

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

FORM 10-Q

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

For the Period Ended September 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 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 - 35,007,585 shares outstanding as of November 8,  
1994

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Universal Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
Three Months Ended September 30, 1994 and 1993

	1994	1993
Sales and other operating revenues	\$656,024	\$690,739
Costs and expenses		
Cost of goods sold	566,620	575,280

Selling, general and administrative	66,184	73,727
Interest	14,900	15,869
	647,704	664,876
Income before income taxes and other items	8,320	25,863
Income taxes	2,802	7,918
Minority interests	120	(87)
Income from consolidated operations	5,398	18,032
Equity in net income of unconsolidated affiliates	470	427
Income before cumulative effect of change in accounting principle	5,868	18,459
Cumulative effect of change in accounting principle		(29,406)
Net income	\$5,868	\$(10,947)
Per common share		
Income before cumulative effect of change in accounting principle	\$ .17	\$ .52
Cumulative effect of change in accounting principle		(.83)
Net income	\$ .17	\$(.31)
Retained earnings - Beginning of period	\$317,344	\$341,523
Net income	5,868	(10,947)
Cash dividends declared (\$.24-1994; \$.22-1993)	(8,401)	(7,840)
Retained earnings - End of period	\$314,811	\$322,736
Average common shares outstanding	35,003,055	35,631,485

Universal Corporation and Subsidiaries  
CONSOLIDATED BALANCE SHEETS

	September 30, 1994	June 30, 1994
ASSETS		
Current		
Cash and cash equivalents	\$67,658	\$164,520
Accounts and notes receivable	469,207	368,989
Accounts receivable - unconsolidated affiliates	60,691	28,113
Inventories at lower of cost or market:		
Tobacco	524,981	436,033
Lumber and building products	92,413	83,441
Agri-products	56,689	60,132
Other	8,357	8,753
Prepaid income taxes	14,848	10,095
Deferred income taxes	4,480	5,530
Other current assets	20,595	20,423
Total current assets	1,319,919	1,186,029
Real estate, plant and equipment - at cost		
Land	22,865	22,607
Buildings	169,081	166,111
Machinery and equipment	350,865	350,426
	542,811	539,144
Less accumulated depreciation	275,803	269,955
	267,008	269,189
Other assets		
Goodwill	123,554	124,286
Other intangibles	25,797	27,089
Investments in unconsolidated affiliates	26,781	26,298

Deferred income taxes	3,881	3,494
Other noncurrent assets	31,156	30,658
	211,169	211,825
	\$1,798,096	\$1,667,043

Universal Corporation and Subsidiaries  
CONSOLIDATED BALANCE SHEETS

	September 30, 1994	June 30, 1994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Notes payable and overdrafts	\$589,131	\$531,209
Accounts payable	206,749	199,280
Accounts payable - unconsolidated affiliates	17,565	34,810
Customer advances and deposits	135,803	51,671
Accrued compensation	11,632	13,366
Provision for restructuring	14,500	15,500
Income taxes payable	3,528	6,217
Current portion long-term obligations	17,850	15,947
Total current liabilities	996,758	868,000
Long - term obligations	301,264	298,117
Postretirement benefits other than pensions	48,656	48,969
Other long - term liabilities	55,252	57,156
Deferred income taxes	12,344	12,361
Minority interests	4,920	4,966
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 35,003,185 shares (35,001,185 at June 30, 1994)	75,309	75,287
Retained earnings	314,811	317,344
Foreign currency translation adjustments	(11,218)	(15,157)
Total shareholders' equity	378,902	377,474
	\$1,798,096	\$1,667,043

Universal Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Three Months Ended September 30, 1994 and 1993

	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$5,868	\$(10,947)
Adjustments to reconcile net income to net cash provided by operating activities	8,700	13,000
Cumulative effect of change in accounting principle		29,406
Changes in operating assets and liabilities net of effects from purchase of businesses	(157,830)	(196,423)

Net cash used in operating activities	(143,262)	(164,964)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(6,400)	(8,400)
Other	1,800	
Net cash used in investing activities	(4,600)	(8,400)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance (repayment) of short-term debt - net	53,800	137,400
Repayment of short-term debt classified as long-term June 30,1993		(100,000)
Issuance of long-term debt	5,600	115,000
Dividends paid	(8,400)	(7,840)
Net cash provided by financing activities	51,000	144,560
Net decrease in cash and cash equivalents	(96,862)	(28,804)
Cash and cash equivalents at beginning of period	164,520	119,693
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$67,658	\$90,889

Universal Corporation and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 1994

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

1) The Company's 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 three-month period ended September 30, 1994 are not necessarily indicative of results to be expected for the year ending June 30, 1995. All adjustments necessary to fairly state the results for such period have been included and were of a normal recurring nature.

2) At September 30, 1994, total exposure under guarantees issued for banking facilities of unconsolidated affiliates was \$14 million. Other contingent liabilities approximate \$134 million and relate principally to Common Market guarantees.

3) The lower effective tax rate for last year's quarter was due to the reversal of taxes accrued on non-repatriated earnings that were permanently reinvested in certain foreign subsidiaries and a greater proportion of earnings taxed at less than the full statutory rate.

