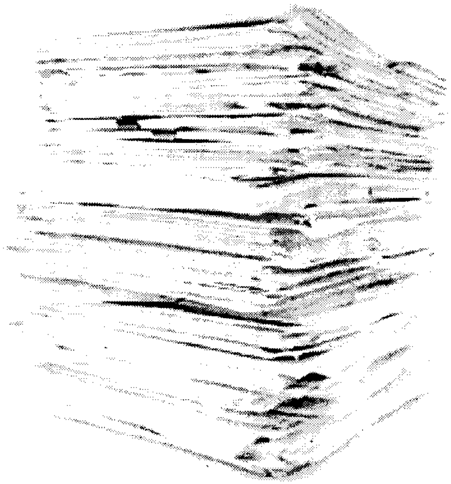

BULKY DOCUMENTS

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(Exceeds 300 pages)

Proceeding/Serial No: 91164764

Filed: 12-15-2008

Title: Memorandum in Opposition to Applicant's Motion for Partial Summary Judgment to Dismiss Opposer's Claim of Dilution

Part 2 of 2

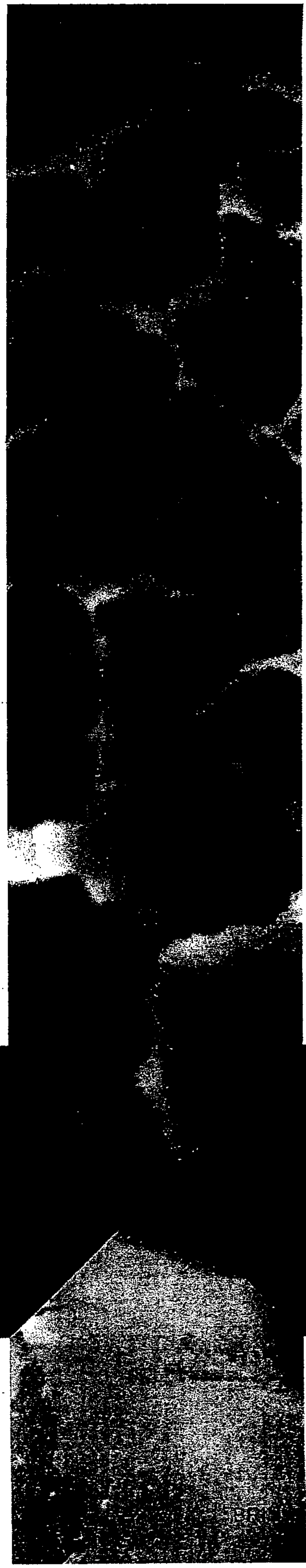
Document contains Appendix S (Book: The Romance of Moving Money: Brink's Inc.).

Processed by Duane Foster

APPENDIX M

The Pittston Company
Forty-Seventh Annual Report

PITTSTON 1976



APPENDIX M

Highlights

	1976	1975
Net tons of coal produced	**17,102,000**	18,554,000
Barrels of petroleum products sold	**38,873,000**	34,790,000
Net sales and operating revenues	**$1,415,451,000**	$1,504,222,000
Net income	**146,372,000**	200,146,000
Net income per share	**3.91(A)**	5.36(A)
Cash dividends	**40,365,000**	28,725,000
Stock dividends	**26,994,000**	22,989,000
Total dividends	**67,359,000**	51,714,000
Depreciation, depletion and amortization	**41,863,000**	37,178,000
Expenditures for property, plant and equipment, including acquisitions	**109,586,000**	76,264,000
At Year End		
Total assets	**$ 951,121,000**	$ 890,246,000
Working capital	**297,004,000**	272,894,000
Net property, plant and equipment	**371,452,000**	304,953,000
Long-term debt	**75,855,000**	93,990,000
Shareholders' equity	**602,887,000**	495,826,000
Book value per common share	**16.12(A)**	13.29(A)
Common shares outstanding (average)	**37,411,000(A)**	37,321,000(A)
Number of employees	**17,560**	17,896
Number of shareholders	**17,900**	16,910

(A) Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

Table of Contents

The Pittston Company

Description of Business

The Pittston Company is a diversified company with interests in the mining and marketing of bituminous coal; distribution and marketing of fuel oil; Brink's armored car security services; and trucking and warehousing.

The cover design illustrates raw metallurgical coal, raw metallurgical coke and their mutual relationship. The coal is recognizable as it is mined from an underground seam. The coke is pictured as it is pushed from a coke oven at the completion of the coking cycle, obviously still very hot, yet with the desired strong coke structure readily apparent. Metallurgical coal—used in making coke for use in the steel making process—is the primary business of The Pittston Company.

"Sales and earnings achieved excellent levels, second only to our record performance in 1975. . . ."

To the Shareholders of The Pittston Company:

Your company completed the year 1976 with results that fell in line with our original expectations. Sales and earnings achieved excellent levels, second only to our record performance of 1975, which remains a benchmark in our 47-year history.

Consolidated net sales and operating revenues for 1976 were $1,415,451,000 compared to 1975's record $1,504,222,000, a decline of six percent.

Net income was $146,372,000 in 1976, or $3.91 per share, 27 percent below the record $200,146,000, or $5.36 per share, set in 1975. These per share results have been adjusted for all stock dividends and distributions, including the two percent stock dividend declared by the Board of Directors in December 1976 and paid to shareholders on February 1, 1977.

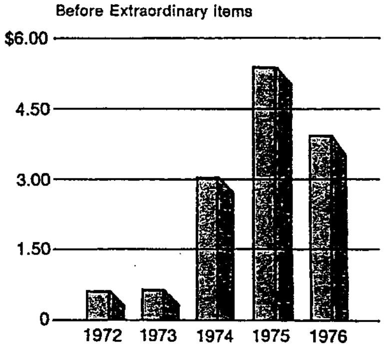
The soundness of the company's financial position also led the Board to increase the regular quarterly cash dividend rate from 20 to 25 cents and declare an extra cash dividend of 25 cents per share. These cash dividends also were paid to shareholders on February 1, 1977. It was the 117th consecutive quarterly cash dividend paid by Pittston.

During the first half of 1976, domestic steel production recovered from the lower operating rates experienced in 1975, and we were hopeful that this recovery would be sustained through the balance of the year. Unfortunately, the upturn virtually disappeared and steel operating rates fell to the low levels experienced in the recent recession and remained there into the first quarter of this year. At the same time, steel production in Europe and Japan remained at low levels, and hoped-for signs of improvement have not materialized.

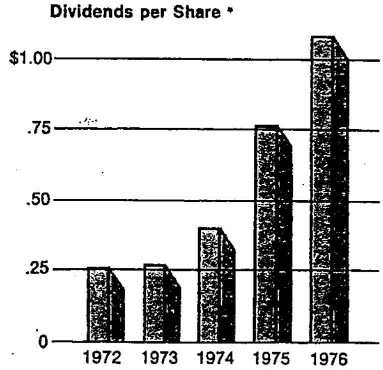
Pittston's high quality metallurgical coal traditionally has been favored in the world market place for the manufacture of coke. For this reason, we receive a premium price for our coal. At the present time, high coke inventories, full coal stock piles, and continuing low rates of steel production are inducing some of our customers to purchase some lower priced coal. This could eventually affect our production rates. The current period of slack steel demand is as unusual as was the rapid escalation of metallurgical coal prices in 1974. However, we are optimistic that the economies of the United States, Canada, Europe and Japan have stabilized and will gradually make their way forward in the months to come.

Our production for the year was eight percent below 1975's production level. Much of the decline is attributable to absenteeism, lower productivity and illegal wildcat strikes, especially those that cut production severely in July and August. Production in the last quarter of the year was impaired by extremely cold weather conditions. The weather worsened in January, 1977 into the coldest winter ever recorded in the eastern half of the United States. Preparation plant operations, which utilize large quantities of water, and railroad shipments of coal were severely curtailed and the effects will have

Net Income per Share*
Before Extraordinary Items



Dividends per Share *



*Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

"We look toward the future with great optimism as the nation and world begin to turn toward the renewed use of coal as a major source of energy."

boxing champion of the world, served on the Board for 23 years.

We are proud that two outstanding business leaders joined our Board in 1976. Frank Nugent, former chairman of The Freeman United Coal Company, was elected in June, and Francis J. Palamara, executive vice president and chief operating officer of the New York Stock Exchange, was elected in December.

In addition to our new Board members, we added strength to our management team at various levels throughout the year. Raymond E. Exum, Jr., joined Pittston in April as executive vice president, coal. He has been involved in the coal industry for the past 25 years and currently serves as chairman of the Bituminous Coal Research Institute. Gerald Swanson, who joined the Coal Group management team as vice president, operations early in 1976, will succeed I. C. Spotte, the retiring president of the Group, April 1, 1977. Mr. Spotte, who served as president for the past 11 years, has been a key to the success of our coal operations and we are fortunate that he will continue to provide his advice as a special consultant. Another change in management took place at the United States Distribution Group, Inc. when Walter J. Barilari was elected president and chief executive officer of our trucking and warehousing subsidiary. Mr. Barilari joined the Group in 1975 as an executive vice president.

These new team members, as well as many others who have been promoted to positions of greater responsibility, or who have joined us this past year, will play an important role in preparing our company for the era ahead. Our future success, as our past success, depends on the continued responsiveness and loyalty of our employee team—support which the Board and management deeply appreciate.

We look toward the future with great optimism as the nation and world begin to turn toward the renewed use of coal as a major source of energy. We at Pittston are committed to helping our industry provide responsible leadership in setting new energy and environmental priorities while we continue to be a primary producer of metallurgical coal for the world's steel industry.

N. T. Camicia

N. T. Camicia
Chairman, President and Chief Executive Officer

March 8, 1977

J. P. Routh: An Era of Growth

In 1938, New York banker Robert R. Young and industrialist Allan P. Kirby were putting together the pieces of the collapsed Alleghany Corporation, a vast holding company primarily with railroad and coal producing subsidiaries.

One of those subsidiaries—The Pittston Company—was near bankruptcy. The common stock of this anthracite coal mining and distribution firm, which sold for $20 per share when it was founded in 1930, was selling for 12½ cents per share.

Messrs. Young and Kirby knew the only way to save the company was to give it new management and leadership. Their candidate to become chairman was a self-made business man, who founded his own successful wholesale coal company in New York in 1922. It was not easy for them to convince him to take the job. But they did, and on January 11, 1939, Joseph P. Routh, at the age of 45, became chairman of The Pittston Company.

For the next 37 years, he provided the leadership that helped build Pittston into the nation's leading independent producer of coal and a leading company in the exclusive Fortune 500 list. The Pittston Company ranked 37th in net income and 137th in sales on that list in 1975. For the ten-year period between 1965 and 1975, it ranked fifth in total return to investors and sixth in growth rate of earnings per share.

Mr. Routh was born in Harlem on November 11, 1893. His father died when he was seven and his mother when he was 17. He attended high school in Harlem for three years before taking a job as a repairman for the New York Telephone Company. That job and city life turned him to dreaming of becoming a farmer. In 1914 he entered the freshman class at Cornell to study entomology and rode a freight train part way to Ithaca to conserve the little spending money he had. His acumen for business came to light soon after he arrived at Cornell. For his first year he earned room and board by working in a boarding house. By his second year he owned a boarding house and started a night food service for students on campus. He employed students to sell sandwiches, cigarettes, soft dri[n]
and other popular campus item[s]

World War I came along befo[re] he could graduate and he went to serve in the United States Ar[my] in France.

He served two years before re[-] turning to New York to a job as office boy with a steamship com[-] pany. A year later he was an offi[ce] boy for a coal company and, in two more years, started his own company—the J. P. Routh Corp[ora-] tion. The rest is history.

Those who know "J. P.", incl[ud-] ing his peers and those who wo[rk] for him, can easily understand w[hy] Pittston grew so dramatically. H[e is] a man who sees the future befo[re] most others. His 1956 speech b[efore] the Newcomen Society of North America in New York gives evid[ence] of this.

> *"We, in The Pittston Compa[ny," he told the society's national d[in-] ner meeting, "look forward wi[th] confidence and enthusiasm to [the] future. Our philosophy is to b[e] a company that will produce a[nd] distribute the basic raw materi[als] from which energy is derived, [be-] cause, as we believe in the fu[ture] of America, so do we believe t[hat] same future will require a trem[en-] dous expansion of its energy requirements."*

He foresaw the growing need [of] the world's steel industry for premium quality metallurgical coal. Under his guidance, in the early 1940s, the company began the search for rich bituminous reser[ves]

BRINKS009318

"I am very thankful to this great country of ours for giving me the opportunity. . . ."

and shifted away from anthracite production. His own story of how he negotiated to buy for Pittston one of the richest deposits of metallurgical coal in the world reveals his persistence in seeking a goal:

"Back in 1906, Ledyard Blair, Thomas Fortune Ryan, and George L. Carter organized a syndicate that merged several coal companies into Clinchfield Coal Corporation, with an aggregate of about 300,000 acres containing a billion tons of coal reserves, concentrated in three counties in southwest Virginia. Mr. Blair, who controlled Clinchfield, looked upon his investment as a long term possession of wealth in the form of natural resources. Envious eyes had been cast on these reserves by other coal companies, but efforts to lease or buy any of the acreage always were rebuffed.

"This then would be the ideal coal company for us if we could only buy control. The stock of Clinchfield was selling on the Curb Exchange, at that time in late 1943, for about $11 a share and had ranged from $1 to $9 over the preceding thirteen years. We knew that these reserves of coal if properly developed were far more valuable than this, but because of the situation it would take an outstanding offer to arouse the interest of the owners of this stock. Through a friend of Mr. Blair, we then offered to buy the stock for $30 a share in cash. Mr. Blair had purchased approximately 54,000 shares of Clinchfield for $5 a share from the Thomas Fortune Ryan estate two years previously. Therefore, when he received our offer he instructed his attorneys to get us on the dotted line before we could change our mind. So it was that, in 1944, Pittston acquired 60 percent of the stock of Clinchfield Coal Corporation."

Under his leadership, Pittston acquired mineral rights to many other choice reserves that are now the source of the finest high fluidity, premium quality metallurgical coal in the world.

While he concentrated on the development of metallurgical reserves, he was not blinded by their worth to Pittston's future. He also saw the future of energy depending again on coal:

"We had been studying the rapidly growing fuel requirements of the electric utility industry," he told the Newcomen Society in his 1956 speech, "with the idea of obtaining low cost steam coal properties strategically located with relation to the large eastern utilities. In 1947, Clinchfield acquired extensive properties in the Pittsburgh seam of northern West Virginia, and since then we have added properties, so that now we have over 100 million tons of this type of coal . . ."

As the company enlarged its coal resources, it also expanded into other businesses under Mr. Routh's leadership. Acquisitions, such as Brink's, Incorporated, now the largest armored car security service in the world, were made with the same good business sense that helped Pittston grow to its present stature.

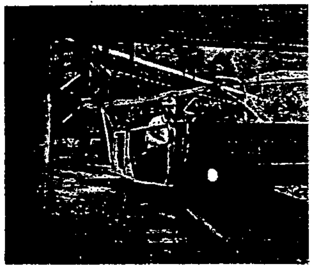
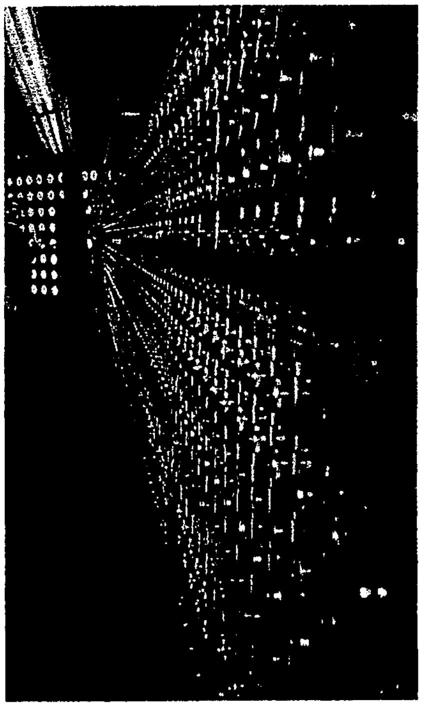
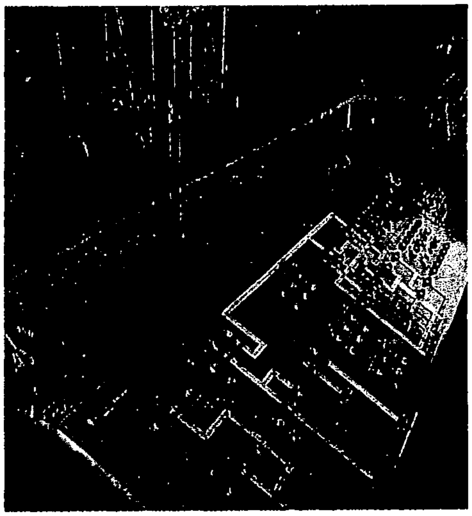
While building Pittston is the main work of his life, he finds time to serve his community and enjoy himself. This fact has been best described by his friend Clifford F. Hood, former president of the United States Steel Company:

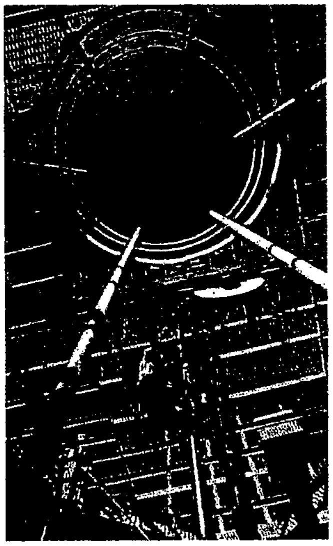
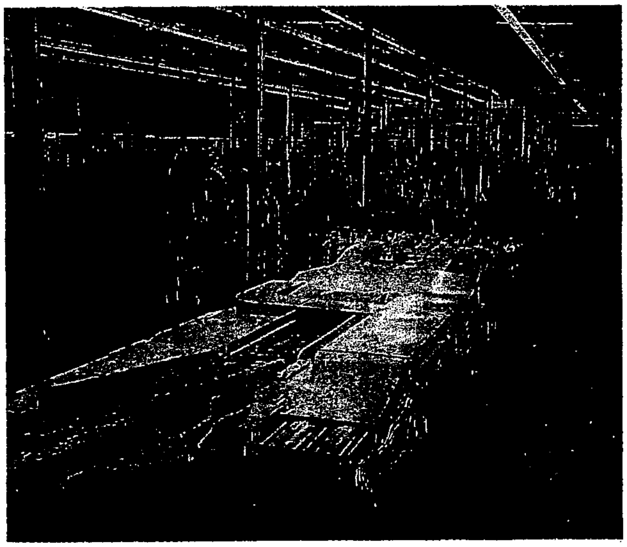
"In spite of a very active and crowded life, he has found time to participate in the civic and charitable activities of his community and is a trustee of several charitable institutions. He also found time to become a good golfer and bridge player and a fisherman of rare ability. He is said to hold all the records of the largest salmon and trout caught on the upper Bonaventure River in the Gaspe Peninsula of Canada."

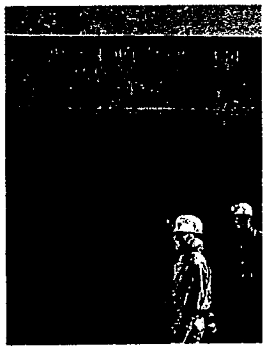
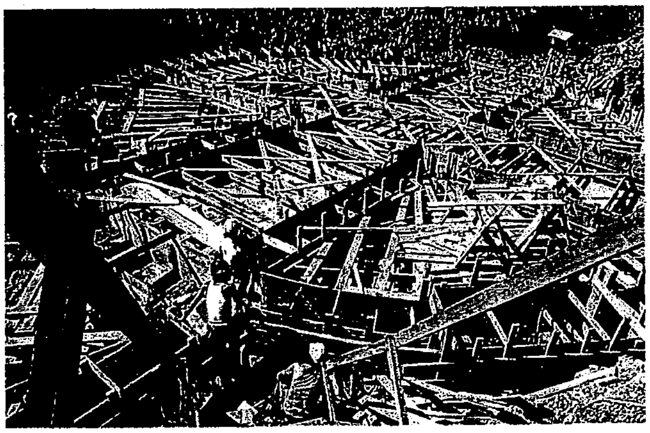
How does he feel about his life and success?

"I am very thankful," he says in a short biographical sketch, "to this great country of ours for giving me the opportunity under the free enterprise system."

Those of us at The Pittston Company—some 17,000 employees—are grateful to the man who led our company through its development to the position it enjoys today.


"Coal operations accounted for 53 percent of our company's revenues and 91 percent of net income. . . ."

The Pittston Coal Group Report

Approximately 10,000 people are employed in the Appalachian coal fields in Pittston's expanding coal operations. These photographs show some of our people at work constructing a new mine near Beckley, West Virginia; operating sophisticated equipment in the control rooms of a preparation plant and a coal car loading dock; examining the coking qualities of our premium quality metallurgical coal through a new petrographic microscope; and checking over a new continuous mining machine at the Clinchfield Coal Company's new maintenance shop, the most modern maintenance facility in the coal industry. In 1976, Pittston invested more than $94 million in capital projects, such as the new Beckley mine.

Production and sale of coal—chiefly metallurgical coal—in 1976 once again made the major contribution to Pittston's revenues and earnings. Coal operations accounted for 53 percent of our company's revenues and 91 percent of net income in 1976 compared to 61 percent of revenues and 92 percent of net income in 1975.

Coal sold during the year totalled 18.1 million tons, a decrease of 15 percent compared to 1975—a decrease that resulted primarily from continued recessionary conditions in the world steel market. Of the total amount sold, 12.8 million tons were metallurgical coal; 4.9 million tons were utility coal; and 400,000 tons were industrial coal.

Metallurgical coal, our company's primary product, is used by the world's steel industry for making coke, which is then used in the manufacture of steel. The Pittston Coal Group, which is responsible for the company's mining operations, is the nation's largest producer of premium quality, high fluidity metallurgical coal.

The remaining coal produced by the Coal Group is used in the generation of energy. This coal, known in the trade as "steam coal", is divided into two grades—utility and industrial. Utility coal is used by utility companies to generate electricity. Industrial coal is used by manufacturing industries to produce heat and power. Pittston has several plants capable of producing industrial coal and is expanding its capacity to serve this growing market. Pittston also is expanding its capacity to serve utility companies, the largest single market for the United States coal industry.

Our company's optimism about the future of both metallurgical and steam coal is reflected in the development of new mines and new mining techniques. Our commitment to expansion of mining operations is discussed in the Chairman's Letter. The Coal Group is expanding its use of longwall and shortwall mining techniques, which are described in the following section of this report.

The ability of the Coal Group to maintain the very heavy and complex equipment now used to mine coal was enhanced by the completion of a new maintenance shop near Dante, Virginia for our Clinchfield Coal Company, the company's largest coal-operating division. This shop is the most modern facility of its kind in our industry and is expected to provide substantial savings in our future cost of maintenance.

During the year we installed an automated microscope system for analyzing the coking qualities of coal through petrography—an important new tool for meeting the requirements of our steel customers.

". . . Pittston's Coal Group continued to be a major employer and contributor to the economy of the states where it has operations. . . ."

This petrographic equipment was installed at our Central Research Laboratory in Virginia.

Besides the introduction of new technology, the Group continued its priority program to protect and improve the environment affected by mining operations. Pittston's modern water treatment laboratory entered its second year of operations to insure that the quality of water from mine drainage meets environmental standards.

Under the Group's reclamation program, approximately 3,000 acres of surface-mined land were reclaimed in 1976 in southwestern Virginia and West Virginia.

The Coal Group, along with contractors responsible for reclamation under its direction, have won several awards from the West Virginia Department of Natural Resources for outstanding reclamation projects. The latest award was given in 1976 for steep slope reclamation and drainage at a project in Logan County, West Virginia. Other outstanding reclamation projects include the planting of an apple orchard, development of grazing land and grain fields, experimental seeding of a pine forest in cooperation with the United States Forestry Service, and mountaintop development for potential housing sites in West Virginia where such sites are scarce because of the terrain.

The Group operates only two surface mines, both in southwestern Virginia. All other surface mining on Pittston-owned or leased land is done under contract with private surface mining companies. Pittston's reclamation director is responsible for making certain all work to reclaim disturbed land is done in conformity with state laws.

A special report on Pittston's environmental efforts, particularly those to reclaim land disturbed by surface mining, is available to shareholders and other interested parties on request by writing to the Pittston Public Affairs Office at the company's headquarters in Greenwich, Connecticut.

A unique experiment to avert a potential housing crisis for coal miners in the next decade was begun during 1976 by the United Mine Workers Union and several coal companies, including Pittston. The union and coal companies agreed to form the Coal Field Housing Corporation, a non-profit corporation whose main purpose is to find available land and have private developers build housing for sale to miners and other residents of the region with mortgages supported by both private and public sources. It has been estimated that the expansion of the coal industry in southern West Virginia alone will require an additional 20,000 miners within the next decade and there already is a housing shortage in the area.

During 1976, Pittston's Coal Group continued to be a major employer and contributor to the economy of the states where it has operations. The payroll for approximately 10,000 persons employed by the Group exceeded $160 million for the year. Equipment manufacturing and other services related to Pittston's operations and its people generated additional tens of thousands of jobs and hundreds of millions of dollars in the region's economy.

Recognizing that the development of people is the only way to assure safety, productivity and growth, the Group continued its training and development program and its support of education for future mining engineers and managers. The Group provided training and retraining for more than 9,300 persons during 1976, which represented an expenditure of more than $2.5 million in wages paid to those who participated in the program.

Pittston continued its scholarship program for mining engineering students in 1976. Sixteen students receive scholarships each year for four years. Eight scholarships are for study at Virginia Polytechnic Institute and four each at the University of West Virginia and the University of Kentucky. The Coal Group also contributes to other college foundations in Appalachia.

Management's hope is that with training programs, new and safer equipment, and the high pay scales and benefits for employees (among the highest for industrial workers in the nation), improved safety and productivity in our mining operations

"The improvement of management-labor relations has the highest priority of our company as we begin a new era in the development of coal. . . ."

will result. Safety and productivity are major concerns for the entire mining industry—problems that are basically people problems that only good management and responsible coal miners can correct.

Pittston continues to strengthen the management of its coal operations. The addition of Mr. Exum and Mr. Swanson to the management team were mentioned in the Chairman's Letter in this report. In addition, Gerald Clark, a mining engineer with many years of executive experience in the industry, joined the Coal Group staff as director of engineering, and John W. Crawford, formerly deputy director of the Federal Mining Enforcement and Safety Administration, was named director of safety in 1976.

The improvement of management-labor relations has the highest priority of our company as we begin a new era in the development of coal in our nation. Our willingness to invest hundreds of millions of dollars in coal operations is our demonstration of the faith we have in the future of coal and the people who mine it.

Coal Sold
(in millions of tons)

	1976	1975
Metallurgical	**12.8**	16.0
Utility	**4.9**	4.5
Industrial	**0.4**	0.7
Total	**18.1**	21.2

Longwall Mining

As part of its effort to improve safety and productivity, Pittston has spent hundreds of millions of dollars on better and safer equipment for our miners. Part of this investment has been made recently in two techniques —longwall and shortwall mining— that are showing promise for more extensive use. Because they represent a substantial investment, we present, on this and the adjoining page, some illustrations and photographs to give our shareholders a better understanding of these techniques.

The color illustration below shows the entire longwall section as it is installed underground at the face of a coal seam. The machine at the face (in red) is a shearer, which cuts the coal as it passes back and forth along the face, sometimes 600 feet long. The coal drops on a conveyor for removal from the mine. In some seams, depending on the geological conditions, a plow is used instead of a shearer.

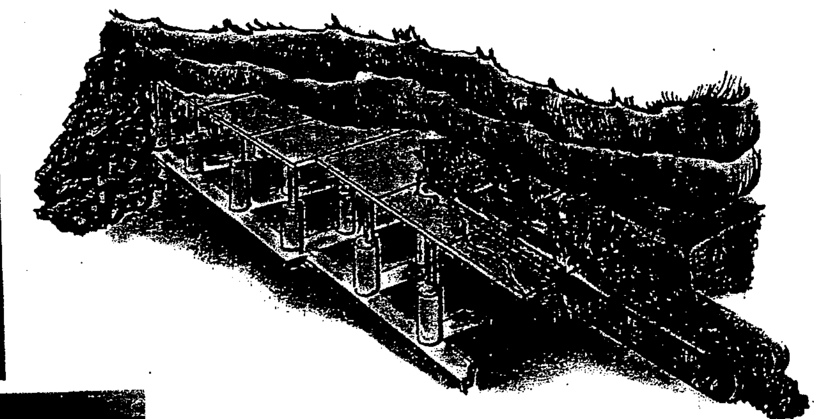
In front of the coal face are a series of self-advancing, hydraulic jacks that raise and lower heavy steel plates which hold up the mine roof and provide a protective cover for miners operating the equipment. These jacks, with their covers, are referred to as chocks (yellow in the illustration).

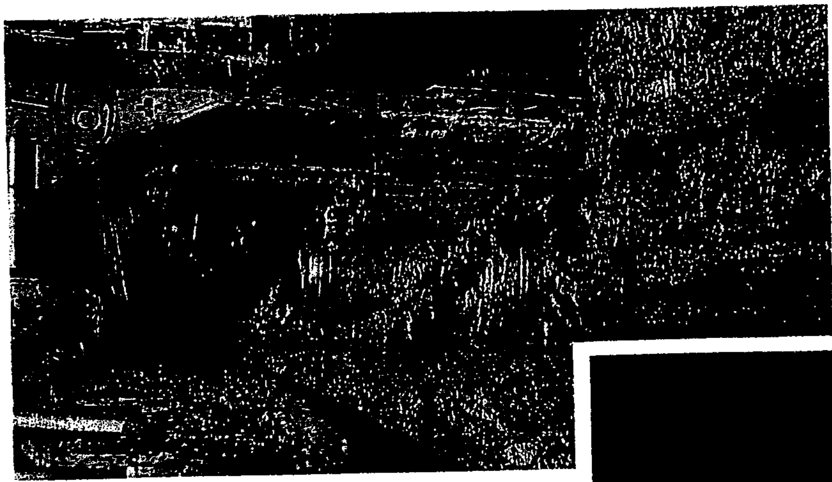
The three photographs below (from the top left) are a close-up of the plow at work in Pittston's Moss #2 mine near Dante, Virginia; a close-up of the chocks and the working space beneath the steel cover; and miners working under the protective cover of the chocks as a plow cuts coal from the face.

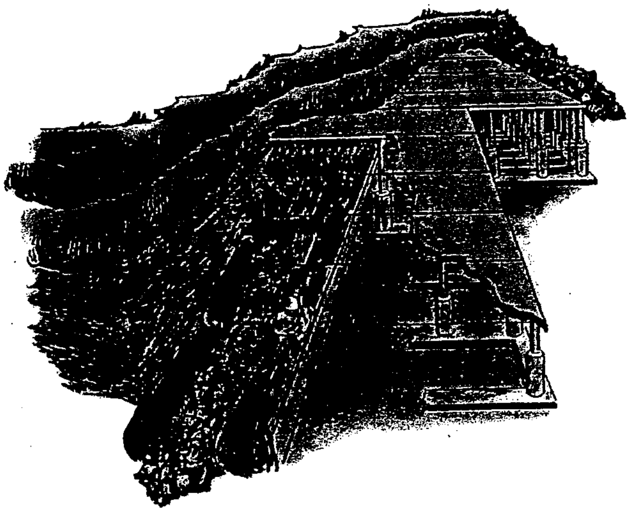
As the shearer or plow advances of the face, the chocks are moved forward to keep the protective cover over the miners and the mine roof behind the chocks is allowed to collapse (as shown in the illustration's rock fall).

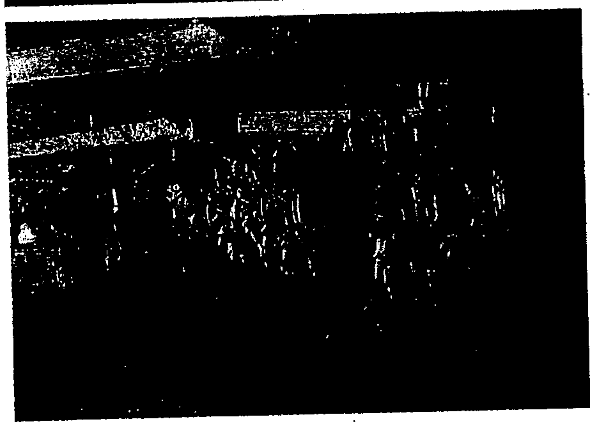
Besides the obvious safety features of this system, it offers the production advantages of almost continuous mining and permits the extraction of a higher percentage of the coal in a seam than is possible by more conventional methods.

Pittston introduced its first longwall system in October, 1967. Two additional longwalls have been installed and another is scheduled to begin operation in 1977.









Shortwall Mining

Shortwall mining is an adaptation of the longwall method and gets its name from a shorter face than in longwall, generally about 200 feet.

Besides the shorter face, the major difference between shortwall and longwall mining is the type of machinery used to cut the coal from the face. A continuous mining machine, operated by a miner, is substituted for the shearer or plow while the protective chocks are the same as those used in longwall.

A major advantage of the shortwall technique is its mobility. It can be used in some instances where the longwall method is not suitable. Both methods are not adaptable to all coal seams because of geological variations.

The color illustration above shows the shortwall method used by Pittston. The mining machine (in red) cuts into the face with its steel-toothed cutting head. The coal is swept onto a conveyor belt attached to the bottom of the machine which carries it back and dumps it into a shuttle car for haulage to the mine's conveyor system. As the machine moves forward into the face, the chocks are moved forward to keep the protective cover over the vehicle operators and other members of the mining crew.

The photographs above show some of Pittston's shortwall equipment at our Jewell Ridge #12 mine. Shown (from the top left) are Pittston miners under the protective chock cover as the head of the continuous mining machine is positioned to cut into the face; a view from the rear of a shuttle car receiving a load of coal from the machine; and a Pittston miner examining the machine's steel-toothed cutting head.

Pittston introduced two shortwall systems to its operations in 1976 and plans the installation of two more in 1977.

". . . management foresees another profitable year in 1977."

Metropolitan Petroleum Report

Metropolitan Petroleum Company, Inc., Pittston's wholly-owned fuel oil marketing and distribution subsidiary, had increased sales gallonage and revenues and decreased earnings in 1976 compared to 1975.

