

Remarks of George C. Freeman, III
Universal Corporation
2008 Annual Meeting of Shareholders
August 5, 2008

A little over a year ago, I sat across the table from Rod Haggar, our company manager in Mozambique. We had almost finished the season. “George,” he said, “I am sorry to report that our crop size is going to be way below our projections. We are not going to be able to fill all of our orders. I know we should have figured this out earlier. I take full responsibility and want to apologize.” Now Rod is a solid Universal man, with almost 25 years with the company. I was struck by his sense of responsibility. “Rod,” I said, “I know there is no one on earth more disappointed than you. We need to get this thing right so Mozambique can reach its full potential. Tell us how we are going to fix this.” He then spent the next few hours excitedly explaining his strategy. Over the next year, with some support from South America and Richmond, Rod and his team executed that strategy. Today Mozambique is doing better operationally than any of us could have imagined a year ago. Kudos to Rod, his team, and African management.

Why do I tell this story? It’s not just that Mozambique has a bright future and potential to grow. Rather I wanted to give you an example of the strength of this company. We have 25,000 plus employees working long hours in over 30 countries dedicated to being the best in the business. They are devoted to serving

this company and our customers. They embody the Company's core values of integrity, professionalism, and loyalty.

As the new C.E.O., of Universal, I view my role as empowering our employees to achieve their fullest potential and channel those efforts to move us forward. I am awed by the enormous privilege and responsibility you have given me. And I promise you, I will maintain these core values and build on the great relationships we have, so that we remain a strong, profitable company for the next 90 years.

We are here to talk about where the Company is today and where we are going. Our company is strong and the outlook is bright. We face some challenges ahead, but we will meet those challenges, and grow our business.

As you may recall from my shareholders letter, by the end of FY 2008, we had:

- Improved economic profit,
- Improved earnings per share,
- Reduced our excess stocks of leaf tobacco,
- Reduced operating funds, and
- Increased funds returned to our shareholders

Today I am happy to report that we have had a good first quarter. We earned \$21.1 million, or \$0.64 per diluted share, compared to \$18.2 million, or \$.52 per diluted share last year. Last year's first quarter included \$3.3 million or \$0.08 per diluted share of restructuring charges. The improvement is due to higher shipments in several countries, a lower effective tax rate, and the absence of restructuring charges. More details are available in our press release. There are copies in the back of the room.

Moving forward, we will grow our business in three ways:

- by expanding market-share with our major customers,
- by growing as those customers consolidate smaller players, and
- by providing additional tobacco-related services to all of our customers.

We don't need to be the biggest, but we will always be the best. Our focus will be on sourcing from sustainable and profitable origins. We will grow tobacco where it makes sense and where we make money.

We do however face some challenges in the coming year.

1. Once a farmer gets out of labor intensive tobacco production, there's a good chance he won't return. We are currently in a period of rapidly rising input costs and experiencing increasing competition from alternative crops.

Never before have we been confronted with the possibility that less labor intensive food crops might yield more money per hectare to farmers. This is occurring at a time when the W.H.O. is actively soliciting countries to encourage alternatives to tobacco farming. If we are reactive, we may be too late. I believe that this has been our problem in the Philippines, where we continually struggle to grow much desired burley volumes despite increasing farm prices.

2. We know that farmers and all other valued partners in our supply chain must have sufficient incentives and assistance to sustain tobacco production. Our critical role as intermediary demands that the supplier requirements be transparent and demonstrable to all audiences.
3. We also need to overcome a possible perception by manufacturers that sourcing a majority of their needs from one supplier increases their sourcing risk.

How do we address these challenges:

1. We have begun examining the extent to which other crops are competing per hectare in our origins to try to predict how much a farmer needs to make in order to want to continue producing tobacco. We need this data before we price the crop.

2. We have instituted a series of regular meetings between management of our key customers and our senior management to discuss industry trends and the impact of global economics on leaf production. This program is already making a significant impact. While no one likes to take credit for bearing bad news, I believe we have gained a lot of credibility with our customers for telling it like we see it.
3. We will overcome the perceived risk for manufacturers investing more business with Universal by living and demonstrating our core values every day. Our customers will increase their reliance on us only if they can be certain that we are a reliable and trustworthy resource.

Looking farther ahead, we will bring value to our shareholders and all our constituencies by continuing our leadership role in the business. We are experts in the business of sourcing and supplying quality tobacco products and services, and have a clear vision for our future. All decisions we make will be aligned with that position, that vision, and the great responsibility we owe to our investors, our customers, our farmers, and our employees around the world.

We are going to invest in our business where there's opportunity to grow, and when we don't see such an opportunity, we'll return the free cash to our shareholders. We are a leaf tobacco company and the best in the business. I

commit to you that we will act responsibly, with integrity and professionalism, in all we do. Our approach will never be “business as usual,” as we continually drive ways to leverage our core competency in tobacco.

Over two years ago, Allen King asked me if I would leave the safety and comfort of my career as General Counsel of Universal to consider a role in general management. I would have to pack my bags and get on a plane to visit our operations across the globe. Thus began a two-year long journey that allowed me to meet many of the wonderful people working for this company. I learned what drove our business; I witnessed incredible talent and loyalty, and was impressed by the strength of our relationships with customers and farmers. While I was away from home a lot during this period, I always felt at home in any of our operations.

Later I was asked if I would succeed Allen as CEO. I understood that while I would be the coach, the team wins the game. Our team is second to none.

I see myself as the custodian of a rich and esteemed heritage of a company celebrating its 90th birthday. I am standing on the strong foundation that many built before me. When it is time for me to pass the torch, Universal will be a dynamic and innovative leader in the industry known for the strength of its valuable relationships. Universal will have a culture that empowers all of our employees to strive to be their best, to give their best, and to expect the best.

On Allen's last day as CEO, we held a meeting of our senior global management team. As the meeting closed and we thanked Allen for his friendship, service, and leadership – he said something that I have taken to heart. He said “George, tomorrow you're going off to meet with a key customer. I can't think of a more appropriate way for you to spend your first day as CEO.” This business has always been built on relationships.

As we approach the end of Allen's Chairmanship of the Company, I would like to thank him on behalf of our constituencies for his leadership and 39 years of devoted service to this great organization. He leaves behind him a truly global organization focused on its core business with strong local management. We will all miss Allen's keen insight and subtle but devious wit. Allen, I would also like to thank you personally for your guidance and support of me. We will all miss you.

Today marks the last annual meeting of another valued member of our senior management team. Our veteran C.F.O., Hart Roper, will retire at the end of the month. Hart too is a Universal man, having been here 34 years after a stint at Arthur Young. Hart, I want to thank you for your devotion to our company and your devotion to detail. Both have served this company well. I want to thank you personally for your enthusiastic endorsement of me and my vision for this company.