As filed with the Securities and Exchange Commission on October 11, 1994.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 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 No. 1-10410

THE PROMUS COMPANIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	I.R.S. No. 62-1411755
(State of Incorporation)	(I.R.S. Employer Identification No.)

1023 Cherry Road
Memphis, Tennessee 38117
(Address of principal executive offices)
(901) 762-8600
(Registrant's telephone number, including area code)

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

At June 30, 1994, there were outstanding 102,398,252 shares of the Company's Common Stock.

Items 1 and 2 of Part I and Item 6 of Part II for the fiscal quarter and first six months ended June 30, 1994, are hereby amended to read as follows:

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited consolidated condensed financial statements of The Promus Companies Incorporated (Promus or the Company), a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q, and therefore do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of operating results. Results of operations for interim periods are not necessarily indicative of a full year of operations. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Promus' 1993 Annual Report to Stockholders.

The accompanying financial information has been amended and restated to reflect the impact of a change in accounting policy for preopening costs. (See Note 2.)

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)	June 30, 1994	Dec. 31, 1993
ASSETS		
Current assets		
Cash and cash equivalents	$ 57,553	$ 61,962
Receivables, including notes receivable of $1,845 and $2,197, less allowance for doubtful accounts of $10,753 and $10,864	44,051	47,448
Deferred income taxes	23,169	21,024
Supplies	12,918	12,996
Prepayments and other	20,466	20,128
Total current assets	158,157	163,558
Land, buildings, riverboats and equipment	1,933,706	1,824,433
Less: accumulated depreciation	(524,627)	(486,231)
	1,409,079	1,338,202
Investments in and advances to nonconsolidated affiliates	82,348	70,050
Deferred costs and other	223,852	221,308
	$1,873,436	$1,793,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 47,995	$ 60,530
Construction payables	16,395	26,345
Accrued expenses	148,891	162,969
Current portion of long-term debt	2,777	2,160
Total current liabilities	216,058	252,004
Long-term debt	875,026	839,804
Deferred credits and other	103,678	86,829
Deferred income taxes	56,613	63,460
	1,251,375	1,242,097
Minority interests	18,392	14,984
Commitments and contingencies (Notes 6 and 7)		
Stockholders' equity		
Common stock, $0.10 par value, authorized - 360,000,000 shares, outstanding - 102,398,252 and 102,258,442 shares (net of 9,784 and 25,251 shares held in treasury)	10,240	10,226
Capital surplus	351,076	344,197
Retained earnings	247,364	187,203
Deferred compensation related to restricted stock	(5,011)	(5,589)
	603,669	536,037
	$1,873,436	$1,793,118

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share amounts)	Second Quarter Ended June 30, 1994	Second Quarter Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Revenues				
Casino	$283,474	$200,620	$526,484	$366,800
Rooms	54,947	60,712	106,057	117,884
Food and beverage	41,999	37,345	80,405	70,541
Franchise and management fees	19,781	15,242	35,601	28,162
Other	33,014	26,454	59,453	47,881
Less: casino promotional allowances	(30,870)	(24,126)	(59,868)	(45,814)
Total revenues	402,345	316,247	748,132	585,454
Operating expenses				
Direct				
Casino	115,775	88,854	228,409	171,491
Rooms	22,808	28,117	44,600	53,164
Food and beverage	25,655	25,180	45,840	42,119
Depreciation of buildings, riverboats and equipment	23,109	19,445	44,501	37,653
Other	101,749	79,422	184,665	150,676
Total operating expenses	289,096	241,018	548,015	455,103
	113,249	75,229	200,117	130,351
Preopening costs	(5,141)	-	(5,141)	-
Property transactions	(199)	15	(397)	(250)
Operating income	107,909	75,244	194,579	130,101
Corporate expense	(7,493)	(7,471)	(13,031)	(14,180)
Interest expense, net of interest capitalized	(26,835)	(28,382)	(52,572)	(56,327)
Interest and other income	463	420	894	776
Income before income taxes and minority interest	74,044	39,811	129,870	60,370
Provision for income taxes	(30,910)	(16,457)	(53,797)	(25,051)
Minority interests	(3,258)	(539)	(7,981)	(539)
Income before extraordinary items and cumulative effect of change in accounting policy	39,876	22,815	68,092	34,780
Extraordinary losses on extinguishments of debt, net of income tax benefit of $211 and $890	-	(316)	-	(1,325)
Cumulative effect of change in accounting policy, net of tax benefit of $4,317	-	-	(7,932)	-
Net income	$ 39,876	$ 22,499	$ 60,160	$ 33,455
Earnings per share before extraordinary items and cumulative effect of change in accounting policy	$ 0.39	$ 0.22	$ 0.66	$ 0.34
Extraordinary items, net	-	-	-	(0.01)
Cumulative effect of change in accounting policy, net	-	-	(0.08)	-
Earnings per share	$ 0.39	$ 0.22	$ 0.58	$ 0.33
Average common shares				

outstanding	102,826	102,343	102,858	102,192
	========	========	========	========

See accompanying Notes to Consolidated Condensed Financial Statements.

THE PROMUS COMPANIES INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Cash flows from operating activities		
Net income	$ 60,160	$ 33,455
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary items, before income taxes	-	2,215
Cumulative effect of change in accounting policy, before income taxes	12,249	-
Depreciation and amortization	53,353	48,589
Preopening costs charged to expense	5,141	-
Other noncash items	(1,284)	11,723
Minority interests share of net income	7,981	539
Net losses of and distributions from nonconsolidated affiliates	5,783	744
Net losses from property transactions	320	437
Net change in long-term accounts	(6,449)	(4,364)
Net change in working capital accounts	11,460	13,044
Tax indemnification payments to Bass	(25,469)	(2,171)
Cash flows provided by operating activities	123,245	104,211
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(114,366)	(71,437)
Investments in and advances to nonconsolidated affiliates	(18,656)	(2,178)
Decrease in construction payables	(9,950)	-
Proceeds from property transactions	1,085	8,426
Other	(17,343)	(10,707)
Cash flows used in investing activities	(159,230)	(75,896)
Cash flows from financing activities		
Net borrowings under revolving credit facility	75,350	3,000
Proceeds from issuance of senior subordinated notes, net of issue costs of $4,000	-	196,000
Debt retirements	(40,825)	(227,483)
Minority interest (distributions) contributions	(2,949)	4,041
Cash flows provided by (used in) financing activities	31,576	(24,442)
Net change in cash and cash equivalents	(4,409)	3,873
Cash and cash equivalents, beginning of period	61,962	43,756
Cash and cash equivalents, end of period	$ 57,553	$ 47,629

See accompanying Notes to Consolidated Condensed Financial Statements.