4) The Company recognized in June 1994 a pre-tax restructuring charge of \$17.5 million related to the consolidation of tobacco operations and a reduction in the number of employees. The charge included \$16 million for the expected costs of severance payments related to approximately 700 employees throughout the Company. As of September 30, 1994, payments of \$3 million, primarily for severance and related costs of approximately 250 employees, had been recorded as a reduction of the restructuring provision.

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

Liquidity and Capital Resources

Current assets and current liabilities increased \$134 million and \$129 million, respectively, at September 30, 1994 compared to June 30, 1994, primarily due to the seasonal requirements of the Company's domestic tobacco operations, advances of agricultural materials to Brazilian farmers and advances made to purchase tobacco from unconsolidated 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. By the end of the Company's first quarter, U.S. operations related to the current

flue-cured crop are in full swing. The Company is carrying green tobacco purchases and unshipped processed tobacco in inventory and larger accounts receivable balances related to shipments made during the quarter. In Brazil, the first quarter reflects a combination of the working capital requirements of the prior and current crops, as well as advances to farmers for the next crop for which deliveries are expected to begin at the end of the fiscal year. The seasonal expansion of accounts receivable and inventories is supported by lines of credit and customer advances.

Recently the Brazilian government implemented a new monetary policy. Subsequently the U.S. dollar declined in value relative to the real, the new Brazilian currency. The exchange ratio of the dollar to the real, in combination with the Company's net real monetary position could lead to material swings in foreign exchange gains and losses. In addition, if the real does not devalue at a rate in line with Brazilian inflation, there could be significant dollar cost increases for the next crop. The potential impact of these factors cannot be determined at this time.

The Company's liquidity position at September 30, 1994, remains strong. The Company has also reduced its capital expenditure requirements over the last year and continues to do so in the current year. During the current quarter the Company acquired a major Dutch softwood distributor that will strengthen its position in the industry. Results from this acquisition will begin to appear in the second quarter. The acquisition was financed with short-term borrowings.

#### Results of Operations

'Sales and Other Operating Revenues' declined \$35 million in the quarter, primarily due to reduced Brazilian current crop sales with lower average sales prices. Domestic tobacco sales and operating revenues were comparable to last year's quarter. Lumber and building product sales in the quarter were up due to an increase in the number of distribution outlets resulting from the acquisition of Steffex in fiscal 1994. Agri-product revenues were down slightly due to the Company's decision last year to discontinue coffee trading activity.

Gross profits in the quarter declined \$26 million to 13.6% of gross revenues compare to 16.7% in last year's quarter. Operations in Brazil were a dominant factor in the decline. A number of shipments from Brazil during the quarter consisted of old crop stocks, which had been written down in the previous year. These sales were nominally profitable and had the effect of reducing the overall profit margins reported. In addition, profits from dark tobacco operations were down due to a poor crop in Northern Brazil and increased competition for Indonesian leaf styles. Volumes of the current U.S. flue-cured crop bought and processed increased in the quarter on a better quality crop than last year's. Although overall tobacco results were disappointing, the world markets are improving. Production of leaf at the farmer level is more nearly in line with demand. Gross profits in lumber and building products for the quarter were lower than the same period last year. In the prior year the Company was able to take advantage of rising raw material and finished goods costs, by selling lower cost inventories on hand. Agri-product gross profits were down slightly in the quarter as the gains realized from the discontinuance of coffee trading were principally offset by a decline in tea earnings caused by unfavorable market conditions and less blending activity.

'Selling, general and administrative expenses' declined \$7.5 million or over 10% in the quarter on reduced sales-related expenses. This decrease was partially offset by the inclusion of Steffex's selling, general and administrative expenses in the first quarter of fiscal 1995. 'Interest expense' reflects the positive impact of a reduction in inventory levels since September 1993 in certain geographic areas. 'Income Taxes' in the prior year's quarter reflected an effective tax rate that was approximately three percentage points lower than that of fiscal 1995 due to the reversal of taxes previously accrued on earnings from certain foreign subsidiaries and a greater proportion of earnings taxed at less than full statutory rates.

Currently, conditions in the world tobacco markets are improving. Inventory levels are lower and tobacco production is more nearly in line with demand. Because of its commitment to cost effectiveness and the advantage of improving market conditions, management is cautiously optimistic that earnings for the full fiscal year will meet or exceed the \$50 million that was earned last year before net of tax restructuring charges and an accounting change. As reported in the 1994 annual report to shareholders,

the Company adopted a restructuring plan for its tobacco operations in June 1994. As of the date of this report there have been no material changes to the plan or its underlying assumptions. See Note 4 for more information.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on October 25, 1994, the following proposals were voted on:

- (a) To approve amendments to the Universal Corporation 1989 Executive Stock Plan to provide that (i) no individual may be granted Stock Incentives in any calendar year for more than 200,000 shares of Common Stock and (ii) the exercise price for a stock option shall not be less than the fair market value of a share of Common Stock on the date of grant.

The proposal was approved with the following vote:

Shares Voted "FOR"	Shares Voted "AGAINST"	Shares "ABSTAINING"
27,670,244	1,790,653	382,319

- (b) To approve the Universal Corporation 1994 Stock Option Plan for Non-Employee Directors.

The proposal was approved with the following vote:

Shares Voted "FOR"	Shares Voted "AGAINST"	Shares "ABSTAINING"
26,620,211	2,862,197	360,808

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: November 8, 1994

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)

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