

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 1994

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

For the transition period from to

Commission file number 0-12001

St. Joe Paper Company  
(Exact name of registrant as specified in its charter)

Florida 59-0432511  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

Suite 400, 1650 Prudential Drive, Jacksonville, Florida 32207  
(Address of principal executive offices) (Zip Code)

(904) 396-6600  
(Registrant's telephone number, including area code)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of June 30, 1994 there were 30,498,650 shares of common  
stock, no par value, outstanding.

ST. JOE PAPER COMPANY

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ST. JOE PAPER COMPANY  
CONSOLIDATED BALANCE SHEET  
(Dollars in thousands)

ASSETS	June 30 1994 (Unaudited)	December 31 1993
Current Assets:		
Cash and cash equivalents	\$ 45,177	\$ 48,304
Short-term investments	66,745	66,307
Accounts receivable	80,185	74,127
Inventories	62,708	69,398
Other assets	27,967	25,720
Total Current Assets	282,782	283,856
Investment and Other Assets:		
Marketable securities	179,271	159,523
Other assets	42,251	40,170
Total Investments and Other Assets	221,522	199,693
Property, Plant and Equipment, Net	1,020,364	1,007,722
Total Assets	\$ 1,524,668	\$ 1,491,271
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 40,596	\$ 41,515
Accrued liabilities	31,566	27,838
Income taxes payable	4,426	2,737
Long-term debt due within one year	23,828	21,309
Total Current Liabilities	100,416	93,399
Accrued Casualty Reserves and Other Liabilities	11,951	11,063
Long-Term Debt due After One Year	38,304	38,947
Deferred Income Taxes and Income Tax Credits	210,524	205,531
Minority Interest in Consolidated Subsidiaries	245,942	238,878
Stockholders' Equity:		
Common stock, no par value; 60,000,000 shares authorized; 30,498,650 shares issued and outstanding	8,714	8,714
Retained earnings	864,248	851,511
Net unrealized gains on debt and marketable equity securities	44,569	43,228
Total Stockholders' Equity	917,531	903,453
Total Liabilities and Stockholders' Equity	\$ 1,524,668	\$ 1,491,271

See accompanying notes.

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ST. JOE PAPER COMPANY  
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS  
(Unaudited)  
(Dollars in thousands except per share amounts)

	Three Months ended June 30		Six Months ended June 30	
	1994	1993	1994	1993
Net Sales and Operating Revenues	\$ 165,886	\$ 150,548	\$ 333,254	\$ 297,246
Cost of Sales and Operating Expenses	138,182	134,183	272,173	260,837
Gross Profit	27,704	16,365	61,081	36,409
Selling, General and Administrative Expenses	13,731	14,126	28,088	29,032
Operating Profit	13,973	2,239	32,993	7,377
Other Income (Expense):				
Dividends	531	826	1,065	1,055
Interest income	2,329	2,005	4,833	4,780
Interest expense	(1,005)	(2,419)	(1,968)	(3,398)
Gain on sales and other dispositions of property, plant and equipment	375	(86)	759	891
Other, net	704	1,148	1,791	2,469
	2,934	1,474	6,480	5,797
Income before Income Taxes, Minority Interest and Cumulative Effect of Change in Accounting Principle	16,907	3,713	39,473	13,174
Provision for Income Taxes	6,913	925	14,816	4,561
Income before Minority Interest and Cumulative Effect of Change in Accounting Principle	9,994	2,788	24,657	8,613
Income Applicable to Minority Interest in Consolidated Subsidiaries	2,367	2,035	8,870	4,398
Income before Cumulative Effect of Change in Accounting Principle	7,627	753	15,787	4,215
Cumulative Effect of Change in Accounting Principle for Income Taxes	---	---	---	20,518
Net Income	\$ 7,627	\$ 753	\$ 15,787	\$ 24,733
Retained Earnings at Beginning of Period	858,146	847,423	851,511	824,968
Dividends	1,525	1,525	3,050	3,050
Retained Earnings at End of Period	\$ 864,248	\$ 846,651	\$ 864,248	\$ 846,651
Per Share Data:				
Dividends	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10
Income before Cumulative Effect of Change in Accounting Principle	\$ 0.25	\$ 0.02	\$ 0.52	\$ 0.13
Cumulative Effect of Change in Accounting Principle	---	---	---	0.68
Net Income	\$ 0.25	\$ 0.02	\$ 0.52	\$ 0.81
Number of Common Shares Outstanding	30,498,650	30,498,650	30,498,650	30,498,650

See accompanying notes.