Note 1 - Basis of Presentation

Promus is a hospitality company with two primary business segments: casino entertainment and hotels. Promus owns and operates casino entertainment hotels and riverboats under the brand name Harrah's. Harrah's casino hotels are in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat casinos are in Joliet, Illinois; Shreveport, Louisiana; and Tunica and Vicksburg, Mississippi. Harrah's also has an ownership interest in and manages two limited stakes casinos in Black Hawk and Central City, Colorado. The hotel segment is composed of three hotel brands targeted to specific market segments: Embassy Suites, Hampton Inn and Homewood Suites.

The consolidated condensed financial statements include all the accounts of Promus and its subsidiaries after elimination of all significant intercompany accounts and transactions. Investments in 50% or less owned companies and joint ventures over which Promus has the ability to exercise significant influence are accounted for using the equity method. Promus reflects its share of income before interest expense of these nonconsolidated affiliates in revenues and operating income. Promus' proportionate share of the interest expense of such nonconsolidated affiliates is included in interest expense. (See Note 8.)

Certain amounts for the prior year second quarter and first six months ended June 30, 1993, have been reclassified to conform with the presentation for second quarter and first six months ended June 30, 1994.

Note 2 - Change in Accounting Policy

On October 3, 1994, Promus changed its accounting policy effective January 1, 1994, relating to preopening costs incurred during development of new casino entertainment and hotel projects. Promus' new policy is to capitalize preopening costs as incurred prior to opening and to expense them upon opening of each project. Previously, Promus' policy had been to capitalize such costs and amortize them to expense over 36 months from the date of opening. Operating results for the first six months of 1994 have been restated to reflect the cumulative charge against earings, net of income taxes, for this change in accounting policy of approximately $7.9 million or $0.08 per share.

Note 3 - Long-Term Debt

Interest Rate Agreements

Promus has entered into interest rate swap agreements, as summarized in the following table:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at June 30, 1994	Next Semi-Annual Rate Adjustment Date	Swap Agreement Expiration Date
10 7/8% Notes				
$200 million	4.73%	9.16%	October 15	October 15, 1997
8 3/4% Notes				
$50 million	3.42%	8.85%	November 15	May 15, 1998
$50 million	3.22%	6.67%	July 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on the 8 3/4% Notes was adjusted on July 15, 1994, to 8.71%. This rate will remain in effect until January 15, 1995.

Note 3 - Long-Term Debt (Continued)

In connection with its guarantee of the debt of a third party, Promus has entered into an interest rate swap with the third party in which Promus exchanged a fixed interest rate for the variable interest rate of the subject debt. Management does not believe that its exposure under this agreement is material.

Promus maintains interest rate protection, in the form of a rate collar transaction entered into in June 1990, on $140 million of its variable rate bank debt. The interest rate protection expires in June 1995 and currently holds Promus' interest rate in a range between 8.8% and 12.0%.

Note 4 - Stockholders' Equity

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from $1.50 to $0.10. As a result, approximately $143.2 million was transferred as of December 31, 1993, from common stock to capital surplus on the consolidated condensed balance sheets to retroactively reflect the impact of the change in par value.

On October 29, 1993, Promus' Board of Directors approved a three-for-two stock split, in the form of a stock dividend, effected by a distribution on November 29, 1993, of one additional share for each two shares owned by stockholders of record on November 8, 1993. All references in these financial statements to prior year numbers of common shares and earnings per share amounts have been restated to give retroactive effect to the stock split.

In addition to its common stock, Promus has the following classes of stock authorized but unissued:

Preferred stock, $100 par value, 150,000 shares authorized
Special stock, 5,000,000 shares authorized -
  Series B, $1.125 par value

Note 5 - Supplemental Disclosure of Cash Paid for Interest and Taxes

The following table reconciles Promus' interest expense, net of interest capitalized, per the consolidated condensed statements of income, to cash paid for interest:

(In thousands)	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Interest expense, net of interest capitalized	$52,572	$56,327
Adjustments to reconcile to cash paid for interest		
Promus' share of interest expense of nonconsolidated affiliates	(6,152)	(6,400)
Net change in accruals	3,737	(3,003)
Amortization of deferred finance charges	(1,767)	(2,426)
Net amortization of discounts and premiums	(109)	(1,020)
Cash paid for interest, net of amount capitalized	$48,281	$43,478
Cash payments for income taxes, net of refunds	$47,289	$10,280

Note 6 - Commitments and Contingent Liabilities

Contractual Commitments

Promus is pursuing many casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Promus of third party debt and development completion guarantees. As of June 30, 1994, Promus had guaranteed third party debts of $65 million and had contractual agreements, primarily related to riverboat casino facilities construction, of $46 million, excluding amounts previously recorded.

Promus manages certain hotels for others under agreements which provide for payments/loans to the hotel owners if stipulated levels of financial performance are not maintained. In addition, Promus is liable under certain lease agreements where it has assigned the direct obligation to third party interests. Promus believes the likelihood is remote that material payments will be required under these agreements. Promus' estimated maximum exposure under such agreements is currently less than $41 million over the next 30 years.

Note 6 - Commitments and Contingent Liabilities (Continued)

Guarantee of Insurance Contract

Promus' defined contribution savings plan includes a $12.9 million guaranteed investment contract with an insurance company. Promus has agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Promus' maximum exposure on this guarantee as of June 30, 1994, is approximately $7.8 million.

Self-Insurance

Promus is self-insured for various levels of general liability, workers' compensation and employee medical coverage. Accrued expenses include an accrual for estimated settlements for known and anticipated claims.

Severance Agreements

As of June 30, 1994, Promus had severance agreements with twelve of its senior executives which provide for payments to the executives in the event of their termination after a change in control, as defined, of Promus. These agreements provide, among other things, for a compensation payment equal to 2.99 times the average annual compensation paid to the executive for the five preceding calendar years, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Promus' incentive plans. The estimated amount, computed as of June 30, 1994, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately $28.4 million.

