains on sales of property and equipment and third party royalties.

Idle and closed mine costs decreased \$0.3 million during the second quarter of 1999 compared to the same period in 1998. The decrease is mainly due to a \$2.0 million charge in the 1998 second quarter for inventory writedowns associated with the sale of the Elkay Assets, offset by costs associated with the first quarter 1999 idlement of a deep mine producing metallurgical coal, which was idled in response to the previously mentioned weak market conditions and is expected to remain idled through the third quarter of 1999. As a result, idle and closed mine costs are expected to reflect this idlement into the next quarter. Barring significant improvements in these market conditions, rising inventory levels could result in further review of capacity requirements.

Inactive employee costs, which primarily represent long-term employee liabilities for pension, black lung and retiree medical costs, increased 25% over the prior year's quarter primarily due to higher costs related to certain long-term benefit obligations as a result of reductions in the amortization of actuarial gains, a decrease in the discount rate used to calculate the present value of the liabilities and higher premiums for the Coal Industry Retiree Benefit Act of 1992. Pittston Coal anticipates that costs related to certain of these long-term benefit obligations will continue at these higher levels during 1999.

Selling, general and administrative expenses increased \$2.0 million (46%) over the prior year's quarter as the result of a provision related to the bankruptcy of a significant user of Pittston Coal's metallurgical coal. Selling, general and administrative expenses in the third quarter of 1999 will reflect additional expenses as a result of an organizational restructuring, announced in July, which eliminated approximately 50 positions.

Pittston Coal Management has engaged an outside consultant to perform a comprehensive study of its coal resources. Such study will include an evaluation of the quality, recoverability and economic feasibility of all available reserves and will include recommendations for mining cost improvements. It is currently anticipated that the study will be completed prior to the end of 1999. Management intends to use the results of the study along with its ongoing assessment of current and future coal industry economics to evaluate and, potentially, adjust its current plans to maximize values from specific properties and interests. Decisions to be made by management as a result of this process could affect future earnings and the carrying value of coal-related assets. It is not currently possible to estimate the potential outcome of this assessment or its impact, if any, on the financial position and/or results of operations of the Minerals Group.

Pittston Coal sales decreased \$83.1 million in the first six months of 1999 compared to the same period in 1998 largely as the result of reduced sales volume. Compared to the first six months of 1998, steam coal sales in the first half of 1999 decreased by 1.3 million tons (25%), to 3.9 million tons and metallurgical coal sales declined by 1.4 million tons (37%), to 2.5 million tons. The steam sales reduction was due primarily to the sale of Elkay Assets and the closing of a surface mine in Kentucky in the third quarter 1998. The decline in metallurgical sales was primarily due to continued softness in market conditions resulting from lower worldwide steel production and a strong US dollar relative to the currencies of other coal exporting nations. Steam coal sales represented 61% and 57% of total volume in the first six months of 1999 and 1998, respectively.

For the first six months of 1999, Pittston Coal generated an operating loss of \$16.3 million as compared to an operating profit of \$0.8 million for the same period in 1998. The lower results were primarily due to a \$9.7 million decrease in total coal margin. Selling, general and administrative expenses increased by \$2.2 million as a result of the previously mentioned accounts receivable provisions, and other operating income increased by \$0.7 million compared to the first half of 1998 (reflecting the \$2.5 million net gain from the settlement of litigation). In addition, idle and closed mine cost and inactive employee costs increased \$0.8 million and \$4.6 million, respectively, in the first half of 1999, compared to the same period in 1998, as discussed below.

Total coal margin for the first six months of 1999 decreased compared to the 1998 comparable period due to lower sales volume combined with a decrease in coal margin per ton. Coal margin per ton decreased to \$1.62 per ton in the first half of 1999 from \$2.20 per ton for the 1998 period. This overall change was primarily due to a decrease in metallurgical coal margins. Metallurgical coal margins were negatively impacted in the first half of 1999 by lower realizations per ton primarily resulting from the previously mentioned soft market conditions. In addition, coal margin per ton in the first six months of 1998 included a \$0.14 per ton benefit related to a favorable ruling issued by the US Supreme Court on the unconstitutionality of the Harbor Maintenance Tax while the first six months of 1999 included the \$0.16 per ton benefit of the judgment rendered by the US District Court for the Eastern District of Virginia, regarding the constitutionality of the federal black lung excise tax, since Pittston Coal no longer had to accrue the tax (as more fully discussed below).

Other operating income for Pittston Coal, which primarily includes gains and losses on sales of property and equipment and third party royalties, amounted to \$5.7 million in the first six months of 1999 as compared to \$5.1 million in the comparable period of 1998. This increase was primarily due to a \$2.5 million gain from the settlement of litigation, offset by decreases in gains on sales of property and equipment and third party royalties.

Idle and closed mine costs increased \$0.8 million during the first six months of 1999. The increase was due to the first quarter 1999 idlement of a deep mine producing metallurgical coal, in response to the previously mentioned weak market conditions, as well as additional costs at other idle mines, offset by the \$2 million inventory writedown associated with the sale of the Elkay Assets in 1998.



Inactive employee costs, which primarily represent long-term employee liabilities for pension, black lung and retiree medical costs, increased 34% from the first six months of 1998 to the same period in 1999, primarily due to higher costs related to certain long-term benefit obligations as a result of reductions in the amortization of actuarial gains, a decrease in the discount rate used to calculate the present value of the liabilities and higher premiums for the Coal Industry Retiree Benefit Act of 1992.

On February 10, 1999, the US District Court for the Eastern District of Virginia entered a final judgment in favor of certain of the Company's subsidiaries, ruling that the federal black lung excise tax ("FBLET") imposed under Section 4121 of the Internal Revenue Code is unconstitutional as applied to export coal sales and ordering a refund to the subsidiaries of approximately \$0.7 million (plus interest) for the FBLET that those companies paid for the quarter ended March 31, 1997. The government did not appeal the judgment before the April 12, 1999 deadline for noticing an appeal. The Company will seek refunds of the FBLET it paid on export coal sales for all open statutory periods. The ultimate amounts and timing of such refunds, if any, cannot be determined at the present time. The benefit of this judgment as applied to export coal sales for the first half of 1999 is reflected in the production costs of coal sold (\$1 million), since Pittston Coal no longer had to accrue the tax.

As reported in the first quarter 1999, a controversy involving an unrelated party with respect to a method of mining called "mountaintop removal" that began in mid-1998 in West Virginia has resulted in a substantial delay in the process of issuing mining permits, including those unrelated to mountaintop removal. As a result, there has been a delay in Vandalia Resources, Inc. ("Vandalia"), a wholly-owned subsidiary of Pittston Coal, being issued, in a timely fashion, mining permits necessary for its uninterrupted mining. Vandalia requires the issuance of two permits to ensure uninterrupted production throughout 1999. Vandalia obtained the first permit on April 15, 1999. Expedient development under the first permit is expected to allow for uninterrupted production through the end of August 1999. Management believes that it is reasonably likely that the second permit will be approved. However, there is no assurance that the permit will be issued or of the ultimate timing of the issuance. Management currently anticipates that a production shortfall is reasonably likely to occur beginning in September 1999. Affected employees have been notified of potential production interruptions. During the year ended December 31, 1998, Vandalia produced approximately 2.7 million tons of coal resulting in revenues of approximately \$81.8 million and contributed significantly to coal margin.

Pittston Coal continues cash funding for charges recorded in prior years for facility closure costs recorded as restructuring and other charges in the Statement of Operations. The following table analyzes the changes in liabilities during the first six months of 1999 for such costs:

(In thousands)	Mine and Plant Closure Costs	Employee Termination, Medical and Severance Costs	Total
Balance as of December 31, 1998	\$ 8,906	16,307	25,213
Payments	1,130	678	1,808
Balance as of June 30, 1999	\$ 7,776	15,629	23,405

#### MINERAL VENTURES

Mineral Ventures generated net sales during the second quarter of 1999 of \$3.5 million, an 18% decrease from the \$4.2 million reported in the second quarter of 1998. The decrease in net sales resulted from the year-over-year decline in the market price of gold. As of June 30, 1999, Mineral Ventures gold realizations have declined approximately 20% over the year ago price, reflecting the continued deterioration in the market price of gold. Operating loss for the second quarter of 1999 was \$1.2 million compared to an operating loss of \$0.3 million in the same period last year. The operating loss during the second quarter of 1999 was negatively impacted by lower realizations and higher production costs due primarily to inefficiencies during the installation of a new ventilation shaft, partially offset by increased equity income from Mining Project Investors ("MPI"). The cash cost per ounce of gold sold increased from \$219 in the second quarter of 1998 to \$235 in the second quarter of 1999,

reflecting higher production costs and the exchange rate impact of a slightly stronger Australian dollar as compared to the second quarter of 1998.

Mineral Ventures generated net sales during the first six months of 1999 of \$6.7 million, a 19% decrease from the \$8.2 million reported in the first six months of 1998, reflecting the previously mentioned year-over-year decline in the market price of gold. Mineral Ventures generated an operating loss of \$2.0 million for the first six months of 1999 compared to an operating loss of \$0.3 million in the same period last year. The cash cost per ounce of gold sold increased from \$213 in the first six months of 1998 to \$247 in the same period of 1999. Production costs in the first six months of 1999 were negatively impacted by a high percentage of low grade ore milled during the first quarter and, as mentioned above, by inefficiencies resulting from the installation of a ventilation shaft during the period, which resulted in poor productivity. Increased equity income from MPI partially offset the increased operating losses of the gold mine.

#### FOREIGN OPERATIONS

A portion of the Company's financial results is derived from activities in a number of foreign countries located in Europe, Asia and Latin America each with a local currency other than the US dollar. Because the financial results of the Company are reported in US dollars, they are affected by changes in the value of the various foreign currencies in relation to the US dollar. Changes in exchange rates may also adversely affect transactions which are denominated in currencies other than the functional currency. The Company periodically enters into such transactions in the course of its business. The diversity of foreign operations helps to mitigate a portion of the impact that foreign currency fluctuations may have on the translated results in any one country. The Company, from time to time, uses foreign currency forward contracts to hedge transactional risks associated with foreign currencies. Translation adjustments of net monetary assets and liabilities denominated in the local currency relating to operations in countries with highly inflationary economies are included in net income, along with all transaction gains or losses for the period. A subsidiary in Venezuela operates in such a highly inflationary economy.

The Company is also subject to other risks customarily associated with doing business in foreign countries, including labor and economic conditions, political instability, 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.

#### CORPORATE EXPENSES

In the second quarters of 1999 and 1998, corporate expenses totaled \$5.7 million and \$6.7 million, respectively. In the first six months of 1999, corporate expenses decreased \$7.7 million from \$18.5 million in the corresponding period of 1998. Corporate expenses in the first half of 1998 included \$5.8 million of expenses related to a retirement agreement between the Company and its former Chairman and CEO. Corporate expenses in the 1998 second quarter also include costs associated with a severance agreement with a former member of the Company's senior management.

#### OTHER OPERATING INCOME, NET

Other operating income, net, generally includes the Company's share of net earnings or losses of unconsolidated affiliates, primarily Brink's equity affiliates, royalty income, gains and losses from foreign currency exchange and from sales of coal assets. Other operating income, net for the three and six months ended June 30, 1999 was \$3.2 million and \$9.3 million, respectively, compared to \$3.1 million and \$6.1 million, respectively, in the three and six months ended June 30, 1998. The higher level of income in the first six months of 1999 primarily relates to a \$2.5 million gain from the settlement of litigation at Pittston Coal coupled with higher equity earnings at affiliates of Brink's and Mineral Ventures partially offset by lower royalty income and gains on sales of property and equipment.

#### INTEREST EXPENSE, NET

Net interest expense decreased \$0.5 million (6%) in the second quarter and increased \$2.3 million (15%) in the first six months of 1999. The decrease in the 1999 second quarter was due to higher average borrowings which were more than offset by lower average interest rates on domestic and foreign borrowings. The increase in the first six months of 1999 versus 1998 was due to higher average interest rates primarily associated with local currency borrowings in Venezuela, and to a lesser extent was due to borrowings resulting from capital expenditures and from acquisitions during 1998.

#### OTHER INCOME/EXPENSE, NET

Other income, net for the second quarter ended June 30, 1999 decreased \$0.9 million from the prior year. Other expense, net was \$0.3 million in the first six months of 1999 as compared to \$0.4 million last year. Quarter and year-to-date fluctuations reflect lower gains on sale of assets and foreign currency translations which have been partially offset by a decrease in minority interest expense.

#### INCOME TAXES

In both the 1999 and 1998 periods presented, the provision for income taxes was less than the statutory federal income tax rate of 35% primarily due to the tax benefits of percentage depletion from Pittston Coal and lower taxes on foreign income, partially offset by provisions for goodwill amortization and state income taxes. The effective tax rate for the Company was lower in the first six months of 1999 than in the same period of 1998 due to the magnitude of the loss before income taxes for Pittston Coal.

### FINANCIAL CONDITION

#### CASH FLOW REQUIREMENTS

Cash provided by operating activities during the first six months of 1999 totaled \$146.2 million compared with \$61.4 million in the first six months of 1998. This increase resulted from higher cash earnings combined with a decrease in the cash required to fund working capital. The decrease in working capital requirements primarily resulted from reduced sales at the Company's Coal Operations and, to a lesser extent, improved collections.

#### INVESTING ACTIVITIES

Cash capital expenditures for the first six months of 1999 approximated \$120.4 million, down from approximately \$122.7 million in the comparable period in 1998. Of the 1999 amount of cash capital expenditures, \$43.9 million was spent by Brink's, \$39.2 million was spent by BHS, \$28.5 million was spent by BAX Global, \$6.5 million was spent by Pittston Coal and \$2.3 million was spent by Mineral Ventures. For the full year of 1999, company-wide cash capital expenditures are projected to range between \$235 and \$250 million. The foregoing amounts exclude expenditures that have been or are expected to be financed through capital leases and any acquisition expenditures.

The increase in aircraft heavy maintenance expenditures of \$16.0 million was primarily due to the acquisition of ATI in 1998.

During the second quarter of 1998, Pittston Coal disposed of certain Elkay Assets. Total cash proceeds from the sale amounted to approximately \$18 million. Investing activities for the six months ended June 30, 1998 also included the acquisition of ATI for a purchase price of approximately \$29 million.

#### FINANCING

The Company intends to fund cash capital expenditures through cash flow from operating activities or through operating leases if the latter are financially attractive. Shortfalls, if any, will be financed through the Company's revolving credit agreements or other borrowing arrangements.

Cash flows used by financing activities were \$2.1 million for the first six months of 1999, compared with \$97.9 million provided by financing activities for the same period in 1998. The 1998 levels reflect additional borrowings of \$25.4 million primarily resulting from higher working capital requirements as well as the acquisition of ATI in April 1998.

The 1999 period includes additional borrowings primarily used to finance the purchase of the Company's Preferred Stock (discussed in more detail below).

The Company has a \$350.0 million credit agreement with a syndicate of banks (the "Facility"). The Facility includes a \$100.0 million term loan and also permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250.0 million. As of June 30, 1999 and December 31, 1998 borrowings of \$100 million were outstanding under the term loan portion of the Facility and \$148.9 million and \$91.6 million, respectively, of additional borrowings were outstanding under the remainder of the Facility.

#### MARKET RISKS AND HEDGING AND DERIVATIVE ACTIVITIES

The Company has activities in a number of foreign countries throughout the world. Operations within these countries expose the Company to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. In addition, the Company consumes and sells certain commodities in its businesses, exposing it to the effects of changes in the prices of such commodities. These financial and commodity exposures are monitored and managed by the Company as an integral part of its overall risk management program. The diversity of foreign operations helps to mitigate a portion of the impact that foreign currency rate fluctuations may have on the translated results in any one country. The Company's risk management program considers this favorable diversification effect as it measures the Company's exposure to financial markets and as appropriate, seeks to reduce the potentially adverse effects that the volatility of certain markets may have on its operating results. The Company has not had any material change in its market risk exposures since December 31, 1998.

#### READINESS FOR YEAR 2000: SUMMARY

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. If not corrected, many date-sensitive applications could fail or create erroneous results by or in the year 2000. The Company understands the importance of having systems and equipment operational through the year 2000 and beyond and is committed to addressing these challenges while continuing to fulfill its business obligations to its customers and business partners. Year 2000 project teams have been established which are intended to make information technology assets, including embedded microprocessors ("IT assets"), non-IT assets, products, services and infrastructure Year 2000 ready.

#### READINESS FOR YEAR 2000: STATE OF READINESS

The following is a description of the Company's state of readiness for each of its operating units.

##### Brink's

The Brink's Year 2000 Project Team has divided its Year 2000 readiness program into six phases: (i) inventory, (ii) assessment, (iii) renovation, (iv) validation/testing, (v) implementation and (vi) integration. Worldwide, Brink's is largely in the renovation, validation/testing and implementation phases of its Year 2000 readiness program.

##### Brink's North America

With respect to Brink's North American operations, all core IT systems have been identified, renovation has taken place and the Year 2000 project is currently in both the implementation and integration phases. The implementation phase of the core operational systems is substantially complete as of June 30, 1999. Non-IT systems, including armored vehicles, closed circuit televisions, videocassette recorders and certain currency processing equipment, are in the validation and implementation phases. These phases for non-IT systems are expected to continue through the third quarter of 1999. As of June 30, 1999, most of Brink's North America IT systems have been tested and validated as Year 2000 ready. Management currently believes that all its IT and non-IT systems will be Year 2000 ready or that there will be no material adverse effect on operations or financial results due to non-readiness.

##### Brink's International

All international affiliates have been provided with an implementation plan, prepared by the Global Year 2000 Project Team. In addition, there is senior management sponsorship in all international countries. The implementation plan requires semi-monthly reports as to the status of each category in each country. The categories include core systems, non-core systems, hardware, facilities, special equipment, voice/data systems, etc. Countries in Europe, Latin America and Asia/Pacific are in varying phases of the Year 2000 readiness program. In Europe, core systems have been identified, some are in the remediation and validation/testing phase, with others currently in the implementation and integration phases. In both Latin America and Asia/Pacific, most countries are currently in active renovation with several completing testing and implementation on core systems. Brink's plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000.

#### BHS

The BHS Year 2000 Project Team has divided its Year 2000 readiness program into four phases: (i) assessment, (ii) remediation/replacement, (iii) testing and (iv) integration. As of June 30, 1999, BHS has completed the assessment and remediation/replacement phases. BHS is currently in both the testing and integration phases. BHS plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000. As of June 30, 1999, at least 95% of BHS' IT and non-IT assets systems have been tested and verified as Year 2000 ready.

#### BAX Global

The BAX Global Year 2000 Project Team has divided its Year 2000 readiness program into five phases: (i) inventory (ii) assess and test, (iii) renovate, (iv) test and verify and (v) implement. During the first half of 1999, the inventory and assessment phases of major systems have been completed worldwide. Renovation activities for most major systems are substantially complete. Replacement activities for non-compliant components and systems that are not scheduled for renovation are substantially complete. Testing is more than 90% complete for systems that have been renovated. The BAX Group plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000. As of June 30, 1999, more than 85% of the BAX Group's IT and non-IT assets systems have been tested and verified as Year 2000 ready.

#### Pittston Coal and Mineral Ventures

The Pittston Coal and Mineral Ventures Year 2000 Project Teams have divided their Year 2000 readiness programs into four phases: (i) assessment, (ii) remediation/replacement, (iii) testing and (iv) integration. At June 30, 1999, the majority of the core IT assets are either already Year 2000 ready or in the testing or integration phases. Certain systems that have already been remediated are scheduled to be replaced with more functional software. The replacement systems will be tested and integrated by year-end 1999. Pittston Coal and Mineral Ventures plan to have completed all phases of their Year 2000 readiness programs on a timely basis prior to Year 2000. As of June 30, 1999, approximately 95% of hardware systems and embedded systems have been tested and verified and/or certified as Year 2000 ready.

