ALLIANCE ONE INTERNATIONAL, INC.
Form 10-K
June 08, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED March 31, 2015

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _______ TO _______.

Alliance One International, Inc.
(Exact name of registrant as specified in its charter)

Virginia	001-13684	54-1746567
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

8001 Aerial Center Parkway
Morrisville, North Carolina 27560-8417
(Address of principal executive offices)

Telephone Number (919) 379-4300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange On Which Registered
Common Stock (no par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No[X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

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 [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer [] Accelerated Filer [X] Non-Accelerated filer [] Smaller Reporting Company []
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

As of September 30, 2014, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $161.5 million based on the closing sale price of the common stock as reported on the New York Stock Exchange. As of June 1, 2015, there were 88,583,099 shares of Common Stock outstanding (no par value) excluding 7,853,121 shares owned by a wholly owned subsidiary.

DOCUMENTS INCORPORATED BY REFERENCE
Certain information contained in the Proxy Statement for the Annual Meeting of Shareholders (to be held August 13, 2015) of the registrant is incorporated by reference into Part III hereof.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS
ITEM 1A. RISK FACTORS
ITEM 1B. UNRESOLVED STAFF COMMENTS
ITEM 2. PROPERTIES
ITEM 3. LEGAL PROCEEDINGS
ITEM 4. MINE SAFETY DISCLOSURES

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
ITEM 6. SELECTED FINANCIAL DATA
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
STATEMENTS OF CONSOLIDATED OPERATIONS
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
CONSOLIDATED BALANCE SHEETS
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY
STATEMENTS OF CONSOLIDATED CASH FLOWS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
ITEM 9A. CONTROLS AND PROCEDURES
ITEM 9B. OTHER INFORMATION

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
ITEM 11. EXECUTIVE COMPENSATION
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

PART I

ITEM 1. BUSINESS

A. The Company

Alliance One International, Inc. ("we," "Alliance One" or the "Company") is a Virginia corporation with revenues of approximately $2.1 billion and operating income of approximately $110.8 million for the year ended March 31, 2015. Our common stock has been traded on the New York Stock Exchange since 1995. Through our predecessor companies, we have a long operating history in the leaf tobacco industry with some customer relationships beginning in the early 1900s. Alliance One is one of only two global publicly held leaf tobacco merchants, each with similar global market shares. We have broad geographic processing capabilities, a diversified product offering and an established customer base, including all of the major consumer tobacco product manufacturers. Our goal is to be the preferred supplier of quality tobacco products and innovative solutions to the world's manufacturers and marketers of tobacco products.

Additional Information
We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at http://www.sec.gov.

Our website address is http://www.aointl.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information contained on our website shall not be deemed part of this annual report on Form 10-K for any reason.

B. The Business

Leaf tobacco merchants purchase, process, pack, store and ship tobacco to manufacturers of cigarettes and other consumer tobacco products throughout the world. In an increasing number of markets, we also provide agronomy expertise for growing leaf tobacco. Our revenues are primarily comprised of sales of processed tobacco and fees charged for processing and related services to these manufacturers of tobacco products. Processing and other revenues are approximately 5% of our total revenues. We do not manufacture cigarettes or other consumer tobacco products.

We deal primarily in flue-cured, burley, and oriental tobaccos that are used in international brand cigarettes. Several of the large multinational cigarette manufacturers have operations throughout the world, particularly in Asia, Eastern Europe and the former Soviet Union, in order to access and penetrate the international brand cigarette markets. As cigarette manufacturers expand their global operations, we believe that demand will increase for local sources of leaf tobacco and local tobacco processing and distribution, primarily due to beneficial tariff rates and lower freight costs. We believe that for some large multinational cigarette manufacturers, international expansion will cause them to place greater reliance on the services of leaf tobacco merchants with the ability to source and process tobacco on a global basis and to help develop higher quality local sources of tobacco by improving local agronomic practices. For other large multinational cigarette manufacturers, international expansion also includes vertical integration of their operations, either through acquisition of the operations of existing leaf tobacco merchants, establishing new operations or contracting directly with suppliers. In fiscal 2014, we completed the formation of a joint venture in Brazil with China Tobacco International, Inc. The joint venture entity had previously operated as one of our subsidiaries since its formation in 2012. In recent years, Japan Tobacco, Inc. ("JTI") enhanced their direct leaf procurement capabilities with the acquisition of small leaf processors in Malawi and Brazil and the formation a joint venture for tobacco leaf in the United States. Philip Morris International, Inc. ("PMI") has also strengthened their direct leaf procurement capabilities

with the acquisition of supplier contracts and the related assets from Alliance One and from another tobacco merchant in Brazil. In addition, some customers have entered into joint venture arrangements to secure their future leaf requirements. We will continue to work with our customers to meet all their needs as their buying patterns and business models change while continuing to be a provider of quality tobacco products and innovative solutions.

Purchasing

Tobacco is primarily purchased directly from suppliers with small quantities still sold at auction. In non-auction markets, we purchase tobacco directly from suppliers and we assume the risk of matching the quantities and grades required by our customers to the entire crop we must purchase under contract. In other non-auction markets, such as China, we buy tobacco from local entities that have purchased tobacco from suppliers and supervise the processing of that tobacco by those local entities. Principal auction markets include India, Malawi and Zimbabwe and our network of tobacco operations and buyers allows us to cover the major auctions of flue-cured and burley tobacco throughout the world. In the United States and other locations, a number of our customers purchase tobacco directly from the suppliers in addition to the leaf merchants. Although our facilities process the tobacco purchased directly from suppliers by these customers, we do not take ownership of that tobacco and do not record sales revenues associated with its resale.

Purchasing (continued)

Our arrangements with suppliers vary from locale to locale depending on our predictions of future supply and demand, local historical practice and availability of capital. In certain jurisdictions, we purchase seeds, fertilizer, pesticides and other products related to growing tobacco and advance them to suppliers, which represents prepaid inventory. The suppliers then utilize these inputs to grow tobacco, which we are contractually obligated to purchase. The advances of inputs for the current crop generally include the original cost of the inputs plus a mark-up and interest as it is earned. Where contractually permitted, we charge interest to the suppliers during the period the current crop advance is outstanding. We generally advance inputs at a price greater than our cost, which results in a mark-up on the inputs. We account for our advances to tobacco suppliers using a cost accumulation model, which results in us reporting our advances at the lower of cost or recoverable amounts excluding the mark-up and interest. The mark-up and interest on our advances are recognized when the tobacco is delivered as a decrease in our cost of the current crop. Upon delivery of tobacco, part of the purchase price paid to the supplier is paid in cash and part through a reduction of the advance balance. The advances applied to the delivery are reclassified out of advances and into unprocessed inventory. We advance inputs only to suppliers with whom we have purchase contracts. For example, in Brazil, we generally contract to purchase a supplier's entire tobacco crop at the market price per grade at the time of harvest based on the quality of the tobacco delivered. Pursuant to these purchase contracts, we provide suppliers with fertilizer and other materials necessary to grow tobacco and may guarantee Brazilian rural credit loans to suppliers to finance the crop. Under longer-term arrangements with suppliers, we may advance or guarantee financing on suppliers' capital assets, which are also recovered through the delivery of tobacco to us by our suppliers.

In these jurisdictions, our agronomists maintain frequent contact with suppliers prior to and during the growing and curing seasons to provide technical assistance to improve the quality and yield of the crop. As a result of various factors including weather, not all suppliers are able to settle the entire amount of advances through delivery of tobacco in a given crop year. Throughout the crop cycle, we monitor events that may impact the suppliers’ ability to deliver tobacco. If we determine we will not be able to recover the original cost of the advances with deliveries of the current crop, or future crop deliveries, the unit cost of tobacco actually received is increased when unrecoverable costs are within a normal range which is based on our historical results or expensed immediately when they are above a normal range based on our historical results. We account for the unrecoverable costs in this manner to ensure only costs within a normal range are capitalized in inventory and costs that are above a normal range are expensed immediately as current period charges.

Alliance One has developed an extensive international network through which we purchase, process and sell tobacco and we hold a leading position in most tobacco growing regions in the world. We purchase tobacco in more than 35 countries. During the three years ended March 31, 2015, 2014 and 2013, approximately 22%, 31% and 30%, respectively, of our purchases of tobacco were from the South America operating segment, approximately 7%, 5% and 5%, respectively, were from the Value Added Services operating segment and approximately 71%, 64% and 65%, respectively, were from the Other Regions operating segment. Within the Other Regions operating segment, approximately 52%, 46% and 44% of our total purchases for the three years ended March 31, 2015, 2014 and 2013 respectively, were from China, the United States, Turkey and the Africa Region.

Processing

We process tobacco to meet each customer's specifications as to quality, yield, chemistry, particle size, moisture content and other characteristics. Unprocessed tobacco is a semi-perishable commodity that generally must be processed within a relatively short period of time to prevent fermentation or deterioration in quality. The processing of leaf tobacco facilitates shipping and prevents spoilage and is an essential service to our customers because the quality of processed leaf tobacco substantially affects the quality of the manufacturer’s end product. Accordingly, we have located our production facilities in proximity to our principal sources of tobacco.

We process tobacco in more than 35 owned and third-party facilities around the world including Argentina, Brazil, China, Zimbabwe, Jordan, Guatemala, India, Tanzania, the United States, Malawi, Thailand, Germany, Indonesia, Macedonia, Bulgaria and Turkey. These facilities encompass all leading export locations of flue-cured, burley and oriental tobaccos. In addition, we have entered into contracts, joint ventures and other arrangements for the purchase of tobacco grown in substantially all other countries that produce export-quality flue-cured and burley

tobacco.

Upon arrival at our processing plants, flue-cured and burley tobacco is first reclassified according to grade. Most of that tobacco is then blended to meet customer specifications regarding color, body and chemistry, threshed to remove the stem from the leaf and further processed to produce strips of tobacco and sieve out small scrap. We also sell a small amount of processed but unthreshed flue-cured and burley tobacco in loose-leaf and bundle form to certain customers. Oriental tobaccos are handled and processed in a similar manner other than that the tobaccos are not threshed to remove stems.

Processed flue-cured, burley and oriental tobacco is redried to remove excess moisture so that it can be held in storage by customers or us for long periods of time. After redrying, whole leaves, bundles, strips or stems and scrap where applicable are separately packed in cases, bales, cartons or hogsheads for storage and shipment. Packed flue-cured, burley and oriental tobacco generally is transported in the country of origin by truck or rail, and exports are moved by ship. Prior to and during processing, steps are taken to ensure consistent quality of the tobacco, including the regrading and removal of undesirable leaves, dirt and other non-tobacco related material. Customer representatives are frequently present at our facilities to monitor the processing of their particular orders. Throughout the processing, our technicians use quality control laboratory test equipment to ensure that the product meets all customer specifications.

Selling

We ship tobacco to manufacturers of cigarettes and other consumer tobacco products located in approximately 90 countries around the world as designated by these manufacturers. We recognize sales revenue when persuasive evidence of an arrangement exists, the price to the customer is fixed, collectability is reasonably assured and title and risk of ownership is passed to the customer, which is upon either shipment or delivery. In certain countries we also use commissioned agents to supplement our selling efforts. Individual shipments may be large, and since the customer typically specifies shipping dates, our financial results may vary significantly between reporting periods due to timing of sales. In some markets, principally the United States, we process tobacco that is owned by our customers, and revenue is recognized when the processing is completed.

The consumer tobacco business is dominated by a relatively small number of large multinational cigarette manufacturers and by government controlled entities. Including their respective affiliates, accounting for more than 10% of our revenues were each of PMI and China Tobacco International, Inc. for the years ended March 31, 2015 and 2014; and PMI, JTI, Imperial Tobacco Group PLC and China Tobacco International Inc. for the year ended March 31, 2013.

In 2015, Alliance One delivered approximately 42% of its tobacco sales to customers in Europe and approximately 18% to customers in the United States. One customer directs shipments to its Belgium storage and distribution center before shipment to its manufacturing facilities in Europe and Asia. In 2015, these Belgium sales accounted for 7% of sales to customers in Europe. The remaining sales are to customers located in Asia, Africa and other geographic regions of the world.

Seasonality

The purchasing and processing activities of our tobacco business are seasonal. Flue-cured tobacco grown in the United States is purchased, processed and marketed generally during the five-month period beginning in July and ending in November. U.S. grown burley tobacco is purchased, processed and marketed usually from late November through January or February. Tobacco grown in Brazil is usually purchased, processed and marketed from January through July and in Africa from April through September. Other markets around the world have similar purchasing periods, although at different times of the year.

During the purchasing, processing and marketing seasons, inventories of unprocessed tobacco, inventories of redried tobacco and trade accounts receivable normally reach peak levels in succession. Current liabilities, particularly advances from customers and short-term notes payable to banks, normally reach their peak in this period as a means of financing the seasonal expansion of current assets. At March 31, the end of our fiscal year, the seasonal components of our working capital reflect primarily the operations related to foreign grown tobacco.

Competition

Alliance One is one of only two global publicly held leaf tobacco merchants, with substantially similar global market shares in markets in which we both operate. We hold a leading position in most major tobacco growing regions in the world, including the principal export markets for flue-cured, burley and oriental tobacco and, as a result of our scale, global reach, and financial resources, we believe we are well-suited to serve the needs of all manufacturers of cigarettes and other consumer tobacco products.

The leaf tobacco industry is highly competitive and competition is based primarily on the price charged for products and services as well as the merchant's ability to meet customer specifications in the buying, processing, residue compliance and financing of tobacco. In addition to the primary global independent leaf tobacco merchants, there are a number of other independent global, regional or national competitors. Local independent leaf merchants with low fixed costs and overhead also supply cigarette manufacturers. Recent vertical integration initiatives and other changes in customer buying patterns have resulted in a more dynamic and competitive operating environment. There is also competition in all countries to buy the available leaf tobacco and in many areas, total leaf tobacco processing capacity exceeds demand.

Reportable Segments

The purchasing, processing, selling and storing of leaf tobacco is similar throughout our business. However, we maintain regional operating and financial management in North America, South America, Europe, Africa, Asia and Value Added Services to monitor our various operations in these areas. In reviewing these operations, we have concluded that the economic characteristics of South America and Value Added Services are dissimilar from the other operating regions. Based on this fact, we disclose South America and Value Added Services separately and aggregate the remaining four operating segments, Africa, Asia, Europe and North America into one reportable segment “Other Regions.” Our financial performance is reviewed at this level and these regions represent our operating segments. See Note 14 “Segment Information” to the “Notes to Consolidated Financial Statements” for financial information attributable to our reportable segments.

C. Other

Research and Development

We routinely cooperate with both our customers and the manufacturers of the equipment used in our processing facilities to improve processing technologies. However, no material amounts are expended for research and development, and we hold no material patents, licenses, franchises, or concessions.

Alliance One Employees
Alliance One's consolidated entities employed approximately 3,281 persons, excluding seasonal employees, in our worldwide operations at March 31, 2015. In the Other Regions operating segment, Alliance One's consolidated entities employed approximately 2,429 employees at March 31, 2015 excluding approximately 4,256 seasonal employees. During processing periods, most seasonal employees as well as approximately 121 full-time factory personnel in the United States are covered by collective bargaining agreements. In the Value Added Services operating segment, Alliance One's consolidated entities employed approximately 232 persons, excluding approximately 8 seasonal employees, at March 31, 2015. Of those, approximately 69 hourly paid factory workers in the United States are covered by a collective bargaining agreement. In the South America operating segment, Alliance One's consolidated entities employed approximately 620 persons, excluding approximately 2,843 seasonal employees, at March 31, 2015. We consider Alliance One's employee relations to be satisfactory.

Government Regulation and Environmental Compliance
See Item 1A. “Risk Factors” for a discussion of government regulation. Currently there are no material estimated capital expenditures related to environmental control facilities. In addition, there is no material effect on capital expenditures, results of operations or competitive position anticipated as a result of compliance with current or pending federal or state laws and regulations relating to protection of the environment.

EXECUTIVE OFFICERS OF ALLIANCE ONE INTERNATIONAL, INC.

The following information is furnished with respect to the Company's executive officers as of April 1, 2015, and the capacities in which they serve. These officers serve at the pleasure of the Board of Directors and are elected at each annual organizational meeting of the Board.

NAME	AGE	TITLE
J. Pieter Sikkel	51	President and Chief Executive Officer
Graham J. Kayes	50	Executive Vice President - Business Relationship Management and Leaf
Jose Maria Costa Garcia	49	Executive Vice President - Global Operations and Supply Chain
Joel L. Thomas	48	Executive Vice-President - Chief Financial Officer
William L. O’Quinn, Jr.	46	Senior Vice President - Chief Legal Officer and Secretary

The business experience summaries provided below for the Company's executive officers describe positions held by the named individuals during the last five years.

J. Pieter Sikkel has served as President and Chief Executive Officer of Alliance One International, Inc., since March 2013, having previously served as President from December 14, 2010 through February 2013, Executive Vice President - Business Strategy and Relationship Management from May 2007 through December 13, 2010, and as Regional Director of Asia from May 2005 through April 2007.

Graham J. Kayes has served as Executive Vice President - Business Relationship Management and Leaf since July 2014, having previously served as Regional Director - Africa from February 2011 through June 2014, and as Managing Director of the Company's Tanzanian subsidiary from June 2007 through January 2011.

Jose Maria Costa Garcia has served as Executive Vice President - Global Operations and Supply Chain since August 2012, having previously served as Regional Director - Europe from September 2008 through July 2012, and as Regional Financial Director - Europe from April 2005 through August 2008.

Joel L. Thomas has served as Executive Vice President - Chief Financial Officer since January 2014, having previously served as Vice President - Treasurer from December 2005 through December 2013.

William L. O'Quinn, Jr. has served as Senior Vice President - Chief Legal Officer and Secretary since April 2011, having previously served as Senior Vice President - Assistant General Counsel and Secretary from January 2011 through March 2011, and as Assistant General Counsel and Assistant Secretary from August 2005 through December 2010.

ITEM 1A. RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect our business, our operating results, our financial condition and the actual outcome of matters as to which forward-looking statements are made in this Annual Report.

We may from time to time make written or oral forward-looking statements, including statements contained in filings with the SEC, in reports to stockholders and in press releases and investor calls and webcasts. You can identify these forward-looking statements by use of words such as “strategy,” “expects,” “continues,” “plans,” “anticipates,” “believes,” “will,” “estimates,” “intends,” “projects,” “goals,” “targets” and other words of similar meaning. You can also identify them by fact that they do not relate strictly to historical or current facts.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in or remain invested in Alliance One International, Inc. securities. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important risk factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by us; any such statement is qualified by reference to the following cautionary statements. We elaborate on these and other risks we face throughout this document. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. We do not undertake to update any forward-looking statement that we may make from time to time.

Risks Relating to Our Operations

Our reliance on a small number of significant customers may adversely affect our financial statements.
Our customers are manufacturers of cigarette and other tobacco products. Several of these customers individually account for a significant portion of our sales in a normal year.

For the year ended March 31, 2015, each of Philip Morris International, Inc. and China Tobacco International Inc., including their respective affiliates, accounted for more than 10% of our revenues from continuing operations. In addition, tobacco product manufacturers have experienced consolidation and further consolidation among our customers could decrease such customers’ demand for our leaf tobacco or processing services. The loss of any one or more of our significant customers could have a material adverse effect on our financial statements.

Continued vertical integration by our customers could materially adversely affect our financial statements.
Demand for our leaf tobacco or processing services could be materially reduced if cigarette manufacturers continue to significantly vertically integrate their operations, either through acquisition of our competitors, establishing new operations or contracting directly with suppliers. During fiscal 2014, we completed the formation of a joint venture in Brazil with China Tobacco International Inc. The joint venture entity had previously operated as one of our subsidiaries since its formation in 2012. In recent years, Japan Tobacco, Inc. vertically integrated operations in Malawi, Brazil and the United States. In addition, Philip Morris International, Inc. acquired supplier contracts and related assets in Brazil in order to procure leaf directly. In general, our results of operations have been adversely affected by vertical integration initiatives. Further vertical integration by our customers could have a material adverse effect on our financial statements.

Global shifts in sourcing customer requirements may negatively impact our organizational structure and asset base.
The global leaf tobacco industry has experienced shifts in the sourcing of customer requirements for tobacco. For example, significant tobacco production volume decreases have occurred in the United States, Zimbabwe and Western Europe from historical levels. At the same time, production volumes in other sourcing origins, such as Brazil and

other areas of Africa, have stabilized. Additional shifts in sourcing may occur as a result of currency fluctuations, including devaluation of the U.S. dollar. A shift in sourcing origins in Europe has been influenced by modifications to the tobacco price support system in the European Union (EU). Customer requirements have changed due to these variations in production, which could influence our ability to plan effectively for the longer term in Europe.

We may not be able to timely or efficiently adjust to shifts in sourcing origins, and adjusting to shifts may require changes in our production facilities in certain origins and changes in our fixed asset base. We have incurred, and may continue to incur, restructuring charges as we continue to adjust to shifts in sourcing. Adjusting our capacity and adjusting to shifts in sourcing may have an adverse impact on our ability to manage our costs, and could have an adverse effect on our financial performance.

Risks Relating to Our Operations (continued)

Our financial results will vary according to growing conditions, customer indications and other factors, which reduces your ability to gauge our quarterly and annual financial performance.
Our financial results, particularly the quarterly financial results, may be significantly affected by fluctuations in tobacco growing seasons and crop sizes which affect the supply of tobacco. Crop sizes may be affected by, among other things, crop infestation and disease, the volume of annual tobacco plantings and yields realized by supplier and suppliers elections to grow crops other than tobacco. The cultivation period for tobacco is dependent upon a number of factors, including the weather and other natural events, such as hurricanes or tropical storms, and our processing schedule and results of operations for any quarterly period can be significantly altered by these factors.

The cost of acquiring tobacco can fluctuate greatly due to crop sizes and increased competition in certain markets in which we purchase tobacco. For example, short crops in periods of high demand translate into higher average green prices, higher throughput costs and less volume to sell. Furthermore, large crops translate into lower average green prices, lower throughput costs and excess volume to sell.

Further, the timing and unpredictability of customer indications, orders and shipments cause us to keep tobacco in inventory, increase our risk and result in variations in quarterly and annual financial results. The timing of shipments can be materially impacted by shortages of containers and vessels for shipping as well as infrastructure and accessibility issues in ports we use for shipment. We may from time to time in the ordinary course of business keep a significant amount of processed tobacco in inventory for our customers to accommodate their inventory management and other needs. Sales recognition by us and our subsidiaries is based on the passage of ownership, usually with shipment of product. Because individual shipments may represent significant amounts of revenue, our quarterly and annual financial results may vary significantly depending on our customers' needs and shipping instructions. These fluctuations result in varying volumes and sales in given periods, which also reduces your ability to compare our financial results in different periods or in the same periods in different years.

Suppliers who have historically grown tobacco and from whom we have purchased tobacco may elect to grow other crops instead of tobacco, which affects the world supply of tobacco and may impact our quarterly and annual financial performance.
Increases in the prices for other crops have led and may in the future lead suppliers who have historically grown tobacco, and from whom we have purchased tobacco, to elect to grow these other, more profitable items instead of tobacco. A decrease in the volume of tobacco available for purchase may increase the purchase price of such tobacco. As a result, we could experience an increase in tobacco crop acquisition costs which may impact our quarterly and annual financial performance.

Our advancement of inputs to tobacco suppliers could expose us to losses.
We advance seeds, fertilizer, pesticides and other products related to growing tobacco to our suppliers, which represent prepaid inventory, in many countries to allow the suppliers to grow tobacco, which we are contractually obligated to purchase. The advances to tobacco suppliers are settled as part of the consideration paid upon the suppliers delivering us unprocessed tobacco at market prices. Two primary factors determine the market value of the tobacco suppliers deliver to us: the quantity of tobacco delivered and the quality of the tobacco delivered. Unsatisfactory quantities or quality of the tobacco delivered could result in losses with respect to advances to our tobacco suppliers or the deferral of those advances.

When we purchase tobacco directly from suppliers, we bear the risk that the tobacco will not meet our customers' quality and quantity requirements.
In countries where we contract directly with tobacco suppliers, including Argentina, Brazil, the United States and certain African countries, we bear the risk that the tobacco delivered will not meet quality and quantity requirements of our customers. If the tobacco does not meet such market requirements, we may not be able to sell the tobacco we agreed to buy and may not be able to meet all of our customers' orders, which would have an adverse effect on our profitability and results of operations.

Weather and other conditions can affect the marketability of our inventory.
Like other agricultural products, the quality of tobacco is affected by weather and the environment, which can change the quality or size of the crop. If a weather event is particularly severe, such as a major drought or hurricane, the affected crop could be destroyed or damaged to an extent that it would be less desirable to our customers, which would result in a reduction in revenues. If such an event is also widespread, it could affect our ability to acquire the quantity of products required by customers. In addition, other items can affect the marketability of tobacco, including, among other things, the presence of:

- non-tobacco related material;
- genetically modified organisms; and
- excess residues of pesticides, fungicides and herbicides.

A significant event impacting the condition or quality of a large amount of any of the tobacco crops we buy could make it difficult for us to sell such tobacco or to fill our customers' orders. In addition, in the event of climate change, adverse weather patterns could develop in the growing regions in which we purchase tobacco. Such adverse weather patterns could result in more permanent disruptions in the quality and size of the available crop, which could adversely affect our business.

Risks relating to Our Operations (continued)

We face increased risks of doing business due to the extent of our international operations.
We do business in more than 35 countries, some of which do not have stable economies or governments. Our international operations are subject to international business risks, including unsettled political conditions, uncertainty in the enforcement of legal obligations, including the collection of accounts receivable, expropriation, import and export restrictions, exchange controls, inflationary economies, currency risks and risks related to the restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries. These risks are exacerbated in countries where we have advanced substantial sums or guaranteed local loans or lines of credit for the purchase of tobacco from suppliers. For example, in 2006 as a result of the political environment, economic instability, foreign currency controls and governmental regulations in Zimbabwe, we deconsolidated our Zimbabwe subsidiaries.

Our international operations are in areas where the demand is for the export of lower priced tobacco. We have significant investments in our purchasing, processing and exporting operations in Argentina, Brazil, Malawi, Tanzania and Turkey.

In recent years, economic problems in certain African countries have received wide publicity related to devaluation and appreciation of the local currency and inflation. Devaluation and appreciation can affect our purchase costs of tobacco and our processing costs. In addition, we conduct business with suppliers and customers in countries that have recently had or may be subject to dramatic political regime change, such as Egypt. In the event of such dramatic changes in the government of such countries, we may be unable to continue to operate our business, or adequately enforce legal obligations, after the change in a manner consistent with prior practice.

We are subject to potentially inconsistent actions by the governments of certain foreign countries in which we operate which may have a significant impact on our financial results. For example, in 2006, our concession to promote tobacco production in the Chifunde district of Mozambique was terminated by the government. Thereafter, we assessed our remaining Mozambique operations without the Chifunde district and determined that it was not in our economic interest to remain in Mozambique without this strategic district. Consequently, we discontinued our operations within Mozambique after the 2006 crop.

We are subject to the Foreign Corrupt Practices Act (the “FCPA”) and operate in jurisdictions that pose a high risk of potential FCPA violations.
We are subject to the FCPA, which generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. We operate in a number of jurisdictions that pose a high risk of potential FCPA violations. Although our corporate policy prohibits foreign bribery and we have adopted procedures to promote compliance, there is no assurance that our policy or procedures will work effectively all of the time or protect us against liability under the FCPA for actions taken by our agents, employees and intermediaries with respect to our business or any businesses that we acquire. Failure to comply with the FCPA, other anti-corruption laws and other laws governing the conduct of business with government entities (including local laws) could lead to criminal and civil penalties and other remedial measures (including further changes or enhancements to our procedures, policies, and controls, the imposition of a compliance monitor at our expense and potential personnel changes and/or disciplinary actions), any of which could have an adverse impact on our business, financial condition, results of operations and liquidity. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or foreign authorities also could have an adverse impact on our business, financial condition and results of operations.

