

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-08-02** | Period of Report: **1994-06-30**  
SEC Accession No. **0000950152-94-000763**

(HTML Version on [secdatabase.com](http://secdatabase.com))

FILER

**MIDLAND ENTERPRISES INC /DE/**

CIK: **66029** | IRS No.: **042284434** | State of Incorp.: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **002-39895** | Film No.: **94541218**  
SIC: **4400** Water transportation

Mailing Address  
580 WALNUT STREET  
SUITE 1400  
CINCINNATI OH 45202

Business Address  
1400 580 WALNUT STREET  
CINCINNATI OH 45202  
5137214000

## Form 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549(X) QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT  
OF 1934For Quarter Ended June 30, 1994  
-----

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 2-39895  
-----MIDLAND ENTERPRISES INC.  
-----

(Exact name of registrant as specified in its charter)

DELAWARE

04-2284434  
-----(State or other jurisdiction of  
incorporation or organization)(I.R.S. Employer  
Identification No.)

1400-580 BUILDING, CINCINNATI, OHIO

45202  
-----

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code 513-721-4000  
-----NONE  
-----(Former name, former address and former fiscal year,  
if changed since last report.)Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.Yes X No  
----------  
The number of shares of common stock of Midland Enterprises Inc. outstanding  
as of the date of this report was 15 1/2, all held by Eastern Enterprises.Registrant meets the conditions set forth in general instructions H(1) (a) and  
(b) of Form 10-Q and is therefore filing this form with the reduced disclosure  
format.

2

FORM 10-Q  
Page 2ITEM 1.  
FINANCIAL STATEMENTS  
-----Company or group of companies for which report is filed:  
Midland Enterprises Inc. And Subsidiaries ("Midland")  
-----

&lt;TABLE&gt;

&lt;CAPTION&gt;

Consolidated Statements of Earnings  
-----

(000 Omitted)				
For the		For the		
Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended	
June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993	
<C>	<C>	<C>	<C>	
Operating Revenues	\$ 68,986	\$ 66,746	\$127,152	\$132,596

Operating Costs and Expenses:

Operating expenses	\$ 46,012	\$ 44,240	\$ 86,106	\$ 87,445
Depreciation and amortization	5,647	6,287	11,317	12,575
Selling, general and administrative expenses	2,670	2,085	5,198	4,846
Overhead allocation from Parent	711	711	1,422	1,422
Taxes, other than income	4,075	3,611	8,213	7,409

	\$ 59,115	\$ 56,934	\$112,256	\$113,697
--	-----------	-----------	-----------	-----------

Operating Earnings	\$ 9,871	\$ 9,812	\$ 14,896	\$ 18,899
--------------------	----------	----------	-----------	-----------

Other Income (Expense):

Interest income from Parent	\$ 577	\$ 566	\$ 1,108	\$ 1,130
Interest income other	11	6	18	14
Gain on sale of barge facility including \$851,000 of curtailment gains	2,300	-	2,300	-
Gain (loss) on sale of assets and other, net	58	26	55	14

	\$ 2,946	\$ 598	\$ 3,481	\$ 1,158
--	----------	--------	----------	----------

Interest Expense:

Long-term debt	\$ 3,885	\$ 3,988	\$ 7,782	\$ 7,988
Other, including amortization of debt expense	43	32	69	63
Interest capitalized during construction	-	(153)	(38)	(294)

	\$ 3,928	\$ 3,867	\$ 7,813	\$ 7,757
--	----------	----------	----------	----------

Earnings before income taxes	\$ 8,889	\$ 6,543	\$ 10,564	\$ 12,300
------------------------------	----------	----------	-----------	-----------

Provision for income taxes	3,170	2,291	3,699	4,318
----------------------------	-------	-------	-------	-------

Net Earnings	\$ 5,719	\$ 4,252	\$ 6,865	\$ 7,982
--------------	----------	----------	----------	----------

<FN>

The accompanying notes are an integral part of these financial statements.