Gallonage sales increased 12 percent and revenues were up 15 percent in 1976 compared to 1975. Earnings for the year were 23 percent below 1975. Oil operations contributed 37 percent of Pittston's consolidated revenues and four percent of its net income in 1976.

Increased competition, resulting from a slower economy and removal of government controls on oil allocations in mid-year, was the primary reason for the decrease in earnings. The increase in volume in 1976 is attributable primarily to extremely cold weather in the fourth quarter of the year.

Metropolitan sells light fuel oils for home heating and heavy fuel oils for use principally by industries to generate heat and power. Heavy fuel oil accounted for 61 percent and light fuel oil 39 percent of the gallonage sold in 1976.

While Metropolitan is one of the largest distributors of fuel oil on the East Coast of the United States, it has no production or refining facilities of its own. Its profitability is dependent upon its ability to purchase oil products from domestic and foreign oil companies at advantageous prices and to market these products in the face of intense competition from other distributors, some of whom are suppliers.

To strengthen its position as a leader in its business, Metropolitan continued the expansion and improvement of its facilities during 1976.

Gasoline distribution facilities with a vapor recovery unit to protect the environment were completed at the Greenpoint terminal in Brooklyn. Storage tanks at the company's deepwater terminal on the St. Lawrence River at Montreal were insulated. Four acres of land adjacent to the Bronx deepwater terminal were purchased for future expansion of that facility, which presently has a storage capacity of 724,000 barrels of oil.

The company's storage and reseller business was expanded in upstate New York and Vermont. Storage capacity in this area was increased by 750,000 barrels and reseller business substantially increased under a long-term agreement. In addition, the company continued to expand in the retail market with deliveries directly to fuel oil consumers. This expansion increased substantially in 1976.

The company now has an aggregate storage capacity of approximately 13.8 million barrels. Storage and distribution are handled at 35 terminals, which Metropolitan owns or leases in the Northeast and Canada. Seven are deep water terminals capable of receiving products from large ocean-going tankers. Sixteen are barge and 12 are inland terminals. The company's barging requirements are handled by its subsidiary, Pittston Marine Transport Corporation, which operates nine barges with an aggregate capacity of 390,000 barrels.

To distribute its products to customers, the company has a fleet of approximately 650 vehicles and employs approximately 1,000 persons.

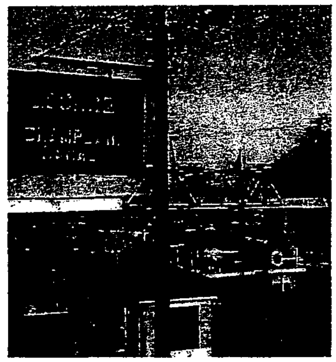
During 1976, the company's Petrochemical Group began an effort to expand its services into the growing lubrication oil market consisting primarily of industries, institutions and the trucking business. In addition, the Group also markets chemical additives, dispersants, absorbents, and containment devices to lessen eliminate pollutants for industries ar provides oil spill cleanup services in New York Harbor. During the yea the Group contained and cleaned u 35 substantial oil spills of other companies in the harbor which ranged in size from 5,000 gallons o jet fuel to 2.2 million gallons of hea oil. Utilized in this service was the Group's patented containment barrier, the MP Boom.

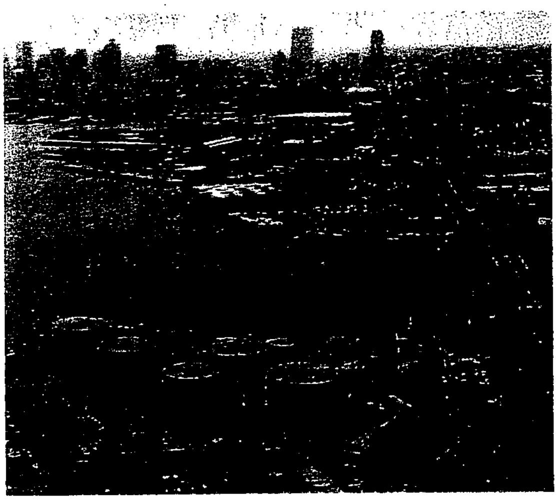
In an organizational move, the company, which previously operate as a division of Pittston, became a separate corporation in 1976. It now is legally the Metropolitan Petroleu Company, Inc. This corporate status will give the firm more flexibility for growth in the future.

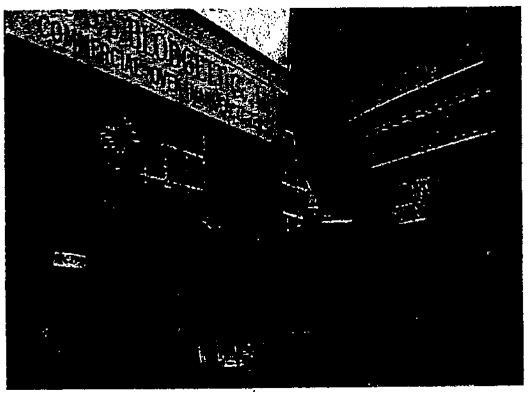
Management plans orderly expan sion of its operations and improvement of its facilities to serve its market. With the continuation of the policies and practices that have mad Metropolitan Petroleum profitable in the past, management foresees another profitable year in 1977.

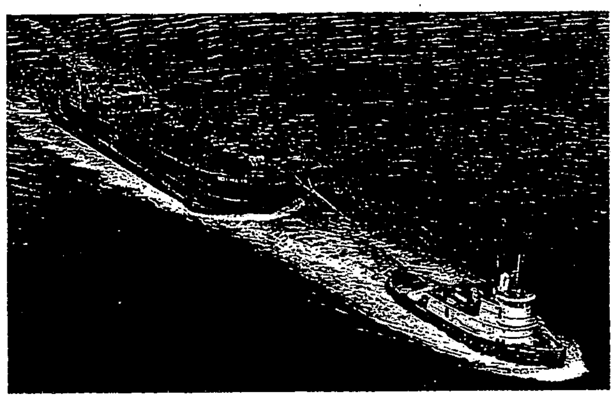
Approximately 1,000 employees of Metropolitan Petroleum Company provide the northeastern United States and parts of Canada with one of the largest home and industrial fuel oil services in the East. The photographs are representative of the company's ability to distribute its products through a network of 35 strategically-placed storage terminals, ocean-going tankers, the company's fleet of barges and approximately 650 vehicles. The company sold approximately 39 million barrels of oil products in 1976.

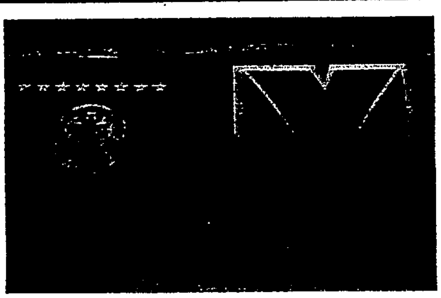

METROPOLITAN

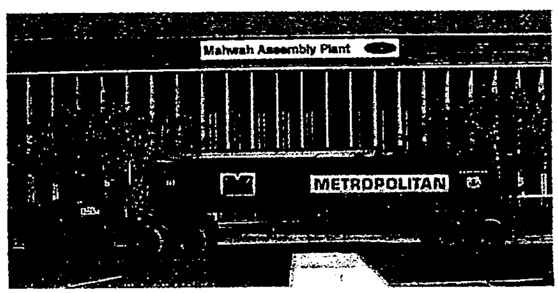











Mahwah Assembly Plant
METROPOLITAN

"Management is optimistic about the continued opportunity for worldwide growth of the armored car service business. . . ."

Brink's, Incorporated Report

Business volume for Brink's in 1976 increased as evidenced by the record revenues of $129,633,000 which represented an increase of nine percent over 1975 revenues of $119,372,000. Net income declined nine percent to $8,710,000, or 92 cents per Brink's share, from the record $9,581,000, or $1.02 per Brink's share, in 1975.

The lower earnings were the result primarily of increased price competition from other armored car service companies and increased labor costs associated with the renegotiation of approximately a third of the company's contracts with local unions in 1976. Earnings also were affected by a net loss of $368,000, or four cents per Brink's share, that was taken in the fourth quarter of 1976 as a result of an agreement to sell 85 percent of the company's wholly-owned subsidiary in Venezuela. The sale was pursuant to a 1974 decree of the Venezuelan government requiring local ownership of certain businesses in that country.

Improvement in the company's United States and Canadian operations is anticipated in 1977. While intense price competition is expected to continue, the company's primary service—the protected transportation of money, securities and other valuable items for banks, merchants, governments and industries—is expected to increase in 1977.

Brink's, through its network of domestic and international offices, is capable of providing the most extensive armored car security service of any company in the business. In the United States and Canada alone it has 160 offices, more than 1,600 vehicles and 6,100 employees to serve its customers. In addition to Canada, Brink's has operations in 20 foreign countries.

The outlook for Brink's in 1977 is good with one uncertainty—the outcome of the federal grand jury investigations looking into possible violations of the antitrust laws in the armored car business. There may well be criminal indictments involving Brink's and perhaps several of its officers and penalties may be sought by the government. In such event, additional litigation seeking damage involving Brink's would probably follow.

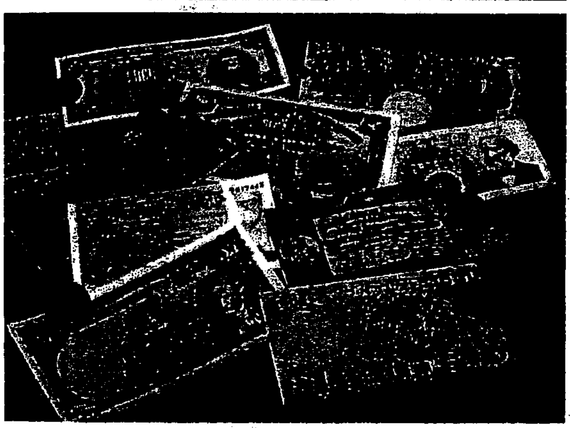
The company's foreign operations are expected to make strong contributions to earnings in 1977. This expectation is based on the fact that many of the company's newer foreign operations are beginning to mature after a normal two to three year development period.

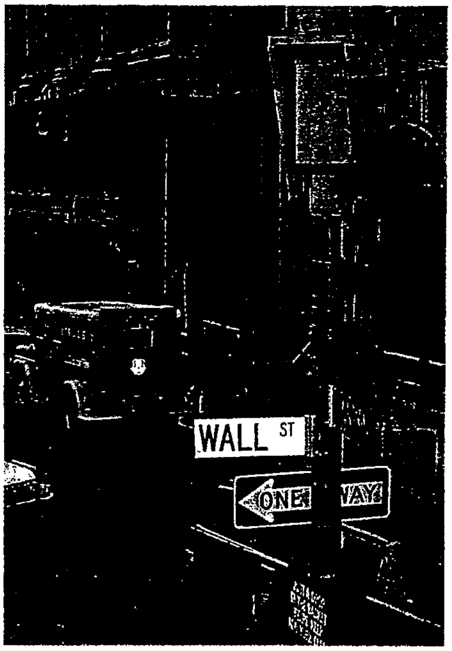
Management is optimistic about the continued opportunity for worldwide growth of the armored car services business and plans to continue to expand the present base th makes Brink's the leader of its industry.

The photographic montage shows that Brink's armored car security services, tl world's oldest and largest, can be founc in major financial centers and small communities around the world. The company serves more than 6,000 cor munities in the United States and Canada and has offices in 20 other foreign countries.


BRINK'S, INC.


BRINK'S
LIBERIA, INC

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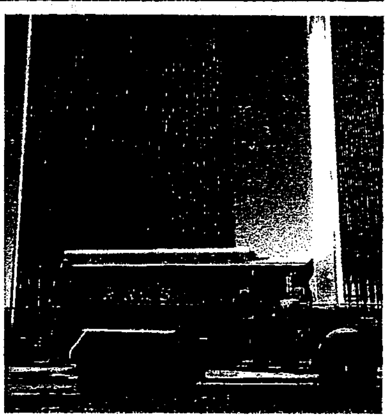

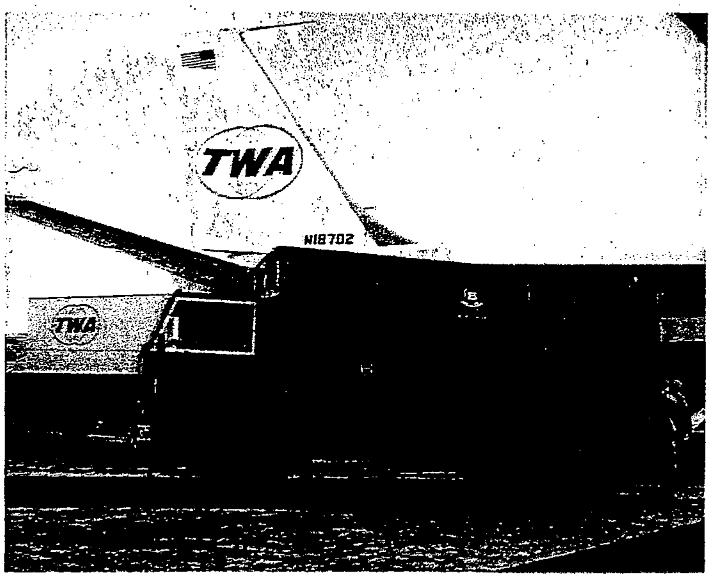
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"Continued improvement in the Distribution Group's revenues and earnings is anticipated for 1977."

The United States Distribution Group Report

In 1976, the United States Distribution Group, Inc. became the holding company for the United States Trucking Corporation and its subsidiaries in a change that emphasizes the broadening nature of our trucking and warehousing operations.

The Distribution Group now offers expanded manpower leasing and new consulting services for firms developing complete distribution plans and programs for their products. These are in addition to basic trucking, warehousing, rigging and equipment leasing services now provided by approximately 500 employees for more than 1,000 customers from facilities along the eastern seaboard.

Though the Group's contributions to Pittston's consolidated revenues and earnings are small compared to those of our other subsidiaries, the operation is profitable and improving. Revenues increased and net income improved substantially in 1976 compared to 1975.

During 1976, the Group continued to improve its facilities for serving customers and to strengthen its management in the areas of administration, finance, marketing, maintenance, transportation and warehousing.

A new marketing program was begun during the year to introduce customers and potential customers to the Group's full range of distribution services offered to meet special needs of both large and small customers.

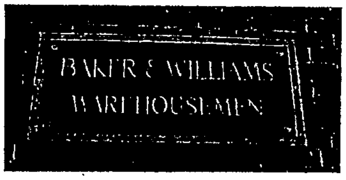
Warehousing and distribution center services remained the largest portion of the Group's business in 1976. With major distribution facilities in New York City, northern New Jersey, Baltimore-Washington, Atlanta and Jacksonville, the Group offers approximately three million square feet of modern warehouse space with railroad and truck sidings, easy access to interstate highways, air and sea ports and manufacturing centers. Many of the nation's largest companies use these facilities for regional distribution of their products. These warehouses include storage of paper, dry and refrigerated foods, electronic components, and many other consumer commodities and industrial materials.

Working in conjunction with the distribution centers is the Group's fleet of trucks, tractors and trailers capable of handling virtually every kind of distribution need. Another service is fleet leasing of trucks and equipment to many companies, such as major metropolitan newspapers. This service includes maintenance, replacement and garaging. The Group owns or leases more than 800 pieces of equipment for use in its business.

One of the newest services is distribution management consulting for companies that need to develop a total distribution plan and program. This service includes the development of job descriptions, recruitment, job training, contract negotiations and other needs encountered in distribution of product In this connection, the Group has experienced personnel available to develop and implement a total distribution plan for customers.

Continued improvement in the Distribution Group's revenues and earnings performance is anticipatec for 1977.

The photographs represent some of th United States Distribution Group's bas warehousing, trucking, rigging and equipment leasing services provided for more than 1,000 customers along the eastern seaboard from metropolita. New York to Jacksonville, Florida. Man of the nation's largest companies use the Group's facilities and services for the regional distribution of their products, some of which are shown in the photographs.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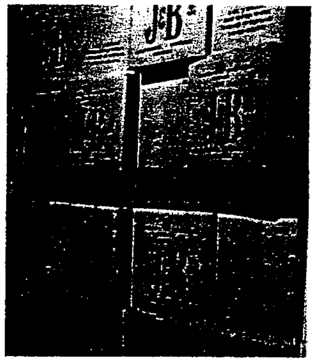
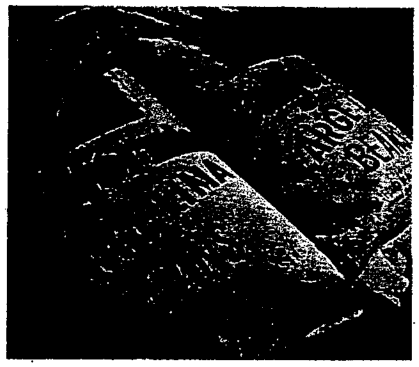
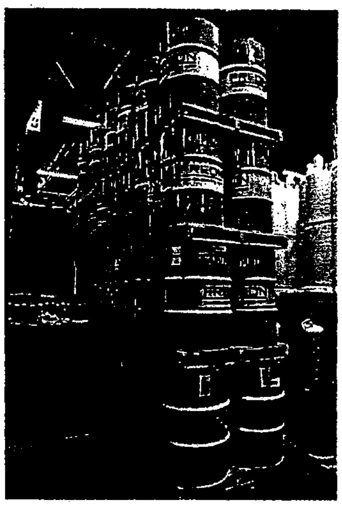
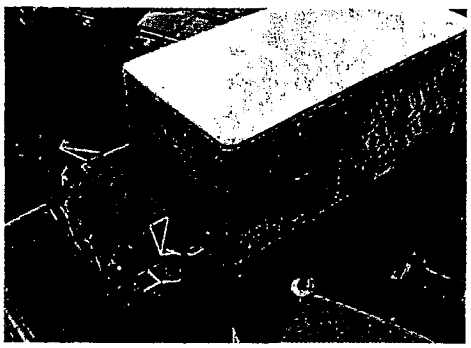
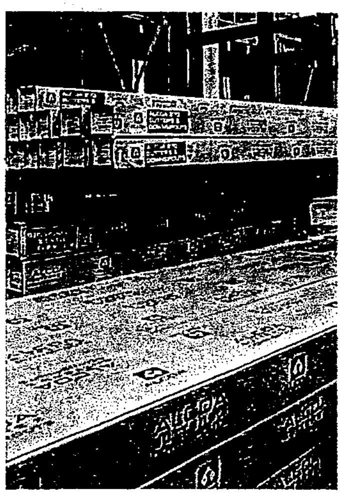
WAREHOUSEMEN

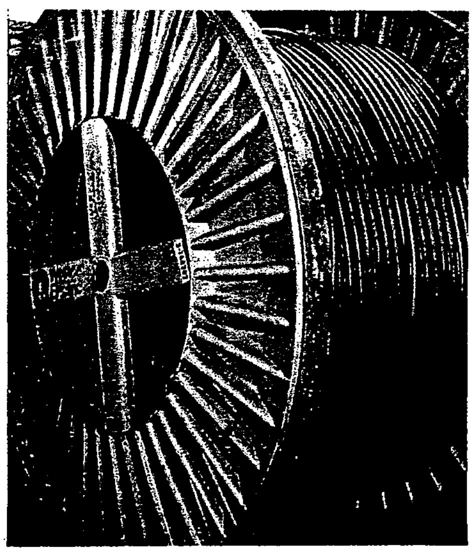


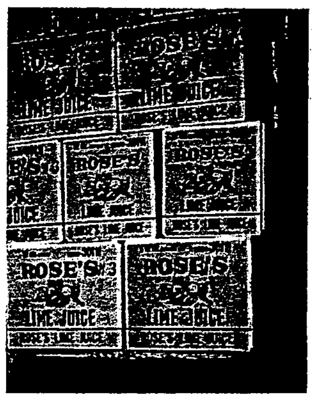








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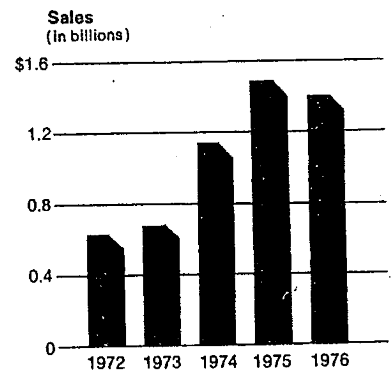

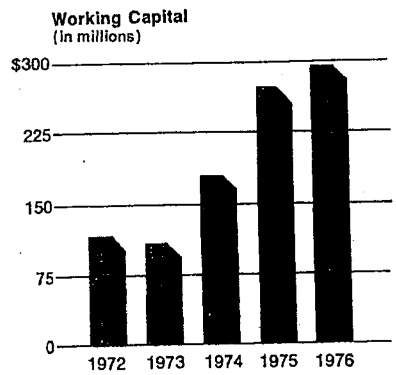

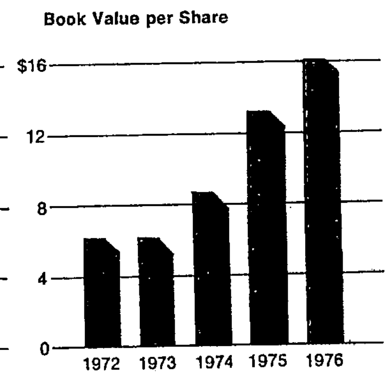

Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

Ten Years in Review

Calendar Year	Sales and Income (in thousands)		Financial Position (in thousands)				
	Sales and Operating Revenues	Net Income(B)	Working Capital	Net Property, Plant and Equipment	Total Assets	Long-Term Debt	Shareholde Equity
1976	$1,415,451	$146,372	$297,004	$371,452	$951,121	$ 75,855	$602,88
1975	1,504,222	200,146	272,894	304,953	890,246	93,990	495,82
1974	1,145,729	113,636	179,500	266,720	687,657	104,714	322,78
1973	682,559	25,416	108,265	253,753	495,990	119,884	229,92
1972	623,525	24,097	116,214	257,473	482,974	137,509	227,40
1971	579,896	35,325	60,442	254,636	446,620	97,012	208,31
1970	503,928	34,495	52,996	236,689	419,983	111,554	173,68
1969	419,526	17,186	61,933	175,981	325,125	89,684	141,55
1968	402,403	16,301	53,194	172,826	316,664	89,379	129,43
1967	386,957	15,872	43,296	170,622	303,708	89,084	117,83

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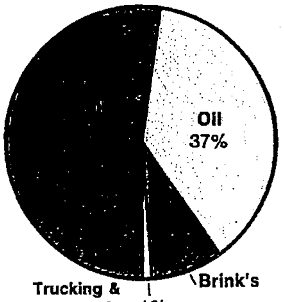
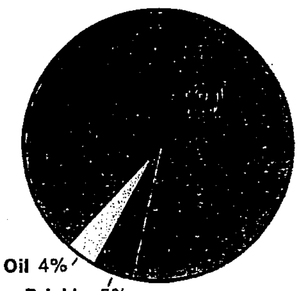
1976

Sources of Revenue



Sources of Income



Percentage Contributions by Divisions

	Sales and Revenues				
	1976	1975	1974	1973	1972
Coal	53%	61%	50%	44%	46%
Oil	37	30	38	38	35
Brink's	9	8	10	15	16
Trucking and Warehousing	1	1	2	3	3
Total	100%	100%	100%	100%	100%

	Income Before Extraordinary Items But After Income Taxes*				
	1976	1975	1974	1973	1972
Coal	91%	92%	88%	63%	53%
Oil	4	4	5	11	21
Brink's**	5	4	6	22	23
Trucking and Warehousing	—	—	1	4	3
Total	100%	100%	100%	100%	100%

* Because of depletion allowances applicable to income of the Coal Division for tax purposes, the effective income tax rate applicable to Coal Division profits is significantly lower than the rate applicable to the profits of the other divisions. Therefore, presentation of income before taxes would give a distorted picture of the respective Divisions' contributions to consolidated results.

** After deduction of minority interest.

Common Stock (A)

Shares Outstanding (average)	Net Income Per Share(B)	Cash Dividends Per Share	Book Value Per Share
37,411,000	$3.91	$1.08	$16.12
37,321,000	5.36	.77	13.29
37,223,000	3.05	.40	8.67
37,153,000	.68	.27	6.19
37,113,000	.65	.26	6.13
37,019,000	.95	.26	5.63
36,688,000	.94	.22	4.73
36,286,000	.47	.16	3.90
35,961,000	.45	.16	3.60
35,500,000	.45	.15	3.32

(A) Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

(B) *Before extraordinary items.*

	Common Stock		
	Market Price		Dividends
	High	Low	Declared
1976			
1st Quarter	$38.73	$29.80	$.20
2nd Quarter	47.06	32.72	.20
3rd Quarter	45.59	36.52	.19
4th Quarter	39.46	32.48	.49
1975			
1st Quarter	24.21	17.50	.10
2nd Quarter	39.05	23.19	.10
3rd Quarter	38.45	30.04	.19
4th Quarter	35.32	26.91	.38

Note: Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

Consolidated Balance Sheet

December 31, 1976 and 1975

Assets	**1976**	1975
Current Assets:		
Cash	**$ 21,515,000**	$ 22,287,000
Short-term investments (Note 2)	**167,784,000**	248,464,000
Accounts receivable:		
Trade	**201,020,000**	161,613,000
Other	**12,045,000**	4,664,000
	213,065,000	166,277,000
Less estimated amount uncollectible	**2,319,000**	2,343,000
	210,746,000	163,934,000
Inventories:		
Fuels	**85,120,000**	80,650,000
Merchandise	**2,975,000**	2,913,000
Supplies	**6,801,000**	6,331,000
	94,896,000	89,894,000
Prepaid expenses	**7,278,000**	6,339,000
Total Current Assets	**502,219,000**	530,918,000
Property, Plant and Equipment, at cost (Note 3):		
Bituminous coal lands	**121,254,000**	113,746,000
Land, other than coal lands	**10,650,000**	9,419,000
Buildings	**24,817,000**	21,111,000
Machinery and equipment	**424,177,000**	357,673,000
	580,898,000	501,949,000
Less accumulated depreciation, depletion and amortization	**209,446,000**	196,996,000
	371,452,000	304,953,000
Other Assets	**77,450,000**	54,375,000
	$951,121,000	$890,246,000

See accompanying notes to consolidated financial statements.

BRINKS009334

Liabilities

	1976	1975
Current Liabilities:		
Notes payable—banks	**$ 17,000,000**	$ —
Current maturities of long-term debt (Note 5)	**5,518,000**	10,772,000
Accounts payable	**135,872,000**	118,376,000
Accrued liabilities:		
Federal income taxes (Note 4)	**13,154,000**	86,080,000
Other taxes	**6,230,000**	14,044,000
Payrolls	**16,128,000**	17,086,000
Miscellaneous	**11,313,000**	11,666,000
	46,825,000	128,876,000
Total Current Liabilities	**205,215,000**	258,024,000
Long-Term Debt, less current maturities (Note 5)	**75,855,000**	93,990,000
Workmen's Compensation Claims and Other Liabilities	**33,080,000**	23,814,000
Deferred Income Taxes (Note 4)	**26,645,000**	12,039,000
Minority Interest in Brink's, Incorporated, a subsidiary	**7,439,000**	6,553,000
Commitments and Contingent Liabilities (Notes 8 and 9)		
Shareholders' Equity (Notes 5, 6 and 7):		
Common Stock, par value $1.00 per share:		
Authorized: 50,000,000 shares		
Issued: 1976—36,994,516 shares; 1975—36,219,059 shares	**36,995,000**	36,219,000
Capital in Excess of Par Value	**163,676,000**	140,409,000
Retained Earnings	**403,958,000**	320,940,000
	604,629,000	497,568,000
Less Common Stock in treasury, at cost (1976—294,506 shares; 1975—294,504 shares)	**1,742,000**	1,742,000
Total Shareholders' Equity	**602,887,000**	495,826,000
	$951,121,000	$890,246,000

Consolidated Income Statement

Years Ended December 31, 1976 and 1975

	1976	1975
Net Sales	$1,268,872,000	$1,368,750,000
Operating Revenues	146,579,000	135,472,000
Net Sales and Operating Revenues	1,415,451,000	1,504,222,000
Other Income	21,449,000	20,281,000
	1,436,900,000	1,524,503,000
Costs and Expenses:		
Cost of sales	1,019,409,000	1,011,090,000
Operating expenses	117,853,000	106,956,000
Selling, administrative and general expenses	70,746,000	64,938,000
Interest expense	5,069,000	6,890,000
Minority interest in earnings of a subsidiary	1,313,000	1,444,000
Total Costs and Expenses	1,214,390,000	1,191,318,000
Income before Provision for Income Taxes	222,510,000	333,185,000
Provision for Income Taxes (Note 4):		
Federal	69,063,000	123,007,000
State and Foreign	7,075,000	10,032,000
	76,138,000	133,039,000
Net Income	$ 146,372,000	$ 200,146,000
Net Income per Share (a)	$3.91	$5.36
Shares Outstanding (average) (a)	37,411,000	37,321,000

(a) *Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.*

See accompanying notes to consolidated financial statements.

BRINKS009336

Consolidated Statement of Shareholders' Equity

Years Ended December 31, 1976 and 1975

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance at December 31, 1974	$17,534,000	$139,876,000	$167,120,000	$ (1,742,000)
Consolidated net income	—	—	200,146,000	—
Market value of 521,676 shares of Common Stock issued as a 3% stock dividend February 7, 1975	522,000	17,079,000	(17,601,000)	—
Sale of 68,647 shares of Common Stock under Stock Option Plan	68,000	1,487,000	—	—
Par value of 18,094,852 shares of Common Stock issued as a 100% stock distribution October 29, 1975	18,095,000	(18,095,000)	—	—
Federal income tax benefit resulting from the exercise of non-qualified stock options	—	62,000	—	—
Cash dividends declared—$.77* per share	—	—	(28,725,000)	—
Balance at December 31, 1975	36,219,000	140,409,000	320,940,000	(1,742,000)
Consolidated net income	—	—	146,372,000	—
Market value of 718,636 shares of Common Stock issued as a 2% stock dividend January 28, 1976	719,000	22,270,000	(22,989,000)	—
Sale of 56,821 shares of Common Stock under Stock Option Plan	57,000	724,000	—	—
Federal income tax benefit resulting from the exercise of non-qualified stock options	—	273,000	—	—
Cash dividends declared—$1.08* per share	—	—	(40,365,000)	—
Balance at December 31, 1976	$36,995,000	$163,676,000	$403,958,000	$ (1,742,000)

* *Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.*

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1976 and 1975

	1976	1975
Sources of Working Capital		
Operations:		
Net income	**$146,372,000**	$200,146,000
Add items not affecting working capital:		
Depreciation, depletion and amortization	**41,863,000**	37,178,000
Provision for claims	**8,365,000**	7,695,000
Deferred income taxes	**14,606,000**	1,255,000
Minority interest in earnings of a subsidiary	**1,313,000**	1,444,000
Total from operations	**212,519,000**	247,718,000
Miscellaneous	**2,802,000**	(4,271,000)
Total sources of working capital	**215,321,000**	243,447,000
Applications of Working Capital		
Additions to property, plant and equipment	**109,586,000**	76,264,000
Reductions of long-term debt	**18,185,000**	10,835,000
Cash dividends declared	**40,365,000**	28,725,000
Increase in other assets	**23,075,000**	34,229,000
Total applications of working capital	**191,211,000**	150,053,000
Increase in working capital	**$ 24,110,000**	$ 93,394,000
Increases (Decreases) in Components of Working Capital		
Current Assets:		
Cash and short-term investments	**$ (81,452,000)**	$130,617,000
Accounts receivable, net	**46,812,000**	13,312,000
Inventories	**5,002,000**	(16,508,000)
Prepaid expenses	**939,000**	2,706,000
	(28,699,000)	130,127,000
Current Liabilities:		
Notes payable and current maturities of long-term debt	**11,746,000**	(2,539,000)
Accounts payable	**17,496,000**	13,537,000
Accrued liabilities	**(82,051,000)**	25,735,000
	(52,809,000)	36,733,000
Increase in working capital	**$ 24,110,000**	$ 93,394,000

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

Principles of Consolidation:

The accompanying financial statements reflect the accounts of The Pittston Company and its subsidiaries, except for certain insignificant subsidiaries the nvestment in which is carried at cost plus equity in undistributed earnings since acquisition. All intercompany items and transactions of material amount have been eliminated in consolidation.

Short-Term Investments:

Short-term investments are carried at the lower of cost or market value.

Inventories:

Inventories are stated at cost (determined under the rst-in, first-out or average cost methods) or market, whichever is lower. Market represents net realizable alue for fuels and merchandise inventories and replacement cost for supplies inventories.

Property, Plant and Equipment:

Expenditures for maintenance and repairs are harged to expense, and the costs of renewals and etterments are capitalized. Depreciation is provided rincipally on the straight line method at varying rates epending upon estimated useful lives. Depletion of ituminous coal lands is provided on the basis of innage mined in relation to the estimated total of recoverable tonnage in the ground. Mine development osts, including deficits at mines in the development age, are capitalized and amortized over the estimated seful life of the mine. A mine is considered under evelopment until all of the planned production units ave been placed in operation.

Income Taxes:

The provision for income taxes is based on income nd expenses included in the accompanying consolidated income statement. Differences between taxes so computed and taxes payable under applicable statutes and regulations are classified as deferred taxes arising from timing differences (see Note 4).

Investment tax credits arising from purchases of property, plant and equipment are accounted for by the "flow-through" method, and are thus reflected in income in the year they are deducted for tax purposes. Investment tax credits arising from equity investments in leveraged lease transactions are deferred and taken into income over the term of the leases in accordance with FASB Standard No. 13.

2 Short-Term Investments

Consist of the following:

	December 31 1976	1975
	(In thousands)	
Marketable equity securities, carried at cost (market $1,713,000 in 1976 and $1,414,000 in 1975)	$ 1,314	$ 1,352
Other Investments:		
Certificates of deposit and time deposits	38,821	53,703
U.S. Treasury bills	2,788	155,042
U.S. Treasury notes	50,287	—
U.S. Government obligations acquired under repurchase agreements	60,000	24,000
Debentures of U.S. Export-Import Bank	14,574	14,367
	$167,784	$248,464

3 Property, Plant and Equipment

The amount of depreciation, depletion and amortization charged to expense in 1976 was $41,863,000 compared with $37,178,000 in 1975.

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Deficits incurred at mines in the development stage amounted to $7,400,000 in 1976 and $4,800,000 in 1975. These amounts were capitalized, in accordance with Company policy.