In 2010, we entered into settlements with the SEC and the U.S. Department of Justice to resolve their investigations regarding potential criminal and civil violations of the FCPA. The settlements resulted in the disgorgement in profits and fines totaling $19.45 million, which have been paid. Both settlements also required us to retain an independent compliance monitor for a three year term that was completed September 30, 2013.

Our exposure to changes in foreign tax regimes could adversely impact our business.
We do business in countries that have tax regimes in which the rules are not clear, are not consistently applied and are subject to sudden change. This is especially true with regard to international transfer pricing. Our earnings could be

reduced by the uncertain and changing nature of these tax regimes.

Fluctuations in foreign currency exchange and interest rates could adversely affect our results of operations.
We conduct our business in many countries around the world. Our business is generally conducted in U.S. dollars, as is the business of the leaf tobacco industry as a whole. However, we generally must purchase tobacco in non-U.S. countries using local currency. As a result, local country operating costs, including the purchasing and processing costs for tobaccos, are subject to the effects of exchange fluctuations of the local currency against the U.S. dollar. When the U.S. dollar weakens against foreign currencies, our costs for purchasing and processing tobacco in such currencies increases. We attempt to minimize such currency risks by matching the timing of our working capital borrowing needs against the tobacco purchasing and processing funds requirements in the currency of the country where the tobacco is grown. Fluctuations in the value of foreign currencies can significantly affect our operating results.

Risks relating to Our Operations (continued)

Fluctuations in foreign currency exchange and interest rates could adversely affect our results of operations. (continued)

In addition, the devaluation of foreign currencies has resulted and may in the future result in reduced purchasing power from customers whose capital resources are denominated in those currencies. We may incur a loss of business as a result of the devaluation of these currencies now or in the future.

Low investment performance by our defined benefit pension plan assets may increase our pension expense, and may require us to fund a larger portion of our pension obligations, thus, diverting funds from other potential uses.

We sponsor defined benefit pension plans that cover certain eligible employees. Our pension expense and required contributions to our pension plans are directly affected by the value of plan assets, the projected rate of return on plan assets, the actual rate of return on plan assets, and the actuarial assumptions we use to measure the defined benefit pension plan obligations.

If plan assets perform below the assumed rate of return used to determine pension expense, future pension expense will increase. Further, as a result of the global economic instability or other economic market events, our pension plan investment portfolio may experience significant volatility.

The proportion of pension assets to liabilities, which is called the funded status, determines the level of contribution to the plan that is required by law. In recent years, we have funded the plan in amounts as required, but changes in the plan’s funded status related to the value of assets or liabilities could increase the amount required to be funded. We cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension funding obligations, diverting funds that would otherwise be available for other uses.

Competition could erode our earnings.

The leaf tobacco industry is highly competitive. We are one of two global publicly held competitors in the leaf tobacco industry, each with similar global market shares. Competition is based primarily on the prices charged for products and services as well as the merchant’s ability to meet customer specifications in the buying, processing and financing of tobacco. In addition, there is competition in all countries to buy the available tobacco. The loss or substantial reduction of any large or significant customer could reduce our earnings.

In addition to the two primary global independent leaf tobacco merchants, the cigarette manufacturers increasingly buy tobacco directly from suppliers. We also face increasing competition from new local and regional independent leaf merchants with low fixed costs and overhead and good customer connections at the local level, particularly Brazil and parts of Africa, where the new entrants have been able to capitalize in the global transition to those markets. Any of these sources of new competition may result in less tobacco available for us to purchase and process in the applicable markets.

We rely on internal and externally hosted information technology systems and disruption, failure or security breaches of these systems could adversely affect our business.

We rely on information technology (IT) systems, including systems hosted by service providers. The enterprise resource planning system (SAP) we are implementing in stages throughout the company, for example, is hosted by Capgemini and our domestic employee payroll system is hosted by Ceridian. Although we have disaster recovery plans and several intrusion preventive mitigating tools and services in place, which are active inline services or are tested routinely, our portfolio of hardware and software products, solutions and services and our enterprise IT systems, including those hosted by service providers, may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses or other malicious software programs and cyber-attacks, including system hacking and other cyber-security breaches. The failure or disruption of our IT systems to perform as anticipated for any reason could disrupt our business and result in decreased performance, significant remediation costs, transaction errors, loss of data, processing inefficiencies, downtime, litigation, and the loss of suppliers or customers. A significant disruption or failure could have a material adverse effect on our business operations, financial performance and financial

condition.

We have identified material weaknesses related to our internal controls in the past, and there can be no assurance that material weaknesses will not be identified in the future.

Prior to fiscal 2009, we identified certain matters involving our internal control over financial reporting that we and our independent registered public accounting firm determined to be material weaknesses under standards established by the Public Company Accounting Oversight Board. We remediated those material weaknesses in internal control over financial reporting, and we believe that our internal control over financial reporting was effective at March 31, 2015 as reported elsewhere in this Annual Report. Although we intend to continue to monitor and improve our internal controls, we cannot assure you that other material weaknesses will not occur in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or result in misstatements in our financial statements in amounts that could be material. Inferior internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the value of our common stock and could also require additional restatements of our prior reported financial information.

Risks Relating to Our Capital Structure

We may not continue to have access to the capital markets to obtain long-term and short-term financing on acceptable terms and conditions.
We access the short-term capital markets and, from time to time, the long-term markets to obtain financing. Although we believe that we can continue to access the capital markets in fiscal 2016 on acceptable terms and conditions, our access and the availability of acceptable terms and conditions are impacted by many factors, including: (i) our credit ratings; (ii) the liquidity and volatility of the overall capital markets; and (iii) the current state of the economy, including the tobacco industry. There can be no assurances that we will continue to have access to the capital markets on terms acceptable to us.

We may not have access to available capital to finance our local operations in non-U.S. jurisdictions.
We have typically financed our non-U.S. local operations with uncommitted short-term operating credit lines at the local level. These operating lines are typically seasonal in nature, normally extending for a term of 180 to 270 days corresponding to the tobacco crop cycle in that location. These facilities are typically uncommitted in that the lenders have the right to cease making loans or demand payment of outstanding loans at any time. In addition, each of these operating lines must be renewed with each tobacco crop season in that jurisdiction. Although our foreign subsidiaries are the borrowers under these lines, many of them are guaranteed by us.

As of March 31, 2015, we had approximately $330.3 million drawn and outstanding on short-term foreign seasonal lines with maximum capacity totaling $795.7 million subject to limitations under our senior secured credit facility. Additionally against these lines there was $10.9 million available in unused letter of credit capacity with $6.3 million issued but unfunded.

Because the lenders under these operating lines typically have the right to cancel the loan at any time and each line must be renewed with each crop season, there can be no assurance that this capital will be available to our subsidiaries. If a number of these lenders cease lending to our subsidiaries or dramatically decrease such lending, it could have a material adverse affect on our liquidity.

Failure of foreign banks in which our subsidiaries deposit funds or the failure to transfer funds or honor withdrawals may affect our results of operations.
Funds held by our foreign subsidiaries are often deposited in their local banks. Banks in certain foreign jurisdictions may be subject to a higher rate of failure or may not honor withdrawals of deposited funds. In addition, the countries in which these local banks operate may lack sufficient regulatory oversight or suffer from structural weaknesses in the local banking system. Due to uncertainties and risks relating to the political stability of certain foreign governments, these local banks also may be subject to exchange controls and therefore unable to perform transfers of certain currencies. If our ability to gain access to these funds was impaired, it could have a material adverse effect on our results of operations.

We have substantial debt which may adversely affect us by limiting future sources of financing, interfering with our ability to pay interest and principal on the senior notes and subjecting us to additional risks.
We have a significant amount of indebtedness and debt service obligations. As of March 31, 2015, we had approximately $1,072.1 million of indebtedness. In addition, the indenture governing the senior secured second lien notes allows us to incur additional indebtedness under certain circumstances. If we add new indebtedness to our current indebtedness levels, the related risks that we now face could increase.

Our substantial debt will have important consequences, including:

- that our indebtedness may make it more difficult for us to satisfy our obligations with respect to the senior notes and our other obligations;
- that our indebtedness may limit our ability to obtain additional financing on satisfactory terms and to otherwise fund working capital, capital expenditures, debt refinancing, acquisitions and other general corporate requirements;
-

that a significant portion of our cash flow from operations must be dedicated to paying interest on and the repayment of the principal of our indebtedness. This reduces the amount of cash we have available for making principal and interest payments under the senior notes and for other purposes and makes us more vulnerable to a decrease in demand for leaf tobacco, increases in our operating costs or general economic or industry conditions;

- that our ability to adjust to changing market conditions and to compete with other global leaf tobacco merchants may be hampered by the amount of debt we owe;
- increasing our vulnerability to general adverse economic and industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- restricting us from making strategic acquisitions or exploiting business opportunities.

Risks Relating to Our Capital Structure (continued)

We have substantial debt which may adversely affect us by limiting future sources of financing, interfering with our ability to pay interest and principal on the senior notes and subjecting us to additional risks. (continued)

In addition, the indenture governing the senior secured second lien notes and our senior secured credit facility each contain financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt. Also, a substantial portion of our debt, including borrowings under our senior secured credit facility, bears interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt service requirements, which would adversely affect our cash flow. While we may enter into agreements limiting our exposure to higher debt service requirements, any such agreements may not offer complete protection from this risk.

Despite current indebtedness levels, we may still be able to incur substantially more debt. This could exacerbate further the risks associated with our significant leverage.

We may be able to incur substantial additional indebtedness in the future. The terms of the indenture governing our publicly traded senior secured second lien notes and our credit agreement restrict, but do not completely prohibit, us from doing so. Our senior secured credit facility provides for a revolving credit line of $210.3 million. There were no borrowings outstanding under this facility at March 31, 2015. If new debt is added to our current debt levels, the related risks we now face could intensify.

The indentures governing the senior notes and our senior secured credit facility contain, and in the future could contain additional, covenants and tests that limit our ability to take actions or cause us to take actions we may not normally take.

The indenture governing the senior secured second lien notes and our senior secured credit facility contain a number of significant covenants. These covenants limit our ability to, among other things:

- incur additional indebtedness;
- issue preferred stock;
- merge, consolidate or dispose of substantially all of our assets;
- grant liens on our assets;
- pay dividends, redeem stock or make other distributions or restricted payments;
- repurchase or redeem capital stock or prepay subordinated debt;
- make certain investments;
- agree to restrictions on the payment of dividends to us by our subsidiaries;
- sell or otherwise dispose of assets, including equity interests of our subsidiaries;
- enter into transactions with our affiliates; and
- enter into certain sale and leaseback transactions.

Our senior secured credit facility and the indenture require us to meet certain financial tests. Complying with these covenants and tests may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take. The failure to comply with these covenants and tests would cause a default under the credit facility and, under the indenture, would prevent us from taking certain actions, such as incurring additional debt, paying dividends or redeeming senior notes or subordinated debt. A default, if not waived, could result in the debt under our senior secured credit facility and the indenture becoming immediately due and payable and could result in a default or acceleration of our other indebtedness with cross-default provisions. If this occurs, we may not be able to pay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be on terms that are acceptable to us.

We may not be able to satisfy the covenants included in our financing arrangements which could result in the default of our outstanding debt obligations.

In the recent past, we have sought and obtained waivers and amendments under our then existing financing arrangements to avoid future non-compliance with financial covenants and cure past defaults under restrictive covenants. We also paid significant fees to obtain these waivers and consents. You should consider this in evaluating our ability to comply with restrictive covenants in our debt instruments and the financial costs of our ability to do so. Any future defaults for which we do not obtain waivers or amendments could result in the acceleration of a substantial portion of our indebtedness, much of which is cross-defaulted to other indebtedness.

Risks Relating to Our Capital Structure (continued)

We will require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.
Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This is subject to general economic, financial, competitive and other factors that may be beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior secured credit facility or otherwise in an amount sufficient to enable us to pay our indebtedness, including the senior secured second lien notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the senior secured second lien notes, on or before maturity. We cannot assure you that we will be able to refinance any of our debt, including our senior secured credit facility or the senior secured second lien notes, on commercially reasonable terms or at all. Additionally, to the extent permitted under our senior secured credit agreement and indenture, we may repurchase, repay or tender for our bank debt or our senior secured second lien notes, which may place pressure on future cash requirements to the extent that the debt repurchased, repaid or tendered cannot be redrawn.

If we refinance our current credit facilities, we may not be able to obtain the same credit availability or at interest rates similar to our current credit facilities.
If credit market conditions worsen, it could have a material adverse impact on our ability to refinance our current credit facilities on similar or better terms than our current credit facility.

Risks Related to Global Financial and Credit Markets

Volatility and disruption of global financial and credit markets may negatively impact our ability to access financing and expose us to unexpected risks.
Global financial and credit markets exposes us to a variety of risks as we fund our business with a combination of cash from operations, short-term seasonal credit lines, our revolving credit facility, long-term debt securities and customer advances. We have financed our non-U.S. operations with uncommitted unsecured short term seasonal lines of credit at the local level. These local operating lines typically extend for a term of up to one year and are typically uncommitted in that the lenders have the right to cease making loans and demand repayment of loans at any time. As of March 31, 2015, we had approximately $330.3 million drawn and outstanding on short-term foreign seasonal lines with maximum capacity totaling $795.7 million. Changes in the global financial and credit markets could create uncertainty as to whether local seasonal lines will continue to be available to finance our non-U.S. operations to the extent or on terms similar to what has been available in the past and whether repayment of existing loans under these lines will be demanded prior to maturity. To the extent that local seasonal lines cease to be available at levels necessary to finance our non-U.S. operations or we are required to repay loans under the lines prior to maturity, we may be required to seek alternative financing sources beyond our existing committed sources of funding. Based on the current financial and credit markets, we cannot assure you that such alternative funding will be available to us on terms and conditions acceptable to us, or at all. In the event that we may be required to support our non-U.S. operations by borrowing U.S. dollars under our existing senior secured credit facility, we may be exposed to additional currency exchange risk that we may be unable to successfully hedge. Further, there is additional risk that certain banks that are lenders in the U.S. senior secured credit facility could be unable to meet contractually obligated borrowing requests in the future if their financial condition were to deteriorate. In addition, we maintain deposit accounts with numerous financial institutions around the world in amounts that exceed applicable governmental deposit insurance levels. While we actively monitor our deposit relationships, we are subject to risk of loss in the event of the unanticipated failure of a financial institution in which we maintain deposits, which loss could be material to our results of operations and financial condition.

Derivative transactions may expose us to potential losses and counterparty risk.

We have entered into certain derivative transactions, including interest rate swaps and foreign exchange contracts. Changes in the fair value of these derivative financial instruments that are not accounted for as cash flow hedges are reported as income, and accordingly could materially affect our reported income in any period. In addition, the counterparties to these derivative transactions are financial institutions or affiliates of financial institutions, and we are subject to risks that these counterparties default under these transactions. In some of these transactions, our exposure to counterparty credit risk is not secured by any collateral. Global economic conditions over the last few years have resulted in the actual or perceived failure or financial difficulties of many financial institutions, including bankruptcy. If one or more of the counterparties to one or more of our derivative transactions not secured by any collateral becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. We can provide no assurances as to the financial stability or viability of any of our counterparties.

Risks Relating to the Tobacco Industry

Reductions in demand for consumer tobacco products could adversely affect our results of operations.
The tobacco industry, both in the United States and abroad, continues to face a number of issues that may reduce the consumption of cigarettes and adversely affect our business, sales volume, results of operations, cash flows and financial condition.

These issues, some of which are more fully discussed below, include:

- governmental actions seeking to ascribe to tobacco product manufacturers liability for adverse health effects associated with smoking and exposure to environmental tobacco smoke;
- smoking and health litigation against tobacco product manufacturers;
- increased consumer acceptance of electronic cigarettes;
- tax increases on consumer tobacco products;
- current and potential actions by state attorneys general to enforce the terms of the Master Settlement Agreement, or MSA, between state governments in the United States and tobacco product manufacturers;
- governmental and private bans and restrictions on smoking;
- actual and proposed price controls and restrictions on imports in certain jurisdictions outside the United States;
- restrictions on tobacco product manufacturing, marketing, advertising and sales;
- the diminishing social acceptance of smoking;
- increased pressure from anti-smoking groups;
- other tobacco product legislation that may be considered by Congress, the states, municipalities and other countries; and
- the impact of consolidation among multinational cigarette manufacturers.

Tobacco product manufacturer litigation may reduce demand for our products and services.
Our primary customers, the leading cigarette manufacturers, face thousands of lawsuits brought throughout the United States and, to a lesser extent, the rest of the world. These lawsuits have been brought by plaintiffs, including (1) individuals and classes of individuals alleging personal injury and/or misleading advertising, (2) governments (including governmental and quasi-governmental entities in the United States and abroad) seeking recovery of health care costs allegedly caused by cigarette smoking, and (3) other groups seeking recovery of health care expenditures allegedly caused by cigarette smoking, including third-party health care payors, such as unions and health maintenance organizations. Damages claimed in some of the smoking and health cases range into the billions of dollars. There have been several jury verdicts in tobacco product litigation during the past several years. Additional plaintiffs continue to file lawsuits. The effects of the lawsuits on our customers could reduce their demand for tobacco from us.

Legislation and regulatory and other governmental initiatives could impose burdensome restrictions on the tobacco industry and reduce consumption of consumer tobacco products and demand for our services.
The Family Smoking Prevention and Tobacco Control Act extends the authority of the Food and Drug Administration ("FDA") to regulate tobacco products. This act authorizes the FDA to adopt product standards for tobacco products, including the level of nicotine yield and the reduction or elimination of other constituents of the products, along with provisions for the testing of products against these standards. The act imposes further restrictions on advertising of tobacco products, authorizes the FDA to limit the sales of tobacco products to face-to-face transactions permitting the verification of the age of the purchaser, authorizes a study to determine whether the minimum age for the purchase of tobacco products should be increased and requires submission of reports from manufacturers of tobacco products to the FDA regarding product ingredients and other matters, including reports on health, toxicological, behavioral, or physiologic effects of tobacco products and their constituents. The act also mandates warning labels and requires packaging to indicate the percentage of domestically grown tobacco and foreign grown tobacco included in the product. The FDA has adopted regulations under the act establishing requirements for the sale, distribution and marketing of cigarettes, as well as package warnings and advertising limitations.

In addition, the act directs the FDA to promulgate regulations requiring that the methods used in, and the facilities and controls used for, the manufacture, preproduction design validation, packing, and storage of a tobacco product conform to current good manufacturing practice. The act does not apply to tobacco leaf that is not in the possession of a manufacturer of tobacco products, or to the producers of tobacco leaf, including tobacco suppliers, tobacco warehouses, and tobacco supplier cooperatives unless those entities are controlled by a tobacco product manufacturer. The FDA has adopted regulations to implement only certain of these provisions. The full impact of these provisions of the legislation, adopted and proposed regulations and any future regulatory action to implement these provisions is uncertain. However, if the effect of such legislation is a significant reduction in consumption of tobacco products, it could materially adversely affect our business, volume, results of operations, cash flows and financial condition.

Risks Relating to the Tobacco Industry (continued)

Legislation and regulatory and other governmental initiatives could impose burdensome restrictions on the tobacco industry and reduce consumption of consumer tobacco products and demand for our services. (continued)

Reports with respect to the harmful physical effects of cigarette smoking have been publicized for many years, and the sale, promotion and use of cigarettes continue to be subject to increasing governmental regulation. Since 1964, the Surgeon General of the United States and the Secretary of Health and Human Services have released a number of reports linking cigarette smoking with a broad range of health hazards, including various types of cancer, coronary heart disease and chronic lung disease, and recommending various governmental measures to reduce the incidence of smoking. More recent reports focus upon the addictive nature of cigarettes, the effects of smoking cessation, the decrease in smoking in the United States, the economic and regulatory aspects of smoking in the Western Hemisphere, and cigarette smoking by adolescents, particularly the addictive nature of cigarette smoking in adolescence. Numerous state and municipal governments have taken and others may take actions to diminish the social acceptance of smoking of tobacco products, including banning smoking in certain public and private locations.

A number of foreign nations also have taken steps to restrict or prohibit cigarette advertising and promotion, to increase taxes on cigarettes and to discourage cigarette smoking. In some cases, such restrictions are more onerous than those in the United States. For example, advertising and promotion of cigarettes has been banned or severely restricted for a number of years in Australia, Canada, Finland, France, Italy, Singapore and other countries. Further, in February 2005, the World Health Organization ("WHO") treaty, the Framework Convention for Tobacco Control ("FCTC"), entered into force. This treaty, to which 180 nations were parties at March 31, 2015, requires signatory nations to enact legislation that would require, among other things, specific actions to prevent youth smoking; restrict or prohibit tobacco product marketing; inform the public about the health consequences of smoking and the benefits of quitting; regulate the content of tobacco products; impose new package warning requirements including the use of pictorial or graphic images; eliminate cigarette smuggling and counterfeit cigarettes; restrict smoking in public places; increase and harmonize cigarette excise taxes; abolish duty-free tobacco sales; and permit and encourage litigation against tobacco product manufacturers.

Due to the present regulatory and legislative environment, a substantial risk exists that past growth trends in tobacco product sales may not continue and that existing sales may decline. A significant decrease in worldwide tobacco consumption brought about by existing or future governmental laws and regulations would reduce demand for tobacco products and services and could have a material adverse effect on our results of operations.

Government actions can have a significant effect on the sourcing of tobacco. If some of the current efforts are successful, we could have difficulty obtaining sufficient tobacco to meet our customers' requirements, which could have an adverse effect on our performance and results of operations.

The WHO, through the FCTC, created a formal study group to identify and assess crop diversification initiatives and alternatives
to leaf tobacco growing in countries whose economies depend upon tobacco production. The study group began its work in February 2007. In its initial report published later that year, the study group indicated that the FCTC did not aim to phase out tobacco growing, but the study group's focus on alternatives to tobacco crops was in preparation for its anticipated eventual decrease in demand resulting from the FCTC's other tobacco control initiatives.

If the objective of the FCTC study group were to change to seek to eliminate or significantly reduce leaf tobacco production and certain countries were to partner with the study group in pursuing this objective, we could encounter difficulty in sourcing leaf tobacco to fill customer requirements, which could have an adverse effect on our results of operations.

In addition, continued government and public emphasis on environmental issues, including climate change, conservation, and natural resource management, could result in new or more stringent forms of regulatory oversight of industry activities, which may lead to increased levels of expenditures for environmental controls, land use restrictions affecting us or our suppliers, and other conditions that could have a material adverse effect on our business, financial condition, and results of operations. For example, certain aspects of our business generate carbon emissions. Regulatory restrictions on greenhouse gas emissions have been proposed in certain countries in which we operate.

These may include limitations on such emissions, taxes or emission allowance fees on such emissions, various restrictions on industrial operations, and other measures that could affect land-use decisions, the cost of agricultural production, and the cost and means of processing and transporting our products. These actions could adversely affect our business, financial condition, and results of operations.

We have been subject to governmental investigations into, and litigation concerning, leaf tobacco industry buying and other payment practices.

The leaf tobacco industry, from time to time, has been the subject of government investigations regarding trade practices. For example, we were the subject of an investigation by the Antitrust Division of the United States Department of Justice into certain buying practices alleged to have occurred in the industry, we were named defendants in an antitrust class action litigation alleging a conspiracy to rig bids in the tobacco auction markets, and we were the subject of an administrative investigation into certain tobacco buying and selling practices alleged to have occurred within the leaf tobacco industry in some countries within the European Union, including Spain, Italy, Greece and potentially other countries.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Following is a description of Alliance One's material properties as of March 31, 2015.

Corporate
Our corporate headquarters are located in Morrisville, North Carolina and are leased under an agreement that expires in May 2021.

Facilities

We own a total of 11 production facilities in 7 countries. We operate each of our tobacco processing plants for seven to nine months during the year to correspond with the applicable harvesting season. While we believe our production facilities have been efficiently utilized, we continually compare our production capacity and organization with the transitions occurring in global sourcing of tobacco. We also believe our domestic production facilities and certain foreign production facilities have the capacity to process additional volumes of tobacco if required by customer demand.

The following is a listing of the various material properties used in operations all of which are owned by Alliance One:

LOCATION	USE
SOUTH AMERICA SEGMENT	
SOUTH AMERICA	
VENANCIO AIRES, BRAZIL	FACTORY/STORAGE
ARARANGUA, BRAZIL	FACTORY/STORAGE
EL CARRIL, ARGENTINA	FACTORY/STORAGE
VALUE ADDED SERVICES	
UNITED STATES	
WILSON, N.C.	FACTORY/STORAGE
OTHER REGIONS SEGMENT	
UNITED STATES	
WILSON, N.C.	FACTORY/STORAGE
FARMVILLE, N.C.	FACTORY/STORAGE
DANVILLE, VA	STORAGE
AFRICA	
LILONGWE, MALAWI	FACTORY/STORAGE
MOROGORO, TANZANIA	FACTORY/STORAGE
EUROPE	
KARLSRUHE, GERMANY	FACTORY/STORAGE
ASIA	
NGORO, INDONESIA	FACTORY/STORAGE

ITEM 3. LEGAL PROCEEDINGS

Mindo, S.r.l., the purchaser in 2004 of the Company's Italian subsidiary Dimon Italia, S.r.l., asserted claims against a subsidiary of the Company arising out of that sale transaction in an action filed before the Court of Rome on April 12, 2007. The claim involved a guaranty letter issued by a consolidated subsidiary of the Company in connection with the sale transaction, and sought the recovery of €7.4 million plus interest and costs. On November 11, 2013, the court issued its judgment in favor of the Company's subsidiary, rejecting the claims asserted by Mindo, S.r.l., and awarding the Company's subsidiary legal costs of €0.05 million. On December 23, 2014, Mindo, S.r.l. appealed the judgment of the Court of Rome to the Court of Appeal of Rome. A hearing before the Court of Appeal of Rome has been set for June 12, 2015. The outcome of, and timing of a decision on, the appeal are uncertain.

In addition to the above-mentioned matter, certain of the Company's subsidiaries are involved in other litigation or legal matters incidental to their business activities, including tax matters. While the outcome of these matters cannot be predicted with certainty, the Company is vigorously defending them and does not currently expect that any of them will have a material adverse effect on its business or financial position. However, should one or more of these matters be resolved in a manner adverse to its current expectation, the effect on the Company's results of operations for a particular fiscal reporting period could be material.

ITEM 4. MINE SAFETY DISCLOSURES

N/A

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Alliance One's common stock is traded on the New York Stock Exchange, under the ticker symbol "AOI."

The following table sets forth for the periods indicated the high and low reported sales prices of our common stock as reported by the NYSE and the amount of dividends declared per share for the periods indicated.

	High	Low	Dividends Declared
Year Ended March 31, 2015			
Fourth Quarter	$1.63	$0.83	$—
Third Quarter	2.10	1.52	—
Second Quarter	2.74	1.93	—
First Quarter	3.01	2.30	—
Year Ended March 31, 2014			
Fourth Quarter	$3.10	$2.41	$—
Third Quarter	3.25	2.81	—
Second Quarter	4.23	2.79	—
First Quarter	3.99	3.41	—

As of March 31, 2015, there were 4,995 shareholders, including 4,243 non-objecting beneficial holders of our common stock.

The payment of dividends by Alliance One is subject to the discretion of our board of directors and will depend on business conditions, compliance with debt agreements, achievement of anticipated cost savings, financial condition and earnings, regulatory considerations and other factors. Our senior secured credit facility and the indenture governing our senior secured second lien notes restrict our ability to pay dividends. See "Management's Discussion and

Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Dividends."

