

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

PROCTER & GAMBLE CO

CIK: **80424** | IRS No.: **310411980** | State of Incorporation: **OH** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **001-00434** | Film No.: **94528248**
SIC: **2840** Soap, detergents, cleang preparations, perfumes, cosmetics

Business Address
*ONE PROCTER & GAMBLE
PLZ
CINCINNATI OH 45202
5139831100*

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1994 Commission file number 1-434

THE PROCTER & GAMBLE COMPANY
(Exact name of registrant as specified in its charter)

Ohio 31-0411980
(State of Incorporation) (I.R.S. Employer Identification No.)

One Procter & Gamble Plaza, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (513) 983-1100

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 .

There were 683,912,211 shares of Common Stock outstanding as of April 22, 1994.

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<TABLE>

PART I. FINANCIAL INFORMATION

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

Millions of Dollars Except Per Share Amounts

<CAPTION>

	Three Months Ended		Nine Months Ended	
	March 31		March 31	
	1994	1993	1994	1993
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
NET SALES	\$7,441	\$7,350	\$22,793	\$23,068
Cost of products sold	4,208	4,348	12,830	13,263
Marketing, administrative, and other operating expenses	2,310	2,235	6,932	7,101
Provision for restructuring	--	--	--	303
	-----	-----	-----	-----
OPERATING INCOME	923	767	3,031	2,401
Interest expense	119	130	367	402
Other income/(expense), net	(78)*	110	121*	287
	-----	-----	-----	-----
EARNINGS BEFORE INCOME TAXES & PRIOR YEARS' EFFECT OF ACCOUNTING CHANGES	726	747	2,785	2,286
Income taxes	244	245	980	798
	-----	-----	-----	-----
NET EARNINGS BEFORE PRIOR YEARS' EFFECT OF ACCOUNTING CHANGES	482	502	1,805	1,488
Prior years' effect of accounting changes, net of tax	--	--	--	(925)
	-----	-----	-----	-----
NET EARNINGS	\$ 482	\$ 502	\$ 1,805	\$ 563
	=====	=====	=====	=====
PER COMMON SHARE:				
Net earnings before prior years' effect of accounting changes	\$.66	\$.70	\$ 2.53	\$ 2.08
Prior years' effect of accounting changes, net of tax	--	--	--	(1.36)
	-----	-----	-----	-----
Net earnings	\$.66	\$.70	\$ 2.53	\$.72
Net earnings assuming full dilution	\$.64	\$.66	\$ 2.38	\$.71
Dividends per Common Share	\$.31	\$.275	\$.93	\$.825
	-----	-----	-----	-----
AVERAGE COMMON SHARES OUTSTANDING (in millions)			682.7	680.0

<FN>

* Includes \$157 million (\$102 million after-tax) charge for the close-out of two interest rate swaps.

NOTE: 1993 has been restated to include prior years' effect of two accounting changes amounting to \$(925) and the then current year's effects of \$(14) for the third quarter and \$(49) for the nine months.

</TABLE>

<TABLE>

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONDENSED
CONSOLIDATED BALANCE SHEET

Millions of Dollars
<CAPTION>

ASSETS	March 31 1994	June 30 1993
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,424	\$ 2,322
Accounts receivable, less allowance for doubtful accounts	3,238	3,111
Inventories		
Raw materials and supplies	1,087	1,154
Work in process	332	196
Finished products	1,536	1,553
Deferred income taxes	634	740
Prepaid expenses and other current assets	1,261	899
	-----	-----
	10,512	9,975
	-----	-----
PROPERTY, PLANT, AND EQUIPMENT	15,517	14,877
LESS ACCUMULATED DEPRECIATION	5,811	5,392
	-----	-----
	9,706	9,485
	-----	-----
GOODWILL AND OTHER INTANGIBLE ASSETS	3,782	3,762
OTHER ASSETS	1,718	1,713
	-----	-----
TOTAL	\$25,718	\$24,935
	=====	=====

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 6,274	\$ 6,475
Debt due within one year	1,812	1,812
	-----	-----
	8,086	8,287
	-----	-----
LONG-TERM DEBT	5,139	5,174
OTHER LIABILITIES	3,733	3,850
DEFERRED INCOME TAXES	179	183
SHAREHOLDERS' EQUITY		
Preferred stock	1,949	1,969
Common stock-shares outstanding		
-Mar. 31	683,813,511	684
-June 30	681,754,226	682