Tax Sharing Agreement

In connection with the February 7, 1990 spin-off (the Spin-off) of the stock of Promus to stockholders of Holiday Corporation (Holiday), Promus is liable, with certain exceptions, for taxes of Holiday and its subsidiaries for all pre-Spin-off tax periods. Bass PLC (Bass) is obligated under the terms of the Tax Sharing Agreements to pay Promus the amount of any tax benefits realized from pre-Spin-off tax periods of Holiday and its subsidiaries. Negotiations with the IRS to resolve disputed issues for the 1985 and 1986 tax years were concluded and settlement reached during fourth quarter 1993. Final payment of the federal income taxes and related interest due under the settlement was made during second quarter 1994. The IRS has completed its examination of Holiday's federal income tax returns for 1987 through the Spin-off date and has issued its proposed adjustments to those returns. Federal income taxes and related interest assessed on agreed issues were paid during first quarter 1994. A protest of all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during the third quarter of 1993 and negotiations to resolve disputed issues have begun. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

Note 7 - Litigation

In February 1992, Bass and certain affiliates filed suit against Promus generally alleging breaches of representations and warranties under the Merger Agreement with respect to the 1990 Spin-off of Promus and acquisition of the Holiday Inn hotel business by Bass, violation of federal securities laws due to such alleged breaches, and breaches of the Tax Sharing Agreement between Bass and Promus entered into at the closing of the Merger Agreement. The complaint seeks an unspecified amount of damages, unspecified punitive or exemplary damages, and declaratory relief. Promus believes that it has complied with all applicable laws and agreements with Bass in connection with the Merger and is defending its position vigorously. Promus has filed (a) an answer denying, and asserting affirmative defenses to, the substantive allegations of the complaint and (b) counterclaims alleging that Bass has breached the Tax Sharing Agreement, the Merger Agreement and agreements ancillary to the Merger Agreement. The counterclaims request unspecified compensatory damages, injunctive and declaratory relief and Promus' costs, including reasonable attorneys fees and expenses. Discovery has begun, but no trial date has been set.

In addition to the matter described above, Promus is also involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management believes that the final outcome of these matters will not have a materially adverse effect upon Promus' consolidated financial position or its results of operations.

Note 8 - Nonconsolidated Affiliates

Combined summarized income statements of nonconsolidated affiliates which Promus accounted for on the equity basis for the second quarter and six months ended June 30, 1994 and 1993 were as follows:

(In thousands)	Second Quarter Ended June 30, 1994	Second Quarter Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Revenues	$268,462	$267,323	$486,342	$473,914
Operating income	$ 20,583	$ 22,603	$ 13,917	$ 28,589
Net income (loss)	$ 891	$ 4,464	$(19,529)	$ (7,128)

Promus' share of nonconsolidated affiliates' combined net operating results is reflected in the accompanying consolidated condensed statements of income as follows:

(In thousands)	Second Quarter Ended June 30, 1994	Second Quarter Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Pre-interest operating income (included in Revenues-other)	$ 2,683	$ 4,519	$ 3,343	$ 7,921
Interest expense (included in Interest expense)	$ (3,207)	$ (3,210)	$ (6,152)	$ (6,400)

(In thousands)	June 30, 1994	Dec. 31, 1993
Promus' investments in and advances to nonconsolidated affiliates		
At equity	$47,636	$35,893
At cost	34,712	34,157
	$82,348	$70,050

The June 30, 1994, balance includes a total investment in and advances to the partnership developing Harrah's New Orleans of approximately $19.3 million.

The values of certain of Promus' joint venture investments have been reduced below zero due to Promus' intention to fund its share of operating losses in the future, if needed. The total amount of these negative investments included in deferred credits and other liabilities on the consolidated condensed balance sheets was $4.7 million and $5.1 million at June 30, 1994, and December 31, 1993, respectively.

Note 9 - Summarized Financial Information

Embassy Suites, Inc. (Embassy), is a wholly-owned subsidiary and the principal asset of Promus. Summarized financial information of Embassy as of June 30, 1994 and December 31, 1993, and for the second quarter and six months ended June 30, 1994 and 1993, prepared on the same basis as Promus, was as follows:

(In thousands)	June 30, 1994	Dec. 31, 1993
Current assets	$ 160,026	$ 165,753
Land, buildings, riverboats and equipment, net	1,409,079	1,338,202
Other assets	305,802	290,454
	1,874,907	1,794,409
Current liabilities	204,464	240,438
Long-term debt	875,026	839,804
Other liabilities	160,648	150,646
Minority interests	18,392	14,984
	1,258,530	1,245,872
Net assets	$ 616,377	$ 548,537

	Second Quarter Ended		Six Months Ended	
(In thousands)	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
Revenues	$401,832	$315,858	$747,017	$584,625
Operating income	$108,310	$ 74,129	$193,273	$128,938
Income before income taxes and minority interest	$ 74,445	$ 38,801	$128,564	$ 59,415
Income before extraordinary items and cumulative effect of change in accounting policy	$ 40,137	$ 22,149	$ 67,243	$ 34,150
Net income	$ 40,137	$ 21,833	$ 59,311	$ 32,825

The agreements governing the terms of Promus' debt contain certain covenants which, among other things, place limitations on Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. Pursuant to the terms of the most restricted covenant regarding restricted payments, approximately $607.3 million of Embassy's net assets were not available for payment of dividends to Promus as of June 30, 1994.

Note 10 - Operating Segment Information

Operating results for Promus' operating segments for the second quarter and six months ended June 30, 1994 and 1993, were as follows:

(In thousands)	Second Quarter Ended June 30, 1994	Second Quarter Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Casino Entertainment Segment Operating Data				
Revenues				
Casino	$283,474	$200,620	$526,484	$366,800
Food and beverage	39,873	35,163	76,288	66,253
Rooms	26,381	25,966	50,160	48,643
Management fees	187	-	445	-
Other	18,321	14,194	32,571	24,703
Less: casino promotional allowances	(30,870)	(24,126)	(59,868)	(45,814)
Total revenues	337,366	251,817	626,080	460,585
Operating expenses				
Departmental direct costs				
Casino	115,775	88,854	228,409	171,491
Food and beverage	23,483	22,934	41,807	37,734
Rooms	8,415	9,579	16,478	16,678
Other	100,447	71,181	183,706	137,532
Total operating expenses	248,120	192,548	470,400	363,435
	89,246	59,269	155,680	97,150
Preopening costs	(5,141)	-	(5,141)	-
Operating income	$ 84,105	$ 59,269	$150,539	$ 97,150
Hotel Segment Operating Data				
Revenues				
Rooms	$ 28,566	$ 34,746	$ 55,897	$ 69,241
Franchise and management fees	19,594	15,242	35,156	28,162
Food and beverage	2,126	2,182	4,117	4,288
Other	12,997	10,773	23,443	20,194
Total revenues	63,283	62,943	118,613	121,885
Operating expenses				
Departmental direct costs				
Rooms	14,393	18,538	28,122	36,486
Food and beverage	2,172	2,246	4,033	4,385
Other	22,470	27,325	42,497	49,168
Total operating expenses	39,035	48,109	74,652	90,039
	24,248	14,834	43,961	31,846
Property transactions	(199)	15	(397)	(250)
Operating income	$ 24,049	$ 14,849	$ 43,564	$ 31,596
Other Operations Segment Operating Data				
Revenues	$ 1,696	$ 1,487	$ 3,439	$ 2,984
Operating expenses	1,941	361	2,963	1,629
Operating income (loss)	$ (245)	$ 1,126	$ 476	$ 1,355

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of The Promus Companies Incorporated's (Promus) financial position and operating results for second quarter and the first six months of 1994 and 1993 complements and updates the Management's Discussion and Analysis of Financial Position and Results of Operations (MD&A) presented in Promus' 1993 Annual Report. The following information should be read in conjunction with Promus' 1993 Annual Report MD&A disclosure. References to Promus include its consolidated subsidiaries where the context requires.