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES (continued)

Alliance One International, Inc. Comparison of Cumulative Total Return to Shareholders

The following line graph and table presents the cumulative total shareholder return of a $100 investment including reinvestment of dividends and price appreciation over the last five years in each of the following: Alliance One International, Inc. (AOI) common stock, the S&P 500 Index, the S&P 600 Small Cap Index and an index of peer companies. The sole company in the peer group is Universal Corporation (UVV).
*$100 invested on 3/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

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Cumulative Total Return

	03/31/2010	03/31/2011	03/31/2012	03/31/2013	03/31/2014	03/31/2015
Alliance One International, Inc.	$100.00	$78.98	$74.07	$76.42	57.37	21.61
S&P 500	$100.00	$115.65	$125.52	$143.05	174.31	196.51
S&P Smallcap 600	$100.00	$125.26	$131.56	$152.80	195.29	212.32
Custom Peer Group	$100.00	$86.34	$96.80	$121.15	125.39	110.55

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR FINANCIAL STATISTICS
Alliance One International, Inc. and Subsidiaries

	Years Ended March 31,				
(in thousands, except per share amount, ratio and number of stockholders)	2015	2014	2013	2012	2011
Summary of Operations					
Sales and other operating revenues	$2,065,850	$2,354,956	$2,243,816	$2,150,767	$2,094,062
Restructuring and asset impairment charges (recoveries)	9,118	5,111	(55)	1,006	23,467
Operating income	110,835	119,059	160,272	154,813	132,874
Debt retirement expense (income) (1)	(771)	57,449	1,195	—	4,584
Net income (loss)	(15,597)	(87,002)	24,712	29,191	(72,148)
Net income (loss) attributable to Alliance One International, Inc.	(15,425)	(86,659)	24,013	29,451	(71,551)
Earnings Per Share Attributable to Alliance One International, Inc.:					
Basic earnings (loss) per share	$(0.17)	$(0.99)	$0.27	$0.34	$(0.81)
Diluted earnings (loss) per share (2)	$(0.17)	$(0.99)	$0.25	$0.30	$(0.81)

Cash dividends paid	—	—	—	—	—
Balance Sheet Data					
Working capital	$672,236	$819,400	$843,803	$828,681	$846,860
Total assets	1,664,589	1,775,287	1,911,579	1,949,845	1,808,300
Long-term debt	738,943	900,363	830,870	821,453	884,371
Stockholders’ equity attributable to Alliance One International, Inc.	232,990	273,593	338,393	327,482	312,813
Other Data					
Ratio of earnings to fixed charges	1.04	—	1.43	1.49	1.30
Coverage deficiency	n/a	47,277	n/a	n/a	n/a
Common shares outstanding at year end (3)	88,583	88,159	87,641	87,381	87,085
Number of stockholders at year end (4)	4,995	5,346	5,582	6,380	8,849

(1) For the year ended March 31, 2014, the Company refinanced its credit facility and long-term debt which resulted in recognition of significant costs to retire existing debt and accelerated recognition of related deferred financing costs and original issue discounts. For the year ended March 31, 2013, the Company terminated a long-term foreign seasonal borrowing which resulted in accelerated recognition of related deferred financing costs.
(2) For the years ended March 31, 2015, 2014 and 2011, all outstanding restricted shares and shares applicable to stock options and restricted stock units are excluded because their inclusion would have an antidilutive effect on the loss per share. For the years ended March 31, 2015, 2014 and 2011, assumed conversion of convertible notes at the beginning of the period has an antidultive effect on the loss per share.
(3) Excluding 7,853 shares owned by a wholly owned subsidiary.
(4) Includes the number of stockholders of record and non-objecting beneficial owners.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussions should be read in conjunction with the other sections of this report, including the consolidated financial statements and related notes contained in Item 8 of this Form 10-K:

Executive Overview

The following executive overview is intended to provide significant highlights of the discussion and analysis that follows.

Financial Results

Fiscal year 2015 volume and sales were impacted by global oversupply as a result of customers that modified inventory positions due to reduced consumer demand in some markets over the last 36 months, as well as the deconsolidation of a former Brazilian subsidiary in March 2014. However, primarily as a result of product mix, exchange rate movement and the non-recurrence of Zambia losses in the prior year, gross profit improved 6.3% and our gross profit as a percentage of sales improved from 10.2% to 12.3%. SG&A increased 2.2% as increased reserves for customer receivables were substantially offset by lower compensation costs, professional fees and amortization related to internally developed software. Other income decreased mainly due to the prior year gain of $20.4 million from the sale of a 51% interest in a Brazilian subsidiary to complete the formation of a new joint venture. Restructuring and asset impairment charges in the current year are primarily related to employee severance costs in connection with our restructuring and cost reduction plan announced during the quarter ended March 31, 2015. Although operating income decreased by 7.0% from the prior year mainly driven by the non-recurrence of the Brazilian other income gain last year, our pretax income improved 109.4% from $(48.1) million to $4.5 million and was impacted by the non-recurrence of debt retirement costs associated with our refinancing last year.

Liquidity

Our liquidity requirements are affected by various factors including crop seasonality, foreign currency and interest rates, green tobacco prices, customer mix, crop size and quality. We monitor and adjust funding sources based on a number of industry, business, and financial market dynamics. We utilize surplus cash to reduce long-term debt and during the year purchased and canceled $15.0 million of our 9.875% Senior Secured Second Lien Notes, leaving $720.0 million of face value outstanding at year end. Our goal as we move forward is to reduce the amount of this debt by continuing to utilize surplus cash. Additionally, our liquidity position at March 31, 2015 remained strong and in line with our internal expectations at $813.2 million, comprised of $143.9 million of cash and $669.4 million of available credit, with $10.9 exclusively for letters of credit. We will continue to monitor the capital markets and utilize various short-term funding sources to enhance and drive various business opportunities that maintain flexibility and meet cost expectations.

Outlook

Planned global crop production is beginning to decrease in line with world-wide demand. It will likely take another crop cycle to achieve equilibrium or potentially undersupply in certain qualities, although the market has already begun to tighten in some origins. We will continue to monitor our customers' requirements, as we further strengthen our operations, improve our global footprint and move further up the supply chain to meet our customers' evolving sourcing parameters and simplification strategies. Partial vertical integration strategies by some manufactures are beginning to reverse as the efficiency benefits and costs savings of further leveraging compliant leaf merchants' capabilities are presenting opportunities for growth. We will continue to focus on enhancing best agricultural practices globally and improving sustainability programs essential to our Company and customers.

Phase one of our restructuring and efficiency improvement program that commenced implementation in March 2015 is on track to deliver $30.0 million to$35.0 million of anticipated recurring annualized savings with

approximately 75.0% to 80.0% of the actions targeted enacted by the end of September 2015. In addition to reducing our cost structure, we plan to further optimize our global footprint including rationalizing certain markets that are neither meeting internal performance expectations nor part of our customers' future planning, while improving core markets where we have invested. We believe growth opportunities exist, and we are taking the steps required to strengthen our position as a preferred supplier to the world's manufacturers. Execution on plans to address challenges and customer requirements are anticipated to improve shareholder value.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations

Condensed Consolidated Statements of Operations and Supplemental Information

	Twelve Months Ended March 31,						
		Change			Change		
(in millions, except per kilo amounts)	2015	$	%	2014	$	%	2013
Kilos sold	378.4	(46.4)	(10.9)	424.8	0.6	0.1	424.2
Tobacco sales and other operating revenues:							
Sales and other operating revenues	$1,947.5	$(321.5)	(14.2)	$2,269.0	$120.3	5.6	$2,148.7
Average price per kilo	5.15	(0.19)	(3.6)	5.34	0.27	5.3	5.07
Processing and other revenues	118.4	32.5	37.8	85.9	(9.2)	(9.7)	95.1
Total sales and other operating revenues	2,065.9	(289.0)	(12.3)	2,354.9	111.1	5.0	2,243.8
Tobacco cost of goods sold:							
Tobacco costs	1,670.1	(302.2)	(15.3)	1,972.3	156.2	8.6	1,816.1
Transportation, storage and other period costs	68.7	(13.6)	(16.5)	82.3	7.0	9.3	75.3
Derivative financial instrument and exchange (gains) losses	(0.1)	(8.2)	(101.2)	8.1	(3.0)	(27.0)	11.1
Total tobacco cost of goods sold	1,738.7	(324.0)	(15.7)	2,062.7	160.2	8.4	1,902.5
Average cost per kilo	4.59	(0.27)	(5.5)	4.86	0.38	8.5	4.48
Processing and other revenues cost of services sold	72.1	19.9	38.1	52.2	(3.9)	(7.0)	56.1
Total cost of goods and services sold	1,810.8	(304.1)	(14.4)	2,114.9	156.3	8.0	1,958.6
Gross profit	255.1	15.1	6.3	240.0	(45.2)	(15.8)	285.2
Selling, general, and administrative expenses	137.0	2.9	2.2	134.1	(11.7)	(8.0)	145.8
Other income	1.9	(16.3)	(89.6)	18.2	(2.5)	(12.1)	20.7
Restructuring and asset impairment charges (recoveries)	9.1	4.0	78.4	5.1	5.2	5,200.0	(0.1)
Operating income	110.8 *	(8.3) *	(7.0)	119.1 *	(41.2)	(25.7)	160.3 *
Debt retirement expense (income)	(0.8)	(58.2)	(101.4)	57.4	56.2	4,683.3	1.2
Interest expense	113.4	(3.4)	(2.9)	116.8	2.2	1.9	114.6
Interest income	6.3	(0.8)	(11.3)	7.1	0.6	9.2	6.5
Income tax expense	22.9	(16.0)	(41.1)	38.9	10.9	38.9	28.0
Equity in net income of investee companies	2.8	2.7	2,700.0	0.1	(1.5)	(93.8)	1.6
Income (loss) attributable to noncontrolling interests	(0.2)	0.1	33.3	(0.3)	(1.0)	(142.9)	0.7
Income (loss) attributable to Alliance One	$(15.4)	$71.3 *	82.2	$(86.7) *	$(110.7) *	(461.3)	$24.0 *

International, Inc.
*Amounts do not equal column totals due to rounding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations (continued)

Comparison of the Year Ended March 31, 2015 to the Year Ended March 31, 2014

Summary
Total sales and other operating revenues decreased 12.3% to $2,065.9 million primarily due to a 10.9% decrease in volumes and a 3.6% decrease in average sales price. Processing revenues and cost of services increases were primarily due to processing for our former Brazilian subsidiary that is now deconsolidated following the completion of a joint venture in March 2014 and increased customer requirements due to a larger U.S. flue cured crop this year. Reduced volumes were primarily from Brazil due to the deconsolidation of the former Brazilian subsidiary as well as the impact of an oversupply of tobacco in the global market. Lower average sales prices and average tobacco costs on a per kilo basis were primarily the result of product mix, lower prices paid to tobacco suppliers across most regions in response to the oversupply market and exchange rate movement. Average tobacco costs per kilo were further decreased due to lower period costs primarily from the non-recurrence of prior year losses in Zambia related to reduced recoveries from tobacco suppliers. The decreases in tobacco costs more than offset the decreases in tobacco revenues and gross profit increased 6.3% to $255.1 million. Although volumes decreased this year, the impact of product mix, higher green costs not fully recovered from customers in the prior year, the non-recurrence of Zambia losses and improvement in currency movements, our gross profit as a percentage of sales improved from 10.2% to 12.3%. SG&A increased primarily from increased reserves for customer receivables that were substantially offset by lower compensation costs, professional fees and amortization related to internally developed software. Other income decreased primarily due to the prior year gain of $20.4 million from the sale of 51% interest in a Brazilian subsidiary to complete the formation of a new joint venture. Restructuring and asset impairment charges in the current year are primarily related to employee severance costs in connection with our restructuring and cost reduction plan announced during the quarter ended March 31, 2015. The prior year included restructuring and asset impairment charges primarily attributable to our agreement for a joint processing venture in Turkey and equipment charges in Africa. Primarily due to the non-recurrence of the prior year Brazil other income gain, operating income decreased 7.0% compared with the prior year.

In the prior year, we refinanced our 10% senior notes and purchased $60.0 million of our convertible notes. As a result, one-time debt retirement costs of $57.4 million were recorded including $21.3 million of accelerated amortization of debt issuance costs and recognition of original issue discount related to the 10% senior notes. Our interest costs decreased from the prior year related primarily due to lower amortization of debt costs and average borrowings partially offset by higher average rates. Our effective tax rate was 507.6% this year compared to (80.9)% last year. The variance in the effective tax rate between this year and last year is mainly related to certain losses for which no tax benefit is recorded, net exchanges losses on income tax accounts, the accrual of U.S. taxes on unremitted foreign earnings and lower foreign income tax rates.

South America Region

South America Region Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2015	$	%	2014
Kilos sold	87.2	(49.4)	(36.2)	136.6
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$438.0	$(292.0)	(40.0)	$730.0
Average price per kilo	5.02	(0.32)	(6.0)	5.34
Processing and other revenues	33.9	20.1	145.7	13.8

Total sales and other operating revenues	471.9	(271.9)	(36.6)	743.8
Tobacco cost of goods sold				
Tobacco costs	376.6	(246.1)	(39.5)	622.7
Transportation, storage and other period costs	16.9	(7.9)	(31.9)	24.8
Derivative financial instrument and exchange losses	7.5	0.3	4.2	7.2
Total tobacco cost of goods sold	401.0	(253.7)	(38.8)	654.7
Average cost per kilo	4.60	(0.19)	(4.0)	4.79
Processing and other revenues costs of services sold	21.5	16.5	333.0	5.0
Total cost of goods and services sold	422.5	(237.2)	(36.0)	659.7
Gross profit	49.4	(34.7)	(41.3)	84.1
Selling, general and administrative expenses	31.1	(14.4)	(31.6)	45.5
Other income	4.7	(17.6)	(78.9)	22.3
Restructuring and asset impairment charges	2.3	1.9	475.0	0.4
Operating income	$20.7	$(39.8)	(65.8)	$60.5

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations (continued)

Comparison of the Year Ended March 31, 2015 to the Year Ended March 31, 2014 (continued)

South America Region (continued)

Total sales and other operating revenues decreased 36.6% to $471.9 million due to a 36.2% decrease in volumes primarily due to the impact of an oversupply of tobacco in the global market and the deconsolidation of a Brazilian subsidiary following completion of a joint venture in March 2014. Average sales prices and average tobacco costs per kilo decreased primarily from lower prices paid to tobacco suppliers. Average sales prices were also negatively impacted by the downward pressure on sales prices due to an oversupply in the market and product mix. Processing and other revenue and cost increases this year were the result of processing for the former Brazilian subsidiary that is now deconsolidated and the delay in delivery of the current crop. As a result of lower volumes this year, gross profit decreased 41.3% to $49.4 million compared to last year. The impact of the pressure on sales prices this year and product mix resulted in a decrease in gross profit as a percentage of sales from 11.3% last year to 10.5% this year. Reductions in SG&A were attributable to allocations for general corporate services and favorable exchange rate movement. Other income decreased primarily due to the prior year gain of $20.4 million from the sale of 51% interest in a Brazilian subsidiary to complete the formation of a new joint venture. The increase in restructuring and asset impairment charges is from employee severance costs as part of our restructuring and cost reduction plan announced during the quarter ended March 31, 2015. Operating income declined 65.8% from the prior year as a result of the impact of the change in results for the region.

Value Added Services

Value Added Services Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2015	$	%	2014
Kilos sold	25.3	3.1	14.0	22.2
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$127.2	$13.7	12.1	$113.5
Average price per kilo	5.03	(0.08)	(1.6)	5.11
Processing and other revenues	9.8	(0.5)	(4.9)	10.3
Total sales and other operating revenues	137.0	13.2	10.7	123.8
Tobacco cost of goods sold				
Tobacco costs	101.6	10.8	11.9	90.8
Transportation, storage and other period costs	5.3	1.1	26.2	4.2
Derivative financial instrument and exchange (gains) losses	—	—	—	—
Total tobacco cost of goods sold	106.9	11.9	12.5	95.0
Average cost per kilo	4.23	(0.05)	(1.2)	4.28
Processing and other revenues costs of services sold	7.4	—	—	7.4
Total cost of goods and services sold	114.3	11.9	11.6	102.4
Gross profit	22.7	1.3	6.1	21.4
Selling, general and administrative expenses	12.3	2.5	25.5	9.8
Other income	—	—	—	—
Restructuring and asset impairment charges	0.5	0.3	150.0	0.2
Operating income	$9.9	$(1.5)	(13.2)	$11.4

Total sales and other operating revenues increased 10.7% to $137.0 million primarily due to a 14.0% increase in volumes primarily from increased demand for our cut rag and specialty blend products that were partially offset by a 1.6% decrease in average selling prices due to product mix. Increased tobacco costs of sales primarily from the increased volumes sold were partially offset by lower costs per kilo attributable to increased throughput, which lowered conversion costs, as well as product mix. As a result, gross profit improved 6.1% to $22.7 million, while gross profit as a percentage of sales decreased slightly from 17.3% to 16.6%. SG&A increases were due to reserves for customer receivables during the current year. With the construction of a new U.S. cut rag facility with state of the art machinery and equipment, an asset impairment charge of $0.5 million was taken during the current year related to machinery and equipment at the previous facility. Primarily as a result of increased reserves for customer receivables and the asset impairment charge, operating income decreased $1.5 million to $9.9 million compared to last year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations (continued)

Comparison of the Year Ended March 31, 2015 to the Year Ended March 31, 2014 (continued)

Other Regions

Other Regions Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2015	$	%	2014
Kilos sold	265.9	(0.1)	—	266.0
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$1,382.3	$(43.2)	(3.0)	$1,425.5
Average price per kilo	5.20	(0.16)	(3.0)	5.36
Processing and other revenues	74.7	12.9	20.9	61.8
Total sales and other operating revenues	1,457.0	(30.3)	(2.0)	1,487.3
Tobacco cost of goods sold				
Tobacco costs	1,191.9	(66.9)	(5.3)	1,258.8
Transportation, storage and other period costs	46.5	(6.8)	(12.8)	53.3
Derivative financial instrument and exchange (gains) losses	(7.6)	(8.5)	(944.4)	0.9
Total tobacco cost of goods sold	1,230.8	(82.2)	(6.3)	1,313.0
Average cost per kilo	4.63	(0.31)	(6.3)	4.94
Processing and other revenues costs of services sold	43.2	3.4	(8.5)	39.8
Total cost of goods and services sold	1,274.0	(78.8)	(5.8)	1,352.8
Gross profit	183.0	48.5	36.1	134.5
Selling, general and administrative expenses	93.6	14.8	18.8	78.8
Other income (expense)	(2.8)	1.3	31.7	(4.1)
Restructuring and asset impairment charges	6.3	1.8	40.0	4.5
Operating income	$80.3	$33.2	70.5	$47.1

Total sales and other operating revenues decreased 2.0% to $1,457.0 million due to decreased tobacco sales revenue. Processing revenues and cost of services increases were due to additional customer demand as well as increased customer volumes in the United States from a larger crop this year. Lower tobacco revenues and costs are primarily the result of lower average sales prices and costs on a per kilo basis due to product mix, lower prices paid to tobacco suppliers as well as the oversupply of tobacco in the global market. The impact on average tobacco revenues and costs from volume decreases from the timing of prior year shipments in North America as well as the impact of the oversupply market across most regions were offset by increased customer demand for Asian tobacco. Currency movements in Euro-denominated sales and costs also lowered average sales prices and tobacco costs on a per kilo basis. Average tobacco costs per kilo were further lowered by the non-recurrence of the prior year charge for lower recoveries from Zambian tobacco suppliers of approximately $11.0 million. The decrease in tobacco costs more than offset the decrease in revenues. As a result, gross profit increased 36.1% to $183.0 million and gross profit as a percentage of sales increased from 9.0% to 12.6%. Increases in SG&A are associated with allocations for general corporate services and increased reserves for customer receivables which were partially offset by lower compensation costs, professional fees and amortization related to internally developed software. Restructuring and asset impairment charges in the current year are employee severance costs as part of our restructuring and cost reduction plan announced during the quarter ended March 31, 2015. The prior year restructuring and asset impairment charges were

related to a joint processing venture in Turkey and equipment charges in Africa. As a result of the changes in results for the region, operating income increased 70.5% to $80.3 million this year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations (continued)

Comparison of the Year Ended March 31, 2014 to the Year Ended March 31, 2013

Summary
Total sales and other operating revenues increased 5.0% to $2,354.9 million due to increased tobacco sales revenue. Tobacco sales revenue and tobacco cost increases were mainly the result of larger crop sizes, higher prices and shipments delayed from the prior fiscal year. Volumes improved slightly with increased volumes of South America byproducts and larger crop sizes in Africa offset by the change in sales from our investee operation in Thailand and the timing of Asian shipments. Increased average sales prices primarily resulted from higher green costs across all regions partially offset by the change in product mix. Increased average costs per kilo mainly resulted from higher green costs which were not fully passed on to our customers and losses in Zambia primarily related to lower recoveries of advances to tobacco suppliers. Partially offsetting the higher costs were lower derivative losses in Brazil net of increased exchange losses due to appreciating currencies in Africa compared to the prior year. Reduced customer volumes in Brazil, the delay in the purchasing and processing of the current Brazil crop and smaller weather-related crop sizes in the United States led to lower processing revenues and cost of services. The impact of higher green costs not fully recovered from customers and the losses in Zambia was a 15.8% decrease in gross margin to $240.0 million and a reduction in our gross margin as a percentage of sales from 12.7% to 10.2%. SG&A improvement, primarily from lower incentive compensation, professional fees and amortization related to internally developed software, was partially offset mainly by increased restructuring and asset impairment charges primarily attributable to our agreement for a joint processing venture in Turkey and reductions in other income from Brazil. Mainly as a result of gross margin decreases, operating income decreased 25.7% to $119.1 million when compared with the prior year.

During 2014, we refinanced our 10% senior notes and purchased $113.9 million of our convertible notes. As a result, associated debt retirement costs of $57.4 million were recorded, including $21.3 million of accelerated amortization of debt issuance costs and recognition of original issue discount related to the 10% senior notes. Our interest costs increased from the prior year related primarily due to higher average borrowings and our effective tax rate was (80.9)% this year compared to 54.8% last year. The variance in the effective tax rate between this year and last year is mainly related to net exchange losses on income tax accounts, lower foreign income tax rates and certain losses for which no tax benefit has been recorded.

South America Region

South America Region Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2014	$	%	2013
Kilos sold	136.6	4.9	3.7	131.7
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$730.0	$65.6	9.9	$664.4
Average price per kilo	5.34	0.30	6.0	5.04
Processing and other revenues	13.8	(6.7)	(32.7)	20.5
Total sales and other operating revenues	743.8	58.9	8.6	684.9
Tobacco cost of goods sold				
Tobacco costs	622.7	80.2	14.8	542.5
Transportation, storage and other period costs	24.8	2.1	9.3	22.7
Derivative financial instrument and exchange losses	7.2	(8.4)	(53.8)	15.6

Total tobacco cost of goods sold	654.7	73.9	12.7	580.8
Average cost per kilo	4.79	0.38	8.7	4.41
Processing and other revenues costs of services sold	5.0	(4.9)	(49.5)	9.9
Total cost of goods and services sold	659.7	69.0	11.7	590.7
Gross profit	84.1	(10.1)	(10.7)	94.2
Selling, general and administrative expenses	45.5	(3.2)	(6.6)	48.7
Other income	22.3	(1.7)	(7.1)	24.0
Restructuring and asset impairment charges (recoveries)	0.4	0.5	500.0	(0.1)
Operating income	$60.5	$(9.1)	(13.1)	$69.6

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations (continued)

Comparison of the Year Ended March 31, 2014 to the Year Ended March 31, 2013 (continued)

South America Region (continued)

Total sales and other operating revenues improved 8.6% to $743.8 million due to increased tobacco sales revenue partially offset by lower processing revenues due to reduced customer volumes and the delay in the purchasing of the current crop in Brazil. Tobacco sales revenues and tobacco costs increased primarily due to higher prices paid to tobacco suppliers which were not fully passed on to our customers as well as a larger crop of better quality in Argentina that is now being sold. Volume increases in Argentina due to the larger current crop are offset by delayed buying and processing of the current crop in Brazil. As a result, the higher volumes sold this year are mainly byproducts. This change in product mix partially offsets the impact of higher green costs on our average sales prices and costs per kilo. Also offsetting the impact of higher green costs on our costs per kilo was a reduction in derivative losses due to currency movements. However, cost per kilo increases still exceeded sales price increases. As a result, our gross margin decreased by 10.7% to $84.1 million and our gross margin as a percentage of sales decreased from 13.8% to 11.3%. Reductions in SG&A were attributable to allocations for general corporate services. In 2014, other income included a gain of $20.4 million from the sale of 51% interest in a Brazilian subsidiary to complete the formation of a new joint venture. In 2013, other income included a gain of $24.1 million for a Brazilian excise tax based on a court ruling on March 7, 2013. The impact of the change in results for the region was a 13.1% decrease in operating income to $60.5 million.

Value Added Services

Value Added Services Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2014	$	%	2013
Kilos sold	22.2	(1.1)	(4.7)	23.3
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$113.5	$(6.3)	(5.3)	$119.8
Average price per kilo	5.11	(0.03)	(0.6)	5.14
Processing and other revenues	10.3	(0.3)	(2.8)	10.6
Total sales and other operating revenues	123.8	(6.6)	(5.1)	130.4
Tobacco cost of goods sold				
Tobacco costs	90.8	2.2	2.5	88.6
Transportation, storage and other period costs	4.2	(4.3)	(50.6)	8.5
Derivative financial instrument and exchange (gains) losses	—	—	—	—
Total tobacco cost of goods sold	95.0	(2.1)	(2.2)	97.1
Average cost per kilo	4.28	0.11	2.6	4.17
Processing and other revenues costs of services sold	7.4	—	—	7.4
Total cost of goods and services sold	102.4	(2.1)	(2.0)	104.5
Gross profit	21.4	(4.5)	(17.4)	25.9
Selling, general and administrative expenses	9.8	(1.0)	(9.3)	10.8
Other income	—	(0.1)	(100.0)	0.1
Restructuring and asset impairment charges	0.2	0.2	100.0	—
Operating income	$11.4	$(3.8)	(25.0)	$15.2

Total sales and other operating revenues decreased 5.1% to $123.8 million primarily due to a 5.3% decrease in tobacco sales revenues to $113.5 million while tobacco costs of sales decreased 2.2% to $95.0 million. Tobacco sales revenue decreases were mainly from reduced quantities sold due to a competitive environment in the United States. Customer mix and product mix resulted in comparable average sales prices however the impact to cost per kilo was much greater. With our Jordan location becoming fully operational this year, most of those period costs in the prior year are capitalized as part of tobacco costs this year. As a result, our gross margin declined 17.4% to $21.4 million and our gross margin as a percentage of sales decreased from 19.9% to 17.3%. SG&A improved due to allocations for general corporate services. For the year, our operating income decreased 25.0% to $11.4 million compared to last year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations (continued)

Comparison of the Year Ended March 31, 2014 to the Year Ended March 31, 2013 (continued)

Other Regions

Other Regions Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2014	$	%	2013
Kilos sold	266.0	(3.2)	(1.2)	269.2
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$ 1,425.5	$ 61.0	4.5	$ 1,364.5
Average price per kilo	5.36	0.29	5.7	5.07
Processing and other revenues	61.8	(2.2)	(3.4)	64.0
Total sales and other operating revenues	1,487.3	58.8	4.1	1,428.5
Tobacco cost of goods sold				
Tobacco costs	1,258.8	73.8	6.2	1,185.0
Transportation, storage and other period costs	53.3	9.2	20.9	44.1
Derivative financial instrument and exchange (gains) losses	0.9	5.4	120.0	(4.5)
Total tobacco cost of goods sold	1,313.0	88.4	7.2	1,224.6
Average cost per kilo	4.94	0.39	8.6	4.55
Processing and other revenues costs of services sold	39.8	1.0	2.6	38.8
Total cost of goods and services sold	1,352.8	89.4	7.1	1,263.4
Gross profit	134.5	(30.6)	(18.5)	165.1
Selling, general and administrative expenses	78.8	(7.5)	(8.7)	86.3
Other expense	(4.1)	(0.7)	(20.6)	(3.4)
Restructuring and asset impairment charges	4.5	4.5	100.0	—
Operating income	$ 47.1	$ (28.3)	(37.5)	$ 75.4

Total sales and other operating revenues improved 4.1% to $1,487.3 million due to increased tobacco sales revenue. Processing revenues were down 3.4% while cost of services increased 2.6% resulting from smaller crop sizes in the United States due to excessive rainfall. Tobacco sales revenue and cost increases were mainly from larger crop sizes in Africa, higher prices across all regions, the timing of shipments in North America, and product mix. Lower volumes resulted from the change in sales from our investee operation in Thailand partially offset by the larger crop sizes in Malawi. While there is no impact to net income for the change of the selling organization, Thailand tobacco is now sold directly to the customer by our investee operation and reported through equity in investee companies rather than through sales and cost of sales. Higher prices were paid to tobacco suppliers across all regions which increased average sales prices and costs per kilo. Costs per kilo also increased due to other period costs of $11.0 million expensed in Zambia in the current year primarily related to reduced recoveries of advances to tobacco suppliers. The negative impact of appreciating African currencies compared to significant depreciation throughout fiscal 2013, partially offset by a stronger Euro, also contributed to the increase in costs per kilo. These costs are not fully recoverable from customers. The impact was average costs increasing $0.39 per kilo while average sales prices only increasing $0.29 per kilo which resulted in a gross margin decrease of 18.5% to $134.5 million and gross margin as a percentage of sales declining from 11.6% to 9.0%. Decreases in SG&A associated with reductions in incentive compensation, professional fees and amortization related to internally developed software were primarily offset by restructuring and asset impairment charges related to a joint processing venture in Turkey and equipment charges in

Africa. Mainly a result of lower gross margin, operating income decreased 37.5% to $47.1 million compared to last year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources

Overview

Historically we have needed capital in excess of cash flow from operations to finance accounts receivable, inventory and advances to suppliers for tobacco crops in certain foreign countries. Purchasing, processing and selling activities of our business are seasonal and our need for capital fluctuates with corresponding peaks where outstanding indebtedness may be greater or less as a result. Our long-term borrowings consist of senior secured second lien notes and a senior secured revolving credit facility. We also have a combination of short-term and long term seasonal lines of credit available with a number of banks throughout the world that finances seasonal working capital and corresponds to regional peak requirements.