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ST. JOE PAPER COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

(Dollars in thousands except per share amounts)

	Six Months ended June 30	
	1994	1993
Cash Flows from Operating Activities:		
Net Income	\$ 15,787	\$ 24,733
Adjustments to reconcile net income to cash provided by operating activities:		
Cumulative effect of a change in accounting principle	---	(20,518)
Depreciation and depletion	31,095	32,197
Minority interest in income	8,870	4,398
Gain on sale of property	(759)	(891)
Increase in deferred income taxes	4,993	6,257
Changes in operating assets and liabilities:		
Accounts receivable	(6,058)	9,537

Inventories	6,690	3,136
Other assets	(4,328)	(15,273)
Accounts payable, accrued liabilities and casualty reserves	3,697	9,224
Increase in income taxes payable	1,689	---
Cash Provided by Operating Activities	61,676	52,800

Cash Flows from Investing Activities:

Purchases of property, plant and equipment	(47,506)	(45,857)
Purchases of investments	(80,986)	(23,821)
Proceeds from sales of property	4,529	4,950
Proceeds from sales of investments	61,194	18,775
Cash Used in Investing Activities	(62,769)	(45,953)

Cash Flows from Financing Activities:

Net change in short-term borrowings	2,514	896
Dividends paid to stockholders	(3,050)	(3,050)
Repayment of long-term debt	(638)	(983)
Dividends paid to minority interest	(860)	(846)
Cash Used in Financing Activities	(2,034)	(3,983)

Net Increase (Decrease) in Cash and Cash Equivalents	(3,127)	2,864
Cash and Cash Equivalents at Beginning of Period	48,304	42,137
Cash and Cash Equivalents at End of Period	\$ 45,177	\$ 45,001

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for certain  
expense items is:

Interest	\$ 1,871	\$ 1,827
Income taxes	\$ 10,927	\$ 875

See accompanying notes

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ST. JOE PAPER COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(Dollars in thousands )

- In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 1994 and December 31, 1993 and the results of operations and cash flows for the three and six month periods ended June 30, 1994 and 1993.
- The results of operations for the three and six month periods ended June 30, 1994 and 1993 are not necessarily indicative of the results that may be expected for the full year.
- Inventories at June 30, 1994 and December 31, 1993:

	June 30 1994	December 31 1993
Manufactured paper products and associated raw materials	\$ 27,367	\$ 30,782
Materials and supplies	27,575	27,407
Sugar	7,766	11,209
	\$ 62,708	\$ 69,398

- The Company and its subsidiaries are involved in litigation on a number of matters and are subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company has retained certain self-insurance risks with respect to losses for third party liability, property damage and group health insurance provided to employees.

The Company is subject to costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances

at various sites. It is the Company's policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount is reasonably estimable. As assessments and cleanups proceed, these accruals are reviewed and adjusted, if necessary, as additional information becomes available.

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ST. JOE PAPER COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(Dollars in thousands )

The Company is currently a party to, or involved in, legal proceedings directed at the cleanup of two Superfund sites. The Company has accrued its allocated share of the total estimated cleanup costs for these two sites. Based upon management's evaluation of the other potentially responsible parties, the Company does not expect to incur additional amounts even though the Company has joint and several liability. Other proceedings involving environmental matters such as alleged discharge of oil or waste material into water or soil are pending against the Company.

It is not possible to quantify future environmental costs because many issues relate to actions by third parties or changes in environmental regulation. However, based on information presently available, management believes that the ultimate disposition of currently known matters will not have a material effect on the financial position or liquidity of the Company, but could be material to the results of operation of the Company in any one period. As of June 30, 1994 and December 31, 1993, the aggregate environmental related accruals were \$6.7 million. Environmental liabilities are paid over an extended period and the timing of such payments cannot be predicted with any confidence.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net Sales and Operating Revenues for the quarter ended June 30, 1994 increased \$15.3 million (10.2%) compared to the same 1993 period. Net sales and operating revenues for the six months ended June 30, 1994 increased \$36.0 million (12.1%) compared to the same 1993 period.