4 Income Taxes

The provision for income taxes consists of the following components:

1976	U.S. Federal	Foreign	State	Total
		(In thousands)		
Currently payable	$ 44,730	$2,083	$4,911	$ 51,724
Deferred	14,525	81	—	14,606
Deferred investment tax credits	9,808	—	—	9,808
Total	$ 69,063	$2,164	$4,911	$ 76,138
1975				
Currently payable	$121,932	$1,954	$7,898	$131,784
Deferred	1,075	180	—	1,255
Total	$123,007	$2,134	$7,898	$133,039

For the year 1976, mine development expenditures, which are capitalized and amortized for book purposes but deducted as incurred for tax purposes, resulted in a $9,124,000 provision for deferred taxes. There were no other significant types of timing differences in 1976, nor were there any significant timing differences in 1975.

The tax provisions for 1976 and 1975 resulted in effective tax rates of 34.2% and 39.9%, respectively. The table below accounts for the difference between the actual tax provisions and the amounts obtained by applying the U.S. Federal income tax rate of 48% to the income before provision for income taxes.

	1976	1975
	(In thousands)	
Tax provision computed at 48%	$106,805	$159,929
Increases (reductions) in taxes due to:		
Percentage depletion	(23,672)	(30,900)
Investment tax credit	(8,430)	(5,787)
Miscellaneous	1,435	9,797
Actual tax provision	$ 76,138	$133,039

It is the policy of the Company to accrue appropriate United States and foreign income taxes on earnings of subsidiary companies which are intended to be remitted in the near future. Accumulated unremitted earnings of such subsidiaries reflected in the accompanying financial statements which have been reinvested for growth and expansion, exclusive of those amounts which, if remitted in the near future, would result in little or no such tax by operation of relevant statutes currently in effect, aggregated approximately $21,971,000 at December 31, 1976 and $19,435,000 at December 31, 1975.

The Company and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Such returns have been audited and settled through the year 1970. Returns for 1971 and 1972 have been audited and additional taxes of approximately $8,000,000 have been proposed by the revenue agent. The Company is contesting the assessment at a higher level of the Internal Revenue Service and is confident its position will be substantially sustained. Audits of returns for 1973 and 1974 are in process.

5 Long-Term Debt

Consists of the following:

	1976	1975
	(In thousands)	
Senior:		
6⅛% First Mortgage Sinking Fund Notes due 1982	$ —	$12,637
Notes due 1977	—	2,788
Other Obligations	296	552
	296	15,977
Subordinated:		
6¼%-5¾% Notes due 1981	7,309	8,933
5½% Notes due 1985	4,250	4,780
6% Notes due 1987	3,000	3,300
4% Subordinated Debentures due 1997	61,000	61,000
	75,559	78,013
Total Long-Term Debt, Less Current Maturities	$75,855	$93,990

The 6⅛% First Mortgage Sinking Fund Notes were redeemed at par on April 1, 1976.

The 4% Subordinated Debentures due July 1, 1997 are exchangeable at any time prior to redemption or maturity for shares of common stock of Brink's, Incorporated owned by the Company, at an exchange rate of 16.3934 shares per $1,000 Debenture (the equivalent of $61 per share). The exchange rate is protected against dilution. The Debentures are entitled to annual mandatory sinking fund payments of $3,050,000 commencing in July 1983. The Debentures are redeemable at the Company's option in whole or in part at any time prior to maturity at redemption prices which decline from 103.2% of principal amount on July 1, 1976 to 100% of principal amount on July 1, 1992.

For the four years through December 31, 1981, minimum repayments of long-term debt outstanding are as follows (in thousands):

1978	$2,740
1979	2,464
1980	2,454
1981	3,266

Under the terms of certain issues, the Company has agreed to usual restrictions relating to consolidated working capital, cash distributions to shareholders, and the amount of additional funded debt which may be incurred. Consolidated retained earnings at December 31, 1976 was not restricted as to cash distributions to shareholders.

6 Capital Stock

In September 1975, the shareholders increased the Company's authorized capital to 52,000,000 shares, consisting of 50,000,000 shares of Common Stock, par value $1 per share, and 2,000,000 shares of Preferred Stock, par value $10 per share. None of the Preferred Stock is presently issued or outstanding.

In October 1975, the Company issued 18,094,852 shares of its Common Stock as a result of the declaration of a 100% stock distribution in July 1975.

In December 1976 and 1975, the directors declared stock dividends of 2% resulting in the issuance of 734,143 additional shares in February 1977 and 718,636 shares in January 1976. At December 31, 1976 and 1975, retained earnings of $26,994,000 and $22,989,000, respectively, were appropriated for the issuance of the stock dividends.

7 Stock Options

Under the Company's Stock Option Plan, key employees are granted options to purchase shares of the Company's Common Stock at 100% of quoted market value. The plan provides for the granting of five-year "qualified" options and ten-year "non-qualified" options. All options are exercisable in instalments of up to 25% annually, beginning one year from date of grant.

The table below summarizes the activity in the plan. The data have been adjusted, in accordance with the plan's anti-dilution provisions, for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

	No. of Shares	Aggregate Option Price (In thousands)	Aggregate Market Value(a) (In thousands)
Outstanding:			
12/31/76	390,566	$9,433	$9,433
12/31/75	389,122	7,930	7,930
Granted:			
In 1976	70,278	2,508	2,508
In 1975	119,854	3,932	3,932
Became Exercisable:			
In 1976	66,604	1,443	2,449
In 1975	175,866	2,759	5,582
Exercised:			
In 1976	57,957	781	2,180
In 1975	112,458	1,555	3,242

(a) At dates granted for options outstanding and granted; at dates exercisable for options becoming exercisable; and at dates exercised for options exercised.

At December 31, 1976, there were 1,151,099 shares reserved for issuance under the plan, including 760,533 shares reserved for future grants.

8 Pension Plans

The Company and its subsidiaries have several noncontributory pension plans which provide eligible employees with retirement and disability benefits based on past and future services. The total pension expense

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was $9,145,000 in 1976 and $7,027,000 in 1975, which includes amortization of prior service costs over 10 years for the major plan and over periods up to 30 years for other plans. The plans provide for the funding of the pension costs accrued. The actuarially computed value of vested benefits in excess of the total of pension funds and balance sheet accruals less pension prepayments was approximately $5,649,000 at December 31, 1976 and $4,833,000 at December 31, 1975.

9 Legal Proceedings

No amounts have been accrued for possible liabilities relating to the 1972 Buffalo Creek flood in West Virginia in respect of (a) actions filed in the United States District Court for the Southern District of West Virginia alleging flood loss damages of $500,000 to each of 465 plaintiffs; and (b) two other actions seeking damages of approximately $2,000,000 on account of alleged flood losses. The Company understands that additional suits claiming substantial damages on behalf of numerous other plaintiffs are intended to be brought in the future. Although the outcome of these lawsuits cannot be predicted, in the opinion of Company's counsel the damages sought are, in any event, grossly exaggerated. An action brought in 1974 by the State of West Virginia and its governmental subdivisions seeking damages of $100,000,000 on account of alleged flood losses was settled in January, 1977 for $1,000,001.

The Company's 85%-owned subsidiary, Brink's, Incorporated, is one of the subjects of federal grand jury investigations looking into possible violations of the federal antitrust laws in the armored car business. As a result of these investigations, there may well be criminal indictments involving Brink's and perhaps some of its officers and penalties may be sought by the Government. If so, it is probable that additional litigation seeking damages involving Brink's would follow. Management is of the opinion that the results of the foregoing will not be material to the Company on a consolidated basis.

10 Selected Quarterly Financial Data (Unaudited)

Tabulated below are certain data for each quarter of 1976.

	I	II	III	IV
	(In thousands, except per share amounts)			
Net sales & operating revenues	$414,669	$309,459	$265,437	$425,886
Gross profit	75,620	71,642	53,262	77,665
Net income	38,532	37,777	26,891	43,172
Net income per share	1.03	1.01	.72	1.15

The per share figures have been adjusted for the 2% stock dividend paid February 1977.

11 Current Replacement Cost Information (Unaudited)

In accordance with requirements of the Securities and Exchange Commission, the Company will include in its 1976 Form 10-K report to the Commission estimated replacement costs of inventories and of certain property, plant and equipment, together with the effects of using replacement costs in computing depreciation and cost of sales.

Inflation increases the costs of doing business. The Company attempts to offset the higher costs of producing its products and services by adopting improved management and operating methods, the latest advances in technology, and tighter management controls. If such efforts fail to yield profits adequate for the maintenance and healthy growth of the business, attempts are then made to increase selling prices. The Company encounters strong competition in all of its business lines, and hence very often cannot adequately increase prices to offset inflation-produced cost increases.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
345 Park Avenue, New York, N.Y. 10022

The Shareholders
The Pittston Company:

We have examined the consolidated balance sheet of The Pittston Company and subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in note 9, the Company is subject to various claims arising from a 1972 flood at Buffalo Mining Company, a subsidiary. No provision has been made for unsettled claims or for possible future claims, since the amount of the Company's liability is not presently determinable.

In our opinion, subject to the effect on the financial statements of final determination of the matter referred to in the preceding paragraph, the aforementioned financial statements present fairly the financial position of The Pittston Company and subsidiaries at December 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

March 8, 1977

Summary of Operations

The table below presents a summary of consolidated operations of The Pittston Company and Subsidiaries for the latest five years.

	Years Ended December 31 (In thousands, except per share amounts)				
	1976	1975	1974	1973	1972
Net sales and operating revenues	$1,415,451	$1,504,222	$1,145,729	$682,559	$623,525
Cost of sales and operating expenses	1,137,262	1,118,046	902,440	609,581	548,149
Interest expense	5,069	6,890	8,717	9,084	8,594
Income before income taxes and extraordinary items	222,510	333,185	193,362	32,368	33,228
Provision for income taxes	76,138	133,039	79,726	6,952	9,131
Income before extraordinary items	146,372	200,146	113,636	25,416	24,097
Extraordinary items, net of taxes	—	—	(6,190)	(10,075)	4,488
Net income	$ 146,372	$ 200,146	$ 107,446	$ 15,341	$ 28,585
Per share (a):					
Income before extraordinary items	$ 3.91	$ 5.36	$ 3.05	$ .68	$ .65
Extraordinary items, net of taxes	—	—	(.17)	(.27)	.12
Net income	3.91	5.36	2.88	.41	.77
Cash dividends	1.08	.77	.40	.27	.26
Average shares outstanding (in thousands) (a)	37,411	37,321	37,223	37,153	37,113

(a) Adjusted for all stock dividends and distributions, including the 2% stock dividend paid February 1977.

Management's Discussion and Analysis of the Summary of Operations

Comparison of 1976 with 1975

Consolidated net sales and operating revenues declined $88,771,000 (5.9%), while the corresponding cost of sales and operating expenses actually increased $19,216,000 (1.7%). Changes for the major operating groups are shown below:

		Increase (Decrease) Amount (000)	%
Coal Group	— net sales	(166,463)	(18.2)
	— cost of sales	(60,773)	(10.5)
Oil Group	— net sales	66,583	14.6
	— cost of sales	69,090	16.0
Brink's	— operating revenues	10,261	8.6
	— operating expenses	10,990	11.8

Of the total decline in coal sales, approximately four-fifths is attributable to lower volume, about one-sixth to change in "mix" (relatively more of the cheaper, utility grade, coal was sold in 1976 than in 1975), and the balance to lower spot market selling prices. The cost of coal sold declined relatively much less than coal sales (10.5% versus 18.2%). This is due partly to fixed costs (such as depreciation, mine supervisory payroll, etc.), which do not decline with volume, and more importantly to increases of approximately 11% in unit costs of labor and purchased services and materials used in the coal production process. The increase in labor costs is due both to declining productivity and to increases built into the union wage agreement (such as cost of living adjustments and contributions to union pension and welfare funds).

Approximately 80% of the increase in oil revenues is the result of volume improvement (up 12%), with the balance attributable to price and "mix" changes. Likewise, the great bulk of the increase in cost of sales is volume related. Unit costs of purchased oil and operating expenses increased more than selling prices. The resulting reduction in unit profit margins was more than enough to overcome the favorable effect of the volume gain, thus producing a decline in gross profit.

The changes in the cost-revenue relationships described briefly above caused substantially all of the decrease of $110,675,000 in consolidated pre-tax profits, with coal accounting for some 96% of the total decline.

For an analysis of income taxes, please refer to note 4 of the Notes to Consolidated Financial Statements.

For additional discussion, please see pages one through three and six through 17 of this report.

Comparison of 1975 with 1974

Coal accounted for 61% of total revenues in 1975, up from 50% in 1974. Of the increase in consolidated sales and revenues of $358,493,000, approximately 94% was attributable to the Coal Group. Slightly more than three-fourths of the increase in coal revenues was due to price increases, about one-fifth was caused by higher volume, and a small amount was the result of selling relatively more of the higher-priced metallurgical grades.

Cost of sales and operating expenses rose $215,606,000, or 24%, with coal accounting for slightly more than 90% of the increase. A substantial part of the increase in the costs of mining coal was labor-related. The labor agreement with the United Mine Workers union, signed in December 1974, sharply increased labor costs in 1975. At the same time productivity declined, partly due to certain provisions in the new contract relating to health and safety. The costs of purchased materials and services required in the coal production process also increased significantly.

With revenues increasing faster than costs and expenses (31% versus 23%), margins improved dramatically, resulting in a 72% improvement in pre-tax profits.

Board of Directors

Nicholas T. Camicia
Chairman, President
and Chief Executive Officer,
The Pittston Company

William F. Craig
Executive Vice President
Shawmut Bank of Boston, N.A.

Carl Ferenbach
consultant, textiles

F. M. Kirby
Chairman and
President, Alleghany Corporation,
financial services, fabricated
steel products, motor freight;
Chairman, Investors
Diversified Services, Inc.,
financial services company

Edward F. McGinley, Jr.
President, Retired, Beneficial
Mutual Savings Bank, Philadelphia

Thruston B. Morton
Vice Chairman, Liberty National
Bank and Trust Company, Louisville

Frank Nugent
Chairman, Retired, The Freeman
United Coal Mining Company, Chicago

Francis J. Palamara
Executive Vice President and
Chief Operating Officer,
New York Stock Exchange

Robert W. Purcell
consultant, Rockefeller Family
& Associates, private investments
and business management

Samuel F. Pryor, Jr.
personal investments

Henry J. Taylor
author, economist and journalist

Officers of the Company

Nicholas T. Camicia
Chairman, President
and Chief Executive Officer

Raymond E. Exum, Jr.
Executive Vice President,
Coal

Douglas F. Johnston
Executive Vice President,
Administration

A. F. Kaulakis
Vice President, Energy Development

Walter H. Schnakenberg
Vice President, Finance

James M. Davis
Treasurer

George L. Philip
Controller

Richard M. Neville
Secretary

John S. Buscema
Assistant Treasurer

Principal Divisions and Subsidiaries

PITTSTON COAL GROUP
Lebanon, Virginia

CLINCHFIELD COAL COMPANY DIVISION
Lebanon and Dante, Virginia and Philippi, West Virginia

AMIGO SMOKELESS COAL COMPANY
Wyco, West Virginia

BADGER COAL COMPANY
Philippi, West Virginia

BUFFALO MINING COMPANY
Lyburn, West Virginia

EASTERN COAL CORPORATION
Stone, Kentucky

JEWELL RIDGE COAL CORPORATION
Jewell Valley, Virginia

KENTLAND-ELKHORN COAL CORPORATION
Mouthcard, Kentucky

PITTSTON COAL EXPORT CORP.
Greenwich, Connecticut

PITTSTON COAL SALES CORP.
Greenwich, Connecticut

RANGER FUEL CORPORATION
Beckley, West Virginia

SEWELL COAL COMPANY
Richwood, West Virginia

METROPOLITAN PETROLEUM COMPANY, INC.
New York and New England

METROPOLITAN PETROLEUM, LTD.
Montreal and Ottawa, Canada

PITTSTON MARINE TRANSPORT CORPORATION
New York, New York

SINRAM-MARNIS OIL CO., INC.
New York, New York

BRINK'S, INCORPORATED
National and International Headquarters
Chicago, Illinois

UNITED STATES DISTRIBUTION GROUP, INC.
Secaucus, New Jersey

UNITED STATES TRUCKING CORPORATION
New York, New Jersey, Maryland, Georgia and Florida

U. S. WAREHOUSING AND
DISTRIBUTION CENTERS, INC.
Secaucus, New Jersey

BAKER & WILLIAMS
New York, New York

Corporate Office
One Pickwick Plaza
Greenwich, Connecticut 06830

Transfer Agents
Chemical Bank
New York, New York
Wells Fargo Bank
San Francisco, California

Registrars
Manufacturers Hanover Trust Company
New York, New York
Bank of America N.T. & S.A.,
San Francisco, California

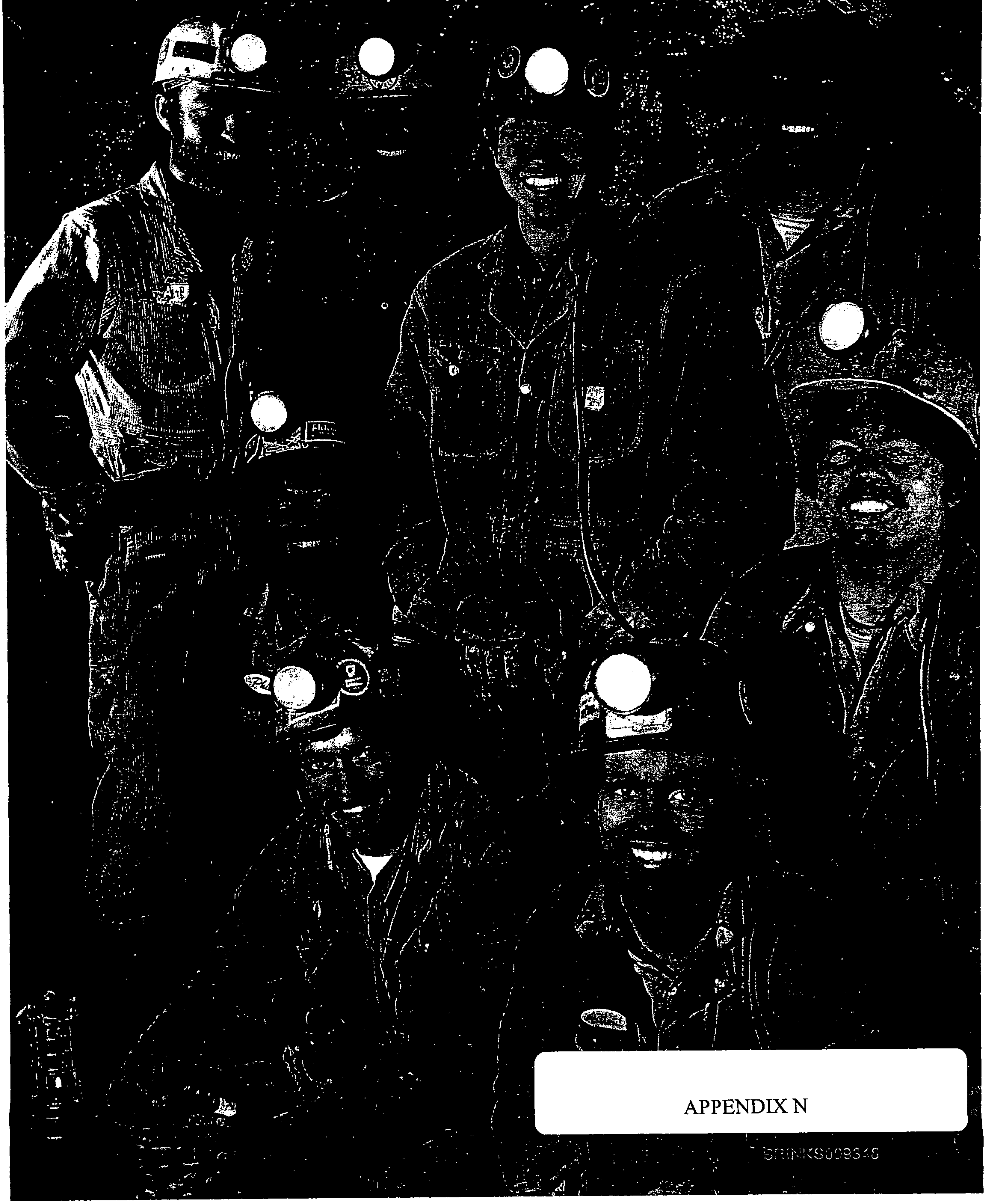
Note: This annual report is not a part of the soliciting material for the Company's annual meeting to be held May 11, 1977 at Richmond, Virginia. A formal notice of the meeting, together with proxy statement and proxy form, is being forwarded under separate cover.

The common stock of The Pittston Company is listed on the New York Stock Exchange (trading symbol PCO) and The Pacific Stock Exchange. The Company's 4% Subordinated Debentures are listed on the New York Stock Exchange.

APPENDIX N

PITTSTON

1977 Annual Report



APPENDIX N

The Pittston Company and Subsidiaries
Financial Highlights

	1977	1976
Net tons of coal produced	**14,309,000**	17,102,000
Barrels of petroleum products sold	**36,508,000**	38,873,000
Net sales and operating revenues	**$1,350,577,000**	$1,415,451,000
Income before extraordinary charges	**80,214,000**	146,372,000
Income per share before extraordinary charges	**2.14**	3.91 (A)
Cash dividends	**41,205,000**	40,365,000
Depreciation, depletion and amortization	**48,315,000**	41,863,000
Expenditures for property, plant and equipment	**143,851,000**	109,586,000
At Year End		
Total assets	**$1,026,783,000**	$ 951,121,000
Working capital	**244,265,000**	297,004,000
Net property, plant and equipment	**481,555,000**	371,452,000
Long-term debt	**91,515,000**	75,855,000
Shareholders' equity	**633,643,000**	602,887,000
Book value per common share	**16.92**	16.12 (A)
Common shares outstanding (average)	**37,452,000**	37,411,000 (A)
Number of employees	**17,599**	17,560
Number of shareholders	**20,950**	17,900

(A) Adjusted for stock dividends.

Description of Business
Pittston is a diversified company with primary interests in mining and marketing of bituminous coal. It also has interests in distribution and marketing of fuel oil; Brink's security transportation services; and warehouse and trucking distribution services.

Corporate Office
One Pickwick Plaza, Greenwich, Connecticut 06830

Transfer Agents
Chemical Bank, New York, New York
Wells Fargo Bank, San Francisco, California

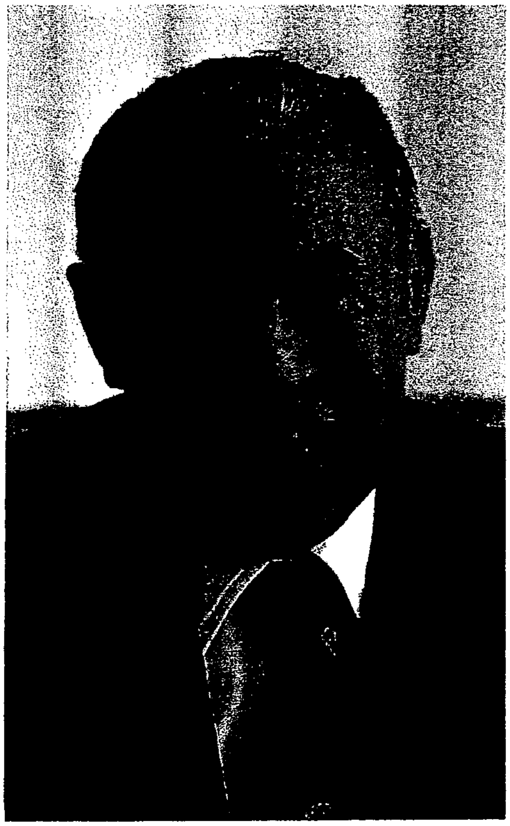
Registrars
Manufacturers Hanover Trust Company, New York, New York
Bank of America N.T. & S.A., San Francisco, California

Cover photograph shows the members of a trainee section crew (in red safety helmets) and their instructors (white helmets) in the special training mine of Pittston's Clinchfield Division in Virginia where they receive on-the-job training. The young miners pictured here are among the 4,000 employees in mining operations between the ages of 18 and 30 and represent a key to the company's future success in producing coal. Kneeling (from the left) are: Philip Dotson, George Thomas, Jr., Clint Owens, Mark Kennedy. Standing (from the left) are: Charles Breeding, Sammy Stone, Michael Kennedy, William Arden.

Note: This annual report is not a part of the soliciting material for the Company's annual meeting to be held May 10, 1978 at Richmond, Virginia. A formal notice of the meeting, together with proxy statement and proxy form, are being forwarded under separate cover.

The common stock of The Pittston Company is listed on the New York Stock Exchange (trading symbol PCO) and The Pacific Stock Exchange. The Company's 4% Subordinated Debentures are listed on the New York Stock Exchange.

To our shareholders



N.T. Camicia

Pittston's 1977 earnings declined from the historically high levels of 1975-1976 as the company experienced an unusual accumulation of circumstances ranging from labor crises in the coal industry to resolution of significant litigation.

Consolidated income in 1977 before extraordinary charges was $80,214,000, or $2.14 per share, compared to $146,372,000, or $3.91 per share, in 1976. Net income for the year after the extraordinary charges was $71,298,000, or $1.90 per share. Net sales and operating revenues were $1,350,577,000 compared to 1976's $1,415,451,000.

Extraordinary charges of $8,916,000, or 24 cents per share, reflected the estimated costs and expenses of resolving most of the litigation related to the 1972 Buffalo Creek flood in West Virginia and antitrust suits involving Brink's, Pittston's 85-per-cent-owned security transportation subsidiary.

Throughout 1977, labor problems were the critical issue. Wildcat strikes, absenteeism, lower productivity and, finally, the general strike of the United Mine Workers union were the major contributing causes to a 16 per cent decline in Pittston coal production compared to 1976. Also contributing to lost production were unusually cold weather in the first quarter and devastating April floods — conditions that severely hampered operations. This production loss coupled with lowered productivity resulted in higher unit costs for producing coal — costs which were only partially offset by coal price increases obtainable under escalation provisions of long-term sales agreements.

New Contract Offer

As this annual report goes to press, members of the United Mine Workers union are voting on a new three year contract agreed to by negotiators for the union and Bituminous Coal Operators' Association and approved by the union's bargaining council. Rejection of the terms of another tentative contract early in March by the union membership makes it impossible to predict the outcome of the vote at this time. An unfavorable vote would continue the national crisis created by the longest continuous UMW strike in history—a crisis that led President Carter to invoke the Taft-Hartley Act in an attempt to get miners back to work.

The new contract calls for substantial wage and benefit increases for miners and their families which would further improve their standing among the highest paid industrial workers in the world. We are extremely hopeful that the union membership will accept the terms and return to work. We also hope that miners, upon return to work, will recognize the critical need for labor stability and cooperate to end wildcat strikes and absenteeism that have cost miners and coal companies so much in financial and human terms in recent years. The future of the union largely

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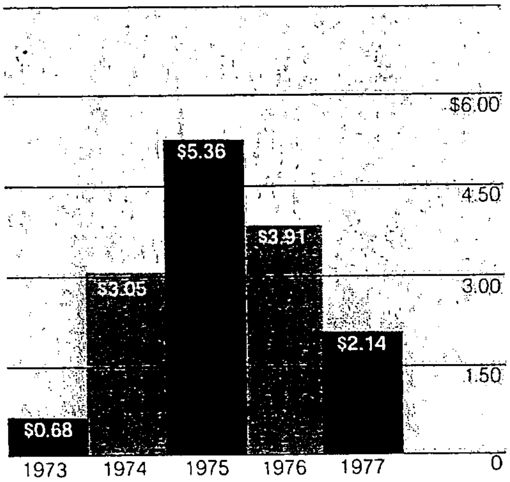
Net Income per Share*
Before Extraordinary items



*Adjusted for stock dividends and distributions.

depends on whether union mines can provide our nation with an economical and reliable supply of coal as the major source of energy. We believe the overwhelming majority of Pittston miners desire to work without interruptions from wildcat strikes and will work with management toward establishing labor stability when our mining operations resume.

World Steel Market

Continued slack demand for steel in 1977 also contributed to the earnings decline. Steel inventories and stockpiles of metallurgical coal were full. As a result, the market for Pittston's premium quality coking coal was limited to purchases under the sales agreements. Most customers bought only the minimum tonnage required by these contracts. Metallurgical coal tonnage sold declined 20 per cent compared to 1976 although Pittston maintained its relatively strong export market share.

The outlook for 1978 is uncertain. Loss of production from the strike will result in a first quarter deficit for the company and the lost production cannot be made up in the remainder of the year. In addition, some foreign steel customers, especially the Japanese, have indicated they will need even less coking coal in 1978 than in 1977 unless there is a strong upswing in world steel demand. We anticipate, however, that both metallurgical and steam coal stockpiles will need replenishing when the mines are operating again, which should result in improved coal sales. Our outlook for the long term is positive because we believe it to be a virtual economic certainty that the world steel market will grow. Pittston's premium quality metallurgical coal will be needed to assist in that growth and we plan to provide it.

While Pittston's worldwide reputation has been based primarily on its premium quality coking coal, the company also is a major producer of environmental quality steam coal for long-standing utility and industrial customers. In 1977, Pittston's steam coal tonnage sales represented 33 per cent of total coal tonnage sold compared to 29 per cent in 1976. Steam coal, used to generate electricity, is at the base of President Carter's energy program. If the President and Congress can agree finally on a long-term national energy policy and remove unreasonable governmental obstacles to producing and using coal, our nation's consumption of steam coal should increase by more than 500 million tons in just seven years. Pittston is developing plans to win an important share of this new market. These plans are based on confidence in the premium quality of Pittston coals and Pittston's unique ability to blend them to meet environmental standards.

Further comment on coal operations and the operations of Pittston's other subsidiaries, which all were profitable in 1977, can be found in the Review of Operations following this letter.

Dividend Increase

Our Board of Directors demonstrated its confidence in the company's future in September when, after an examination of the company's strong balance sheet and long-term profit potential, it voted to increase the cash dividend rate. The quarterly cash dividend was increased 20 per cent—from 25 to 30 cents, indicating an annual rate of $1.20 per share compared to the

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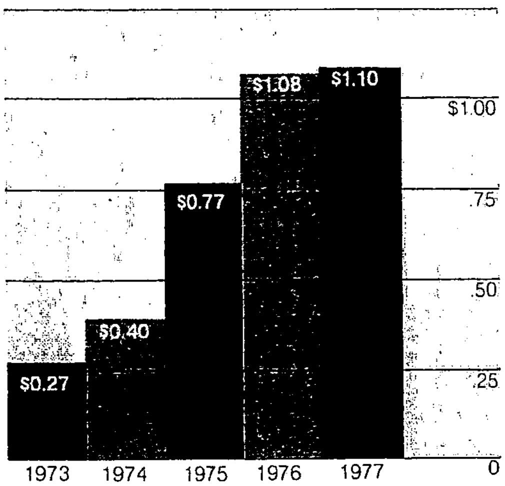
Dividends per Share*



*Adjusted for stock dividends and distributions.

previous rate of $1.00 per share. The increase was reflected in the regular quarterly cash dividends paid on November 15, 1977 and January 31, 1978.

I want to take this opportunity to express my deep appreciation to Samuel F. Pryor, Jr. and Edward F. McGinley, Jr. for their long years of service to Pittston as members of the Board of Directors. Mr. Pryor resigned effective October 6, 1977 after 10 years on the Board and Mr. McGinley is retiring and not standing for reelection after serving 22 years. I am pleased to welcome the newest Board member, Mark J. Anton, president and chief executive officer of Suburban Propane Gas Corporation. We also anticipate the election of William R. Stott, retired Exxon Corporation executive vice president, director and member of the executive committee, at the March 28, 1978 Board meeting. In addition, Raymond E. Exum, Jr., The Pittston Company's executive vice president—coal, has been nominated to the Board membership slate to be elected at the annual meeting of shareholders. These gentlemen bring a wealth of business experience and ability to our Board.

Management Strengthened

We continued to strengthen management during the year. A.F. Kaulakis, Pittston's vice president-energy development, was elected chairman and chief executive officer of Metropolitan Petroleum Company, and William L. Mannion the company's executive vice president of supply and distribution, was elected president and chief operating officer. Hendrik J. Hartong, Jr. was elected president and chief executive officer of Brink's. Under these executives, a significant reorganization has taken place that is expected to improve performance of each subsidiary in the future.

To strengthen and broaden top management for future growth, a new Chairman's Office of The Pittston Company is being established. Mr. Exum will join me as a member of that office, as will Francis J. Palamara, who is joining our management team as executive vice president. Mr. Palamara, presently executive vice president of the New York Stock Exchange, has been a member of our Board since December, 1976.

Members of the Board and management express their deep appreciation to all those who worked so hard in 1977 to help our company perform as well as it did in the face of so many difficult problems. We also appreciate the patience and confidence our shareholders have shown us by their continued support. We are confident that present issues concerning our company are solvable and the opportunities for long-term growth and profitability are not only excellent, but exciting.