At March 31, 2015, we had $143.8 million in cash on our balance sheet, $210.3 million available under the senior secured revolving credit facility, $360.3 million outstanding under short-term and long term foreign lines with an additional $448.3 million available under those lines and $4.1 million outstanding of other debt for a total of $802.4 million of debt availability and cash on hand around the world, excluding $6.3 million in issued but unfunded letters of credit with $10.9 million available. Another source of liquidity as of March 31, 2015 was $223.4 million funded under our accounts receivable sale programs. Additionally, customer advances were $18.9 million in 2015 compared to $22.1 million in 2014. To the extent that these customers do not provide this advance funding, we must provide financing for their inventories. Should customers pre-finance less in the future for committed inventories, this action could impact our short-term liquidity. We believe that the sources of capital we have access to are sufficient to fund our anticipated needs for fiscal year 2016. Effective March 31, 2015, we did not meet the fixed charge coverage ratio of 2.0 to 1.0 required under the indenture governing our senior secured second lien notes to permit us to access the restricted payments basket for the purchase of common stock and other actions under that basket. From time to time we may not satisfy the required ratio. See Note 7 “Short-term Borrowing Arrangements” and Note 17 “Sale of Receivables” to the “Notes to Consolidated Financial Statements” for further information.

Seasonal liquidity beyond cash flow from operations is provided by our senior secured credit facility, seasonal working capital lines throughout the world, advances from customers and sale of accounts receivable. For the years ended March 31, 2015 and 2014, our average short-term borrowings, aggregated peak short-term borrowings outstanding and weighted-average interest rate on short-term borrowings were as follows:

(dollars in millions)	2015	2014
Average short-term borrowings	$454.8	$517.0
Aggregated peak short-term borrowings outstanding	$662.5	$736.7
Weighted-average interest rate on short-term borrowings	5.12%	4.33%

Aggregated peak borrowings for 2015 were during the third quarter of 2015 compared to during the second quarter for 2014. The peak borrowings occurred in the third quarter of 2015 due to the timing of repayments in the Africa region as compared to 2014. Peak borrowings for 2015 and 2014 were repaid with cash provided by operating activities.

As of March 31, 2015, we are in our working capital build. In South America we are in the process of purchasing and processing the most recent crop, while the peak tobacco sales season for South America is at its beginning stages. Africa is also in the middle of its buying, processing and selling season and is utilizing working capital funding as well. North America and Europe are still selling and planning for the next crop that is now being grown.

Working Capital

Our working capital decreased to $672.3 million at March 31, 2015 from $819.4 million at March 31, 2014. Our current ratio was 2.2 to 1 at March 31, 2015 compared to 2.6 to 1 at March 31, 2014. The decrease in working capital is primarily related to higher notes payable due to the timing of repayment of loans and lower cash balances. Lower cash balances are due to the timing of sales and collection of accounts receivable as well as the timing of payments for expenses and accounts payable in accordance with terms.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Working Capital (continued)

The following table is a summary of items from the Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Approximately $66.0 million of our outstanding cash balance at March 31, 2015 was held in foreign jurisdictions. If these funds in foreign jurisdictions were repatriated, due to the valuation allowance on U.S. tax loss carryovers and foreign tax credit carryovers, the cost of repatriation would not have a material financial impact.

	As of March 31,						
		Change			Change		
(in millions except for current ratio)	2015	$	%	2014	$	%	2013
Cash and cash equivalents	$143.8	$(90.9)	(38.7)	$234.7	$142.7	155.1	$92.0
Net trade receivables	200.4	23.9	13.5	176.5	(47.7)	(21.3)	224.2
Inventories and advances to tobacco suppliers	811.2	1.0	0.1	810.2	(203.3)	(20.1)	1,013.5
Total current assets	1,256.3	(64.5)	(4.9)	1,320.8	(144.0)	(9.8)	1,464.8
Notes payable to banks	330.3	117.6	55.3	212.7	(144.1)	(40.4)	356.8
Accounts payable	73.4	(41.8)	(36.3)	115.2	(20.1)	(14.9)	135.3
Advances from customers	18.9	(3.2)	(14.5)	22.1	5.3	31.5	16.8
Total current liabilities	584.0	82.6	16.5	501.4	(119.6)	(19.3)	621.0
Current ratio	2.2 to 1			2.6 to 1			2.4 to 1
Working capital	672.3	(147.1)	(18.0)	819.4	(24.4)	(2.9)	843.8
Total long term debt	738.9	(161.5)	(17.9)	900.4	69.5	8.4	830.9
Stockholders' equity attributable to Alliance One International, Inc.	233.0	(40.6)	(14.8)	273.6	(64.8)	(19.1)	338.4
Net cash provided (used) by:							
Operating activities	$(55.2)	$(317.6)		$262.4	$264.0		$(1.6)
Investing activities	(11.7)	8.7		(20.4)	(7.2)		(13.2)
Financing activities	(23.4)	77.1		(100.5)	(86.4)		(14.1)

Operating Cash Flows

Net cash provided by operating activities decreased $317.6 million in 2015 compared to 2014 which increased $264.0 million compared to 2013. The decrease in cash provided in 2015 compared to 2014 is primarily due to increased inventory and advances to suppliers due to the impact of an oversupply in the global market, increased accounts receivable due to the timing of sales in the fourth quarter in accordance with terms and decreased accounts payable due to the timing of payments in accordance with terms. The increase in cash provided in 2014 compared to 2013 is primarily related to the decrease in inventory and advances to suppliers as this year's crop which included higher green costs and processing costs was sold. The decrease in inventory and advances to suppliers was partially offset by decreased margins on sales of this year's crop as the higher costs were not fully passed on to our customers. Also increasing cash provided in 2014 was an increase in amounts payable to our Zimbabwe operation due to the timing of purchases from that deconsolidated subsidiary and the change in deferred items.

Investing Cash Flows

Net cash used by investing activities decreased $8.7 million in 2015 compared to 2014 which increased $7.2 million compared to 2013. The decrease in cash used in 2015 is primarily due to higher proceeds from the sale of property. Lower purchases of intangible assets in 2015 were offset by lower proceeds from surrender of life insurance policies and net cash received from the sale of 51% interest in a Brazilian subsidiary in 2014, and increased restrictions on

cash primarily for social responsibility programs. The increase in cash used in 2014 is primarily related to the change in restrictions on cash in accordance with terms of the related agreements. Partially offsetting the increased cash usage was less purchase of property and intangibles due to the timing of capital asset investments and increased proceeds from the sale of property and surrender of life insurance policies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Financing Cash Flows

Net cash used by financing activities decreased $77.1 million in 2015 compared to 2014 which increased $86.4 million compared to 2013. The decrease in cash used in 2015 compared to 2014 is primarily related to lower debt issuance and debt retirement costs due to the debt refinancing in 2014. Cash used in 2015 also decreased due to higher net proceeds from short term borrowings due to the timing of shipments in the fourth quarter which were substantially offset by lower net proceeds from long-term borrowings due to the debt refinancing in 2014. The increase in cash used in 2014 compared to 2013 is primarily related to increased debt issuance, debt retirement and other debt related costs of $51.4 million due to our debt refinancing this year. Increases in cash used in 2014 are also attributable to the net change in short-term borrowings based on the timing of shipments in the fourth quarter. Partially offsetting the increase in cash used in 2014 is less repayment of our revolver during the year due to the higher balance outstanding at year end.

Certain debt agreements contain certain cross-default or cross-acceleration provisions. The following table summarizes our debt financing as of March 31, 2015:

	Outstanding		March 31, 2015 Lines and		Long Term Debt Repayment Schedule by Fiscal Year					
(in millions)	March 31, 2014	March 31, 2015	Letters Available	Interest Rate	2016	2017	2018	2019	2020	Later
Senior secured credit facility:										
Revolver [1]	$175.0	$—	$210.3	5.5 %[2]	$—	$—	$—	$—	$—	$—
Senior notes:										
9.875% senior secured second lien notes due 2021 [4]	721.1	707.7	—	9.9 %	—	—	—	—	—	707.7
	721.1	707.7	—		—	—	—	—	—	707.7
5 ½% convertible senior subordinated notes due 2015	1.1	—	—	5.5 %	—	—	—	—	—	—
Long-term foreign seasonal borrowings	—	30.0	—	2.7 %[2]	—	30.0	—	—	—	—
Other long-term debt	7.7	4.1	—	7.8 %[2]	2.9	0.3	0.3	0.2	0.2	0.2
Notes payable to banks [3]	212.7	330.3	448.2	5.1 %[2]	—	—	—	—	—	—
Total debt	$1,117.6	$1,072.1	658.5		$2.9	$30.3	$0.3	$0.2	$0.2	$707.9
Short-term	$212.7	$330.3								
Long-term:										
Long-term debt current	$4.5	$2.9								
Long-term debt	900.4	738.9								
	$904.9	$741.8								
Letters of credit	$5.3	$6.3	10.9							
Total credit available			$669.4							

(1) As of March 31, 2015, pursuant to Section 2.1 (A) (iv) of the Credit Agreement, the full $210.3 million Revolving Committed Amount was available based on the calculation of the lesser of the Revolving Committed Amount and the Working Capital Amount.
(2) Weighted average rate for the twelve months ended March 31, 2015.
(3) Primarily foreign seasonal lines of credit.
(4) Repayment of $707.7 million is net of original issue discount of $12.3 million. Total repayment will be $720.0 million.

Senior Secured Credit Facility

On August 1, 2013, the agreement governing the Company's senior secured credit facility was amended and restated to provide for a senior secured revolving credit facility with a syndicate of banks of approximately $303.9 million, that automatically reduced to approximately $210.3 million on April 15, 2014, and will mature in April 15, 2017. The senior secured credit facility was subject to a springing maturity on April 15, 2014 if by that date the Company had not deposited in the Blocked Account (as defined below) sufficient amounts to fund the repayment at maturity of all then outstanding 5½% Convertible Senior Subordinated Notes due 2014 of the Company (the “Convertible Notes”). The Company deposited the requisite amount in the Blocked Account prior to April 15, 2014. Borrowings under the senior secured credit facility initially bear interest at an annual rate of LIBOR plus 3.75% and base rate plus 2.75%, as applicable, though the interest rate under the senior secured credit facility is subject to increase or decrease according to the Company's consolidated interest coverage ratio.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Senior Secured Credit Facility (continued)

The agreement governing the senior secured credit facility required the Company to deposit with the lenders, in a segregated account that the Company may not use other than for specified purposes (the "Blocked Account"), the net proceeds from the sale of $735.0 million in aggregate principal amount of the Company's 9.875% Senior Secured Second Lien Notes due 2021 (the "Second Lien Notes") that were not immediately applied to redeem all of the Company's outstanding 10% Senior Notes due 2016 (the "Senior Notes"). Amounts held in the Blocked Account may be used solely to purchase any and all Convertible Notes tendered in the Company's cash tender offer to purchase up to $60.0 million in aggregate principal amount of the Convertible Notes commenced on July 17, 2013 (the "Convertible Notes Tender Offer") and, subject to conditions, to retire any remaining Convertible Notes not purchased in the Convertible Notes Tender Offer, including repayment at maturity. All amounts deposited in the Blocked Account from the net proceeds of the sale of the Second Lien Notes were applied to the purchase of Convertible Notes in the Convertible Notes Tender Offer. Borrowings under the senior secured credit facility are secured by a first priority lien on specified property of the Company, including the capital stock of specified subsidiaries, all U.S. accounts receivable, certain U.S. inventory, intercompany notes evidencing loans or advances, certain U.S. fixed assets and the Blocked Account.

First amendment. On May 30, 2014, the Company entered into the First Amendment to the Amended and Restated Credit Agreement (the "First Amendment"), which amended the credit agreement (the "Credit Agreement") governing the Company's senior secured credit facility. The First Amendment modified the definition of Consolidated EBIT to permit add backs in connection with dispositions of, and investments in, certain subsidiaries and permitted joint ventures and certain other accounting adjustments, modified the Minimum Consolidated Interest Coverage Ratio to 1.85 to 1.00 for the period ending March 31, 2014 and 1.70 to 1.00 for the periods ending June 30, 2014, September 30, 2014, December 31, 2014 and March 31, 2015, modified the Maximum Consolidated Leverage Ratio to 7.25 to 1.00 for the period ending June 30, 2014 and 7.50 to 1.00 for the period ending September 30, 2014 and increased the basket to $200,000 for permitted Guaranty Obligations that can be incurred by the Company and its subsidiaries with respect to indebtedness of China Brasil Tabacos Exportadora Ltda. (which is the joint venture entity with China Tobacco in Brazil) while striking the requirement that such Guaranty Obligations of the Company and its subsidiaries may not exceed the percentage of the Company's direct or indirect ownership of China Brasil Tabacos Exportadora Ltda. in relation to all Guaranty Obligations with respect to Indebtedness of China Brasil Tabacos Exportadora Ltda.

Second amendment. On February 6, 2015, the Company entered into the Second Amendment to Amended and Restated Credit Agreement (the "Second Amendment"), which amended the Credit Agreement. The Second Amendment modified the Minimum Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) to 1.50 to 1.00 for the period ended December 31, 2014 and the period ending March 31, 2015 and modified the Maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) to 7.90 to 1.00 for the period ended December 31, 2014.

Third Amendment. On June 2, 2015, the Company entered into the Third Amendment to the Amended and Restated Credit Agreement (the "Third Amendment"), which amended the Credit Agreement. The Third Amendment modified the definition of Consolidated EBIT to permit add backs for specified periods for reserves taken with respect to receivables, restructuring charges and adjustments for applying the rule of lower of cost or market to inventories, modified the Minimum Consolidated Interest Coverage Ratio to 1.60 to 1.00 for the periods ending June 30, 2015 and September 30, 2015, 1.65 to 1.00 for the period ending December 31, 2015 and 1.70 to 1.00 for the period ending March 31, 2016, modified the Maximum Consolidated Leverage Ratio to 7.60 to 1.00 for the periods ending June 30, 2015 and September 30, 2015 and 7.15 to 1.00 for the period ending December 31, 2015, modified the restricted

payments covenant to permit repayment of the Company's Senior Secured Second Lien Notes by up to $50.0 million in any fiscal year, with carry forward of any unused amount into the next fiscal year, modified a covenant to provide a 90-day cure period if Uncommitted Inventories (as defined in the Credit Agreement) exceed the threshold of $250.0 million, but only to the extent that they do not exceed $285.0 million, and provides for first-lien mortgages on the Company's facilities located in Farmville, King and Wilson, North Carolina.

Financial covenants. After giving effect to the First Amendment, the Second Amendment and the Third Amendment to the Amended and Restated Credit Agreement, the financial covenants and required financial ratios at March 31, 2015 are as follows:

• a minimum consolidated interest coverage ratio of not less than 1.50 to 1.00 for the fiscal quarter ended March 31, 2015 (1.60 to 1.00 for the fiscal quarters ending June 30, 2015 and September 30, 2015, 1.65 to 1.00 for the fiscal quarter ending December 31, 2015 and 1.70 to 1.00 for the fiscal quarter ending March 31, 2016);

• a maximum consolidated leverage ratio specified for each fiscal quarter, which ratio is 5.85 to 1.00 for the fiscal quarter ended March 31, 2015 (7.60 to 1.00 for the fiscal quarters ending June 30, 2015 and September 30, 2015, 7.15 to 1.00 for the fiscal quarter ending December 31, 2015, and 5.85 to 1.00 for the fiscal quarter ending March 31, 2016);

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Senior Secured Credit Facility (continued)

Financial covenants (continued)

• a maximum consolidated total senior debt to working capital ratio of not more than 0.80 to 1.00 other than during periods in which the consolidated leverage ratio is less than 4.00 to 1.00 if the consolidated leverage ratio has been less than 4.00 to 1.00 for the prior two consecutive fiscal quarters; and

• a maximum amount of the Company's annual capital expenditures of $51.6 million during the fiscal year ending March 31, 2015 and $40.0 million during any fiscal year thereafter, in each case with a one-year carry-forward (not in excess of $40.0 million) for unused capital expenditures in any fiscal year below the maximum amount.

Certain of these financial covenants are calculated on a rolling twelve-month basis and certain of these financial covenants and required financial ratios adjust over time in accordance with schedules in the agreement governing the senior secured credit facility.

Affirmative and restrictive covenants. The agreement governing the senior secured credit facility contains affirmative and negative covenants (subject, in each case, to exceptions and qualifications), including covenants that limit the Company's ability to, among other things, incur additional indebtedness, incur certain guarantees, merge, consolidate or dispose of substantially all of its assets, grant liens on its assets, pay dividends, redeem stock or make other distributions or restricted payments, create certain dividend and payment restrictions on its subsidiaries, repurchase or redeem capital stock or prepay subordinated debt, make certain investments, agree to restrictions on the payment of dividends to it by its subsidiaries, sell or otherwise dispose of assets, including equity interests of its subsidiaries, enter into transactions with its affiliates, and enter into certain sale and leaseback transactions.

Senior Secured Second Lien Notes

On August 1, 2013, the Company issued $735.0 million in aggregate principal amount of the Second Lien Notes. The Second Lien Notes were sold at 98% of the face value, for gross proceeds of approximately $720.3 million. The Second Lien Notes bear interest at a rate of 9.875% per year, payable semi-annually in arrears in cash on January 15 and July 15 of each year, beginning January 15, 2014, to holders of record at the close of business on the preceding January 1 and July 1, respectively. The Second Lien Notes will mature on July 15, 2021. The Second Lien Notes are secured by a second priority lien on specified property of Alliance One International, Inc. for which the senior secured credit facility is secured by a first priority lien. The indenture governing the Second Lien Notes restricts (subject to exceptions and qualifications) the Company's ability and the ability of its restricted subsidiaries to, among other things, incur additional indebtedness or issue disqualified stock or preferred stock, pay dividends and make other restricted payments (including restricted investments), sell assets, create liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets, enter into transactions with its affiliates, enter into certain sale and leaseback transactions, create certain dividend and payment restrictions on its restricted subsidiaries, and designate its subsidiaries as unrestricted subsidiaries.

The indenture governing the Second Lien Notes requires the Company's existing and future material domestic subsidiaries to guarantee the Second Lien Notes. The Company has no material domestic subsidiaries, and the Second Lien Notes are not presently guaranteed by any subsidiary. If a change of control (as defined in the indenture governing the Second Lien Notes) occurs at any time, holders of the Second Lien Notes will have the right, at their option, to require the Company to repurchase all or a portion of the Second Lien Notes for cash at a price equal to 101% of the principal amount of Second Lien Notes being repurchased, plus accrued and unpaid interest and special interest, if any, to, but excluding, the date of repurchase. In connection with the issuance of the Second Lien Notes,

the Company entered into a registration rights agreement that requires the Company to pay additional special interest on the Second Lien Notes, at increasing annual rates up to a maximum of 1.0% per year, if the Company fails to timely comply with its registration obligations thereunder. Pursuant to the registration rights agreement, on December 20, 2013, the Company completed a registered exchange offer in which it offered to exchange for the outstanding Second Lien Notes an equal amount of new Second Lien Notes having identical terms in all material respects.

During the year ended March 31, 2015, the Company purchased $15.0 million of its senior notes on the open market. All purchased securities were canceled leaving $720.0 million of the 9.875% senior notes outstanding at March 31, 2015. Associated costs paid were $.04 million and related discounts were $(1.3) million resulting in net cash repayment of $13.7 million and recorded in Repayment of Long-Term Borrowings in the Consolidated Statements of Cash Flows. Deferred financing costs and amortization of original issue discount of $.5 million were accelerated.

Redemption of Existing Senior Notes

On August 2, 2013, the Company redeemed all $635.0 million in aggregate principal amount of the Company's outstanding 10% Senior Notes due 2016 at a redemption price equal to 105% of the aggregate principal amount thereof, plus accrued and unpaid interest and other costs of which $31.8 million was charged to debt retirement expense. As a result of the redemption of the Senior Notes, the Company accelerated $6.1 million of deferred financing costs and $14.6 million of amortization of original issue discount.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Convertible Senior Subordinated Notes
On July 2, 2009, the Company issued $100.0 million of Convertible Notes. The initial purchasers of the Convertible Notes were granted an option to purchase up to an additional $15.0 million of Convertible Notes solely to cover over-allotments which was exercised on July 15, 2009. Holders may surrender their Convertible Notes, in integral multiples of $1,000 principal amount, for conversion into shares of the Company’s common stock at the then-applicable conversion rate until the close of business on the second scheduled trading day immediately preceding the maturity date. The initial conversion rate for the Convertible Notes is 198.8862 shares of common stock per $1,000 principal amount of Convertible Notes. The conversion rate is subject to adjustments based on certain events as described in the indenture governing the Convertible Notes. In addition, holders of these notes have certain rights and entitlements upon the occurrence of certain fundamental changes (as defined in the indenture governing the Convertible Notes).

On August 30, 2013, the Company purchased $60.0 million in aggregate principal amount of its existing $115.0 million Convertible Notes pursuant to a cash tender offer at a purchase price equal to $1.03 per $1.00 principal amount plus accrued and unpaid interest and other costs of which $2.5 million was charged to debt retirement expense. The Company funded the purchase with available cash and a portion of the net proceeds from the issuance of the Second Lien Notes, which proceeds had been held in the Blocked Account. As a result of this purchase, the Company accelerated $0.4 million of deferred financing costs.

On February 13, 2014, the Company purchased $53.9 million of its then remaining $55.0 million in aggregate principal amount of the Convertible Notes pursuant to a cash tender offer at a purchase price equal to $1.025 per $1.00 principal amount of the Convertible Notes purchased, plus accrued and unpaid interest and other costs of which $1.7 million was charged to debt retirement expense. As a result of this purchase, the Company accelerated $0.2 million of deferred financing costs. The remaining $1.1 million in aggregate principal amount of the Convertible Notes matured on July 1, 2014.

Convertible Note Hedge and Warrant Transactions
In connection with the offering of the Convertible Notes, the Company entered into privately negotiated convertible note hedge transactions with three counterparties (“hedge counterparties”) to cover, subject to customary anti-dilution adjustments, the number of shares of the Company’s common stock that initially underlie the Convertible Notes and expire on the last day that any Convertible Notes remain outstanding. The Company also entered separately into privately negotiated warrant transactions relating to the same number of shares of the Company’s common stock with the hedge counterparties. The convertible note hedge transactions were designed to reduce the potential dilution with respect to the common stock of the Company upon conversion of the Convertible Notes in the event that the value per share of common stock, as measured under the convertible note hedge transactions, during the applicable valuation period, was greater than the strike price of the convertible note hedge transactions, which corresponded to the $5.0280 per share initial conversion price of the Convertible Notes and was similarly subject to customary anti-dilution adjustments. If, however, the price per share of the Company’s common stock, as measured under the warrants, exceeded the strike price of the warrant transactions during the applicable valuation period, there would have been dilution from the issuance of common stock pursuant to the warrants. The warrants had a strike price of $7.3325 per share, which was subject to customary anti-dilution adjustments and the maximum number of shares that could have been issued under the warrant transactions was 45,743,836. The warrants began expiring in daily installments commencing on October 15, 2014 and fully expire on April 8, 2015. Both the convertible note hedge transactions and the warrant transactions required physical net-share settlement and were accounted for as equity instruments.

Foreign Seasonal Lines of Credit

The Company has typically financed its non-U.S. operations with uncommitted unsecured short-term seasonal lines of credit at the local level. These operating lines are seasonal in nature, normally extending for a term of 180 to 270 days corresponding to the tobacco crop cycle in that location. These facilities are typically uncommitted in that the lenders have the right to cease making loans and demand repayment of loans at any time. These loans are typically renewed at the outset of each tobacco season. As of March 31, 2015, the Company had approximately $330.3 million drawn and outstanding on foreign seasonal lines with maximum capacity totaling $795.7 million subject to limitations as provided for in the Credit Agreement. Additionally, against these lines there was $10.9 million available in unused letter of credit capacity with $6.3 million issued but unfunded.

Long-Term Foreign Seasonal Borrowings

The Company had foreign seasonal borrowings with original maturities greater than one year. At March 31, 2015, approximately $30.0 million was drawn and outstanding with maximum capacity totaling $30.0 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Dividends
The senior secured credit facility restricts the Company from paying any dividends during the remaining term of the facility. In addition, the indenture governing the Secured Second Lien Notes contains similar restrictions and also prohibits the payment of dividends and other distributions if we fail to satisfy a ratio of consolidated EBITDA to fixed charges of at least 2.0 to 1.0. At March 31, 2015, we did not satisfy this fixed charge coverage ratio. We may from time to time not satisfy this ratio.

Aggregate Contractual Obligations and Off-Balance Sheet Arrangements
We have summarized in the table below our contractual cash obligations and other commercial commitments as of March 31, 2015.

		Payments / Expirations by Period			
(in millions)	Total	2016	Years 2017-2018	Years 2019-2020	After 2020
Long-Term Debt Obligations*	$1,204.9	$78.5	$176.6	$146.9	$802.9
Other Long-Term Obligations**	52.6	9.4	8.8	9.5	24.9
Operating Lease Obligations	38.6	10.6	15.1	9.3	3.6
Tobacco Purchase Obligations	1,015.0	661.2	353.8	—	—
Beneficial Interest in Receivables Sold	40.7	40.7	—	—	—
Amounts Guaranteed for Tobacco Suppliers	300.6	300.6	—	—	—
Total Contractual Obligations and Other Commercial Commitments	$2,652.4	$1,101.0	$554.3	$165.7	$831.4

* Long-Term Debt Obligations include projected interest for both fixed and variable rate debt. We assume that there will be no drawings on the senior secured credit facility in these calculations. The variable rate used in the projections is the rate that was being charged on our variable rate debt as of March 31, 2015. These calculations also assume that there is no refinancing of debt during any period. These calculations are on Long-Term Debt Obligations only.
**Other long-term obligations consist of accrued pension and postretirement costs. Contributions for funded pension plans are based on the Pension Protection Act and tax deductibility and are not reasonably estimable beyond one year. Contributions for unfunded pension plans and postretirement plans captioned under "After 2020" include obligations during the next five years only. These obligations are not reasonably estimable beyond ten years. In addition, the following long-term liabilities included on the consolidated balance sheet are excluded from the table above: accrued postemployment costs, income taxes and tax contingencies, and other accruals. We are unable to estimate the timing of payments for these items.