#### The Company

As part of its Year 2000 projects, the Company has sent comprehensive questionnaires to significant suppliers, and others with which it does business, regarding their Year 2000 compliance and is in the process of identifying significant problem areas with respect to these business partners. The Company is relying on such third parties' representations regarding their own readiness for Year 2000. This process will be ongoing and efforts with respect to specific problems identified will depend in part upon the Company's assessment of the risk that any such problems associated with business partners may have a material adverse impact on its operations.

Further, the Company relies upon US and foreign government agencies (particularly the Federal Aviation Administration and customs agencies worldwide), utility companies, rail carriers, telecommunication service companies and other service providers outside of its control. According to a recent General Accounting Office report to Congress, some airports will not be prepared for the Year 2000 and the problems these airports experience could impede traffic flow throughout the US. As with most companies, the Company is vulnerable to significant suppliers', customers' and other third parties' inability to remedy their own Year 2000 issues. As the Company cannot control the conduct of its customers, suppliers or other third parties, there can be no guarantee that Year 2000 problems originating with a supplier or other third party will not occur.

#### READINESS FOR YEAR 2000: COSTS TO ADDRESS

The Company anticipates incurring remediation and acceleration costs for its Year 2000 readiness programs. Remediation includes the identification, assessment, modification and testing phases of its Year 2000 readiness programs. Remediation costs include both the costs of modifying existing software and hardware as well as purchases that replace existing hardware and software that is not Year 2000 ready. Acceleration costs include costs to purchase and/or develop and implement certain information technology systems whose implementation has been accelerated as a result of the Year 2000 readiness issue. Most of the remediation and acceleration costs will be incurred by Brink's and BAX Global.

Total anticipated remediation and acceleration costs are detailed in the table below:

(Dollars in millions)			
ACCELERATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 23.5	4.2	27.7
Incurred through June 30, 1999	21.3	2.5	23.8
Remainder	\$ 2.2	1.7	3.9
REMEDIATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 12.8	17.6	30.4
Incurred through June 30, 1999	9.1	15.8	24.9
Remainder	\$ 3.7	1.8	5.5
TOTAL	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 36.3	21.8	58.1
Incurred through June 30, 1999	30.4	18.3	48.7
Remainder	\$ 5.9	3.5	9.4

#### READINESS FOR YEAR 2000: THE RISKS OF THE YEAR 2000 ISSUE

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect results of operations, liquidity and financial condition of the Company.

The following is a description of the Company's risks of the Year 2000 issue for each of its operating units:

#### Brink's

Brink's believes its most reasonably likely worst case scenario is that it will experience a number of minor system malfunctions and errors in the early days and weeks of the Year 2000 that were not detected during its renovation and testing efforts. Brink's currently believes that these problems will not be overwhelming and are not likely to have a material effect on the Company's operations or financial results. Brink's may experience some additional personnel expenses related to minimizing the impact of potential Year 2000 failures, but such expenses are not expected to be material. As noted above, Brink's is vulnerable to significant suppliers', customers' and other third parties' inability to remedy their own Year 2000 issues. As Brink's cannot control the conduct of its suppliers or other third parties, there can be no guarantee that Year 2000 problems originating with a supplier, customer or other third party will not occur. However, Brink's program of communication with major third parties with whom they do business is intended to minimize any potential risks related to third party failures.

#### BHS

BHS believes its most reasonably likely worst case scenario is that its ability to receive alarm signals from some or all of its customers may be disrupted due to temporary regional service outages sustained by third party electric utilities, local telephone companies, and/or long distance telephone service providers. Such outages could occur regionally, affecting clusters of customers, or could occur at BHS's principal monitoring facility, possibly affecting the ability to provide service to all customers. BHS currently believes that the consequences of these problems will not be overwhelming and are not likely to have a material effect on the Company's operations or financial condition. BHS may experience some additional personnel expenses related to minimizing the impact of potential Year 2000 failures, but such expenses are not expected to be material. As noted above, BHS is vulnerable to significant third party electric utility and telephone service providers inability to remedy their own Year 2000 issues. As BHS cannot control the conduct of these third parties, there can be no guarantee that Year 2000 problems originating with a third party will not occur. However, BHS' program of communication with major third parties with whom they do business is intended to minimize any potential risks related to third

party failures.



## BAX Global

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect results of operations, liquidity and financial condition of BAX Global. The extent to which such a failure may adversely affect operations is being assessed. BAX Global believes its most reasonably likely worst case scenario is that it will experience a number of minor system malfunctions and errors in the early days and weeks of the Year 2000 that were not detected during its renovation and testing efforts. BAX Global currently believes that these problems will not be overwhelming and are not likely to have a material effect on the Company's operations or financial results. As noted above, BAX Global is vulnerable to significant suppliers', customers' and other third parties' (particularly government agencies such as the Federal Aviation Administration and customs agencies worldwide) inability to remedy their own Year 2000 issues. As BAX Global cannot control the conduct of third parties, there can be no guarantee that Year 2000 problems originating with a supplier, customer or other third party will not occur. However, BAX Global's program of communication and assessments of major third parties with whom they do business is intended to minimize any potential risks related to third party failures.

## Pittston Coal and Mineral Ventures

Pittston Coal and Mineral Ventures believe that their internal information technology systems will be renovated successfully prior to year 2000. Critical systems that would cause the greatest disruption to the organization have been identified and remediated. The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Management currently believes such failures should have no material or significant adverse effect on the results of operations or financial condition of the Company. Pittston Coal and Mineral Ventures believe they have identified their likely worst case scenarios. The likely worst case scenarios, assuming no external failures such as power outages or delays in railroad transportation services, could be delays in invoicing customers and payment of vendors. These likely worst case scenarios, should they occur, are not expected to result in a material impact on the Company's financial statements. The production of coal and gold is not heavily dependent on computer technology and would continue with limited impact.

## READINESS FOR YEAR 2000: CONTINGENCY PLAN

The following is a description of the Company's contingency plans for each of its operating units:

### Brink's

A contingency planning document, which was developed with the assistance of an external facilitator, has been finalized and distributed to Brink's North American operations. Brink's provides a number of different services to its customers and each type of service line was reviewed during the contingency planning sessions. This contingency planning document addresses the issue of what Brink's response would be should a system/device fail, as well as what preparations and actions are required beforehand to ensure continuity of services if those identified systems failed. This includes, in some cases, reverting to paper processes to track and handle packages, additional staff if required and increased supervisory presence. Brink's may experience some additional personnel expenses related to minimizing the impact of potential Year 2000 failures, but they are not expected to be material. This contingency planning document was made available to Brink's International operations to use as guidance in developing appropriate contingency plans at each of their locations and for the specific services they provide to their customers.

### BHS

BHS has drafted a contingency plan for dealing with the most reasonably likely worst case scenario. This contingency planning document addresses the issue of what BHS's response would be should it sustain a service outage encountered by the third party electric utility, local telephone company, and/or primary long distance telephone service provider at its principal monitoring facility. This includes, among other things, the testing of redundant system connectivity routed through multiple switching stations of the local telephone company, and testing of backup electric generators at both BHS's principal and backup monitoring facilities.

### BAX Global

During the first quarter of 1999, BAX Global initiated contingency planning for dealing with its most reasonably likely worst case scenario. Contingency planning is divided into three principal parts. At company locations worldwide, specific local plans including alternative methods of delivering services are being developed. Specific plans including prioritization of resources are being written for systems and software packages. A transition management plan is being devised to provide a mechanism for monitoring both internal and external

developments worldwide that may impact customer shipments, thereby allowing BAX Global to quickly respond to potential failures. The foundation for BAX Global's Year 2000 readiness program is to ensure that critical systems are renovated/replaced and tested prior to when a Year 2000 failure might occur if the program were not undertaken.

#### Pittston Coal and Mineral Ventures

During the second quarter of 1999, Pittston Coal and Mineral Ventures initiated contingency planning for dealing with its most reasonably likely worst case scenarios. The foundation for their Year 2000 Programs is to ensure that critical systems are renovated/replaced and tested prior to when a Year 2000 failure might occur if the programs were not undertaken. As of June 30, 1999, critical systems have been tested and verified as Year 2000 ready. Year 2000 is the number one priority within the Minerals Group's IT organization with full support of the Group's executive management. In addition, as a normal course of business, Pittston Coal and Mineral Ventures maintain and deploy contingency plans designed to address various other potential business interruptions. These plans may be applicable to address the interruption of support provided by third parties resulting from their failure to be Year 2000 ready.

#### READINESS FOR YEAR 2000: FORWARD LOOKING INFORMATION

This discussion of the Company's readiness for Year 2000, including statements regarding anticipated completion dates for various phases of the Company's Year 2000 project, estimated costs for Year 2000 readiness, the determination of likely worst case scenarios, actions to be taken in the event of such worst case scenarios and the impact on the Company of any delays or problems in the implementation of Year 2000 initiatives by the Company and/or any public or private sector suppliers and service providers and customers involve forward looking information which is subject to known and unknown risks, uncertainties, and contingencies which could cause actual results, performance or achievements, to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the Company, include, but are not limited to, government regulations and/or legislative initiatives, variations in costs or expenses relating to the implementation of Year 2000 initiatives, changes in the scope of improvements to Year 2000 initiatives and delays or problems in the implementation of Year 2000 initiatives by the Company and/or any public or private sector suppliers and service providers and customers.

#### CAPITALIZATION

The Company has three classes of common stock: Pittston Brink's Group Common Stock ("Brink's Stock"), Pittston BAX Group Common Stock ("BAX Stock") and Pittston Minerals Group Common Stock ("Minerals Stock") which were designed to provide shareholders with separate securities reflecting the performance of the Pittston Brink's Group ("Brink's Group"), the Pittston BAX Group ("BAX Group") and the Pittston Minerals Group ("Minerals Group"), respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting any of the Groups. The Brink's Group consists of the Brink's and BHS operations of the Company. The BAX Group consists of the BAX Global operations of the Company. The Minerals Group consists of the Pittston Coal and Mineral Ventures operations of the Company. The Company prepares separate financial statements for the Brink's, BAX and Minerals Groups in addition to consolidated financial information of the Company.

Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased shares in the periods presented:

(Dollars in millions, shares in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Brink's Stock:				
Shares	-	114.1	100.0	114.1
Cost	\$ -	4.4	2.5	4.4
BAX Stock:				
Shares	\$ -	227.4	-	404.9
Cost	-	3.7	-	7.2
Convertible Preferred Stock:				
Shares	-	-	83.9	0.4
Cost	\$ -	-	21.0	0.1
Excess carrying amount (a)	\$ -	-	19.2	-
-----				

(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4.3 million. On March 15, 1999, the Company purchased .08 million shares (or .8 million depository shares) of its Convertible Preferred Stock for \$21.0 million. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of \$19.2 million, which is the excess of the carrying amount of the Convertible Preferred Stock over the cash paid to the holders of the Convertible Preferred Stock.

As of June 30, 1999, the Company had the remaining authority to purchase 0.9 million shares of Brink's Stock; 1.5 million shares of BAX Stock; 1.0 million shares of Minerals Stock and an additional \$7.6 million of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22.2 million as of June 30, 1999.

#### DIVIDENDS

The Board intends to declare and pay dividends, if any, on Brink's Stock, BAX Stock and Minerals Stock based on the earnings, financial condition, cash flow and business requirements of the Brink's Group, BAX Group and the Minerals Group, respectively. Since the Company remains subject to Virginia law limitations on dividends, 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. The Available Minerals Dividend Amount may be reduced by activity that reduces shareholder's equity or the fair value of net assets of the Minerals Group. Such activity includes net losses by the Minerals Group, dividends paid on the Minerals Stock and the Convertible Preferred Stock, repurchases of Minerals Stock and the Convertible Preferred Stock, and foreign currency translation losses. In May 1998, the Company reduced the dividend rate on Minerals Stock to 10.0 cents per year per share for shareholders as of the May 15, 1998 record date. As a result of recent financial performance of the Minerals Group and coal industry conditions, as well as consideration of financial condition, cash flow and business requirements, including the Available Minerals Dividend Amount, the Board declined to declare a quarterly dividend on Minerals Stock at its May 1999 and July 1999 meetings. Dividends on the remaining Convertible Preferred Stock were declared.

During the first six months of 1999 and 1998, the Board declared and the Company paid cash dividends of 5.0 cents per share of Brink's Stock and 12.0 cents per share of BAX Stock, as well as 2.5 and 18.75 cents, respectively, per share of Minerals Stock. Dividends paid on the Convertible Preferred Stock in the first six months of 1999 and 1998 were \$1.1 million and \$1.8 million, respectively.



#### ACCOUNTING CHANGES

As of January 1, 1999, the Company adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The Company has determined that capitalized mine development costs for its gold and coal mining operations relate to acquiring and constructing long-lived assets and preparing them for their intended use. Accordingly, the adoption of SOP No. 98-5 had no material impact on the results of operations of the Company.

#### FORWARD LOOKING INFORMATION

Certain of the matters discussed herein, including statements regarding coal and gold market conditions, idle equipment and closed mine costs, review of capacity requirements, selling, general and administrative cost increases, cost of long-term employee liabilities, the outcome and potential financial impact of the coal asset study, expedition of mining permit approvals, projected capital spending, coal sales and the readiness for Year 2000, involve forward looking information which is subject to known and unknown risks, uncertainties, and contingencies which could cause actual results, performance or achievements, to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the Company, include, but are not limited to, overall economic and business conditions, the demand for the Company's products and services, pricing and other competitive factors in the industry, geological conditions, the outcome of the coal asset study, new government regulations and/or legislative initiatives, required permits and approvals, variations in costs or expenses, variations in the spot prices of coal, the ability of counterparties to perform, changes in the scope of improvements to information systems and Year 2000 initiatives, delays or problems in the implementation of Year 2000 initiatives by the Company and/or any public or private sector suppliers and service providers and customers, and delays or problems in the design and implementation of improvements to information systems.

PITTSTON BRINK'S GROUP  
BALANCE SHEETS  
(IN THOUSANDS)

	June 30 1999	December 31 1998
-----		
(Unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41,296	52,276
Short-term investments	1,216	1,767
Accounts receivable (net of estimated uncollectible amounts: 1999 - \$14,307; 1998 - \$14,222)	238,791	230,548
Receivable - Pittston Minerals Group	1,454	10,321
Inventories	8,133	9,466
Prepaid expenses and other current assets	24,077	19,011
Deferred income taxes	22,616	23,541
-----		
Total current assets	337,583	346,930
Property, plant and equipment, at cost (net of accumulated depreciation and amortization: 1999 - \$325,387; 1998 - \$318,382)	512,358	490,727
Intangibles, net of accumulated amortization	61,925	62,706
Deferred pension assets	26,670	28,818
Deferred income taxes	8,493	7,912
Other assets	37,380	39,911
-----		
Total assets	\$984,409	977,004
-----		
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Short-term borrowings	\$ 22,944	19,800
Current maturities of long-term debt	45,663	32,062
Accounts payable	49,187	59,608
Accrued liabilities	194,851	195,082
-----		
Total current liabilities	312,645	306,552
Long-term debt, less current maturities	65,064	93,345
Postretirement benefits other than pensions	4,488	4,354
Workers' compensation and other claims	11,229	11,229
Deferred income taxes	54,036	53,876
Payable - Pittston Minerals Group	1,052	2,943
Other liabilities	21,410	18,071
Minority interests	26,774	25,224
Commitments and contingent liabilities		
Shareholder's equity	487,711	461,410
-----		
Total liabilities and shareholder's equity	\$984,409	977,004
-----		

See accompanying notes to financial statements.

PITSTON BRINK'S GROUP  
STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Operating revenues	\$391,602	359,812	777,486	670,145
Costs and expenses:				
Operating expenses	297,917	273,523	596,380	506,955
Selling, general and administrative expenses	59,697	50,705	116,330	97,260
Total costs and expenses	357,614	324,228	712,710	604,215
Other operating income, net	878	4	2,294	990
Operating profit	34,866	35,588	67,070	66,920
Interest income	821	624	1,379	1,488
Interest expense	(4,929)	(5,050)	(10,811)	(8,865)
Other income, net	351	1,484	138	147
Income before income taxes	31,109	32,646	57,776	59,690
Provision for income taxes	11,504	12,076	21,373	22,083
Net income	\$ 19,605	20,570	36,403	37,607
Net income per common share:				
Basic	\$ .50	.53	.93	.97
Diluted	.50	.52	.93	.96
Cash dividends per common share	\$ .025	.025	.05	.05
Weighted average common shares outstanding:				
Basic	38,974	38,713	38,939	38,596
Diluted	39,171	39,206	39,139	39,143
Comprehensive income	\$ 15,986	18,539	24,519	33,801

See accompanying notes to financial statements.



PITSTON BRINK'S GROUP  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(Unaudited)

Six Months Ended June 30  
1999                      1998

	1999	1998
<hr/>		
Cash flows from operating activities:		
Net income	\$36,403	37,607
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,077	38,693
Provision for deferred income taxes	1,936	5,683
Provision for pensions, noncurrent	2,381	1,563
Provision for uncollectible accounts receivable	3,543	3,133
Other operating, net	1,840	2,696
Change in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(1,977)	(8,754)
Increase in inventories	(1,451)	(3,207)
Increase in prepaid expenses and other current assets	(5,067)	(5,734)
Decrease in accounts payable and accrued liabilities	(25,220)	(6,290)
Increase in other assets	(1,487)	(2,656)
Increase (decrease) in other liabilities	3,379	(2,544)
Other, net	(103)	(4,071)
Net cash provided by operating activities	64,254	56,119
<hr/>		
Cash flows from investing activities:		
Additions to property, plant and equipment	(83,166)	(65,373)
Proceeds from disposal of property, plant and equipment	2,191	1,368
Acquisitions, net of cash acquired, and related contingent payments	(429)	(5,526)
Other, net	4,390	(993)
Net cash used by investing activities	(77,014)	(70,524)
<hr/>		
Cash flows from financing activities:		
Increase in short-term debt	6,470	1,263
Additions to long-term debt	9,697	6,585
Reductions of long-term debt	(21,089)	(3,221)
Payments from Minerals Group	9,867	16,700
Proceeds from exercise of stock options	1,209	4,566
Dividends paid	(1,860)	(1,807)
Repurchase of common stock	(2,514)	(5,082)
Net cash provided by financing activities	1,780	19,004
<hr/>		
Net (decrease) increase in cash and cash equivalents	(10,980)	4,599
Cash and cash equivalents at beginning of period	52,276	37,694
Cash and cash equivalents at end of period	\$41,296	42,293
<hr/>		

See accompanying notes to financial statements.

PITTSTON BRINK'S GROUP  
NOTES TO FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

- (1) The financial statements of the Pittston Brink's Group (the "Brink's Group") include the balance sheets, results of operations and cash flows of the Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS") operations of The Pittston Company (the "Company"), and a portion of the Company's corporate assets and liabilities and related transactions which are not specifically identified with operations of a particular segment. The Brink's 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 provide a reasonable and equitable allocation of such items.