N. T. Camicia

N.T. Camicia
Chairman, President and Chief Executive Officer

March 16, 1978

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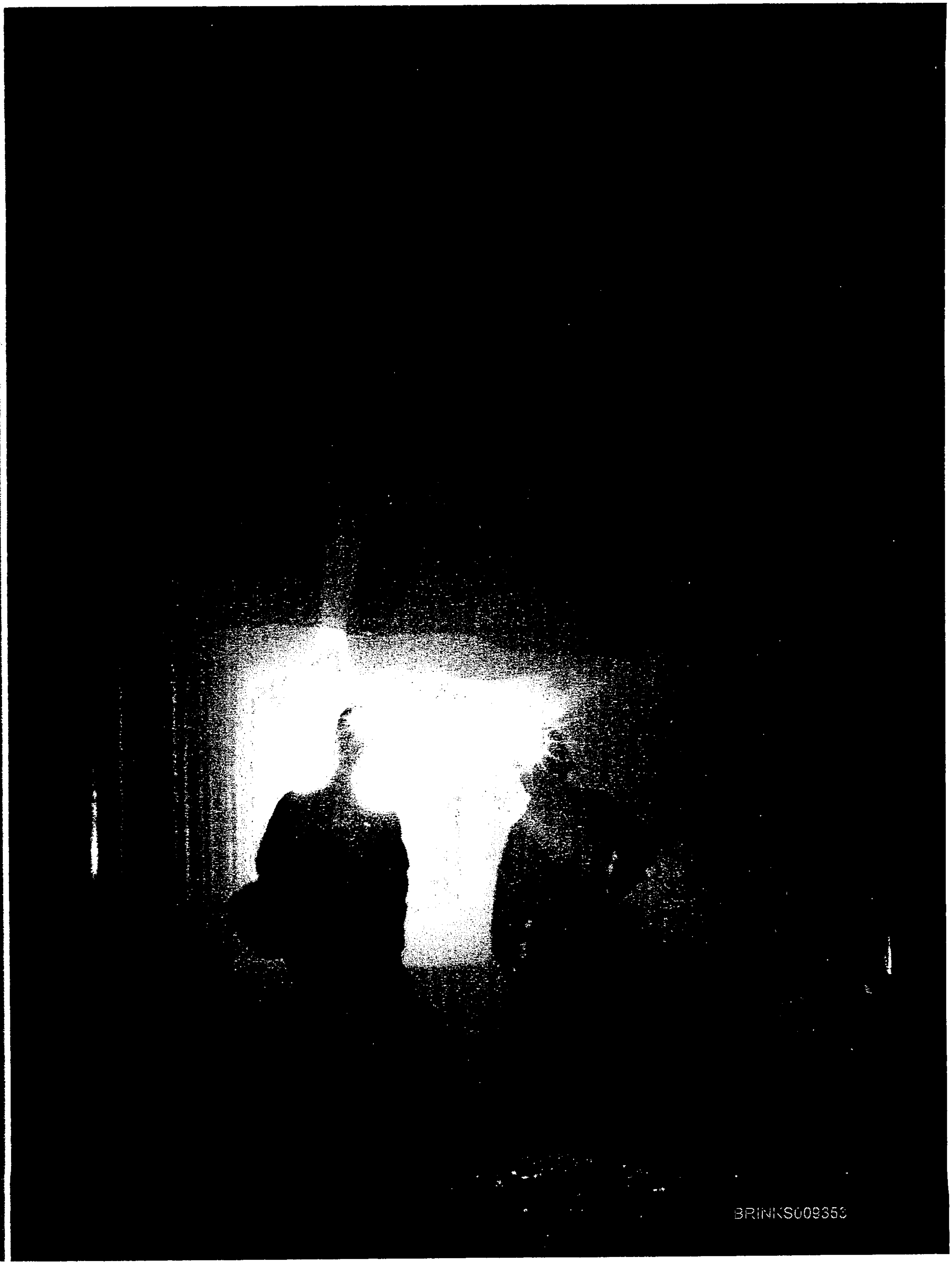

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The Pittston Company and Subsidiaries
Review of Operations

The Pittston Coal Group

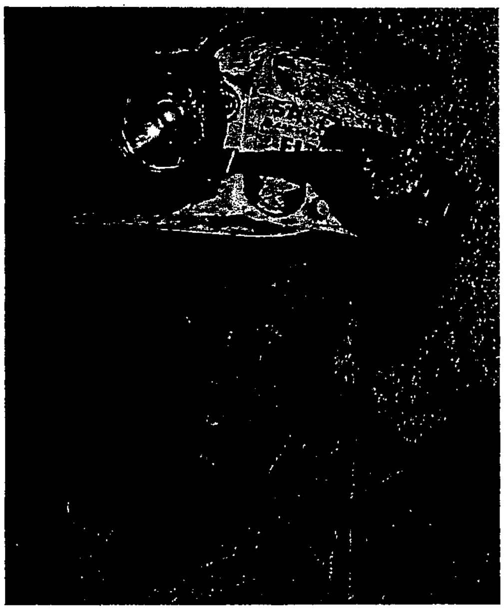
Sales of the Pittston Coal Group accounted for 48 per cent of Pittston's total revenues and 81 per cent of total operating profits in 1977. The following table compares coal sold in 1977 and 1976:

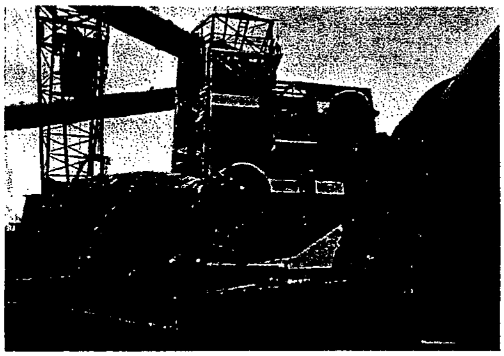
Coal Sold (millions of tons)	1977	1976
Metallurgical	10.3	12.8
Steam	5.1	5.3
Total	15.4	18.1

Although labor, weather and the economic problems of the world steel industry commanded major attention during 1977, the Coal Group continued to pursue priority programs for improving safety in all mining operations, improving planning, building new mining facilities and promoting environmental protection.

Mine Safety Program

In 1977, renewed emphasis was given to the goal of making Pittston's mining operations the safest in the coal industry. The Coal Group's present safety record compares favorably with other large producers but Pittston's goal is to have no fatalities or disabling injuries. To achieve this goal, a special accident prevention program with emphasis on job safety analysis and training, called "Operation Zero," was launched under the guidance of a nationally-respected industrial safety consultant. This new program is part of an extensive safety and job training program which involved more than 150,000 man hours of instruction during the past three years. A special mine where new miners receive on-the-job training in safe work techniques has been operated by the Clinchfield Division in Virginia since 1976. Another important part of the safety program is the development of highly skilled mine rescue and first aid teams. Last year some 26 teams competed in Pittston's annual mine safety meet. An official of the federal Mine Enforcement and Safety Administration said "to my knowledge there is no other coal company that puts on as extensive a safety meet as Pittston."





On the opposite page, the light of a laser beam is captured through a camera's filters as it travels down the shaft of one of the nine new Pittston deep mines under construction in 1977. The laser is used as a surveying instrument in mine construction. The bottom photograph on this page shows construction underway on the new Grand Badger preparation plant at Sago, West Virginia—one of four new plants under construction in 1977. The face in the top photograph is that of mine mechanic Al Quagliotti, of Pittston's Badger Coal Company, with 30 years of mining experience and a goal of providing a college education for all four of his children. Two already have received their degrees.

Planning and Expanding for the Future

Pittston continued in 1977 to improve its ability to plan for the future. The Coal Group's computer facilities were expanded and made a more effective management tool. The technique of computergraphics was added which allows the computer to turn topographical and other information about a coal seam into dimensional maps that once took hundreds of man hours to plot and draw before new mine construction plans could go forward. Even more significant is a new computer system that allows planners to make more sophisticated analyses of present utilization of coal reserves and mining facilities and make changes necessary to ensure that coal for metallurgical and steam markets

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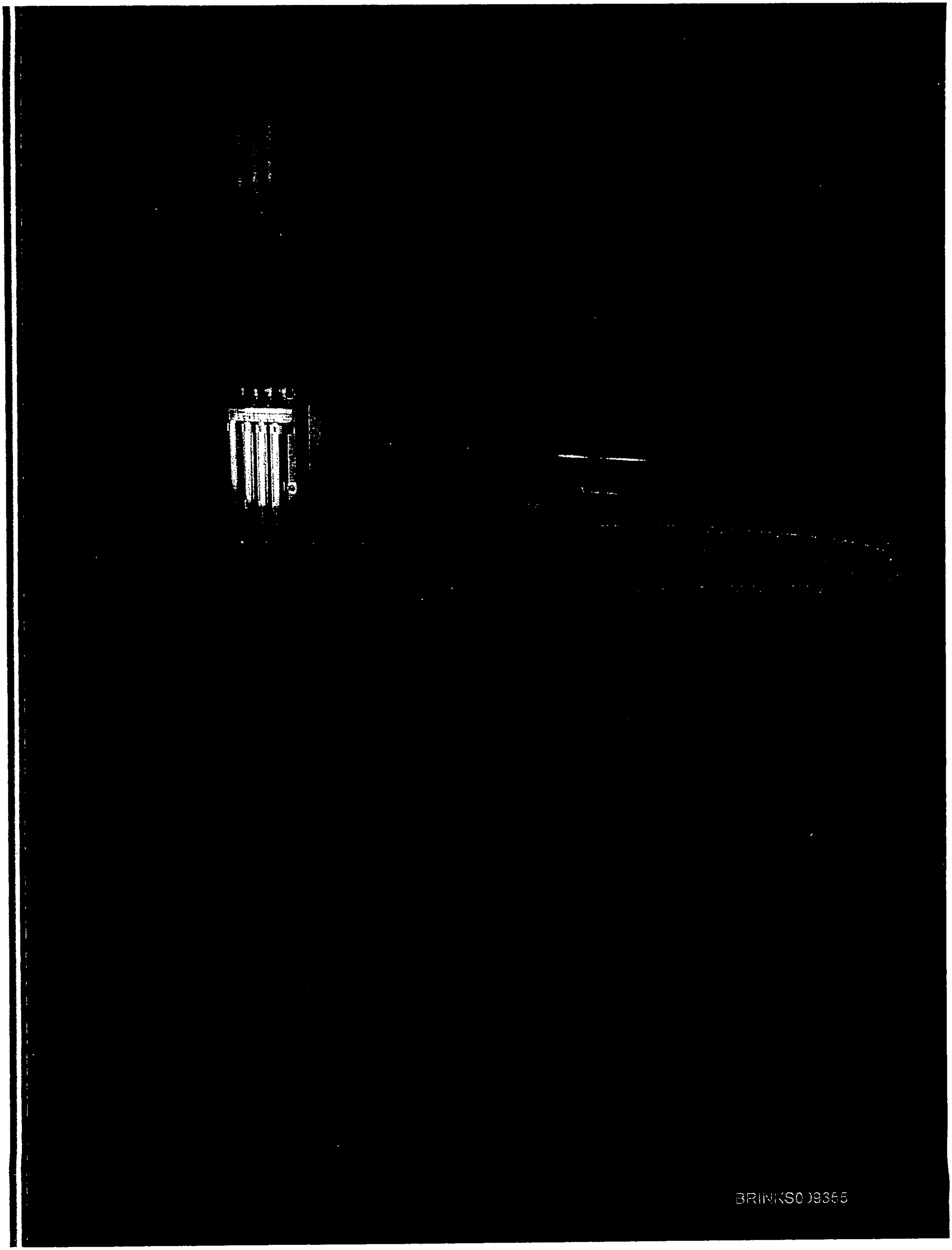
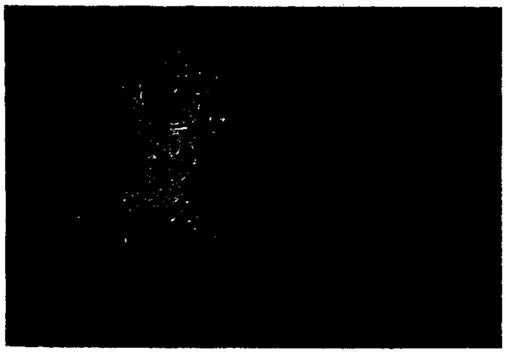




The red line in the opposite page photograph is a time-exposed light on drawing instruments attached to Pittston's computer as it draws a dimensional map of a coal seam for use in planning construction of new mine. It's called computergraphics. The use of new computer and other new technology is improving the long-range planning and mining ability of Pittston. The bottom photograph on this page shows the microscopic structure of coal as seen through the petrographic microscope at Pittston's modern coal laboratories near Dante, Virginia. Above, the face of chemist Chris Plumer is reflected in the glass panel of a device used to sample water quality at Pittston's modern water laboratory at Beckley, West Virginia.

is being produced as cost efficiently as possible while maintaining Pittston's high quality standards.

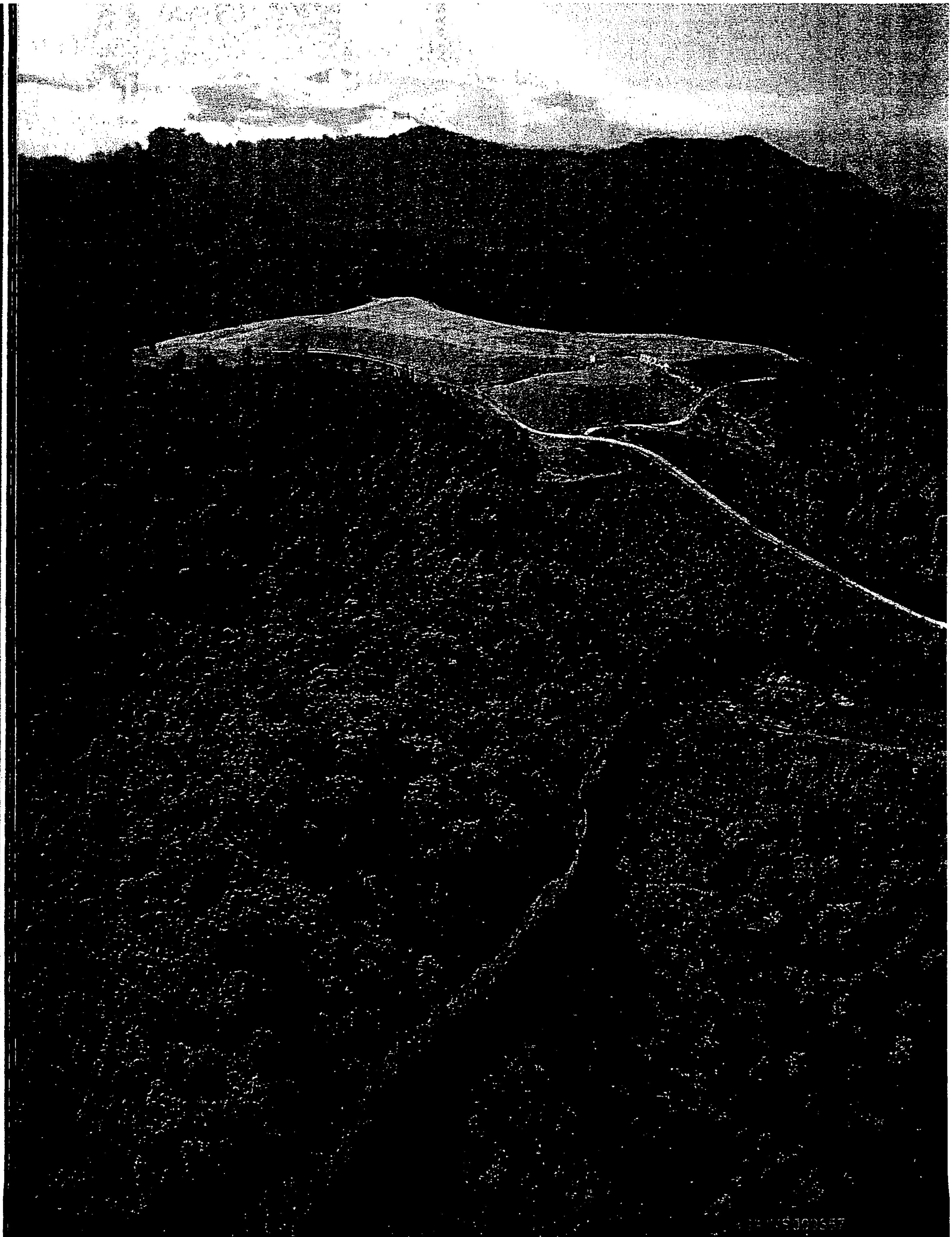
Along with the introduction of new management techniques, the Coal Group proceeded with its long-range program to develop and improve mining facilities. Progress was made during the year toward completion of four new preparation plants although construction delays on three of the plants may result from the federal Environmental Protection Agency's questioning of the impact on air quality of the plants' thermal dryers. Construction continued in 1977 on nine new deep mines and final planning on three others which will produce coal for these plants. These new facilities, once completed, will add 3.5 million tons annually to Pittston's existing production capacity. They also will provide approximately 1,600 new Pittston mining jobs. In all, the Coal Group invested approximately $135 million in 1977 for mine expansion, new mining machines and equipment and anticipates continuing its capital expansion program in 1978 though at a decelerated rate when operations resume.

Metallurgical Coal's Future

Pittston in 1977 remained the nation's leading independent producer of coal and its leading metallurgical coal exporter. Of all coal sold, approximately 54 per cent of the tonnage (of metallurgical quality) was exported. The company is monitoring carefully new steel-making technology and changes in coking coal market patterns to determine the future demand for Pittston's premium quality metallurgical coal by the world steel industry as it recovers from its presently depressed operating levels. It is clear that the world steel industry remains strongly committed to the coke plant-blast furnace system and that metallurgical coal consumption will increase with the continued development and growth of world steel demand. The company estimates that domestic and foreign consumption of U.S. coking coal will increase approximately 25 million tons by 1985.

Pittston's Environmental Quality Coal

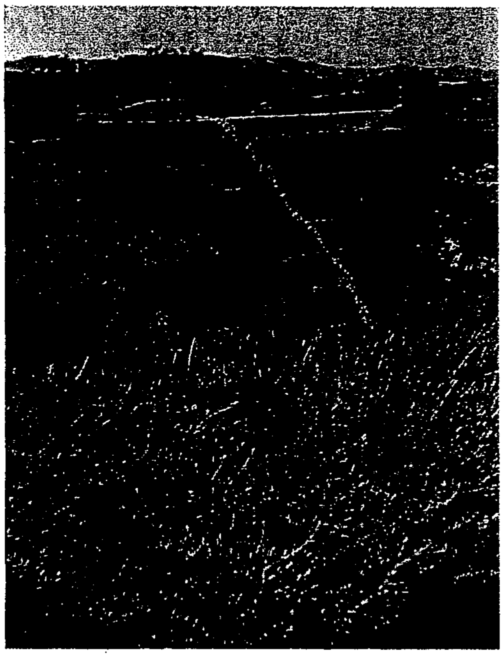
N.T. Camicia, Pittston's chairman, told shareholders at the May, 1977 annual meeting that the company will continue to expand its coking coal production to meet steel customer demand while it increases its capacity to produce and sell environmental quality steam coal in the utility and industrial market. Pittston's worldwide reputation is based on its ability to blend premium quality coking coals to meet the specific demands of its customers. This same unique ability is being applied to blend Pittston's low sulphur and low ash coals to meet environmental standards for utility and industrial customers. The market for this environmental quality coal is expected to grow significantly in the future as utility and industrial companies purchase more low sulphur coal for their present coal-fired plants to meet new clean air standards without retrofitting these plants with expensive scrubbers. In addition, many new utility plants constructed in the future will be coal-fired with scrubbers. In the utility industry alone, present plans call for the construction of approximately 260 new coal-fired plants in the United States by 1986. They will require an additional 440 million tons of coal production annually. Similar significant expansion in the use of coal by indus-



trial firms also is anticipated. Pittston will be in a position to serve a major segment of these markets with coals prepared to meet customer specifications. Prices for environmental quality coal are expected to be within the metallurgical coal price range.

Governmental Restrictions

It is ironic that governmental standards now in effect, or being considered, appear to be major obstacles to the increased production and use of steam coal called for by President Carter in his energy message to Congress in April, 1977. Congress in 1977 enacted a new federal surface mining law and amendments to air and water quality laws that will place burdensome restrictions on the mining and burning of coal as an energy fuel. For example, regulations now being put into effect by the federal Environmental Protection Agency as a result of amendments to the Clean Air Act could prohibit the use of more than 30 per cent of the increased coal production called for by the President, according to some studies. These new laws also will add to the cost of producing and using coal. It is obvious that reasonable compromises must be reached which can protect the environment while at the same time help solve the nation's energy problem. The company believes such compromises are attainable.



Reclamation of the land after surface mining operations is demonstrated in the photograph on the opposite page which shows an award-winning mountaintop removal and restoration project of Pittston's Buffalo Mining Company in West Virginia. The bottom photograph of this page shows the small growing trees of a 40-acre apple orchard created by Pittston on another mountaintop that was once the site of a surface mine. Above is a valley fill where earth, removed from a mountaintop to uncover a coal seam, is disposed of carefully, terraced, planted with erosion preventing grasses and designed to provide good drainage and water quality protection.

Pittston's Environmental Program

The Coal Group has numerous environmental protection and improvement projects connected with mining operations that are examples of the fact that coal mining and environmental objectives can be achieved harmoniously.

One environmental priority has been the conversion of Pittston's preparation plants from open water to closed water systems. The new systems clean and recirculate the water for use. Virtually all of Pittston's major preparation plants have been or are being converted to this system. At the same time Pittston has been eliminating slurry disposal areas connected with plant operations of the past by reclaiming them under plans approved by the federal Mine Enforcement and Safety Administration.

The Coal Group's environmental staff includes employees responsible for monitoring the quality of water and air discharges from the various mining facilities. There are more than 250 water discharge points throughout Coal Group operations that require monitoring on a daily, weekly or monthly basis. Pittston's modern water monitoring laboratory in Beckley, West Virginia, acknowledged as one of the finest in the coal industry, analyzes approximately 450 water samples each month to assure the company and government water quality control agencies that discharges are not polluting water sources. Air quality specialists are responsible for continuing periodic checks on stack emissions from preparation plants to ensure the quality of air.

While Pittston relies mainly on deep mining methods to produce coal, surface mining is a part of its operation. In 1977, coal produced from surface mines accounted for approximately 20 per cent of total coal production. Most surface mining of Pittston's coal reserves is done under contract by private companies. Pittston oversees the reclamation work of these contractors. For the past several years, Pittston's surface mining reclamation efforts have received awards for excellence from the

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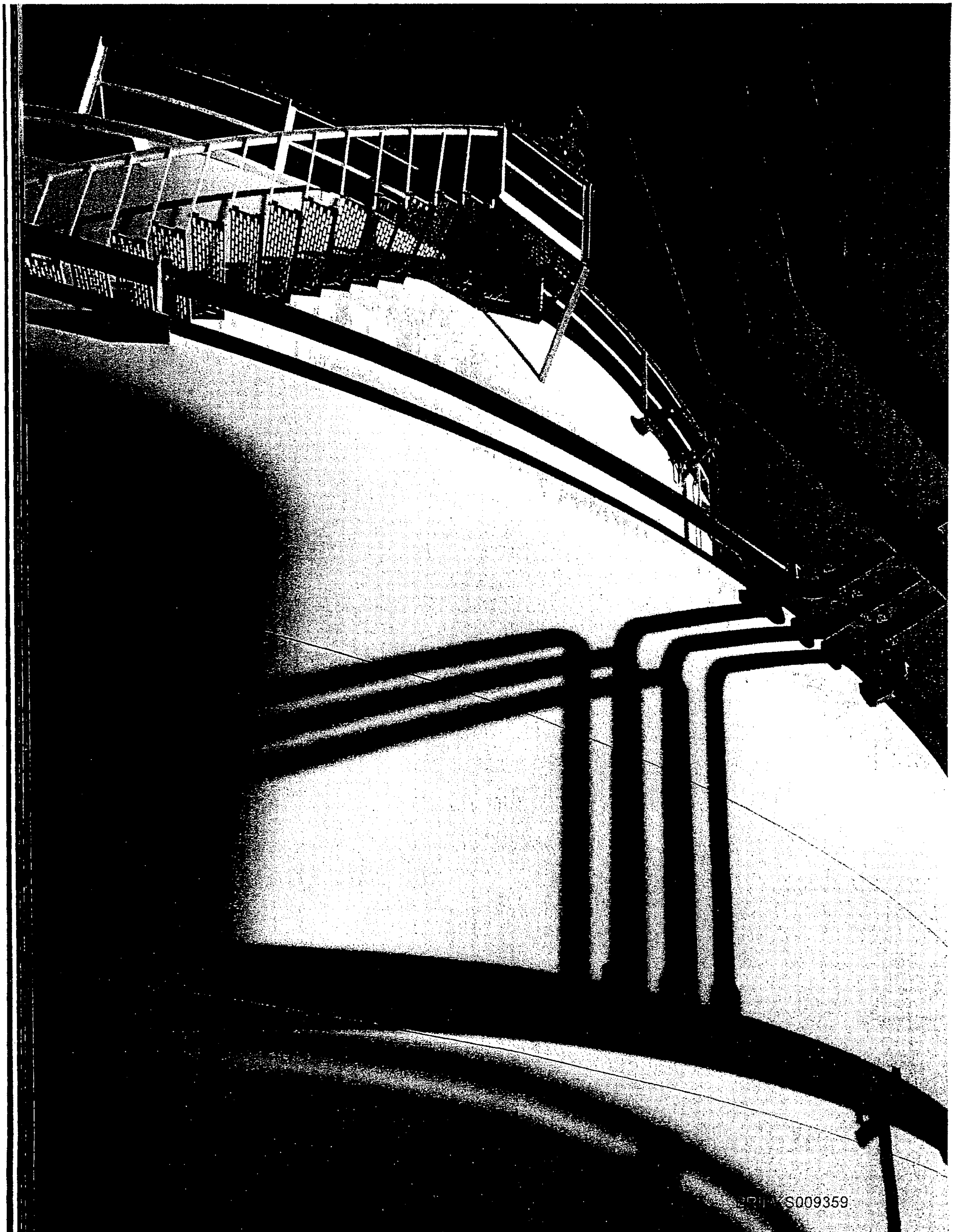


West Virginia Surface Mining and Reclamation Association for projects selected by the West Virginia Department of Natural Resources. An award was received in 1977 for "outstanding reclamation performance" in all phases of mountaintop removal on a project near Winona, West Virginia.

In a special environmental report issued in 1977, Pittston said its commitment "is to make certain that the environmental effects of deep and surface mining operations, over which it has control, are conducted to meet the standards of the law and, where possible, go beyond the law to improve the environment."

The report concluded:

"While it views its major contribution to the Appalachian region and its people as that of an employer, Pittston also recognizes the responsibility it has to contribute to the general well-being of the communities and their environments. As Pittston goes forward it will make every effort possible to demonstrate this responsibility so that not only those who earn their living at Pittston, but all the people of Appalachia and the shareholders who own our company, will benefit."

Metropolitan Petroleum Company, Inc.

Marketing and distribution of home heating and industrial fuel oil by Metropolitan Petroleum Company, Inc., a wholly-owned subsidiary of Pittston, accounted for 41 per cent of consolidated revenues and eight per cent of consolidated operating profits in 1977.

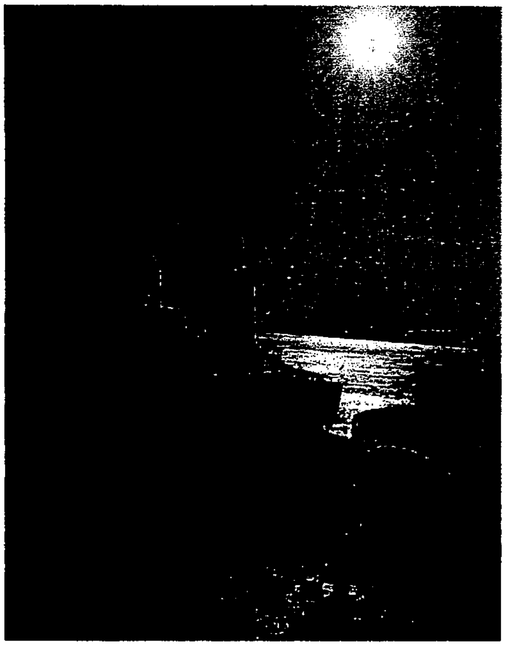
Increased competition in an already highly competitive business and warmer weather in the fourth quarter of the year resulted in a six per cent decline in gallonage sold compared to 1976 although revenues increased seven per cent as a result of price increases. Gross profits, however, declined 10 per cent because the price increases only partially offset increased costs of purchasing fuel oil supplies and increased expenses for operating the company's extensive terminal, barge and truck distribution system in the Northeast and Canada. Because the company has no production or refining facilities its profitability depends on its ability to purchase refined products and market them at a profit.

The following table shows the approximate quantities of fuel oil sold in 1977 and 1976:

	1977	1976
	(thousands of barrels)	
Light Fuel Oil	13,891	15,076
Heavy Fuel Oil	22,617	23,797
Total	36,508	38,873

Light fuel oils are used principally for home heating and heavy fuel oils are used by industrial and commercial firms to generate heat and power. Approximately 59 per cent of the fuel oils sold were delivered directly to consumers in 1977.

Metropolitan, one of the largest independent distributors of fuel oil in its market area, in 1977 operated 33 terminals—seven deep water, 15 barge and 11 inland—and a fleet of 650 vehicles and nine barges to serve its wholesale and retail customers. These terminals, which are either owned or leased by the company, have an aggregate storage capacity of approximately 12,900,000



The white storage tank in the photograph on the opposite page is part of Metropolitan Petroleum Company's Greenpoint Terminal in Brooklyn, New York, one of 33 terminals operated by the company to form one of the largest fuel oil distribution systems in the Northeastern United States and Canada. In the top photograph on this page, Metropolitan employee Frank Verdon measures oil in a tank at the company's deep-water terminal on New York's East River, one of seven deep-water terminals Metropolitan operates. In the background are the river and the Greek-tanker, Vasiliki, which is unloading part of its Venezuelan oil cargo. Below, Amel Simonin, driver for a Metropolitan gasoline distribution customer, uses the new gasoline vapor recovery unit at the Greenpoint terminal—new equipment that is part of the company's efforts to protect the environment of the areas where its terminals operate.

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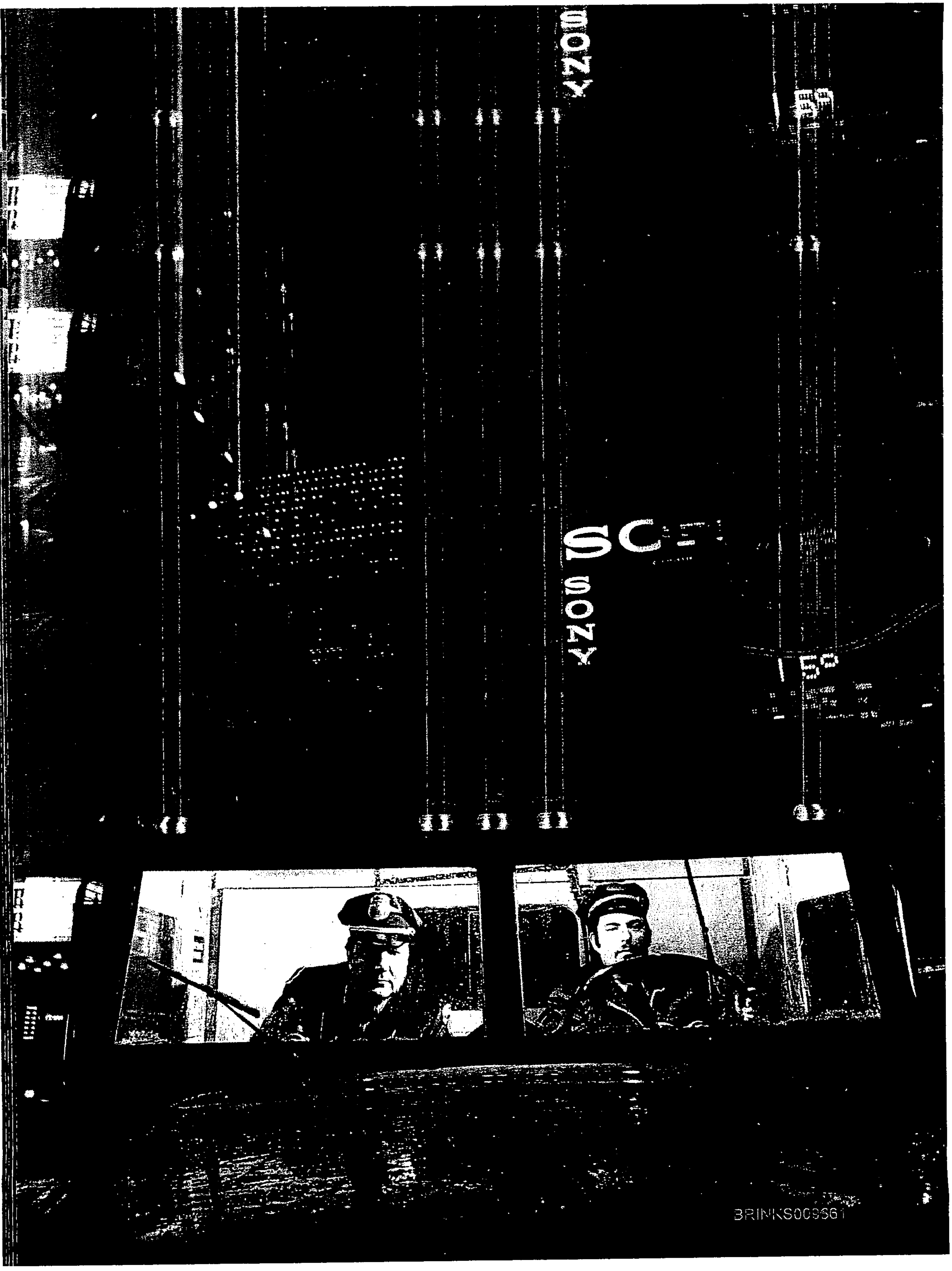
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barrels. The oil purchased for distribution from these facilities comes from both domestic and foreign oil producers and refineries.

As part of its energy conservation program, Metropolitan continued in 1977 its program to insulate storage tanks. Progress was made on this program at terminals in Boston and Montreal.

Although competition is expected to remain intense in the fuel oil distribution business in 1978, management anticipates that, with its superior distribution system and expertise of approximately 1,000 employees, the company will have another profitable year.

Approximately 1,300 Brink's armored cars, similar to the one photographed on the opposite page as it travels through New York Times Square area, are the distinctive marks of the world's oldest and largest security transportation company. In the cab are Brink's driver Jeff Michaelson and guard Sam Di Geloromo as they complete a special assignment for one of the thousands of customers who entrust the transportation of valuables to Brink's in the United States and 19 foreign countries. In the photograph above, guard Di Geloromo prepares to load a major bank customer's pick up for delivery to the United States Federal Reserve Bank of New York (photograph below), a service that Brink's performs for banks and the Federal Reserve in metropolitan areas throughout the country.

Brink's Incorporated

Brink's, Incorporated, Pittston's 85-per-cent-owned security transportation subsidiary, accounted for 10 per cent of both consolidated revenues and operating profits in 1977.

