UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the Period Ended March 31, 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 1-652

UNIVERSAL CORPORATION
(Exact name of registrant as specified in its charter)

State or other jurisdiction of incorporation or organization -VIRGINIA

I.R.S. Employer Identification Number - 54-0414210

Address of principal executive offices - 1501 NORTH HAMILTON STREET
RICHMOND, VIRGINIA 23230

Registrant's telephone number, including area code - (804) 359-9311

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

Common Stock, No par value - 35,001,185 shares outstanding as of May 11, 1994

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Universal Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Three and Nine Months Ended March 31, 1994 and 1993

	Three Months		Nine Months	
	1994	1993	1994	1993
Sales and other operating revenues	$749,587	$836,688	$2,304,000	$2,551,563
Costs and expenses				
Cost of goods sold	668,942	746,663	1,998,025	2,219,783
Selling, general and administrative	58,317	50,755	198,947	179,387
Interest	14,809	10,366	45,021	34,976
	742,068	807,784	2,241,993	2,434,146
Income before income taxes and other items	7,519	28,904	62,007	117,417
Income taxes	259	11,565	17,745	42,270
Minority interests	262	(477)	566	(312)
Income from consolidated operations	6,998	17,816	43,696	75,459
Equity in net income of unconsolidated affiliates	2,345	1,266	4,316	2,648
Income before cumulative effect of change in accounting principle	9,343	19,082	48,012	78,107
Cumulative effect of change in accounting principle			(29,406)	
Net income	$9,343	$19,082	$18,606	$78,107
Per common share				
Income before cumulative effect of change in accounting principle	$.26	$.58	$1.35	$2.37
Cumulative effect of change in accounting principle			(.83)	
Net income	$.26	$.58	$.52	$2.37
Retained earnings - Beginning of period			$341,523	$290,766

Net income	18,606	78,107
Cash dividends declared ($.70-1994; $.64-1993)	(24,944)	(21,044)
Retained earnings - End of period	$335,185	$347,829
Average common shares outstanding	35,631,878	32,923,811

Universal Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	March 31, 1994	June 30, 1993
ASSETS		
Current		
Cash and cash equivalents	71,273	$119,693
Accounts and notes receivable	384,252	345,766
Accounts receivable - unconsolidated affiliates	96,325	20,098
Inventories at lower of cost or market:		
Tobacco	487,050	431,140
Lumber and building products	77,413	63,386
Agri-products	63,577	56,004
Other	10,751	18,811
Prepaid income taxes	6,963	
Deferred income taxes	3,397	3,606
Other current assets	25,140	28,431
Total current assets	1,226,141	1,086,935
Real estate, plant and equipment - at cost		
Land	22,561	21,004
Buildings	158,747	155,652
Machinery and equipment	361,394	347,569
	542,702	524,225
Less accumulated depreciation	261,606	246,450
	281,096	277,775
Other assets		
Goodwill	119,502	119,717
Other intangibles	27,808	20,080
Investments in unconsolidated affiliates	30,438	25,745
Deferred income taxes	13,077	2,193
Other noncurrent assets	33,518	31,743
	224,343	199,478
	$1,731,580	$1,564,188

Universal Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	March 31, 1994	June 30, 1993
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Notes payable and overdrafts	555,410	$426,251
Accounts payable	214,659	237,574
Accounts payable - unconsolidated affiliates	19,015	25,402
Customer advances and deposits	75,811	52,672
Accrued compensation	13,184	21,017
Income taxes payable		3,936
Current portion long-term obligations	10,287	19,552
Total current liabilities	888,366	786,404
Long - term obligations	301,685	281,807
Postretirement benefits other than pensions	48,650	
Other long - term liabilities	48,760	40,592
Deferred income taxes	33,717	35,020
Minority interests	5,484	2,452
Shareholders' equity		
Preferred stock $100 par, 8% cumulative, authorized 75,000 shares, issued and outstanding 4 shares		
Additional preferred stock, no par value, authorized 5,000,000 shares, none issued or outstanding		
Common stock, no par value, authorized 50,000,000 shares, issued and outstanding 35,604,485 shares (35,631,485 at June 30, 1993)	86,169	86,672
Retained earnings	335,185	341,523
Foreign currency translation adjustments	(16,436)	(10,282)
Total shareholders' equity	404,918	417,913
	$1,731,580	$1,564,188

Universal Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended March 31, 1994 and 1993