Promus operates four leading hospitality brands comprising two business segments: a casino entertainment segment consisting of Harrah's, one of the world's premier names in the casino entertainment industry, and a hotel segment composed of three established brands, Embassy Suites, Hampton Inn and Homewood Suites (collectively Promus Hotels), targeted at specific market segments. A fourth hotel brand, Hampton Inn & Suites, was introduced in late 1993 and is designed to target a new development segment not addressed by the existing brands.

From six land-based casinos in the traditional markets of Nevada and New Jersey and one riverboat casino in Joliet, Illinois, in operation at the end of second quarter 1993, Promus' casino entertainment segment has grown to include thirteen properties located in six states, including the latest addition, Harrah's Shreveport. In recognition of the increasingly competitive environment faced by Promus in most of the casino markets in which it operates and to maximize performance of its existing operations, Promus' operating focus has been on improving margins and increasing operating cash flows by controlling costs and streamlining operations. Due to the performances of the Riverboat Division and the hotel segment, Promus' overall operating margin increased 3.0 percentage points for second quarter 1994 and 3.8 percentage points for the first six months of 1994 over the comparable prior year periods. Cash flows from operations for the first six months of 1994 increased 18.3% over prior year, to $123.2 million.

RESULTS OF OPERATIONS

Overall

(in millions, except earnings per share)	Second Quarter 1994	Second Quarter 1993	Percent Increase/ (Decrease)	First Six Months 1994	First Six Months 1993	Percent Increase/ (Decrease)
Revenues	$402.3	$316.2	27.2 %	$748.1	$585.5	27.8 %
Operating income	107.9	75.2	43.5 %	194.6	130.1	49.6 %
Net income	39.9	22.5	77.3 %	60.2	33.5	79.7 %
Earnings per share	0.39	0.22	77.3 %	0.58	0.33	75.8 %
Operating margin	26.8%	23.8%	3.0 pts	26.0%	22.2%	3.8 pts

Record revenues, operating income and earnings per share for both the second quarter and first six months of 1994 are due primarily to unit growth attained in both segments, especially the addition of four riverboat casino properties over the last nine months, revenue per available room growth by all three established hotel brands and interest expense savings achieved in part by a debt refinancing strategy completed in 1993. A summary of Promus' operating segments' performance for the second quarter and first six months ended June 30, 1994 and 1993 is presented in Note 10 to the accompanying consolidated condensed financial statements.

Operating results for the second quarter and first six months of 1994 have been restated to reflect the cumulative effect of a change in accounting policy. On October 3, 1994, Promus changed its accounting policy effective January 1, 1994, related to preopening costs to expense those costs upon opening of the new casino entertainment or hotel project. Previously, Promus had amortized preopening costs to expense over 36 months following the opening of the project. As a result of this change, Promus' operating results have been restated to include the write off of the unamortized preopening costs balances related to projects opened in prior years. The effect of this change on reported net income and earnings per share is as follows:

	Second Quarter 1994		First Six Months	
	As Reported	Restated	As Reported	Restated
Net income	$41,941	$39,876	$69,313	$60,160
Earnings per share	0.41	0.39	0.67	0.58

The mix of Promus' operating income among the casino entertainment divisions, including the contribution now made by the Riverboat Casino Entertainment Division, and the continuing growth achieved by the hotel segment have resulted in an increasing diversification of Promus' operations. The following table summarizes operating income before preopening costs and property transactions for the twelve-month periods ended June 30, 1994, 1993 and 1992 in millions of dollars and as a percent of the total for each of Promus' casino entertainment divisions and primary business segments:

Operating Income Contributions for the Twelve Months Ended June 30,

	In Millions of Dollars			Percent of Total		
	1994	1993	1992	1994	1993	1992
Casino Entertainment						
Riverboat	$ 95	$ 3	$ -	25 %	1 %	- %
Southern Nevada	77	75	59	21 %	29 %	26 %
Northern Nevada	77	71	63	21 %	28 %	28 %
Atlantic City	68	65	69	18 %	25 %	30 %
New Orleans	(5)	-	-	(1)%	-	-
Other, including project development costs	(18)	(15)	(7)	(5)%	(6)%	(3)%
Total	294	199	184	79 %	77 %	81 %
Hotel	77	55	43	21 %	22 %	19 %
Other	2	3	(1)	- %	1 %	-
Total Promus	$373	$257	$226	100 %	100 %	100 %

Casino Entertainment

Promus' casino entertainment segment includes the combined results of Promus' casino entertainment properties located in Colorado, Illinois, Louisiana, Mississippi, Nevada and New Jersey. Overall revenues and operating income for the segment increased 34.0% and 41.9%, respectively, for second quarter 1994 and 35.9% and 55.0%, respectively, for the first six months of 1994 over the comparable prior year periods. This growth is a result of the operating contributions made by the Riverboat Casino Entertainment Division, partially offset by the recognition of Promus' pro-rata share of Harrah's New Orleans preopening-related costs, increased project development costs and declines experienced by the land-based properties reflecting various competitive and operational issues as discussed below.

Development costs incurred related to Promus' pursuit of additional casino entertainment projects and charged to casino entertainment segment other operating expense were as follows:

	Second Quarter Ended		First Six Months	
(in millions)	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
Development costs charged to expense	$3.5	$2.6	$7.1	$4.0

Promus expects the trend of an increasing level of development costs as compared to the prior year to continue over the remainder of 1994 as it continues to aggressively pursue additional casino development opportunities.