The Company provides to holders of Pittston Brink's Group Common Stock ("Brink's Stock") separate financial statements, financial reviews, descriptions of business and other relevant information for the Brink's Group, in addition to consolidated financial information of the Company. Holders of Brink's Stock are common shareholders of the Company, which continues to be responsible for all its liabilities. Financial impacts arising from the Brink's Group, the Pittston BAX Group (the "BAX Group") or the Pittston Minerals Group (the "Minerals Group") that affect the Company's financial condition could therefore affect the results of operations and financial condition of each of the Groups. Since financial developments within one Group could affect other Groups, all shareholders of the Company could be adversely affected by an event directly impacting only one Group. Accordingly, the Company's consolidated financial statements must be read in connection with the Brink's Group's financial statements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with applicable quarterly reporting regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period amounts have been reclassified to conform to the current period's financial statement presentation. Operating results for the interim periods of 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and related notes included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

- (2) The following is a reconciliation between the calculation of basic and diluted net income per share:

	Three Months Ended June 30		Six Months Ended June 30	
Brink's Group	1999	1998	1999	1998
-----				
Numerator:				
Net income - Basic and diluted net income per share numerator	\$ 19,605	20,570	36,403	37,607
Denominator:				
Basic weighted average common shares outstanding	38,974	38,713	38,939	38,596
Effect of dilutive securities:				
Stock options	197	493	200	547
-----				
Diluted weighted average common shares outstanding	39,171	39,206	39,139	39,143
-----				



Options to purchase 765 and 784 shares of Brink's Stock, at prices between \$27.25 and \$39.56 per share, were outstanding during the three and six months ended June 30, 1999, respectively, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Options to purchase 25 shares of Brink's Stock, at prices between \$39.42 and \$39.56 per share, were outstanding during both the three and six months ended June 30, 1998, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

The shares of Brink's Stock held in the Pittston Company Employee Benefits Trust ("Trust") are subject to the treasury stock method and effectively are not included in the basic and diluted net income per share calculations. As of June 30, 1999, 1,818 shares of Brink's Stock (2,272 in 1998) remained in the Trust.

- (3) Depreciation and amortization of property, plant and equipment totaled \$25,178 and \$48,901 in the second quarter and first six months of 1999, respectively, compared to \$20,850 and \$37,791 in the second quarter and first six months of 1998, respectively.
- (4) 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 Brink's Group and the BHS segment by \$1,144 and \$2,205 for the second quarter and six month periods of 1998, respectively. The effect of this change increased diluted net income per common share of the Brink's Group by \$0.02 and \$0.04 in the second quarter and six month periods of 1998.
- (5) Cash payments made for interest and income taxes, net of refunds received, were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Interest	\$ 5,066	4,985	11,854	8,463
Income taxes	\$23,824	23,756	26,514	25,035

During the first quarter of 1998, Brink's recorded the following noncash investing and financing activities in connection with the acquisition of substantially all of the remaining shares of its affiliate in France: the seller financing of the equivalent of US \$27,500 and the assumption of borrowings of approximately US \$19,000 and capital leases of approximately US \$30,000.

- (6) The cumulative impact of foreign currency translation adjustments deducted from shareholder's equity was \$48,848 and \$36,892 at June 30, 1999 and December 31, 1998, respectively.

- (7) Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased shares in the periods presented as follows:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Brink's Stock:				
Shares	-	114.1	100.0	114.1
Cost	\$ -	4,355	2,514	4,355
Convertible Preferred Stock:				
Shares	-	-	83.9	0.4
Cost	\$ -	-	20,980	146
Excess carrying amount (a)\$	-	-	19,201	23
-----				

(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4,300. On March 15, 1999, the Company purchased 83.9 shares (or 839 depository shares) of its Convertible Preferred Stock for \$20,980. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of the \$19,201, which is the excess of the carrying amount of the Convertible Preferred Stock over the cash paid to the holders of the Convertible Preferred Stock. The cash flow requirements and proceeds and the costs of the Convertible Preferred Stock have been attributed to the Minerals Group.

At June 30, 1999, the Company had the remaining authority to purchase 900 shares of Brink's Stock and an additional \$7,556 of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22,184 at June 30, 1999.

- (8) As of January 1, 1999, the Brink's Group adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities". SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The adoption of SOP No. 98-5 had no material impact on the results of operations of the Brink's Group.

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

The financial statements of the Pittston Brink's Group (the "Brink's Group") include the balance sheets, results of operations and cash flow of the Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS") operations of The Pittston Company (the "Company"), and a portion of the Company's corporate assets and liabilities and related transactions which are not specifically identified with operations of a particular segment. The Brink's Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate amounts reflected in these financial statements are determined based upon methods which management believes provide a reasonable and equitable estimate of costs, assets and liabilities attributable to the Brink's Group.

The Company provides holders of the Pittston Brink's Group Common Stock ("Brink's Stock") separate financial statements, financial reviews, descriptions of business and other relevant information for the Brink's Group, in addition to consolidated financial information of the Company. Holders of Brink's Stock are shareholders of the Company, which is responsible for all its liabilities. Therefore, financial developments affecting the Brink's Group, the Pittston BAX Group (the "BAX Group") or the Pittston Minerals Group (the "Minerals Group") that affect the Company's financial condition could therefore affect the results of operations and financial condition of each of the Groups. Accordingly, the Company's consolidated financial statements must be read in connection with the Brink's Group's financial statements.

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

RESULTS OF OPERATIONS

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Operating revenues:				
Brink's:				
North America	\$142,286	135,687	279,724	265,054
Europe	104,844	90,909	215,431	140,722
Latin America	78,878	76,348	155,329	152,840
Asia/Pacific	8,578	6,807	14,865	13,058
-----				
Total Brink's	334,586	309,751	665,349	571,674
BHS	57,016	50,061	112,137	98,471
-----				
Total operating revenues	\$391,602	359,812	777,486	670,145
-----				
Operating profit:				
Brink's:				
North America	\$ 12,106	11,865	20,049	21,932
Europe	6,191	6,388	12,500	7,213
Latin America	6,244	5,354	14,812	16,031
Asia/Pacific	(2,024)	440	(4,861)	790
-----				
Total Brink's	22,517	24,047	42,500	45,966
BHS	14,333	13,895	28,337	27,397
-----				
Total segment operating profit	36,850	37,942	70,837	73,363
General corporate expense	(1,984)	(2,354)	(3,767)	(6,443)
-----				
Total operating profit	\$ 34,866	35,588	67,070	66,920
-----				



SELECTED FINANCIAL DATA

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Depreciation and amortization:				
Brink's	\$ 12,937	12,255	25,258	20,674
BHS	12,736	9,103	24,695	17,905
General corporate	62	57	124	114
-----				
Total depreciation and amortization	\$ 25,735	21,415	50,077	38,693
-----				
Cash capital expenditures:				
Brink's	\$ 25,275	14,407	43,915	27,710
BHS	19,927	19,043	39,238	37,502
General corporate	11	57	13	161
-----				
Total cash capital expenditures	\$ 45,213	33,507	83,166	65,373
-----				

The Brink's Group's net income totaled \$19.6 million (\$.50 per share) in the second quarter of 1999 compared with \$20.6 million (\$.52 per share) in the second quarter of 1998. Operating profit for the 1999 second quarter of \$34.9 million decreased 2% from the \$35.6 million recorded in the second quarter of 1998. Revenues for the 1999 second quarter increased \$31.8 million compared with the 1998 second quarter.

In the first six months of 1999, net income totaled \$36.4 million (\$.93 per share) compared with \$37.6 million (\$.96 per share) in the first six months of 1998. Operating profit for the first six months of 1999 increased to \$67.1 million from \$66.9 million in the same period of 1998. Revenues for the first six months of 1999 increased \$107.3 million or 16% compared with the first six months of 1998. Net interest expense increased \$2.1 million during the first six months of 1999 due largely to higher average interest rates and higher average foreign borrowings in the first quarter of 1999 versus the same period in 1998, partially offset by lower rates in the second quarter of 1999 as compared to the second quarter of 1998.

BRINK'S

Brink's consolidated revenues totaled \$334.6 million in the second quarter of 1999 compared with \$309.8 million in the second quarter of 1998. Brink's operating profit of \$22.5 million in the second quarter of 1999 represented a \$1.5 million (6%) decrease versus the \$24.0 million of operating profit reported in the prior year quarter. The increase in revenue was primarily attributable to operations in Europe and North America. Operating profit increases in Latin America and North America were more than offset by a decrease in operating results in Asia/Pacific due to costs incurred in connection with business expansion in Australia and, to a lesser extent, a decrease in operating profit in Europe.

Revenues from North American operations (United States and Canada) increased \$6.6 million (5%), to \$142.3 million in the 1999 second quarter from \$135.7 million in the prior year's quarter. North American operating profit increased \$0.2 million to \$12.1 million in the current year quarter. Revenue increases stemmed from growth in the armored car operations, which include ATM services. The margin contributed by the increased revenue was aided by lower than normal operating expenses which were largely offset by an increase in information technology expenditures in North America. The increased information technology spending is intended to enhance Brink's capabilities in transportation of valuables, ATM servicing, money processing and air courier operations as well as to implement communication improvements.

Revenues from European operations amounted to \$104.8 million, representing an increase of \$13.9 million versus the same quarter last year primarily due to the acquisition of the remaining 50% interest of Brink's affiliate in Germany late in the second quarter of 1998. European operating profit for the 1999 second quarter of \$6.2 million was \$0.2 million lower than the same quarter last year. The decline in operating profit was largely due to a loss in Germany and lower results in France versus the prior year's quarter.





In Latin America, revenues in the second quarter of 1999 of \$78.9 million increased \$2.5 million from the comparable period of 1998. Operating profit of \$6.2 million for the second quarter of 1999 improved \$0.9 million from operating profit achieved in the comparable 1998 quarter. Despite overall difficult economic conditions, operating performance improved significantly in Brazil and in Brink's 20% owned Mexican affiliate, which posted equity earnings versus an equity loss in the same quarter last year. The company's Venezuelan and Colombian subsidiaries experienced declines in operating profit due to recessionary economic conditions in those countries.

Revenues from Asia/Pacific operations of \$8.6 million increased by \$1.8 million from the second quarter of 1998. The operating loss from Asia/Pacific subsidiaries and affiliates in the second quarter of 1999 was \$2.0 million, compared to an operating profit of \$0.4 million in the prior year quarter. The operating loss was primarily attributable to expenses associated with the expansion of operations in Australia.

Brink's consolidated revenues totaled \$665.3 million in the first six months of 1999, up 16% compared with \$571.7 million in the first six months of 1998. Brink's operating profit of \$42.5 million in the first six months of 1999 represented a \$3.5 million decrease compared to the \$46.0 million operating profit reported in the prior year period.

Revenues from North American operations increased \$14.6 million (6%) to \$279.7 million in the first six months of 1999 from \$265.1 million in the same period of 1998. North American operating profit decreased \$1.9 million to \$20.0 million in the current year period. The increase in revenues for the first six months of 1999 primarily resulted from continued growth in armored car operations, which include ATM services. The decrease in operating profit is primarily due to increased expenditures on information technology to support business operations.

Revenues and operating profit from European operations amounted to \$215.4 million and \$12.5 million, respectively, in the first six months of 1999. These amounts represented increases of \$74.7 million and \$5.3 million, respectively, from the comparable period of 1998. The increase in revenue was primarily due to the acquisition of nearly all the remaining shares of Brink's affiliate in France in the first quarter of 1998 as well as the acquisition of the remaining 50% interest of Brink's affiliate in Germany late in the second quarter of 1998. The operating profit increase was primarily due to the improved results from operations and the increased ownership position in France which more than offset unfavorable results in Germany. There were also modest improvements in several other countries including Belgium, which was negatively impacted during the first quarter of 1998 by industry-wide labor unrest.

In Latin America, revenues increased 2% to \$155.3 million and operating profits decreased 8% to \$14.8 million from the first six months of 1998 to the comparable 1999 period. This decrease in operating profits was primarily due to lower performance in the first quarter 1999 resulting from weaker business conditions in a number of the Latin American countries including Venezuela, Colombia and Chile. Steps to reduce costs and other actions have been recently taken in response to these conditions.

Revenues from Asia/Pacific operations of \$14.9 million for the first six months of 1999 represented an increase of 14% from the comparable period of 1998. The operating loss for the first half of 1999 was \$4.9 million, compared to operating profit of \$0.8 million for the first half of 1998. The operating loss was primarily due to expenses associated with the expansion of operations in Australia.

BHS  
 Selected financial data for BHS on a comparative basis:

(Dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Monitoring and service	\$ 19,429	18,152	38,442	35,334
Net marketing, sales and installation	(5,096)	(4,257)	(10,105)	(7,937)
Operating profit	14,333	13,895	28,337	27,397
Monthly recurring revenues (a)			16,111	13,976
Number of subscribers:				
Beginning of period	600,643	528,607	585,565	511,532
Installations	25,824	28,557	52,675	55,307
Disconnects	(12,087)	(9,506)	(23,860)	(19,181)
End of period	614,380	547,658	614,380	547,658

(a) Monthly recurring revenues are calculated based on the number of subscribers at period end multiplied by the average fee per subscriber received in the last month of the period for monitoring, maintenance and related services.

Revenues for BHS increased \$7.0 million (14%) to \$57.0 million in the second quarter of 1999 compared to the 1998 quarter. In the first six months of 1999, revenues for BHS increased \$13.7 million (14%) to \$112.1 million. The increase in revenues was due to higher ongoing monitoring and service revenues, reflecting a 12% increase in the subscriber base as well as higher average monitoring fees. As a result of such growth, monthly recurring revenues at June 30, 1999 grew 15% versus those as measured at June 30, 1998.

Operating profit in the second quarter of 1999 increased \$0.4 million (3%) to \$14.3 million compared to the 1998 second quarter. In the first six months of 1999, operating profit increased \$0.9 million (3%) to \$28.3 million. Operating profit was favorably impacted by increases generated from monitoring and service activities of \$1.3 million (7%) and \$3.1 million (9%) for the second quarter and first six months of 1999, respectively. This improvement over the prior year was due to a 12% growth in the subscriber base combined with higher average monitoring fees, offset, in part, by an increase in disconnect expense. Growth in overall operating profit was negatively affected by the up-front net cost of marketing, sales and installation related to gaining new subscribers which increased \$0.8 million and \$2.2 million during the second quarter and first six months of 1999, respectively, as compared to 1998. This increase in up-front net cost was due to higher levels of sales and marketing costs.

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 Brink's Group and the BHS segment for the three and six month periods ended June 30, 1998 by \$1.1 million and \$2.2 million, respectively. The effect of this change increased diluted net income per common share of the Brink's Group by \$0.02 and \$0.04 in the three and six-month periods ended June 30, 1998, respectively.

#### FOREIGN OPERATIONS

A portion of the Brink's Group financial results is derived from activities in a number of foreign countries located in Europe, Asia and Latin America, each with a local currency other than the US dollar. Because the financial results of the Brink's Group are reported in US dollars, they are affected by changes in the value of the various foreign currencies in relation to the US dollar. Changes in exchange rates may also adversely affect transactions, which are denominated in currencies other than the functional currency. Brink's periodically enters into such transactions in the course of its business. The diversity of foreign operations helps to mitigate a portion of the impact that foreign currency fluctuations may have on the translated results in any one country. Brink's, from time to time, uses foreign currency forward contracts to hedge

transactional risks associated with foreign currencies. Translation adjustments of net monetary assets and liabilities denominated in the local currency relating to operations in countries with highly inflationary economies are included in net income, along with all transaction gains or losses for the period. The economy in Venezuela, where the Brink's Group has a subsidiary, is considered highly inflationary.

The Brink's Group is also subject to other risks customarily associated with doing business in foreign countries, including labor and economic conditions, political instability, 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 Brink's 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 Brink's Group based upon utilization and other methods and criteria which management believes result in an equitable and reasonable estimate of the cost attributable to the Brink's Group. These attributions were \$2.0 million and \$2.4 million in the second quarter of 1999 and 1998, respectively, and \$3.8 million and \$6.4 million in the first six months of 1999 and 1998, respectively. Corporate expenses in the first six months of 1998 included additional expenses of approximately \$5.8 million related to a retirement agreement between the Company and its former Chairman and CEO. Approximately \$2.0 million of the \$5.8 million of expenses were attributed to the Brink's Group. Corporate expenses in the 1998 second quarter also included costs associated with a severance agreement with a former member of the Company's senior management.

#### OTHER OPERATING INCOME, NET

Other operating income, net consists primarily of net equity earnings of Brink's foreign affiliates. The improvement in net equity earnings in the second quarter and first six months of 1999, as compared to the same periods in 1998, is primarily due to the level of equity earnings of Brink's 20% owned affiliate in Mexico.

#### INTEREST EXPENSE, NET

As compared to the prior year periods, interest expense, net decreased \$0.3 million and increased \$2.1 million during the three and six month periods ended June 30, 1999, respectively. Net interest expense during the second quarter of 1999 decreased due largely to lower interest expense in Venezuela, partially offset by increased borrowings and interest expense in several countries. Net interest expense increased during the first six months of 1999 due largely to higher average interest rates and higher average foreign borrowings in the first quarter of 1999 versus the same period in 1998, partially offset by lower rates in the second quarter of 1999 as compared to the second quarter of 1998.

#### OTHER INCOME, NET

Other income, net which generally includes foreign translation gains and losses and minority interest expense or income, decreased \$1.1 million and remained relatively unchanged during the three and six months ended June 30, 1999, respectively, versus the same periods of 1998. The decrease in the 1999 second quarter period reflected lower gains on sales of assets, partially offset by lower minority interest expense.

#### INCOME TAXES

In both the 1999 and 1998 periods presented, the provision for income taxes exceeded the statutory federal income tax rate of 35% due to provisions for state income taxes, partially offset by lower taxes on foreign income.

#### FINANCIAL CONDITION

A portion of the Company's corporate assets and liabilities has been attributed to the Brink's Group based upon utilization of the shared services from which assets and liabilities are generated. Management believes this attribution to provide a reasonable and equitable estimate of the assets and liabilities attributable to the Brink's Group.

#### CASH FLOW REQUIREMENTS

Cash provided by operating activities for the first six months of 1999 totaled \$64.3 million compared to \$56.1 million in the same period of 1998. The increase was the result of higher cash earnings and lower working capital requirements.

#### INVESTING ACTIVITIES

Cash capital expenditures for the first six months of 1999 totaled \$83.2 million, of which \$39.2 million was spent by BHS and \$43.9 million was spent by Brink's. Expenditures incurred by BHS were primarily for customer installations, representing the expansion of the subscriber base, while expenditures incurred by Brink's were primarily for expansion, replacement or maintenance of assets used in ongoing business operations, expansion or replacement of facilities and investment in information systems and related equipment. Capital expenditures for the Brink's Group were primarily funded through cash provided by operating activities, bank borrowings and intercompany borrowings. For the full year of 1999, cash capital expenditures are expected to range between \$160 million and \$175 million. The foregoing amounts exclude expenditures that have been or are expected to be financed through capital leases or acquisition expenditures.

#### FINANCING

The Brink's Group intends to fund cash capital expenditures through cash flow from operating activities. Shortfalls, if any, will be financed through the Company's revolving credit agreements, other borrowing arrangements or repayments from the Minerals Group (as described below under "Related Party Transactions").

The Company has a \$350.0 million credit agreement with a syndicate of banks (the "Facility"). The Facility includes a \$100.0 million term loan and permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250.0 million. As of June 30, 1999 and December 31, 1998, borrowings of \$100.0 million were outstanding under the term loan and \$148.9 million and \$91.6 million, respectively, of additional borrowings were outstanding under the revolving portion of the Facility. No portion of the total amount outstanding under the Facility at June 30, 1999 or at December 31, 1998 was attributed to the Brink's Group.

Financing activities for the six months ended June 30, 1999 reflect scheduled repayments of long term debt largely attributable to borrowings in France and Venezuela.

#### RELATED PARTY TRANSACTIONS

At June 30, 1999, under an interest bearing borrowing arrangement, the Minerals Group owed the Brink's Group \$10.5 million compared to the \$20.3 million owed at December 31, 1998. At June 30, 1999, the Brink's Group owed the Minerals Group \$10.1 million compared to the \$12.9 million owed at December 31, 1998 for tax payments representing Minerals Group tax benefits utilized by the Brink's Group in accordance with the Company's tax sharing policy, of which \$9.0 million is expected to be paid within one year.