Cost of Sales and Operating Expenses increased \$4.0 million (3.0%) for the quarter ended June 30, 1994 compared to the June 30, 1993 quarter which were 83.3% of net sales and operating revenue for the 1994 quarter and 89.1% for the 1993 quarter. The cost of sales and operating expenses for the six months ended June 30, 1994 were up \$11.3 million (4.3%) compared to the same 1993 period and were 81.7% of net sales and operating revenues in 1994 and 87.8% in 1993.

Selling, General and Administrative Expenses for the second quarter of 1994 were down \$0.4 million (2.8%) compared to the corresponding 1993 quarter. These expenses for the year to date were down \$0.9 million (3.3%) compared to 1993.

Operating Profit for the quarter ended June 30, 1994 compared to the same 1993 period for the Company was higher by \$11.7 million (524.1%) and for the six months period by \$25.6 million (347.2%).

The operating results for the Company by industry segments for the comparable three month and six month periods follows (in

millions of dollars).

#### FOREST PRODUCTS

	Quarter Ended June 30, 1994		%Increase (Decrease)
	1994	1993	
Net Sales and Operating Revenue	\$ 93.0	\$ 77.9	19.4
Cost of Sales and Operating Expenses	85.4	80.3	6.3
Selling, General and Administrative Expenses	7.3	7.3	0.3
Operating Profit (Loss)	0.4	(9.7)	103.7

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	Six Months Ended June 30, 1994		%Increase (Decrease)
	1994	1993	
Net Sales and Operating Revenue	\$177.5	\$157.0	13.1
Cost of Sales and Operating Expenses	167.8	157.0	6.9
Selling, General and Administrative Expense	14.7	15.9	(7.5)
Operating Profit (Loss)	(5.0)	(15.9)	68.5

Net sales and operating revenue in the Company's paper mill for the six month 1994 period were up 15.2% due to an increase in tons sold to outside customers of 19.8%, while the average selling price from the same 1993 period remained the same. Revenue from sales of crest white were up 13.3% with revenue from crest white sales amounting to 58% of total sales, which was up from 56% in 1993. Sales by the Company's container operations for the six month period this year over 1993 were up 11.1% on an increase of 10.8% in tons sold and a small 0.2% increase in selling price per ton. Timber revenue on sales to outside customers by our land company was up 47.1% on an increase in tons sold of 41.4% and a 4.0% increase in per ton selling price.

The cost of sales and operating expenses at the mill for the six months period ended June 30th decreased 3% on a per ton basis compared to last year but due to the increased volume these costs were up primarily in the area of repair materials, shipping department, operations fees, water treatment and workmen's compensation insurance.

Production at the mill was up 5.1% for the six month period of 1994 over like 1993 period as the average daily production was up 9.4% which overcame a four day reduction in days operated. The revenue was helped this period by the increase in sales volume particularly in the crest white tons sold and the \$30 a ton increase in linerboard prices in March 1994. There has been another \$40 per ton increase in linerboard prices in July 1994, which will improve third quarter results. The backlog of orders in our container operations have been at record highs the last several weeks.

#### TRANSPORTATION

	Quarter Ended June 30, 1994		%Increase (Decrease)
	1994	1993	
Net Sales and Operating Revenue	\$ 44.8	\$ 43.2	3.7
Cost of Sales and Operating Expenses	32.6	33.3	(2.1)

Selling, General and Administrative Expenses	4.1	4.5	(9.9)
Operating Profit	8.1	5.3	51.7

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Six Months Ended June 30, 1994

	1994	1993	%Increase (Decrease)
Net Sales and Operating Revenue	\$ 87.9	\$ 86.5	1.7
Cost of Sales and Operating Expenses	64.4	66.2	(2.7)
Selling, General and Administrative Expenses	8.4	8.3	1.2
Operating Profit	15.1	12.0	26.0

Net sales and operating revenue for the six month period increased 1.8% at Florida East Coast Railway Company (FEC). This increase reflects the continued general improvement in the economy. Rail traffic volumes in rock and other types of carloads were up. Rock carloads for the first six months of 1994 were up 10.9%, other carloads up 1.7%, intermodel units and automotive carloads were down from 1993. Apalachicola Northern Railroad Company (ANRR) net revenue was flat for the six months 1994 period compared to 1993.