Riverboat Division

	Second Quarter		Percent Increase/	First Six Months		Percent Increase/
(in millions)	1994	1993	(Decrease)	1994	1993	(Decrease)
Revenues	$ 109.8	$ 13.4	NM*	$ 193.0	$ 13.4	NM
Operating income	38.8	3.0	NM	70.3	3.0	NM
Operating margin	35.3%	22.4%	12.9 pts	36.4%	22.4%	14.0 pts
Gaming volume	$1,147.7	$ 111.7	NM	$1,932.4	$ 111.7	NM

* Not Meaningful

As of the end of second quarter 1994, the Riverboat Division included the operations of five riverboats, as compared to one riverboat in operation at the end of second quarter 1993. The higher overall operating margin achieved by this Division relative to Promus' other casino entertainment segment divisions reflects operational differences between a riverboat facility and a conventional land-based property and limited competition initially faced by facilities opening in new, emerging markets. Second quarter 1994's operating margin is lower than for the first six months of the year due to increasing competition in the Mississippi markets in which Promus operates, negatively impacting operating margins at those properties. Subsequent to the end of the second quarter, Promus implemented limited work force reductions at both Mississippi properties in response to the changing operating environment and to improve operating efficiency. The estimated one-time charge to Promus of these actions is not material.

Southern Nevada

(in millions)	Second Quarter 1994	Second Quarter 1993	Percent Increase/ (Decrease)	First Six Months 1994	First Six Months 1993	Percent Increase/ (Decrease)
Revenues	$ 74.7	$ 76.6	(2.5)%	$ 146.0	$ 146.4	(0.3)%
Operating income	20.0	22.1	(9.5)%	38.3	40.9	(6.4)%
Operating margin	26.8%	28.9%	(2.1)pts	26.2%	27.9%	(1.7)pts
Gaming volume	$754.7	$781.6	(3.4)%	$1,509.6	$1,523.9	(0.9)%

The Southern Nevada Division's declines in revenues and operating income for the second quarter and first six months of 1994 as compared to prior year periods are due to continuing absorption in both the Las Vegas and Laughlin markets of large capacity increases during the last twelve months. The Laughlin market has been impacted not only by expansion in its market, but also by its traditional customers visiting the new Las Vegas properties.

Northern Nevada

(in millions)	Second Quarter 1994	Second Quarter 1993	Percent Increase/ (Decrease)	First Six Months 1994	First Six Months 1993	Percent Increase/ (Decrease)
Revenues	$ 75.2	$ 81.2	(7.4)%	$ 145.6	$ 148.8	(2.2)%
Operating income	18.0	20.2	(10.9)%	30.1	31.0	(2.9)%
Operating margin	23.9%	24.9%	(1.0)pts	20.7%	20.8%	(0.1)pts
Gaming volume	$926.9	$992.4	(6.6)%	$1,735.5	$1,767.9	(1.8)%

In Northern Nevada, operations have also been negatively impacted by patrons from the region's key feeder markets choosing to visit the new "mega" property offerings in Las Vegas. Second quarter 1994 results were also impacted by a rare May snowstorm, resulting in a decline from the record results posted in second quarter 1993. The declines experienced in second quarter 1994 more than offset operating gains achieved during first quarter, resulting in an overall decline for this Division for the first six months of 1994 versus the prior year.

Atlantic City

(in millions)	Second Quarter 1994	Second Quarter 1993	Percent Increase/ (Decrease)	First Six Months 1994	First Six Months 1993	Percent Increase/ (Decrease)
Revenues	$ 78.1	$ 80.1	(2.5)%	$ 143.9	$ 150.6	(4.4)%
Operating income	18.2	18.4	(1.1)%	28.6	28.8	(0.7)%
Operating margin	23.3%	23.0%	0.3 pts	19.9%	19.1%	0.8 pts
Gaming volume	$800.8	$758.4	5.6 %	$1,485.4	$1,408.5	5.5 %

Despite declines in revenues in this highly competitive market for both second quarter and the first six months of 1994 versus the prior year, Harrah's Atlantic City nearly equalled its prior year operating income and achieved operating margin increases over the comparable prior year periods due to effective management of costs and lower promotional allowances. Revenue declines versus the comparable prior year periods are due to lower pit volume and overall hold percentages, partially offset by increased slot volume, reflecting the continuing shift of gaming volume from table games to slots. The lower hold percentage associated with slot play resulted in reduced revenues, despite the overall gaming volume growth.

Harrah's New Orleans

Revenues and operating income for the casino entertainment segment include a loss of $1.6 million for second quarter 1994, and $4.8 million for the first six months of 1994, representing Promus' pro-rata share of preopening-related costs incurred by the joint venture developing Harrah's New Orleans. (See CAPITAL SPENDING AND DEVELOPMENT section for further discussion of the current status of this development project.)

Hotel

(in millions, except rooms/hotel and RevPAR/S data)	Second Quarter 1994	Second Quarter 1993	Percent Increase/ (Decrease)	First Six Months 1994	First Six Months 1993	Percent Increase/ (Decrease)
Revenues	$ 63.3	$ 62.9	0.6 %	$118.6	$121.9	(2.7)%
Operating income before property transactions	24.2	14.8	63.5 %	44.0	31.8	38.4 %
Operating margin	38.2%	23.5%	14.7 pts	37.1%	26.1%	11.0 pts
Number of rooms				75,670	70,792	6.9 %
Number of hotels				535	479	11.7 %
Total System RevPAR/S						
Embassy Suites	$76.04	$70.64	7.6 %	$74.16	$69.62	6.5 %
Hampton Inn	42.13	39.19	7.5 %	38.71	36.19	7.0 %
Homewood Suites	61.54	56.93	8.1 %	58.47	54.70	6.9 %

Hotel segment revenues for second quarter 1994 increased slightly over the comparable prior year period as increased franchise and management fees, reflecting unit growth in the combined hotel systems and increased revenue per available room (suite) (RevPAR/S), offset the revenue impact of a decrease in the number of company-owned Embassy Suites properties. The number of rooms/suites at franchised properties and RevPAR/S significantly affects hotel segment results since franchise royalty fees are based upon rooms/suites revenue at franchised hotels. For the first six months of 1994, revenues declined compared to the prior year due to the first quarter 1994 impact on revenues of the third quarter 1993 sales of six Embassy Suites properties.

The disproportionate increase in operating income versus revenues is due to the limited direct costs associated with increases in franchise royalties and the inclusion in second quarter 1993 of a $3.6 million writedown of a receivable from an Embassy Suites' franchisee. Excluding this one-time charge from the comparison, second quarter 1994 operating income increased 31.5% and operating margin increased 8.9 percentage points versus the comparable prior year period. Also contributing to the operating income and margin improvements for the hotel segment are overhead cost savings achieved as a result of consolidation of hotel brand management into a single organization announced in third quarter 1993.