#### MARKET RISKS AND HEDGING AND DERIVATIVE ACTIVITIES

The Brink's Group has activities in a number of foreign countries throughout the world. Operations within these countries expose the Brink's Group to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. These financial exposures are monitored and managed by the company as an integral part of its overall risk management program. The diversity of foreign operations helps to mitigate a portion of the impact that foreign currency rate fluctuations may have in any one country on the translated results. The Brink's Group risk management program considers this favorable diversification effect as it measures the Brink's Group exposure to financial markets and as appropriate, seeks to reduce the potentially adverse effects that the volatility of certain markets may have on its operating results. The Brink's Group has not had any material change in its market risk exposures since December 31, 1998.

#### READINESS FOR YEAR 2000: SUMMARY

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. If not corrected, many date-sensitive applications could fail or create erroneous results by or in the year 2000. The Brink's Group understands the importance of having systems and equipment operational through the year 2000 and beyond and is committed to addressing these challenges while continuing to fulfill its business obligations to its customers and business partners. Both BHS and Brink's have established Year 2000 Project Teams intended to make their information technology assets, including embedded microprocessors ("IT assets"), non-IT assets, products, services and infrastructure Year 2000 ready.

## READINESS FOR YEAR 2000: STATE OF READINESS

### Brink's

The Brink's Year 2000 Project Team has divided its Year 2000 readiness program into six phases: (i) inventory, (ii) assessment, (iii) renovation, (iv) validation/testing, (v) implementation and (vi) integration. Worldwide, Brink's is largely in the renovation, validation/testing and implementation phases of its Year 2000 readiness program.

### Brink's North America

With respect to Brink's North America operations, all core IT systems have been identified, renovation has taken place and the Year 2000 project is currently in both the implementation and integration phases. The implementation phase of the core operational systems is substantially complete as of June 30, 1999. Non-IT systems, including armored vehicles, closed circuit televisions, videocassette recorders and certain currency processing equipment, are in the validation and implementation phases. These phases for non-IT systems are expected to continue through the third quarter of 1999. As of June 30, 1999, most of Brink's North America IT systems have been tested and validated as Year 2000 ready. Management currently believes that all its IT and non-IT systems will be Year 2000 ready or that there will be no material adverse effect on operations or financial results due to non-readiness.

### Brink's International

All international affiliates have been provided with an implementation plan, prepared by the Global Year 2000 Project Team. In addition, there is senior management sponsorship in all international countries. The implementation plan requires semi-monthly reports as to the status of each category in each country. The categories include core systems, non-core systems, hardware, facilities, special equipment, voice/data systems, etc. Countries in Europe, Latin America and Asia/Pacific are in varying phases of the Year 2000 readiness program. In Europe, core systems have been identified, some are in the remediation and validation/testing phase, with others currently in the implementation and integration phases. In both Latin America and Asia/Pacific, most countries are currently in active renovation with several completing testing and implementation on core systems. Brink's plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000.

### BHS

The BHS Year 2000 Project Team has divided its Year 2000 readiness program into four phases: (i) assessment, (ii) remediation/replacement, (iii) testing and (iv) integration. As of June 30, 1999, BHS has completed the assessment and remediation/replacement phases. BHS is currently in both the testing and integration phases. BHS plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000. As of June 30, 1999, at least 95% of BHS' IT and non-IT assets systems had been tested and verified as Year 2000 ready.

### Brink's Group

As part of their Year 2000 projects, both BHS and Brink's North America have sent comprehensive questionnaires to significant suppliers, and others with which they do business, regarding their Year 2000 compliance and both are in the process of identifying significant problem areas with respect to these business partners. Brink's International operations also have programs in place. The Brink's Group is relying on such third parties' representations regarding their own readiness for Year 2000. This process will be ongoing and efforts with respect to specific problems identified will depend in part upon the assessment of the risk that any such problems associated with business partners may have a material adverse impact on operations.

Further, the Brink's Group relies upon government agencies (US and foreign), utility companies, telecommunication service companies and other service providers outside of its control. As with most companies, the companies of the Brink's Group are vulnerable to significant suppliers', customers' and other third parties' inability to remedy their own Year 2000 issues. As the Brink's Group cannot control the conduct of its suppliers or other third parties, there can be no guarantee that Year 2000 problems originating with a supplier or other third party will not occur.

READINESS FOR YEAR 2000: COSTS TO ADDRESS

The Brink's Group anticipates incurring remediation and acceleration costs for its Year 2000 readiness program. Remediation includes identification, assessment, modification and testing phases of its Year 2000 readiness program. Remediation costs include the costs of modifying existing software and hardware as well as purchases that replace existing hardware and software that is not Year 2000 ready. Most of these costs will be incurred by Brink's. Acceleration costs include costs to purchase and/or develop and implement certain information technology systems whose implementation has been accelerated as a result of the Year 2000 readiness issue. Again, most of these costs will be incurred by Brink's but were included in the normal budget cycle. Brink's does not separately track the internal costs incurred for Year 2000, but these costs are principally the related payroll for the information systems group and are also included in the normal budget cycle. Additional IT initiatives, unrelated to Year 2000, are continuing.

Total anticipated remediation and acceleration costs are detailed in the table below:

(Dollars in millions)

ACCELERATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 4.0	0.8	4.8
Incurred through June 30, 1999	3.3	0.6	3.9
Remainder	\$ 0.7	0.2	0.9

  

REMEDIATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 10.0	3.2	13.2
Incurred through June 30, 1999	7.4	2.1	9.5
Remainder	\$ 2.6	1.1	3.7

  

TOTAL	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 14.0	4.0	18.0
Incurred through June 30, 1999	10.7	2.7	13.4
Remainder	\$ 3.3	1.3	4.6

READINESS FOR YEAR 2000: THE RISKS OF THE YEAR 2000 ISSUE

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect results of operations, liquidity and financial condition of the Brink's Group.

Brink's believes its most reasonably likely worst case scenario is that it will experience a number of minor system malfunctions and errors in the early days and weeks of the Year 2000 that were not detected during its renovation and testing efforts. Brink's currently believes that these problems will not be overwhelming and are not likely to have a material effect on the company's operations or financial results. Brink's may experience some additional personnel expenses related to minimizing the impact of potential Year 2000 failures, but such expenses are not expected to be material. As noted above, the Brink's Group is vulnerable to significant suppliers', customers' and other third parties inability to remedy their own Year 2000 issues. As the Brink's Group cannot control the conduct of its suppliers or other third parties, there can be no guarantee that Year 2000 problems originating with a supplier, customer or other third party will not occur. However, Brink's program of communication with major third parties with whom they do business is intended to minimize any potential risks related to third party failures.

BHS believes its most reasonably likely worst case scenario is that its ability to receive alarm signals from some or all of its customers may be disrupted due to temporary regional service outages sustained by third party electric utilities, local telephone companies, and/or long distance telephone service providers. Such outages could occur regionally, affecting clusters of customers, or could occur at BHS's principal monitoring facility, possibly affecting the ability to provide service to all customers. BHS currently believes that the



consequences of these problems will not be overwhelming and are not likely to have a material effect on the company's operations or financial condition. BHS may experience some additional personnel expenses related to minimizing the impact of potential Year 2000 failures, but such expenses are not expected to be material. As noted above, BHS is vulnerable to significant third party electric utility and telephone service providers inability to remedy their own Year 2000 issues. As BHS cannot control the conduct of these third parties, there can be no guarantee that Year 2000 problems originating with a third party will not occur. However, BHS' program of communication with major third parties with whom they do business is intended to minimize any potential risks related to third party failures.

#### READINESS FOR YEAR 2000: CONTINGENCY PLAN

A contingency planning document, which was developed with the assistance of an external facilitator, has been finalized and distributed to Brink's North American operations. Brink's provides a number of different services to its customers and each type of service line was reviewed during the contingency planning sessions. This contingency planning document addresses the issue of what Brink's response would be should a system/device fail, as well as what preparations and actions are required beforehand to ensure continuity of services if those identified systems failed. This includes, in some cases, reverting to paper processes to track and handle packages, additional staff if required and increased supervisory presence. Brink's may experience some additional personnel expenses related to minimizing the impact of potential Year 2000 failures, but they are not expected to be material. This contingency planning document was made available to Brink's International operations to use as guidance in developing appropriate contingency plans at each of their locations and for the specific services they provide to their customers.

BHS drafted a contingency plan for dealing with the most reasonably likely worst case scenario. This contingency planning document addresses the issue of what BHS's response would be should it sustain a service outage encountered by the third party electric utility, local telephone company, and/or primary long distance telephone service provider at its principal monitoring facility. This includes, among other things, the testing of redundant system connectivity routed through multiple switching stations of the local telephone company, and testing of backup electric generators at both BHS's principal and backup monitoring facilities.

#### READINESS FOR YEAR 2000: FORWARD LOOKING INFORMATION

This discussion of the Brink's Group companies' readiness for Year 2000, including statements regarding anticipated completion dates for various phases of the Brink's Group's Year 2000 project, estimated costs for Year 2000 readiness, the determination of likely worst case scenarios, actions to be taken in the event of such worst case scenarios and the impact on the Brink's Group of any delays or problems in the implementation of Year 2000 initiatives by the Brink's Group and/or any public or private sector suppliers and service providers and customers involve forward looking information which is subject to known and unknown risks, uncertainties, and contingencies which could cause actual results, performance or achievements, to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the Brink's Group, include, but are not limited to, government regulations and/or legislative initiatives, variations in costs or expenses relating to the implementation of Year 2000 initiatives, changes in the scope of improvements to Year 2000 initiatives and delays or problems in the implementation of Year 2000 initiatives by the Brink's Group and/or any public or private sector suppliers and service providers and customers.

#### CAPITALIZATION

The Company has three classes of common stock: Brink's Stock, Pittston BAX Group Common Stock ("BAX Stock") and Pittston Minerals Group Common Stock ("Minerals Stock") which were designed to provide shareholders with separate securities reflecting the performance of the Brink's Group, BAX Group and Minerals Group, respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting any of the Groups. The Brink's Group consists of the Brink's and BHS operations of the Company. The BAX Group consists of the BAX Global Inc. ("BAX Global") operations of the Company. The Minerals Group consists of the Pittston Coal Company ("Pittston Coal") and Pittston Mineral Ventures ("Mineral Ventures") operations of the Company. The Company prepares separate financial statements for the Brink's, BAX and Minerals Groups, in addition to consolidated financial information of the Company.

Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased the following shares in the periods presented:

(Dollars in millions, shares in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Brink's Stock:				
Shares	-	114.1	100.0	114.1
Cost	\$ -	4.4	2.5	4.4
Convertible Preferred Stock:				
Shares	-	-	83.9	0.4
Cost	\$ -	-	21.0	0.1
Excess carrying amount (a)	\$ -	-	19.2	-
-----				

(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4.3 million. On March 15, 1999, the Company purchased .08 million shares (or .8 million depository shares) of its Convertible Preferred Stock for \$21.0 million. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six month period ended June 30, 1999 are net of the \$19.2 million, which is the excess of the carrying amount over the cash paid to the holders of the Convertible Preferred Stock. The cash flow requirements and proceeds and the costs of the Convertible Preferred Stock have been attributed to the Minerals Group.

As of June 30, 1999, the Company had the remaining authority to purchase 0.9 million shares of Brink's Stock and an additional \$7.6 million of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22.2 million as of June 30, 1999.

#### DIVIDENDS

The Board intends to declare and pay dividends, if any, on Brink's Stock based on the earnings, financial condition, cash flow and business requirements of the Brink's Group. Since the Company remains subject to Virginia law limitations on dividends, losses by the Minerals Group and/or the BAX Group could affect the Company's ability to pay dividends in respect of stock relating to the Brink's Group.

During the first six months of 1999 and 1998, the Board declared and the Company paid cash dividends of 5.0 cents per share of Brink's Stock. Dividends paid on the Convertible Preferred Stock in the first six months of 1999 and 1998 were \$1.1 million and \$1.8 million, respectively.

#### ACCOUNTING CHANGES

As of January 1, 1999, the Brink's Group adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-up Activities". SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The adoption of SOP No. 98-5 had no material impact on the results of operations of the Brink's Group.

#### FORWARD LOOKING INFORMATION

Certain of the matters discussed herein, including statements regarding the readiness for Year 2000, repayment of borrowings from the Minerals Group and projected capital spending, involve forward looking information which is subject to known and unknown risks, uncertainties, and contingencies which could cause actual results, performance or achievements to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the Brink's Group and the Company, include, but are not limited to, overall economic and business conditions, the demand for the Brink's Group's services, pricing and other competitive factors in the industry, variations in costs or expenses, cash flow of the Minerals Group, changes in the scope of Year 2000 initiatives, and delays or problems in the implementation of Year 2000 by the Brink's Group and/or any public or private sector suppliers, service providers and customers.



PITTSTON BAX GROUP  
BALANCE SHEETS  
(IN THOUSANDS)

	June 30 1999	December 31 1998
-----		
(Unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,129	30,676
Accounts receivable (net of estimated uncollectible amounts: 1999 - \$16,332; 1998 - \$15,625)	274,798	285,485
Inventories	3,985	4,560
Prepaid expenses and other current assets	13,673	7,789
Deferred income taxes	7,164	9,090
-----		
Total current assets	334,749	337,600
Property, plant and equipment, at cost (net of accumulated depreciation and amortization: 1999 - \$108,165; 1998 - \$95,409)	205,231	205,371
Intangibles, net of accumulated amortization	183,514	177,969
Deferred income taxes	34,507	33,377
Other assets	23,172	20,981
-----		
Total assets	\$781,173	775,298
-----		
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Short-term borrowings	\$ 38,744	38,749
Current maturities of long-term debt	13,845	3,965
Accounts payable	193,834	190,746
Payable - Pittston Minerals Group	9,000	7,000
Accrued liabilities	84,842	105,481
-----		
Total current liabilities	340,265	345,941
Long-term debt, less current maturities	95,667	98,191
Postretirement benefits other than pensions	4,216	3,954
Deferred income taxes	2,036	1,624
Payable - Pittston Minerals Group	13,682	13,355
Other liabilities	20,068	11,963
Commitments and contingent liabilities		
Shareholder's equity	305,239	300,270
-----		
Total liabilities and shareholder's equity	\$781,173	775,298
-----		

See accompanying notes to financial statements.

PITTSTON BAX GROUP  
STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

	Three Months Ended June 30 1999	385,157 1998	Six Months Ended June 30 1999	835,317 1998
Operating revenues	\$489,726	432,884	949,975	835,317
Costs and expenses:				
Operating expenses	431,210	385,157	845,631	747,496
Selling, general and administrative expenses	52,168	44,263	95,715	87,877
Total costs and expenses	483,378	429,420	941,346	835,373
Other operating income, net	415	474	792	341
Operating profit	6,763	3,938	9,421	285
Interest income	263	224	581	483
Interest expense	(1,932)	(2,122)	(4,084)	(3,340)
Other expense, net	(255)	(468)	(412)	(566)
Income (loss) before income taxes	4,839	1,572	5,506	(3,138)
Provision (credit) for income taxes	1,788	583	2,034	(1,161)
Net income (loss)	\$ 3,051	989	3,472	(1,977)
Net income (loss) per common share:				
Basic	\$ .16	.05	.18	(.10)
Diluted	.16	.05	.18	(.10)
Cash dividends per common share	\$ .06	.06	.12	.12
Weighted average common shares outstanding:				
Basic	19,183	19,524	19,110	19,501
Diluted	19,221	19,693	19,135	19,501
Comprehensive income (loss)	\$ 4,034	580	4,665	(1,986)

See accompanying notes to financial statements.

PITTSTON BAX GROUP  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(Unaudited)

Six Months Ended June 30  
1999                      1998

	1999	1998
<hr/>		
Cash flows from operating activities:		
Net income (loss)	\$ 3,472	(1,977)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	19,410	16,511
Provision for aircraft heavy maintenance	24,970	18,580
(Credit) provision for deferred income taxes	(726)	80
Provision for pensions, noncurrent	3,085	1,653
Provision for uncollectible accounts receivable	2,226	2,308
Other operating, net	2,239	2,186
Change in operating assets and liabilities, net of effects of		
acquisitions and dispositions:		
Decrease in accounts receivable	17,122	20,401
Decrease (increase) in inventories	575	(587)
Increase in prepaid expenses and other current assets	(3,439)	(874)
(Increase) decrease in other assets	(1,187)	1,039
Decrease in accounts payable and accrued liabilities	(9,789)	(25,581)
Increase (decrease) in other liabilities	2,675	(2,475)
Other, net	376	(1,067)
Net cash provided by operating activities	61,009	30,197
<hr/>		
Cash flows from investing activities:		
Additions to property, plant and equipment	(28,471)	(44,536)
Aircraft heavy maintenance expenditures	(36,468)	(20,524)
Acquisitions, net of cash acquired, and related contingency payments	-	(28,835)
Other, net	408	(644)
Net cash used by investing activities	(64,531)	(94,539)
<hr/>		
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(724)	5,844
Additions to long-term debt	19,140	67,925
Reductions of long-term debt	(8,334)	(5,855)
Proceeds from exercise of stock options	41	1,742
Dividends paid	(2,148)	(2,393)
Repurchase of common stock	-	(7,305)
Net cash provided by financing activities	7,975	59,958
<hr/>		
Net increase (decrease) in cash and cash equivalents	4,453	(4,384)
Cash and cash equivalents at beginning of period	30,676	28,790
<hr/>		
Cash and cash equivalents at end of period	\$35,129	24,406
<hr/>		

See accompanying notes to financial statements.

PITTSTON BAX GROUP  
NOTES TO FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

(1) The financial statements of the Pittston BAX Group (the "BAX Group") include the balance sheets, results of operations and cash flows of the BAX Global Inc. ("BAX Global") operations of The Pittston Company (the "Company"), and a portion of the Company's corporate assets and liabilities and related transactions which are not specifically identified with operations of a particular segment. The BAX 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 provide a reasonable and equitable allocation of such items.

The Company provides to holders of Pittston BAX Group Common Stock ("BAX Stock") separate financial statements, financial reviews, descriptions of business and other relevant information for the BAX Group, in addition to consolidated financial information of the Company. Holders of BAX Stock are shareholders of the Company, which is responsible for all its liabilities. Financial impacts arising from the Pittston Brink's Group (the "Brink's Group"), the BAX Group or the Pittston Minerals Group (the "Minerals Group") that affect the Company's financial condition could therefore affect the results of operations and financial condition of each of the Groups. Since financial developments within one Group could affect other Groups, all shareholders of the Company could be adversely affected by an event directly impacting only one Group. Accordingly, the Company's consolidated financial statements must be read in connection with the BAX Group's financial statements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with applicable quarterly reporting regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period amounts have been reclassified to conform to the current period's financial statement presentation. Operating results for the interim periods of 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and related notes included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

(2) The following is a reconciliation between the calculation of basic and diluted net income (loss) per share:

	Three Months Ended June 30		Six Months Ended June 30	
BAX Group	1999	1998	1999	1998
-----				
Numerator:				
Net income (loss) - Basic				
and diluted net income (loss)				
per share numerator	\$ 3,051	989	3,472	(1,977)
Denominator:				
Basic weighted average common				
shares outstanding	19,183	19,524	19,110	19,501
Effect of dilutive securities:				
Stock options	38	169	25	-
-----				
Diluted weighted average common				
shares outstanding	19,221	19,693	19,135	19,501
-----				





Options to purchase 1,903 shares of BAX Stock, at prices between \$10.31 and \$27.91 per share, and options to purchase 2,044 shares of BAX Stock, at prices between \$9.41 and \$27.91 per share, were outstanding during the three and six months ended June 30, 1999, respectively, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Options to purchase 1,018 shares of BAX Stock, at prices between \$17.94 and \$27.91 per share, were outstanding during the three months ended June 30, 1998, but were not included in the computation of diluted net income per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. Options to purchase 2,381 shares of BAX Stock, at prices between \$5.78 and \$27.91 per share, were outstanding for the six months ended June 30, 1998, but were not included in the computation of diluted net loss per share because the effect of all options would be antidilutive.