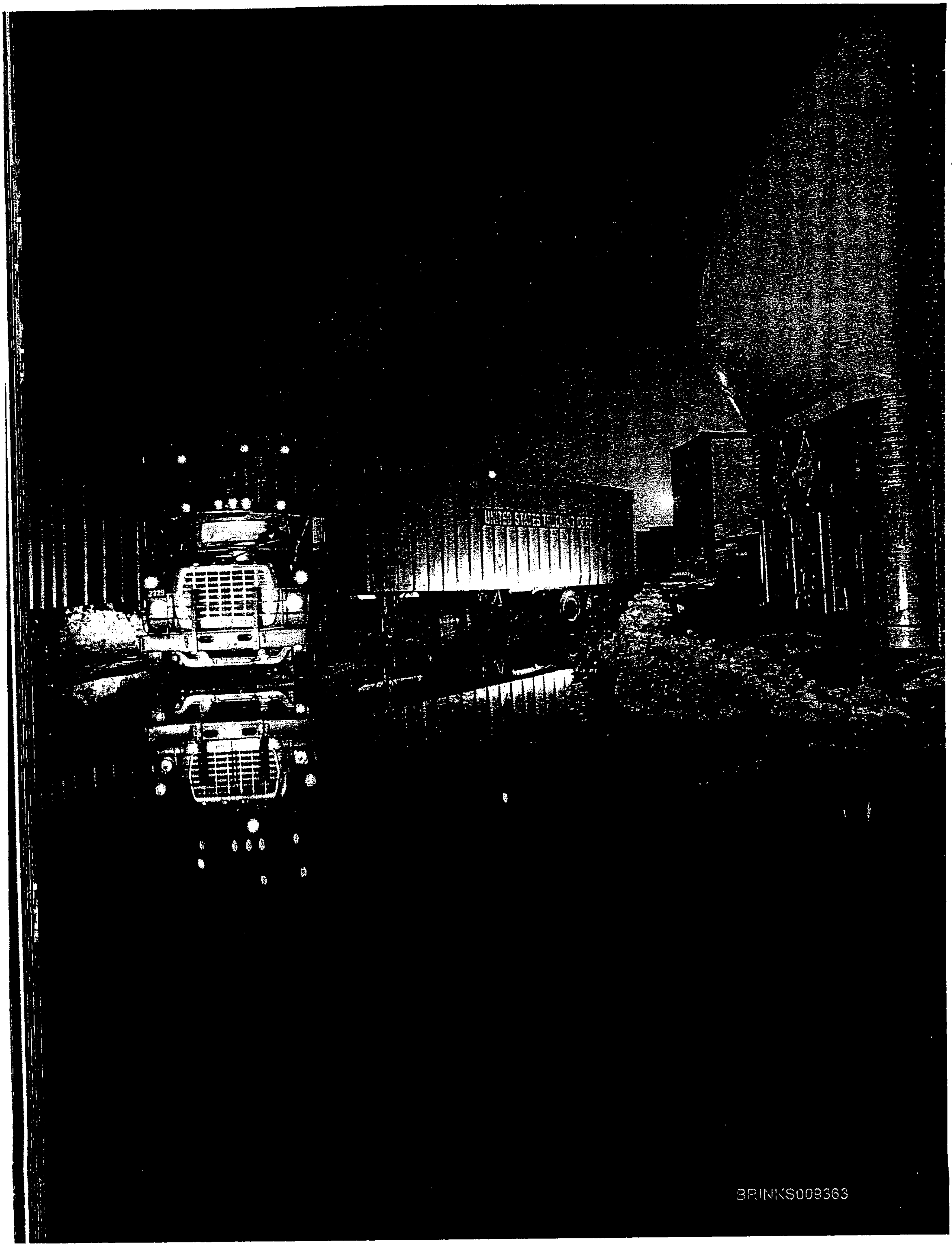
Brink's income before an extraordinary charge was $6,418,000, or 68 cents per Brink's share, compared to net income of $8,076,000, or 86 cents per Brink's share, in 1976, which was restated to reflect a change in accounting for leases. Net income for 1977 after the extraordinary charge was $544,000, or six cents per Brink's share. The extraordinary charge against 1977 earnings was for estimated antitrust litigation settlements and expenses of $5,874,000, equal to 62 cents per Brink's share. Further discussion of the extraordinary charge and legal proceedings can be found in Note 9 of the Notes to Consolidated Financial Statements of this annual report.

Operating revenues for the company in 1977 were a record $129,884,000, slightly higher than $129,633,000 in 1976. Revenues from rate increases and new business were offset by reductions due to strikes in the first half of the year and a decrease in the Canadian exchange rate. The rate increases obtained were limited because conditions in the security transportation market make it impossible to pass on to customers all of the escalating labor and operating expenses Brink's is experiencing.

A decision was made in 1977 to consolidate corporate executive and administrative functions in a new Brink's national and international headquarters in Darien, Connecticut. The executive and administrative offices had been housed separately in the Chicago area. The move is scheduled to be complete by the end of March 1978.

In 1977, Brink's armored car, air courier and other security transportation services reached thousands of customers in 165 metropolitan areas across the United States and Canada, as well as 41 cities in 18 other foreign countries. Customers entrusted an average of $1 billion worth of valuables each day to Brink's for secure transportation. For example, in 1977 a leading stock brokerage firm—and a major customer—had Brink's armored cars transfer $23 billion in securities in one move, the largest dollar move in the company's history.

Armored car services, the company's basic business, involve the majority of Brink's 6,000 employees. A fleet of some 1,300 armored cars makes more than 23,000 stops each week to serve banking and commercial customers with pick-up and delivery of money, securities and other valuables. Other services available to these customers are payroll, coin wrapping, check cashing,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safes and safe security. Brink's tractor-trailers, capable of carrying 40,000 pounds of valuables, extend the company's services to long-distance security transportation on the ground. Brink's combines its ground services with air courier to 30 metropolitan areas in North America and many other major cities in the world.

By continuing the high quality of its services, management expects Brink's will experience another profitable year in 1978 and maintain its position of leadership in the security transportation industry.

United States Distribution Group, Inc.

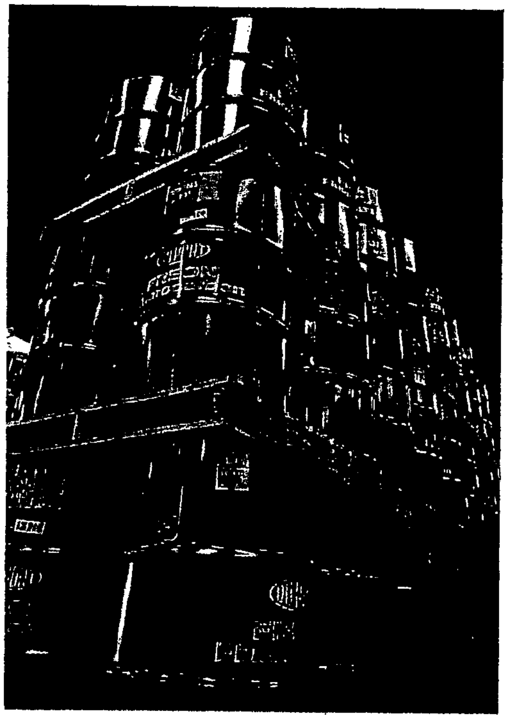
The United States Distribution Group, Inc., Pittston's wholly-owned subsidiary specializing in warehousing and trucking services, accounted for one per cent of consolidated revenues and one per cent of operating profits in 1977.

The Group expanded its warehousing facilities during the year to bring its total capacity to approximately three million square feet. It acquired 135,000-square-feet of warehouse space and a trucking terminal-maintenance shop in Brooklyn, New York. A 180,000-square-foot distribution center capable of providing frozen, chilled and dry food storage was acquired near Boston, Massachusetts to serve grocery and supermarket business in that region.

For a new major customer, the company leased a 180,000-square-foot warehouse near Secaucus, New Jersey. This new center serves as the distribution center for the customer's line of food products in the northeastern United States. The Group provides the facilities and staff to handle the distribution of the products from the seaport to their final destination. This is a regional distribution service that the Group is providing for several major companies along the eastern seaboard.

In 1977, the company provided its services from major distribution facilities in New York City, northern New Jersey, Baltimore-Washington, Atlanta and Jacksonville. Through its trucking company subsidiary it provided trucking services to customers from its large fleet of trucks, tractor-trailers and other transportation equipment required to accommodate virtually every distribution need. The company also leases vehicles, equipment and manpower to many companies, including fleets of trucks for the distribution of metropolitan newspapers.

The Group's accelerated marketing program is expected to attract other large and small companies to use its total distribution service abilities in 1978, resulting in continued improvement of its performance.



On the opposite page, a tractor-trailer of the United States Trucking Corporation, a subsidiary of the United States Distribution Group, arrives at the Group's headquarters terminal in Secaucus, New Jersey after making a customer delivery in the New York area during a heavy snow storm. In the top photograph, Elisabeth Salkind is one of the staff employees responsible for keeping warehouse inventories up to date on the Group's modern computer facilities, such as inventories on the products of a major customer shown below. The Group provides complete regional distribution services for many of the nation's largest companies from distribution centers located along the eastern seaboard.

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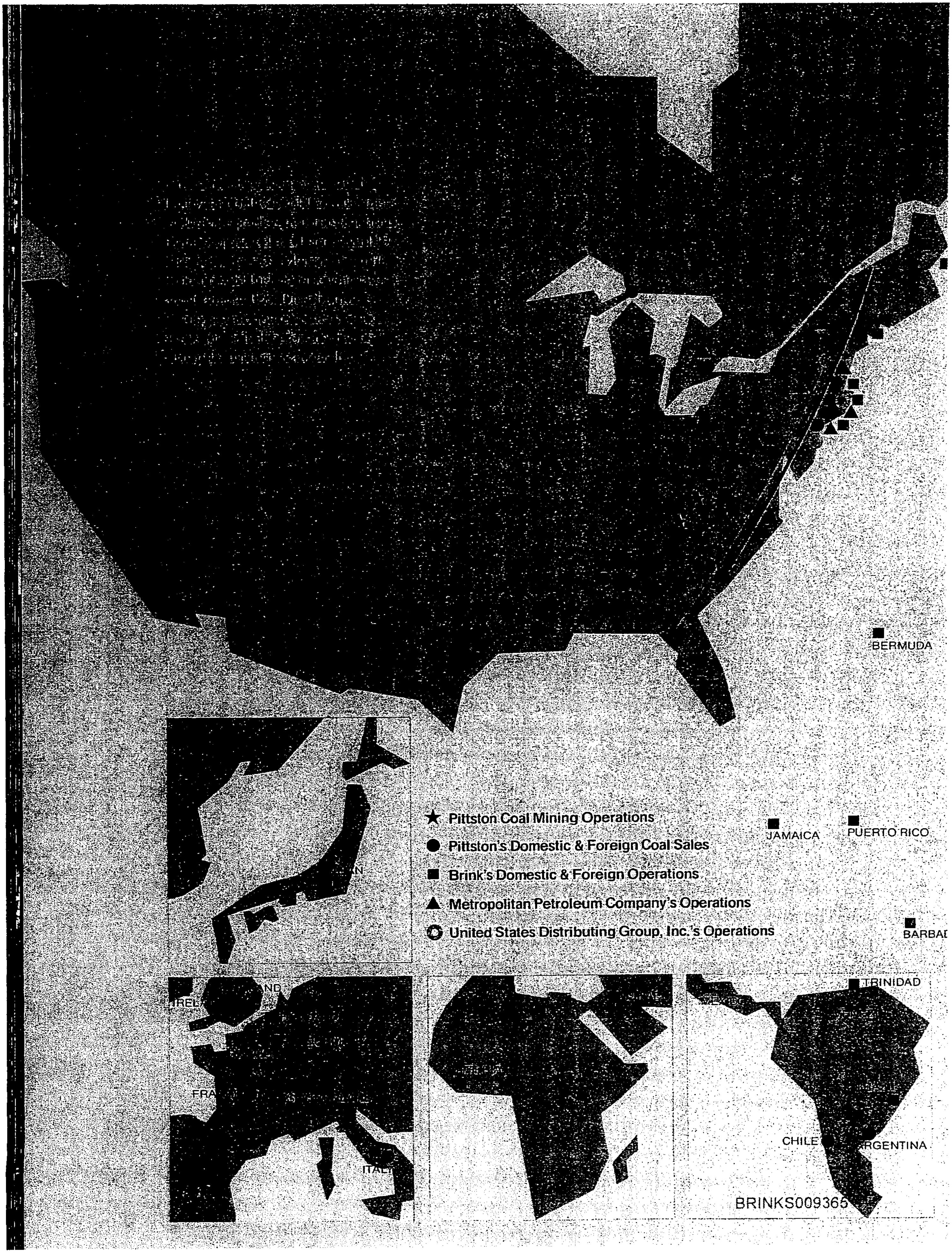

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The Pittston Company and Subsidiaries
Financial Section

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The Pittston Company and Subsidiaries
Ten Years in Review

	1977	1976	1975
Sales and Income (in thousands)			
Net Sales and Operating Revenues	$1,350,577	$1,415,451	$1,504,222
Net Income (B)	80,214	146,372	200,146
Financial Position (in thousands)			
Working Capital	$ 244,265	$ 297,004	$ 272,894
Net Property, Plant and Equipment	481,555	371,452	304,953
Total Assets	1,026,783	951,121	890,246
Long-Term Debt	91,515	75,855	93,990
Shareholders' Equity	633,643	602,887	495,826
Common Shares Outstanding (average) (in thousands)	37,452	37,411	37,321
Per Common Share (A)			
Net Income (B)	$2.14	$3.91	$5.36
Cash Dividends	1.10	1.08	.77
Book Value	16.92	16.12	13.29

(A) Adjusted for stock dividends and distributions.
(B) Before extraordinary items.

Common Stock

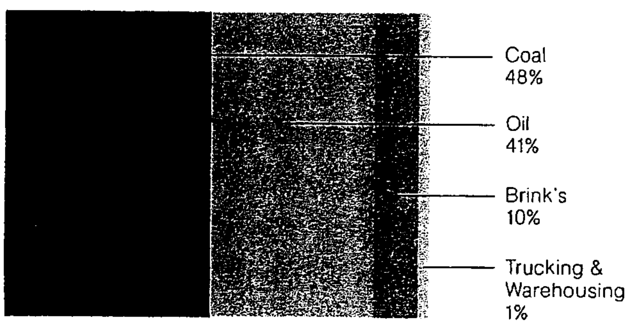
	Market Price High	Market Price Low	Dividends Declared
1977			
1st Quarter	$37.13	$31.50	$.25
2nd Quarter	34.88	27.00	.25
3rd Quarter	29.25	23.63	.30
4th Quarter	25.88	22.63	.30
1976			
1st Quarter	$38.73	$29.80	$.20
2nd Quarter	47.06	32.72	.20
3rd Quarter	45.59	36.52	.19
4th Quarter	39.46	32.48	.49

Data have been adjusted for stock dividends.

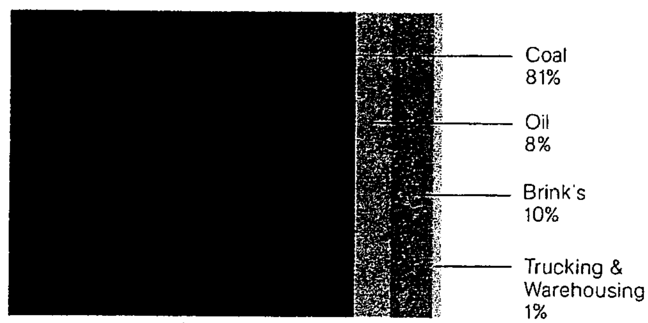
1974	1973	1972	1971	1970	1969	1968
$1,145,729	$682,559	$623,525	$579,896	$503,928	$419,526	$402,403
113,636	25,416	24,097	35,325	34,495	17,186	16,301
$ 179,500	$108,265	$116,214	$ 60,442	$ 52,996	$ 61,933	$ 53,194
266,720	253,753	257,473	254,636	236,689	175,981	172,826
687,657	495,990	482,974	446,620	419,983	325,125	316,664
104,714	119,884	137,509	97,012	111,554	89,684	89,379
322,788	229,921	227,407	208,316	173,686	141,556	129,432
37,223	37,153	37,113	37,019	36,688	36,286	35,961
$3.05	$ .68	$ .65	$ .95	$ .94	$ .47	$ .45
.40	.27	.26	.26	.22	.16	.16
8.67	6.19	6.13	5.63	4.73	3.90	3.60

Revenue and Operating Profit by Source—Year 1977

Revenue



Operating Profit



The Pittston Company and Subsidiaries
Consolidated Balance Sheet

Assets	December 31, 1977	1976
Current Assets:		
Cash	$ 33,128,000	$ 21,515,000
Short-term investments (Note 2)	130,775,000	167,784,000
Accounts receivable:		
Trade	160,037,000	201,020,000
Other	10,315,000	12,045,000
	170,352,000	213,065,000
Less estimated amount uncollectible	1,861,000	2,319,000
	168,491,000	210,746,000
Inventories:		
Fuels	112,896,000	85,120,000
Merchandise	2,972,000	2,975,000
Supplies	8,100,000	6,801,000
	123,968,000	94,896,000
Prepaid expenses	5,889,000	7,278,000
Total Current Assets	462,251,000	502,219,000
Property, Plant and Equipment, at cost (Note 3):		
Bituminous coal lands	129,028,000	121,254,000
Land, other than coal lands	10,768,000	10,650,000
Buildings	53,480,000	24,817,000
Machinery and equipment	527,023,000	424,177,000
	720,299,000	580,898,000
Less accumulated depreciation, depletion and amortization	238,744,000	209,446,000
	481,555,000	371,452,000
Other Assets	82,977,000	77,450,000
	$1,026,783,000	$951,121,000

See accompanying notes to consolidated financial statements.

Liabilities	December 31, 1977	1976
Current Liabilities:		
Notes payable—banks	$ 11,180,000	$ 17,000,000
Commercial paper	34,815,000	—
Current maturities of long-term debt (Note 5)	3,284,000	5,518,000
Accounts payable	117,873,000	117,518,000
Dividends payable	11,383,000	18,354,000
Accrued liabilities:		
Federal income taxes (Note 4)	5,816,000	13,154,000
Other taxes	7,955,000	6,230,000
Payrolls	11,843,000	16,128,000
Miscellaneous	13,837,000	11,313,000
	39,451,000	46,825,000
Total Current Liabilities	217,986,000	205,215,000
Long-Term Debt, less current maturities (Note 5)	91,515,000	75,855,000
Workmen's Compensation Claims and Other Liabilities	35,006,000	33,080,000
Deferred Income Taxes (Note 4)	41,917,000	26,645,000
Minority Interest in Brink's, Incorporated, a subsidiary	6,716,000	7,439,000
Commitments and Contingent Liabilities (Notes 8 and 9)		
Shareholders' Equity (Notes 5, 6 and 7):		
Common Stock, par value $1.00 per share:		
Authorized: 50,000,000 shares		
Issued: 1977—37,760,862 shares; 1976—36,994,516 shares	37,761,000	36,995,000
Capital In Excess of Par Value	190,570,000	163,676,000
Retained Earnings	407,057,000	403,958,000
	635,388,000	604,629,000
Less Common Stock in treasury, at cost (1977—295,039 shares; 1976—294,506 shares)	1,745,000	1,742,000
Total Shareholders' Equity	633,643,000	602,887,000
	$1,026,783,000	$951,121,000

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The Pittston Company and Subsidiaries
Consolidated Income Statement

	Years Ended December 31, 1977	1976
Net Sales	$1,200,339,000	$1,268,872,000
Operating Revenues	150,238,000	146,579,000
Net Sales and Operating Revenues	1,350,577,000	1,415,451,000
Other Income	16,895,000	21,449,000
	1,367,472,000	1,436,900,000
Costs and Expenses:		
Cost of sales	1,051,582,000	1,019,409,000
Operating expenses	126,995,000	117,853,000
Selling, administrative and general expenses	72,642,000	70,746,000
Interest expense	6,238,000	5,069,000
Minority interest in earnings of a subsidiary	872,000	1,313,000
Total Costs and Expenses	1,258,329,000	1,214,390,000
Income before Provision for Income Taxes and Extraordinary Charges	109,143,000	222,510,000
Provision for Income Taxes (Note 4):		
Federal	24,991,000	69,063,000
State and Foreign	3,938,000	7,075,000
	28,929,000	76,138,000
Income before Extraordinary Charges	80,214,000	146,372,000
Extraordinary Charges, net of taxes (Note 9)	8,916,000	—
Net Income	$ 71,298,000	$ 146,372,000
Per share (a):		
Income before Extraordinary Charges	$2.14	$3.91
Extraordinary Charges, net of taxes (Note 9)	.24	—
Net Income	$1.90	$3.91
Shares Outstanding (average) (a)	37,452,000	37,411,000

(a) Adjusted for stock dividends.

See accompanying notes to consolidated financial statements.

The Pittston Company and Subsidiaries
Consolidated Statement of Shareholders' Equity

	Years Ended December 31, 1977 and 1976			
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance at December 31, 1975	$36,219,000	$140,409,000	$320,940,000	$(1,742,000)
Consolidated net income	—	—	146,372,000	—
Market value of 718,636 shares of Common Stock issued as a 2% stock dividend January 28, 1976	719,000	22,270,000	(22,989,000)	—
Sale of 56,821 shares of Common Stock under Stock Option Plan	57,000	724,000	—	—
Federal income tax benefit resulting from the exercise of non-qualified stock options	—	273,000	—	—
Cash dividends declared—$1.08* per share	—	—	(40,365,000)	—
Balance at December 31, 1976	36,995,000	163,676,000	403,958,000	(1,742,000)
Consolidated net income	—	—	71,298,000	—
Market value of 734,143 shares of Common Stock issued as a 2% stock dividend February 1, 1977	734,000	26,260,000	(26,994,000)	—
Sale of 32,203 shares of Common Stock under Stock Option Plan	32,000	384,000	—	—
Federal income tax benefit resulting from the exercise of non-qualified stock options	—	250,000	—	—
Cash dividends declared—$1.10 per share	—	—	(41,205,000)	—
Purchase of Common Stock for Treasury	—	—	—	(3,000)
Balance at December 31, 1977	$37,761,000	$190,570,000	$407,057,000	$(1,745,000)

*Adjusted for 2% stock dividend paid February 1977.

See accompanying notes to consolidated financial statements.

The Pittston Company and Subsidiaries
Consolidated Statement of Changes in Financial Position

	Years Ended December 31, 1977	1976
Sources of Working Capital:		
Operations:		
Income before extraordinary charges	$ 80,214,000	$146,372,00(
Add items not affecting working capital:		
Depreciation, depletion and amortization	48,315,000	41,863,00(
Provision for claims	1,624,000	8,365,00(
Deferred income taxes	18,961,000	14,606,00(
Minority interest in earnings of a subsidiary	872,000	1,313,00(
Total from operations	149,986,000	212,519,00(
Extraordinary charges, excluding non-working capital elements	(12,605,000)	—
Miscellaneous	2,942,000	2,802,00(
Total sources of working capital	140,323,000	215,321,00(
Applications of Working Capital:		
Additions to property, plant and equipment	143,851,000	109,586,00
Reductions of long-term debt	2,479,000	18,185,00
Cash dividends declared	41,205,000	40,365,00
Increase in other assets	5,527,000	23,075,00
Total applications of working capital	193,062,000	191,211,00
Increase (decrease) in working capital	$ (52,739,000)	$ 24,110,00
Increases (Decreases) in Components of Working Capital:		
Current Assets:		
Cash and short-term investments	$ (25,396,000)	$ (81,452,00
Accounts receivable, net	(42,255,000)	46,812,00
Inventories	29,072,000	5,002,00
Prepaid expenses	(1,389,000)	939,00
	(39,968,000)	(28,699,00
Current Liabilities:		
Notes payable, commercial paper and current maturities of long-term debt	26,761,000	11,746,00
Accounts and dividends payable	(6,616,000)	17,496,0C
Accrued liabilities	(7,374,000)	(82,051,0C
	12,771,000	(52,809,0C
Increase (decrease) in working capital	$ (52,739,000)	$ 24,110,0C

See accompanying notes to consolidated financial statements.

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1 Summary of Significant Accounting Policies

Principles of Consolidation:

The accompanying financial statements reflect the accounts of The Pittston Company and its subsidiaries, except for certain insignificant subsidiaries the investment in which is carried at cost plus equity in undistributed earnings since acquisition. All intercompany items and transactions of material amount have been eliminated in consolidation.

Short-Term Investments:

Short-term investments are carried at the lower of cost or market value.

Inventories:

Inventories are stated at cost (determined under the first-in, first-out or average cost methods) or market, whichever is lower. Market represents net realizable value for fuels and merchandise inventories and replacement cost for supplies inventories.

Property, Plant and Equipment:

Expenditures for maintenance and repairs are charged to expense, and the costs of renewals and betterments are capitalized. Depreciation is provided principally on the straight line method at varying rates depending upon estimated useful lives. Depletion of bituminous coal lands is provided on the basis of tonnage mined in relation to the estimated total of recoverable tonnage in the ground. Mine development costs, including deficits at mines in the development stage, are capitalized and amortized over the estimated useful life of the mine. A mine is considered under development until all of the planned production units have been placed in operation.

Income Taxes:

The provision for income taxes is based on income and expenses included in the accompanying consolidated income statement. Differences between taxes so computed and taxes payable under applicable statutes and regulations are classified as deferred taxes arising from timing differences (see note 4).

Investment tax credits arising from purchases of property, plant and equipment are accounted for by the "flow-through" method, and are thus reflected in income in the year they are deducted for tax purposes. Investment tax credits arising from equity investments in leveraged lease transactions are deferred and taken into income over the terms of the leases, in accordance with FASB Standard No. 13.

2 Short-Term Investments

Consist of the following:

	December 31	
	1977	1976
	(In thousands)	
Marketable equity securities, carried at cost (market $3,160,000 in 1977 and $1,713,000 in 1976)	$ 3,139	$ 1,314
Other investments:		
Certificates of deposit and time deposits	56,006	38,821
U.S. Treasury bills	29,403	2,788
U.S. Treasury notes	—	50,287
U.S. Government obligations acquired under repurchase agreements	27,800	60,000
Debentures of U.S. Export-Import Bank	14,427	14,574
	$130,775	$167,784

3 Property, Plant and Equipment

The amount of depreciation, depletion and amortization charged to expense in 1977 was $48,315,000 compared with $41,863,000 in 1976.

Deficits incurred at mines in the development stage amounted to $8,600,000 in 1977 and $7,400,000 in 1976. These amounts were capitalized, in accordance with Company policy.

4 Income Taxes

The provision for income taxes consists of the following components:

	U.S. Federal	Foreign	State	Total
		(In thousands)		
1977				
Currently payable	$ 6,108	$1,209	$2,651	$ 9,968
Deferred	18,883	78	—	18,961
Total	$24,991	$1,287	$2,651	$28,929
1976				
Currently payable	$44,730	$2,083	$4,911	$51,724
Deferred	14,525	81	—	14,606
Deferred investment tax credits	9,808	—	—	9,808
Total	$69,063	$2,164	$4,911	$76,138

The sources of significant timing differences which gave rise to deferred taxes, and their tax effects are shown below:

	1977	1976
	(In thousands)	
Excess of tax over book depreciation	$ 7,092	$ 5,184
Mine development expenditures, capitalized and amortized on books but deducted as incurred for tax purposes	6,301	9,124
Leveraged lease transactions accounted for in accordance with FASB Standard No. 13	6,630	3,299
Miscellaneous	(1,062)	(3,001)
	$18,961	$14,606

The tax provisions for 1977 and 1976 resulted in effective tax rates of 26.5% and 34.2%, respectively. The table below accounts for the difference between the actual tax provisions and the amounts obtained by applying the U.S. Federal income tax rate of 48% to the income before provision for income taxes.

	1977	1976
	(In thousands)	
Tax provision computed at 48%	$52,389	$106,805
Increases (reductions) in taxes due to:		
Percentage depletion	(13,766)	(23,672)
Investment tax credit	(13,546)	(8,430)
Preference tax items	3,151	—
Miscellaneous	701	1,435
Actual tax provision	$28,929	$ 76,138

It is the policy of the Company to accrue appropriate United States and foreign income taxes on earnings of subsidiary companies which are intended to be remitted in the near future. Accumulated unremitted earnings of such subsidiaries reflected in the accompanying financial statements which have been reinvested for growth and expansion, exclusive of those amounts which, if remitted in the near future, would result in little or no such tax by operation of relevant statutes currently in effect, aggregated approximately $22,324,000 at December 31, 1977 and $21,971,000 at December 31, 1976.

The Company and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Such returns have been audited and settled through the year 1970. Returns for 1971 and 1972 have been audited and additional taxes of approximately $8,000,000 have been proposed by the revenue agent. The Company is contesting the assessment at a higher level of the Internal Revenue Service and is confident its position will be substantially sustained. Audits of returns for 1973 and 1974 are in process.

5 Long-Term Debt

Consists of the following:

	1977	1976
	(In thousands)	
Senior Obligations	$ 1,089	$ 29(
Subordinated Obligations:		
5¾ % Notes due 1981	5,684	7,30!
5½ % Notes due 1985	3,720	4,25(
6% Notes due 1987	2,700	3,00(
4% Subordinated Debentures due 1997	61,000	61,00(
	73,104	75,55'
Obligations under Capital Leases	17,322	—
Total Long-Term Debt, Less Current Maturities	$91,515	$75,85.

The 4% Subordinated Debentures due July 1, 1997 are exchangeable at any time prior to redemption or maturity for shares of common stock of Brink's, Incorporated owned by the Company, at an exchange rate of 16.3934 shares per $1,000 Debenture (the equivalent of $61 per share). The exchange rate is protected against dilution. The Debentures are entitled to annual mandatory sinking fund payments of $3,050,000 commencing in July 1983. The Debentures are redeemable at the Company's option in whole or in part at any time prior to maturity at redemption prices which decline from 103% of principal amount on July 1, 1977 to 100% of principal amount on July 1, 1992.

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For the four years through December 31, 1982, minimum repayments of long-term debt outstanding are as follows (in thousands):

1979	$3,644
1980	3,286
1981	4,098
1982	1,707

Under the terms of certain issues, the Company has agreed to usual restrictions relating to consolidated working capital, cash distributions to shareholders, and the amount of additional funded debt which may be incurred. Consolidated retained earnings at December 31, 1977 were not restricted as to cash distributions to shareholders.

6 Stock Options

Under the Company's Stock Option Plan, key employees are granted options to purchase shares of the Company's Common Stock at 100% of quoted market value. The plan provides for the granting of five-year "qualified" options and ten-year "non-qualified" options. All options are exercisable in instalments of up to 25% annually, beginning one year from date of grant.

The table below summarizes the activity in the plan. The data have been adjusted, in accordance with the plan's anti-dilution provisions, for all stock dividends.

	No. of Shares	Aggregate Option Price	Aggregate Market Value(a)
		(In thousands)	
Outstanding:			
12/31/77	514,515	$12,968	$12,968
12/31/76	390,566	9,433	9,433
Granted:			
In 1977	187,500	4,822	4,822
In 1976	70,278	2,508	2,508
Became Exercisable:			
In 1977	64,264	1,753	1,614
In 1976	66,604	1,443	2,449
Exercised:			
In 1977	32,203	416	937
In 1976	57,957	781	2,180

(a) At dates granted for options outstanding and granted; at dates exercisable for options becoming exercisable; and at dates exercised for options exercised.

At December 31, 1977, there were 1,118,837 shares reserved for issuance under the plan, including 604,322 shares reserved for future grants.

7 Capital Stock

The 2% stock dividend declared in December 1976, resulted in the appropriation of $26,994,000 of retained earnings at December 31, 1976 and the issuance of 734,143 additional shares in February 1977.

The Company has authority to issue up to 2,000,000 shares of Preferred Stock, par value $10 per share. No shares are presently issued or outstanding.

8 Pension Plans

The Company and its subsidiaries have several noncontributory pension plans which provide eligible employees with retirement and disability benefits based on past and future services. The total pension expense was $9,911,000 in 1977 and $9,145,000 in 1976, which includes amortization of prior service costs over 10 years for the major plan and over periods up to 30 years for other plans. The plans provide for the funding of the pension costs accrued. The actuarially computed value of vested benefits in excess of the total of pension funds and balance sheet accruals less pension prepayments was approximately $1,560,000 at December 31, 1977 and $5,649,000 at December 31, 1976.

Under the labor contract with the United Mine Workers of America which expired on December 6, 1977, the Company's Coal Group made payments into two multiemployer pension plan trusts established for the benefit of union employees based on tons of coal produced and hours worked. Such payments totalled $13,391,000 in 1977 and $16,627,000 in 1976. Under the Employee Retirement Income Security Act, a contributor to a multiemployer pension plan may be liable, upon termination of such a plan, for its share of the plan's unfunded liabilities. The Company estimates that its share of the unfunded vested liabilities of the plans amounted to $140,000,000 at June 30, 1977, the date of the latest actuarial valuation report.

9 Extraordinary Charges and Legal Proceedings

Provision was made in 1977 for the following items:

Charge relating to the 1972 flood at Buffalo Mining Company, a subsidiary, net of taxes of $3,625,000	$3,927,000
Charge incurred by Brink's, Incorporated, a subsidiary, in settling antitrust litigation, net of taxes of $1,344,000 and minority interest of $885,000	4,989,000
	$8,916,000

The charge relating to the 1972 Buffalo Creek flood reflects: (i) settlement of an action brought by the State of West Virginia and its governmental subdivisions seeking damages of $100,000,000; and (ii) settlement of claims of some 1,200 individuals who had alleged flood loss damages of $500,000 each. Resolution of the few remaining lawsuits will not, in the opinion of the Company, have a significant financial impact.

The charge relating to the Brink's antitrust litigation reflects the costs and expenses of: (i) a fine pursuant to an agreement with the United States Department of Justice, and subject to court approval, as a result of Brink's plea of *nolo contendere* to an indictment by a federal grand jury in Atlanta and; (ii) the settlement of class actions brought on behalf of private and state and local governmental purchasers of armored car and related services seeking treble damages. Federal grand juries in Tampa and Los Angeles have also been conducting antitrust investigations of Brink's and others, but the agreement with the Justice Department provides that further indictments against Brink's will not be sought. The settlement of the class actions remains subject to class notification and court approval. Management is of the opinion that resolution of the foregoing will not be material to the Company on a consolidated basis.

10 Current Replacement Cost Information (Unaudited)

In accordance with requirements of the Securities and Exchange Commission, the Company will include in its 1977 Form 10-K report estimated replacement costs of inventories and of property, plant and equipment, together with the effects of using replacement costs in computing depreciation and cost of sales.

Inflation increases the cost of doing business. The Company attempts to offset the higher costs of producing its products and services by adopting improved management and operating methods, the latest advances in technology, and tighter management controls. If such efforts fail to yield profits adequate for the maintenance and healthy growth of the business, attempts are then made to increase selling prices. The Company encounters strong competition in all of its business lines, and hence very often cannot adequately increase prices to offset inflation-produced cost increases.

11 Selected Quarterly Financial Data (Unaudited)

Tabulated below are certain data for each quarter of 1977 and 1976.