Other Factors Affecting Income Per Share

(Income)/Expense (in millions)	Second Quarter 1994	Second Quarter 1993	Percent Increase/ (Decrease)	First Six Months 1994	First Six Months 1993	Percent Increase/ (Decrease)
Preopening costs	$ 5.1	$ -	NM	$ 5.1	$ -	NM
Property transaction losses, net	0.2	-	NM	0.4	0.3	33.3 %
Corporate expense	7.5	7.5	-	13.0	14.2	(8.5)%
Interest expense	26.8	28.4	(5.6)%	52.6	56.3	(6.6)%
Interest and other income	(0.5)	(0.4)	25.0 %	(0.9)	(0.8)	12.5 %
Effective tax rate	41.7%	41.3%	0.2 pts	41.4%	41.5%	(0.1)pts
Minority interests	$ 3.3	$ 0.5	NM	$ 8.0	$ 0.5	NM
Extraordinary loss, net	-	0.3	NM	-	1.3	NM
Cumulative effect of change in accounting policy, net	-	-	-	(7.9)	-	NM

Preopening costs represent those costs charged to expense upon opening of Harrah's Shreveport in April 1994. Corporate expense for the first six months of 1994 decreased primarily due to timing and reimbursement of certain expenses during first quarter 1994. The decrease in interest expense is due to the impact of lower interest rates on Promus' variable rate debt and lower overall levels of debt. The effective tax rate is higher than the federal statutory rate due primarily to state income taxes. Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos. The extraordinary losses recorded in the prior year periods represent related write-offs of unamortized deferred finance charges due to early retirements of debt. The cumulative effect of change in accounting policy reflects the write-off of unamortized preopening costs associated with projects opened in prior years.

CAPITAL SPENDING AND DEVELOPMENT

Casino Entertainment

To maintain its leading position in the casino entertainment industry and to further build the value of Harrah's as a national casino brand, Promus continues its development of previously announced projects and its investigation and pursuit of additional development opportunities in emerging markets throughout the U.S. and, to a lesser extent, abroad. Promus focused the majority of its capital spending during the first six months of 1994 on casino development opportunities.

Harrah's New Orleans

A Promus subsidiary is a one-third partner in a partnership (the Partnership) selected in May 1994 by the Louisiana Economic Development and Gaming Corporation (LEDGC) to negotiate for the right to own and operate the sole land-based casino permitted by law to operate in Orleans Parish, Louisiana. This selection was made pursuant to a public bidding process involving three public solicitations of proposals by the LEDGC dating back to May 1993. The negotiations with the LEDGC culminated with the execution in July 1994 of a casino operating contract with the LEDGC. However, the contract is generally not effective until additional agreements with the City of New Orleans (City) satisfactory to the Partnership are obtained and approved by the LEDGC. The Partnership is seeking to obtain these agreements and approvals by September 1, 1994.

In March 1994, the Partnership reached agreement with the City to lease from the City's Rivergate Development Corporation the sites of the Rivergate Convention Center, the legally mandated site of the permanent casino, and the Municipal Auditorium, the site of the temporary casino. Notwithstanding these lease agreements, it will be necessary for the Partnership to reach the additional agreements discussed above with the City, and have those agreements approved by the LEDGC, to create an effective casino operating contract and proceed with the project.

The estimated cost of the project is $790 million, which is expected to be financed through a combination of partner capital contributions, public debt securities, bank debt and operating cash flow from the temporary casino. The Partnership is currently in the process of registering a public offering of $570 million in debt and arranging $100 million in bank debt. The total capital contribution of Promus' subsidiary is expected to be $23.3 million. Promus has agreed to provide completion guarantees for the project, subject to certain conditions and exceptions, in exchange for a fee to be paid by the Partnership. Before the Partnership can begin construction of either the planned 76,000 square foot temporary casino or the proposed 400,000 square foot permanent casino facility (200,000 square foot casino space), other conditions and legal issues pertinent to the transaction (in addition to obtaining the additional agreements with the City and the approval of those agreements by the LEDGC) must be satisfied, including, without limitation, obtaining financing, and satisfying other governmental requirements.

Assuming the timely satisfaction of the conditions and legal issues discussed above, the projected opening dates for the temporary casino and permanent casino are expected to be March 1995 and first quarter 1996, respectively.

Litigation concerning title to a portion of the land underlying the permanent casino site was decided favorably at the trial court level. The trial court decision was appealed on April 29, 1994. If this appeal were ultimately decided unfavorably, it might delay or prevent the opening of the casino facilities or otherwise adversely affect their operations.

Riverboat Casino Development

During the first six months of 1994, Promus opened two additional riverboat casinos. In January 1994, Promus' second Joliet, Illinois based riverboat casino, the Harrah's Southern Star, began operations. The Southern Star shares shoreside facilities with its sister ship, the Northern Star. On April 18, 1994, Promus began operations of the Shreveport Rose, a dockside Harrah's riverboat casino located in downtown Shreveport, Louisiana. In addition to the five riverboat casinos now operating, Promus has announced two riverboat casino projects in the state of Missouri. Following the failure of a statewide referendum that would have approved games of chance for proposed casino developments in Missouri and would have resolved the uncertainty which resulted earlier this year when a state court ruling cast doubt on the permissibility of offering certain types of games in casinos, Promus reevaluated its development plans and opportunities in this state.

In North Kansas City, Promus continues its development of a classic sternwheeler designed riverboat casino featuring approximately 33,000 square feet of casino space. Approximately $47.4 million of the total estimated project cost of $89.2 million had been spent as of the end of second quarter 1994. The project is expected to open during third quarter 1994, subject to the approval of various regulatory bodies, and will feature certain types of games determined to be legal under the court ruling.

Construction of the shoreside facilities at the site of Promus' second Missouri riverboat casino, to be located in Maryland Heights, a suburb of St. Louis, has been postponed. Construction of the casino riverboat intended for use at the Maryland Heights site is continuing and, upon its completion, could be available for use at another site, should Promus decide not to pursue a development on this site. A final decision concerning the Maryland Heights development will be made after an anticipated November 1994 statewide referendum in Missouri to approve offering games of chance in casinos. $22.2 million had been spent on the project as of the end of second quarter 1994, primarily related to construction of the riverboat casino, which will feature 27,500 square feet of casino space.

During second quarter 1994, Promus executed its option to acquire an additional ownership interest in the joint venture which owns and operates the riverboat casino in Shreveport, Louisiana. As a result of this transaction, Promus' ownership interest in the joint venture increased from approximately 86% to 96%.

