Company Remarks
Universal Corporation
2007 Annual Meeting of Shareholders

Remarks of Allen B. King, Chairman and Chief Executive Officer:

Before I begin my remarks, I must caution you that both George and I will be making some forward looking statements today. Such statements are based on estimates and assumptions about future events. I urge you to read our Annual Report on Form 10-K for the year ended March 31, 2007, for information on many of the factors that can affect those estimates and assumptions.

It is my pleasure to be with you today to reflect on a very important year for your company – a year of transition. Our performance was greatly improved, but perhaps more importantly, we took numerous actions that we believe will improve our performance in the future and enable us to capitalize on opportunities.

In fiscal year 2007, we focused on the improvement and correct positioning of our core tobacco business. We have sold all of our material non-tobacco businesses, and we expect to close on the sale of the remaining smaller unit within a few months. We also made the difficult decision to exit our direct involvement in growing flue-cured tobacco in Malawi and Zambia, although we continue to purchase flue-cured tobacco produced in those countries.

We had a good year. Despite the changes and challenges we faced in fiscal year 2007, our continuing operations earned $80 million, or $2.52 per diluted share, including restructuring and impairment charges of $31 million, or $0.93 per diluted share, primarily related to our African growing projects. This is a substantial improvement over last year's loss from our tobacco operations of $3 million, which included over $57 million in restructuring and impairment charges related to the closure of our Danville, Virginia, factory and the de-consolidation of our Zimbabwe operations.

Each of our reporting segments contributed to the improvement. In our flue-cured and burley operations, results for the North America segment increased by $15 million, or over 60%, due to increased exports and processing volumes, cost savings associated with operating in one factory, sales of old stock burley tobacco, and better pricing.

Our Other Regions segment of the flue-cured and burley operations showed an increase in earnings of nearly $60 million through a combination of strong volumes, improved pricing, and cost control, as well as the favorable resolution of a Brazilian tax case and the absence of Zimbabwe losses in 2007. Results for this segment included provisions for losses on supplier financing of $32 million, compared to $29 million in the prior year. Over half of the charges in each year related to financing flue-cured growing projects in Africa. In addition, we recognized tobacco inventory write-downs of $13 million this year and $10 million last year related to those growing projects.

Our Other Tobacco Operations segment also showed substantial improvement in operating income on better sales of dark air-cured wrapper and leaf, the closure of Columbian dark air-cured operations, and lower overhead.

We will continue our efforts to improve results in fiscal year 2008, but we have a few challenges facing us. With the decision to exit our direct involvement in our flue-cured growing projects in Malawi and Zambia, we have reduced our investment in the related farming assets and do not anticipate significant write downs on these projects going forward. However, flue-cured tobacco production will be lower, and we will have to adjust our operations to reflect reduced processing volumes.

In addition, Brazil is now almost finished buying a smaller, better quality crop, but our local costs are rising as the dollar continues to weaken against the Brazilian *real* and other local currencies. Weather conditions in Malawi and Mozambique have reduced the burley crops there. Also, North America will not repeat its significant old crop burley tobacco sales this year, and we will have to cope with another reduction in Canadian volume.

We are a much different company today than we were in the beginning of fiscal year 2007. We are leaner, and we are focused on our core business – leaf tobacco. We have improved or eliminated unprofitable activities, and our financial position has dramatically improved.

With renewed focus on our tobacco business and a vision that allows our organization to concentrate on its core competencies, our team is able to fully dedicate its resources to the critical mission of managing our business to meet our customers' needs now and into the future.

We will provide the highest level of service to our customers by concentrating on our business strategy and key operating principles. We believe that our future success is in large part dependent on remaining the low cost producer of high quality products and services to manufacturers of tobacco products. We are achieving that goal by:

- Supporting and developing our strong local management in the major leaf tobacco markets, which allows us to readily adapt to changing market conditions;

- Fostering beneficial strategic alliances with our major customers, which has already led to benefits for all of the parties involved, ultimately strengthening the vitality of our operations all over the world;

- Continuing to improve the efficiency of our operations and lowering our overhead costs; and

- Maintaining our financial strength, which enables us to fund our business effectively and support our strategies.

Many of the tough decisions and actions we have taken over the past two fiscal years would not have been possible without the support of our shareholders and our many dedicated employees and colleagues around the world. We are grateful for their efforts in 2007.

Mr. Freeman will now report on fiscal year 2008's first quarter results.