Cost of sales and operating expenses for the FEC decreased 3.3% for the six month period of 1994 and selling, general and administrative expenses were up 1.6%. There were small expense increases in employee wages, including fringe benefits, depreciation and property taxes. ANRR operating expenses for this six month period were up 4.9% and selling, general and administrative expenses were down 9.2%. The main operating expenses at ANRR that were up for this six month period are maintenance on the track, material and labor and repair of freight train cars.

SUGAR

Quarter Ended June 30, 1994

	1994	1993	%Increase (Decrease)
Net Sales and Operating Revenue	\$ 14.6	\$ 12.8	14.1
Cost of Sales and Operating Expenses	11.6	11.8	(2.0)
Selling, General and Administrative Expenses	0.8	0.8	(0.9)
Operating Profit	2.3	0.3	786.9

Six Months Ended June 30, 1994

Net Sales and Operating Revenue	\$ 28.0	\$ 24.9	12.6
Cost of Sales and Operating Expenses	22.4	21.4	4.5
Selling, General and Administrative Expenses	1.8	1.8	3.5
Operating Profit	3.8	1.7	124.3

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Net sales and operating revenue in the Sugar segment were up for the six month period due to an increase in tons sold of 10.2% and a 2.2% increase in sales price per ton.

Cost of sales and operating expenses per ton were down 3.5% caused by a decrease in dead season expenses this year and an increase in sales of molasses. Molasses is a by-product of the production of raw sugar and is accounted for as reduction in the cost of sales and operating expense.

COMMUNICATIONS

Quarter Ended June 30, 1994

	1994	1993	%Increase (Decrease)
Net Sales and Operating Revenue	\$ 7.7	\$ 7.7	0.1
Cost of Sales and Operating Expenses	4.6	5.1	(9.5)
Selling, General and Administrative Expenses	1.1	1.0	8.3
Operating Profit	2.0	1.6	26.2

Six Months Ended June 30, 1994

Net Sales and Operating Revenue	\$15.1	\$ 15.0	0.4
Cost of Sales and Operating Expenses	9.3	9.8	(4.9)
Selling, General and Administrative Expenses	2.2	2.1	4.4
Operating Profit	3.6	3.2	14.3

Net sales and operating revenue for the Communications segment were slightly higher for the six month period the result of access line growth.

Cost of sales and operating expenses were lower due primarily to the curtailment of an extensive outside plant maintenance program initiated in mid 1992. Selling, general and administrative expenses had a slight increase in the 1994 six months period from the like 1993 period that was attributable to an ongoing billing and customer service software conversion.

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REAL ESTATE

Quarter Ended June 30, 1994

	1994	1993	%Increase (Decrease)
Net Sales and Operating Revenue	\$ 6.2	\$ 9.6	(35.1)
Cost of Sales and Operating Expenses	4.5	4.2	5.2
Selling, General and Administrative Expenses	0.5	0.5	(7.8)
Operating Profit	1.3	4.8	(73.6)

Six Months Ended June 30, 1994

Net Sales and Operating Revenue	\$ 25.7	\$ 15.1	70.2
Cost of Sales and Operating Expenses	9.2	7.6	20.2
Selling, General and Administrative Expenses	1.0	1.0	(0.8)
Operating Profit	15.5	6.4	141.0

In the Real Estate segment of the Company, Gran Central, Florida East Coast Industries, Inc.'s real estate subsidiary, had a 148.2% increase in net sales and operating revenue for the first six month period of 1994. This increase was attributable to sales of real estate being higher by \$12.5 million and rental income being up \$1.5 million. Southwood Properties, the Company's real estate division, had a decrease in net sales and operating revenue of \$3.4 million from less property and timber sales.



Expenses at Gran Central increased 29.6% in the six month period of 1994 over 1993 and continue to be caused by increased depreciation, property taxes and casualty insurance. Expenses at Southwood were down \$0.6 million as the cost of property sold was less on the decrease in realty sales.

