

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT # 1

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

For the Period Ended September 30, 1995

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)

VIRGINIA

54-0414210

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

1501 North Hamilton Street, Richmond, Virginia

23230

(Address of principal executive offices)

(Zip code)

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-35,042,051 shares outstanding as of February 2, 1996

PART 1.

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

Liquidity and Capital Resources

Working capital at September 30, 1995, was \$245 million compared to \$265 million at June 30, 1995. The 7.5% decline in working capital was accounted for by increases in current assets of \$144 million offset by an increase in current liabilities of \$164 million. The most significant increases were accounted for by tobacco inventory (up \$177 million) and customer advances (up \$144 million). These increases primarily relate to the Company's domestic tobacco operations. Within the U.S., tobacco working capital needs are normally at their lowest point at June 30. In mid to late July the U.S. flue-cured tobacco markets open and the Company's working capital needs increase. As

tobacco is purchased and shipped to factories for processing, inventories generally rise. This increase in inventories is offset by increases in notes payable and/or customer advances. The mix of notes payable and customer advances is dependent on both the Company's and its customers' borrowing capabilities, interest rates and exchange rates. The Company does not purchase tobacco in the United States on a speculative basis; thus the increase in inventory represents tobacco that has been committed to customers.

Generally the Company's international tobacco operations conduct business in U.S. dollars, thereby limiting foreign exchange risk to local production and overhead costs. Agri-product and lumber operations enter into foreign exchange contracts to hedge firm purchase and sales commitments for terms of less than six months. Interest rate risk is limited because customers in the tobacco business usually pre-finance purchases or pay market rates of interest for inventory purchased for their accounts.

The liquidity and capital resources of the Company at September 30, 1995 remain adequate. Over the past two years the Company has announced restructuring plans related to the consolidation of certain tobacco operations and a reduction in the number of employees. These efforts will lead to increased efficiency and streamlined operations. Through the quarter ended September 30, 1995, approximately \$2.2 million of severance payments related to the fiscal year 1995 restructuring had been paid.

In the first quarter of fiscal 1996, the Company made some minor structural changes in its U.S. tobacco operations. The \$10 million of "Proceeds from minority investment in a subsidiary" in the Statement of Cash Flows represents cash proceeds from the issuance of stock in a newly formed subsidiary. The Company treated the issuance of these shares as an equity transaction and no gain or loss was recognized.

Results of Operations

'Sales and Other Operating Revenues' increased \$181 million or 27% in the quarter. Tobacco operations accounted for \$159 million of the increases primarily due to increased domestic flue-cured and dark tobacco orders. The balance of the increase was attributable to the inclusion of Heuvelman, which was acquired in the second quarter last year, in lumber and building product operations.

Gross profits in the quarter increased almost 10% to \$104 million due to the acquisition of Heuvelman, which accounted for \$6.7 million of the increase. The balance of the gross profit improvement was realized in domestic and dark tobacco operations. In the quarter the total volume of domestic tobacco purchased and processed was up over 40% primarily due to larger flue-cured marketings and increased orders from domestic and export customers; however, as expected, processing volumes for the Flue-cured Stabilization Cooperative (Pool) were down in the quarter, as crop surpluses have been reduced in the past year. The Pool is a grower cooperative which operates under the supervision of the U.S. Department of Agriculture (USDA) to provide price support to the U.S. flue-cured market. Crop quota and price support levels are set by the USDA in accordance with formulas established in legislation. When tobacco is not purchased at auction prices equal to or exceeding the support price levels, the Pool acquires the tobacco, which it then holds for resale until market conditions improve. The Pool contracts with tobacco dealers to process the tobacco so that it can be stored in a redried state. The volume of tobacco acquired by the Pool annually is dependent principally on the supply and demand for the crop and its quality. Charges for processing Pool tobacco are negotiated with tobacco dealers such as Universal Leaf. While the volume of Pool business fluctuates from year to year, revenues from the Pool in each of the past five fiscal years were not greater than 1% of consolidated tobacco revenues.

Foreign tobacco operating profits improved \$5.3 million in the quarter principally due to improved contributions from Central American and European operations. African tobacco results were lower due to old crop shipments carried over into the first quarter of last year. Similarly, Brazilian results were down in the quarter due to shipments delayed to subsequent quarters in the current fiscal year. The carryover of shipments in Africa in the preceding year and delay in Brazilian shipments in the current year were mandated by changes in customers' shipping schedules. Profits in dark air-cured tobacco rose on strong sales to the U.S. cigar industry, as worldwide consumption of cigars, and resulting demand for leaf, continues to increase. Lumber and building product operating profits were up approximately \$2 million benefiting from the inclusion of Heuvelman, while some erosion of margins and volumes in regional outlets was

more than offset by increased sales to the wholesale and professional markets. In late fiscal 1995 softwood prices began to decline due to high inventory levels in Western European markets. This led to increasing pressure on prices (20-year lows) and reduced margins. The erosion of softwood margins in the regional outlets was not material to the Company's consolidated results of operations. Subsequently inventory levels have been reduced; however strong competition continues in the building industry, and customers generally are only buying for their short-term needs. Recently the decline in softwood margins has stabilized. Lower purchase prices for raw lumber are expected to lead to improvement in softwood margins in the near term. Agri-product results in fiscal year 1996 benefited from improved market conditions for both tea and confectionery sunflower seeds.

Selling and General and Administrative Expenses' in the quarter increased by 1% compared to last year, reflecting the realization of benefits from restructuring efforts of the past two years. Interest expense was flat year-to-year as increased borrowing requirements related to higher volumes were offset by reductions in inventory carried over from the prior fiscal year. The higher effective tax rate in the prior fiscal year's first quarter was due to the lack of tax benefits on certain foreign subsidiaries' losses.

The improved tobacco world supply and demand relationship is expected to lead to better results for the current fiscal year. Although there are factors beyond management's control, such as fiscal policies in Brazil, the Company's balance and strength in the major tobacco origins provides a firm base for growth. The Brazilian government has reduced inflation rates to 20-year lows through fiscal policies included in its Plano Real economic plan, which entails financial control of items such as interest rates and exchange rates. In addition, the Brazilian government exercises control over taxation, trade policies, foreign investment and banking. Although there have been benefits realized from enacting the Plano Real, the long term viability of the government's plan is dependent on various factors, including whether the current administration can continue to hold office in the future, the level of foreign currency reserves and the confidence of the Brazilian business sector. There were no significant changes in Brazil's fiscal policies during the quarter ended September 30, 1995, and none have been announced that would lead the Company to believe there would be a significant impact for the Company's fiscal year ending June 30, 1996.

Lumber and agri-products activities continue to perform well and have good potential for the future. As reported in the 1995 annual report to shareholders, the Company adopted a restructuring plan for its tobacco operations. As of the date of this report there have been no material changes to the plan or its underlying assumptions.

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.

Date: February 2, 1996

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)