The shares of BAX Stock held in the Pittston Company Employee Benefits Trust ("Trust") are subject to the treasury stock method and effectively are not included in the basic and diluted net income (loss) per share calculations. As of June 30, 1999, 1,592 shares of BAX Stock (537 in 1998) remained in the Trust.

- (3) Depreciation and amortization of property, plant and equipment totaled \$7,658 and \$15,424 in the second quarter and first six months of 1999, respectively, compared to \$7,020 and \$13,026 in the second quarter and first six months of 1998, respectively.

- (4) Cash payments made for interest and income taxes, net of refunds received, were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Interest	\$ 1,788	2,052	3,826	2,878
Income taxes	\$ 7,735	2,292	9,583	6,038

- (5) The cumulative impact of foreign currency translation deducted from shareholder's equity was \$8,943 and \$8,076 at June 30, 1999 and December 31, 1998, respectively.

The cumulative impact of cash flow hedges added to shareholder's equity was \$696 at June 30, 1999. The cumulative impact of cash flow hedges deducted from shareholder's equity was \$1,289 at December 31, 1998.

- (6) Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased shares in the periods presented as follows:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
BAX Stock:				
Shares	-	227.4	-	404.9
Cost	\$ -	3,691	-	7,196
Convertible Preferred Stock:				
Shares	-	-	83.9	0.4
Cost	\$ -	-	20,980	146
Excess carrying amount (a)	\$ -	-	19,201	23

(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the

cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4,300. On March 15, 1999, the Company purchased 83.9 shares (or 839 depository shares) of its Convertible Preferred Stock for \$20,980. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of the \$19,201, which is the excess of the carrying amount over the cash paid to the holders of the Convertible Preferred Stock. The cash flow requirements and proceeds and the costs of the Convertible Preferred Stock have been attributed to the Minerals Group.

At June 30, 1999, the Company had the remaining authority to purchase 1,465 shares of BAX Stock and an additional \$7,556 of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22,184 at June 30, 1999.

- (7) As of January 1, 1999, the BAX Group adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities". SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The adoption of SOP No. 98-5 had no material impact on the results of operations of the BAX Group.

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

The financial statements of the Pittston BAX Group (the "BAX Group") include the balance sheets, results of operations and cash flows of the BAX Global Inc. ("BAX Global") 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 BAX Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate amounts reflected in these financial statements are determined based upon methods which management believes to provide a reasonable and equitable estimate of the costs attributable to the BAX Group.

The Company provides holders of Pittston BAX Group Common Stock ("BAX Stock") separate financial statements, financial reviews, descriptions of business and other relevant information for the BAX Group in addition to consolidated financial information of the Company. Holders of BAX Stock are shareholders of the Company, which continues to be responsible for all liabilities. Therefore, financial developments affecting the BAX Group, the Pittston Brink's Group (the "Brink's Group") or the Pittston Minerals Group (the "Minerals Group") that affect the Company's financial condition could affect the results of operations and financial condition of each of the Groups. Accordingly, the Company's consolidated financial statements must be read in connection with the BAX Group's financial statements.

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

BAX Global's freight business has tended to be seasonal, with a significantly higher volume of shipments generally experienced during March, June and August through November than during the other periods of the year. The lowest volume of shipments has generally occurred in January and February.

RESULTS OF OPERATIONS

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Operating revenues:				
BAX Global:				
Americas (a)	\$292,634	293,550	570,886	567,065
Atlantic	87,281	80,259	172,693	157,088
Pacific	122,467	67,090	232,717	125,778
Eliminations/Other	(12,656)	(8,015)	(26,321)	(14,614)
<b>Total operating revenues</b>	<b>\$489,726</b>	<b>432,884</b>	<b>949,975</b>	<b>835,317</b>
Operating profit (loss):				
BAX Global:				
Americas (b)	\$ 13,949	13,532	25,145	22,317
Atlantic	2,540	1,668	4,062	2,801
Pacific	5,448	1,718	10,720	5,106
Other (b)	(13,190)	(10,639)	(26,739)	(23,515)
<b>Segment operating profit</b>	<b>8,747</b>	<b>6,279</b>	<b>13,188</b>	<b>6,709</b>
General corporate expense	(1,984)	(2,341)	(3,767)	(6,424)
<b>Total operating profit</b>	<b>\$ 6,763</b>	<b>3,938</b>	<b>9,421</b>	<b>285</b>

(a) Includes Intra-U.S. revenue of \$149,892 and \$152,936 for the quarters ended June 30, 1999 and 1998, respectively, and \$293,502 and \$301,279 for the six months ended June 30, 1999 and 1998, respectively.

(b) Global overhead costs have been reallocated between the Americas and Other in 1999 to more accurately reflect the global services provided and to be consistent with new performance measurements. Prior year's operating profit

(loss) for the Americas region and Other have been reclassified to conform to the current year's classification.

SELECTED FINANCIAL DATA

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Depreciation and amortization:				
BAX Global	\$ 9,695	8,785	19,286	16,394
-----				
General corporate	62	59	124	117
Total depreciation and amortization	\$ 9,757	8,844	19,410	16,511
-----				
Cash capital expenditures:				
BAX Global	14,416	20,135	28,458	44,410
-----				
General corporate	11	22	13	126
Total cash capital expenditures	\$ 14,427	20,157	28,471	44,536
-----				

BAX Global operates in three geographic regions: the Americas, which includes the domestic and export business of the United States ("US"), Latin America and Canada; the Atlantic which includes Europe and Africa; and the Pacific which includes Asia and Australia. Each region provides both expedited and non-expedited freight services. Revenues and profits on expedited freight services are shared among the origin and destination countries on all export volumes. Accordingly, BAX Global's US business, the region with the largest export volume, significantly impacts the trend of results in BAX Global's worldwide expedited freight services. Non-expedited freight services primarily include supply chain management and ocean freight services. In addition, BAX Global operates a federally certificated airline, Air Transport International ("ATI"). ATI's results, net of intercompany eliminations, are included in the Americas region. Eliminations/other revenues primarily include intercompany revenue eliminations on shared services. Other operating loss primarily consists of global support costs including global IT costs and goodwill amortization.

In the second quarter of 1999, the BAX Group reported net income of \$3.1 million (\$0.16 per share) as compared to \$1.0 million (\$0.05 per share) in the second quarter of 1998. Revenues increased \$56.8 million (13%) compared with the 1998 second quarter, to \$489.7 million. Operating expenses and selling, general and administrative expenses for the 1999 second quarter increased \$54.0 million (13%) compared with the same quarter last year.

In the first six months of 1999, the BAX Group reported net income of \$3.5 million (\$0.18 per share) as compared to a net loss of \$2.0 million (\$0.10 per share) for the same period in 1998. Revenues increased \$114.7 million (14%) compared to the first six months of 1998, to \$950.0 million. Operating expenses and selling, general and administrative expenses for the first six months of 1999 increased \$106.0 million (13%) compared with the same period of 1998. Operating profit in the first half of 1999 included the benefit of \$1.6 million of incentive accrual reversal related to 1998 as such incentives were not paid as a result of a management decision made during the first quarter of 1999. The incentive accrual reversal benefited net income in the 1999 first quarter by approximately \$1.0 million or \$0.05 per share.

BAX GLOBAL

Selected financial data for BAX Global on a comparative basis:

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Revenues by line of business:				
Expedited freight services	\$ 406,917	371,078	794,671	724,928
Non-expedited freight services	82,809	61,806	155,304	110,389
-----				
Total revenues	\$ 489,726	432,884	949,975	835,317
-----				
Worldwide expedited freight services:				
Weight (millions of pounds)	425.1	402.5	839.4	784.0
Shipments (thousands)	1,209	1,345	2,408	2,635
-----				
Worldwide expedited freight services average:				
Revenue per pound (yield)	\$ .957	.922	.947	.925
Revenue per shipment	\$ 337	276	330	275
Weight per shipment (pounds)	352	299	349	298
-----				

BAX Global's worldwide operating revenues increased 13% to \$489.7 million in the second quarter of 1999 as compared to \$432.9 million in the second quarter of 1998, as increases in the Atlantic and Pacific regions were partially offset by a decrease in the Americas. In the current quarter, BAX Global reported an operating profit of \$8.7 million as compared to \$6.3 million reported in the second quarter of 1998, with increases in all geographic regions, primarily the Pacific region.

Revenues in the Americas decreased \$0.9 million (0.3%) and operating profit increased \$0.4 million (3%) in the second quarter of 1999 as compared to the same period in 1998. The decrease in revenue was primarily due to lower US domestic expedited freight revenue offset by additional revenues from ATI which was acquired in late April 1998. Expedited freight service revenues within the US decreased due to lower volumes, which were partially offset by higher average yields. Pricing in 1999 benefited from the introduction of the higher yielding Emergency Response ("EMR") product in the US in the third quarter of 1998. The operating profit benefited from lower transportation costs in the US due to increased operating efficiency and lower costs of fuel. These benefits were partially offset by higher station and administrative costs and the effect of additional expenses at ATI which was acquired on April 30, 1998.

Revenues and operating profit in the Atlantic region increased \$7.0 million to \$87.3 million and \$0.9 million to \$2.5 million, respectively, in the second quarter of 1999 as compared to the same 1998 period. Revenue and operating profits were favorably impacted by an increase in expedited freight volume including import traffic, which increased due to the award of new contracts in the Pacific region. These benefits were partially offset by lower average yields.

Revenues and operating profit in the Pacific increased \$55.4 million (83%) and \$3.7 million (217%), respectively, in the second quarter of 1999 as compared to a year earlier. The increase in revenue was favorably impacted by the acquisition of the remaining 67% interest in a freight agent in Taiwan in the first quarter of 1999. In addition, revenues and operating profit were favorably impacted by higher revenues in several countries in the region, resulting from the award of several new contracts during late 1998 and early 1999. The 1998 second quarter also reflected increased provisions for bad debt expense, primarily in India.

Increases in eliminations/other revenue is consistent with increased revenues. Other operating loss increased \$2.6 million primarily due to higher global administrative expenses.



BAX Global's worldwide operating revenues increased 14% to \$950.0 million in the first six months of 1999 as compared to \$835.3 million in the first six months of 1998, with increases in all geographic regions. For the first six months of 1999, BAX Global reported an operating profit of \$13.2 million as compared to \$6.7 million reported in the same period of 1998. The operating profit in the first half of 1999 included the benefit of \$1.6 million of incentive accrual reversal related to 1998 as such incentives were not paid as a result of a management decision made during the first quarter of 1999.

Revenues and operating profit in the Americas increased \$3.8 million to \$570.9 million and \$2.8 million to \$25.1 million, respectively, in the six months ended June 30, 1999 as compared to \$567.1 million and \$22.3 million, respectively, in the same period in 1998. Operating profit in the Americas region included the benefit of approximately \$0.3 million related to the aforementioned reversal of incentive compensation accruals. The increase in revenue was primarily due to the inclusion of revenues from ATI, which were substantially offset by decreases in expedited freight services revenues in the US as well as decreases in US export revenues. Expedited freight service revenues within the US decreased as lower volumes were partially offset by higher average yields related to the higher yielding EMR product discussed above. Operating profit benefited from the higher yielding EMR product as well as from lower transportation costs in the US due to increased operating efficiency and lower costs of fuel. These benefits were partially offset by higher station and administrative costs and the effect of additional expenses at ATI which was acquired on April 30, 1998. In addition, US transportation costs in the first half of 1998 were negatively impacted by service disruptions due to weather delays and equipment problems.

Revenues and operating profit in the Atlantic region increased \$15.6 million to \$172.7 million and \$1.3 million to \$4.1 million, respectively, in the six months ended June 30, 1999 as compared to the same 1998 period. The increase in revenue was primarily due to an increase in expedited freight volumes due primarily to growth in export traffic. Additionally, the import business benefited from the award of several new contracts in the Pacific region in late 1998 and early 1999. These benefits were partially offset by lower average yields. In addition, operating profit in this region reflected the benefit of the aforementioned reversal of incentive accrual in the amount of \$0.5 million.

Revenues and operating profit in the Pacific increased \$106.9 million to \$232.7 million and \$5.6 million to \$10.7 million, respectively, in the six months ended June 30, 1999 as compared to a year earlier. Revenues and operating profit were favorably impacted by higher revenues in several countries throughout the region resulting from the award of several new contracts during late 1998 and early 1999. The increase in revenue also reflected the acquisition of the remaining 67% interest in a freight agent in Taiwan in the first quarter of 1999. Operating profit for the 1999 period in the Pacific region was also favorably impacted by \$0.8 million relating to the benefit of the aforementioned reversal of incentive compensation accruals while the 1998 period reflected increased provisions for bad debt expense, primarily in India.

Increases in eliminations/other revenue is consistent with increased revenues. Other operating loss increased \$3.2 million primarily due to higher global administrative expenses, which were partially offset by lower global information technology costs.

#### FOREIGN OPERATIONS

A portion of the BAX Group financial results is derived from activities in a number of foreign countries located in Europe, Asia and Latin America, each with a local currency other than the US dollar. Because the financial results of the BAX Group are reported in US dollars, they are affected by changes in the value of the various foreign currencies in relation to the US dollar. Changes in exchange rates may also adversely affect transactions, which are denominated in currencies other than the functional currency. BAX Global periodically enters into such transactions in the course of its business. The diversity of foreign operations helps to mitigate a portion of the impact that foreign currency fluctuations may have on the translated results in any one country. BAX Global, from time to time, uses foreign currency forward contracts to hedge transactional risks associated with foreign currencies. Translation adjustments of net monetary assets and liabilities denominated in the local currency relating to operations in countries with highly inflationary economies are included in net income, along with all transaction gains or losses for the period.

The BAX Group is also subject to other risks customarily associated with doing business in foreign countries, including labor and economic conditions, political instability, 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 BAX 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 BAX Group based on utilization and other methods and criteria which management believes to provide a reasonable and equitable estimate of the costs attributable to the BAX Group. These attributions were \$1.9 million and \$2.3 million for the second quarter of 1999 and 1998, respectively and \$3.8 million and \$6.4 million for the first six months of 1999 and 1998, respectively. Corporate expenses in the first six months of 1998 included additional expenses of approximately \$5.8 million related to a retirement agreement between the Company and its former Chairman and CEO. Approximately \$2.0 million of this \$5.8 million of expenses were attributed to the BAX Group. Corporate expenses in the 1998 second quarter also included costs associated with a severance agreement with a former member of the Company's senior management.

#### OTHER OPERATING INCOME, NET

Other operating income, net was relatively unchanged and increased \$0.5 million in the three and six month periods ended June 30, 1999, respectively, as compared to the same periods of 1998. Other operating income, net generally includes foreign exchange transaction gains and losses.

#### INTEREST EXPENSE, NET

Interest expense, net decreased \$0.2 million for the three months ended June 30, 1999 as lower average interest rates more than offset higher average borrowings. For the six months ended June 30, 1999, interest expense, net increased \$0.6 million over the same 1998 period primarily due to higher average borrowings. The increase in borrowings represents higher levels of debt associated with acquisitions and increased IT expenditures, including Year 2000 compliance efforts.

#### INCOME TAXES

In both the 1999 and 1998 periods presented, the provision for income taxes exceeded the statutory federal income tax rate of 35% due to goodwill amortization and state income taxes, partially offset by lower taxes on foreign income.

#### FINANCIAL CONDITION

A portion of the Company's corporate assets and liabilities has been attributed to the BAX Group based upon utilization of the shared services from which assets and liabilities are generated. Management believes this attribution to provide a reasonable and equitable estimate of the costs attributable to the BAX Group.

#### CASH FLOW REQUIREMENTS

Cash provided by operating activities during the first six months of 1999 totaled \$61.0 million as compared to the \$30.2 million generated in the first six months of 1998. The higher level of cash generated from operating activities was primarily due to higher cash earnings and lower working capital requirements.

#### INVESTING ACTIVITIES

Cash capital expenditures for the first six months of 1999 and 1998 totaled \$28.5 million and \$44.5 million, respectively, reflecting a large facility expansion in 1998 and lower levels of expenditures on information technology systems. For the full year 1999, cash capital expenditures are expected to range between \$50 million and \$55 million. The foregoing amounts exclude expenditures that have been or are expected to be financed through capital leases and any acquisition expenditures.

The increase in aircraft heavy maintenance expenditures of \$16.0 million was primarily due to the acquisition of ATI in 1998.

Investing activities for the six months ended June 30, 1998 included the acquisition of ATI for a purchase price of approximately \$29 million.

#### FINANCING

The BAX Group intends to fund its cash capital expenditure requirements through anticipated cash flows from operating activities or through operating leases if the latter are financially attractive. Shortfalls, if any, will be financed through the Company's revolving credit agreements or other borrowing arrangements.

Cash flows received from financing activities were \$8.0 million for the first six months of 1999, compared with \$60.0 million for the same period in 1998. The 1998 levels reflect additional borrowings primarily required to fund the acquisition of ATI, capital expenditures and information technology investments.

The Company has a \$350.0 million credit agreement with a syndicate of banks (the "Facility"). The Facility includes a \$100.0 million term loan and also permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250.0 million. As of June 30, 1999 and December 31, 1998, borrowings of \$100.0 million were outstanding under the term loan portion of the Facility and \$148.9 million and \$91.6 million, respectively, of additional borrowings were outstanding under the remainder of the Facility. Of the total outstanding amount under the Facility at June 30, 1999 and December 31, 1998, \$76.1 million and \$60.9 million, respectively, were attributed to the BAX Group.

#### RELATED PARTY TRANSACTIONS

At June 30, 1999 and December 31, 1998, the Minerals Group had no borrowings from the BAX Group. At June 30, 1999, the BAX Group owed the Minerals Group \$22.7 million compared to \$20.4 million at December 31, 1998 for tax payments representing Minerals Group tax benefits utilized by the BAX Group in accordance with the Company's tax sharing policy of which \$9.0 million is expected to be paid within one year.

#### MARKET RISKS AND HEDGING AND DERIVATIVE ACTIVITIES

The BAX Group has activities in a number of foreign countries throughout the world. Operations in these countries expose the BAX Group to a variety of market risks, including the effects of changes in foreign currency exchange rates and interest rates. In addition, the BAX Group consumes certain commodities in its business, exposing it to the effects of changes in the prices of such commodities. These financial and commodity exposures are monitored and managed by the company as an integral part of its overall risk management program. The diversity of foreign operations helps to mitigate a portion of the impact that foreign currency rate fluctuations may have on the translated results in any one country. The BAX Group's risk management program considers this favorable diversification effect as it measures the BAX Group's exposure to financial markets and as appropriate, seeks to reduce the potentially adverse effects that the volatility of certain markets may have on its operating results. The BAX Group has not had any material change in its market risk exposures since December 31, 1998.

#### READINESS FOR YEAR 2000: SUMMARY

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. If not corrected, many date-sensitive applications could fail or create erroneous results by or in the year 2000. The BAX Group understands the importance of having systems and equipment operational through the year 2000 and beyond and is committed to addressing these challenges while continuing to fulfill its business obligations to its customers and business partners. BAX Global has established a year 2000 Project Team intended to make its information technology assets, including embedded microprocessors ("IT assets"), non-IT assets, products, services and infrastructure Year 2000 ready.