Other Income for the quarter ended June 30, 1994 was up \$1.5 million (99.1%) as compared to the same 1993 period. For the six months ended June 30, 1994, other income was up \$0.7 million (11.8%) compared to the same 1993 period. The increase in the six months results occurred in dividend income and the net of interest income less interest expense, being up 61.3%.

Taxes for the second quarter were up \$6.0 million (647.4%) and \$10.3 million (224.8%) for the six month period. The effective tax rate for the six month period is 37.5% for 1994 and 34.6% for 1993. This increase in tax expense is the direct result of increased income.

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Net Income Before Cumulative Effect Of Change In Accounting Principle for the second quarter of 1994 of \$7.6 million was \$6.9 million more than the same 1993 period or up 912.9%. The six month period ended June 30, 1994 shows an increase of \$11.6 million or up 274.5%. The earnings per share for the six month period ended June 30, 1994 of \$0.52 is \$0.39 more than the like 1993 period.

#### Financial Position

The company continues to have a strong current asset position. Current assets were \$282.8 million, down \$1.1 million or 0.4% from December 31, 1993. The Company's working capital ratio at June 30, 1994 was 2.8 to 1, a decrease from December 31, 1993 when it was 3.0 to 1.

The Company had a net increase in property, plant and equipment at June 30, 1994 of \$12.6 million over the December 31, 1993 balance. The Company's net investment in marketable securities has increased \$19.7 million compared to December 31, 1993. This is primarily attributable to the investment of proceeds received from Gran Central's sales of real estate in the first quarter. The Company has a minimum amount of long-term debt. The noncurrent long-term debt at June 30, 1994 of \$38.3 million was \$0.6 million less than at December 31, 1993. There were no other significant changes in the Balance Sheet at June 30, 1994 over December 31, 1993.

Stockholder's equity at June 30, 1994 was \$917.5 million or \$30.08 per share an increase of \$14.1 million or \$0.46 per share over \$903.5 million or \$29.62 per share at December 31, 1993.

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#### PART II - OTHER INFORMATION

##### Item 1. Legal Proceedings

No change from Form 10-K for the year ended December 31, 1993

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

At the Company's annual meeting of shareholders, held on May 10, 1994 the following persons were elected as Directors of the Company:

J. C. Belin	R. E. Nedley
H. L. Brainin	R. B. Newton, Jr.
E. C. Brownlie	W. L. Revell
T. S. Coldewey	R. E. Taylor
R. H. Dent	W. T. Thompson, III
E. T. Ford	W. L. Thornton
S.D. Fraser	J. D. Uible

Item 5. Other Information

The Company is not aware of any other matters of significance to be reported hereunder.

Item 6(a). Exhibits

NOTICE OF ANNUAL MEETING held on  
May 10, 1994.

SIGNATURES

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

St. Joe Paper Company  
(Registrant)

S. D. Fraser  
Vice President and Director

D. M. Groos  
Comptroller

August 8, 1994  
Date

EXHIBIT

ST. JOE PAPER COMPANY  
P. O. BOX 1380  
JACKSONVILLE, FLORIDA 32201

MARCH 31, 1994

TO THE HOLDERS OF COMMON STOCK OF  
ST. JOE PAPER COMPANY

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders of St. Joe Paper Company will be held on Tuesday, May 10, 1994, at 10:30 A.M. Eastern Daylight Savings Time, at the Commerce-Dockside Room, Marina Hotel and Convention Center at St. Johns Place, 1515 Prudential Drive, Jacksonville, Florida. The meeting will be held to consider and act upon the following matters, namely:

1. To elect a Board of fourteen (14) directors for the ensuing year and until their successors are duly elected and qualified.
2. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Shareholders of record at the close of business on March 31, 1994 are entitled to notice of and to vote at the Annual Meeting.

All shareholders are cordially invited and urged to attend the meeting in person. The holders of a majority of the outstanding shares entitled to vote at the Meeting, present in person or by proxy, shall constitute a quorum.

This notice and the accompanying proxy material contains important information regarding the Company and matters to be acted on at the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

RONALD A. ANDERSON  
SECRETARY

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE AND RETURN THE PROXY IN THE ENCLOSED ENVELOPE PROMPTLY.