	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$18,606	$78,107
Adjustments to reconcile net income to net cash provided by operating activities	44,000	24,400
Cumulative effect of change in accounting principle	29,406	
Changes in operating assets and liabilities net of effects from purchase of businesses	(219,032)	11,865
Net cash provided by (used in) operating activities	(127,020)	114,372
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(19,000)	(29,800)
Purchase of businesses (net of cash acquired)	(15,200)	(84,900)
Increase in other intangibles	(10,600)	
Proceeds from long-term investment	14,100	

Other	(3,500)	6,200
Net cash used in investing activities	(34,200)	(108,500)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance (repayment) of short-term debt - net	122,600	(15,200)
Repayment of short-term debt classified as long-term June 30, 1993	(100,000)	
Repayment of long-term debt		(24,000)
Issuance of long-term debt	115,000	
Issuance (purchase) of common stock	(600)	70,900
Dividends paid	(24,200)	(20,400)
Net cash provided by financing activities	112,800	11,300
Net increase (decrease) in cash and cash equivalents	(48,420)	17,172
Cash and cash equivalents at beginning of period	119,693	82,674
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$71,273	$99,846

Universal Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1994

All figures contained herein are unaudited and stated in thousands of dollars

1) The Company's major operating segments of domestic and foreign tobacco, lumber and building products and agri-products are seasonal by nature. Therefore, the results of operations for the nine-month period ended March 31, 1994 are not necessarily indicative of results to be expected for the year ending June 30, 1994. All adjustments necessary to fairly state the results for such period have been included and were of a normal recurring nature.

2) At March 31, 1994, total exposure under guarantees issued for banking facilities of unconsolidated affiliates was $18 million. Other contingent liabilities approximate $160 million and relate principally to Common Market guarantees, joint venture overdraft and other guarantees.

3) In August, 1993, Congress passed the "Omnibus Budget Reconciliation Act of 1993" which, among other things, increased the corporate tax rate from 34% to 35% retroactive to January 1, 1993. The cumulative impact was to increase tax expense approximately $1.5 million in the first quarter. The reduction in the effective tax rate for the nine months to 29% was primarily attributable to prior years' non-repatriated earnings that have been deemed permanently reinvested in the current year, a greater proportion of earnings taxed at less than the full statutory rate and amendments of prior years' income tax returns.

4) The Company provides postemployment health and life insurance benefits for eligible U.S. employees attaining specific age and service requirements. The plans contain cost-sharing features such as deductibles and coinsurance. In the past the Company has made changes to the plans that have reduced benefits. The Company reserves the right to amend or discontinue the plans at any time.

Effective July 1, 1993, the Company adopted SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which requires that the estimated costs of these benefits be expensed over the employee's active service period rather than as paid. The standard permits an employer to recognize the unrecorded postretirement obligation as a one-time charge to earnings or to be amortized over a period of up to 20 years. In the first quarter of the current fiscal year, the Company elected to recognize the obligation as a one-time charge of approximately $29 million or $.83 per share (net of $18 million in taxes). For the nine months ended March 31, 1994, the effect of adopting SFAS 106 was a decrease in 'Income Before Cumulative Effect Of Change In Accounting Principle' of approximately $1.4 million. The after-tax cost for the nine months ended March 31, 1993 was approximately $450 thousand recorded on a cash basis.

The accumulated postretirement benefit obligation was determined using an assumed health care cost trend rate of 15% as of July 1, 1993 decreasing gradually to 6.5% by fiscal year 2005. A one percentage point increase in the assumed health care cost trend rate would increase the accumulated benefit obligation by approximately $8 million and the aggregate of the service and interest cost components of net periodic postretirement benefit expense for the fiscal year by approximately $1 million. The assumed discount rate used in determining the benefit obligation at July 1, 1993 was 8%.

Effective January 1, 1994, the Company amended the aforementioned medical benefit plan for future retirees. The change reduces the Company's postretirement obligation by approximately $14 million (net of tax benefits). For reporting periods subsequent to January 1, the change is expected to substantially offset the impact on pre-tax earnings resulting from the adoption of SFAS 106.

5) Unaudited pro forma consolidated results of operations for the nine months ended March 31, 1993 as though Casalee had been acquired at July 1, 1992 are: Gross revenues - $2.7 billion; Net income $64.2 million or $1.80 per common share. Prior year balance sheet amounts have been reclassified to reflect the allocation of the purchase price of Casalee.