#### READINESS FOR YEAR 2000: STATE OF READINESS

The BAX Global Year 2000 Project Team has divided its Year 2000 readiness program into five phases: (i) inventory (ii) assess and test, (iii) renovate, (iv) test and verify and (v) implement. During the first half of 1999, the inventory and assessment phases of major systems have been completed worldwide. Renovation activities for most major systems are substantially complete. Replacement activities for non-compliant components and systems that are not scheduled for renovation are substantially complete. Testing is more than 90% complete for systems that have been renovated. The BAX Group plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000. As of June 30, 1999, more than 85% of the BAX Group's IT and non-IT assets systems have been tested and verified as Year 2000 ready.

As part of its Year 2000 project, the BAX Group has sent comprehensive questionnaires to significant suppliers and others with whom it does business, regarding their Year 2000 readiness and is in the process of identifying any problem areas with respect to these business partners. The BAX Group is relying on such third parties representations regarding their own readiness for Year 2000. The extent to which potential problems associated with business partners may have a material adverse impact on the BAX Group's operations is being assessed and will continue to be assessed throughout 1999.

Further, the BAX Group relies upon US and foreign government agencies (particularly the Federal Aviation Administration and customs agencies worldwide), utility companies, telecommunication service companies and other service providers outside of its control. According to a recent General Accounting Office report to Congress, some airports will not be prepared for the Year 2000 and the problems these airports experience could impede traffic flow throughout the US. As with most companies, the BAX Group is vulnerable to significant suppliers' and other third parties inability to remedy their own Year 2000 issues. As the BAX Group cannot control the conduct of its customers, suppliers and other third parties, there can be no guarantee that Year 2000 problems originating with a supplier or another third party will not occur.

#### READINESS FOR YEAR 2000: COSTS TO ADDRESS

The BAX Group anticipates incurring remediation and acceleration costs for its Year 2000 readiness program. Remediation includes the identification, assessment, modification and testing phases of the Year 2000 readiness program. Remediation costs include both the costs of modifying existing software and hardware as well as purchases that replace existing hardware and software that is not Year 2000 ready. Acceleration costs include costs to purchase and/or develop and implement certain information technology systems whose implementation has been accelerated as a result of the Year 2000 readiness issue.

Total anticipated remediation and acceleration costs are detailed in the table below:

(Dollars in millions)

ACCELERATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 17.9	3.2	21.1
Incurred through June 30, 1999	16.9	1.7	18.6
Remainder	\$ 1.0	1.5	2.5
REMEDIATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 2.8	14.2	17.0
Incurred through June 30, 1999	1.7	13.6	15.3
Remainder	\$ 1.1	0.6	1.7
TOTAL	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 20.7	17.4	38.1
Incurred through June 30, 1999	18.6	15.3	33.9
Remainder	\$ 2.1	2.1	4.2

#### READINESS FOR YEAR 2000: THE RISKS OF THE YEAR 2000 ISSUE

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect results of operations, liquidity and financial condition of the BAX Group. The extent to which such a failure may adversely affect operations is being assessed. The BAX Group believes its most reasonably likely worst case scenario is that it will experience a number of minor system malfunctions and errors in the early days and weeks of the Year 2000 that were not detected during its renovation and testing efforts. The BAX Group currently believes that these problems will not be overwhelming and are not likely to have a material effect on the company's operations or financial results. As noted above, the BAX Group is vulnerable to

significant suppliers', customers' and other third parties' (particularly government agencies such as the Federal Aviation Administration and customs agencies worldwide) inability to remedy their own Year 2000 issues. As the BAX Group cannot control the conduct of its suppliers or other third parties, there can be no guarantee that Year 2000 problems originating with a supplier, customer or other third party will not occur. However, the BAX Group's program of communication with and assessments of major third parties with whom they do business is intended to minimize any potential risks related to third party failures.

#### READINESS FOR YEAR 2000: CONTINGENCY PLAN

During the first quarter of 1999, the BAX Group initiated contingency planning for dealing with its most reasonably likely worst case scenario. Contingency planning is divided into three principal parts. At company locations worldwide, specific local plans including alternative methods of delivering services are being developed. Specific plans including prioritization of resources are being written for systems and software packages. A transition management plan is being devised to provide a mechanism for monitoring both internal and external developments worldwide that may impact customer shipments, thereby allowing BAX Global to quickly respond to potential failures. The foundation for the BAX Group's Year 2000 readiness program is to ensure that critical systems are renovated/replaced and tested prior to when a Year 2000 failure might occur if the program were not undertaken. Year 2000 is the number one priority within the BAX Group's IT organization with full support of the BAX Group's Chief Executive Officer.

#### READINESS FOR YEAR 2000: FORWARD LOOKING INFORMATION

This discussion of the BAX Group's readiness for Year 2000, including statements regarding anticipated completion dates for various phases of the BAX Group's Year 2000 project, estimated costs for Year 2000 readiness, the determination of likely worst case scenarios, actions to be taken in the event of such worst case scenarios and the impact on the BAX Group of any delays or problems in the implementation of Year 2000 initiatives by the BAX Group and/or any public or private sector suppliers and service providers and customers involve forward looking information which is subject to known and unknown risks, uncertainties, and contingencies which could cause actual results, performance or achievements, to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the BAX Group, include, but are not limited to, government regulations and/or legislative initiatives, variations in costs or expenses relating to the implementation of Year 2000 initiatives, changes in the scope of improvements to Year 2000 initiatives and delays or problems in the implementation of Year 2000 initiatives by the BAX Group and/or any public or private sector suppliers and service providers and customers.

#### CAPITALIZATION

The Company has three classes of common stock: BAX Stock, Pittston Brink's Group Common Stock ("Brink's Stock"), and Pittston Minerals Group Common Stock ("Minerals Stock") which were designed to provide shareholders with separate securities reflecting the performance of the BAX Group, Brink's Group and Minerals Group, respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting any of the Groups. The BAX Group consists of the BAX Global operations of the Company. The Brink's Group consists of the Brink's, Incorporated ("Brink's") and Brink's Home Security, Inc. ("BHS") operations of the Company. The Minerals Group consists of the Pittston Coal Company ("Pittston Coal") and Pittston Mineral Ventures ("Mineral Ventures") operations of the Company. The Company prepares separate financial statements for the BAX, Brink's and Minerals Groups in addition to consolidated financial information of the Company.

Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased the following shares in the periods presented:

(Dollars in millions, shares in thousands)		Three Months Ended June 30 1999	1998	Six Months Ended June 30 1999	1998
-----					
BAX Stock:					
Shares	\$	-	227.4	-	404.9
Cost		-	3.7	-	7.2
Convertible Preferred Stock:					
Shares		-	-	83.9	0.4
Cost	\$	-	-	21.0	0.1
Excess carrying amount (a)	\$	-	-	19.2	-
-----					

(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4.3 million. On March 15, 1999, the Company purchased .08 million shares (or .8 depository shares) of its Convertible Preferred Stock for \$21.0 million. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of the \$19.2 million, which is the excess of the carrying amount of the Convertible Preferred Stock over the cash paid to the holders of the Convertible Preferred Stock. The cash flow requirements and proceeds and the costs of the Convertible Preferred Stock have been attributed to the Minerals Group.

As of June 30, 1999, the Company had remaining authority to purchase 1.5 million shares of BAX Stock and an additional \$7.6 million of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22.2 million as of June 30, 1999.

#### DIVIDENDS

The Board intends to declare and pay dividends, if any, on BAX Stock based on earnings, financial condition, cash flow and business requirements of the BAX Group. Since the Company remains subject to Virginia law limitations on dividends, losses by the Minerals Group and/or the Brink's Group could affect the Company's ability to pay dividends in respect to stock relating to the BAX Group.

During the first six months of 1999 and 1998, the Board declared and the Company paid cash dividends of 12.0 cents per share of BAX Stock. Dividends paid on the Convertible Preferred Stock in the first six months of 1999 and 1998 were \$1.1 million and \$1.8 million, respectively.

#### ACCOUNTING CHANGES

As of January 1, 1999, the BAX Group adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities". SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The adoption of SOP No. 98-5 had no material impact on the results of operations of the BAX Group.

#### FORWARD LOOKING INFORMATION

Certain of the matters discussed herein, including statements regarding the readiness for Year 2000 and projected capital spending involve forward looking information which is subject to known and unknown risks, uncertainties and contingencies, which could cause actual results, performance or achievements to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the BAX Group and the Company, include, but are not limited to, overall economic and business conditions, the demand for BAX Global's services, pricing and other competitive factors in the industry, variations in costs or expenses, cash flow of the Minerals Group, changes in the scope of improvements to information systems and Year 2000 initiatives, delays or problems in the implementation of Year 2000 initiatives by the BAX Group and/or any public or private sector suppliers, service providers and customers, and delays or problems in the design and implementation of improvements to information systems.





PITTSTON MINERALS GROUP  
BALANCE SHEETS  
(IN THOUSANDS)

	June 30 1999	December 31 1998
-----		
(Unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,580	942
Accounts receivable (net of estimated uncollectible amounts: 1999 - \$4,084; 1998 - \$2,275)	62,127	90,311
Receivable - Pittston Brink's Group/BAX Group, net	7,546	-
Inventories:		
Coal inventory	35,036	24,567
Other inventory	4,234	4,177
-----		
	39,270	28,744
Prepaid expenses and other current assets	6,395	6,574
Deferred income taxes	18,626	19,863
-----		
Total current assets	136,544	146,434
Property, plant and equipment, at cost (net of accumulated depreciation, depletion and amortization: 1999 - \$170,344; 1998 - \$159,459)		
	152,279	153,785
Deferred pension assets	89,099	86,897
Deferred income taxes	59,290	58,210
Intangibles, net of accumulated amortization	103,423	104,925
Coal supply contracts	16,933	21,965
Receivable - Pittston Brink's Group/BAX Group, net	14,734	16,298
Other assets	57,175	52,950
-----		
Total assets	\$629,477	641,464
-----		
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Short-term borrowings	\$ 8,115	29,734
Current maturities of long-term debt	573	482
Accounts payable	35,286	33,987
Payable - Pittston Brink's Group/BAX Group, net	-	3,321
Accrued liabilities	87,018	87,737
-----		
Total current liabilities	130,992	155,261
Long-term debt, less current maturities	173,710	131,772
Postretirement benefits other than pensions	234,545	231,242
Workers' compensation and other claims	76,766	79,717
Mine closing and reclamation liabilities	32,405	33,147
Other liabilities	34,502	35,977
Commitments and contingent liabilities		
Shareholder's equity	(53,443)	(25,652)
-----		
Total liabilities and shareholder's equity	\$629,477	641,464
-----		

See accompanying notes to financial statements.

PITTSTON MINERALS GROUP  
STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

	Three Months Ended	June 30	Six Months Ended	June 30
	1999	1998	1999	1998
<hr style="border-top: 1px dashed black;"/>				
Net sales	\$ 90,956	134,408	199,709	284,306
Cost and expenses:				
Cost of sales	95,972	133,278	211,415	277,442
Selling, general and administrative expenses	9,232	7,764	16,156	16,851
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Total costs and expenses	105,204	141,042	227,571	294,293
Other operating income, net	1,951	2,611	6,231	4,785
<hr style="border-top: 1px dashed black;"/>				
Operating loss	(12,297)	(4,023)	(21,631)	(5,202)
Interest income	433	313	905	614
Interest expense	(2,585)	(2,449)	(4,891)	(5,043)
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Other income (expense), net	(1)	1	(1)	1
Loss before income taxes	(14,450)	(6,158)	(25,618)	(9,630)
Credit for income taxes	(7,716)	(5,361)	(14,325)	(7,590)
<hr style="border-top: 1px dashed black;"/>				
Net loss	(6,734)	(797)	(11,293)	(2,040)
Preferred stock dividends, net (Note 6)	(231)	(887)	18,083	(1,751)
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Net income (loss) attributed to common shares (Note 6)	\$ (6,965)	(1,684)	6,790	(3,791)
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Net income (loss) per common share (Note 6):				
Basic	\$ (.79)	(.20)	.78	(.46)
Diluted	(.79)	(.20)	(1.17)	(.46)
<hr style="border-top: 1px dashed black;"/>				
Cash dividends per common share	\$ -	.025	.025	.1875
<hr style="border-top: 1px dashed black;"/>				
Weighted average common shares outstanding:				
Basic	8,770	8,309	8,671	8,267
Diluted	8,770	8,309	9,663	8,267
<hr style="border-top: 1px dashed black;"/>				
Comprehensive income (loss)	\$ (3,621)	(2,852)	11,785	(4,630)
<hr style="border-top: 1px dashed black;"/>				

See accompanying notes to financial statements.

PITTSTON MINERALS GROUP  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(Unaudited)

	Six Months Ended June 30	
	1999	1998
<hr/>		
Cash flows from operating activities:		
Net loss	\$ (11,293)	(2,040)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	17,886	18,114
(Credit) provision for deferred income taxes	(1,111)	438
Credit for pensions, noncurrent	(2,089)	(1,538)
(Gain) loss on sale of property, plant and equipment and other assets	(48)	1,388
Other operating	2,592	1,500
Change in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease (increase) in accounts receivable	26,244	(31,698)
(Increase) decrease in inventories	(10,423)	3,383
Decrease in prepaid expenses and other current assets	902	669
Increase in other assets	(2,419)	(2,268)
Increase (decrease) in accounts payable and accrued liabilities	4,081	(8,864)
(Decrease) increase in other liabilities	(516)	530
Decrease in workers' compensation and other claims, noncurrent	(2,951)	(4,455)
Other, net	112	(59)
<hr/>		
Net cash provided (used) by operating activities	20,967	(24,900)
<hr/>		
Cash flows from investing activities:		
Additions to property, plant and equipment	(8,742)	(12,751)
Proceeds from disposal of property, plant and equipment	51	13,056
Proceeds from disposition of assets	-	6,772
Other, net	1,235	(905)
<hr/>		
Net cash (used) provided by investing activities	(7,456)	6,172
<hr/>		
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(21,619)	20,752
Additions to long-term debt	64,513	49,349
Reductions of long-term debt	(22,612)	(31,078)
Payments to Brink's Group	(9,867)	(16,700)
Repurchase of stock (Note 6)	(20,980)	(307)
Dividends paid	(1,308)	(3,091)
<hr/>		
Net cash (used) provided by financing activities	(11,873)	18,925
<hr/>		
Net increase in cash and cash equivalents	1,638	197
Cash and cash equivalents at beginning of period	942	3,394
<hr/>		
Cash and cash equivalents at end of period	\$ 2,580	3,591
<hr/>		

See accompanying notes to financial statements.

PITTSTON MINERALS GROUP  
NOTES TO FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
(Unaudited)

- (1) The financial statements of the Pittston Minerals Group (the "Minerals Group") include the balance sheets, results of operations and cash flows of the Pittston Coal Company ("Pittston Coal") and Pittston Mineral Ventures ("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 specifically identified with operations of a particular 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 provide a reasonable and equitable allocation of such items.

The Company provides to holders of Pittston Minerals Group Common Stock ("Minerals Stock") separate financial statements, financial review, descriptions of business and other relevant information for the Minerals Group, in addition to consolidated financial information of the Company. Holders of Minerals Stock are shareholders of the Company, which continues to be responsible for all its liabilities. Financial impacts arising from the Pittston Brink's Group (the "Brink's Group"), the Pittston BAX Group (the "BAX Group") or the Minerals Group that affect the Company's financial condition could therefore affect the results of operations and financial condition of each of the Groups. Since financial developments within one Group could affect other Groups, all shareholders of the Company could be adversely affected by an event directly impacting only one Group. Accordingly, the Company's consolidated financial statements must be read in connection with the Minerals Group's financial statements.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with applicable quarterly reporting regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior period amounts have been reclassified to conform to the current period's financial statement presentation. Operating results for the interim periods of 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and related notes included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

- (2) The following is a reconciliation between the calculation of basic and diluted net income (loss) per share:

Minerals Group	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Numerator:				
Net loss	\$ (6,734)	(797)	(11,293)	(2,040)
Convertible Preferred Stock				
dividends, net	(231)	(887)	18,083	(1,751)
-----				
Basic net income (loss) per share				
numerator	(6,965)	(1,684)	6,790	(3,791)
Effect of dilutive securities:				
Convertible Preferred Stock				
dividends, net	-	-	(18,083)	-
-----				
Diluted net loss per				
share numerator	\$ (6,965)	(1,684)	(11,293)	(3,791)



Minerals Group	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Denominator:				
Basic weighted average common				
shares outstanding	8,770	8,309	8,671	8,267
Effect of dilutive securities:				
Assumed conversion of Convertible				
Preferred Stock	-	-	992	-
-----				
Diluted weighted average common				
shares outstanding	8,770	8,309	9,663	8,267
-----				

Options to purchase 558 shares of Minerals Stock, at prices between \$1.59 and \$25.74 per share, were outstanding during the three months ended June 30, 1999, but were not included in the computation of diluted net loss per share because the effect of all options would be antidilutive. Options to purchase 698 shares of Minerals Stock, at prices between \$1.81 and \$25.74 per share, were outstanding during the six months ended June 30, 1999, but were not included in the computation of diluted net loss per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Options to purchase 677 and 679 shares of Minerals Stock, at prices between \$6.53 and \$25.74 per share, were outstanding during the three and six months ended June 30, 1998, respectively, but were not included in the computation of diluted net loss per share because the effect of all options would be antidilutive.

The conversion of the Convertible Preferred Stock to 460 and 1,764 shares of Minerals Stock has been excluded in the computation of diluted net loss per share in the three months ended June 30, 1999, and in the three and six months ended June 30, 1998, respectively, because the effect of the assumed conversion would be antidilutive.

The shares of Minerals Stock held in the Pittston Company Employee Benefits Trust ("Trust") are subject to the treasury stock method and effectively are not included in the basic and diluted net income (loss) per share calculations. As of June 30, 1999, 335 shares of Minerals Stock (58 in 1998) remained in the Trust.

- (3) Depreciation, depletion and amortization of property, plant and equipment totaled \$5,792 and \$11,240 in the second quarter and first six months of 1999, respectively, compared to \$5,604 and \$11,343 in the second quarter and first six months of 1998, respectively.

- (4) Cash payments made for interest and income taxes, net of refunds received, were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Interest	\$ 2,388	1,845	3,965	5,311
-----				
Income taxes	\$ (13,777)	(11,967)	(13,666)	(11,989)
-----				

- (5) The cumulative impact of foreign currency translation deducted from shareholder's equity was \$2,326 and \$3,919 at June 30, 1999 and December 31, 1998, respectively.

The cumulative impact of cash flow hedges added to shareholder's equity was \$1,313 at June 30, 1999. The cumulative impact of cash flow hedges deducted from shareholder's equity was \$2,020 at December 31, 1998.



- (6) Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased shares in the periods presented as follows:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Convertible Preferred Stock:				
Shares	-	-	83.9	0.4
Cost	\$ -	-	20,980	146
Excess carrying amount (a)	\$ -	-	19,201	23
-----				

(a) The excess of the carrying amount of the Series C Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Minerals Group and the Company's Statement of Operations.

On March 12, 1999, the Board increased the authority to purchase its Convertible Preferred Stock by \$4,300. On March 15, 1999, the Company purchased 83.9 shares (or 839 depository shares) of its Convertible Preferred Stock for \$20,980. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of the \$19,201, which is the excess of the carrying amount of the Convertible Preferred Stock over the cash paid to the holders of the Convertible Preferred Stock. The cash flow requirements and proceeds and the costs of the Convertible Preferred Stock have been attributed to the Minerals Group.

At June 30, 1999, the Company had the remaining authority to purchase 1,000 shares of Minerals Stock and an additional \$7,556 of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22,184 at June 30, 1999.

- (7) As of January 1, 1999, the Minerals Group adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The Minerals Group has determined that capitalized mine development costs for its gold and coal mining operations relate to acquiring and constructing long-lived assets and preparing them for their intended use. Accordingly, the adoption of SOP No. 98-5 had no material impact on the results of operations for the Minerals Group.



