Universal Corporation
Remarks at the 2008 New York Investors Show
The St. Regis Hotel
New York, New York
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We may be making some forward looking statements today. As such, they are based on estimates and certain assumptions about future events. We urge you to read our 10-K for the year ended March 31, 2008, for more information about the many factors that can affect those estimates and assumptions.

This year, as we celebrate Universal Corporation's ninetieth birthday, I [George C. Freeman, III, Chairman, President, and Chief Executive Officer] have been reflecting on what has made this Company successful. Today, I would like to share with you what I believe are strengths of this organization and how we will continue to build on these strengths.

Let me begin by giving you a brief overview of our business. Universal is a large multinational leaf tobacco merchant. Last year we had revenues of over $2 billion and net income of $119 million. We supply processed leaf tobacco to the manufacturers of cigarettes, cigars, and other tobacco products. We don't produce any consumer products.

We handle four main types of tobacco. Flue-cured, burley, and oriental tobaccos are used in manufacturing cigarettes, and dark tobaccos are primarily used in making cigars and smokeless products. The bulk of our business is in flue-cured and burley tobaccos, which we thresh to remove the stem from the leaf and pack for shipment to our customers. Leaf tobacco is semi-perishable until it has been processed. After processing, however, it can be stored for many years. Given the perishable nature of leaf tobacco, our processing facilities are located in the major tobacco producing areas.

We have three basic purchasing models in our business. In areas such as Brazil and Mozambique, we contract directly with farmers, and we supply the farmers with seed and fertilizer. We are repaid for these inputs when the farmers deliver their tobacco. In other areas, like the United States and Western Europe, we contract with farmers, but do not provide any inputs. Finally, although it is rapidly becoming the exception, we buy tobacco at auction in Malawi and India.

Working closely with farmers is the essence of our quality control program, and that is one advantage of contract markets. Globally, Universal employs hundreds of agronomists and technicians to assist and train farmers on all aspects of tobacco production.

When we contract directly with a farmer, we agree to buy his entire crop which will contain tobacco with different qualities. The upper stalk leaves may be used by a manufacturer as flavor component while the lower stalk leaves may be used by a different manufacturer as filler. One of our strengths is our ability to market all stalk positions and thus the entire crop to different buyers. Very few customers buy "crop run" in our crops around the world.

Export tobacco is sold in U.S. dollars, which reduces currency risk once we have purchased the tobacco. However, we still have local currency risk prior to that point as all inputs for and purchases of tobacco are in local currency.

Another significant factor in our business is that our major customers commit to their purchases in advance. Those commitments take many forms--from multi-year written contracts to emails. Our customers, however, have historically honored their commitment regardless of the form. In general, our leaf inventory is over 80% committed for sale to customers, and our customers generally pay interest and carrying charges.

Among all of our important customers, multinational manufacturers plus Altria represent over 80% of our business. Today, our largest multinational customers are Philip Morris International, Japan Tobacco, Imperial Tobacco, and BAT. We also have a strong relationship with Altria and do business with the China Tobacco Monopoly.

Although some major manufacturers are partially vertically integrated primarily due to history and acquisitions of state tobacco monopolies, manufacturers generally prefer not dealing with large numbers of farmers all over the world. To put this in perspective, we deal with over 90,000 farmers in Mozambique alone.

Although China produces a major share of the world's cigarettes, it is not a multinational manufacturer at this time. China is primarily a domestic market. It grows more flue-cured tobacco than the rest of the world combined and uses most of it internally. So we trade with China, although it is not a significant component of our volume, and we see it as a growth area.

We manage social responsibility programs and good agricultural practices at the farm level. These programs are important to our customers as it affects the integrity of their consumer products. So, another one of our strengths is that we provide our customers with the quantities and qualities of leaf that they need with the assurance that the product was produced in a compliant and sustainable manner and under conditions that are acceptable to the world community.

We sell tobacco globally, and we source it from our strong positions in the major leaf export markets -- South America, Southern Africa, and North America. We also source leaf from Europe and Asia, and our joint venture sources oriental tobacco in the Mediterranean area. There is only one other global leaf tobacco merchant, but we encounter competition in many markets from regional dealers, some of whom operate on several continents. Our global footprint and financial strength gives us a competitive advantage over regional players. In addition, the global nature of our business mitigates the impact of local changes in market conditions.

Our strong regional management is a great asset to our organization. It allows us to respond quickly to opportunities and challenges that arise. Recently, I have been working on tapping the knowledge and energy of our worldwide management team to ensure that we speak with one voice, and our goals, vision, and core values are shared throughout this organization.