Additional paid-in capital	541	477
Currency translation adjustments	(139)	(99)
Reserve for ESOP debt retirement	(1,787)	(1,836)
Retained earnings	7,333	6,248
	-----	-----
	8,581	7,441
	-----	-----
TOTAL	\$25,718	\$24,935
	=====	=====

<FN>
June 30, 1993 amounts were derived from audited Financial Statements.
</TABLE>

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<TABLE>

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
CONDENSED
CONSOLIDATED STATEMENT OF CASH FLOWS

Millions of Dollars
<CAPTION>

	Nine Months Ended March 31	
	1994	1993
<S>	<C>	<C>
Cash and Cash Equivalents, beginning of year	\$2,322	\$1,776
	-----	-----
OPERATING ACTIVITIES		
Net earnings before prior years' effect of accounting changes	1,805	1,488
Provision for Restructuring	--	303
Depreciation, depletion and amortization	842	819
Deferred income taxes	115	(65)
Change in accounts receivable	(150)	54
Change in inventories	(71)	40
Decrease in payables and accrued liabilities	(186)	(524)
Change in Other Liabilities	(116)	55
Other	81	8
	-----	-----
	2,320	2,178
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(1,189)	(1,292)
Proceeds from asset sales and retirements	52	723
Acquisitions	(228)	(106)
Marketable Securities	(130)	--
	-----	-----
	(1,495)	(675)
	-----	-----
FINANCING ACTIVITIES		
Dividends to shareholders	(711)	(634)
Additions to short-term debt	160	376
Additions to long-term debt	419	719
Reduction of long-term debt	(583)	(912)
Proceeds from Stock Options	37	62
Purchase of treasury shares	(9)	(49)

	-----	-----
	(687)	(438)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	-----	-----
	(36)	(99)
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	102	966
	-----	-----
Cash and Cash Equivalents, end of period	\$2,424	\$2,742
	=====	=====
SUPPLEMENTAL DISCLOSURE		
Non-cash transactions		
Liabilities assumed in acquisitions	\$ 34	\$ 61
Reduction in employee stock ownership plan debt, guaranteed by the Company	\$ 49	\$ 46
Conversion of preferred to common stock	20	10

<FN>

Note: 1993 has been restated for retroactive adoption of accounting change related to postretirement benefits and income tax accounting.

The interim financial statements are unaudited, but in the opinion of the Company include all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the data.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Net earnings for the January-March quarter were \$482 million, including a onetime charge of \$102 million for the interest rate swaps announced in April. Excluding this charge, earnings increased 16% over earnings from the same period last year. Earnings per share excluding this onetime item were \$.81, also up 16% from last year. The earnings improvement was largely due to lower costs and a 6% increase in worldwide unit volume.

The \$102 million after-tax charge was to close out the written option portion of two leveraged interest rate swaps, thus eliminating future market volatility.

A comprehensive review of all financial derivative contracts has been performed, and all outstanding derivative contracts are within our overall operating and financing policies. Based on this review, certain other derivative instruments are now being carried at market value for accounting purposes. The effect of this reclassification was not material to the results of the quarter.

Net sales for January-March were up 1% from the same period last year. Sales were adversely affected by exchange rates and would have been up 3% at constant rates.

For the July-March period, net earnings were \$1,907 million excluding the \$102 million charge for the interest rate swaps. This represents a 13%

increase from \$1,688 million in the year ago period, excluding the prior years' effect of accounting changes and a restructuring provision. Comparable earnings per share were \$2.68 per share, up 13% from \$2.37 per share a year ago. Net sales for the first nine months of the fiscal year decreased 1% from the same period in the previous year. Excluding the impact of exchange rates, net sales would have been up 3% from last year.

This was a strong quarter for the Company. Pre-tax operating profit was up 20% versus January-March a year ago. This improvement reflects the benefit of cost reduction programs, along with solid unit volume gains in the U.S. and continued double-digit volume growth in International operations.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Computation of Earnings Per Share

(12) Computation of Ratio of Earnings to Fixed Charges

(b) No reports on Form 8-K have been filed during the quarter ended March 31, 1994.