</TABLE>

3

<TABLE>

FORM 10-Q  
PAGE 3

Midland Enterprises Inc. And Subsidiaries

Consolidated Balance Sheets

<CAPTION>

(000 Omitted)

	June 30, 1994	Dec. 31, 1993	June 30, 1993
Assets	<C>	<C>	<C>
Current Assets:			
Cash and cash equivalents	\$ 5,088	\$ 88	\$ 91
Receivables -			
Trade, net	28,003	22,714	23,093
Parent	65,205	56,952	37,457
Other	1,380	2,995	299
Materials, supplies & fuel	9,068	12,965	15,244
Prepaid expenses	2,124	1,676	2,503

Total current assets	\$ 110,868	\$ 97,390	\$ 78,687
Property and Equipment, at cost	\$ 582,724	\$ 605,147	\$ 623,708
Less-Accumulated Depreciation	284,797	288,500	291,881
Net property and equipment	\$ 297,927	\$ 316,647	\$ 331,827
Other Assets:			
Deferred pension charges	\$ 11,075	\$ 10,729	\$ 9,987
Other	5,068	5,330	5,545
Total other assets	\$ 16,143	\$ 16,059	\$ 15,532
Total Assets	\$ 424,938	\$ 430,096	\$ 426,046

<FN>

The accompanying notes are an integral part of these financial statements.

</TABLE>

4

<TABLE>

FORM 10-Q  
Page 4

MIDLAND ENTERPRISES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<CAPTION>

	(000 Omitted)		
	June 30, 1994	Dec. 31, 1993	June 30, 1993
<S>	<C>	<C>	<C>
Liabilities and Stockholder's Equity			
Current Liabilities:			
Current portion of long-term debt	\$ 5,415	\$ 5,871	\$ 5,727
Accounts Payable -			
Trade	9,792	12,622	10,052
Parent	2,523	349	1,940
Income taxes payable	590	3,324	324
Accrued expenses	11,759	10,449	11,164
Other current liabilities	16,573	16,097	14,259
Total current liabilities	\$ 46,652	\$ 48,712	\$ 43,466
Long-Term Debt	\$ 155,184	\$ 157,594	\$ 160,598
Other Liabilities:			
Deferred income taxes	\$ 57,323	\$ 57,899	\$ 57,555
Unamortized investment tax credits	4,465	5,192	5,609
Post-retirement health care	8,849	9,306	9,398
Other reserves	860	1,504	1,426
Total other liabilities	\$ 71,497	\$ 73,901	\$ 73,988
Stockholder's Equity:			
Common stock, \$100 par value -			
Authorized - 1,000 shares			
Shares issued & outstanding - 15 1/2 shares	\$ 1	\$ 1	\$ 1
Capital in excess of par value	52,519	52,519	52,519
Retained earnings	99,085	97,369	95,474

Total stockholder's equity	\$ 151,605	\$ 149,889	\$ 147,994
	-----	-----	-----
Total liabilities and stockholder's equity	\$ 424,938	\$ 430,096	\$ 426,046
	=====	=====	=====

<FN>

The accompanying notes are an integral part of these financial statements.

</TABLE>

5

<TABLE>

FORM 10-Q  
Page 5

Midland Enterprises Inc. and Subsidiaries

Consolidated Statements of Cash Flows

<CAPTION>

	(000 Omitted)	
	For the Six Months Ended	
	June 30, 1994	June 30, 1993
	-----	-----
<S>	<C>	<C>
Cash Flows From Operating Activities:		
-----		
Net earnings	\$ 6,866	\$ 7,982
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	11,318	12,575
Deferred and current income taxes	(3,310)	(352)
Net (gain) loss on sale of assets	(2,672)	(36)
Other changes in assets and liabilities:		
Trade and other receivables	(3,674)	2,894
Materials, supplies & fuel	3,897	229
Accounts payable	(656)	(356)
Accrued expenses and other current liabilities	1,786	2,025
Other	(2,693)	\$ (1,836)
	-----	-----
Net Cash Provided by Operating Activities	\$ 10,862	\$ 23,125
	-----	-----
Cash Flows from Investing Activities:		
-----		
Capital expenditures	\$ (1,643)	\$ ( 8,018)
(Increase) decrease in Parent receivable	( 8,253)	( 6,348)
Proceeds from asset dispositions	12,083	126
	-----	-----
Net Cash Provided by (Used in) Financing Activities	\$ 2,187	\$ (14,240)
	-----	-----
Cash Flows from Financing Activities:		
-----		
Issuance of long-term debt	\$ -	\$ -
Repayment of long-term debt	(2,899)	( 2,898)
Cash dividends paid to Parent	(5,150)	(5,986)
	-----	-----
Net Cash Provided by (Used in) Financing Activities	\$ (8,049)	\$ (8,884)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 5,000	\$ 1
Cash and Cash Equivalents at Beginning of Period	88	90
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 5,088	\$ 91
	=====	=====
Supplemental Disclosures of Cash		
-----		

Flow Information:

Cash paid during the period for:

Interest, net of amounts capitalized	\$ 7,782	\$ 7,625
Income taxes	\$ 4,634	\$ 4,634

<FN> The accompanying notes are an integral part of these financial statements.