Indian Lands

Promus has entered into management and development agreements with the Ak-Chin Indian Community of the Maricopa Indian Reservation for a $24.7 million casino entertainment facility currently under construction near Phoenix, Arizona. Promus is not funding this development, although it has guaranteed the related bank financing. The facility is expected to open in late fourth quarter 1994, subject to the receipt of approvals from various regulatory agencies, including the National Indian Gaming Commission. Promus will manage the facility, which is owned by the Ak-Chin Indian Community, for a fee. The Tribal/State Compact between the Ak-Chin Community and the State of Arizona has received approval from the U.S. Department of the Interior.

Promus is in various stages of negotiations or agreements with a number of other Indian communities to develop and/or manage facilities on Indian lands, which would require approvals from various government agencies to proceed.

International

Promus and its local partner began construction of a casino in Auckland, New Zealand, during second quarter. Promus will own a 20% interest in the partnership and will manage the facility for a fee. Of Promus' total expected capital contribution of $23.0 million, $1.4 million had been contributed at June 30, 1994. Construction of the $230 million project, to be financed through a combination of partner contributions and non-recourse debt, is expected to be completed and the facility to be in operation in first quarter 1996.

Acquisition of Station Square

During June 1994, a general partnership in which Promus is a 75% partner announced its intention to acquire Station Square, an entertainment, business and retail center in Pittsburgh, Pennsylvania. The Station Square site includes approximately 25 acres of land available for development and extends along the Monongahela River, across from the Golden Triangle of Pittsburgh. The transaction is expected to close during third quarter 1994, subject to normal contingencies for transactions of this nature. Subject to satisfaction of these contingencies, Promus expects to provide all or a portion of the funds needed to acquire the property, either in the form of capital contributions, assisting the venture in securing non-recourse debt or a combination of contributions and debt assistance. If casino gaming is legalized in this jurisdiction, the partnership plans to pursue development of a casino entertainment facility at the Station Square site, which would require additional funding if such development proceeded.

Existing Casino Facilities

Promus has committed $28.6 million to construct a company-owned Hampton Inn hotel on the site of Harrah's Reno. The 408-room hotel is expected to open during first quarter 1996. No major additions of casino square footage or hotel rooms are currently planned at Promus' other casino entertainment properties. On-going refurbishment and maintenance of Promus' casino entertainment facilities continues to maintain the quality standards set for these properties.

Overall

In addition to the projects discussed above, Promus continues to pursue additional casino entertainment development opportunities in various new jurisdictions across the United States and abroad, although no material definitive development agreements have been completed and no material capital commitments to construct additional facilities have been made to third parties at this time. Until all necessary approvals to proceed with development of a project are obtained from the relevant regulatory bodies, the costs of pursuing casino entertainment projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset.

A number of these casino entertainment development projects, if they go forward, may require, individually and in the aggregate, a significant capital commitment and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies.

Hotel
- -----

Promus' three established hotel brands continued their steady growth during the first six months of 1994 with the opening of 34 additional franchised properties. An additional 50 franchised properties, comprised of 43 Hampton Inn hotels, five Embassy Suites hotels and two Homewood Suites hotels, were under construction or conversion to Promus brands at June 30, 1994.

Construction of a company-owned prototype of a downsized Homewood Suites property suitable for smaller markets is expected to begin during third quarter 1994. The prototype is expected to be completed during third quarter 1995 at an estimated cost of not more than $6 million. Six franchised Hampton Inn & Suites hotels, a new concept combining rooms and suites in a single property introduced by Promus hotels in late 1993, have been approved for development. The first Hampton Inn & Suites property is expected to open in second quarter 1995.

To increase distribution and brand awareness of its Homewood Suites brand, during second quarter 1994 Promus announced plans to expand the brand by developing 20 to 25 additional properties over the next three years. A total of up to $150 million is expected to be required over the three year period to fund this development.

Summary
- -------

Cash needed to finance projects currently under development as well as additional projects being pursued by Promus will be made available from operating cash flows, the Bank Facility (see DEBT REFINANCING ACTIVITIES section), joint venture partners, specific project financing, guarantees by

Promus of third party debt, sales of existing hotel assets and, if necessary, Promus debt and/or equity offerings. Including $133.0 million spent during the first six months of 1994, Promus currently estimates $325 million to $375 million of cash from all sources will be required during 1994 to fund project development, including the projects discussed in this CAPITAL SPENDING AND DEVELOPMENT section, refurbishment of existing facilities and other projects.

DEBT AND LIQUIDITY

Bank Facility

Available Borrowing Capacity

At June 30, 1994, $245.4 million in borrowings was outstanding under Promus' reducing revolving and letter of credit facility (the Bank Facility). An additional $220.8 million of the Bank Facility was committed to back certain letters of credit, including a $204.7 million letter of credit supporting the 9% Notes. After consideration of these borrowings, $183.8 million was available to Promus under the Bank Facility as of June 30, 1994.

Interest Rate Reduction

A primary financial objective was fulfilled during second quarter 1994 with the announcement by Standard and Poor's that it had upgraded Promus' implied senior debt rating to investment grade status. As a result of achieving investment grade status, the interest rate on Promus' Bank Facility has been reduced by 1/4 of 1%. The interest rate has also been reduced by an additional 1/4 of 1% due to Promus' exceeding a defined minimum financial covenant requirement. Both rate reductions were effective July 25, 1994. These interest rate reductions will remain in force so long as the investment grade status is maintained and the minimum financial covenant is exceeded.

Interest Rate Agreements

In prior years, Promus entered into various interest rate swap agreements as summarized in the following table:

Associated Debt	Swap Rate (LIBOR+)	Rate at June 30, 1994	Next Semi-Annual Rate Adjustment Date	Swap Agreement Expiration Date
10 7/8% Notes				
$200 million	4.73%	9.16%	Oct. 15	October 15, 1997
8 3/4% Notes				
$50 million	3.42%	8.85%	Nov. 15	May 15, 1998
$50 million	3.22%	6.69%	July 15	July 15, 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on $50 million of 8 3/4% Notes was adjusted on July 15, 1994 to 8.71%. This rate will remain in effect until January 15, 1995.

Promus has guaranteed the debt of a third party and has entered into an interest rate swap with the third party in which Promus exchanged a fixed interest rate for the variable interest rate of the subject debt. Promus does not believe that its exposure under this agreement is material.

Promus maintains interest rate protection, in the form of a rate collar transaction entered into in June 1990, on $140 million on its variable rate bank debt. The interest rate protection expires in June 1995 and currently holds Promus' interest rate in a range between 8.8% and 12.0%.

Shelf Registration

Promus, through its wholly-owned subsidiary Embassy Suites, Inc. (Embassy), has registered up to $200 million of new debt securities pursuant to a shelf registration declared effective by the Securities and Exchange Commission. The terms and conditions of these debt securities, which will be unconditionally guaranteed by Promus, will be determined by market conditions at the time of issuance.