We are NOT a commodity business. There are no commodity markets for tobacco, and, as I mentioned earlier, tobacco is not a homogeneous crop even within a single plant. In addition, there are distinct regional variations among tobacco of the same type.

Unlike a commodity business, our business is fundamentally based on relationships. One of our key strengths is that we have strong strategic alliances with our major customers. We work with them to understand their needs, and they work with us to ensure that we are able to deliver year after year the tobacco that they need. They let us know in advance how much tobacco they will need so that we can contract for the right size crop.

Our financial profile allows us to efficiently fund our operations and positions us for growth should a compelling opportunity arise. Our liquidity position is good, and we continue to focus on cost management.

Due to our strong financial position, our Board of Directors voted last week to approve our 38th consecutive annual dividend increase. In November 2007, based on our results and the improved cash flow, they also approved a $150 million share repurchase program. To date, we have spent about $128 million to purchase approximately 2.6 million shares.

We delivered solid returns to our shareholders and achieved our objectives in fiscal year 2008. We improved economic profit, one of our key metrics. Many of our regions contributed to this improvement.

We also improved earnings per share, another key metric. We earned $3.71 per diluted share compared to $2.52 per diluted share, in fiscal year 2007. Although a number of unusual elements affected our earnings, we were proud of our operating performance. Most of our regions performed well, while others made notable progress.

Fiscal year 2009 has started off well. We reported a 12% increase in earnings per share for the first six months despite a $25 million currency remeasurement loss in Brazil. We earned $62.9 million, or $2.02 per diluted share. That compared to $58.5 million, or $1.80 per diluted share, last year.

Results for our flue-cured and burley operations increased more than 7%, to over $100 million. A significant portion of the improvement was due to stronger performance in North America from cost savings and sales of old crop tobacco in the U.S. and Canada. In Other Regions, Africa enjoyed higher volumes as well as the lack of charges and write downs. European results were higher as well, primarily due to shipment timing and higher volumes in our tobacco sheet business.

South American results were hampered by shipment delays and $ 25 million in remeasurement losses caused by the weakening Brazilian currency which devalued by about 9% over the six-month period, compared to strengthening 11% last year. Some of the remeasurement loss came from advances to farmers for the crop that will be sold next year. Those advances were expensive this year due to higher fertilizer prices and the weak U.S. dollar at the time the inputs were purchased. These and all other monetary assets and liabilities are remeasured in U.S. dollars at the end of each reporting period. Revenues for our flue-cured and burley operations were up by 23% to $1.1 billion for the six months.

Results for Other Tobacco Operations increased by more than 20% due to higher volumes, including on-time trading opportunities, as well as currency gains experienced by our oriental tobacco joint venture. Dark tobacco operations also improved, primarily because of increased U.S. volumes. Special Services showed the expected decline related to the shift of that business back to the origins.

We are pleased with our performance so far this year. The devaluation of the Brazilian currency occurred at a bad time in our crop funding cycle, hurting a quarter that otherwise showed significant improvement over last year. We continued to strengthen customer relationships and reduced our uncommitted inventories. Most regions delivered operating improvements from hard work and careful attention to costs. They have done so despite the escalating cost of green tobacco.

We began our current fiscal year with both flue-cured and burley tobacco inventories at historically low levels. However, burley volumes recovered dramatically in Africa this year, and signs are beginning to point to a very large crop there next year. Those expected crop levels could cause world production to approach or possibly even exceed the recent peak levels produced in 2004, which would replenish inventories and move worldwide supply to a balanced position or perhaps even a slight oversupply. Flue-cured tobacco supply is also expected to increase and could reach levels produced in the 2005 crop. The overall flue-cured supply is expected to remain mostly balanced, but if weather conditions are ideal, there could be some excess supply. We continue to work to maintain future production of the type of quality tobacco that our customers require.

We will build on our strengths:

- Ability to market the entire crop;
- Sustainable production of a quality product;
- Strong alliances with ourcustomers;
- Strong regional management;
- Solid financial profile; and
- Global reach.

We will use these strengths to improve on our total return to shareholders by generating economic profit and increasing earnings per share while maintaining that strong financial position. We will also continue to control our costs, review marginal operations for viability, and be active in identifying and mitigating industry risks.

Our vision is to be the supplier of choice for the world's leading manufacturers of tobacco products. We believe that we supply our customers with essential services such as supply integrity initiatives. We will continue to grow as our customers grow, and we will seek opportunities to provide additional value-added services to them.

I believe that if we adhere to our core values—Integrity, Professionalism, and Loyalty – we will achieve our vision.