</TABLE>

6 FORM 10-Q  
Page 6

MIDLAND ENTERPRISES INC. AND SUBSIDIARIES  
Notes to Financial Statements  
June 30, 1994

(1) ACCOUNTING POLICIES

It is Midland's opinion that the financial information contained in this report reflects all adjustments necessary to present a fair statement of the results for the periods reported, but such results are not necessarily indicative of results to be expected for the year, due to the somewhat seasonal nature of Midland's operations. All such adjustments were of a normal, recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. However, the disclosures herein when read with the annual report for 1993 filed on Form 10-K are adequate to make the information presented not misleading.

7 FORM 10-Q  
Page 7

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

& RESULTS OF OPERATIONS

Results of Operations

Significant increases in towing of domestic spot and export coal, aggregates, ores and tramp barges resulted in second quarter tonmiles increasing 8% over the same period in 1993, with a corresponding 3% increase in revenues. Despite reduced volume from a long-term contract with Gulf Power Company, which is in litigation, utility coal tonnage increased 3% in the second quarter as 1993 tonnage was reduced by an extended plant outage of a major customer. Total coal tonnage increased 12% in the second quarter from the comparable period in 1993, primarily reflecting the increased spot coal shipments. Excluding the results of Midland's liquid barge business, which was sold in December 1993, second quarter tonmiles improved 13% over 1993 with revenues up 8%. Contract rate reductions, which were granted in exchange for term extensions and other rights, as well as lower spot rates partially offset the volume gains.

For the first six months, tonmile production rose 1% while revenues declined 4%, as compared to the same period in 1993 due to reduced contract coal volume, rate reductions, the aforementioned sale of the liquid barge business, and extremely poor operating conditions which limited production in the first quarter of 1994. Although coal tonnage under long-term contracts declined 8%, total coal tonnage increased 2% for the first six months of 1994 due to the increased spot coal shipments. Revenues for 1994 were comparable to 1993 after excluding the liquid business which generated \$5.7 million of revenue in the first six months of 1993.

Operating earnings for the second quarter and first six months of 1994 were negatively impacted by the reduced utility contract coal volume and lower rates as previously discussed. Earnings were also reduced in the first four months of 1994 by significantly higher operating costs as compared to 1993, resulting

from extended periods of winter ice, high water and flooding, that significantly reduced operational efficiency. In addition, second quarter 1993 administrative expenses included a \$600,000 gain on the settlement of pension obligations. As a result, operating earnings increased by 1% for the second quarter but were 21% lower for the first six months of 1994 versus 1993.

During the Second Quarter of 1994, Midland recorded a pre-tax gain of \$2.3 million in "Other Income" as a result of the sale of its Port Allen barge construction and repair facility in Louisiana. Including this gain, net earnings for the second quarter increased 35% from the same period in 1993. Net earnings for the first six months declined 14% as compared to last year.

Liquidity and Capital Resources

Capital expenditures, debt repayments and dividends to Parent were funded from cash provided by operating activities in the first six months of 1994. In addition, the increase in advances to Parent reflected proceeds from the sale of assets.

8

FORM 10-Q  
Page 8

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(B) Reports on Form 8-K

There were no reports on Form 8-K filed in the second quarter of 1994.

9

FORM 10-Q  
Page 9

SIGNATURE

It is Midland's opinion that the financial information contained in this report reflects all normal, recurring adjustments necessary for a fair statement of results for the period reported, but such results are not necessarily indicative of results to be expected for the year, due to the seasonal nature of Midland's operations. All accounting policies have been applied in a manner consistent with prior periods. Such financial information is subject to year end adjustments and annual audit by independent public accountants.

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

MIDLAND ENTERPRISES INC.

BY: R. L. Doettling  
R. L. Doettling  
Senior Vice President  
Finance and Administration  
Principal Financial Officer  
and Duly Authorized Officer

Date: August 2, 1994