We do not have any other off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources, as defined under the rules of SEC Release No. FRR-67, Disclosure in Management’s Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations.

Lease Obligations
We have operating leases for land, buildings, automobiles and other equipment. In accordance with accounting principles generally accepted in the United States, operating leases are not reflected in the accompanying Consolidated Balance Sheet. Operating assets that are of long-term and continuing benefit are generally purchased.

Tobacco Purchase Obligations

Tobacco purchase obligations result from contracts with suppliers, primarily in the United States, Brazil, Malawi and Turkey, to buy either specified quantities of tobacco or the supplier’s total tobacco production. Amounts shown as tobacco purchase obligations are estimates based on projected purchase prices of the future crop tobacco. Payment of these obligations is net of our advances to these suppliers. Our tobacco purchase obligations do not exceed our projected requirements over the related terms and are in the normal course of business.

Beneficial Interest in Receivables Sold

We sell accounts receivable under three revolving trade accounts receivable securitization programs. Under the agreements, we receive either 80% or 90% of the face value of the receivable sold, less contractual dilutions which limit the amount that may be outstanding from any one particular customer and insurance reserves that also have the effect of limiting the risk attributable to any one customer. Our beneficial interest is subordinate to the purchaser of the receivables. See Note 17 “Sale of Receivables” to the “Notes to Consolidated Financial Statements” for further information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Liquidity and Capital Resources (continued)

Aggregate Contractual Obligations and Off-Balance Sheet Arrangements (continued)

Amounts Guaranteed for Tobacco Suppliers
In Brazil and Malawi, we provide guarantees to ensure financing is available to our tobacco suppliers. In the event these suppliers should default, we would be responsible for repayment of the funds provided to these suppliers. We also provide guarantees for financing by certain unconsolidated subsidiaries in Asia, Brazil, and Zimbabwe. See Note 1 “Significant Accounting Policies – Advances to Tobacco Suppliers” to the “Notes to Consolidated Financial Statements” for further information.

Planned Capital Expenditures
We have projected a total of $19.7 million in capital investments for our 2016 fiscal year. We forecast our capital expenditure needs for routine replacement of equipment as well as investment in assets that will add value to the customer or increase efficiency.

Tax and Repatriation Matters
We are subject to income tax laws in each of the countries in which we do business through wholly owned subsidiaries and through affiliates. We make a comprehensive review of the income tax requirements of each of our operations, file appropriate returns and make appropriate income tax planning analyses directed toward the minimization of our income tax obligations in these countries. Appropriate income tax provisions are determined on an individual subsidiary level and at the corporate level on both an interim and annual basis. These processes are followed using an appropriate combination of internal staff at both the subsidiary and corporate levels as well as independent outside advisors in review of the various tax laws and in compliance reporting for the various operations.

We regularly review the status of the accumulated unremitted earnings of each of our foreign subsidiaries. We would provide deferred income taxes, net of any foreign tax credits, if applicable, on any earnings that are determined to no longer be indefinitely invested. See Note 12 “Income Taxes” to the “Notes to Consolidated Financial Statements” for further information.

Critical Accounting Estimates
The preparation of financial statements in accordance with generally accepted accounting principles in the United States (GAAP) requires the use of estimates and assumptions that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental disclosures including information about contingencies, risk and financial condition.

Critical accounting estimates are defined as those that are reflective of significant judgments and uncertainties and potentially yield materially different results under different assumptions or conditions. Given current facts and circumstances, we believe that our estimates and assumptions are reasonable, adhere to GAAP and are consistently applied. Our selection and disclosure of our critical accounting policies and estimates has been reviewed with our Audit Committee. Following is a review of the more significant assumptions and estimates and the accounting policies and methods used in the preparation of our consolidated financial statements. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. See Note 1 “Significant Accounting Policies” to the “Notes to Consolidated Financial Statements” which discusses the significant accounting policies that we have adopted.

Inventories
Costs included in inventory include processed tobacco inventory, unprocessed tobacco inventory and other inventory costs. Inventories are valued at the lower of cost or market (“LCM”), which requires us to make significant estimates in

assessing our inventory balances for potential LCM adjustments. We evaluate our inventories for LCM adjustments by country and type of inventory. Therefore, processed tobacco and unprocessed tobacco are evaluated separately for LCM purposes. We compare the cost of our processed tobacco to market values based on recent sales of similar grades when evaluating those balances for LCM adjustments. We also consider whether our processed tobacco is committed to a customer, whereby the expected sales price would be utilized in determining the market value for committed tobacco. We also review data on market conditions in performing our LCM evaluation for our unprocessed tobacco. See Note 1 “Significant Accounting Policies - Inventories” and Note 2 “Inventories” to the “Notes to Consolidated Financial Statements” for further information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Critical Accounting Estimates (continued)

Income Taxes
Our annual tax rate is based on our income, statutory tax rates, exchange rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions including evaluating uncertainties under ASC 740. We review our tax positions quarterly and adjust the balances as new information becomes available.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. To provide insight, we use our historical experience and our short and long-range business forecasts. We believe it is more likely than not that a portion of the deferred income tax assets may expire unused and have established a valuation allowance against them. Although realization is not assured for the remaining deferred income tax assets, we believe it is more likely than not the deferred tax assets will be fully recoverable within the applicable statutory expiration periods. However, deferred tax assets could be reduced in the near term if our estimates of taxable income are significantly reduced. See Note 12 “Income Taxes” to the “Notes to Consolidated Financial Statements” for further information.

Advances to Tobacco Suppliers
We evaluate our advances to tobacco suppliers, which represent prepaid inventory, for recoverability by crop and country. Our recoverability assessment for our advances to tobacco suppliers and our LCM evaluation for our inventories achieve a similar objective. We reclassify the advances to inventory at the time suppliers deliver tobacco. The purchase price for the tobacco delivered by the suppliers is based on market prices. Two primary factors determine the market value of the tobacco suppliers deliver to us: the quantity of tobacco delivered and the quality of the tobacco delivered. Therefore, and at the time of delivery, we ensure our advances to tobacco suppliers are appropriately stated at the lower of cost or their recoverable amounts.

Upon delivery of tobacco, part of the purchase price to the supplier is paid in cash and part through a reduction of the advance balance. If a sufficient value of tobacco is not delivered to allow the reduction of the entire advance balance, then we first determine how much of the deficiency for the current crop is recoverable through future crops. This determination is made by analyzing the suppliers’ ability-to-deliver a sufficient supply of tobacco. This analysis includes historical quantity and quality of production with monitoring of crop information provided by our field service technicians related to flood, drought and disease. The remaining recoverable advance balance would then be classified as noncurrent. Any increase in the estimate of unrecoverable advances associated with the noncurrent portion is charged to cost of goods and services sold in the income statement when determined.

Amounts not expected to be recovered through current or future crops are then evaluated to determine whether the yield is considered to be normal or abnormal. If the yield adjustment is normal, then we capitalize the applicable variance in the current crop of inventory. If the yield adjustment is considered abnormal, then we immediately charge the applicable variance to cost of goods and services sold in the income statement. A normal yield adjustment is based on the range of unrecoverability for the previous three years by country. Our normal yield adjustment in the South America region is 5.0% to 7.0%.

We account for our advances to tobacco suppliers using a cost accumulation model, which results in reporting our advances at the lower of cost or recoverable amounts exclusive of the mark-up and interest. The mark-up and interest on our advances are recognized upon delivery of tobacco as a decrease in our cost of the current crop.

The following table illustrates the amounts of favorable and unfavorable variances on current crop advances to tobacco suppliers (prepaid inventory) that will be capitalized into inventory when the crop has been purchased as of March 31, 2015, 2014 and 2013. The current crop is primarily sold in the next fiscal year when the net favorable / (unfavorable) variance is recognized through cost of sales. See Note 1 “Significant Accounting Policies – Advances to Tobacco Suppliers” for further information on the various components noted below. Variances on advances serve to state the tobacco inventory at cost by accumulating actual total cash expended and allocating it to the tobacco received during the crop cycle.

(in millions)	2015	2014	2013
Favorable variances (including mark-up)	$19.8	$18.2	$14.5
Unfavorable variances (including unrecoverable advances)	(10.8)	(15.3)	(13.4)
Net favorable variance in crop cost in inventory	$9.0	$2.9	$1.1

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Critical Accounting Estimates (continued)

Advances to Tobacco Suppliers (continued)

South America Region
The price, and the resulting mark-up, of the inputs we advance is determined at the beginning of each season and depends on various market considerations. The interest rate charged on advances depends on market conditions as well. We purchase and advance the inputs based on an expected crop production. These advances are in the currency of the local market. For 2015, favorable and unfavorable variances decreased primarily due to the deconsolidation of our former Brazilian subsidiary following the completion of a joint venture in March 2014. This decrease in favorable variances was offset by the positive currency impact on this year's prices charged to tobacco suppliers for agricultural products as well as the cost of those agricultural products due to timing that resulted in increased favorable variances on a U.S. dollar basis. We believe the favorable variances relating to the 2015, 2014 and 2013 crops are representative of average favorable variance percentages based on market conditions and currency rates in each year.

We base our estimate of the unrecoverable advances on numerous factors, including, but not limited to our expectations of the quantity and quality of tobacco our suppliers will deliver to us.

Value Added Services Region
The Company generally purchases tobacco that has already been processed and reprocesses it according to customer specifications. Therefore, the Value Added Services operating segment does not generally provide advances to tobacco suppliers.

Other Regions
Within the Other Regions, Africa and Guatemala are the primary areas where we advance some inputs to suppliers for the coming crop based on expected crop production. Advances to tobacco suppliers in most other areas are primarily cash advances to third party commercial suppliers. The increase in unfavorable variances in 2014 compared to 2013 is attributable to increased provisions for unrecoverable advances in Africa in response to a change in historical recovery rates and increased crop production expectations. The Company did not incur any other changes in net variances within the Other Regions operating segments for 2015, 2014 and 2013 that were absorbed into inventory.

Asset Impairment
Long-lived assets, including recoverable intrastate trade tax credits, are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset’s residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. To determine fair value, we use our internal cash flow estimates discounted at an appropriate interest rate, quoted market prices when available and independent appraisals, as appropriate. Accordingly, the fair value of an asset could be different using different estimates and assumptions in these valuation techniques which would increase or decrease the impairment charge.

Other Intangible Assets
We have no intangible assets with indefinite useful lives. We test identified intangible assets with defined useful lives and subject to amortization whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We perform this test by initially comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. If the carrying amount of an intangible asset exceeds its estimated

future undiscounted cash flows, then an impairment loss would be indicated. The amount of the impairment loss to be recorded would be based on the excess of the carrying amount of the intangible asset over its discounted future cash flows. We use judgment in assessing whether the carrying amount of our intangible assets is not expected to be recoverable over their estimated remaining useful lives. See Note 5 “Goodwill and Other Intangibles” to the “Notes to Consolidated Financial Statements” for further information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Critical Accounting Estimates (continued)

Pensions and Postretirement Health Care and Life Insurance Benefits
The valuation of our pension and other postretirement health care and life insurance plans requires the use of assumptions and estimates that are used to develop actuarial valuations of expenses, assets and liabilities. These assumptions include discount rates, investment returns, projected salary increases and benefits and mortality rates. The significant assumptions used in the calculation of pension and postretirement obligations are:
Discount rate: The discount rate is based on investment yields available at the measurement date on high-quality fixed income obligations, such as those included in the Moody's Aa bond index.

Salary increase assumption: The salary increase assumption reflects our expectations with respect to long-term salary increases of our workforce. Historical pay increases, expectations for the future, and anticipated inflation and promotion rates are considered in developing this assumption.

Cash Balance Crediting Rate: Interest is credited on cash balance accounts based on the yield on one-year Treasury Constant Maturities plus 1%. The assumed crediting rate thus considers the discount rate, current treasury rates, current inflation rates, and expectations for the future.

Mortality Rates: Mortality rates are based on gender-distinct group annuity mortality (GAM) tables.

Expected return on plan assets: The expected return reflects asset allocations, investment strategy and our historical actual returns.

Termination and Retirement Rates: Termination and retirement rates are based on standard tables reflecting past experience and anticipated future experience under the plan. No early retirement rates are used since benefits provided are actuarially equivalent and there are not early retirement subsidies in the plan.

Management periodically reviews actual demographic experience as it compares to the actuarial assumptions. Changes in assumptions are made if there are significant deviations or if future expectations change significantly. Based upon anticipated changes in assumptions, pension and postretirement expense is expected to increase by $1.9 million in the fiscal year ended March 31, 2016 as compared to March 31, 2015. We continually evaluate ways to better manage benefits and control costs. The cash contribution to our employee benefit plans in fiscal 2015 was $10.2 million and is expected to be $9.4 million in fiscal 2016

The effect of actual results differing from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such future periods. Changes in other assumptions and future investment returns could potentially have a material impact on our pension and postretirement expenses and related funding requirements.

The effect of a change in certain assumptions is shown below:

	Estimated Change in Projected Benefit Obligation Increase (Decrease) (in 000's)	Estimated Change in Annual Expense Increase (Decrease) (in 000's)
Change in Assumption (Pension and Postretirement Plans)		
1% increase in discount rate	$(20,540)	$(834)

1% decrease in discount rate	$21,281	$806
1% increase in salary increase assumption	$926	$215
1% decrease in salary increase assumption	$(859)	$(201)
1% increase in cash balance crediting rate	$1,570	$318
1% decrease in cash balance crediting rate	$(1,371)	$(277)
1% increase in rate of return on assets		$(970)
1% decrease in rate of return on assets		$970

Changes in assumptions for other post retirement benefits are no longer applicable as the benefit is capped and no longer subject to inflation. See Note 13 “Employee Benefits” to the “Notes to Consolidated Financial Statements” for further information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Recent Accounting Pronouncements Not Yet Adopted
See Note 1 "Significant Accounting Policies" to the "Notes to Consolidated Financial Statements" for further information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivatives policies: Hedging interest rate exposure using swaps and hedging foreign exchange exposure using forward contracts are specifically contemplated to manage risk in keeping with management's policies. We may use derivative instruments, such as swaps or forwards, which are based directly or indirectly upon interest rates and currencies to manage and reduce the risks inherent in interest rate and currency fluctuations.

We do not utilize derivatives for speculative purposes, and we do not enter into market risk sensitive instruments for trading purposes. Derivatives are transaction specific so that a specific debt instrument, contract, or invoice determines the amount, maturity, and other specifics of the hedge.

Foreign exchange rates: Our business is generally conducted in U.S. dollars, as is the business of the tobacco industry as a whole.
However, local country operating costs, including the purchasing and processing costs for tobaccos, are subject to the effects of exchange fluctuations of the local currency against the U.S. dollar. We attempt to minimize such currency risks by matching the timing of our working capital borrowing needs against the tobacco purchasing and processing funds requirements in the currency of the country where the tobacco is grown. Also, in some cases, our sales pricing arrangements with our customers allow adjustments for the effect of currency exchange fluctuations on local purchasing and processing costs. Fluctuations in the value of foreign currencies can significantly affect our operating results. In our cost of goods and services sold, we have recognized exchange gains (losses) of $3.5 million, $(4.7) million and $3.5 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. We recognized exchange losses of $12.1 million, $7.6 million and $9.1 million related to tax balances in our tax expense for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. In addition, foreign currency fluctuations in the Euro and (U.K.) Sterling can significantly impact the currency translation adjustment component of accumulated other comprehensive income. We recognized gains (losses) of $(12.5) million, $4.1 million and $(2.8) million in 2015, 2014, and 2013, respectively, as a result of fluctuations in these currencies.

Our consolidated SG&A expenses denominated in foreign currencies are subject to translation risks from currency exchange fluctuations. These foreign denominated expenses accounted for approximately 30.8% or $42.2 million of our total SG&A expenses for the twelve months ended March 31, 2015. A 10% change in the value of the U.S. dollar relative to those currencies would have caused the reported value of those expenses to increase or decrease by approximately $4.2 million.

Interest rates: We manage our exposure to interest rate risk through the proportion of fixed rate and variable rate debt in our total debt portfolio. A 1% change in variable interest rates would increase or decrease our reported interest cost by approximately $5.9 million. A substantial portion of our borrowings are denominated in U.S. dollars and bear interest at commonly quoted rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

STATEMENTS OF CONSOLIDATED OPERATIONS
Alliance One International, Inc. and Subsidiaries

	Years Ended March 31,		
(in thousands, except per share data)	2015	2014	2013
Sales and other operating revenues	$2,065,850	$2,354,956	$2,243,816
Cost of goods and services sold	1,810,771	2,114,929	1,958,570
Gross profit	255,079	240,027	285,246
Selling, general and administrative expenses	137,020	134,087	145,750
Other income	1,894	18,230	20,721
Restructuring and asset impairment charges (recoveries)	9,118	5,111	(55)
Operating income	110,835	119,059	160,272
Debt retirement expense (income)	(771)	57,449	1,195
Interest expense	113,355	116,798	114,557
Interest income	6,268	7,068	6,547
Income (loss) before income taxes and other items	4,519	(48,120)	51,067
Income tax expense	22,939	38,942	27,992
Equity in net income of investee companies	2,823	60	1,637
Net income (loss)	(15,597)	(87,002)	24,712
Less: Net income (loss) attributable to noncontrolling interests	(172)	(343)	699
Net income (loss) attributable to Alliance One International, Inc.	$(15,425)	$(86,659)	$24,013
Earnings (loss) per share:			
Basic	$(0.17)	$(0.99)	$0.27
Diluted	$(0.17)	$(0.99)	$0.25

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Alliance One International, Inc. and Subsidiaries

	Years Ended March 31,		
(in thousands)	2015	2014	2013
Net income (loss)	$(15,597)	$(87,002)	$24,712
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(12,514)	4,084	(2,802)
Pension prior service credit (cost) and net actuarial gain (loss), net of tax of $186 in 2015, $(306) in 2014 and $1,229 in 2013	(15,546)	13,007	(13,717)
Total other comprehensive income (loss), net of tax	(28,060)	17,091	(16,519)
Total comprehensive income (loss)	(43,657)	(69,911)	8,193
Comprehensive income (loss) attributable to noncontrolling interests	(172)	(343)	699
Comprehensive income (loss) attributable to Alliance One International, Inc.	$(43,485)	$(69,568)	$7,494

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

CONSOLIDATED BALANCE SHEETS
Alliance One International, Inc. and Subsidiaries

(in thousands)	March 31, 2015	March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$143,849	$234,742
Trade and other receivables, net	200,403	176,459
Accounts receivable, related parties	41,816	44,869
Inventories	772,608	760,607
Advances to tobacco suppliers	38,589	49,598
Recoverable income taxes	5,257	4,789
Current deferred taxes	15,587	10,013
Prepaid expenses	23,541	27,667
Current derivative asset	1,373	—
Other current assets	13,233	12,053
Total current assets	1,256,256	1,320,797
Other assets		
Investments in unconsolidated affiliates	54,694	50,876
Goodwill and other intangible assets	31,891	34,725
Long-term recoverable income taxes	6,571	5,423
Deferred income taxes	31,649	40,927
Other deferred charges	17,695	19,038
Other noncurrent assets	27,858	42,255
	170,358	193,244
Property, plant and equipment, net	237,975	261,246
	$1,664,589	$1,775,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable to banks	$330,254	$212,669
Accounts payable	73,358	115,177
Due to related parties	58,512	63,384
Advances from customers	18,906	22,133
Accrued expenses and other current liabilities	87,132	72,525
Current derivative liability	—	169
Income taxes	12,964	10,784
Long-term debt current	2,894	4,556
Total current liabilities	584,020	501,397
Long-term debt	738,943	900,363
Deferred income taxes	5,284	5,788
Liability for unrecognized tax benefits	8,826	9,436
Pension, postretirement and other long-term liabilities	91,252	81,415
	844,305	997,002
Commitments and contingencies		
Stockholders' equity		
Common stock—no par value:		
250,000 authorized shares, 96,436 issued and outstanding (96,012 at March 31,	468,564	465,682

2014)		
Retained deficit	(169,413)	(153,988)
Accumulated other comprehensive loss	(66,161)	(38,101)
Total stockholders' equity of Alliance One International, Inc.	232,990	273,593
Noncontrolling interests	3,274	3,295
Total equity	236,264	276,888
	$1,664,589	$1,775,287

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY
Alliance One International, Inc. and Subsidiaries

	Attributable to Alliance One International, Inc.					
			Accumulated Other Comprehensive Income			
(in thousands)	Common Stock	Retained Deficit	Currency Translation Adjustment	Pensions, Net of Tax	Noncontrolling Interest	Total Stockholders' Equity
Balance, March 31, 2012	$457,497	$(91,342)	$(2,922)	$(35,751)	$2,939	$330,421
Net income	—	24,013	—	—	699	24,712
Restricted stock surrendered	(159)	—	—	—	—	(159)
Stock-based compensation	3,576	—	—	—	—	3,576
Other comprehensive loss, net of tax	—	—	(2,802)	(13,717)	—	(16,519)
Balance, March 31, 2013	$460,914	$(67,329)	$(5,724)	$(49,468)	$3,638	$342,031
Net loss	—	(86,659)	—	—	(343)	(87,002)
Restricted stock surrendered	(337)	—	—	—	—	(337)
Stock-based compensation	5,105	—	—	—	—	5,105
Other comprehensive income, net of tax	—	—	4,084	13,007	—	17,091
Balance, March 31, 2014	$465,682	$(153,988)	$(1,640)	$(36,461)	$3,295	$276,888
Net loss	—	(15,425)	—	—	(172)	(15,597)
Acquisition of noncontrolling interest	—	—	—	—	151	151
Restricted stock surrendered	(146)	—	—	—	—	(146)
Stock-based compensation	3,028	—	—	—	—	3,028
Other comprehensive loss, net of tax	—	—	(12,514)	(15,546)	—	(28,060)
Balance, March 31, 2015	$468,564	$(169,413)	$(14,154)	$(52,007)	$3,274	$236,264

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

STATEMENTS OF CONSOLIDATED CASH FLOWS
Alliance One International, Inc. and Subsidiaries

	Years Ended March 31,		
(in thousands)	2015	2014	2013
Operating activities			
Net income (loss)	$(15,597)	$(87,002)	$24,712
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	29,623	32,427	33,811
Debt amortization/interest	8,816	12,707	15,303
Debt retirement	(771)	57,449	1,195
Restructuring and asset impairment charges (recovery)	9,118	5,111	(55)
Loss on foreign currency transactions	8,570	12,286	5,662
Gain on sale of property, plant and equipment	(1,751)	(3,175)	(1,310)
Gain on disposition of stock in subsidiaries	—	(20,369)	—
Loss on acquisition of equity method investment	—	1,253	—
Bad debt expense	12,368	312	(44)
Equity in net income of unconsolidated affiliates, net of dividends	(2,823)	783	(640)
Stock-based compensation	3,194	3,222	4,520
Changes in operating assets and liabilities, net:			
Trade and other receivables	(47,384)	50,392	49,401
Inventories and advances to tobacco suppliers	(19,552)	157,212	(97,324)
Deferred items	(15,118)	2,769	(29,797)
Recoverable income taxes	(2,430)	(2,136)	(396)
Payables and accrued expenses	(24,018)	24,989	5
Advances from customers	(3,638)	3,330	2,201
Current derivative asset	(1,373)	3,145	(2,833)
Prepaids	2,037	4,304	368
Income taxes	4,682	1,172	(7,040)
Other operating assets and liabilities	637	(560)	722
Other, net	223	2,815	(95)
Net cash provided (used) by operating activities	(55,187)	262,436	(1,634)
Investing activities			
Purchases of property, plant and equipment	(25,273)	(24,928)	(39,860)
Intangibles, including internally developed software costs	(781)	(7,803)	(977)
Proceeds from sale of property, plant and equipment	16,840	9,336	1,770
Proceeds on sale of subsidiaries, net of cash divested	—	3,513	—
Payments to acquire equity method investments	(1,655)	(3,500)	—
Change in restricted cash	(1,678)	268	25,955
Surrender of life insurance policies	1,194	2,861	119
Other, net	(309)	(196)	(218)
Net cash used by investing activities	(11,662)	(20,449)	(13,211)

Financing activities			
Net proceeds (repayments) of short-term borrowings	$ 145,988	$ (87,398)	$ (11,524)
Proceeds from long-term borrowings	300,000	1,075,877	357,337
Repayment of long-term borrowings	(463,341)	(1,030,256)	(352,436)
Debt issuance cost	(6,538)	(22,764)	(7,372)
Debt retirement cost	—	(36,033)	—
Other, net	455	111	(66)
Net cash used by financing activities	(23,436)	(100,463)	(14,061)
Effect of exchange rate changes on cash	(608)	1,192	1,189
Increase (decrease) in cash and cash equivalents	(90,893)	142,716	(27,717)
Cash and cash equivalents at beginning of year	234,742	92,026	119,743
Cash and cash equivalents at end of year	$ 143,849	$ 234,742	$ 92,026
Other information:			
Cash paid for income taxes	$ 16,192	$ 17,911	$ 20,771
Cash paid for interest	98,957	105,192	102,101
Cash received from interest	(6,529)	(8,799)	(5,193)

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 – Significant Accounting Policies

Description of Business
The Company is principally engaged in purchasing, processing, storing, and selling leaf tobacco. The Company purchases tobacco primarily in the United States, Africa, Europe, South America and Asia for sale to customers primarily in the United States, Europe and Asia.

Basis of Presentation
The accounts of the Company and its consolidated subsidiaries are included in the consolidated financial statements after elimination of intercompany accounts and transactions. The Company uses the cost or equity method of accounting for its investments in affiliates that are owned 50% or less and are not variable interest entities where the Company is the primary beneficiary.

On March 26, 2014, the Company sold 51% of a Brazilian subsidiary to China Tobacco and reported its remaining 49% interest in the subsidiary under the equity method of accounting at March 31, 2014. As a result, the March 31, 2015 and 2014 Consolidated Balance Sheets do not include the assets and liabilities of this subsidiary. For the years ending March 31, 2014 and 2013, the Consolidated Statements of Operations include the results of operations for this subsidiary up to, and including, March 26, 2014. After March 26, 2014, results of operations for this subsidiary are reported in accordance with equity method accounting. See Note 10 “Equity in Net Assets of Investee Companies” to the “Notes to Consolidated Financial Statements” for further information.

The Company accounts for its investment in the Zimbabwe operations on the cost method and has been reporting it in Investments in Unconsolidated Affiliates in the Consolidated Balance Sheets since March 31, 2006. During fiscal year 2007, the Company wrote its investment in the Zimbabwe operations down to zero, however the Company continues to make advances and guarantees seasonal lines of credit on behalf of this entity. See Note 19 “Related Party Transactions” to the “Notes to Consolidated Financial Statements” for further information.