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.

THE PROCTER & GAMBLE COMPANY

/s/E. H. EATON

E. H. Eaton
Vice President and Comptroller
(Principal Accounting Officer)

Date: May 12, 1994

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EXHIBIT INDEX

Exhibit No.	Page No.
(11) Computation of Earnings per Share	8
(12) Computation of Ratio of Earnings to Fixed Charges	9

<TABLE>

EXHIBIT (11)

THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES

Computation of Earnings Per Share

Dollars and Share Amounts in Millions

<CAPTION>

	Three Months Ended March 31		Nine Months Ended March 31	
	<C> 1994	<C> 1993	<C> 1994	<C> 1993
NET EARNINGS PER SHARE				
Net Earnings	\$ 482	\$ 502	\$1,805	\$ 563
Deduct preferred stock dividends	26	24	76	73
Net Earnings Applicable to Common Stock	456	478	1,729	490
Average number of common shares outstanding	682.7	680.0	682.7	680.0
Per Share				
Net earnings before prior years' effect of accounting changes	\$.66	\$.70	\$ 2.53	\$ 2.08
Prior years' effect of accounting changes	--	--	--	(1.36)
Net Earnings per share	\$.66	\$.70	\$ 2.53	\$.72
NET EARNINGS PER SHARE ASSUMING FULL DILUTION				
Net Earnings	\$ 482	\$ 502	\$1,805	\$ 563
Deduct differential -- preferred vs. common dividends	13	14	39	43
Net Earnings/(Loss) Applicable to Common Stock	\$ 469	\$ 488	\$1,766	\$ 520
Average number of common shares outstanding	682.7	680.0	682.7	680.0
Add potential effect of:				
Exercise of options	6.1	7.1	6.1	7.1
Conversion of preferred stock	54.1	54.8	54.1	54.8
Average number of common shares outstanding, assuming full dilution	742.9	741.9	742.9	741.9
Per Share Assuming full dilution				
Net earnings before prior years' effect of accounting changes	\$.64	\$.66	\$ 2.38	\$ 1.95
Prior years' effect of accounting changes	--	--	--	(1.24)
Net Earnings	\$.64	\$.66	\$ 2.38	\$.71

<FN>

NOTE: 1993 has been restated to reflect the retroactive adoption of accounting changes related to postretirement benefits and income tax accounting.

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EXHIBIT (12)
THE PROCTER & GAMBLE COMPANY AND SUBSIDIARIES
=====

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Millions of Dollars

<CAPTION>

	Years Ended June 30					Nine Months Ended Mar. 31	
	1989	1990	1991	1992	1993	1993	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS AS DEFINED							

Earnings from operations before income taxes after eliminating undistributed earnings of 20% to 50% owned affiliates	\$1,929	\$2,401	\$2,652	\$2,870	\$ 294	\$2,272	\$2,761
Fixed charges excluding capitalized interest	425	480	435	584	631	462	430
	-----	-----	-----	-----	-----	-----	-----
TOTAL EARNINGS, AS DEFINED	\$2,354	\$2,881	\$3,087	\$3,454	\$ 925	\$2,734	\$3,191
	=====	=====	=====	=====	=====	=====	=====
FIXED CHARGES, AS DEFINED							

Interest expense	\$ 391	\$ 442	\$ 395	\$ 510	\$ 552	\$ 402	\$ 367
1/3 of rental expense	34	38	40	74	79	60	63
	-----	-----	-----	-----	-----	-----	-----
Capitalized interest	425	480	435	584	631	462	430
	7	3	17	25	25	18	15
	-----	-----	-----	-----	-----	-----	-----
TOTAL FIXED CHARGES, AS DEFINED	\$ 432	\$ 483	\$ 452	\$ 609	\$ 656	\$ 480	\$ 445
	=====	=====	=====	=====	=====	=====	=====
RATIO OF EARNINGS TO FIXED CHARGES	5.4	6.0	6.8	5.7	1.4	5.7	7.2

<FN>

NOTE: The nine month period ended March 31, 1993 has been restated to reflect the retroactive adoption of accounting change related to postretirement benefits.

</TABLE>