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

Liquidity and Capital Resources

In August 1993 the Company in a private placement issued $100 million of 6.14% notes with a final maturity in the year 2000. The proceeds were used to reduce short-term borrowings that had been classified as long-term. The Company also replaced its $100 million revolving credit facility and with a more favorable facility. The Company's liquidity and strong capital structure have been supported by these actions.

Current assets and current liabilities increased $139 million and $102 million, respectively, at March 31, 1994 compared to June 30, 1993, primarily due to the seasonal requirements of the Company's tobacco operations and advances made to purchase tobacco from affiliates. The June 30 balance sheet generally reflects the low point of working capital needs in the U.S. while those for South and Central America start to expand. At March 31 the reverse is true, with the domestic operations carrying unshipped current crops. Inventories and accounts receivable are generally supported by trade payables, lines of credit, and customer advances.

Results of Operations

'Sales and Other Operating Revenues' declined $87 million and $248 million in the quarter and nine-month periods respectively, primarily due to short-term adverse conditions in the world markets, as well as from an unsettled domestic tobacco situation. Domestic purchases and sales were down in the U.S., reflecting high support prices and the poor quality of the flue-cured crop. Processing volumes in the U.S. were comparable to last year due to higher volumes of stabilization tobaccos, as the cooperatives purchased a higher proportion of the crop marketed. Foreign tobacco revenues were up year-to-date due to the inclusion of Casalee's operations in the current fiscal year. Lumber and building product revenues were down year-to-date due primarily to exchange rates, while agri-product revenues were up in the quarter and year-to-date due to increased nut and sunflower seed volumes.

Gross profits in the quarter and nine-month periods declined $9 million and $26 million respectively. Domestic tobacco results reflect reduced orders related in part to uncertainty over pending excise tax legislation. Processing volume was similar to last year's due to increased processing of tobacco purchased by the stabilization cooperative, but higher costs of handling the poor quality flue-cured crop and lower yields overall adversely affected processing earnings. Foreign tobacco results were adversely affected by a combination of U.S. legislation restricting foreign leaf content in U.S. made cigarettes, and a worldwide supply/demand imbalance. In recognition of the effects of world prices on its inventories, the Company recorded a $3.5 million pre-tax writedown of its foreign source inventory in the third quarter of the current fiscal year. In addition, results for last year's nine months benefited from profits on shipments that were accelerated at the request of customers. There are encouraging signs of improvement in the worldwide tobacco supply situation with production declines in virtually all market areas. Excluding the operating results of a laminating division sold last year, lumber and building product gross profits were up in the quarter and comparable year-to-date on improved margins. Agri-product results were adversely effected by losses in coffee trading which are not expected to recur. Nut and sunflower seed operations improved during the quarter and year-to-date while other products reported mixed results due to varying market conditions.

'Selling, general and administrative expenses' increased $7.6 million and $19.6 million for the quarter and nine-month periods, respectively, primarily due to the inclusion of Casalee's operations. Included in those operations are the costs of developing markets in both Eastern Europe and China, which will lay the basis for significant opportunities in the long-term but adversely affect current earnings. Fiscal year 1994 includes an increase in expense of approximately $2.4

million year-to date related to the adoption of SFAS 106 "Employers' Accounting for Postemployment Benefits Other Than Pensions." 'Interest expense' reflects increased inventory, working capital needs of Casalee and the financing cost related to the acquisition of Casalee not covered by the issuance of common stock.

'Income Taxes' for the nine months ended March 31, 1994, reflect the combined effects of new tax legislation in the United States, non-repatriated earnings that have been deemed permanently reinvested, a greater proportion of earnings taxed at less than the full statutory rate and amendments of prior years' income tax returns. In aggregate the Company's effective tax rate in the nine months was 29% compared to 36% in the prior year. See note 3 for additional information. As previously mentioned (see note 4), the Company has adopted SFAS 106 which required a one-time charge of $29.4 million in the first quarter of the current fiscal year.

As previously reported, the world supply situation appears to be improving. However, the industry must continue to deal with U.S. legislative uncertainties as well as with higher than optimum inventory levels held by the trade. We cautiously expect a gradual return to a more normal operating environment in fiscal year 1995 and beyond. In the meantime we are implementing efficiencies throughout the organization, which are expected to result in a leaner and more focused company for the future.

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.

UNIVERSAL CORPORATION
(Registrant)

/ s / Hartwell H. Roper
Hartwell H. Roper, Vice President and
Chief Financial Officer

/ s / William J. Coronado
William J. Coronado, Controller
(Principal Accounting Officer)

Date: May 11, 1994