Investments in Unconsolidated Affiliates
The Company’s equity method investments and its cost method investments, including its Zimbabwe operations, are non-marketable securities. The Company reviews such investments for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recovered. For example, the Company would test such an investment for impairment if the investee were to lose a significant customer, suffer a large reduction in sales margins, experience a major change in its business environment, or undergo any other significant change in its normal business. In assessing the recoverability of equity or cost method investments, the Company uses discounted cash flow models. If the fair value of an equity investee is determined to be lower than its carrying value, an impairment loss is recognized. The preparation of discounted future cash flow analysis requires significant management judgment with respect to future operating earnings growth rates and the selection of an appropriate discount rate. The use of different assumptions could increase or decrease estimated future operating cash flows, and the discounted value of those cash flows, and therefore could increase or decrease any impairment charge.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, and changes in these estimates are recorded when known. Estimates are used in

accounting for, among other things, pension and postretirement health care benefits, inventory market values, allowances for doubtful accounts and advances, bank loan guarantees to suppliers and unconsolidated subsidiaries, useful lives for depreciation and amortization, future cash flows associated with impairment testing for long-lived assets, deferred tax assets and uncertain income tax positions, intrastate tax credits in Brazil and fair value determinations of financial assets and liabilities including derivatives, securitized beneficial interests and counterparty risk. Changes in market and economic conditions, local tax laws, and other related factors are considered each reporting period, and adjustments to the accounts are made based on the Company’s best judgment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition
The Company recognizes revenue from the sale of tobacco when persuasive evidence of an arrangement exists, the price to the customer is fixed or determinable, collectibility is reasonably assured and title and risk of ownership is passed to the customer, which is upon shipment or delivery. The Company requires that all customer-specific acceptance provisions be met at the time title and risk of ownership passes to the customer. Furthermore, the Company's sales history indicates customer returns and rejections are not significant.

The Company also processes tobacco owned by its customers and revenue is recognized based on contractual terms as the service is provided. The revenue and cost associated with processing is recorded gross in the Statements of Consolidated Operations. The Company's history indicates customer requirements for processed tobacco are met upon completion of processing. In addition, advances from customers are deferred and recognized as revenue upon shipment or delivery.

Taxes Collected from Customers
Certain subsidiaries are subject to value added taxes on local sales. These amounts have been included in sales and were $25,282, $22,778 and $26,040 for the years ended March 31, 2015, 2014 and 2013, respectively.

Shipping and Handling
Shipping and handling costs are included in cost of goods and services sold in the statement of operations.

Other Income
Other Income consists primarily of gains on sales of property, plant and equipment and assets held for sale. This caption also includes expenses related to the Company's sale of receivables. See Note 17 "Sale of Receivables" to the "Notes to Consolidated Financial Statements" for further information.

During the quarter ended March 31, 2014, the Company completed the formation of a new joint venture company in Brazil with the sale of 51% of a formerly wholly owned Brazilian subsidiary. The transaction consisted of receiving $8,761 of cash in exchange for the sale of 51% of the shares of the subsidiary. The Company accounted for the transaction as a deconsolidation of a subsidiary, which required the Company's retained noncontrolling interest to be recorded at fair value, which equaled $19,161. The carrying amount of the former subsidiary's assets and liabilities equaled $7,553, which resulted in a gain of $20,369 that was recorded in Other Income in the Statements of Consolidated Operations. During fiscal 2013, the Company recognized a non-cash benefit of $24,142 for a Brazilian excise tax the Company used to offset Brazilian federal taxes payable in 2004 and 2005. The benefit recorded is based on a Brazilian court ruling on March 7, 2013. See Note 16 "Contingencies" to the "Notes to Consolidated Financial Statements" for further information.

The following table summarizes the significant components of Other Income.

	Years Ending March 31,		
	2015	2014	2013
Turkey other property sales	$—	$2,700	$—
Brazil 51% subsidiary investment sale	—	20,369	—
Brazil excise tax benefit	—	—	24,142
Other sales of assets and expenses	9,319	2,138	4,892
Losses on sale of receivables	(7,425)	(6,977)	(8,313)
	$1,894	$18,230	$20,721

Cash and Cash Equivalents

Cash equivalents are defined as temporary investments of cash with original maturities of less than 90 days. At March 31, 2015 and 2014, cash and cash equivalents included $599 and $280 of customer funding that was restricted for social responsibility programs maintained by the Company. At March 31, 2015 and 2014, respectively, $2,122 and $444 of cash held on deposit as a compensating balance for short-term borrowings was included in Other Current Assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Trade and Other Receivables
Trade and other receivables consist of $192,761 of trade receivables and $7,642 of other receivables at March 31, 2015. The balances at March 31, 2014 were $165,759 and $10,700 for trade receivables and other receivables, respectively.

Trade receivables are amounts owed to the Company from its customers. Trade receivables are recorded at invoiced amounts and primarily have net 30 day terms. The Company extends credit to its customers based on an evaluation of a company's financial condition and collateral is generally not required.

The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on the Company's assessment of known delinquent accounts, other currently available evidence of collectibility and the aging of accounts receivable. The Company's allowance for doubtful accounts was $13,687 and $3,161 at March 31, 2015 and 2014, respectively. The provision for doubtful accounts was $12,446, $551 and $(163) for the years ending March 31, 2015, 2014 and 2013, respectively and is reported in Selling, General and Administrative Expenses in the Statements of Consolidated Operations.

Other receivables consist primarily of value added tax ("VAT") receivables of $6,862 and $7,894 at March 31, 2015 and 2014, respectively.

Other Deferred Charges
Other deferred charges are primarily deferred financing costs that are amortized over the life of long-term debt.

Sale of Accounts Receivable
The Company is currently engaged in three revolving trade accounts receivable securitization arrangements to sell receivables. The Company records the transaction as a sale of receivables, removes such receivables from its financial statements and records a receivable for the beneficial interest in such receivables. The losses on the sale of receivables are recognized in Other Income. As of March 31, 2015 and 2014, respectively, accounts receivable sold and outstanding were $235,162 and $204,364. See Note 17 "Sale of Receivables" and Note 18 "Fair Value Measurements" to the "Notes to Consolidated Financial Statements" for further information.

Inventories
Costs in inventory include processed tobacco inventory, unprocessed tobacco inventory and other inventory. Costs of unprocessed tobacco inventories are determined by the average cost method, which include the cost of green tobacco. Costs of processed tobacco inventories are determined by the average cost method, which include both the cost of unprocessed tobacco, as well as direct and indirect costs that are related to the processing of the product. Costs of other non-tobacco inventory are determined by the first-in, first-out method, which include costs of packing materials, non-tobacco agricultural products and agricultural supplies including seed, fertilizer, herbicides and pesticides.

Inventories are valued at the lower of cost or market ("LCM"). The Company evaluates its inventories for LCM adjustments by country and type of inventory. Therefore, processed tobacco and unprocessed tobacco are evaluated separately for LCM purposes. The Company compares the cost of its processed tobacco to market values based on recent sales of similar grades when evaluating those balances for LCM adjustments. The Company also considers whether its processed tobacco is committed to a customer, whereby the expected sales price would be utilized in determining the market value for committed tobacco. The Company also reviews data on market conditions in performing its LCM evaluation for unprocessed tobacco.

See Note 2 "Inventories" to the "Notes to Consolidated Financial Statements" for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Advances to Tobacco Suppliers
The Company purchases seeds, fertilizer, pesticides and other products related to growing tobacco and advances them to suppliers, which represents prepaid inventory and is recorded as advances to tobacco suppliers. The advances of current crop inputs generally include the original cost of the inputs plus a mark-up and interest as it is earned. Where contractually permitted, the Company charges interest to the suppliers during the period the current crop advance is outstanding. The Company generally advances the inputs at a price that is greater than its cost, which results in a mark-up on the inputs. The suppliers then utilize these inputs to grow tobacco, which the Company is contractually obligated to purchase. Upon delivery of tobacco, part of the purchase price to the supplier is paid in cash and part through a reduction of the advance balance. The advances applied to the delivery are reclassified out of advances and into unprocessed inventory. Advances to tobacco suppliers are accounted for utilizing a cost accumulation methodology.

The Company has current and noncurrent advances to tobacco suppliers. The current advances represent the cost of the seeds, fertilizer and other materials that are advanced for the current crop of inventory. The noncurrent advances generally represent the cost of advances to suppliers for infrastructure, such as curing barns, which is also recovered through the delivery of tobacco to the Company by the suppliers. As a result of various factors in a given crop year (weather, etc.) not all suppliers are able to settle the entire amount of advances that are due that year. In these situations, the Company may allow the suppliers to deliver tobacco over future crop years to recover its advances. The advance balances that are deferred over future crop years are also classified as noncurrent.

Advances to tobacco suppliers are carried at cost and evaluated for recoverability. The realizability evaluation process is similar to that of the LCM evaluation process for inventories. The Company evaluates its advances for recoverability by crop and country. The Company reclasses the advance to inventory at the time suppliers deliver tobacco. The purchase price for the tobacco delivered by the suppliers is based on market prices. Two primary factors determine the market value of the tobacco suppliers deliver: the quantity of tobacco delivered and the quality of the tobacco delivered. Therefore, the Company ensures its advances are appropriately stated at the lower of cost or estimated recoverable amounts.

Upon delivery of tobacco, part of the purchase price to the supplier is paid in cash and part through a reduction of the advance balance. If a sufficient value of tobacco is not delivered to allow the reduction of the entire advance balance, then the Company first determines how much of the deficiency for the current crop is recoverable through future crops. This determination is made by analyzing the suppliers' ability-to-deliver a sufficient supply of tobacco. This analysis includes historical quantity and quality of production with monitoring of crop information provided by field service technicians related to flood, drought and disease. The remaining recoverable advance balance would then be classified as noncurrent. Any increase in the estimate of unrecoverable advances associated with the noncurrent portion is charged to cost of goods and services sold in the income statement when determined. Amounts not expected to be recovered through current or future crops are then evaluated to determine whether the yield is considered to be normal or abnormal. If the yield adjustment is normal, then the Company capitalizes the applicable variance in the current crop of inventory. If the yield adjustment is considered abnormal, then the Company immediately charges the applicable variance to cost of goods and services sold in the income statement. A normal yield adjustment is based on the range of unrecoverability for the previous three years by country.

The Company accounts for its advances to tobacco suppliers using a cost accumulation model, which results in the reporting of its advances at the lower of cost or recoverable amounts exclusive of the mark-up and interest. The mark-up and interest on its advances are recognized upon delivery of tobacco as a decrease in the cost of the current crop. The mark-up and interest capitalized or to be capitalized into inventory for the current crop was $19,823 and

$18,180 as of March 31, 2015 and 2014, respectively. Unrecoverable advances and other costs capitalized or to be capitalized into the current crop was $10,795 and $15,314 at March 31, 2015 and 2014, respectively. The following table reflects the classification of advances to tobacco suppliers:

	March 31, 2015	March 31, 2014
Current	$38,589	$49,598
Noncurrent	3,985	6,420
	$42,574	$56,018

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Advances to Tobacco Suppliers (continued)
Noncurrent advances to tobacco suppliers are recorded in Other Noncurrent Assets in the Consolidated Balance Sheets.

Unrecovered amounts expensed directly to cost of goods and services sold in the income statement for abnormal yield adjustments or unrecovered amounts from prior crops were $1,085, $11,587 and $1,750 for the years ended March 31, 2015, 2014 and 2013, respectively. Normal yield adjustments are capitalized into the cost of the current crop and are expensed as cost of goods and services sold as that crop is sold.

Guarantees
The Company and certain of its foreign subsidiaries guarantee bank loans to suppliers to finance their crops. Under longer-term arrangements, the Company may also guarantee financing on suppliers' construction of curing barns or other tobacco production assets. Guaranteed loans are generally repaid concurrent with the delivery of tobacco to the Company. The Company is obligated to repay any guaranteed loan should the supplier default. If default occurs, the Company has recourse against the supplier. The Company also guarantees bank loans of certain unconsolidated subsidiaries in Asia, Brazil and Zimbabwe. The following table summarizes amounts guaranteed and the fair value of those guarantees:

	March 31, 2015	March 31, 2014
Amounts guaranteed (not to exceed)	$300,557	$301,870
Amounts outstanding under guarantee	185,486	218,847
Fair value of guarantees	8,650	7,344

Of the guarantees outstanding at March 31, 2015, all expire within one year. The fair value of guarantees is recorded in Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheets and included in crop costs except for Zimbabwe and the joint venture in Brazil which are included in Accounts Receivable, Related Parties.

In Brazil, some suppliers obtain government subsidized rural credit financing from local banks that is guaranteed by the Company. The Company withholds amounts owed to suppliers related to the rural credit financing of the supplier upon delivery of tobacco to the Company. The Company remits payments to the local banks on behalf of the guaranteed suppliers. Terms of rural credit financing are such that repayment is due to local banks based on contractual due dates. As of March 31, 2015 and 2014, respectively, the Company had balances of $16,412 and $26,076 that were due to local banks on behalf of suppliers. These amounts are included in Accounts Payable in the Consolidated Balance Sheets.

Goodwill and Other Intangibles
Goodwill represents the excess of purchase price over fair value of net assets acquired, and is allocated to the appropriate reporting unit when acquired. Goodwill is not amortized; rather it is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of the asset may be impaired. Goodwill is evaluated for impairment by determining the fair value of the related reporting unit. Fair value is measured based on a discounted cash flow method or relative market-based approach. If the carrying amount of goodwill exceeds its fair value, an impairment charge is recorded.

The Company has no intangible assets with indefinite useful lives. It does have other intangible assets, production and supply contracts and a customer relationship intangible asset as well as internally developed software that is capitalized into intangibles. These intangible assets are stated at amortized cost and tested for impairment whenever factors indicate the carrying amount may not be recoverable. Supply contracts are amortized based on the expected realization of the benefit over the term of the contracts ranging from 3 to 5 years. Production contracts and the customer relationship intangible are both amortized on a straight-line basis ranging from five to ten years and twenty years, respectively. The amortization period is the term of the contract or, if no term is specified in the contract, management's best estimate of the useful life based on past experience. Internally developed software is amortized on a straight-line basis over five years once the software testing is complete. Events and changes in circumstance may either result in a revision in the estimated useful life or impairment of an intangible resulting in revaluation of the asset value to its fair value. See Note 5 "Goodwill and Other Intangibles" to the "Notes to Consolidated Financial Statements" for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Other Noncurrent Assets
For the year ended March 31, 2015, other noncurrent assets consist primarily of long-term VAT and intrastate tax receivables of $8,098, long-term advances to suppliers of $3,985 and cash surrender value of life insurance of $7,076. For the year ended March 31, 2014, other noncurrent assets consist primarily of long-term VAT and intrastate tax receivables of $15,601, long-term advances to suppliers of $6,420 and cash surrender value of life insurance of $7,903.

Property, Plant and Equipment
Property, plant and equipment at March 31, 2015 and 2014, are summarized as follows:

	2015	2014
Land	$21,564	$31,517
Buildings	170,937	183,175
Machinery and equipment	173,541	201,306
Total	366,042	415,998
Less accumulated depreciation	(128,067)	(154,752)
Total property, plant and equipment, net	$237,975	$261,246

Property, plant and equipment is stated at cost less accumulated depreciation. Provisions for depreciation are computed on a straight-line basis at annual rates calculated to amortize the cost of depreciable properties over their estimated useful lives. Buildings and machinery and equipment are depreciated over ranges of 20 to 30 years and 3 to 10 years, respectively. The consolidated financial statements do not include fully depreciated assets. Depreciation expense recorded in Cost of Goods and Services Sold for the years ended March 31, 2015, 2014 and 2013 was $24,125, $25,680 and $25,939, respectively. Depreciation expense recorded in Selling, General and Administrative Expense for the years ended March 31, 2015, 2014 and 2013 was $2,998, $3,209 and $3,112, respectively. Total property and equipment purchases, including internally developed software intangibles, were $22,673 for the year ended March 31, 2015 of which $1,024 was unpaid at March 31, 2015 and included in Accounts Payable; $27,755 for the year ended March 31, 2014 of which $4,322 was unpaid at March 31, 2014 and included in Accounts Payable; and $42,803 for the year ended March 31, 2013 of which $2,743 was unpaid at March 31, 2013 and included in Accounts Payable. Estimated useful lives are periodically reviewed and changes are made to the estimated useful lives when necessary. Long-lived assets are reviewed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows. An impairment loss would be recognized when estimated undiscounted future cash flows from the use of the asset and its eventual disposition are less than its carrying amount. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset over its fair value. Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties and may be estimated using a number of techniques, including quoted market prices or valuations, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures.

Derivative Financial Instruments
The Company uses forward or option currency contracts to protect against volatility associated with certain non-U.S. dollar denominated forecasted transactions. The contracts do not qualify for hedge accounting as defined by generally accepted accounting principles. As a result, the Company has recorded losses of $3,123, $1,468 and $14,287 in its

Cost of Goods and Services Sold for the years ended March 31, 2015, 2014 and 2013, respectively. See Note 6 “Derivative and Other Financial Instruments” to the "Notes to Consolidated Financial Statements" for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Income Taxes
The Company uses the asset and liability method to account for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

The Company's annual tax rate is based on its income, statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. The Company reviews its tax positions quarterly and adjusts the balances as new information becomes available.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. The Company evaluates the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates. The Company uses historical experience and short and long-range business forecasts to provide insight. The Company believes it is more likely than not that a portion of the deferred income tax assets may expire unused and has established a valuation allowance against them. Although realization is not assured for the remaining deferred income tax assets, the Company believes it is more likely than not the deferred tax assets will be fully recoverable within the applicable statutory expiration periods. However, deferred tax assets could be reduced in the near term if estimates of taxable income are significantly reduced or available tax planning strategies are no longer viable. See Note 12 "Income Taxes" to the "Notes to Consolidated Financial Statements" for further information.

Stock-Based Compensation
The Company expenses the fair value of grants of various stock-based compensation programs at fair value over the vesting period of the awards. The fair value of stock options is estimated at the date of grant using the Black-Scholes-Merton option valuation model which was developed for use in estimating the fair value of exchange traded options that have no vesting restrictions and are fully transferable. Option valuation methods require the input of highly subjective assumptions, including the expected stock price volatility. See Note 11 "Stock-Based Compensation" to the "Notes to Consolidated Financial Statements" for further information.

New Accounting Standards

Recently Adopted Accounting Pronouncements
On April 1, 2014, the Company adopted new accounting guidance on the financial presentation of an unrecognized tax benefit when a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward exists. Companies are required to report an unrecognized tax benefit as a reduction in a deferred tax asset for a NOL or tax credit carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. The adoption of this new accounting guidance had no material impact on the Company's financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Adopted
In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance that outlines a single comprehensive model to use in accounting for revenue from contracts with customers. The primary objective of this accounting guidance is to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This accounting guidance is effective for the Company on April 1, 2017. The Company is currently evaluating the impact of this new guidance and it may have a material impact on its financial condition or results of operations.

In August 2014, the FASB issued new accounting guidance on determining when and how to disclose going concern uncertainties in the financial statements. The primary objective of this accounting guidance is for management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued and provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. This accounting guidance is effective for the Company on March 31, 2017. The Company is currently evaluating the impact of this new guidance and does not expect it to have a material impact on its financial condition or results of operations.

Computation of Earnings (Loss) Per Common Share

	Years Ended March 31,		
(in thousands, except per share data)	2015	2014	2013
BASIC EARNINGS (LOSS)			
Net income (loss) attributable to Alliance One International, Inc.	$(15,425)	$(86,659)	$24,013
SHARES			
Weighted Average Number of Shares Outstanding	88,289	87,719	87,374
BASIC EARNINGS (LOSS) PER SHARE	$(0.17)	$(0.99)	$0.27
DILUTED EARNINGS (LOSS)			
Net income (loss) attributable to Alliance One International, Inc.	$(15,425)	$(86,659)	$24,013
Plus interest expense on 5 ½% convertible notes, net of tax	— *	— *	4,100
Net income (loss) attributable to Alliance One International, Inc. as adjusted	$(15,425)	$(86,659)	$28,113
SHARES			
Weighted average number of shares outstanding	88,289	87,719	87,374
Plus: Restricted shares issued and shares applicable to stock options and restricted stock units, net of shares assumed to be purchased from proceeds at average market price	— *	— *	356
Assuming conversion of 5 ½% convertible notes	— *	— *	22,872
Shares applicable to stock warrants	— **	— **	— **
Adjusted weighted average number of shares outstanding	88,289	87,719	110,602
DILUTED EARNINGS (LOSS) PER SHARE	$(0.17)	$(0.99)	$0.25

* Assumed conversion of convertible notes at the beginning of the period has an antidilutive effect on earnings (loss) per share. All outstanding restricted shares and shares applicable to stock options and restricted stock units are

excluded because their inclusion would have an antidilutive effect on the loss per share.

** For the year ended March 31, 2015, 2014 and 2013, the warrants were not assumed exercised because the exercise price was more than the average price for the period. The warrants began expiring October 15, 2014. They will be fully expired on April 8, 2015.

The weighted average number of common shares outstanding is reported as the weighted average of the total shares of common stock outstanding net of shares of common stock held by a wholly owned subsidiary. Shares of common stock owned by the subsidiary were 7,853 at March 31, 2015 and 2014. This subsidiary waives its right to receive dividends and it does not have the right to vote.

Certain potentially dilutive options were not included in the computation of earnings per diluted share because their exercise prices were greater than the average market price of the shares of common stock during the period and their effect would be antidilutive. These shares totaled 6,613 at a weighted average exercise price of $6.04 per share at March 31, 2015, 6,879 at a

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Computation of Earnings (Loss) Per Common Share (continued)
weighted average exercise price of $6.05 per share at March 31, 2014 and 7,010 at a weighted average exercise price of $6.05 per share at March 31, 2013.

In connection with the offering of the Company's 5.50% Convertible Senior Subordinated Notes due 2014, issued on July 2, 2009 (the "Convertible Notes"), the Company entered into privately negotiated convertible note hedge transactions (the "convertible note hedge transactions") equal to the number of shares that underlie the Company's Convertible Notes. These convertible note hedge transactions were designed to reduce the potential dilution of the Company's common stock upon conversion of the Convertible Notes in the event that the value per share of common stock exceeds the initial conversion price of $5.0280 per share. These shares were not included in the computation of earnings per diluted share because their inclusion would be antidilutive. The Convertible Notes matured during the second quarter of fiscal 2015.

Other Comprehensive Income (Loss)
The following tables set forth the changes in each component of accumulated other comprehensive income (loss), net of tax, attributable to the Company:

	Currency Translation Adjustment	Pensions, Net of Tax	Accumulated Other Comprehensive Income (Loss)
Balances, March 31, 2012	$(2,922)	$(35,751)	$(38,673)
Other comprehensive losses before reclassifications	(2,802)	(13,491)	(16,293)
Amounts reclassified to net income, net of tax	—	(226)	(226)
Other comprehensive losses, net of tax	(2,802)	(13,717)	(16,519)
Balances, March 31, 2013	(5,724)	(49,468)	(55,192)
Other comprehensive income before reclassifications	4,084	10,129	14,213
Amounts reclassified to net loss, net of tax	—	2,878	2,878
Other comprehensive income, net of tax	4,084	13,007	17,091
Balances, March 31, 2014	(1,640)	(36,461)	(38,101)
Other comprehensive losses before reclassifications	(12,514)	(16,257)	(28,771)
Amounts reclassified to net loss, net of tax	—	711	711
Other comprehensive losses, net of tax	(12,514)	(15,546)	(28,060)
Balances, March 31, 2015	$(14,154)	$(52,007)	$(66,161)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Other Comprehensive Income (Loss) (continued)
The following table sets forth amounts by component, reclassified from accumulated other comprehensive income (loss) to net income (loss) for the years ended March 31, 2015, 2014 and 2013:

	Years Ended March 31, 2015	2014	2013
Pension and postretirement plans *:			
Actuarial loss	$3,092	$4,436	$1,437
Amortization of prior service cost (credit)	(2,213)	(1,369)	(1,549)
Deferred income tax benefit	(168)	(189)	(114)
Amounts reclassified from accumulated other comprehensive income (loss) to net income (loss)	$711	$2,878	$(226)

* Amounts are included in net periodic benefit costs for pension and postretirement plans.

Concentration of Credit Risk
The Company may potentially be subject to a concentration of credit risks due to tobacco supplier advances and trade receivables relating to customers in the tobacco industry as well as cash which is deposited with high-credit-quality financial institutions. See Note 14 “Segment Information” to the “Notes to Consolidated Financial Statements” for further information of particular concentrations.

Preferred Stock
The Board of Directors is authorized to issue shares of Preferred Stock in series with variations as to the number of shares in any series. The Board of Directors also is authorized to establish the rights and privileges of such shares issued, including dividend and voting rights. At March 31, 2015, 10,000 shares of preferred stock were authorized and no shares had been issued.

Note 2 – Inventories

	March 31, 2015	March 31, 2014
Processed tobacco	$506,637	$404,683
Unprocessed tobacco	219,269	309,570
Other	46,702	46,354
	$772,608	$760,607

See Note 1 “Significant Accounting Policies - Inventories” to the “Notes to Consolidated Financial Statements” for further information on the costs that comprise the inventory balances and the LCM testing methodologies.

The Company recorded LCM adjustments of $5,307, $2,251 and $966 for the years ended March 31, 2015, 2014 and 2013, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 3 – Variable Interest Entities

The Company holds variable interests in seven joint ventures that are accounted for under the equity method of accounting. These joint ventures procure inventory on behalf of the Company and the other joint venture partners. The variable interests relate to equity investments and advances made by the Company to the joint ventures. In addition, the Company also guarantees two of its joint ventures' borrowings which also represent a variable interest in those joint ventures. The Company is not the primary beneficiary, as it does not have the power to direct the activities that most significantly impact the economic performance of the entities as a result of the entities’ management and board of directors structure. Therefore, these entities are not consolidated. At March 31, 2015 and 2014, the Company’s investment in these joint ventures was $53,678 and $49,860, respectively and is classified as Investments in Unconsolidated Affiliates in the Consolidated Balance Sheets. The Company’s advances to these joint ventures were $3,293 and $10 at March 31, 2015 and 2014, respectively, and are classified as Accounts Receivable, Related Parties in the Consolidated Balance Sheets. The Company guaranteed an amount to two joint ventures not to exceed $105,983 and $142,904 at March 31, 2015 and 2014, respectively. The investments, advances and guarantees in these joint ventures represent the Company’s maximum exposure to loss.

Note 4 – Restructuring and Asset Impairment Charges

During the quarter ended March 31, 2015, the Company announced the first phase of a global restructuring plan focusing on efficiency and cost improvements. The Company reviewed origin and corporate operations and initiatives were implemented to increase operational efficiency and effectiveness. As a result total charges of $8,612 were incurred in connection with the reduction in the global workforce. These initiatives will continue to occur as the Company restructures certain operations not meeting strategic business objectives and performance metrics in future periods. At March 31, 2015, the costs of these future initiatives are not estimable. As a result of constructing a new U.S. cut rag facility with state of the art machinery and equipment, the Company recorded a $500 asset impairment charge for certain machinery and equipment at the previous facility during the year ended March 31, 2015.

In prior fiscal years, the Company implemented several strategic initiatives in response to shifts in supply and demand balances and changing business models of its customers. These initiatives were substantially complete at March 31, 2014. The Company continued to focus on improving factory efficiencies and other core components of its business. As part of this focus, the Company agreed to a joint processing venture in one of its foreign locations during the three months ended June 30, 2013. As a result, the Company recorded pretax charges of $2,745 in connection with the reduction in workforce including the effect on the Company's defined benefit pension plans of $1,261 during the year ended March 31, 2014. Asset impairment charges of $756 were recorded for certain processing equipment in connection with the new venture as of March 31, 2014. As the Company continued to respond to changes in its business, additional employee separation charges of $791 and asset impairment charges of $819 were incurred during the year ended March 31, 2014.