	I	II	III	IV
	(In thousands, except per share amounts)			
1977 Quarters				
Net sales and operating revenues	$403,462	$310,995	$281,699	$354,421
Gross profit	48,449	47,439	39,187	36,925
Income before extraordinary charges	23,012	22,486	19,002	15,714
Net income	23,012	22,486	19,002	6,798
Per Share:				
Income before extraordinary charges	.61	.61	.50	.4[illegible]
Net Income	.61	.61	.50	.1[illegible]
1976 Quarters				
Net sales and operating revenues	$414,669	$309,459	$265,437	$425,88[illegible]
Gross profit	75,620	71,642	53,262	77,66[illegible]
Net income	38,532	37,777	26,891	43,1[illegible]
Net income per share	1.03	1.01	.72	1.[illegible]

The per share figures have been adjusted for stock dividends.

The Pittston Company and Subsidiaries
Industry Segment Information

	Year Ended December 31, 1977					
	Coal	Oil	Brink's	Trucking & Warehousing	Adjustments & Eliminations	Consolidated
	(In thousands of dollars)					
Sales to unaffiliated customers	$643,188	557,151	129,880	20,358	—	1,350,577
Intersegment sales	—	41	4	114	(159)	—
Total revenues	$643,188	557,192	129,884	20,472	(159)	1,350,577
Operating profit	$ 97,042	9,394	11,640	1,368	—	119,444
Interest income, corporate						8,654
Interest expense						(6,238)
General corporate expenses						(7,990)
Equity in net income of unconsolidated affiliates						506
Other						(5,233)
Income before income taxes and extraordinary charges						$ 109,143
Capital expenditures	$134,967	2,747	3,424	2,592	121(a)	143,851
Depreciation, depletion and amortization	$ 39,312	3,016	3,546	1,872	569(a)	48,315
Identifiable assets at December 31, 1977	$522,504	226,175	65,984	21,131	—	835,794
Investments in and advances to unconsolidated affiliates						10,328
Corporate assets (consist primarily of cash and investments)						180,661
Total assets at December 31, 1977						$1,026,783

The Company and its domestic subsidiaries had 1977 revenues of approximately $1,295,000,000, of which $393,000,000 were export sales, including $220,000,000 to customers in Japan.

(a) Represents general corporate.

See accompanying notes to consolidated financial statements.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
345 Park Avenue, New York, N.Y. 10022

The Shareholders
The Pittston Company:

We have examined the consolidated balance sheet of The Pittston Company and subsidiaries as of December 31, 1977 and 1976 and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated March 8, 1977, our opinion on the 1976 financial statements was qualified subject to determination of the amount of unsettled claims arising from a 1972 flood at Buffalo Mining Company, a subsidiary. As explained in note 9, most claims have now been settled and the costs and expenses of the settlements charged to operations in the current year as required by generally accepted accounting principles. Accordingly, our present opinion on the 1976 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the aforementioned financial statements present fairly the financial position of The Pittston Company and subsidiaries at December 31, 1977 and 1976 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

March 7, 1978

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The Pittston Company and Subsidiaries
Summary of Operations

	Years Ended December 31				
	1977	1976	1975	1974	1973
	(In thousands, except per share amounts)				
Net sales and operating revenues	$1,350,577	$1,415,451	$1,504,222	$1,145,729	$682,559
Cost of sales and operating expenses	1,178,577	1,137,262	1,118,046	902,440	609,581
Interest expense	6,238	5,069	6,890	8,717	9,084
Income before income taxes and extraordinary charges	109,143	222,510	333,185	193,362	32,368
Provision for income taxes	28,929	76,138	133,039	79,726	6,952
Income before extraordinary charges	80,214	146,372	200,146	113,636	25,416
Extraordinary charges, net of taxes	8,916	—	—	6,190	10,075
Net income	$ 71,298	$ 146,372	$ 200,146	$ 107,446	$ 15,341
Per share (a):					
Income before extraordinary charges	$2.14	$3.91	$5.36	$3.05	$ .68
Extraordinary charges, net of taxes	.24	—	—	.17	.27
Net income	1.90	3.91	5.36	2.88	.41
Cash dividends	1.10	1.08	.77	.40	.27
Average shares outstanding (in thousands) (a)	37,452	37,411	37,321	37,223	37,153

(a) Adjusted for stock dividends and distributions.

Management's Discussion and Analysis of the Summary of Operations

Comparison of 1977 with 1976

Consolidated net sales and operating revenues declined $64,874,000 (4.6%), while cost of sales and operating expenses actually increased $41,315,000 (3.6%). Changes for the major operating groups are shown in the table below:

		Increase (Decrease)	
		Amount (000)	%
Coal Group	—net sales	(104,004)	(13.9)
	—cost of sales	(5,437)	(1.0)
Oil Group	—net sales	35,488	6.8
	—cost of sales	37,610	7.5
Brink's	—operating revenues	251	0.2
	—operating expenses	4,030	3.9

With the average realization per ton of coal up only marginally, practically the entire decline in coal revenues is attributable to the lower volume of shipments. The volume decrease is due mainly to labor problems, including the major strike by the United Mine Workers union which began on December 6, 1977, and continued into 1978. Meanwhile, the cost of producing coal has continued to escalate sharply: the lower production volume burdens each ton of coal with more fixed costs; the cost of purchased materials and services keeps climbing; and wage rates are up, while productivity is down, a double negative.

The Oil Group sold less oil in 1977 than in 1976 (volume was down approximately 6%) but at higher prices, the net effect being an increase in dollar revenues. However, per gallon cost of sales (which includes the purchase cost of oil and the expenses of operating the terminals and delivering the oil) increased more than prices, resulting in narrower unit margins, which, when combined with the lower volume, produced a decline in gross profits.

While Brink's revenues were relatively flat in 1977 compared with the prior year, due both to strikes in the first half of 1977 and to the difficulty of increasing prices to customers, operating expenses have continued their steady climb, with payroll-related expenses showing the most significant increases. Profits have declined substantially.

The changes in the cost-revenue relationships described briefly above account for some 92% of the total decline of $113,367,000 in consolidated pre-tax profits.

For an analysis of income taxes and extraordinary charges, please refer to notes 4 and 9, respectively, of the Notes to Consolidated Financial Statements.

For additional discussion, please see pages 1 through 16 of this report.

Comparison of 1976 with 1975

Consolidated net sales and operating revenues declined $88,771,000 (5.9%), while the corresponding cost of sales and operating expenses actually increased $19,216,000 (1.7%). Changes for the major operating groups are shown below:

		Increase (Decrease)	
		Amount (000)	%
Coal Group	—net sales	(166,463)	(18.2)
	—cost of sales	(60,773)	(10.5)
Oil Group	—net sales	66,583	14.6
	—cost of sales	69,090	16.0
Brink's	—operating revenues	10,261	8.6
	—operating expenses	10,990	11.8

Of the total decline in coal sales, approximately four-fifths is attributable to lower volume, about one-sixth to change in "mix" (relatively more of the cheaper, utility grade, coal was sold in 1976 than in 1975), and the balance to lower spot market selling prices. The cost of coal sold declined relatively much less than coal sales (10.5% versus 18.2%). This is due partly to fixed costs (such as depreciation, mine supervisory payroll, etc.), which do not decline with volume, and more importantly to increases of approximately 11% in unit costs of labor and purchased services and materials used in the coal production process. The increase in labor costs is due both to declining productivity and to increases built into the union wage agreement (such as cost of livir adjustments and contributions to union pension and welfare funds).

Approximately 80% of the increase in oil revenues is the result of volume improvement (up 12%), with the balance attributable to price and "mix" changes. Likewise, the great bulk of the increase in cost of sales is volume related. Unit cost of purchased oil and operating expenses increased more than selling prices. The resulting reduction in unit profit margins wa more than enough to overcome the favorable effect of the volume gain, thus producing a decline in gross profit.

The changes in the cost-revenue relationships described briefly above caused substantially all of the decrease of $110,675,000 in consolidated pre-tax profits with coal accounting for some 96% of the total decline.

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The Pittston Company

Board of Directors

Mark J. Anton
President and Chief Executive Officer, Suburban Propane Gas Corporation: propane gas distribution and oil and gas exploration

Nicholas T. Camicia
Chairman, President and Chief Executive Officer, The Pittston Company

William F. Craig
Executive Vice President, Shawmut Bank of Boston, N.A.

Carl Ferenbach
consultant, textiles

***Raymond E. Exum, Jr.**
Executive Vice President, Coal
The Pittson Company

F.M. Kirby
Chairman, Alleghany Corporation: financial services, fabricated steel products, motor freight; Chairman, Investors Diversified Services, Inc.: financial services

°**Edward F. McGinley, Jr.**
President, Retired, Beneficial Mutual Savings Bank, Philadelphia

Thruston B. Morton
Vice Chairman, Liberty National Bank and Trust Company, Louisville

Frank Nugent
Chairman, retired, The Freeman United Coal Mining Company, Chicago

□ **Francis J. Palamara**
Executive Vice President
New York Stock Exchange

Robert W. Purcell
consultant, Rockefeller Family & Associates: private investments and business management

□ **William R. Stott**
investor and consultant, retired Exxon Corporation Executive Vice President, director and executive committee member

Henry J. Taylor
author, economist and journalist

Officers of the Company

△ **Nicholas T. Camicia**
Chairman, President and Chief Executive Officer

△ **Raymond E. Exum, Jr.**
Executive Vice President, Coal

△ **Francis J. Palamara**
□ Executive Vice President

A.F. Kaulakis
Vice President, Energy Development

Walter H. Schnakenberg
Vice President, Finance

James M. Davis
Treasurer

George L. Philip
Controller

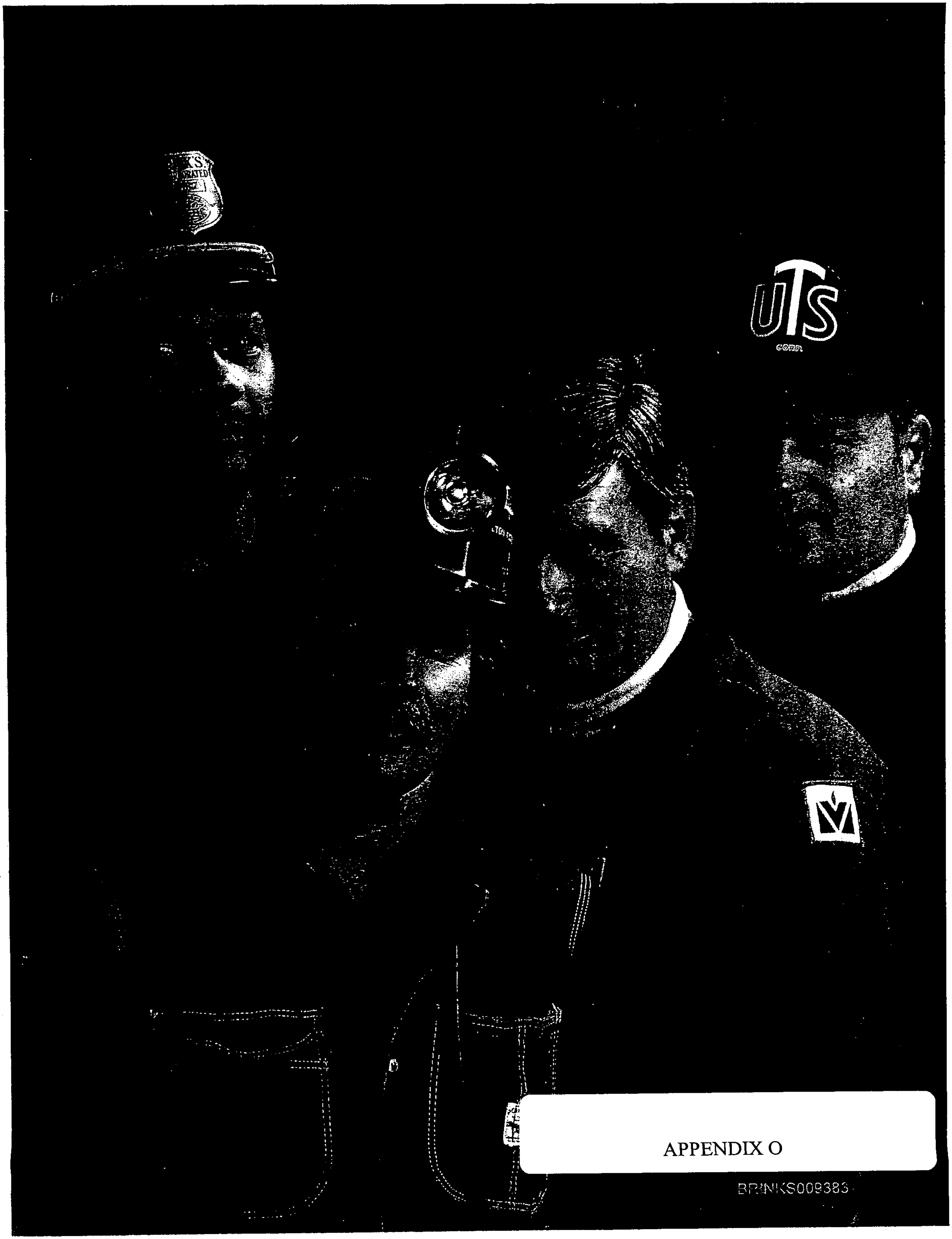
Richard M. Neville
Secretary

Jane E. Nutson
Assistant Secretary

John S. Buscema
Assistant Treasurer

* nominated subject to shareholder approval
° retiring May 10, 1978
□ Subject to Board action on March 28, 1978. Mr. Palamara, a director since December 21, 1976, is expected to be elected executive vice president, Mr. Stott is expected to be elected a director.
△ Members of the Chairman's Office.

APPENDIX O



APPENDIX O


Bob Tantullo, USDG warehouseman

	1978	1977
Highlights		
Net tons of coal produced	10,956,000	14,309,000
Barrels of petroleum products sold	45,690,000	36,508,000
Net sales and operating revenues	$1,343,668,000	1,350,577,000
Income before extraordinary charges	25,208,000	80,214,000
Income per share before extraordinary charges	.67	2.14
Cash dividends	44,975,000	41,205,000
Depreciation, depletion and amortization	53,603,000	48,315,000
Expenditures for property, plant and equipment	107,233,000	143,851,000
At Year End		
Total assets	$1,090,279,000	1,026,783,000
Working capital	191,531,000	244,265,000
Net property, plant and equipment	524,355,000	481,555,000
Long-term debt	88,659,000	91,515,000
Shareholders' equity	614,143,000	633,643,000
Book value per common share	16.39	16.92
Common shares outstanding (average)	37,475,000	37,452,000
Number of employees	16,138	17,599
Number of shareholders	21,884	20,950

Table of Contents

N. T. Camicia

Pittston's earnings in 1978 were disappointing and not in line with the company's profit record or with its profit potential.

Virtually all of the company's 65 per cent earnings decline in 1978 is attributable to problems that generally affected the coal industry in the eastern United States. There were two major labor union strikes that, together, disrupted production for nearly six months. Railroad cars were in short supply for shipping coal during the six months when production was not limited by the strikes. Weak demand for steel outside the United States continued to depress the export market for metallurgical coal, Pittston's primary product. Finally, a new labor contract, increased government regulation and continued inflation escalated the cost of producing coal and added to the pressure on profit margins.

These labor, transportation, and economic problems had their most severe impact on United States coal exporters who sell metallurgical coal to steel producers.

For Pittston, the problems caused export sales volume to decline 27 per cent compared with the previous year Despite this drop, the company maintained its position as the nation's largest exporter of coal, a fact that indicates the preference our company's premium-quality coal enjoys with foreign customers. Pittston's combined domestic and export coal sales volume in 1978 was 26 per cent below total sales of 15.4 million tons in 1977.

Earnings and Revenues

Consolidated net income for the year was $25,208,000, or 67 cents per share, compared with $80,214,000, or $2.14 per share, in 1977 before extraordinary charges of $8,916,000, or 24 cents per share. Net sales and operating revenues in 1978 totalled $1,343,668,000 compared with $1,350,577,000 the previous year. Sales and revenues of Pittston's other operating groups, principally Metropolitan Petroleum Company, Inc., our fuel oil marketing subsidiary, substantially offset the sharp decline in coal sales to keep consolidated net sales and operating revenues near 1977's level.

On the coal sales side of our business, the weak demand for steel outside the United States continued to adversely affect our company.

Japanese steel producers, historically important Pittston customers, operated their mills at only 70 per cent of capacity throughout the year. Acknowledging the difficulties of this severe steel production curtailment and the short-term economic realities of both the steel and metallurgical coal markets, we reached interim agreements with our Japanese customers during the year to modify long-term contracts for the Japanese fiscal year, which began April 1, 1978. These modifications provided Pittston with price

New sales contracts demonstrate the flexibility of Pittston for serving both the metallurgical and environmental-quality coal markets.

increases and allowed the Japanese to partially reduce the tonnage they were required to purchase in fiscal 1978. It also allowed them to delay purchase of some additional required tonnage in fiscal 1978 and spread it over the next three fiscal years. As we approach fiscal 1979, discussions about the economic conditions of the metallurgical coal and world steel markets are underway with Japanese steel representatives.

Even though earnings in 1978 were disappointing, the basic strength of our company was demonstrated in several areas of activity during the year. One of the most important activities continued to be our effort to expand and develop markets for metallurgical and environmental-quality coals.

Our efforts to expand coal sales to present and new utility and industrial customers met with success during the year. In September the Tennessee Valley Authority agreed to purchase 7.5 million tons of Pittston's environmental-quality coal over a ten-year period for a power plant near Paducah, Kentucky. The sales value of the TVA contract is approximately $382 million. This low-sulphur coal will help the plant meet governmental air quality standards without installation of expensive scrubbers.

New Coking Coal Sales

Discussions throughout 1978 with representatives of the Algerian national steel company ended successfully on January 12, 1979, with the signing of an agreement to supply 880,000 tons of premium-quality metallurgical coal over the next three years, beginning in July, 1979, to the new Algerian coke plant at El Hadjar. This agreement, with a sales value in excess of $50 million, also provides the Algerians with an option to purchase an additional 220,000 tons during the same three-year period. Preliminary discussions with steel producers in other nations are currently underway and we are hopeful that they, too, will be successful.

Other Subsidiaries' Contributions

While the contribution of coal operations is critical to the success of Pittston, it is important not to overlook the contributions of Metropolitan Petroleum Company, Brink's, Incorporated and the United States Distribution Group, our other operating groups. Their performances in 1978 combined to produce a 19 per cent increase in their combined sales compared with 1977. Profits also increased substantially for the oil and distribution groups.

In a major decision related to Brink's, Pittston's Board of Directors authorized the company to make a tender offer to purchase the outstanding shares of Brink's common stock not owned by Pittston. At the time the offer was made in October, our company owned approximately 86 per cent of Brink's common stock. Pittston now owns approximately 99 per cent of the stock as the result of the tender offer and anticipates the completion of a merger that will make Brink's a wholly-owned subsidiary.

Although the short-term economic outlook is uncertain as 1979 begins, we expect improvement in earnings for the year compared with 1978. A more stable production environment at our mining operations and the demand for our premium-quality coal under present long-term contracts, including the new agreements, should contribute to improved earnings. One imponderable is the effect that world oil price increases and the chaotic situation in Iran will have on the free world's economy in 1979.

We are extremely encouraged by the attitude Pittston miners have demonstrated since returning to work.

Significant changes are occurring in the world metallurgical coal market. American coal producers are facing keen competition from lower-priced coking coal from other countries. The governments of some of these nations subsidize their coal industry. Many of our foreign competitors benefit from lower labor costs and higher productivity. To meet these competitive challenges, our nation's coal industry and its labor force must act to improve productivity and control the escalating costs of producing coal, especially those associated with governmental regulations. We are hopeful that the Presidential Coal Commission now studying productivity problems in the American coal industry will have recommendations that can be adopted cooperatively by mine workers and management alike.

Present Strategy

Our present strategy is to develop mines and preparation plants with the flexibility to serve both the metallurgical and environmental-quality coal markets. In 1978, we continued development of several new mines and four new preparation plants as part of this strategy. We are convinced that, even with present uncertainties in the federal government's national energy planning and environmental policy, the need for environmental-quality coal will grow and that we will acquire an important position in this new market. We also are confident about the cyclical growth of world steel demand and, consequently, about the continued need for Pittston's metallurgical coal because of its premium quality.

With the major union strikes that disrupted production and transportation in 1978 behind us, we are extremely encouraged by the attitude Pittston miners have demonstrated since returning to work. There have been few unauthorized work stoppages at our mining operations and production has returned to more normal levels. The present stability is evidence of our belief that the overwhelming majority of Pittston miners desire to work without interruptions from wildcat strikes and will work with management toward improving the safety, productivity, and production of our mining operations.

We are confident that the employees of all our operating groups have the desire and commitment to improve our company's performance. Without their teamwork, experience, skill, and cooperation, we cannot operate successfully in a competitive environment. We thank them for their efforts and proudly dedicate this annual report to them.

Finally, I want to personally thank members of the Pittston Board of Directors for their efforts during 1978 to direct and guide our company, and to thank our shareholders for their continued support and confidence during a difficult year. I am pleased that the financial strength and soundness of our company permitted us to pay cash dividends equal to $1.20 per share during 1978.

With the support of our shareholders, the dedication of our Board and employees, and the strength of our financial position, I am certain that Pittston will meet successfully its challenges and prosper.

N. T. Camicia

N. T. Camicia
Chairman, President and Chief Executive Officer

March 12, 1979

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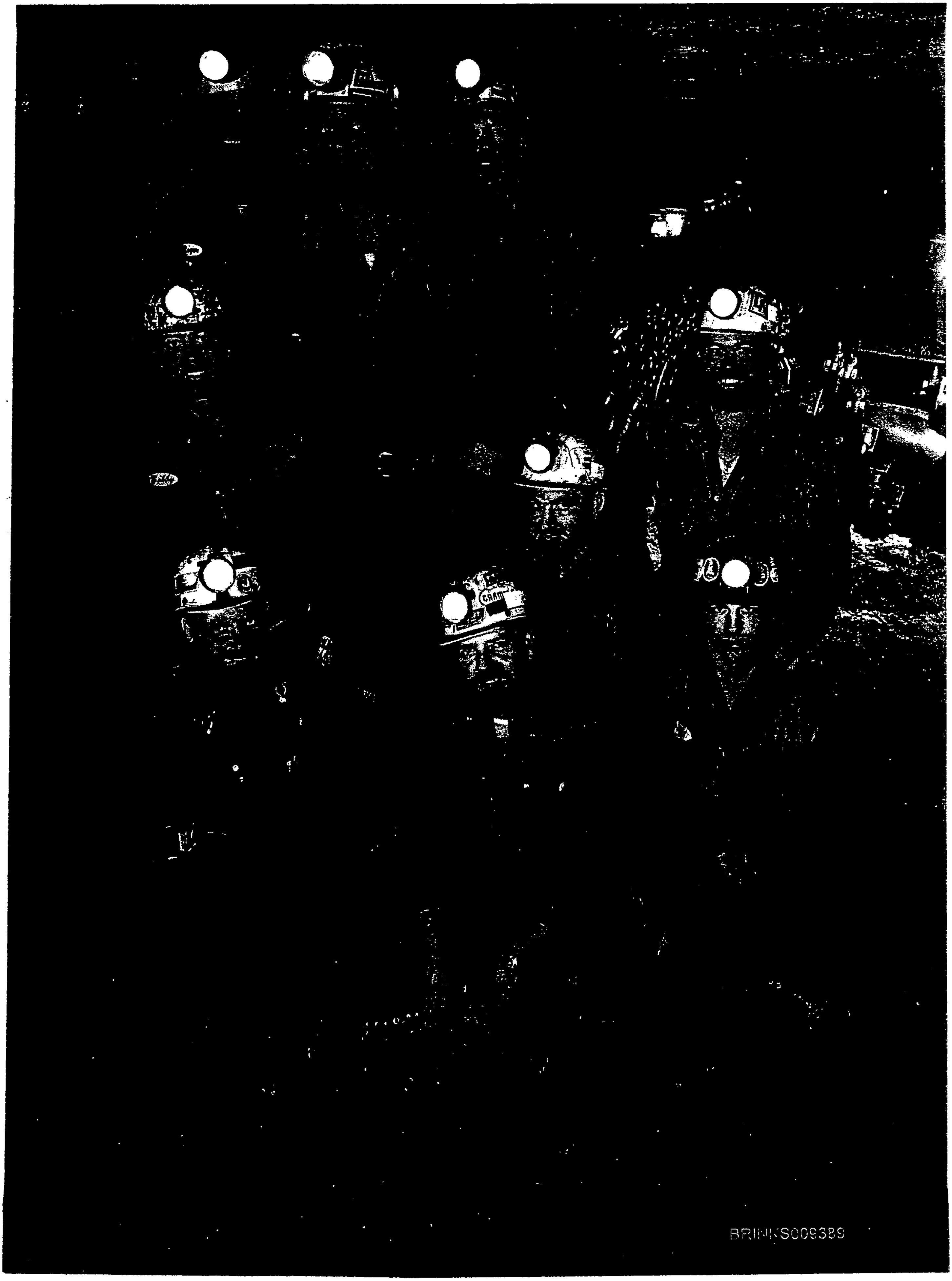
Review of Operations

This annual report is dedicated with appreciation to each of our employees. We recognize that corporate plans are only as effective as the men and women at all levels of the organization who implement them. The people on these pages represent much more than the 16,000 members of the Pittston family. They represent the skill, effort, and dedication that has helped make Pittston one of the nation's leading firms.



Milt Kiser, the young miner in this report's cover photograph, is one of approximately 8,700 people employed by the Pittston Coal Group. Some 6,400 of these employees are members of the United Mine Workers of America.

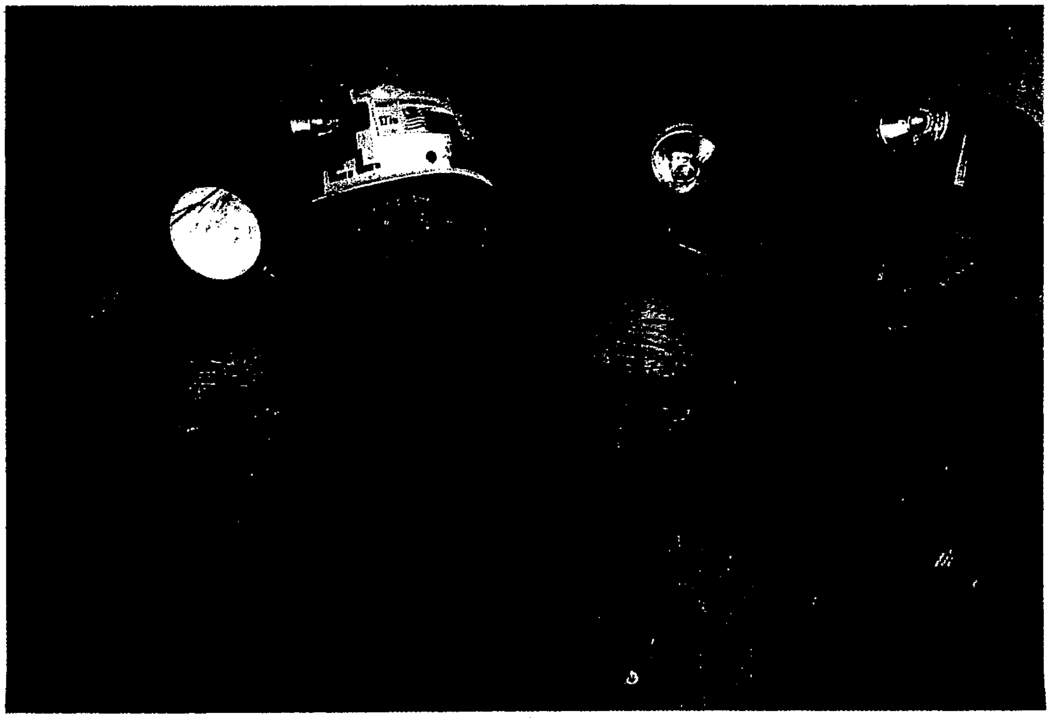
Milt lives with his wife and seven-year-old son not far from where he was born and raised in the mountains of rural southwestern Virginia, the location of the Clinchfield Division's mines which represent approximately half the Coal Group's production capacity.

Milt, at age 34, is one of the majority of Pittston miners who are between the ages of 18 and 35. The average age nationally for coal miners in 1978 was 30. These young men and women join older, more experienced miners to give Pittston one of the best mining teams in the nation.

In 1978, the Pittston coal mining team faced one of its most difficult years in the company's history. A series of adverse events that affected coal operations began with the United Mine Workers' strike on December 6, 1977. It was the longest continuous strike in American coal mining history, ending on March 28, 1978. Production resumed smoothly in the second quarter as Pittston miners returned to work with few interruptions from wildcat strikes. A shortage of railroad cars—a continuing and long-term problem for both the coal and railroad industries—hampered the shipment of coal, but not enough to prevent a return to profitability in our coal operations for the quarter.

The Coal Group entered the third quarter hopeful that there would be no further production interruptions only to have the union of railway clerks strike the Norfolk & Western Railway on July 10. This railway serves mines that produce approximately 60 per cent of Pittston's coal in Virginia, West Virginia, and Kentucky. Coal shipments were curtailed from these mines and, after stockpiles were filled to capacity, these mines had to be idled and several thousand miners laid off.

Section crews are the heart of mining. Their safety is the highest concern of management and UMW safety committees.



Left - Section crew of Clinchfield Division's Hurricane Creek Mine (left to right): Roger Waugh, section foreman; William Dishman, miner operator; Roger McCoy, roof bolter (standing); Kenneth Osborne, roof bolter; Freland E. Maxfield, utility man; Samuel Ring, shuttle car operator (kneeling); Roy Sauls, repairman; Dan Cook, miner helper; Kenneth P. Light, shuttle car operator (sitting)

Right - The UMW Health and Safety Committee at Sewell Division's Mine 1 in West Virginia photographed with Eddie Lipscomb (white hat), safety supervisor, (left to right): Thomas Vandall, motorman; Stanley Morris, miner operator; Dayeward D. Beavers, miner helper

Rail Strike Ends

With the return of the railway clerks to work on October 8, production resumed slowly until an adequate number of railway cars became available to ship coal. By the fourth quarter's end, however, coal production and shipments were restored to more normal levels.

Coal sales volume was 11.4 million tons in 1978 compared with 15.4 million tons in 1977. Coal revenues for the year were $499,732,000 compared with $643,188,000 in 1977. Operating profits declined from $97,042,000 in 1977 to $1,690,000 in 1978.

Despite the difficulties of 1978, the Coal Group kept its problems in perspective and continued with priority programs to improve mine safety, miner training and the development of new mining facilities.

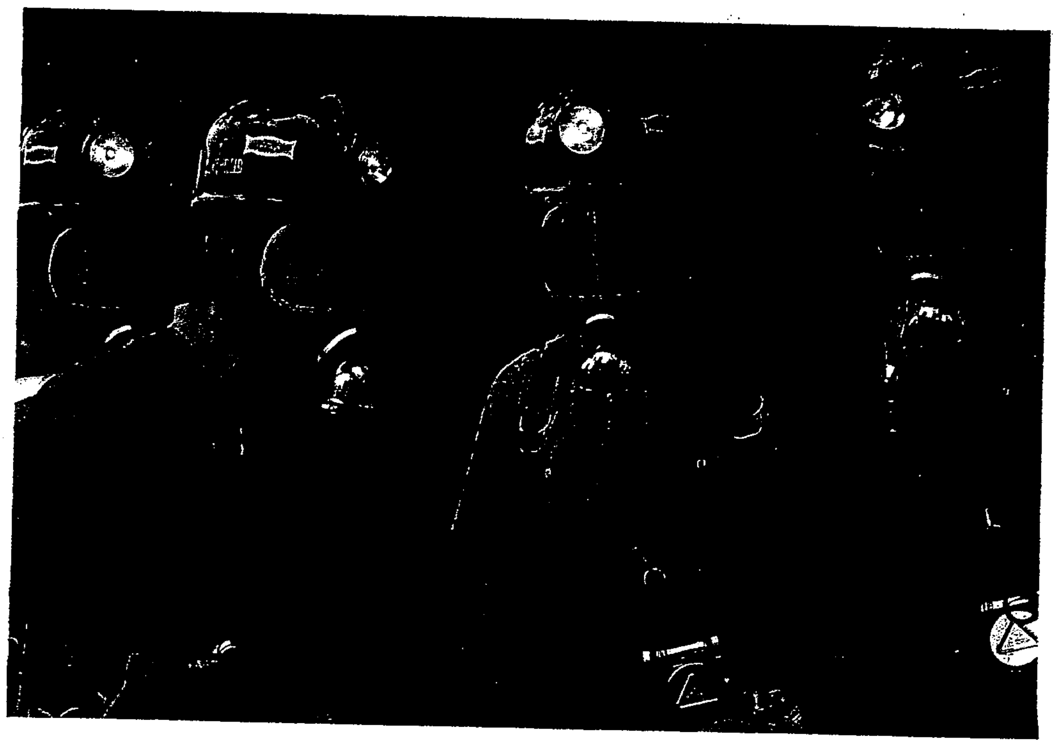
Operation Zero, the accident prevention program that was launched in 1977, was expanded to at least one mine in each operating division in 1978 and is scheduled to be part of the safety program of every Pittston mine by the end of 1979.

The company's extensive job training and retraining program involved more than 213,000 man-hours of time during the year.

Development of new mining complexes including four new preparation plants continued during 1978 as part of the Coal Group's strategy to develop the most modern facilities possible to serve the metallurgical and environmental coal markets. The aggregate production capacity of these new facilities will be in excess of four million tons annually when they are brought into full production during the course of the next four to seven years, the bulk of which will be new capacity. A small amount will be replacement. Present annual production capacity is approximately 19 million tons. More than $225,000,000 will have been expended on development of these new plants and mines by the time they reach full operation and approximately 1,800 new jobs will have been created.