Remarks of George C. Freeman, III, President:

Our first quarter of fiscal year 2008 was a good one. Income from our continuing operations, i.e., our tobacco operations, was $18.2 million or $0.52 per diluted share. This is a significant improvement over our performance in the comparable period last year when our continuing operations posted a loss of $13.7 million or $0.67 per diluted share.

This year's first quarter earnings included about $3.3 million in restructuring charges related to personnel reductions in Canada and in our African flue-cured growing projects. Last year's first quarter included an impairment charge of $12.3 million on our Zambian growing projects and a $4.9 million write-off of a deferred tax asset related to our Zambian operations.

The improvement in the year-to-year quarterly comparison is primarily due to the decreased restructuring and impairment charges, shipment timing, currency effects, operational improvements, lower net interest expense, and a lower effective income tax rate. These gains were offset in part by North America's lack of sales of burley stabilization pool stocks and lower carry-over sales, increased overhead costs primarily related to the expensing of stock based compensation, and additional provisions related to our African flue-cured projects.

Revenues for the quarter just ended were about $450 million, which is a slight increase over last year.

Net income from discontinued operations was $530,000 or $0.02 per diluted share representing the combined results of Red River Foods for two months and Madera Quality Nut for the full period. As Allen mentioned earlier, we have signed an agreement to sell the assets of Madera Quality Nut and expect to close in October.

As you may recall, with the sale of our non-tobacco operations, we have changed our reporting segments. We have divided our tobacco operations into three segments for reporting to the public:

- North America flue-cured and burley operations;
- Other Regions flue-cured and burley operations, which includes South America, Africa, Europe & Asia; and

- Other Tobacco Operations, which includes dark air-cured, special services and oriental tobacco.

Our North America segment reported a loss of $5.2 million in the recently ended quarter. As expected, North America's quarterly results were lower because of the lack of burley pool sales, lower U.S. carry-over sales and lower sales in Canada due to the reduced crop.

The Other Regions segment of flue-cured and burley operations earned $32.3 million in the quarter, more than double the results of last year's first quarter. These operations, however, generally experienced higher unit costs due to lower crop sizes and a weak U.S. dollar.

South America benefited from lower provisions for bad farmer debt and currency re-measurement gains on *reis*-denominated receivables. Margins declined during the period due to the product mix and higher costs due to the weak U.S. dollar. We were able to offset some of the negative effect of the weak dollar through forward currency exchange contracts related to business with certain customers.

African results were up due to increased shipments of old crop tobacco. Europe's results improved on higher volumes in several areas primarily due to shipment timing. Despite currency re-measurement gains in the Philippines, Asia's results were down due to shipment delays.

Our Other Tobacco Operations segment improved significantly in the quarter, earning $7.1 million versus $2 million last year. Dark air-cured results were down primarily due to timing differences. Oriental earnings were up due to shipment timing, re-measurement gains on farmer advances, and a gain on the sale of investment securities.

During the first quarter, interest income increased and interest expense decreased due to funds provided from tobacco operations, the sale of the non-tobacco operations, and stock option exercises, all since June 30, 2006. The net interest savings during the quarter was $5.4 million. The effective tax rate for the quarter was 38.5%, which is much lower than last year's first quarter tax rate, of 160%.

We are continuing to work on our operations amid new challenges. This year we are facing a very tight supply of burley tobacco, exacerbated by climate-induced small crops in Malawi and Mozambique, as well as the challenges of controlling local costs in the face of the weakening U.S. dollar. Our improvements in the first quarter reflect our efforts to address those issues.

As we said in June, we have reduced our Brazilian flue-cured production and the quality of the crop is better, but smaller burley crops in Africa along with higher costs in most of the major producing areas of the world are presenting challenges. We recognized benefits this quarter on forward currency exchange contracts that we entered in coordination with certain customers.

African operations are experiencing margin difficulties on current crop production, as unit costs have risen due to smaller crops coupled with much higher prices to farmers especially in Malawi and Mozambique. Most of this tobacco will be shipped later in the year.

As we noted earlier, North America will not enjoy the benefits from the sale of burley pool stocks this year. Tobacco production in Canada has fallen severely over the last few years and is forecast to decline by about one third for fiscal year 2008. We recognized some restructuring costs related to that operation and our African growing projects this quarter. However, impairment and restructuring charges in fiscal year 2008 should be significantly below the levels that we have seen over the last two years. We believe that we have been taking the necessary actions to improve our performance for the long term.