The following table summarizes the restructuring actions as of March 31, 2015, 2014 and 2013:

	Years Ended March 31,		
Restructuring and Asset Impairment Charges	2015	2014	2013
Employee separation and other cash charges:			
Beginning balance	$397	$668	$1,960
Period Charges:			
Employee separation charges (recoveries)	8,612	2,275	(55)

Other cash charges	6	—	—
Total employee separation and other cash charges (recoveries)	8,618	2,275	(55)
Payments through March 31	(928)	(2,546)	(1,237)
Ending balance March 31	$8,087	$397	$668
Asset impairment and other non-cash charges	500	2,836	—
Total restructuring and asset impairment charges (recoveries)	$9,118	$5,111	$(55)

The following table summarizes cash payments for employee separation and other cash charges (recoveries) for the years ended March 31, 2015, 2014 and 2013.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 4 – Restructuring and Asset Impairment Charges (continued)

	Year Ending March 31,			Total
Cash Payments by Year	2015	2014	2013	Payments
Employee separation and other cash charges (recoveries)	$8,618	$2,275	$(55)	
Adjustments to employee separation and other cash charges	—	—	186 *	
Cash paid 2013	—	—	—	$—
Cash paid 2014	—	(2,064)	—	$(2,064)
Cash paid 2015	(531)	(211)	(186)	$(928)
Adjustment	—	—	55	
Balances at March 31, 2015	$8,087	$—	$—	

* Beginning balance for the year ended March 31, 2013.

The following table summarizes the employee separation and other cash charges recorded in the Company's South America, Value Added Services and Other Regions segments as of March 31, 2015, 2014 and 2013:

	Years Ended March 31,		
Employee Separation and Other Cash Charges	2015	2014	2013
Beginning balance:	$397	$668	$1,960
South America	—	—	183
Value added services	—	—	—
Other regions	397	668	1,777
Period charges:	$8,618	$2,275	$(55)
South America	2,328	433	(143)
Value added services	—	—	—
Other regions	6,290	1,842	88
Payments through March 31:	$(928)	$(2,546)	$(1,237)
South America	(411)	(433)	(40)
Value added services	—	—	—
Other regions	(517)	(2,113)	(1,197)
Ending balance March 31:	$8,087	$397	$668
South America	1,917	—	—
Value added services	—	—	—
Other regions	6,170	397	668

Non-cash charges related to Value Added Services were $500 during the year ended March 31, 2015. Non-cash charges related to the Other Regions segment were $2,836 during the year ended March 31, 2014. There were no non-cash charges for the year ended March 31, 2013.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 5 – Goodwill and Other Intangibles

The Company tests the carrying amount of goodwill annually as of the first day of the last quarter of the fiscal year and whenever events or circumstances indicate that impairment may have occurred. The Company evaluated its goodwill for impairment during fiscal 2015, 2014 and 2013 and determined that the fair value of each reporting unit is substantially in excess of its carrying value including goodwill.

The carrying value of other intangible assets as of March 31, 2015 represents customer relationship, production and supply contracts and internally developed software. These intangible assets were determined by management to meet the criterion for recognition apart from goodwill and have finite lives. The Company uses judgment in assessing whether the carrying amount of its intangible assets is not expected to be recoverable over their estimated remaining useful lives. Amortization expense associated with these intangible assets was $3,532, $4,632 and $5,370 for the years ended March 31, 2015, 2014 and 2013, respectively and is recorded in Selling, General and Administrative Expenses except for production and supply contracts which is recorded against the associated revenues.

The Company has no intangible assets with indefinite useful lives. It does have intangible assets which are amortized. The following table summaries the changes in the Company's goodwill and other intangibles for the years ended March 31, 2015, 2014 and 2013.

Goodwill and Intangible Asset Rollforward:

		Amortizable Intangibles			
	Goodwill (1)	Customer Relationship Intangible	Production and Supply Contract Intangibles	Internally Developed Software Intangible	Total
Weighted average remaining useful life in years as of March 31, 2015		10	5.75	—	
March 31, 2013 balance:					
Gross carrying amount	$2,794	$33,700	$7,893	$16,918	$61,305
Accumulated amortization	—	(13,269)	(3,657)	(12,908)	(29,834)
Net March 31, 2013 balance	2,794	20,431	4,236	4,010	31,471
Additions	—	—	7,000	886	7,886
Amortization expense	—	(1,685)	(1,095)	(1,852)	(4,632)
Net March 31, 2014 balance	2,794	18,746	10,141	3,044	34,725
Additions	—	—	—	698	698
Amortization expense	—	(1,685)	(1,034)	(813)	(3,532)
Net March 31, 2015 balance	$2,794	$17,061	$9,107	$2,929	$31,891

(1) Goodwill of $1,592 relates to the Other Regions segment and $1,202 relates to the Value Added Services segment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 5 – Goodwill and Other Intangibles (continued)

The following table summarizes the estimated intangible asset amortization expense for the next five years and beyond:

For Fiscal Years Ended	Customer Relationship Intangible	Production and Supply Contract Intangible	Internally Developed Software Intangible *	Total
2016	$1,685	$2,459	$1,277	$5,421
2017	1,685	1,405	740	3,830
2018	1,685	1,403	512	3,600
2019	1,685	1,397	259	3,341
2020	1,685	1,396	141	3,222
Later	8,636	1,047	—	9,683
	$17,061	$9,107	$2,929	$29,097

* Estimated amortization expense for the internally developed software is based on costs accumulated as of March 31, 2015.
These estimates will change as new costs are incurred and until the software is placed into service in all locations.

Note 6 – Derivative and Other Financial Instruments

Fair Value of Derivative Financial Instruments
The Company recognizes all derivative financial instruments, such as foreign exchange contracts at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge. The Company has elected not to offset fair value amounts recognized for derivative instruments with the same counterparty under a master netting agreement. See Note 18 "Fair Value Measurements" to the "Notes to Consolidated Financial Statements" for further information of fair value methodology. The following table summarizes the fair value of the Company's derivatives by type at March 31, 2015 and 2014.

	Fair Values of Derivative Instruments	
Derivatives Not Designated as Hedging Instruments Under ASC 815:	Balance Sheet Account	Fair Value
Foreign currency contracts at March 31, 2015	Current Derivative Asset	$1,373
Foreign currency contracts at March 31, 2014	Current Derivative Liability	$169

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 6 – Derivative and Other Financial Instruments (continued)

Earnings Effects of Derivatives
The Company has entered into forward or option currency contracts to protect against volatility associated with certain non-U.S. dollar denominated forecasted transactions. These contracts are for green tobacco purchases and processing costs as well as selling, general and administrative costs as the Company deems necessary. These contracts do not meet the requirements for hedge accounting treatment under generally accepted accounting principles, and as such, changes in fair value are reported in income each period.
The following table summarizes the earnings effects of derivatives in the statements of consolidated operations for the years ending March 31, 2015, 2014, and 2013.

Derivatives Not Designated as Hedging Instruments Under ASC 815:	Location of Gain (Loss) Recognized in Income (Loss)	Gain (Loss) Recognized in Income (Loss)		
		2015	2014	2013
Foreign currency contracts	Cost of Goods and Services Sold	$(3,123)	$(1,468)	$(14,287)

Credit Risk
Financial instruments, including derivatives, expose the Company to credit loss in the event of non-performance by counterparties. The Company manages its exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. If a counterparty fails to meet the terms of an arrangement, the Company's exposure is limited to the net amount that would have been received, if any, over the arrangement's remaining life. The Company does not anticipate non-performance by the counterparties and no material loss would be expected from non-performance by any one of such counterparties.

Note 7 – Short-Term Borrowing Arrangements

Excluding all long-term credit agreements, the Company has lines of credit arrangements with a number of banks under which the Company may borrow up to a total of $795,746 and $773,471 at March 31, 2015 and 2014, respectively. The weighted average variable interest rate for the years ending March 31, 2015 and 2014 was 5.1% and 4.3%, respectively. At March 31, 2015 and 2014, amounts outstanding under the lines were $330,254 and $212,669, respectively. Unused lines of credit at March 31, 2015 amounted to $448,265 ($544,869 at March 31, 2014), net of $17,227 of letters of credit. Certain non-U.S. borrowings of approximately $61,820 and $18,598 have inventories of $56,210 and $17,415 as collateral at March 31, 2015 and 2014, respectively. At March 31, 2015 and 2014, respectively, $2,122 and $444 were held on deposit as a compensating balance.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 – Long-Term Debt

Senior Secured Credit Facility
On August 1, 2013, the agreement governing the Company's senior secured credit facility was amended and restated to provide for a senior secured revolving credit facility with a syndicate of banks of approximately $303,900, that automatically reduced to approximately $210,300 on April 15, 2014, and will mature in April 15, 2017. The senior secured credit facility was subject to a springing maturity on April 15, 2014 if by that date the Company had not deposited in the Blocked Account (as defined below) sufficient amounts to fund the repayment at maturity of all then outstanding 5½% Convertible Senior Subordinated Notes due 2014 of the Company (the "Convertible Notes"). The Company deposited the requisite amount in the Blocked Account prior to April 15, 2014. Borrowings under the amended and restated senior secured credit facility initially bear interest at an annual rate of LIBOR plus 3.75% and base rate plus 2.75%, as applicable, though the interest rate under the amended and restated senior secured credit facility is subject to increase or decrease according to the Company's consolidated interest coverage ratio.

The agreement governing the senior secured credit facility required the Company to deposit with the lenders, in a segregated account that the Company may not use other than for specified purposes (the "Blocked Account"), the net proceeds from the sale of $735,000 in aggregate principal amount of the Company's 9.875% Senior Secured Second Lien Notes due 2021 (the "Second Lien Notes") that were not immediately applied to redeem all of the Company's outstanding 10% Senior Notes due 2016 (the "Senior Notes"). Amounts held in the Blocked Account may be used solely to purchase any and all Convertible Notes tendered in the Company's cash tender offer to purchase up to $60,000 in aggregate principal amount of the Convertible Notes commenced on July 17, 2013 (the "Convertible Notes Tender Offer") and, subject to conditions, to retire any remaining Convertible Notes not purchased in the Convertible Notes Tender Offer, including repayment at maturity. All amounts deposited in the Blocked Account from the net proceeds of the sale of the Second Lien Notes were applied to the purchase of Convertible Notes in the Convertible Notes Tender Offer. Borrowings under the amended and restated senior secured credit facility are secured by a first priority lien on specified property of the Company, including the capital stock of specified subsidiaries, all U.S. accounts receivable, certain U.S. inventory, intercompany notes evidencing loans or advances, certain U.S. fixed assets and the Blocked Account.

First amendment. On May 30, 2014, the Company entered into the First Amendment to the Amended and Restated Credit Agreement (the "First Amendment"), which amended the credit agreement (the "Credit Agreement") governing the Company's senior secured credit facility. The First Amendment modified the definition of Consolidated EBIT to permit add backs in connection with dispositions of, and investments in, certain subsidiaries and permitted joint ventures and certain other accounting adjustments, modified the Minimum Consolidated Interest Coverage Ratio to 1.85 to 1.00 for the period ending March 31, 2014 and 1.70 to 1.00 for the periods ending June 30, 2014, September 30, 2014, December 31, 2014 and March 31, 2015, modified the Maximum Consolidated Leverage Ratio to 7.25 to 1.00 for the period ending June 30, 2014 and 7.50 to 1.00 for the period ending September 30, 2014 and increased the basket to $200,000 for permitted Guaranty Obligations that can be incurred by the Company and its subsidiaries with respect to indebtedness of China Brasil Tabacos Exportadora Ltda. (which is the joint venture entity with China Tobacco in Brazil) while striking the requirement that such Guaranty Obligations of the Company and its subsidiaries may not exceed the percentage of the Company's direct or indirect ownership of China Brasil Tabacos Exportadora Ltda. in relation to all Guaranty Obligations with respect to Indebtedness of China Brasil Tabacos Exportadora Ltda.

Second amendment. On February 6, 2015, the Company entered into the Second Amendment to Amended and Restated Credit Agreement (the "Second Amendment"), which amended the Credit Agreement. The Second

Amendment modified the Minimum Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) to 1.50 to 1.00 for the period ended December 31, 2014 and the period ended March 31, 2015 and modified the Maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) to 7.90 to 1.00 for the period ended December 31, 2014.

Third Amendment. On June 2, 2015, the Company entered into the Third Amendment to the Amended and Restated Credit Agreement (the “Third Amendment"), which amended the Credit Agreement. The Third Amendment modified the definition of Consolidated EBIT to permit add backs for specified periods for reserves taken with respect to receivables, restructuring charges and adjustments for applying the rule of lower of cost or market to inventories, modified the Minimum Consolidated Interest Coverage Ratio to 1.60 to 1.00 for the periods ending June 30, 2015 and September 30, 2015, 1.65 to 1.00 for the period ending December 31, 2015 and 1.70 to 1.00 for the period ending March 31, 2016, modified the Maximum Consolidated Leverage Ratio to 7.60 to 1.00 for the periods ending June 30, 2015 and September 30, 2015 and 7.15 to 1.00 for the period ending December 31, 2015, modified the restricted payments covenant to permit repayment of the Company’s Senior Secured Second Lien Notes by up to $50,000 in any fiscal year, with carry forward of any unused amount into the next fiscal year, modified a covenant to provide a 90-day cure period if Uncommitted Inventories (as defined in the Credit Agreement) exceed the threshold of $250,000, but only to the extent that they do not exceed $285,000, and provides for first-lien mortgages on the Company’s facilities located in Farmville, King and Wilson, North Carolina.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 – Long-Term Debt (continued)

Senior Secured Credit Facility (continued)

Financial covenants. After giving effect to the First Amendment, the Second Amendment and the Third Amendment to the Amended and Restated Credit Agreement, the financial covenants and required financial ratios at March 31, 2015 are as follows:

• a minimum consolidated interest coverage ratio of not less than 1.50 to 1.00 for the fiscal quarter ended March 31, 2015 (1.60 to 1.00 for the fiscal quarters ending June 30, 2015 and September 30, 2015, 1.65 to 1.00 for the fiscal quarter ending December 31, 2015 and 1.70 to 1.00 for the fiscal quarter ending March 31, 2016);
• a maximum consolidated leverage ratio specified for each fiscal quarter, which ratio is 5.85 to 1.00 for the fiscal quarter ended March 31, 2015 (7.60 to 1.00 for the fiscal quarters ending June 30, 2015 and September 30, 2015, 7.15 to 1.00 for the fiscal quarter ending December 31, 2015, and 5.85 to 1.00 for the fiscal quarter ending March 31, 2016);
• a maximum consolidated total senior debt to working capital ratio of not more than 0.80 to 1.00 other than during periods in which the consolidated leverage ratio is less than 4.00 to 1.00 if the consolidated leverage ratio has been less than 4.00 to 1.00 for the prior two consecutive fiscal quarters; and
• a maximum amount of the Company's annual capital expenditures of $51,605 during the fiscal year ending March 31, 2015 and $40,000 during any fiscal year thereafter, in each case with a one-year carry-forward (not in excess of $40,000) for unused capital expenditures in any fiscal year below the maximum amount.

Certain of these financial covenants are calculated on a rolling twelve-month basis and certain of these financial covenants and required financial ratios adjust over time in accordance with schedules in the agreement governing the senior secured credit facility. The Company continuously monitors compliance with debt covenants. At March 31, 2015 and during the fiscal year, the Company was in compliance with the covenants under the senior secured credit facility agreement. While the Company anticipates it will be in compliance in fiscal 2016, significant changes in market conditions or other factors could adversely affect the Company’s business and future debt covenant compliance thereunder. In such a circumstance, the Company may not be able to maintain compliance with the covenants, which would cause a default under the credit facility. A default, if not waived and/or amended, would prevent us from taking certain actions, such as incurring additional debt, paying dividends, or redeeming senior notes or subordinated debt. A default also could result in a default or acceleration of our other indebtedness with cross-default provisions.

If the Company were unable to maintain compliance with the covenants in the senior secured credit facility agreement, we would seek modification to the then existing agreement to further amend covenants and extend maturities, as necessary. If we were unable to obtain such modification, we could potentially decide to pay off the credit facility and terminate the agreement. In such case, the liquidity provided by the agreement would not be available in the future; however, we believe the Company has sufficient liquidity from operations and other available funding sources to meet future operating, debt service and capital expenditure requirements for the next twelve months.

Affirmative and restrictive covenants. The agreement governing the senior secured credit facility contains affirmative and negative covenants (subject, in each case, to exceptions and qualifications), including covenants that limit the Company's ability to, among other things, incur additional indebtedness, incur certain guarantees, merge, consolidate or dispose of substantially all of its assets, grant liens on its assets, pay dividends, redeem stock or make other

distributions or restricted payments, create certain dividend and payment restrictions on its subsidiaries, repurchase or redeem capital stock or prepay subordinated debt, make certain investments, agree to restrictions on the payment of dividends to it by its subsidiaries, sell or otherwise dispose of assets, including equity interests of its subsidiaries, enter into transactions with its affiliates, and enter into certain sale and leaseback transactions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 - Long-Term Debt (continued)

Senior Secured Second Lien Notes
On August 1, 2013, the Company issued $735,000 in aggregate principal amount of the Second Lien Notes. The Second Lien Notes were sold at 98% of the face value, for gross proceeds of approximately $720,300. The Second Lien Notes bear interest at a rate of 9.875% per year, payable semi-annually in arrears in cash on January 15 and July 15 of each year, beginning January 15, 2014, to holders of record at the close of business on the preceding January 1 and July 1, respectively. The Second Lien Notes will mature on July 15, 2021. The Second Lien Notes are secured by a second priority lien on specified property of Alliance One International, Inc. for which the amended and restated senior secured credit facility is secured by a first priority lien. The indenture governing the Second Lien Notes restricts (subject to exceptions and qualifications) the Company's ability and the ability of its restricted subsidiaries to, among other things, incur additional indebtedness or issue disqualified stock or preferred stock, pay dividends and make other restricted payments (including restricted investments), sell assets, create liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets, enter into transactions with its affiliates, enter into certain sale and leaseback transactions, create certain dividend and payment restrictions on its restricted subsidiaries, and designate its subsidiaries as unrestricted subsidiaries.

The indenture governing the Second Lien Notes requires the Company's existing and future material domestic subsidiaries to guarantee the Second Lien Notes. The Company has no material domestic subsidiaries, and the Second Lien Notes are not presently guaranteed by any subsidiary. If a change of control (as defined in the indenture governing the Second Lien Notes) occurs at any time, holders of the Second Lien Notes will have the right, at their option, to require the Company to repurchase all or a portion of the Second Lien Notes for cash at a price equal to 101% of the principal amount of Second Lien Notes being repurchased, plus accrued and unpaid interest and special interest, if any, to, but excluding, the date of repurchase. In connection with the issuance of the Second Lien Notes, the Company entered into a registration rights agreement that requires the Company to pay additional special interest on the Second Lien Notes, at increasing annual rates up to a maximum of 1.0% per year, if the Company fails to timely comply with its registration obligations thereunder. Pursuant to the registration rights agreement, on December 20, 2013, the Company completed a registered exchange offer in which it offered to exchange for the outstanding Second Lien Notes an equal amount of new Second Lien Notes having identical terms in all material respects. During the year ended March 31, 2015, the Company purchased $15,000 of its senior notes on the open market. All purchased securities were canceled leaving $720,000 of the 9.875% senior notes outstanding at March 31, 2015. Associated costs paid were $38 and related discounts were $(1,323) resulting in net cash repayment of $13,715 and recorded in Repayment of Long-Term Borrowings in the Consolidated Statements of Cash Flows. Deferred financing costs and amortization of original issue discount of $514 were accelerated.

Redemption of Existing Senior Notes
On August 2, 2013, the Company redeemed all $635,000 in aggregate principal amount of the Company's outstanding 10% Senior Notes due 2016 at a redemption price equal to 105% of the aggregate principal amount thereof, plus accrued and unpaid interest and other costs of which $31,808 was charged to debt retirement expense. As a result of the redemption, the Company accelerated $6,095 of deferred financing costs and $14,612 of amortization of original issue discount.

Convertible Senior Subordinated Notes
On July 2, 2009, the Company issued $100,000 of Convertible Notes. The initial purchasers of the Convertible Notes were granted an option to purchase up to an additional $15,000 of Convertible Notes solely to cover over-allotments

which was exercised on July 15, 2009. Holders may surrender their Convertible Notes, in integral multiples of $1,000 principal amount, for conversion into shares of the Company's common stock at the then-applicable conversion rate until the close of business on the second scheduled trading day immediately preceding the maturity date. The initial conversion rate for the Convertible Notes is 198.8862 shares of common stock per $1,000 principal amount of Convertible Notes. The conversion rate is subject to adjustments based on certain events as described in the indenture governing the Convertible Notes. In addition, holders of these notes have certain rights and entitlements upon the occurrence of certain fundamental changes (as defined in the indenture governing the Convertible Notes).

On August 30, 2013, the Company purchased $60,000 in aggregate principal amount of its existing $115,000 Convertible Notes pursuant to a cash tender offer at a purchase price equal to $1.03 per $1.00 principal amount plus accrued and unpaid interest and other costs of which $2,533 was charged to debt retirement expense. The Company funded the purchase with available cash and a portion of the net proceeds from the issuance of the Second Lien Notes, which proceeds had been held in the Blocked Account. As a result of this purchase, the Company accelerated $412 of deferred financing costs.

On February 13, 2014, the Company purchased $53,907 of its then remaining $55,000 in aggregate principal amount of the Convertible Notes pursuant to a cash tender offer at a purchase price equal to $1.025 per $1.00 principal amount of the Convertible Notes purchased, plus accrued and unpaid interest and other costs of which $1,694 was charged to debt retirement expense. As a result of this purchase, the Company accelerated of $162 of deferred financing costs. The remaining $1,093 in aggregate principal amount of the Convertible Notes matured on July 1, 2014.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 - Long-Term Debt (continued)

Convertible Note Hedge and Warrant Transactions
In connection with the offering of the Convertible Notes, the Company entered into privately negotiated convertible note hedge transactions with three counterparties (“hedge counterparties”) to cover, subject to customary anti-dilution adjustments, the number of shares of the Company’s common stock that initially underlie the Convertible Notes and expire on the last day that any Convertible Notes remain outstanding. The Company also entered separately into privately negotiated warrant transactions relating to the same number of shares of the Company’s common stock with the hedge counterparties. The convertible note hedge transactions were designed to reduce the potential dilution with respect to the common stock of the Company upon conversion of the Convertible Notes in the event that the value per share of common stock, as measured under the convertible note hedge transactions, during the applicable valuation period, was greater than the strike price of the convertible note hedge transactions, which corresponded to the $5.0280 per share initial conversion price of the Convertible Notes and was similarly subject to customary anti-dilution adjustments. If, however, the price per share of the Company’s common stock, as measured under the warrants, exceeded the strike price of the warrant transactions during the applicable valuation period, there would have been dilution from the issuance of common stock pursuant to the warrants. The warrants had a strike price of $7.3325 per share, which was subject to customary anti-dilution adjustments and the maximum number of shares that could have been issued under the warrant transactions was 45,743,836. The warrants began expiring in daily installments commencing on October 15, 2014 and fully expire on April 8, 2015. Both the convertible note hedge transactions and the warrant transactions require physical net-share settlement and were accounted for as equity instruments.

Foreign Seasonal Lines of Credit
The Company has typically financed its non-U.S. operations with uncommitted unsecured short-term seasonal lines of credit at the local level. These operating lines are seasonal in nature, normally extending for a term of 180 to 270 days corresponding to the tobacco crop cycle in that location. These facilities are typically uncommitted in that the lenders have the right to cease making loans and demand repayment of loans at any time. These loans are typically renewed at the outset of each tobacco season. As of March 31, 2015, the Company had approximately $330,254 drawn and outstanding on foreign seasonal lines with maximum capacity totaling $795,746 subject to limitations as provided for in the Credit Agreement. Additionally, against these lines there was $10,899 available in unused letter of credit capacity with $6,328 issued but unfunded.

Long-Term Foreign Seasonal Borrowings
The Company had foreign seasonal borrowings with original maturities greater than one year. At March 31, 2015, approximately $30,000 was drawn and outstanding with maximum capacity totaling $30,000.

Dividends
The senior secured credit facility restricts the Company from paying any dividends during the remaining term of the facility. In addition, the indenture governing the Second Lien Notes contains similar restrictions and also prohibits the payment of dividends and other distributions if the Company fails to satisfy a ratio of consolidated EBITDA to fixed charges of at least 2.0 to 1.0. At March 31, 2015, the Company did not satisfy this fixed charge coverage ratio. The Company may from time to time not satisfy this ratio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 - Long-Term Debt (continued)

Summary of Debt
Certain debt agreements contain cross-default or cross-acceleration provisions. The following table summarizes the Company's debt financing as of March 31, 2015:

	Outstanding		March 31, 2015 Lines and		Long Term Debt Repayment Schedule by Fiscal Year					
	March 31, 2014	March 31, 2015	Letters Available	Interest Rate	2016	2017	2018	2019	2020	Later
Senior secured credit facility:										
Revolver [1]	$175,000	$—	$210,259	5.5 %[2]	$—	$—	$—	$—	$—	$—
Senior notes:										
9.875% senior secured second lien notes due 2021 [4]	721,126	707,732	—	9.9 %	—	—	—	—	—	707,732
	721,126	707,732	—		—	—	—	—	—	707,732
5 ½% convertible senior subordinated notes due 2014	1,093	—	—	5.5 %	—	—	—	—	—	—
Long-term foreign seasonal borrowings	—	30,000	—	2.7 %[2]	—	30,000	—	—	—	—
Other long-term debt	7,700	4,105	5	7.8 %[2]	2,894	269	269	269	173	231
Notes payable to banks [3]	212,669	330,254	448,265	5.1 %[2]	—	—	—	—	—	—
Total debt	$1,117,588	$1,072,091	658,529		$2,894	$30,269	$269	$269	$173	$707,963
Short term	$212,669	$330,254								
Long term:										
Long term debt current	$4,556	$2,894								
Long term debt	900,363	738,943								
	$904,919	$741,837								
Letters of credit	$5,273	$6,328	10,899							
Total credit available			$669,428							

(1) As of March 31, 2015, pursuant to Section 2.1 (A) (iv) of the Credit Agreement, the full $210,259 Revolving Committed Amount was available based on the calculation of the lesser of the Revolving Committed Amount and the Working Capital Amount.

(2) Weighted average rate for the twelve months ended March 31, 2015.
(3) Primarily foreign seasonal lines of credit.
(4) Repayment of $707,732 is net of original issue discount of $12,268. Total repayment will be $720,000.

Note 9 - Long-Term Leases

The Company has operating leases for land, buildings, automobiles and other equipment. Rent expense for all operating leases was $22,622, $23,313 and $21,853 for the years ended March 31, 2015, 2014 and 2013, respectively. Minimum future obligations are as follows:

	Operating Leases
2016	$10,582
2017	8,888
2018	6,200
2019	5,443
2020	3,891
Remaining	3,608
	$38,612

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 10 – Equity in Net Assets of Investee Companies

The Company has equity method investments in companies located in Asia which purchase and process tobacco. The Asia investees and ownership percentages are as follows: Transcontinental Leaf Tobacco India Private Ltd. (India) 49%, Siam Tobacco Export Company (Thailand) 49%, and Adams International Ltd. (Thailand) 49%. On March 10, 2014, the Company purchased a 50% equity based interest in Oryantal Tutun Paketleme which processes tobacco in Turkey. On March 26, 2014, the Company completed the formation of a new joint venture in Brazil with the disposition of 51% interest in China Brasil Tobacos Exportadora SA (“CBT”). The Company retained a 49% equity based interest in CBT which purchases and processes tobacco. Upon the disposition of 51% interest in CBT, the difference between the book basis of the Company’s 49% interest and the fair value of the investment recorded created a basis difference of $15,460. The Company evaluated the contributed assets and identified basis differences in certain accounts, including inventory, intangible assets and deferred taxes. The basis differences are being amortized over the respective estimated lives of these assets and liabilities, which range from one to ten years. For the year ended March 31, 2015, the Company’s earnings from the equity method investment were reduced by amortization expense of $2,814 related to these basis differences. At March 31, 2015, the basis difference was $13,177. On April 2, 2014 the Company completed the purchase of a 50% interest in Purilium, LLC, a U.S. company that develops, produces and sells consumable e-liquids to manufacturers and distributors of e-vapor products. Summarized financial information for these investees for fiscal years ended March 31, 2015, 2014 and 2013 follows:

	Years Ended March 31,		
Operations Statement Information	2015	2014	2013
Sales	$297,474	$121,001	$125,621
Gross profit	33,246	11,096	13,888
Net income (loss)	11,394	(1,826)	3,341
Company's dividends received	—	843	998

	March 31,	
Balance Sheet Information	2015	2014
Current assets	$158,856	$137,518
Property, plant and equipment and other assets	63,385	59,086
Current liabilities	127,793	119,452
Long-term obligations and other liabilities	12,315	8,899

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 – Stock – Based Compensation

The Company expenses the fair value of grants of various stock-based compensation programs over the vesting period of the awards. Awards granted are recognized as compensation expense based on the grant-date fair value estimated in accordance with generally accepted accounting principles.