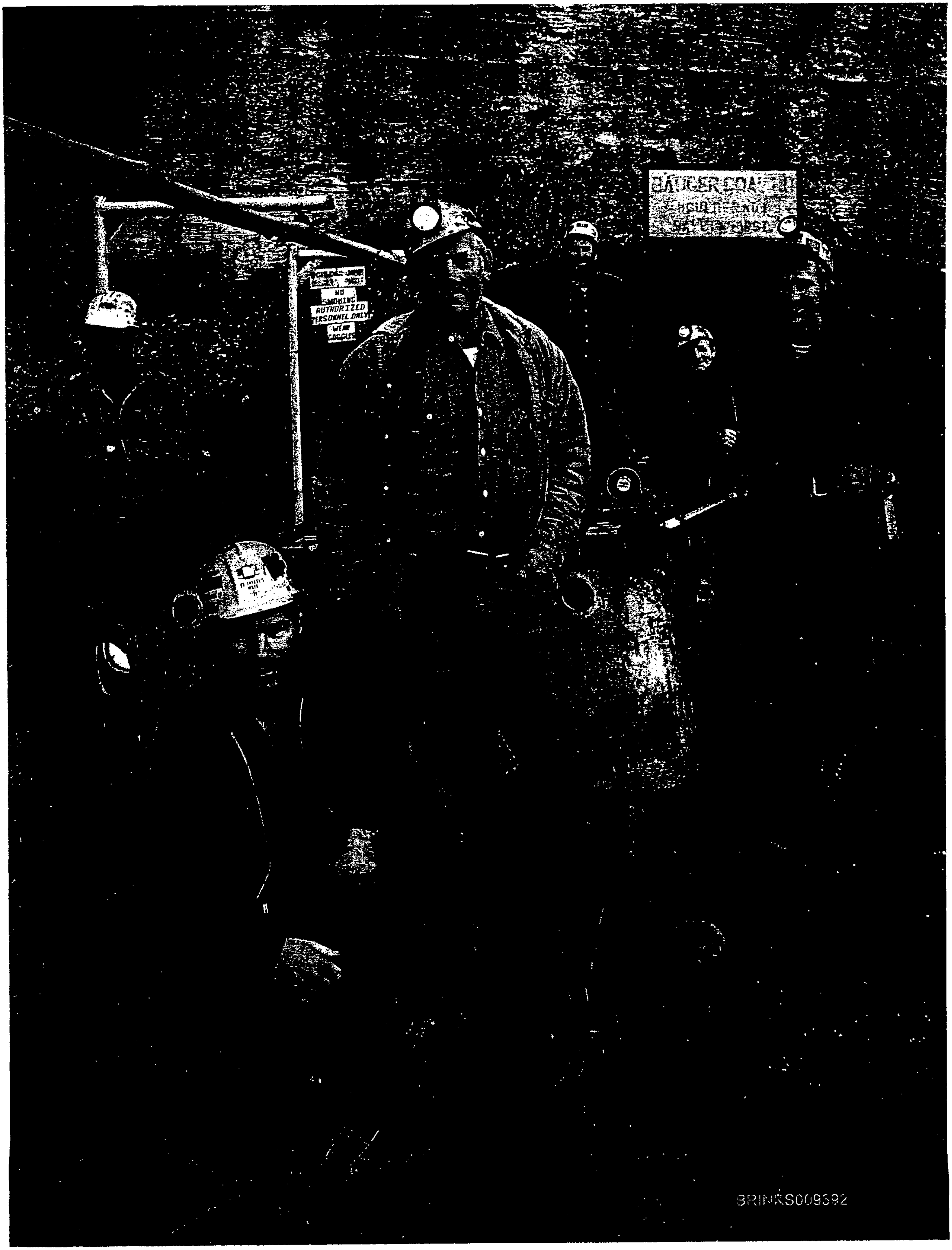
The Coal Group spent approxi-

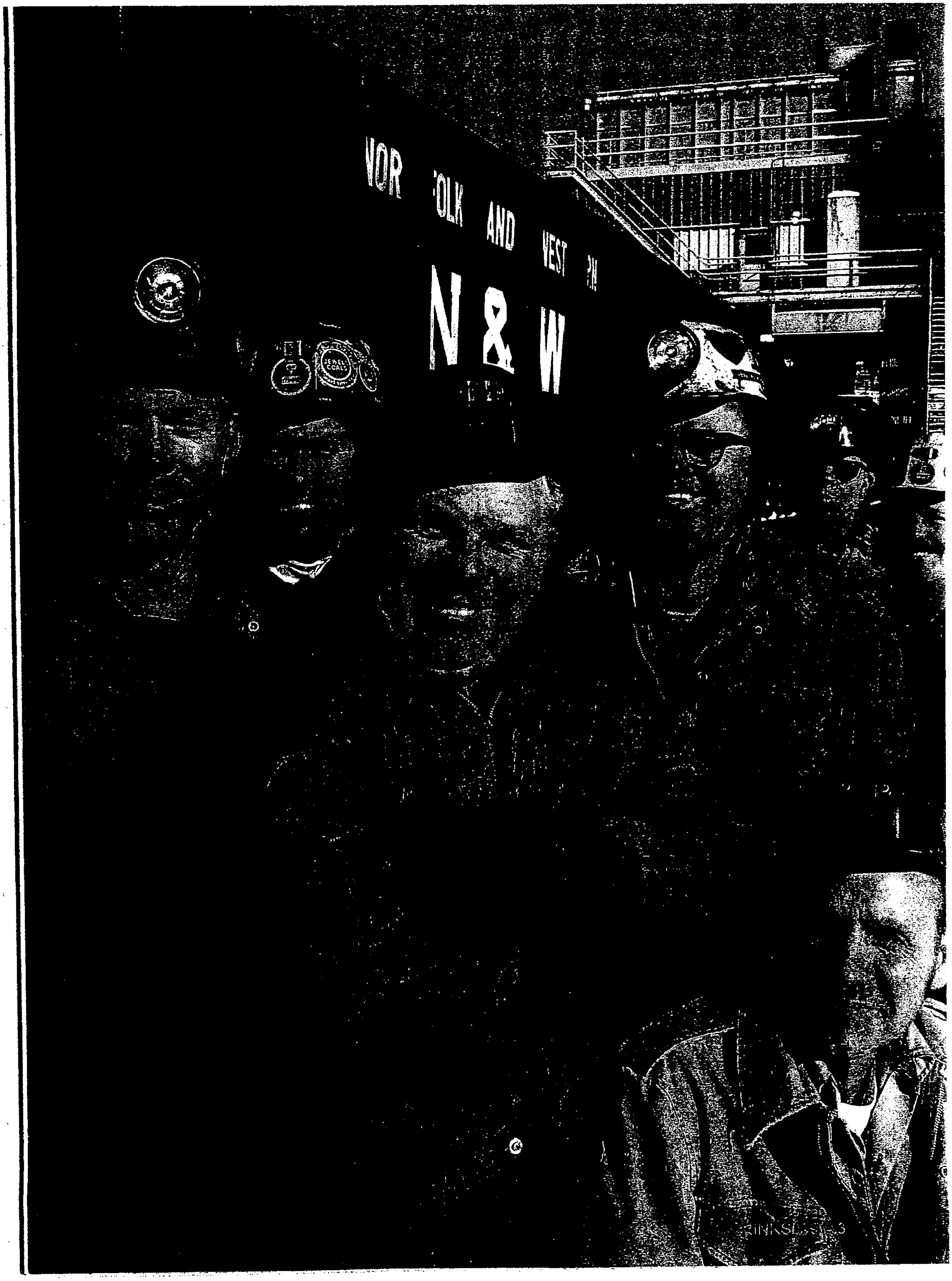
General mine crews support section crews. Highly-trained rescue teams stand ready to help if needed.



Right - Some members of the Clinchfield Division's Open Fork Mine Rescue Team, Virginia, (left to right): Sam Fleming, CO reader; Ronald Holbrook, captain; Ronald Deel, methane reader; Joe Blevins, map man

Opposite - General mine support team at Badger Division's Boulder Mine, West Virginia, (left to right): John Carpenter, mobile equipment operator; James Dean, dispatcher; James Pharis, motorman; Wm. Jobie Lantz, lampman; Okey Lanham, outside beltman; Billy Starr, mechanic

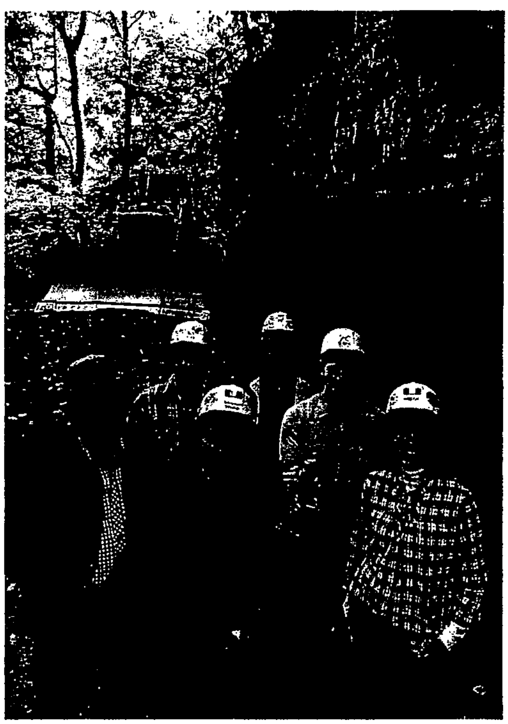

NO
SMOKING
AUTHORIZED
PERSONNEL ONLY
WEAR
GOGGLES


N & W

mately $13.2 million in 1978 to comply with federal clean air and water regulations. Expanded pneumoconiosis benefits for miners and federal mine safety and health regulations are resulting in increased operating costs. In addition, the new federal laws governing surface mining are having an increasingly significant impact on surface mining costs. Approximately 18 per cent of the Coal Group's production in 1978 came from surface mining.

While governmental regulations are increasing the cost of production and, consequently, consumer energy prices, they also are changing the nature of the nation's steam coal market. Federal clean air laws and regulations restrict the use of high sulphur coal by electric utility and other industrial users. This is creating a market for Pittston's environmental-quality coal which the Coal Group can produce readily because approximately two-thirds of its reserves have a sulphur content of less than one per cent. Evidence of Pittston's willingness to serve this market is the contract signed in 1978 to provide environmental-quality coal to the Tennessee Valley Authority's coal-fired plant near Paducah, Kentucky. There presently are 385 large coal-fired plants operating in the United States and utility companies have announced plans to construct 255 new coal-fired plants by 1987. Existing and new plants represent a significant potential market for Pittston's environmental-quality coal although the size of the market could be limited by federal clean air regulations currently being considered.

Preparation plant crews prepare coal to customer specifications. Teams of specialists and technicians deal with the modern complexity of mining.



Left - Some crew members of Jewell Ridge Division's Preparation Plant 18, Virginia, (left to right): Boyd D. Coleman, electrician; Dannie L. Dye, car dropper; Fred G. Salyer, plant operator; Ival H. Mitchell, mechanic; Earl F. Elam, mechanic; David Peery, car loader; and Thomas L. Woosley, truck driver (kneeling)

Right - Technical support personnel photographed at a new mining site in West Virginia (left to right): Bill Holskey, geologist; Bill Nesselrotte, mining engineer; Rick DeMoss, resident engineer; Bud Thorne, equipment operator; Rocky Glover, environmentalist; Reva Maiden, survey rod person

Foreign Competition

The sale of steam coal unquestionably will play an increasingly important role in Pittston's future. The company's primary product, however, continues to be premium-quality metallurgical coal. In addition to weak steel demand during the past two years, U.S. coking coal exports have been adversely affected by the availability of lower-priced coal from other countries as mentioned in the Chairman's Letter to Shareholders. This is especially true of coal from Australia and western Canada. In 1978, the Australians accounted for 48 per cent and the Canadians 22 per cent of Japanese metallurgical coal imports compared with only 17 per cent for American exporters.

It is obvious that to compete effectively in the foreign coking coal market and maintain a substantial work force at home, American producers must find ways to improve productivity and make federal and state governments understand the problems caused by overregulation.

Despite present problems facing the coal industry, Pittston is confident that the premium quality of its coal will be in demand from both present and new foreign customers for the foreseeable

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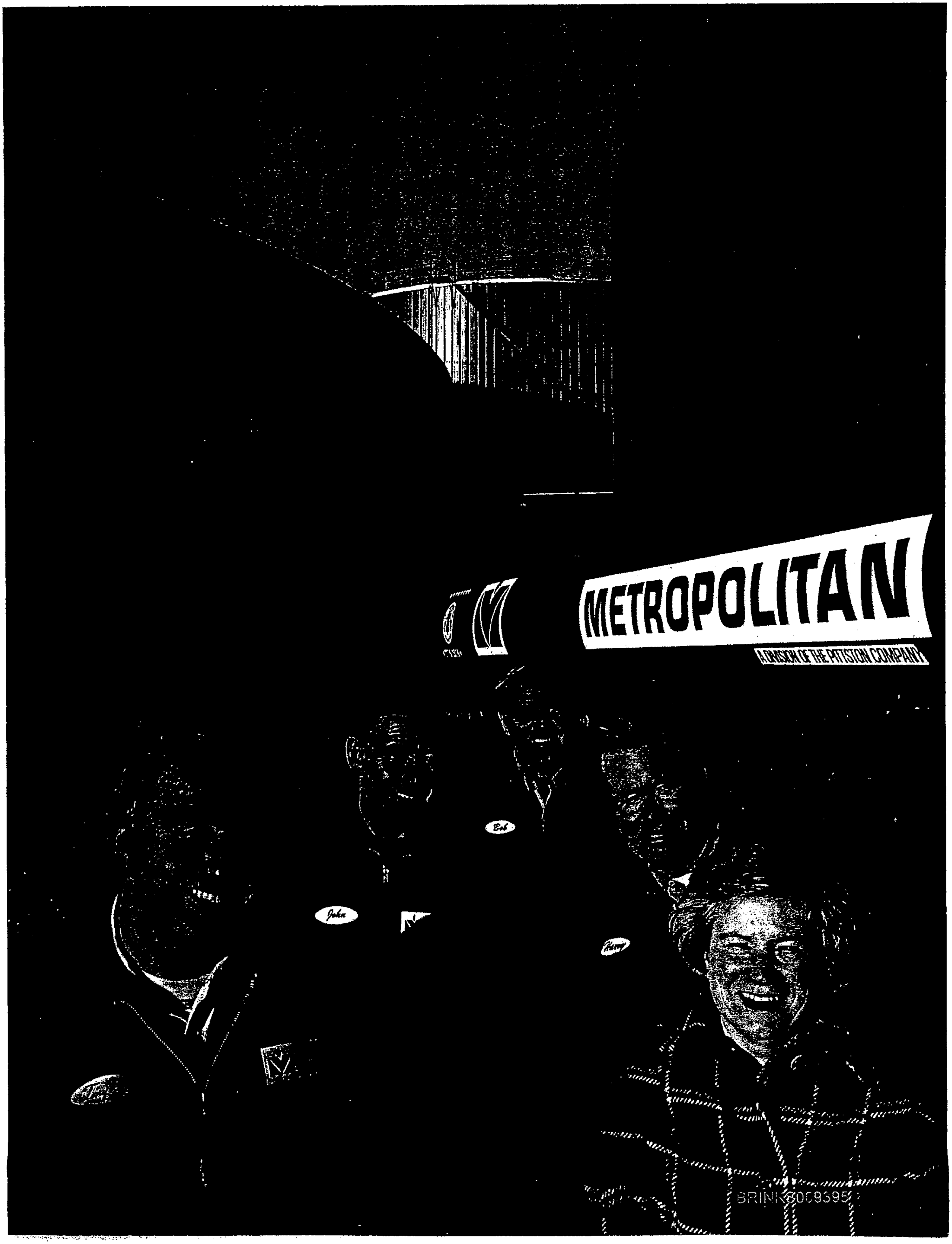
METROPOLITAN
A DIVISION OF THE PITTSTON COMPANY
Bob
John

future and that the company will maintain its position as the leading exporter of metallurgical coal in the United States and a producer of environmental-coal for the energy market.

Metropolitan Petroleum Company, Inc.

Metropolitan Petroleum's representative on this report's cover is Larry Towne, head of a crew at the Greenpoint Terminal in Brooklyn, New York.

Larry is one of approximately 900 Metropolitan Petroleum people who work on waterways, in distribution terminals, in offices and on the highways to provide millions of barrels of fuel oil annually to thousands of homes, industries, utilities and resellers. These employees operate a network of water and inland terminals located in key distribution and transportation centers throughout the northeastern United States and in the Canadian cities of Ottawa and Montreal.

In 1978, Metropolitan produced record revenues and made a substantial contribution to Pittston's earnings. The company's net sales increased 23 per cent to $682,982,000. These sales contributed 51 per cent of Pittston's consolidated revenues compared with 41 per cent in 1977. Operating profits of Metropolitan increased 68 per cent to $15,750,000.

The company's improved performance is substantially attributable to decisions that increased sales, and lowered administrative and operating costs.

Sales volume of both light and heavy fuel oil products increased significantly.

Supply of the light fuel oils came primarily from domestic refining sources because federal energy policies make importation of this product uncompetitive. A tight supply situation developed toward the end of the year because production was limited by insufficient domestic refining capacity.

Heavy residual fuel oil continued to be supplied predominantly from foreign sources, with some price sub-

Metropolitan Petroleum's basic strength is in the experience and knowledge of its oil distribution teams at land and water terminals.

Right - Metropolitan Petroleum barge team in New York Harbor (top to bottom): Jim Anderson, captain; Gerry Williams, mate

Opposite - A Metropolitan Petroleum distribution team at the Boston terminal (left to right): Anthony L. Barbaro, plant foreman; John M. O'Neil, head mechanic; Robert D'Addio, light oil driver; Henry E. Drysdale, heavy oil driver; Louise M. Vinci, dispatch supervisor

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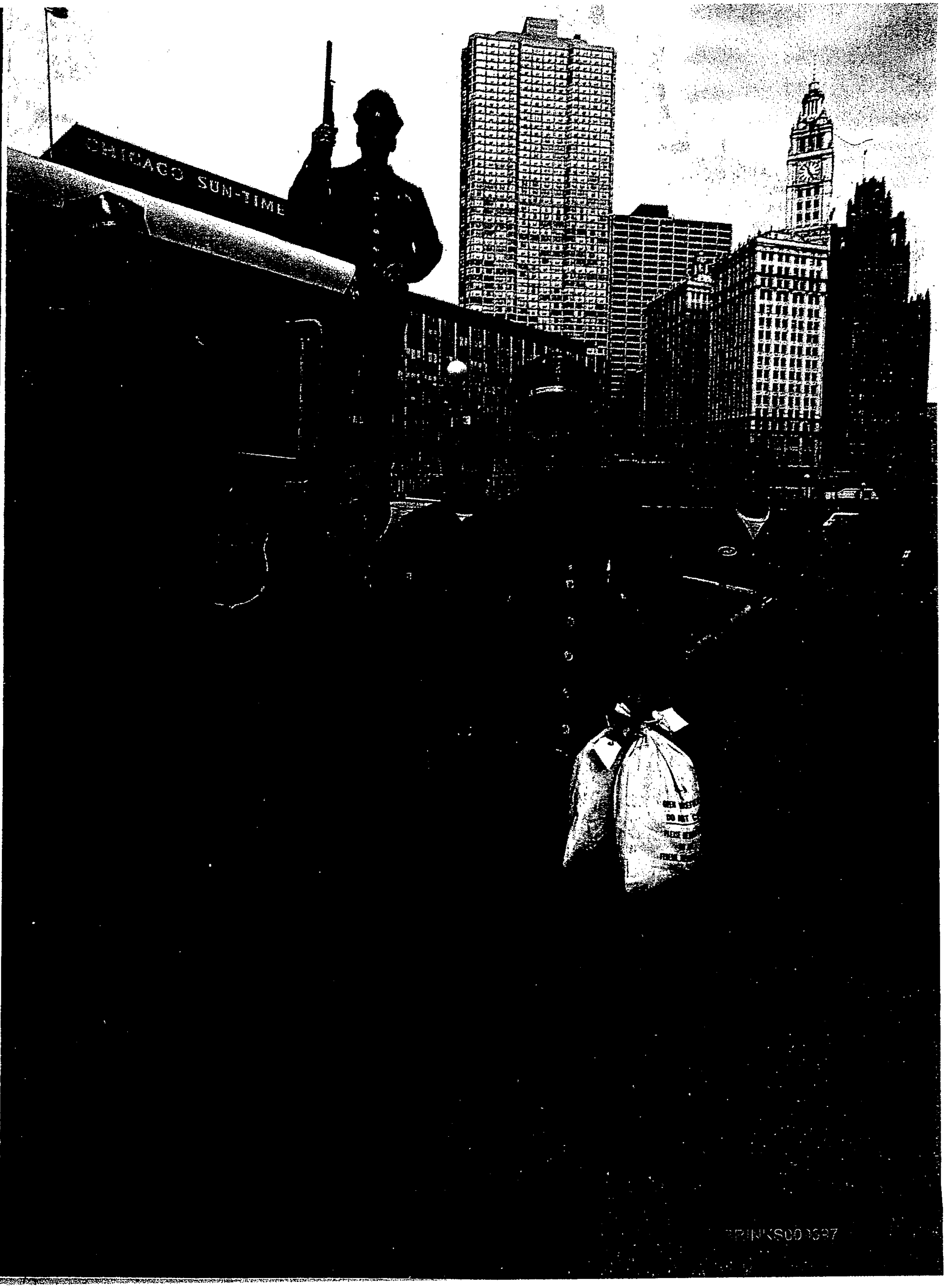

CHICAGO SUN-TIME

sidies by the federal government. High sulphur residuals were in oversupply for most of the year, but the low sulphur residuals remained in tight supply reflecting regulatory environmental requirements in urban areas. As a result, the price differential between high and low sulphur residuals rose dramatically.

The unsettled world oil supply situation that came about at the end of the year with the Iranian crisis has affected the availability and pattern of fuel oil supply, but Metropolitan believes it is in a position to obtain adequate supplies of all the petroleum products it sells.

Brink's, Incorporated

George Bernard, the Brink's security guard on this report's cover, is representative of the 5,900 men and women employed by Brink's, Incorporated and its subsidiaries, in 165 cities across the United States and Canada. Many of these employees have been with the company for their entire working lives, and the average tenure for all Brink's employees is over fifteen years. Experienced, long-term employees help to reduce many security risks and are better equipped to handle extraordinary situations in security transportation, the cornerstone of Brink's business.

Armored car crews provide quality service and security to customers whose satisfaction is the major concern of the sales teams.

Left - Brink's security transportation team (left to right): Roy Porter, driver; Alex Hair, air courier supervisor; Gilbert Thompson, vault man; Duane Boyle, messenger; Patrick Mally, mechanic; Charles Surina, dispatcher; Robert Shadbar, guard (background)

Right - Brink's New York sales team (left to right): Theresa V. Sullivan; Raymond R. Lancon, III; James J. Meehan; Paul M. Freedman; Edward J. Milner

In 1978, the highly competitive market conditions of the domestic security transportation business continued to negatively impact the company's earnings. Brink's reported net income of $5,895,000. In 1977, income was $6,418,000 before an extraordinary charge of $5,874,000 relating to antitrust litigation. Brink's revenues for 1978 were $138,471,000 compared with $129,884,000 in the prior year.

With nearly 100 armored car carriers now seeking a share of the business, the intensely competitive market has become very price-oriented with decreased emphasis on service and security. Brink's is determined not to compromise the quality of its service, including insurance coverage, and security. It is the company's belief that many security transportation users will ultimately conclude that service and security standards must be key considerations in choosing a carrier.

As a measure of the company's commitment to improving security standards, Brink's formed a security task force. One of the first projects was the design of a pocket transmitter that establishes a continuous communication link between the messenger assigned to pick up and deliver valuables and the driver, who remains in the armored vehicle. This important new protection device was put into use in October, 1978, at a cost of nearly a million dollars.

In addition to primary security transportation services, the company offers a variety of related services including a delivery consolidation and

BRINKS009398

verification service, Brink's two-key safe service, coin wrapping, vault and storage services. Brink's extends its services around the world through an international network of affiliates in 100 offices located in 18 foreign countries.

On May 5, 1979, Brink's celebrates its 120th anniversary. Continued emphasis on quality service and security is the reason Brink's can proudly make the statement: "Since 1859 no one has ever lost a penny entrusting valuables to Brink's."

United States Distribution Group

The fourth employee on the cover is Bob Tantullo, a general warehouseman at the United States Distribution Group's headquarters warehouse in Secaucus, New Jersey.

Bob represents the 600 USDG employees who offer the full range of distribution services needed to get a customer's products from the factory to the market.

The warehousemen are the company's backbone. In 1978, they handled millions of dollars worth of products at 13 modern facilities in Boston, New York City, northern New Jersey, Baltimore-Washington, Atlanta, and Jacksonville. USDG rounds out its full distribution capabilit by providing local general trucking, through its own United States Truckinc Corporation subsidiary and by workinc closely with other trucking companies. In addition, the company provides rigging, vehicle, equipment, and personnel leasing services.

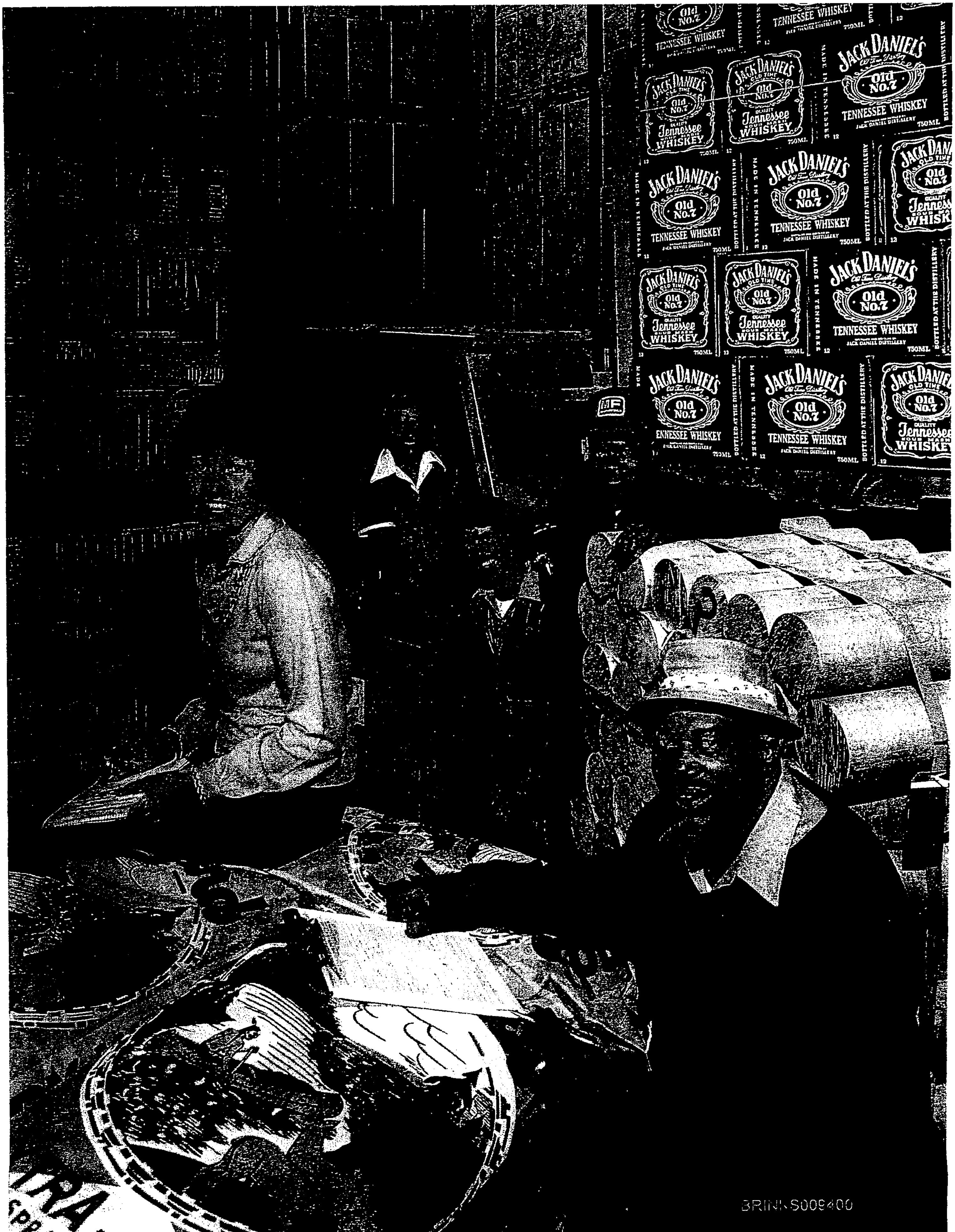
The skill and dedication of USDG people contributed significantly to the company's substantial improvement in operating revenues and earnings in 1978. Revenues increased 10 per cent, to $22,595,000, and operating profits were up 47 per cent, to $2,011,000.

During 1978, USDG nearly doubled the number of distribution service accounts and added an additional 100,000 square feet of new warehouse space, bringing the company's total warehouse storage capacity to approximately 3.2 million square feet.

Warehouse crews are at the center of USDG's operations with strong support from trucking, rigging, and leasing teams.

Right - A rigging crew in New York City (left to right): John Dubrowski, rigger tractor chauffeur; Joseph Wilkins, flagman; Edward Donahue, rigger; Robert Overstreet, rigger; John Smith, rigger foreman; Jesse Ward, winch chauffeur; James Fiore, rigger

Opposite - A warehousing team in Atlanta (left to right): Vicki Mitchell, account clerk; Mark Bennett, warehouseman; Jack Maze, warehouseman; Frank Burton, warehouseman; Turner Dennis, supervisor



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Ten Years in Review


Jeter F. Austin, Jr., Coal shop mechanic


Wingie Chiu, Corporate bookkeeper

	1978	1977
Sales and Income (in thousands)		
Net Sales and Operating Revenues	$1,343,668	1,350,577
Net Income (b)	25,208	80,214
Financial Position (in thousands)		
Working Capital	$ 191,531	244,265
Net Property, Plant and Equipment	524,355	481,555
Total Assets	1,090,279	1,026,783
Long-Term Debt	88,659	91,515
Shareholders' Equity	614,143	633,643
Common Shares Outstanding (average) (in thousands) (a)	37,475	37,452
Per Common Share (a)		
Net Income (b)	$ .67	2.14
Cash Dividends	1.20	1.10
Book Value	16.39	16.92

(a) Adjusted for stock dividends and distributions.
(b) Before extraordinary items.

Common Stock	Market Price High	Market Price Low	Dividends Declared
1978			
1st Quarter	$24.75	20.50	.30
2nd Quarter	24.88	19.88	.30
3rd Quarter	26.00	21.25	.30
4th Quarter	23.13	16.00	.30
1977			
1st Quarter	$37.13	31.50	.25
2nd Quarter	34.88	27.00	.25
3rd Quarter	29.25	23.63	.30
4th Quarter	25.88	22.63	.30

Data have been adjusted for stock dividends.

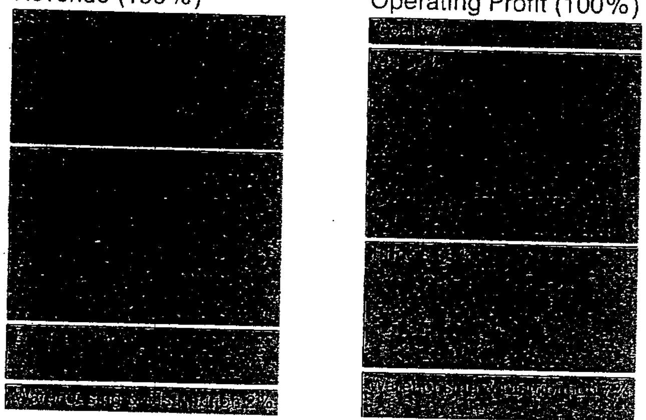
BRINKS009401

1976	1975	1974	1973	1972	1971	1970	1969
1,415,451	1,504,222	1,145,729	682,559	623,525	579,896	503,928	419,526
146,372	200,146	113,636	25,416	24,097	35,325	34,495	17,186
297,004	272,894	179,500	108,265	116,214	60,442	52,996	61,933
371,452	304,953	266,720	253,753	257,473	254,636	236,689	175,981
951,121	890,246	687,657	495,990	482,974	446,620	419,983	325,125
75,855	93,990	104,714	119,884	137,509	97,012	111,554	89,684
602,887	495,826	322,788	229,921	227,407	208,316	173,686	141,556
37,411	37,321	37,223	37,153	37,113	37,019	36,688	36,286
3.91	5.36	3.05	.68	.65	.95	.94	.47
1.08	.77	.40	.27	.26	.26	.22	.16
16.12	13.29	8.67	6.19	6.13	5.63	4.73	3.90

Revenue and Operating Profit by Source—Year 1978

Revenue (100%)

Operating Profit (100%)



The Pittston Company and Subsidiaries

Consolidated Balance Sheet

A. Warren Perkins, Oil accountant

December 31,	1978	1977
Assets		
Current Assets:		
Cash	$ 27,971,000	33,128,000
Short-term investments (Note 2)	58,025,000	130,775,000
Accounts receivable:		
Trade	205,354,000	160,037,000
Other	24,604,000	10,315,000
	229,958,000	170,352,000
Less estimated amount uncollectible	2,043,000	1,861,000
	227,915,000	168,491,000
Inventories:		
Fuels	137,949,000	112,896,000
Merchandise	3,623,000	2,972,000
Supplies	7,491,000	8,100,000
	149,063,000	123,968,000
Prepaid expenses (includes Federal income taxes of $12,006,000 in 1978—Note 4)	16,108,000	5,889,000
Total Current Assets	479,082,000	462,251,000
Property, Plant and Equipment, at cost (Note 3):		
Bituminous coal lands	120,591,000	129,028,000
Land, other than coal lands	14,016,000	10,768,000
Buildings	56,058,000	53,480,000
Machinery and equipment	596,218,000	527,023,000
	786,883,000	720,299,000
Less accumulated depreciation, depletion and amortization	262,528,000	238,744,000
	524,355,000	481,555,000
Other Assets	86,842,000	82,977,000
	$1,090,279,000	1,026,783,000

See accompanying notes to consolidated financial statements.