INCOME TAX MATTERS

In connection with the spin-off of Promus' stock (the Spin-off) to Holiday Corporation (Holiday) stockholders on February 7, 1990, Promus is liable, with certain exceptions, for the taxes of Holiday and subsidiaries for all pre-Spin-off tax periods. Negotiations with the Internal Revenue Service (IRS) to resolve disputed issues for the 1985 and 1986 tax years were concluded and a settlement reached during fourth quarter 1993. Final payment of the federal income taxes and related interest due under the settlement was made during second quarter 1994. The IRS has completed its examination of Holiday's federal income tax returns for 1987 through the Spin-off date and has issued its proposed adjustments to those returns. Federal income taxes and related interest assessed on agreed issues were paid during first quarter 1994. A protest defending the taxpayer's position on all unagreed issues for the 1987 through Spin-off periods was filed with the IRS during third quarter 1993 and negotiations to resolve disputed issues have begun. Final resolution of the disputed issues is not expected to have a materially adverse effect on Promus' consolidated financial position or its results of operations.

EQUITY TRANSACTIONS

On April 29, 1994, Promus' stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized shares from 120 million to 360 million and reduced the par value per share from $1.50 to $0.10. As a result of the change in the par value, approximately $143 million was transferred from the common stock account to capital surplus on the balance sheet.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

The casino entertainment industry is experiencing expansion in both existing markets and new jurisdictions. In the Las Vegas market, three competitors opened new casino "mega" facilities during fourth quarter 1993 adding more than 350,000 square feet of casino space and 10,000 rooms to the market. In Laughlin, expansions by competitors completed in 1993 increased the number of rooms available in that market by 12%. In Reno, competitors have announced new projects which will add significant additional casino space and hotel rooms to that market. In addition, the proliferation of casino gaming activity in many new jurisdictions is continuing due to the widespread growing acceptance of casino gaming as a form of entertainment and as an alternative tax revenue source for municipalities and states. Certain jurisdictions have restrictions on entry into the market, either through limitations on number of licenses granted or required minimum initial capital investment, which serve to limit capacity as well as to limit competition within those jurisdictions. In other jurisdictions, such as Mississippi, there are no constraints on market entry, creating the potential for over capacity in the market. In such markets, operating performance may suffer due to oversupply and as competing casinos engage in high cost marketing and promotional activities that increase costs for all market participants. The proliferation of casino gaming has also been furthered by the Indian Gaming Regulatory Act of 1988 which, as of August 9, 1994, had resulted in the approval of 107 compacts for the development of casinos on Native American lands in 19 states.

Promus is not able to determine the long-term impact, whether favorable or unfavorable, that these developments will have on the markets in which it currently operates. However, management believes that the current balance of its operations among the existing casino entertainment divisions and the hotel segment as discussed above, combined with the further geographic diversification and the continuing pursuit of the Harrah's national brand strategy presently underway in its casino entertainment segment, have well-positioned Promus to face the challenges presented by these developments and will reduce the potentially negative impact these new developments may have on Promus' overall operations.

INTERCOMPANY DIVIDEND RESTRICTION

Agreements governing the terms of its debt require Promus to abide by covenants which, among other things, limit Embassy's ability to pay dividends and make other restricted payments, as defined, to Promus. The amount of Embassy's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately $607.3 million at June 30, 1994. Promus' principal asset is the stock of Embassy, a wholly-owned subsidiary. Embassy holds, directly and through subsidiaries, the principal assets of Promus' businesses. Given this ownership structure, these restrictions should not impair Promus' ability to conduct its business through its subsidiaries or to pursue its development plans.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

EX-10.1	Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Michael D. Rose.*
EX-10.2	Amendment dated February 25, 1994, and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between the Promus Companies Incorporated and Philip G. Satre.*
EX-10.3	The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994.*
EX-10.4	Amendment dated as of May 27, 1994, to The Promus Companies Incorporated Savings and Retirement Plan.*
EX-11	Computation of per share earnings.**

(b) No reports on Form 8-K were filed during the quarter ended June 30, 1994.

* Previously filed.

** Filed herewith.

Signature

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 PROMUS COMPANIES INCORPORATED

BY: MICHAEL N. REGAN

October 11, 1994

Michael N. Regan
Vice President and Controller
(Chief Accounting Officer)

Exhibit Index

Exhibit No.	Description	Sequential Page No.
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EX-11	Computation of per share earnings.**	30

* Previously filed.

** Filed herewith.

THE PROMUS COMPANIES INCORPORATED
COMPUTATION OF PER SHARE EARNINGS (1)

	Second Quarter Ended June 30, 1994	Second Quarter Ended June 30, 1993	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
Income before extraordinary items	$ 39,876,000	$ 22,815,000	$ 68,092,000	$ 34,780,000
Extraordinary items, net	-	(316,000)	-	(1,325,000)
Cumulative effect of change in accounting policy, net	-	-	(7,932,000)	-
Net income	$ 39,876,000	$ 22,499,000	$ 60,160,000	$ 33,455,000
Primary earnings per share				
Weighted average number of common shares outstanding	101,615,334	100,631,313	101,556,187	100,568,984
Common stock equivalents				
Additional shares based on average market price for period applicable to:				
Restricted stock	432,838	878,586	448,017	878,700
Stock options	778,039	833,462	853,851	744,767
Average number of primary common and common equivalent shares outstanding	102,826,211	102,343,361	102,858,055	102,192,451
Primary earnings per common and common equivalent share				
Income before extraordinary items	$ 0.39	$ 0.22	$ 0.66	$ 0.34
Extraordinary items	-	-	-	(0.01)
Change in accounting policy	-	-	(0.08)	-
Net income	$ 0.39	$ 0.22	$ 0.58	$ 0.33
Fully diluted earnings per share				
Average number of primary common and common equivalent shares outstanding	102,826,211	102,343,361	102,858,055	102,192,451
Additional shares based on period-end price applicable to:				
Restricted stock	13,606	4,854	23,952	-
Stock options	-	61,433	-	150,128
Average number of fully diluted common and common equivalent shares outstanding	102,839,817	102,409,648	102,882,007	102,342,579
Fully diluted earnings per common and common equivalent share				
Income before extraordinary items	$ 0.39	$ 0.22	$ 0.66	$ 0.34
Extraordinary items	-	-	-	(0.01)
Change in accounting policy	-	-	(0.08)	-
Net income	$ 0.39	$ 0.22	$ 0.58	$ 0.33

(1) June 30, 1993 amounts have been retroactively adjusted for three-for-two

stock split approved by Promus' Board of Directors on October 29, 1993.