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 Pittston Coal Company ("Pittston Coal") and Pittston Mineral Ventures ("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 specifically identified with operations of a particular segment. The Minerals Group's financial statements are prepared using the amounts included in the Company's consolidated financial statements. Corporate amounts reflected in these financial statements are determined based upon methods which management believes to provide a reasonable and equitable estimate of the costs, assets and liabilities attributable to the Minerals Group.

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. Holders of Minerals Stock are shareholders of the Company, which is responsible for all its liabilities. Therefore, financial developments affecting the Minerals Group, the Pittston Brink's Group (the "Brink's Group") or the Pittston BAX Group (the "BAX Group") that affect the Company's financial condition could therefore affect the results of operations and financial condition of each of the 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 must be read in conjunction with the financial statements and related notes of the Minerals Group and the Company.

RESULTS OF OPERATIONS

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Net sales:				
Pittston Coal:				
Coal Operations	\$ 85,612	128,053	189,123	272,029
Allied Operations (a)	1,885	2,123	3,922	4,067
-----				
Total Pittston Coal	87,497	130,176	193,045	276,096
Mineral Ventures	3,459	4,232	6,664	8,210
-----				
Net sales	\$ 90,956	134,408	199,709	284,306
-----				
Operating profit (loss):				
Pittston Coal:				
Coal Operations	\$ (10,686)	(3,356)	(19,028)	(2,687)
Allied Operations (a)	1,352	1,642	2,710	3,475
-----				
Total Pittston Coal	(9,334)	(1,714)	(16,318)	788
Mineral Ventures	(1,238)	(278)	(2,028)	(325)
-----				
Segment operating profit (loss)	(10,572)	(1,992)	(18,346)	463
General corporate expense	(1,725)	(2,031)	(3,285)	(5,665)
-----				
Operating loss	\$ (12,297)	(4,023)	(21,631)	(5,202)
-----				

(a) Primarily consists of timber and natural gas operations.

SELECTED FINANCIAL DATA

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
-----				
Depreciation, depletion and amortization:				
Pittston Coal	\$ 8,070	8,436	16,127	16,654
Mineral Ventures	937	695	1,653	1,361
General corporate	53	50	106	99
-----				
Total depreciation, depletion and amortization	\$ 9,060	9,181	17,886	18,114
-----				
Cash capital expenditures:				
Pittston Coal	\$ 1,326	7,504	6,474	11,175
Mineral Ventures	1,039	739	2,257	1,439
General corporate	9	48	11	137
-----				
Total cash capital expenditures	\$ 2,374	8,291	8,742	12,751
-----				

The Minerals Group is primarily engaged in the mining, preparation and marketing of coal, the purchase of coal for resale, the sale or leasing of coal lands to others ("Coal Operations") and has interests in the timber and natural gas businesses ("Allied Operations") through Pittston Coal. The Minerals Group also explores for and acquires mineral assets, primarily gold, through its Mineral Ventures operations.

In the second quarter of 1999, the Minerals Group reported a net loss of \$6.7 million compared to a net loss of \$0.8 million in the second quarter of 1998. In the second quarter of 1999, the operating loss totaled \$12.3 million as compared to an operating loss of \$4.0 million in the 1998 second quarter. The 1998 operating loss included a \$2.2 million loss on the sale of certain coal assets at the Elkay mining operation in West Virginia ("Elkay Assets"). Net sales during the second quarter of 1999 decreased \$43.5 million (32%) compared to the corresponding 1998 quarter.

In the first six months of 1999, the Minerals Group reported a net loss of \$11.3 million compared to a net loss of \$2.0 million in the same period of 1998. In the first six months of 1999 the operating loss totaled \$21.6 million as compared to an operating loss of \$5.2 million in the 1998 period (including a \$2.2 million loss on the sale of certain Elkay Assets). Net sales during the first half of 1999 decreased \$84.6 million (30%) compared to the corresponding 1998 period.

PITSTON COAL

Net sales for Pittston Coal totaled \$87.5 million in the second quarter of 1999 compared to \$130.2 million in the prior year's quarter. The decrease was primarily due to lower Coal Operations sales volume. Pittston Coal reported an operating loss of \$9.3 million in the second quarter of 1999 compared to an operating loss of \$1.7 million in 1998. The operating loss in the second quarter of 1998 included a \$2.2 million loss on the sale of certain Elkay Assets. The decline in operating results was due to reductions in coal margin and other income and increases in inactive employee cost and selling, general and administrative expenses. The increase in selling, general and administrative expenses was the result of increased provisions for accounts receivable, which is discussed in further detail below.

Net sales for Pittston Coal totaled \$193.0 million in the first six months of 1999 compared to \$276.1 million in the same period of 1998. This decrease was primarily due to lower Coal Operations sales volume. Pittston Coal reported an operating loss of \$16.3 million in the first six months of 1999 compared to an operating profit of \$0.8 million in the corresponding 1998 period. This decline in operating results was primarily due to a reduction in coal margin and increases in selling, general and administrative expenses, idle and closed mine cost and inactive employee cost, partially offset by a gain on the settlement of litigation.



Selected financial data for Coal Operations on a comparative basis:

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Coal margin	\$ 5,582	8,666	10,406	20,135
Other operating income	744	1,628	3,523	2,682
Margin and other income	6,326	10,294	13,929	22,817
Idle equipment and closed mines	2,259	2,582	4,080	3,285
Inactive employee costs	8,450	6,740	18,293	13,695
Selling, general and administrative	6,303	4,328	10,584	8,524
Total other costs and expenses	17,012	13,650	32,957	25,504
Total Coal Operations operating loss	\$ (10,686)	(3,356)	(19,028)	(2,687)
Coal sales (tons):				
Metallurgical	957	1,995	2,493	3,926
Steam	1,985	2,312	3,911	5,235
Total coal sales	2,942	4,307	6,404	9,161

(In thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Production/purchased (tons):				
Deep	1,205	1,368	2,529	2,757
Surface	1,094	1,841	2,210	3,810
Contract	401	200	670	442
Purchased	2,700	3,409	5,409	7,009
Total	3,365	4,455	6,853	9,020
Coal margin per ton:				
Realization	\$ 29.10	29.73	29.53	29.69
Current production costs	27.20	27.72	27.91	27.49
Coal margin	\$ 1.90	2.01	1.62	2.20

Coal Operations net sales decreased \$42.4 million in the second quarter of 1999 compared to the same period in 1998. This decline is primarily due to reduced sales volume of 2.9 million tons which represented a reduction of 1.4 million tons (32%) compared to the second quarter of 1998. Steam coal sales in the second quarter of 1999 decreased by 0.3 million tons (14%), to 2.0 million tons and metallurgical coal sales declined by 1.0 million tons (52%), to 1.0 million tons when compared to the second quarter 1998. The steam sales reduction was due primarily to the sale of certain Elkay Assets during the second quarter of 1998 and the closing of a surface mine in Kentucky in the third quarter of 1998. The decline in metallurgical sales was primarily due to continued softness in market conditions resulting from lower worldwide steel production and a strong US dollar relative to the currencies of other coal exporting nations. Steam coal sales represented 67% and 54% of total volume in the second quarter of 1999 and 1998, respectively, reflecting the impact of the significant decline in metallurgical volumes.

For the second quarter of 1999, Coal Operations generated an operating loss of \$10.7 million as compared to an operating loss of \$3.4 million for the same period in 1998. The operating loss in the second quarter of 1998 included the previously mentioned \$2.2 million loss on the sale of certain Elkay Assets. The

lower results were primarily due to a \$3.1 million decrease in total coal margin. In addition, selling, general and administrative expenses (due to an increase in provisions related to accounts receivable) and inactive employee cost increased \$2.0 million and \$1.7 million, respectively, in the second quarter of 1999, compared to the same period in 1998 while other operating income declined \$0.9 million.

Total coal margin for the second quarter of 1999 decreased compared to the 1998 second quarter due to lower sales volume and realizations combined with a net decrease in coal margin per ton. Coal margin per ton decreased to \$1.90 per ton in the second quarter of 1999 from \$2.01 per ton for the 1998 second quarter. This overall change was primarily due to a decrease in metallurgical coal margins. Metallurgical coal margins were negatively impacted in the second quarter of 1999 by lower realizations per ton primarily resulting from the previously mentioned soft market conditions which negatively impacted annual contract negotiations. Steam coal realizations per ton improved slightly in the second quarter of 1999 as compared to the 1998 quarter. However, total steam coal sales were lower as this improvement in price was more than offset by reduced volume as a result of the sale of the Elkay Assets. Steam coal margins per ton also improved over the prior year's quarter as higher realizations per ton were only slightly offset by increased costs per ton. The overall decrease in current production cost of coal sold is largely due to improved performance from the Coal Operation's deep mines.

Metallurgical sales in 1999 are expected to continue to be lower than 1998 levels, due to market conditions, as well as the disadvantage caused by the relative strength of the US dollar versus currencies of other metallurgical coal producing countries. Both of these factors have negatively impacted 1999 contract negotiations for the contract year that commenced April 1, 1999.

Production in the second quarter of 1999 decreased 0.7 million tons over the comparable period in 1998, while purchased coal declined from 1.0 million tons to 0.7 million tons for the second quarter of 1998 and 1999, respectively. Surface production accounted for 41% and 54% of total production in the second quarter of 1999 and 1998, respectively, which reflects the 1998 sale of Elkay Assets as well as the closing of a surface mine in Kentucky.

Other operating income amounted to \$0.7 million in the second quarter of 1999 as compared to \$1.6 million in the comparable period of 1998. This decrease was primarily due to a reduction in gains on sales of property and equipment.

Idle and closed mine costs decreased \$0.3 million during the second quarter of 1999 compared to the same period in 1998. The decrease is mainly due to a \$2.0 million inventory writedown associated with the sale of the Elkay Assets in the 1998 second quarter, offset by costs associated with the first quarter 1999 idlement of a deep mine producing metallurgical coal, which was idled in response to the previously mentioned weak market conditions and is expected to remain idled through the third quarter of 1999. As a result, idle and closed mine costs are expected to reflect this idlement into the next quarter. Barring significant improvements in these market conditions, rising inventory levels could result in further review of capacity requirements.

Inactive employee costs, which primarily represent long-term employee liabilities for pension, black lung and retiree medical costs, increased 25% primarily due to higher costs related to certain long-term benefit obligations as a result of reductions in the amortization of actuarial gains, a decrease in the discount rate used to calculate the present value of the liabilities and higher premiums for the Coal Industry Retiree Benefit Act of 1992. Coal Operations anticipates that costs related to certain of these long-term benefit obligations will continue at these higher levels during 1999.

Selling, general and administrative expenses increased \$2.0 million (46%) over the prior year's quarter as the result of a provision related to the bankruptcy of a significant user of Pittston Coal's metallurgical coal. Selling, general and administrative expenses in the third quarter of 1999 will reflect additional expenses as a result of an organizational restructuring, announced in July, which eliminated approximately 50 positions.

Pittston Coal Management has engaged an outside consultant to perform a comprehensive study of its coal resources. Such study will include an evaluation of the quality, recoverability and economic feasibility of all available reserves and will include recommendations for mining cost improvements. It is currently anticipated that the study will be completed prior to the end of 1999. Management intends to use the results of the study along with its ongoing assessment of current and future coal industry economics to evaluate and, potentially, adjust its current plans to maximize values from specific properties and interests. Decisions to be made by management as a result of this process could affect future earnings and the carrying value of coal-related assets. It is not currently possible to estimate the potential outcome of this assessment or its impact, if any, on the financial position and/or results of operations of the Minerals Group.

Revenues and operating profit from Allied Operations decreased \$0.2 million and \$0.3 million, respectively, for the second quarter of 1999 as compared to the same period in 1998. The decline in operating profit is largely due to lower timber results.

Coal Operations sales decreased \$82.9 million in the first six months of 1999 compared to the same period in 1998 largely as the result of reduced sales volume, which declined 2.8 million tons from the 9.2 million tons sold in the first half of 1998. Compared to the first six months of 1998, steam coal sales in the first half of 1999 decreased by 1.3 million tons (25%), to 3.9 million tons and metallurgical coal sales declined by 1.4 million tons (37%), to 2.5 million tons. The steam sales reduction was due primarily to the sale of Elkay Assets and the closing of a surface mine in Kentucky in the third quarter 1998. The decline in metallurgical sales was primarily due to continued softness in market conditions resulting from lower worldwide steel production and a strong US dollar relative to the currencies of other coal exporting nations. Steam coal sales represented 61% and 57% of total volume in the first six months of 1999 and 1998, respectively.

For the first six months of 1999, Coal Operations generated an operating loss of \$19 million as compared to an operating loss of \$2.7 million for the same period in 1998. The lower results were primarily due to a \$9.7 million decrease in total coal margin. Selling, general and administrative expenses increased by \$2.1 million as a result of the previously mentioned accounts receivable provisions, and other operating income increased by \$0.8 million compared to the second quarter 1998 (reflecting the \$2.5 million net gain from the settlement of litigation). In addition, idle and closed mine costs and inactive employee costs increased \$0.8 million and \$4.6 million, respectively, in the first half of 1999, compared to the same period in 1998, as discussed below.

Total coal margin for the first six months of 1999 decreased compared to the 1998 comparable period primarily due to lower sales volume combined with a decrease in coal margin per ton. Coal margin per ton decreased to \$1.62 per ton in the first half of 1999 from \$2.20 per ton for the 1998 period. This overall change was primarily due to a decrease in metallurgical coal margins. Metallurgical coal margins were negatively impacted in the first half of 1999 by lower realizations per ton primarily resulting from the previously mentioned soft market conditions. In addition, coal margin per ton in the first six months of 1998 included a \$0.14 per ton benefit related to a favorable ruling issued by the US Supreme Court on the unconstitutionality of the Harbor Maintenance Tax while the first six months of 1999 included the \$0.16 per ton benefit of the judgment rendered by the US District Court for the Eastern District of Virginia, regarding the constitutionality of the federal black lung excise tax, since Coal Operations no longer had to accrue the tax (as more fully discussed below).

Production in the first six months of 1999 decreased 1.6 million tons over the comparable period in 1998, while purchased coal declined from 2.0 million tons for the first six months of 1998 to 1.4 million tons for the corresponding 1999 period. Surface production accounted for 41% and 54% of total production in the first half of 1999 and 1998, respectively, and reflected the sale of Elkay Assets as well as the closing of a surface mine in Kentucky.

Other operating income, which primarily includes gains and losses on sales of property and equipment and third party royalties, amounted to \$3.5 million in the first six months of 1999 as compared to \$2.7 million in the comparable period of 1998. This increase was primarily due to a \$2.5 million gain from the settlement of litigation, offset by decreases in gains on sales of property and equipment and third party royalties.

Idle and closed mine costs increased \$0.8 million during the first six months of 1999. The increase was due to the first quarter 1999 idlement of a deep mine producing metallurgical coal, in response to the previously mentioned weak market conditions, as well as additional costs at other idle mines, offset by the \$2.0 million inventory writedown associated with the sale of the Elkay Assets in 1998.

Inactive employee costs increased 34% from the first six months of 1998 to the same period in 1999, primarily due to higher costs related to certain long-term benefit obligations as a result of reductions in the amortization of actuarial gains, a decrease in the discount rate used to calculate the present value of the liabilities and higher premiums for the Coal Industry Retiree Benefit Act of 1992.

Revenues and operating profit from the Allied Operations decreased \$0.1 million and \$0.8 million, respectively, for the first six months of 1999 as compared to the same period in 1998. The lower operating profit in 1999 was largely due to depressed natural gas prices and decreased production as well as lower timber results.

On February 10, 1999, the US District Court for the Eastern District of Virginia entered a final judgment in favor of certain of the Company's subsidiaries, ruling that the federal black lung excise tax ("FBLET") imposed under Section 4121 of the Internal Revenue Code is unconstitutional as applied to export coal sales and ordering a refund to the subsidiaries of approximately \$0.7 million (plus interest) for the FBLET that those companies paid for the quarter ended March 31, 1997. The government did not appeal the judgment before the April 12, 1999 deadline for noticing an appeal. The Company will seek refunds of the FBLET it paid on export coal sales for all open statutory periods. The ultimate amounts and timing of such refunds, if any, cannot be determined at the present time. The benefit of this judgment as applied to export coal sales for the first half of 1999 is reflected in the production costs of coal sold (\$1 million), since Coal Operations no longer had to accrue the tax.

As reported in the first quarter 1999, a controversy involving an unrelated party with respect to a method of mining called "mountaintop removal" that began in mid-1998 in West Virginia has resulted in a substantial delay in the process of issuing mining permits, including those unrelated to mountaintop removal. As a result, there has been a delay in Vandalia Resources, Inc. ("Vandalia"), a wholly-owned subsidiary of Pittston Coal, being issued, in a timely fashion, mining permits necessary for its uninterrupted mining. Vandalia requires the issuance of two permits to ensure uninterrupted production throughout 1999. Vandalia obtained the first permit on April 15, 1999. Expedient development under the first permit is expected to allow for uninterrupted production through the end of August 1999. Management believes that it is reasonably likely that the second permit will be approved. However, there is no assurance that the permit will be issued or of the ultimate timing of the issuance. Management currently anticipates a production shortfall is reasonably likely to occur beginning in September 1999. Affected employees have been notified of potential production interruptions. During the year ended December 31, 1998, Vandalia produced approximately 2.7 million tons of coal resulting in revenues of approximately \$81.8 million and contributed significantly to coal margin.

Coal Operations continues cash funding for charges recorded in prior years for facility closure costs recorded as restructuring and other charges in the Statement of Operations. The following table analyzes the changes in liabilities during the first six months quarter of 1999 for such costs:

(In thousands)	Mine and Plant Closure Costs	Employee Termination, Medical and Severance Costs	Total
Balance as of December 31, 1998	\$ 8,906	16,307	25,213
Payments	1,130	678	1,808
Balance as of June 30, 1999	\$ 7,776	15,629	23,405

#### MINERAL VENTURES

	Three Months Ended 1999	June 30 1998	Six Months Ended 1999	June 30 1998
Stawell Gold Mine:				
Mineral Ventures' 50% direct share:				
Ounces sold	12,132	11,809	23,210	22,955
Ounces produced	12,442	11,743	23,095	22,899
Average per ounce sold (US\$):				
Realization	\$ 285	357	287	356
Cash cost	235	219	247	213





Mineral Ventures primarily consists of a 50% direct interest in the Stawell gold mine ("Stawell") in Western Victoria, Australia. The remaining 50% interest in Stawell is owned by Mining Project Investors ("MPI"). In addition, Mineral Ventures has a 45% ownership interest in its joint venture partner MPI (40% on a fully diluted basis).

Mineral Ventures generated net sales during the second quarter of 1999 of \$3.5 million, an 18% decrease from the \$4.2 million reported in the second quarter of 1998. The decrease in net sales resulted from the year-over-year decline in the market price of gold. As of June 30, 1999, Mineral Ventures gold realizations have declined approximately 20% over the year ago price, reflecting the continued deterioration in the market price of gold. Operating loss for the second quarter of 1999 was \$1.2 million compared to an operating loss of \$0.3 million in the same period last year. The operating loss during the second quarter of 1999 was negatively impacted by lower realizations and higher production costs due primarily to inefficiencies during the installation of a new ventilation shaft, partially offset by increased equity income from MPI. The cash cost per ounce of gold sold increased from \$219 in the second quarter of 1998 to \$235 in the second quarter of 1999, reflecting higher production costs and the exchange rate impact of a slightly stronger Australian dollar as compared to the second quarter of 1998.