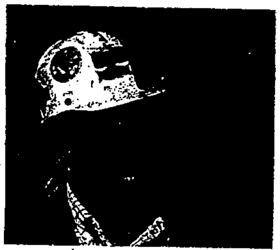
Clifford Harris, USDG warehouseman

BRINKS009403

Deborah Sluss, Coal keypunch operator

Ray Jadrych, Brink's key cage clerk

December 31,	1978	1977
Liabilities		
Current Liabilities:		
Notes payable—banks	$ 5,075,000	11,180,000
Commercial paper	74,330,000	34,815,000
Current maturities of long-term debt (Note 5)	3,299,000	3,284,000
Accounts payable	153,622,000	117,873,000
Dividends payable	11,254,000	11,383,000
Accrued liabilities:		
Federal income taxes (Note 4)	—	5,816,000
Other taxes	7,559,000	7,955,000
Payrolls	15,554,000	11,843,000
Miscellaneous	16,858,000	13,837,000
	39,971,000	39,451,000
Total Current Liabilities	287,551,000	217,986,000
Long-Term Debt, less current maturities (Note 5)	88,659,000	91,515,000
Workers' Compensation Claims and Other Liabilities	41,121,000	35,006,000
Deferred Income Taxes (Note 4)	58,412,000	41,917,000
Minority Interest in Brink's, Incorporated, a subsidiary	393,000	6,716,000
Commitments and Contingent Liabilities (Notes 8 and 10)		
Shareholders' Equity (Notes 5, 6 and 7):		
Common Stock, par value $1 per share:		
Authorized: 50,000,000 shares		
Issued: 1978—37,776,209 shares; 1977—37,760,862 shares	37,776,000	37,761,000
Capital In Excess of Par Value	190,822,000	190,570,000
Retained Earnings	387,290,000	407,057,000
	615,888,000	635,388,000
Less Common Stock in treasury, at cost (295,039 shares)	1,745,000	1,745,000
Total Shareholders' Equity	614,143,000	633,643,000
	$1,090,279,000	1,026,783,000



Joe Gaither,Coal industrial relations

Years Ended December 31,	1978	1977
Net Sales	$1,182,645,000	1,200,339,000
Operating Revenues	161,023,000	150,238,000
Net Sales and Operating Revenues	1,343,668,000	1,350,577,000
Other Income	13,796,000	16,895,000
	1,357,464,000	1,367,472,000
Costs and Expenses:		
Cost of sales (Note 9)	1,123,377,000	1,051,582,000
Operating expenses	134,135,000	126,995,000
Selling, administrative and general expenses	71,453,000	72,642,000
Interest expense	8,035,000	6,238,000
Minority interest in earnings of a subsidiary	699,000	872,000
Total Costs and Expenses	1,337,699,000	1,258,329,000
Income before Provision for Income Taxes and Extraordinary Charges	19,765,000	109,143,000
Provision (Credit) for Income Taxes (Note 4):		
Federal	(8,694,000)	24,991,000
State and Foreign	3,251,000	3,938,000
	(5,443,000)	28,929,000
Income before Extraordinary Charges	25,208,000	80,214,000
Extraordinary Charges, net of taxes (Note 10)	—	8,916,000
Net Income	$ 25,208,000	71,298,000
Per share:		
Income before Extraordinary Charges	$.67	2.14
Extraordinary Charges, net of taxes (Note 10)	—	.24
Net Income	$.67	1.90
Shares Outstanding (average)	37,475,000	37,452,000

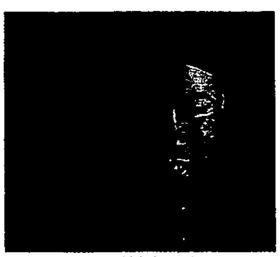
See accompanying notes to consolidated financial statements.

Consolidated Statement of Shareholders' Equity

Years Ended December 31, 1978 and 1977	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance at December 31, 1976	$36,995,000	163,676,000	403,958,000	(1,742,000)
Consolidated net income	—	—	71,298,000	—
Market value of 734,143 shares of Common Stock issued as a 2% stock dividend February 1, 1977	734,000	26,260,000	(26,994,000)	—
Sale of 32,203 shares of Common Stock under Stock Option Plan	32,000	384,000	—	—
Federal income tax benefit resulting from the exercise of non-qualified stock options	—	250,000	—	—
Cash dividends declared—$1.10 per share	—	—	(41,205,000)	—
Purchase of Common Stock for Treasury	—	—	—	(3,000)
Balance at December 31, 1977	37,761,000	190,570,000	407,057,000	(1,745,000)
Consolidated net income	—	—	25,208,000	—
Sale of 15,348 shares of Common Stock under Stock Option Plan	15,000	173,000	—	—
Federal income tax benefit resulting from the exercise of non-qualified stock options	—	79,000	—	—
Cash dividends declared—$1.20 per share	—	—	(44,975,000)	—
Balance at December 31, 1978	$37,776,000	190,822,000	387,290,000	(1,745,000)

See accompanying notes to consolidated financial statements.

Jay Bender, Coal Sales contract administrator



Man Sup Kim, USDG body shop foreman

BRINKS009406

Edward Horne, Coal lab technician

Luz Reza, Brink's money room clerk

Years Ended December 31,	1978	1
Sources of Working Capital		
Operations:		
Income before extraordinary charges	$ 25,208,000	80,214,(
Add items not affecting working capital:		
Depreciation, depletion and amortization	53,603,000	48,315,(
Write-off of property, plant and equipment (Note 9)	9,873,000	
Provision for claims	4,639,000	1,624,C
Deferred income taxes	16,495,000	18,961,C
Minority interest in earnings of a subsidiary	699,000	872,C
Total from operations	110,517,000	149,986,0
Extraordinary charges, excluding non-working capital elements	—	(12,605,0
Miscellaneous	5,428,000	(2,585,0
Total sources of working capital	115,945,000	134,796,0
Applications of Working Capital		
Additions to property, plant and equipment	107,233,000	143,851,0(
Reductions of long-term debt	3,274,000	2,479,0(
Purchase of shares of Brink's, Incorporated	13,197,000	-
Cash dividends declared	44,975,000	41,205,0(
Total applications of working capital	168,679,000	187,535,0(
Decrease in working capital	$ 52,734,000	52,739,0C
Increases (Decreases) in Components of Working Capital		
Current Assets:		
Cash and short-term investments	$ (77,907,000)	(25,396,00
Accounts receivable, net	59,424,000	(42,255,00
Inventories	25,095,000	29,072,00
Prepaid expenses	10,219,000	(1,389,00
	16,831,000	(39,968,00
Current liabilities:		
Notes payable, commercial paper and current maturities of long-term debt	33,425,000	26,761,00(
Accounts and dividends payable	35,620,000	(6,616,00(
Accrued liabilities	520,000	(7,374,00(
	69,565,000	12,771,00C
Decrease in working capital	$ 52,734,000	52,739,00C

See accompanying notes to consolidated financial statements.

BRINKS009407

Summary of Significant Accounting Policies

1


Harry Noorigian, USDG truck driver

Principles of Consolidation:
The accompanying financial statements reflect the accounts of The Pittston Company and its subsidiaries, except for certain insignificant subsidiaries the investment in which is carried at cost plus equity in undistributed earnings since acquisition. All intercompany items and transactions of material amount have been eliminated in consolidation.

Short-Term Investments:
Short-term investments are carried at the lower of cost or market value.

Inventories:
Inventories are stated at cost (determined under the first-in, first-out or average cost methods) or market, whichever is lower. Market represents net realizable value for fuels and merchandise inventories and replacement cost for supplies inventories.

Property, Plant and Equipment:
Expenditures for maintenance and repairs are charged to expense, and the costs of renewals and betterments are capitalized. Depreciation is provided principally on the straight line method at varying rates depending upon estimated useful lives. Depletion of bituminous coal lands is provided on the basis of tonnage mined in relation to the estimated total of recoverable tonnage in the ground. Mine development costs, including deficits at mines in the development stage, are capitalized and amortized over the estimated useful life of the mine. A mine is considered under development until all of the planned production units have been placed in operation.

Income Taxes:
The provision for income taxes is based on income and expenses included in the accompanying consolidated income statement. Differences between taxes so computed and taxes payable under applicable statutes and regulations are classified as deferred taxes arising from timing differences (see Note 4).

Investment tax credits arising from purchases of property, plant and equipment are accounted for by the "flow-through" method, and are thus reflected in income in the year they are deducted for tax purposes. Investment tax credits arising from equity investments in leveraged lease transactions are deferred and taken into income over the term of the leases, in accordance with FASB Statement No. 13.

Workers' Compensation Expense:
Where the Company acts as self-insurer under workers' compensation laws, provision is made for claims, including those related to pneumoconiosis (black lung), when such claims are received and are expected to be compensable.


Joseph A. Schulz, Coal attorney

Short-Term Investments

2 Consist of the following:

December 31,	1978	19
	(In thousands)	
Marketable equity securities, carried at cost (market $991,000 in 1978 and $3,160,000 in 1977)	$ 966	3,1
Other investments:		
Certificates of deposit and time deposits	15,176	56,0
U.S. Treasury bills	—	29,4
U.S. Treasury notes	19,544	
U.S. Government obligations acquired under repurchase agreements	14,900	27,8
Debentures of U.S. Export-Import Bank	7,439	14,4
	$58,025	130,7

John Rippe, Coal petrographic engineer

Property, Plant and Equipment

3 The amount of depreciation, depletion and amortization charged to expense in 1978 was $53,603,000 compared with $48,315,000 in 1977. Deficits incurred at mines in the development stage amounted to $5,500,000 in 1978 and $8,600,000 in 1977. These amounts were capitalizec in accordance with Company policy.

Income Taxes

4 The provision (credit) for income taxes consists of the following:

	U.S. Federal	Foreign	State	Tota
		(In thousands)		
1978				
Currently payable (recoverable)	$ (23,525)	2,186	790	(20,54
Deferred	16,220	275	—	16,49
Deferred investment tax credits	(1,389)	—	—	(1,38
Total	$ (8,694)	2,461	790	(5,44
1977				
Currently payable	$ 6,108	1,209	2,651	9,96
Deferred	18,883	78	—	18,96
Total	$ 24,991	1,287	2,651	28,92

Janet E. Forbush, Oil secretary

BRINKS009409

The sources of significant timing differences which gave rise to deferred taxes, and their tax effects are shown below:

	1978	1977
	(In thousands)	
Excess of tax over book depreciation	$ 6,457	7,092
Mine development expenditures, capitalized and amortized on books but deducted as incurred for tax purposes	4,619	6,301
Leveraged lease transactions accounted for in accordance with FASB Statement No. 13	8,001	6,630
Reversal of deferred tax credit applicable to 1977 extraordinary provision for flood settlements and expenses tax deductible in 1978	2,640	—
Write-off re mine placed on standby basis (Note 9)	(4,020)	—
Workers' compensation claims	(1,548)	851
Miscellaneous	346	(1,913)
	$16,495	18,961

James R. Salyer, Coal purchasing agent

Alvin Crosby, Brink's coin processor

The tax provision (credit) for 1978 and 1977 resulted in effective tax rates of (27.5%) and 26.5%, respectively. The table below accounts for the difference between the actual tax provision (credit) and the amounts obtained by applying the U.S. Federal income tax rate of 48% to the income before provision for income taxes.

	1978	1977
	(In thousands)	
Tax provision computed at 48%	$ 9,487	52,389
Increases (reductions) in taxes due to:		
Percentage depletion	(6,868)	(13,766)
Investment tax credit	(12,434)	(13,546)
Preference tax	2,176	3,151
Coal mine penalties	586	657
Miscellaneous	1,610	44
Actual tax provision (credit)	$ (5,443)	28,929

It is the policy of the Company to accrue appropriate United States and foreign income taxes on earnings of subsidiary companies which are intended to be remitted in the near future. Accumulated unremitted earnings of such subsidiaries reflected in the accompanying financial statements which have been reinvested for growth and expansion, exclusive of those amounts which, if remitted in the near future, would result in little or no such tax by operation of relevant statutes currently in effect, aggregated approximately $24,251,000 at December 31, 1978 and $22,324,000 at December 31, 1977.

The Company and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Such returns have been audited and settled through the year 1970. Returns for the years 1971 through 1974 have been audited and assessments totalling approximately $28,000,000 have been proposed by the revenue agent. The Company is contesting the assessments at a higher level of the Internal Revenue Service and is confident its position will be substantially sustained.

Long-term Debt


Bill Glovier, Coal computer operator

5 Consists of the following:

December 31,	1978	1977
	(In thousands)	
Senior Obligations	$ 1,174	1,08
Subordinated Obligations:		
5¾% Notes due 1981	4,060	5,68
5½% Notes due 1985	3,190	3,72
6% Notes due 1987	2,400	2,70
4% Subordinated Debentures due 1997	61,000	61,00
	70,650	73,10
Obligations under Capital Leases	16,835	17,32
Total Long-Term Debt, Less Current Maturities	$88,659	91,51

For the four years through December 31, 1983, minimum repayments of long-term debt outstanding are as follows (in thousands):

1980	$3,791	1982	$1,75
1981	4,167	1983	4,78

Under the terms of certain issues, the Company has agreed to usual restrictions relating to consolidated working capital, cash distributions to shareholders, and the amount of additional funded debt which may be incurred. Consolidated retained earnings at December 31, 1978 were not restricted as to cash distributions to shareholders.

The 4% Subordinated Debentures due July 1, 1997 are exchangeable for shares of common stock of Brink's, Incorporated owned by the Company, at the exchange rate of 16.3934 shares per $1,000 principal amount of such debentures (the equivalent of $61 per share). The exchange rate is protected against dilution. The debentures are entitled to annual mandatory sinking fund payments of $3,050,000 commencing in July 1983. The debentures are redeemable at the Company's option in whole or in part at any time prior to maturity at redemption prices which decline from 102.8% of principal amount on July 1, 1978 to 100% of principal amount on July 1, 1992. On February 6, 1979, the Company commenced an offer to exchange $600 principal amount of a new issue of 9.20% Convertible Subordinated Debentures due July 1, 2004 for each $1,000 principal amount of its old 4% Subordinated Debentures If the entire $61,000,000 principal amount of the old debentures are validly tendered $36,600,000 principal amount of new debentures will be issued in exchange therefor. The new debentures are convertible into shares of the common stock of the Company at a conversion rate of two shares for each $100 principal amount of new debentures (the equivalent of $50 per share), subject to adjustment pursuant to antidilution provisions.

In March 1979, the Company entered into a revolving credit agreement with a group of banks providing for borrowings of up to $50,000,000. The agreement provides that in 1983 the credit may be converted into a four year term loan of up to $50,000,000.

Stock Options

6 Under the Company's 1969 Stock Option Plan, key employees were granted options to purchase shares of the Company's Common Stock at 100% of quoted market value. The plan provided for the granting of five-year "qualified" options and ten-year "non-qualified" options. All options are exercisable in instalments of up to 25% annually, beginning one year from date of grant.

The 1969 Plan expired on February 26, 1979, except as to options theretofore granted, and no options may be granted after that date.

Subject to approval by the Company's shareholders, the Board of Directors has adopted a new Plan, the 1979 Stock Option Plan for Key Employees of The Pittston Company and its Subsidiaries, which provides for the granting of options for up to 1,000,000 shares of Common Stock and is similar to the 1969 Plan, except that it only provides for the granting of ten-year "non-qualified" options. In addition, the Committee of the Board which administers the plans has been given the discretion, with respect to both plans, to accept the surrender by an optionee of the exercisable portion of an option in exchange for the payment to the optionee (in cash and/or common stock valued at its fair market value on the date of surrender) of the spread between the aggregate option price and the aggregate fair market value on the date of surrender of such exercisable portion of an option.

The table below summarizes the activity in the 1969 Plan. The data have been adjusted, in accordance with the plan's anti-dilution provisions, for all stock dividends.

		Aggregate	
	No. of Shares	Option Price	Market Value(a)
		(In thousands)	
Outstanding:			
12/31/78	607,904	$14,558	14,558
12/31/77	514,515	12,968	12,968
Granted:			
In 1978	127,300	2,337	2,337
In 1977	187,500	4,822	4,822
Became Exercisable:			
In 1978	96,641	2,681	1,928
In 1977	64,264	1,753	1,614
Exercised:			
In 1978	15,348	188	350
In 1977	32,203	416	937

(a) At dates granted for options outstanding and granted; at dates exercisable for options becoming exercisable; and at dates exercised for options exercised.

At December 31, 1978, there were 1,103,546 shares reserved for issuance under the 1969 Plan, including 495,642 shares reserved for future grants as to which options for 42,950 shares were granted prior to the expiration of the plan on February 26, 1979.


Barbara Zona, Coal water lab technician

Capital Stock

7 The Company has authority to issue up to 2,000,000 shares of Preferred Stock, par value $10 per share. No shares are presently issued or outstanding. See note 5 regarding a new issue of 9.20% Convertible Subordinated Debentures issuable in exchange for the old 4% Subordinated Debentures. If all old debentures are tendered, new debentures convertible into 732,000 shares of Common Stock will be issued.


Donald E. Parilla, Oil salesman

Pension Plans

8 The Company and its subsidiaries have several noncontributory pension plans which provide eligible employees with retirement and disability benefits based on past and future services. The total pension expense was $9,873,000 in 1978 and $9,911,000 in 1977, which includes amortization of prior service costs over 10 years for the major plan and over periods up to 30 years for other plans. The plans provide for the funding of the pension costs accrued. The actuarially computed value of vested benefits in excess of the total of pension funds and balance sheet accruals less pension prepayments was approximately $1,354,000 at December 31, 1978 and $1,560,000 at December 31, 1977.


John B. Clune, Oil credit manager


Urban Billmeier, Brink's safe mechanic

Under the labor contract with the United Mine Workers of America, the Company's Coal Group made payments into two multiemployer pension plan trusts established for the benefit of union employees based on tons of coal produced and hours worked. Such payments totalled $12,263,000 in 1978 and $13,391,000 in 1977. Under the Employee Retirement Income Security Act, a contributor to a multiemployer pension plan may be liable, upon termination of such plan, for its share of the plan's unfunded liabilities. The Company estimates that its share of the unfunded vested liabilities of the plans amounted to $146,000,000 at June 30, 1978.

Cost of Sales

9 The following items are included in the cost of sales in 1978:
(a) A charge of $9,873,000 resulting from the write-off of capitalized development costs of a mine which was placed on a stand-by basis in the fourth quarter of 1978. In management's opinion it is not possible at the present time to operate this mine on a profitable basis because of unusually adverse mining conditions which had not been anticipated.

(b) A credit of $9,163,000 for refunds of insurance premiums as a result of a decision to self-insure certain risks.

Extraordinary Charges and Legal Proceedings

10 Provision was made in 1977 for the following items:

Charge relating to the 1972 flood at Buffalo Mining Company, a subsidiary, net of taxes of $3,625,000	$3,927,00
Charge incurred by Brink's, Incorporated, a subsidiary, in settling antitrust litigation, net of taxes of $1,344,000 and minority interest of $885,000	4,989,00
	$8,916,00

The charge relating to the 1972 Buffalo Creek flood reflects: (i) settlement of an action brought by the State of West Virginia and its governmental subdivisions seeking damages of $100,000,000; and (ii) settlement of claims of some 1,200 individuals who had alleged flood loss damages of $500,000 eacl

The charge relating to the Brink's antitrust litigation reflects the costs and expenses of (i) a fine by a U.S. District Court in Atlanta and (ii) the settlemei of class actions brought on behalf of private and state and local governmental purchasers of armored car and related services seeking treble damages. At December 31, 1977, the settlement of the class actions remained subject to class notification and court approval. By July, 1978, class notification was completed and a number of potential plaintiffs elected not to participate in the settlement. However, to date, only one such plaintiff has brought an action against Brink's and one of its co-defendants in the class actions.

Counsel for the 12 Federal Reserve Banks has advised Brink's and the two other armored car companies which were parties to the settlement referred to in the preceding paragraph that such banks may have antitrust claims of a similar nature and has indicated a desire to enter into discussions regarding such claims.

The actual costs of concluding the foregoing antitrust matters cannot be determined at this time. However, management is of the opinion that their resolution will not be material to the Company on a consolidated basis.

Kenny Shuman, Coal claims adjuster

Current Replacement Cost Information (Unaudited)

11 In accordance with requirements of the Securities and Exchange Commission, the Company will include in its 1978 Form 10-K report estimated replacement costs of inventories and of property, plant and equipment, together with the effects of using replacement costs in computing depreciation and cost of sales.

Inflation increases the cost of doing business. The Company attempts to offset the higher costs of producing its products and services by adopting improved management and operating methods, the latest advances in technology, and tighter management controls. If such efforts fail to yield profits adequate for the maintenance and healthy growth of the business, attempts are then made to increase selling prices. The Company encounters strong competition in all of its business lines, and hence very often cannot adequately increase prices to offset inflation-produced cost increases.

Selected Quarterly Financial Data (Unaudited)

12 Tabulated below are certain data for each quarter of 1978 and 1977.

	I	II	III	IV
	(In thousands, except per share amounts)			
1978 Quarters				
Net sales and operating revenues	$317,445	349,173	246,680	430,370
Gross profit (loss)	(13,518)	46,169	10,246	43,259
Net income (loss)	(20,229)	20,616	(8,789)	33,610
Net income (loss) per share	(.54)	.55	(.23)	.89
1977 Quarters				
Net sales and operating revenues	$403,462	310,995	281,699	354,421
Gross profit	48,449	47,439	39,187	36,925
Income before extraordinary charges	23,012	22,486	19,002	15,714
Net income	23,012	22,486	19,002	6,798
Per Share:				
Income before extraordinary charges	.61	.61	.50	.42
Net Income	.61	.61	.50	.18

Gloria J. Shepperd, Oil computer terminal operator

The Pittston Company and Subsidiaries
Industry Segment Information

Years Ended December 31,	1978	1977
	(In thousands of dollars)	
Revenues		
Coal	$ 499,732	643,18
Oil	682,982	557,19
Brink's	138,471	129,88
Warehousing & Distribution	22,595	20,47
Less intersegment revenues	(112)	(15
Consolidated revenues	$1,343,668	1,350,57
Operating Profit		
Coal	$ 1,690	97,04
Oil	15,750	9,39
Brink's	10,847	11,64
Warehousing & Distribution	2,011	1,36
Consolidated operating profit	30,298	119,44
Interest income, corporate	6,390	8,65
Interest expense	(8,035)	(6,23
General corporate expenses	(7,099)	(7,99
Equity in net income of unconsolidated affiliates	192	50
Other	(1,981)	(5,23
Consolidated income before income taxes and extraordinary charges	$ 19,765	109,14
Capital Expenditures		
Coal	$ 98,884	134,96
Oil	1,516	2,74
Brink's	5,009	3,42
Warehousing & Distribution	1,698	2,59
General corporate	126	12
Consolidated capital expenditures	$ 107,233	143,85
Depreciation, Depletion and Amortization		
Coal	$ 44,351	39,3
Oil	3,026	3,0
Brink's	3,702	3,5
Warehousing & Distribution	1,943	1,8
General corporate	581	5
Consolidated depreciation, depletion and amortization	$ 53,603	48,3
Assets at December 31		
Coal	$ 636,572	522,5
Oil	251,959	226,1
Brink's	73,441	65,9
Warehousing & Distribution	21,136	21,1
Investments in and advances to unconsolidated affiliates	13,569	10,3
Corporate (primarily cash and investments)	93,602	180,6
Consolidated assets	$1,090,279	1,026,7

The Company and its domestic subsidiaries had 1978 revenues of approximately $1,276,000,000 ($1,295,000,000 in 1977), of which $305,000,000 ($393,000,000 in 1977) w export sales, including $141,000,000 ($220,000,000 in 1977) BRINKS009415 Japan.

See accompanying notes to consolidated financial statements.

Accountants' Report

The Shareholders
The Pittston Company:

We have examined the consolidated balance sheet of The Pittston Company and subsidiaries as of December 31, 1978 and 1977 and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of The Pittston Company and subsidiaries at December 31, 1978 and 1977 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
345 Park Avenue, New York, N.Y. 10022

March 7, 1979

The Pittston Company and Subsidiaries
Summary of Operations

Years Ended December 31,	1978	1977	1976	1975	1974
	(In thousands, except per share amounts)				
Net sales and operating revenues	$1,343,668	1,350,577	1,415,451	1,504,222	1,145,729
Cost of sales and operating expenses	1,257,512	1,178,577	1,137,262	1,118,046	902,440
Interest expense	8,035	6,238	5,069	6,890	8,717
Income before income taxes and extraordinary charges	19,765	109,143	222,510	333,185	193,362
Provision (credit) for income taxes	(5,443)	28,929	76,138	133,039	79,726
Income before extraordinary charges	25,208	80,214	146,372	200,146	113,636
Extraordinary charges, net of taxes	—	8,916	—	—	6,190
Net income	$ 25,208	71,298	146,372	200,146	107,446
Per share (a):					
Income before extraordinary charges	$.67	2.14	3.91	5.36	3.05
Extraordinary charges, net of taxes	—	.24	—	—	.17
Net income	.67	1.90	3.91	5.36	2.88
Cash dividends	1.20	1.10	1.08	.77	.40
Average shares outstanding (in thousands) (a)	37,475	37,452	37,411	37,321	37,223

(a) Adjusted for stock dividends and distributions.

Management's Discussion and Analysis of the Summary of Operations

The following discussion and analysis should be read in conjunction with the Industry Segment Information and the Summary of Operations which appear on pages 32 and 34 of this report.

Comparison of 1978 with 1977

The decline in consolidated revenues and profits was principally the result of major strikes affecting the Coal Group. Coal operations, representing the company's main business, were closed down for virtually the entire first quarter by the United Mine Workers' strike, which began on December 6, 1977 and ended on March 28, 1978. Then, on July 10, 1978, the union of railroad clerks struck the Norfolk & Western Railway, resulting in serious curtailment of coal shipments for the remainder of the third quarter. For 1978, compared with 1977, coal production was down 3,353,000 tons (23.4%) to 10,956,000 tons, coal sold was down 4,011,000 tons (26.0%) to 11,410,000 tons, coal sales were down $143,456,000 (22.3%) to $499,732,000, and coal operating profits declined $95,352,000 (98.3%) to a mere $1,690,000.

The Oil Group did well in 1978. The volume of sales increased by 9,182,000 barrels (25.2%) to 45,690,000 barrels, revenues were up $125,790,000 (22.6%) to $682,982,000, and operating profits jumped $6,356,000 (67.7%) to $15,750,000. With average gross profit margins remaining essentially unchanged, the bulk of the increase in profits was due to volume. Other items contributing to the profit improvement were interest income (up $970,000) and Canadian exchange gains (up $480,000).

Brink's profit margins continued to be squeezed in 1978 due to intense competition. Thus, while revenues increased $8,587,000 (6.6%) to $138,471,000, operating profits declined $793,000 (6.8%) to $10,847,000. Not included in operating profits is Brink's equity in earnings of non-consolidated affiliates, which was $1,060,000 in 1978 compared with $550,000 in 1977, the improvement being attributable primarily to affiliates in Europe.

For an analysis of income taxes, please refer to note 4 of the Notes to Consolidated Financial Statements. (Continued on page 36)

Comparison of 1977 with 1976

Coal revenues declined approximately 14%, attributable almost entirely to lower volume of shipments. The volume decrease was due mainly to labor problems, including extensive illegal wildcat strikes during the course of the year and the strike by the United Mine Workers union which began on December 6, 1977 and continued into 1978, as well as other factors, including a devastating flood in the Appalachian coal fields in April, 1977. Meanwhile, the cost of producing coal escalated sharply: the lower production volume burdened each ton of coal with more fixed costs; the cost of purchased materials and services kept climbing; and wage rates were up, while productivity declined, a double negative. The net result was a 51% decrease in coal operating profits.

The Oil Group sold less oil in 1977 than in 1976 (volume was down approximately 6%) but at higher prices, the net effect being an increase in dollar revenues. However, per gallon cost of sales (which includes the purchase cost of oil and the expenses of operating the terminals and delivering the oil) increased more than prices, resulting in narrower unit margins, which, when combined with the lower volume, produced the decline in operating profits.

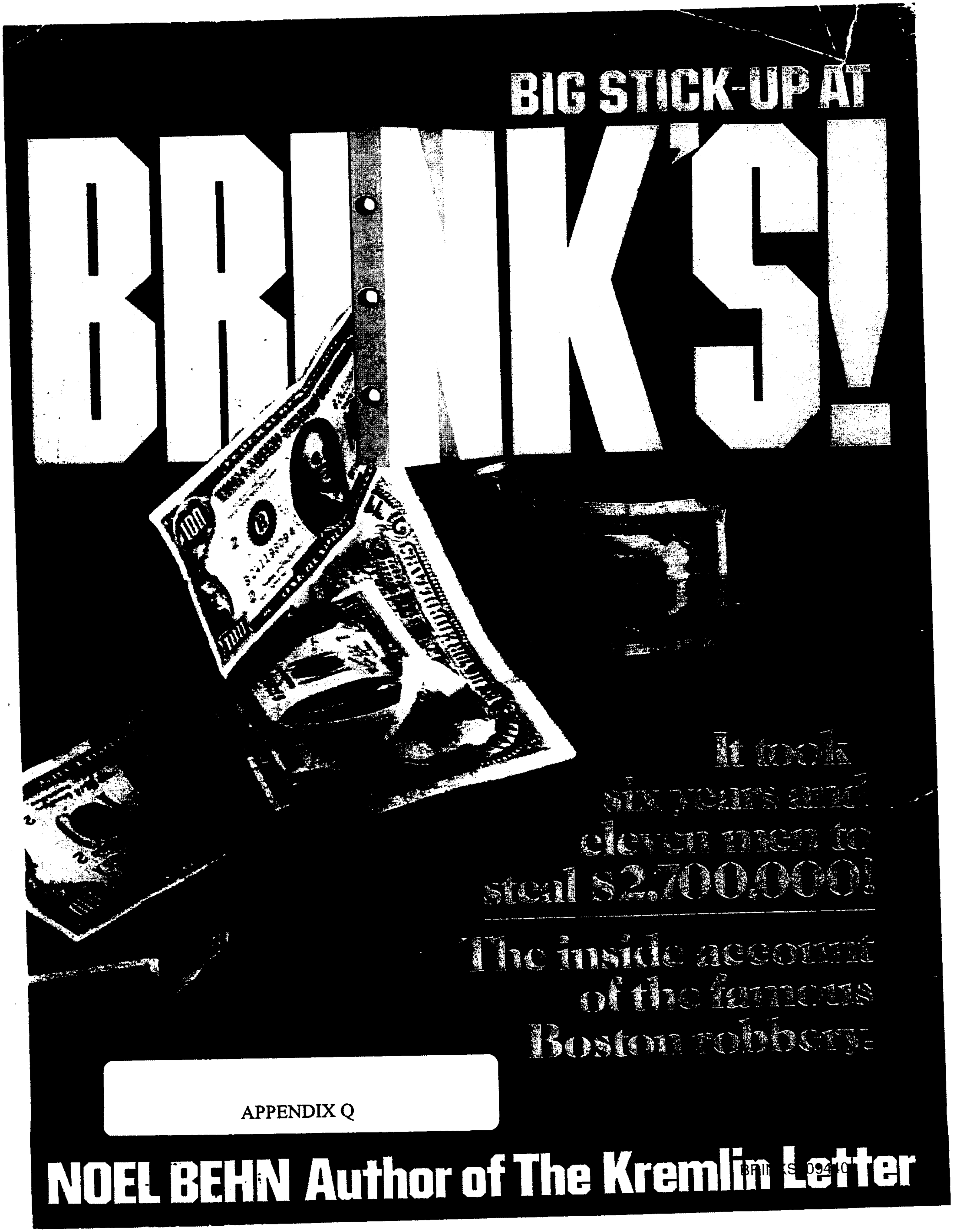
While Brink's revenues were relatively flat in 1977 compared with the prior year, due to strikes in the first half of 1977 and to the difficulty of increasing prices to customers, operating expenses continued their steady climb, with payroll-related expenses showing the most significant increase. A substantial decline in operating profits was the result.

APPENDIX P


thought could happen
could pull it off.
DINO DE LAURENTIIS PRESENTS
A WILLIAM FRIEDKIN FILM
"THE BRINK'S JOB"
PETER FALK PETER BOYLE
GENA ROWLANDS PAUL SORVINO
WILLIAM FRIEDKIN
NOEL BEHN
RALPH SERPE
RICHARD RODNEY BENNETT

APPENDIX P

APPENDIX Q


BIG STICK-UP AT
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The inside account of the famous Boston robbery.
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APPENDIX Q

BIG STICK-UP AT BRINK'S!

BIG STICK-UP AT
BRINK'S!

BY

NOEL BEHN

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APPENDIX R

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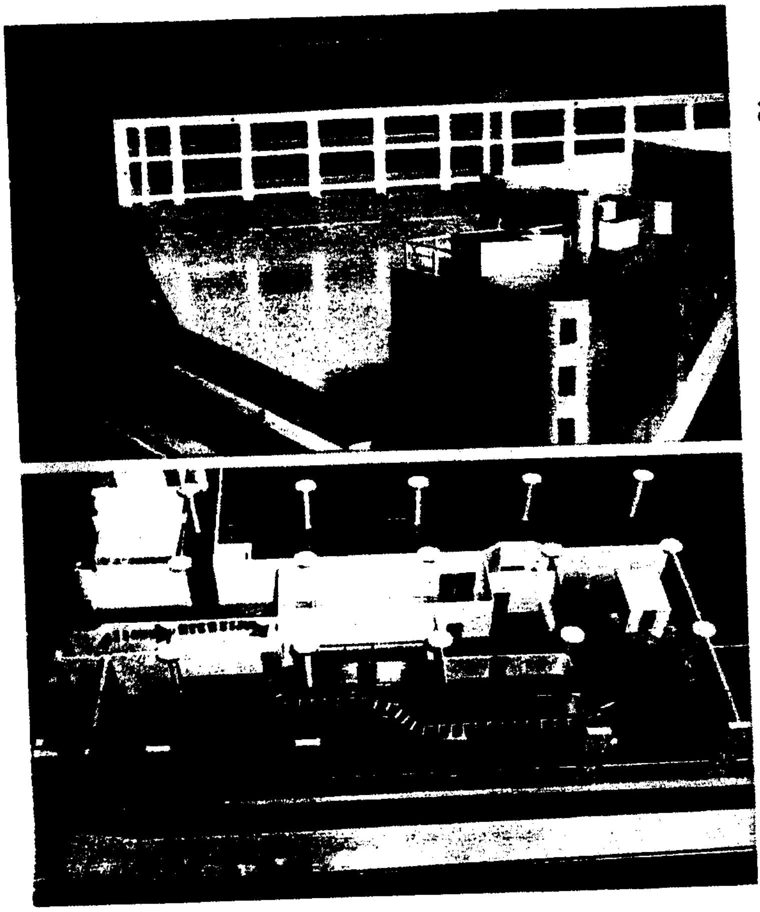

The first complete account of the robbery; the conspiracy, investigation, confession, and trial, by

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APPENDIX R

5

The Great Brink's Holdup

The Great Brink's Holdup

SID FEDER
Co-Author of MURDER, INC.
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APPENDIX S