Mineral Ventures generated net sales during the first six months of 1999 of \$6.7 million, a 19% decrease from the \$8.2 million reported in the first six months of 1998, reflecting the previously mentioned year-over-year decline in the market price of gold. Mineral Ventures generated an operating loss of \$2.0 million for the first six months of 1999 compared to an operating loss of \$0.3 million in the same period last year. The cash cost per ounce of gold sold increased from \$213 in the first six months of 1998 to \$247 in the same period of 1999. Production costs in the first six months of 1999 were negatively impacted by a high percentage of low grade ore milled during the first quarter and, as mentioned above, by inefficiencies resulting from the installation of a ventilation shaft during the period, which resulted in poor productivity. Increased equity income from MPI partially offset the increased operating losses of the gold mine.

#### FOREIGN OPERATIONS

A portion of Mineral Ventures' financial results is derived from activities in Australia, which has a local currency other than the US dollar. Because the financial results of Mineral Ventures are reported in US dollars, they are affected by changes in the value of the foreign currency in relation to the US dollar. Rate fluctuations may affect transactions that are denominated in the Australian dollar. Mineral Ventures, from time to time, uses foreign currency forward contracts to hedge a portion of the currency risks associated with these transactions. Mineral Ventures routinely enters into such transactions in the normal course of its business.

The Minerals Group is also subject to other risks customarily associated with doing business in foreign countries, including labor and economic conditions.

#### CORPORATE EXPENSES

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 a reasonable and equitable estimate of the costs attributable to the Minerals Group. These attributions were \$1.7 million and \$2.0 million for the second quarter of 1999 and 1998, respectively and \$3.3 million and \$5.7 million for the first six months of 1999 and 1998, respectively. Corporate expenses in the first six months of 1998 included additional expenses of approximately \$5.8 million related to a retirement agreement between the Company and its former Chairman and CEO. Approximately \$1.8 million of this \$5.8 million of expenses were attributed to the Minerals Group. Corporate expenses in the 1998 second quarter also included costs associated with a severance agreement with a former member of the Company's senior management.

#### OTHER OPERATING INCOME, NET

Other operating income, net which primarily includes gains and losses on sales of property and equipment and royalties, decreased \$0.7 million for the quarter ended June 30, 1999 from the prior year quarter primarily as a result of lower gains on sales of fixed assets. Other operating income, net increased \$1.4 million for the year-to-date period primarily due to a gain from the settlement of litigation.

#### INTEREST EXPENSE, NET

Interest expense, net for the second quarter of 1999 and 1998 was approximately \$2.2 million and \$2.1 million, respectively, and \$4.0 million and \$4.4 million for the first six months of 1999 and 1998, respectively, primarily the result of lower average interest rates.

#### INCOME TAXES

In both the 1999 and 1998 periods presented, a credit for income taxes was recorded due primarily to pre-tax losses and the benefits of percentage depletion.

#### FINANCIAL CONDITION

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. Management believes this attribution to be a reasonable and equitable estimate of the costs attributable to the Minerals Group.

#### CASH FLOW REQUIREMENTS

Cash provided by operating activities approximated \$21.0 million in the first six months of 1999 as compared to cash used of \$24.9 million in the first six months of 1998. Lower cash earnings were more than offset by a decrease in the amount required to fund operating assets and liabilities, largely due to fluctuations in accounts receivable. These fluctuations primarily relate to reduced coal sales and, to a lesser extent, improved collections.

#### INVESTING ACTIVITIES

Cash capital expenditures for the first six months of 1999 and 1998 totaled \$8.7 million and \$12.8 million, respectively. Of the 1999 amount of cash capital expenditures, \$6.5 million was spent by Pittston Coal and \$2.2 million was spent by Mineral Ventures. For the full year 1999, the Minerals Group's cash capital expenditures are expected to range between \$20 million and \$25 million. The foregoing amounts exclude expenditures that have been or are expected to be financed through capital leases and any acquisition expenditures. During the second quarter of 1998, Coal Operations disposed of certain Elkay Assets for cash proceeds approximating \$18 million.

#### FINANCING

The Minerals Group intends to fund cash capital expenditures through anticipated cash flow from operating activities or through operating leases if the latter are financially attractive. Shortfalls, if any, will be financed through the Company's revolving credit agreements, other borrowing arrangements or borrowings from the Brink's Group.

Financing activities in the first six months of 1999 included the repurchase of 0.08 million shares (or 0.8 million depository shares) of the Company's Series C Convertible Preferred Stock for approximately \$21.0 million. This repurchase was funded through the Facility, as defined below.

Cash used in financing activities was \$11.9 million for the first six months of 1999, compared with cash provided by financing activities of \$18.9 million for the same period in 1998. The 1998 levels reflect additional borrowings primarily required to fund operations.

The 1999 period includes additional borrowings under the Facility, primarily used to finance the purchase of the Company's Preferred Stock (discussed in more detail below).

The Company has a \$350.0 million credit agreement with a syndicate of banks (the "Facility"). The Facility includes a \$100.0 million term loan and also permits additional borrowings, repayments and reborrowings of up to an aggregate of \$250.0 million. As of June 30, 1999 and December 31, 1998, borrowings of \$100.0 million were outstanding under the term loan portion of the Facility and \$148.9 million and \$91.6 million, respectively, of additional borrowings were outstanding under the remainder of the Facility. Of the outstanding amounts under the Facility at June 30, 1999, and December 31, 1998, \$172.8 million and \$130.7 million, respectively, were attributed to the Minerals Group.

#### RELATED PARTY TRANSACTIONS

At June 30, 1999, under an interest bearing borrowing arrangement, the Minerals Group owed the Brink's Group \$10.5 million, a decrease of \$9.8 million from the \$20.3 million owed at December 31, 1998. The Minerals Group did not owe any amounts to the BAX Group at June 30, 1999 or December 31, 1998.

At June 30, 1999, the Brink's Group owed the Minerals Group \$10.1 million compared to \$12.9 million owed at December 31, 1998 for tax benefits utilized by the Brink's Group in accordance with the Company's tax sharing policy. Approximately \$9.0 million is expected to be paid within one year. Also at June 30, 1999, the BAX Group owed the Minerals Group \$22.7 million compared to the \$20.4 million at December 31, 1998 for tax benefits utilized by the BAX Group. Approximately \$9.0 million is expected to be paid within one year.

#### MARKET RISKS AND HEDGING AND DERIVATIVE ACTIVITIES

Mineral Ventures has activities in Australia, which has a local currency other than the US dollar. These activities subject Mineral Ventures to certain market risks, including the effects of changes in foreign currency exchange rates. In addition, the Minerals Group consumes and sells certain commodities in its businesses, exposing it to the effects of changes in the prices of such commodities. These financial and commodity exposures are monitored and managed by Mineral Ventures as an integral part of its overall risk management program, which seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. The Minerals Group has not had any material changes in its market risk exposures since December 31, 1998.

#### READINESS FOR YEAR 2000: SUMMARY

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. If not corrected, many date-sensitive applications could fail or create erroneous results by or in the year 2000. The Minerals Group understands the importance of having systems and equipment operational through the year 2000 and beyond and is committed to addressing these challenges while continuing to fulfill its business obligations to its customers and business partners. Both Pittston Coal and Mineral Ventures have established Year 2000 Project Teams intended to make their information technology assets, including embedded microprocessors ("IT assets"), non-IT assets, products, services and infrastructure Year 2000 ready.

#### READINESS FOR YEAR 2000: STATE OF READINESS

The Minerals Group Year 2000 Project Team has divided its Year 2000 readiness program into four phases: (i) assessment, (ii) remediation/replacement, (iii) testing and (iv) integration. At June 30, 1999, the majority of the Minerals Group's core IT assets are either already Year 2000 ready or in the testing or integration phases. Certain systems that have already been remediated are scheduled to be replaced with more functional software. The replacement systems will be tested and integrated by year-end 1999. The Minerals Group plans to have completed all phases of its Year 2000 readiness program on a timely basis prior to Year 2000. As of June 30, 1999, approximately 95% of hardware systems and embedded systems have been tested and verified and/or certified as Year 2000 ready.

As part of its Year 2000 project, Pittston Coal and Mineral Ventures have sent comprehensive questionnaires to significant suppliers (particularly suppliers of energy and transportation services), customers and others with which they do business, regarding their Year 2000 readiness and are attempting to identify significant problem areas with respect to these business partners. As of June 30, 1999, based on questionnaire responses to date, no potential problems have been identified that would materially affect Minerals Group operations. The Minerals Group is relying on such third parties representations regarding their own readiness for Year 2000. The Minerals Group is assessing and will continue to assess throughout 1999, the extent to which potential problems associated with business partners may have a material adverse impact on its operations.

Further, the Minerals Group relies upon government agencies, utility companies, rail carriers, telecommunication service companies and other service providers outside of the Minerals Group's control. As with most companies, the companies of the Minerals Group are vulnerable to significant suppliers' inability to remedy their own Year 2000 issues. As the Minerals Group cannot control the conduct of its customers, suppliers and other third parties, there can be no guarantee that Year 2000 problems originating with a supplier or another third party will not occur.

READINESS FOR YEAR 2000: COSTS TO ADDRESS

The Minerals Group anticipates incurring remediation and acceleration costs for its Year 2000 readiness programs. Remediation includes the identification, assessment, modification and testing phases of the Year 2000 readiness program. Remediation costs include both the costs of modifying existing software and hardware as well as purchases that replace existing hardware and software that is not Year 2000 ready. Acceleration includes costs to purchase and/or develop and implement certain information technology systems whose implementation has been accelerated as a result of the Year 2000 readiness issue.

Total anticipated remediation and acceleration costs are detailed in the table below:

(Dollars in millions)

ACCELERATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 1.6	0.2	1.8
Incurred through June 30, 1999	1.1	0.2	1.3
Remainder	\$ 0.5	0.0	0.5

REMEDIATION	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ -	0.2	0.2
Incurred through June 30, 1999	-	0.1	0.1
Remainder	\$ -	0.1	0.1

TOTAL	Capital	Expense	Total
Total anticipated Year 2000 costs	\$ 1.6	0.4	2.0
Incurred through June 30, 1999	1.1	0.3	1.4
Remainder	\$ 0.5	0.1	0.6

READINESS FOR YEAR 2000: THE RISKS OF THE YEAR 2000 ISSUE

The Minerals Group believes that its internal information technology systems will be renovated successfully prior to year 2000. Critical systems that would cause the greatest disruption to the organization have been identified and remediated. The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Management currently believes such failures should have no material or significant adverse effect on the results of operations, liquidity or financial condition of the Minerals Group.

The Minerals Group believes it has identified its likely worst case scenario. The Minerals Group's likely worst case scenario, assuming no external failures such as power outages or delays in railroad transportation services, could be delays in invoicing customers and paying vendors. This likely worst case scenario, should it occur, is not expected to result in a material impact on the Minerals Group's financial statements. The Minerals Group production of coal and gold is not heavily dependent on computer technology and would continue with limited impact.

READINESS FOR YEAR 2000: CONTINGENCY PLAN

During the second quarter of 1999, the Minerals Group initiated contingency planning for dealing with its most reasonably likely worst case scenario. The foundation for the Minerals Group's Year 2000 Program is to ensure that critical systems are renovated/replaced and tested prior to when a Year 2000 failure might occur if the program were not undertaken. As of June 30, 1999, critical systems have been tested and verified as Year 2000 ready. Year 2000 is the number one priority within the Minerals Group's IT organization with full support of the Group's executive management. In addition, as a normal course of business, the Minerals Group maintains and deploys contingency plans designed to address various other potential business interruptions. These plans may be applicable to address the interruption of support provided by third parties resulting from their failure to be Year 2000 ready.



READINESS FOR YEAR 2000: FORWARD LOOKING INFORMATION

This discussion of the Minerals Group's readiness for Year 2000, including statements regarding anticipated completion dates for various phases of the Minerals Group's Year 2000 project, estimated costs for Year 2000 readiness, the determination of likely worst case scenarios, actions to be taken in the event of such worst case scenarios and the impact on the Minerals Group of any delays or problems in the implementation of Year 2000 initiatives by the Minerals Group and/or any public or private sector suppliers and service providers and customers involve forward looking information which is subject to known and unknown risks, uncertainties, and contingencies which could cause actual results, performance or achievements, to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the Minerals Group, include, but are not limited to, government regulations and/or legislative initiatives, variation in costs or expenses relating to the implementation of Year 2000 initiatives, changes in the scope of improvements to Year 2000 initiatives and delays or problems in the implementation of Year 2000 initiatives by the Minerals Group and/or any public or private sector suppliers and service providers and customers.

CAPITALIZATION

The Company has three classes of common stock: Minerals Stock; Pittston Brink's Group Common Stock ("Brink's Stock") and Pittston BAX Group Common Stock ("BAX Stock") which were designed to provide shareholders with separate securities reflecting the performance of the Minerals Group, Brink's Group and BAX Group, respectively, without diminishing the benefits of remaining a single corporation or precluding future transactions affecting any of the Groups. The Minerals Group consists of the Coal Operations and Mineral Ventures operations of the Company. The Brink's Group consists of the Brink's, Incorporated ("Brink's") and the Brink's Home Security, Inc. ("BHS") operations of the Company. The BAX Group consists of the BAX Global Inc. ("BAX Global") operations of the Company. The Company prepares separate financial statements for the Minerals, Brink's and BAX Groups in addition to consolidated financial information of the Company.

Under the share repurchase programs authorized by the Board of Directors (the "Board"), the Company purchased the following shares in the periods presented:

(Dollars in millions, shares in thousands)		Three Months Ended June 30 1999	1998	Six Months Ended June 30 1999	1998
-----					
Convertible Preferred Stock:					
Shares		-	-	83.9	0.4
Cost	\$	-	-	21.0	0.1
Excess carrying amount (a)	\$	-	-	19.2	-
-----					

(a) The excess of the carrying amount of the Series C Convertible Preferred Stock (the "Convertible Preferred Stock") over the cash paid to holders for repurchases made during the periods. This amount is deducted from preferred dividends in the Company's Statement of Operations.

On March 12, 1999, the Board increased the remaining authority to purchase its Convertible Preferred Stock by \$4.3 million. On March 15, 1999, the Company purchased .08 million shares (or .8 depository shares) of its Convertible Preferred Stock for \$21.0 million. The Convertible Preferred Stock is convertible into Minerals Stock and has an annual dividend rate of \$31.25 per share. Preferred dividends included on the Company's Statement of Operations for the six months ended June 30, 1999 are net of the \$19.2 million, which is the excess of the carrying amount of the Convertible Preferred Stock over the cash paid to the holders of the Convertible Preferred Stock. The cash flow requirements and proceeds and the costs of the Convertible Preferred Stock have been attributed to the Minerals Group.

As of June 30, 1999, the Company had remaining authority to purchase 1.0 million shares of Minerals Stock and an additional \$7.6 million of its Convertible Preferred Stock. The remaining aggregate purchase cost limitation for all common stock was \$22.2 million as of June 30, 1999.

#### DIVIDENDS

The Board intends to declare and pay dividends, if any, on Minerals Stock based on the earnings, financial condition, cash flow and business requirements of the Minerals Group. Since the Company remains subject to Virginia law limitations on dividends, losses by the Brink's or the BAX Group could affect the Company's ability to pay dividends in respect of stock relating to the Minerals Group. Dividends on Minerals Stock are also limited by the Available Minerals Dividend Amount as defined in the Company's Articles of Incorporation. The Available Minerals Dividend Amount may be reduced by activity that reduces shareholder's equity or the fair value of net assets of the Minerals Group. Such activity includes net losses by the Minerals Group, dividends paid on the Minerals Stock and the Convertible Preferred Stock, repurchases of Minerals Stock and the Convertible Preferred Stock, and foreign currency translation losses. In May 1998, the Company reduced the dividend rate on Minerals Stock to 10.0 cents per year per share for shareholders as of the May 15, 1998 record date. As a result of recent performance of the Minerals Group and coal industry conditions, as well as consideration of financial condition, cash flow and business requirements, including the Available Minerals Dividend Amount, the Board declined to declare a quarterly dividend on Minerals Stock at its May 1999 and July 1999 meetings. Dividends on the remaining Convertible Preferred Stock were declared.

During the first six months of 1999 and 1998, the Board declared and the Company paid cash dividends of 2.5 cents and 18.75 cents, respectively, per share of Minerals Stock. Dividends paid on the Convertible Preferred Stock in the first six months of 1999 and 1998 were \$1.1 million and \$1.8 million, respectively.

#### ACCOUNTING CHANGES

As of January 1, 1999, the Company adopted AICPA Statement of Position ("SOP") No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP No. 98-5, which provides guidance on the reporting of start-up costs and organization costs, requires that such costs be expensed as incurred. The Minerals Group has determined that capitalized mine development costs for its gold and coal mining operations relate to acquiring and constructing long-lived assets and preparing them for their intended use. Accordingly, the adoption of SOP No. 98-5 had no material impact on the results of operations.

#### FORWARD LOOKING INFORMATION

Certain of the matters discussed herein, including statements regarding coal sales, coal and gold market conditions, idle equipment and closed mine costs, review of capacity requirements, selling, general and administrative cost increases, cost of long-term employee liabilities, the outcome and potential financial impact of Pittston Coal's coal asset study, expedition of mining permit approvals, readiness for Year 2000 and repayment of borrowings to the Minerals Group, involve forward looking information which is subject to known and unknown risks, uncertainties and contingencies which could cause actual results, performance and achievements, to differ materially from those which are anticipated. Such risks, uncertainties and contingencies, many of which are beyond the control of the Minerals Group and the Company, include, but are not limited to, overall economic and business conditions, the demand for the Minerals Group's products, geological conditions, the outcome of Pittston Coal's coal asset study, pricing, and other competitive factors in the industry, new government regulations and/or legislative initiatives, required permits and approvals, variations in the spot prices of coal, the ability of counter parties to perform, changes in the scope of Year 2000 initiatives and delays or problems in the implementation of Year 2000 initiatives by the Minerals Group and/or any public or private sector suppliers, service providers and customers.



PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Registrant's annual meeting of shareholders was held on May 7, 1999.
- (b) Not required.
- (c) The following persons were elected for terms expiring in 2002, by the following votes:

	For ---	Withheld -----
M. C. Breslawsky	52,278,407	712,267
W. F. Craig	52,297,385	693,290
G. Grinstein	52,254,863	735,811

The selection of KPMG LLP as independent certified public accountants to audit the accounts of the Registrant and its subsidiaries for the year 1999 was approved by the following vote:

For ---	Against -----	Abstentions -----
52,467,276	362,483	160,915

The amendment of the Registrant's 1994 Employee Stock Purchase Plan was approved by the following vote:

For ---	Against -----	Abstentions -----
51,583,243	630,713	776,718

The amendment of the Registrant's Key Employees Incentive Plan was approved by the following vote:

For ---	Against -----	Abstentions -----
47,712,539	2,579,432	2,698,704

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits:

Exhibit  
Number

27 Financial Data Schedule

- (b) There were no reports on Form 8-K were filed during the second quarter of 1999.

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 10, 1999

By /s/ Robert T. Ritter

-----  
Robert T. Ritter  
(Vice President -  
Chief Financial Officer)

This schedule contains summary financial information from The Pittston Company Form 10Q for the six months ended June 30, 1999, and is qualified in its entirety by reference to such financial statements.

1,000

6-MOS

	DEC-31-1999	
	JUN-30-1999	
		79,005
		1,216
		574,093
		34,723
		51,388
		799,876
		1,473,764
		603,896
		2,335,519
	774,902	
		334,441
		70,872
	0	
		296
		668,339
2,335,519		
		199,709
	1,927,170	
		211,415
		1,881,627
		0
		7,884
		19,507
		37,664
		9,082
	28,582	
		0
		0
		0
		28,582
		0
		0

Pittston Brink's Group - Basic - 0.93    Pittston BAX Group - Basic - 0.18  
Pittston Minerals Group - Basic - 0.78    Pittston Brink's Group - Diluted -  
0.93    Pittston BAX Group - Diluted - 0.18    Pittston Minerals Group - Diluted -  
(1.17)