The table below summarizes certain data for the Company's stock based compensation plans:

	Year Ended March 31,		
	2015	2014	2013
Compensation expense for all stock based compensation plans	$3,194	$3,222	$4,520
Tax (expense) benefits for stock-based compensation	$—	$—	$—
Fair value of stock options vested	$3,353	$2,184	$1,230

The Company's shareholders approved the 2007 Incentive Plan (the "2007 Plan") at its Annual Meeting of Shareholders on August 16, 2007 and amended the plan at its Annual Meeting of Shareholders on August 11, 2011 and August 6, 2009. The 2007 Plan is an omnibus plan that provides the flexibility to grant a variety of equity awards including stock options, stock appreciation rights, stock awards, stock units, performance awards and incentive awards to officers, directors and employees of the Company. A maximum of 13,900 shares may be granted under the plan as amended. However, the August 11, 2011 amendment requires that the shares available for grant be reduced by twice the number of shares issued for any awards other than options or stock appreciation rights. This has resulted in decreasing the shares available to grant by 2,398. Additionally, shares that are settled in cash, and shares underlying substitute awards, do not reduce the number of shares available for award. The total of such shares is 884. As of March 31, 2015, 17,907 equity awards have been granted, 6,351 equity awards have been cancelled and 2,801 vested under the 2007 Plan, leaving 830 shares available for future awards under the 2007 Plan. Total equity awards outstanding are 8,907 inclusive of 8,755 awards granted and outstanding under the 2007 plan and 151 awards granted under prior plans. Shares issued under both the 2007 plan and earlier plans are new shares which have been authorized and designated for award under the plans. Individual types of awards are discussed in greater detail below.

Stock Option Awards

Stock options allow for the purchase of common stock at a price determined at the time the option is granted. Stock options generally vest ratably over five years and generally expire after ten years. The fair value of these options is determined at grant date using the Black-Scholes valuation model and includes estimates of forfeiture based on historical experience. The fair value is then recognized as compensation expense ratably over the vesting term of the options. There were 3,350 stock options granted during fiscal year 2013. No stock options were granted during 2015 and 2014.

Assumptions used to determine the fair value of options issued in 2013 include the following:

	2013	
Grant Price	$3.45	
Exercise Price	$6.00	
Expected Life in Years	6 to 6.5	
Annualized Volatility	60.9	%

Annual Dividend Rate	0.00	%
Risk Free Rate	1.25	%
Fair Value	$ 5,423	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 - Stock - Based Compensation (continued)

Stock Option Awards (continued)
A summary of option activity for stock options follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2012	4,191	$6.03		
Granted	3,350	6.00		
Forfeited	(412)	5.38		
Expired	(119)	6.26		
Outstanding at March 31, 2013	7,010	6.05		
Forfeited	(29)	5.71		
Expired	(102)	6.44		
Outstanding at March 31, 2014	6,879	6.05		
Forfeited	(177)	6.15		
Expired	(89)	6.45		
Outstanding at March 31, 2015	6,613	6.04	6.2	$—
Vested and expected to vest at March 31, 2015	6,553	6.04	6.2	$—
Exercisable at March 31, 2015	4,956	6.05	6.0	$—

The intrinsic values in the table above represent the total pre-tax intrinsic value which is the difference between the Company’s closing stock price and the exercise price multiplied by the number of options. The expense related to stock option awards for 2015, 2014, and 2013 was $1,363, $1,366, and $3,203, respectively. There were no options exercised in 2015, 2014 and 2013.

The table below shows the movement in unvested options from March 31, 2014 to March 31, 2015.

	Shares	Weighted Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Unvested March 31, 2014	3,622	$1.69	$6,103
Forfeited	(10)	1.77	(18)
Vested	(1,955)	1.72	(3,353)
Unvested March 31, 2015	1,657	1.65	$2,732

As of March 31, 2015, there is $1,871 of unearned compensation, net of expected forfeitures, related to stock option awards which will vest over a weighted average remaining life of 1.7 years.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 - Stock - Based Compensation (continued)

Restricted Stock
Restricted stock is common stock that is both nontransferable and forfeitable unless and until certain conditions are satisfied. The fair value of restricted shares is determined on grant date and is amortized over the vesting period which is generally three years.

Restricted Stock	Shares		Weighted Average Grant Date Fair Value
Restricted at March 31, 2012	204	$	3.55
Granted	167		2.89
Vested	(204)		3.55
Restricted at March 31, 2013	167		2.89
Granted	198		3.80
Vested	(167)		2.89
Restricted at March 31, 2014	198		3.80
Granted	269		1.61
Vested	(467)		2.54
Restricted at March 31, 2015	—		—

As of March 31, 2015, there was no remaining unamortized deferred compensation. Expense recognized due to the vesting of restricted stock awards was $701, $658 and $502 for the years ended March 31, 2015, 2014 and 2013, respectively.

Restricted Stock Units
Restricted stock units differ from restricted stock in that zero shares are issued until restrictions lapse. Certain restricted stock units vest at the end of a three-year service period and others vest ratably over a three year period. The fair value of the restricted stock units is determined on the grant date and is amortized over the vesting period.

Restricted Stock Units	Shares		Weighted Average Grant Date Fair Value
Outstanding at March 31, 2012	588	$	4.51
Vested	(138	)	4.39
Forfeited	(16	)	4.37
Outstanding at March 31, 2013	434		4.56
Granted	643		3.85
Vested	(434	)	4.56
Forfeited	(18	)	3.85
Outstanding at March 31, 2014	625		3.85
Granted	220		2.72
Vested	(207	)	3.85
Forfeited	(62	)	3.85
Outstanding at March 31, 2015	576		3.42

As of March 31, 2015, there was $1,263 of remaining unamortized deferred compensation associated with these restricted stock units that will be expensed over the remaining service period through June 12, 2017. Expense recognized due to the vesting of these awards was $859, $1,100 and $815 during the years ended March 31, 2015, 2014 and 2013 respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 - Stock - Based Compensation (continued)

Performance-Based Restricted Stock Units
Restricted stock units vest at the end of either a two or three year performance period but the level of the award to vest is subject to similar performance criteria as the Performance Shares described above. The awards are also variable in that they range from zero to 200% of the plan's target contingent on the performance level attained. The table below includes the maximum number of restricted stock units that may be earned under the plan.

Performance-Based Restricted Stock Units	Shares		Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2012	1,224	$	4.54
Forfeited	(8	)	4.59
Shares not vesting due to performance	(1,216	)	4.54
Outstanding as of March 31, 2013	—		—
Granted	643		3.85
Forfeited	(18	)	3.85
Outstanding as of March 31, 2014	625		3.85
Granted	220		2.72
Forfeited	(11	)	3.85
Outstanding as of March 31, 2015	834		3.55

As of March 31, 2015, the Company anticipates that 120 performance-based restricted stock units will vest resulting in $190 to be expensed over the remaining service life through March 31, 2017. Expense recognized due to the expected vesting of these awards were $104 and $98 during the years ended March 31, 2015 and 2014, respectively. There was no expense recognized for the year ending March 31, 2013.

Cash-Settled Awards
Cash-settled awards differ from the Company's other awards in that no shares will be issued and the cumulative compensation expense is recognized as a liability rather than equity. Under both of our current Cash-Settled Awards, the fair value of the award is equal to the period-end closing price of one share. The liability recognized will be the product of the fair value multiplied ratably by the expired vesting term. The expense related to these awards is derived by appropriately adjusting the value of the liability. As a result, the expense will be variable as the value of the liability will increase or decrease subject to the period-end closing price.

Cash-Settled Restricted Stock Units
Cash-settled restricted stock units vest ratably over the first, second and third anniversaries of the date of award.

Cash-Settled Restricted Stock Units	Shares		Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2014	—		—
Granted	458		2.70
Forfeited	(16	)	2.40
Outstanding as of March 31, 2015	442		2.71

As of March 31, 2015, there was $358 of remaining unamortized deferred compensation associated with these restricted stock units that will be expensed over the remaining service period through June 12, 2017. Expense recognized due to the vesting of these awards was $128 during the year ended March 31, 2015. There was no expense recognized in the years ending March 31, 2014 and 2013.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 - Stock - Based Compensation (continued)

Cash-Settled Performance-Based Restricted Stock Units
Cash-settled restricted stock units vest at the end of either a two or three year performance period but the level of the award to vest is subject to similar performance criteria as the Performance Shares described above. The awards are also variable in that they range from zero to 200% of the plan's target contingent on the performance level attained. The table below includes the maximum number of restricted stock units that may be earned under the plan.

Cash-Settled Performance-Based Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2014	—	—
Granted	458	2.70
Forfeited	(16)	2.40
Outstanding as of March 31, 2015	442	2.71

As of March 31, 2015, the Company anticipates that 124 performance-based restricted stock units will vest resulting in $98 to be expensed over the remaining service period through March 31, 2017. Expense recognized due to the expected vesting of these awards was $39 during the year ended March 31, 2015. There was no expense recognized for the years ending March 31, 2014, and 2013.

Note 12 – Income Taxes

Accounting for Uncertainty in Income Taxes
As of March 31, 2015, 2014 and 2013, the Company's unrecognized tax benefits totaled $16,201, $10,152 and $7,874, respectively, of which $7,127 would impact the Company's effective tax rate if recognized. The following table presents the changes to unrecognized tax benefits during the years ended March 31, 2015, 2014 and 2013:

	2015	2014	2013
Balance at April 1	$10,152	$7,874	$11,804
Increase for current year tax positions	6,959	2,512	1,661
Reduction for prior year tax positions	(161)	(111)	(1,960)
Impact of changes in exchange rates	(749)	(123)	(131)
Reduction for settlements	—	—	(3,500)
Balance at March 31	$16,201	$10,152	$7,874

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended March 31, 2015 and 2014, the Company accrued (reduced) interest, penalties and related exchange losses related to unrecognized tax benefits by $(98) and $(233), respectively. As of March 31, 2015, accrued interest and penalties totaled $797 and $901, respectively. During the year ending March 31, 2015, the Company reduced its accrued interest and penalties for $22 related to the expiration of statute of limitations. As of March 31, 2014, accrued interest and penalties totaled $771 and $1,025, respectively.

During the fiscal year ending March 31, 2015, the Company's total liability for unrecognized tax benefits, including the related interest and penalties, increased from $11,948 to $17,899. The change in the liability for

unrecognized tax benefits relates to expiration of statute of limitations of approximately $185, decreases related to current period activity of approximately $824 and increases related to the adoption of new positions of approximately $6,959.

The Company expects to continue accruing interest expenses related to the remaining unrecognized tax benefits. Additionally, the Company may be subject to fluctuations in the unrecognized tax liability due to currency exchange rate movements.

It is reasonably possible that the Company's unrecognized tax benefits may decrease in the next twelve months by $867 due to the expiration of the statute of limitations but the Company must acknowledge circumstances can change due to unexpected developments in the law. In certain jurisdictions, tax authorities have challenged positions that the Company has taken that resulted in recognizing benefits that are material to its financial statements. The Company believes it is more likely than not that it will prevail in these situations and accordingly have not recorded liabilities for these positions. The Company expects the challenged positions to be settled at a time greater than twelve months from its balance sheet date.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 12 – Income Taxes (continued)

Accounting for Uncertainty in Income Taxes (continued)
The Company and its subsidiaries file a U.S. federal consolidated income tax return as well as returns in several U.S. states and a number of foreign jurisdictions. As of March 31, 2015, the Company’s earliest open tax year for U.S. federal income tax purposes was its fiscal year ended March 31, 2012; however, the Company's net operating loss carryovers from prior periods remain subject to adjustment. Open tax years in state and foreign jurisdictions generally range from three to six years.

Income Tax Provision
The components of income before income taxes, equity in net income of investee companies and minority interests consisted of the following:

	Years Ended March 31,		
	2015	2014	2013
U.S.	$(24,749)	$(91,290)	$(44,731)
Non-U.S.	29,268	43,170	95,798
Total	$4,519	$(48,120)	$51,067

The details of the amount shown for income taxes in the Consolidated Statements of Operations follow:

	Years Ended March 31,		
	2015	2014	2013
Current			
Federal	$—	$—	$(2,723)
State	—	—	—
Non-U.S.	20,374	22,877	5,999
	$20,374	$22,877	$3,276
Deferred			
Federal	$—	$—	$3,466
State	—	—	—
Non-U.S.	2,565	16,065	21,250
	$2,565	$16,065	$24,716
Total	$22,939	$38,942	$27,992

The reasons for the difference between income tax expense based on income before income taxes, equity in net income of investee companies and minority interests and the amount computed by applying the U.S. statutory federal income tax rate to such income are as follows:

	Years Ended March 31,		
	2015	2014	2013
Tax expense at U.S. statutory rate	$1,582	$(16,842)	$17,873
Effect of non-U.S. income taxes	(2,754)	4,209	(1,921)
U.S. taxes on non-U.S. income	22,043	—	—

Change in valuation allowance	(20,701)	23,732	26,598
Increase (decrease) in reserves for uncertain tax positions	5,951	2,046	(11,781)
Exchange effects and currency translation	14,208	26,885	(1,482)
Permanent items	2,610	(1,088)	(1,295)
Actual tax expense	$22,939	$38,942	$27,992

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 12 - Income Taxes (continued)

Income Tax Provision (continued)

The deferred tax liabilities (assets) are comprised of the following:

	March 31, 2015	March 31, 2014
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	$22,043	$—
Intangible assets	6,415	7,048
Fixed assets	3,488	5,608
Total deferred tax liabilities	$31,946	$12,656
Deferred tax assets:		
Reserves and accruals	$(29,610)	$(35,747)
Tax credits	(55,744)	(52,624)
Tax loss carryforwards	(102,103)	(115,280)
Derivative transactions	(567)	(1,567)
Postretirement and other benefits	(34,388)	(31,040)
Unrealized exchange loss	(10,057)	(1,522)
Other	(7,694)	(3,097)
Gross deferred tax assets	(240,163)	(240,877)
Valuation allowance	170,937	188,752
Total deferred tax assets	$(69,226)	$(52,125)
Net deferred tax asset	$(37,280)	$(39,469)

The following table presents the breakdown between current and non-current (assets) liabilities:

	March 31, 2015	March 31, 2014
Current asset	$(15,587)	$(10,013)
Current liability	4,672	5,682
Non-current asset	(31,649)	(40,926)
Non-current liability	5,284	5,788
Net deferred tax asset	$(37,280)	$(39,469)

The current portion of deferred tax liability is included in income taxes.

During the year ended March 31, 2015, the net deferred tax asset balance increased by $372 for certain adjustments not included in the deferred tax expense (benefit), primarily for deferred tax assets related to pension accruals recorded in equity as part of Other Comprehensive Income (Loss) and currency translation adjustments.

For the year ended March 31, 2015, the valuation allowance decreased by $17,815 which is inclusive of $3,999 related to adjustments in other comprehensive income and $(1,112) related primarily to currency translation adjustments. The valuation allowance decreased primarily due to the accrual of a deferred liability on unremitted foreign earnings and the accrual of an additional liability for unrecognized tax benefits netted against tax loss carryovers. The valuation allowance is based on the Company's assessment that it is more likely than not that certain deferred tax assets, primarily foreign tax credits and net operating loss carryovers, will not be realized in the foreseeable future. Recent years' cumulative losses incurred in the United States as of March 31, 2015, combined with

the effects of certain changes in the market, provide significant objective negative evidence in the evaluation of whether the U.S. entity will generate sufficient taxable income to realize the tax benefits of the deferred tax assets. This negative evidence carries greater weight than the more subjective positive evidence of favorable future projected income in the assessment of whether realization of the tax benefits of the deferred tax assets is more likely than not. Therefore, based on the weight of presently objectively verifiable positive and negative evidence, it is management's judgment that realization of the tax benefits of the deferred tax assets is less than more likely than not.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 12 - Income Taxes (continued)

Income Tax Provision (continued)

At March 31, 2015, the Company has U.S federal tax loss carryovers of $246,408, non-U.S. tax loss carryovers of $52,348, and U.S. state tax loss carryovers of $372,895. The U.S. federal tax loss carryovers will expire in 2030 and thereafter. Of the non-U.S. tax loss carryovers, $23,080 will expire within the next five years, $23,583 will expire in later years, and $5,685 can be carried forward indefinitely. Of the U.S. state tax loss carryovers, $82,838 will expire within the next five years and $290,056 will expire thereafter. At March 31, 2015, the Company has foreign tax credit carryovers in the United States of $51,932 that will substantially expire in 2016.

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to expiration of the loss carryovers. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, net of applicable valuation allowances, will be realized. The amount of the deferred tax assets considered realizable could be reduced or increased if estimates of future taxable income change during the carryover period.

A provision of $22,043 has been made for U.S. on foreign taxes that may result from future remittances of foreign earnings of $60,318. No provision has been made for U.S. or foreign taxes that may result from future remittances of approximately $409,505 at March 31, 2015 and $408,424 at March 31, 2014 of undistributed earnings of foreign subsidiaries because management expects that such earnings will be reinvested overseas indefinitely. Determination of the amount of any unrecognized deferred income tax liability on these unremitted earnings is not practicable.

Note 13 – Employee Benefits

Retirement Benefits

The Company has multiple benefit plans at several locations. The Company has a defined benefit plan that provides retirement benefits for substantially all U.S. salaried personnel based on years of service rendered, age and compensation. The Company also maintains various other Excess Benefit and Supplemental Plans that provide additional benefits to (1) certain individuals whose compensation and the resulting benefits that would have actually been paid are limited by regulations imposed by the Internal Revenue Code and (2) certain individuals in key positions. In addition, a Supplemental Retirement Account Plan ("SRAP"), a defined contribution program, is maintained.

The Company's policy is to contribute amounts to the plans sufficient to meet or exceed funding requirements of local governmental rules and regulations.

Additional non-U.S. plans sponsored by certain subsidiaries cover substantially all of the full-time employees located in Germany, Turkey and the United Kingdom.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Retirement Benefits (continued)
In fiscal 2014, the Company experienced a special termination benefit and curtailment loss of $1,261 during the quarter ended June 30, 2013 in connection with restructuring in its Turkey location, which has been recored in Restructuring and Asset Impairment Charges (Recoveries).

A reconciliation of benefit obligations, plan assets and funded status of the plans at March 31, 2015 and 2014, the measurement dates, is as follows:

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
	2015	2014	2015	2014
Change in Benefit Obligation				
Benefit obligation, beginning	$98,811	$107,492	$66,847	$70,684
Service cost	1,856	1,839	173	282
Interest cost	3,969	3,956	2,711	2,820
Actuarial (gains) losses	9,813	(5,090)	9,349	(3,184)
Settlements/special termination benefits	(517)	(4,223)	(136)	1,226
Transfers	—	—	230	—
Effects of currency translation	—	—	(5,985)	2,754
Benefits paid	(6,759)	(5,163)	(3,250)	(7,735)
Benefit obligation, ending	$107,173	$98,811	$69,939	$66,847
Change in Plan Assets				
Fair value of plan assets, beginning	$44,597	$45,242	$52,133	$45,603
Actual return on plan assets	1,832	4,121	5,137	3,433
Employer contributions	5,768	4,620	3,686	8,193
Plan settlements	(517)	(4,223)	(208)	—
Effects of currency translation	—	—	(3,789)	2,639
Benefits paid	(6,759)	(5,163)	(3,250)	(7,735)
Fair value of plan assets, ending	$44,921	$44,597	$53,709	$52,133
Net amount recognized	$(62,252)	$(54,214)	$(16,230)	$(14,714)

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
	2015	2014	2015	2014
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Noncurrent benefit asset recorded in Other Noncurrent Assets	$—	$—	$175	$—
Accrued current benefit liability recorded in Accrued Expenses and Other Current Liabilities	(2,975)	(3,083)	(1,173)	(1,175)
Accrued noncurrent benefit liability recorded in Pension, Postretirement and Other Long-Term Liabilities	(59,277)	(51,131)	(15,232)	(13,539)
Net amount recognized	$(62,252)	$(54,214)	$(16,230)	$(14,714)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Retirement Benefits (continued)

The pension obligations for all defined benefit pension plans:

	U.S. Plans March 31,		Non-U.S. Plans March 31,	
	2015	2014	2015	2014
Information for Pension Plans with Accumulated Benefit Obligation in Excess of Plan Assets:				
Projected benefit obligation	$107,173	$98,811	$36,951	$66,847
Accumulated benefit obligation	104,402	95,968	36,033	65,750
Fair value of plan assets	44,921	44,597	20,546	52,133

Net periodic pension costs included the following components:

	U.S. Plans March 31,			Non-U.S. Plans March 31,		
	2015	2014	2013	2015	2014	2013
Service cost	$1,856	$1,839	$1,752	$173	$282	$288
Interest cost	3,969	3,956	4,289	2,711	2,820	3,046
Expected return on plan assets	(3,131)	(3,078)	(3,313)	(3,477)	(3,112)	(2,945)
Amortization of actuarial losses	1,440	1,808	1,509	740	1,262	479
Amortization of prior service cost	192	195	204	1	5	16
Curtailment gain	—	—	—	—	70	(27)
Special termination benefits	—	—	—	72	1,226	45
Effects of settlement	35	1,049	—	(13)	—	—
Net periodic pension cost	$4,361	$5,769	$4,441	$207	$2,553	$902

The amounts showing in accumulated other comprehensive income at March 31, 2015, March 31, 2014 and movements for the year were as follows:

	U.S. and Non-U.S. Pension	U.S. and Non-U.S. Post-retirement	Total
Prior service credit (cost)	$(1,917)	$1,464	$(453)
Net actuarial losses	(42,092)	(4,876)	(46,968)
Deferred taxes	11,551	(591)	10,960
Balance at March 31, 2014	$(32,458)	$(4,003)	$(36,461)
Prior service credit (cost)	$196	$(1,287)	$(1,091)
Net actuarial gains	(14,714)	73	(14,641)
Deferred taxes	219	(33)	186
Total change for 2015	$(14,299)	$(1,247)	$(15,546)
Prior service credit (cost)	$(1,721)	$177	$(1,544)
Net actuarial losses	(56,806)	(4,803)	(61,609)
Deferred taxes	11,770	(624)	11,146

Balance at March 31, 2015	$(46,757)	$(5,250)	$(52,007)

- 74-

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Retirement Benefits (continued)

The following weighted average assumptions were used to determine the expense for the pension, postretirement, other postemployment, and employee savings plans as follows:

	U.S. Plans			Non-U.S. Plans		
	March 31,			March 31,		
	2015	2014	2013	2015	2014	2013
Discount rate	4.20%	3.86%	4.30%	4.30%	4.31%	5.22%
Rate of increase in future compensation	4.50%	4.00%	4.00%	3.94%	4.36%	4.45%
Expected long-term rate of return on plan assets	7.25%	7.25%	7.75%	6.83%	6.56%	6.93%

In order to project the long-term investment return for the total portfolio, estimates are prepared for the total return of each major asset class over the subsequent 10-year period, or longer. Those estimates are based on a combination of factors including the current market interest rates and valuation levels, consensus earnings expectations and historical long-term risk premiums. To determine the aggregate return for the pension trust, the projected return of each individual asset class is then weighted according to the allocation to that investment area in the trust's long-term asset allocation policy.

A March 31 measurement date is used for the pension, postretirement, other postemployment and employee savings plans. The expected long-term rate of return on assets was determined based upon historical investment performance, current asset allocation, and estimates of future investment performance by asset class.

The following assumptions were used to determine the benefit obligations disclosed for the pension plans at March 31, 2015 and 2014:

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
	2015	2014	2015	2014
Discount rate	3.60%	4.20%	3.13%	4.30%
Rate of increase in future compensation	4.50%	4.50%	3.56%	3.94%

Net gain (loss) and prior service credits (costs) for the combined U.S. and non-U.S. pension plans expected to be amortized from accumulated comprehensive income into net periodic benefit cost during fiscal 2016 is $(2,183) and $(1,381), respectively.

Plan Assets

The Company's asset allocations and the percentage of the fair value of plan assets at March 31, 2015 and 2014 by asset category are as follows:

	Target Allocations		U.S. Plans				Non-U.S. Plans			
	March 31, 2015		March 31,				March 31,			
(percentages)			2015		2014		2015		2014	
Asset Category:										
Cash and cash equivalents	—	%	2.1	%	4.1	%	1.4	%	1.2	%
Equity securities	37.0		35.9		35.8		60.5		62.0	
Debt securities	24.0		23.2		22.5		32.5		30.8	

Real estate and other investments	39.0		38.8		37.6		5.6		6.0	
Total	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%

- 75-

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Plan Assets (continued)

The Company's investment objectives are to generate consistent total investment return to pay anticipated plan benefits, while minimizing long-term costs. Financial objectives underlying this policy include maintaining plan contributions at a reasonable level relative to benefits provided and assuring that unfunded obligations do not grow to a level that would adversely affect the Company's financial health. Manager performance is measured against investment objectives and objective benchmarks, including: Citibank 90 Day Treasury Bill, Barclays Intermediate Govt. Credit, Barclays Aggregate Index, Russell 1000 Value, Russell 1000 Growth, Russell 2500 Value, Russell 2500 Growth, and MSCI EAFE. The Portfolio Objective is to exceed the actuarial return on assets assumption. Management regularly reviews portfolio allocations and periodically rebalances the portfolio to the targeted allocations when considered appropriate. Equity securities do not include the Company's common stock. Our diversification and risk control processes serve to minimize the concentration of risk. There are no significant concentrations of risk, in terms of sector, industry, geography or companies.

The fair values for the pension plans by asset category are as follows:

U.S. Pension Plans	March 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$965	$434	$531	$—
U.S. equities / equity funds	8,407	8,407	—	—
International equities / equity funds	7,769	7,769	—	—
U.S. fixed income funds	8,870	8,870	—	—
International fixed income funds	1,564	1,564	—	—
Other investments:				
Diversified funds	12,994	12,918	—	76
Real estate	4,457	—	—	4,457
Total	$45,026	$39,962	$531	$4,533
U.S. Pension Plans	March 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$1,819	$1,265	$554	$—
U.S. equities / equity funds	8,227	8,227	—	—
International equities / equity funds	7,747	7,747	—	—
U.S. fixed income funds	8,393	8,393	—	—
International fixed income funds	1,643	1,643	—	—
Other investments:				
Diversified funds	12,755	12,656	—	99
Real estate	4,020	—	—	4,020
Total	$44,604	$39,931	$554	$4,119

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Plan Assets (continued)

Non-U.S. Pension Plans	March 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$770	$770	$—	$—
U.S. equities / equity funds	7,971	7,971	—	—
International equities / equity funds	14,191	4,797	9,394	—
Global equity funds	10,372	—	10,372	—
U.S. fixed income funds	2,849	2,849	—	—
International fixed income funds	8,507	—	8,507	—
Global fixed income funds	6,135	1,295	4,840	—
Other investments:				
Diversified funds	1,844	1,844	—	—
Real estate equities	1,179	1,179	—	—
Total	$53,818	$20,705	$33,113	$—

Non-U.S. Pension Plans	March 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$649	$649	$—	$—
U.S. equities / equity funds	8,160	8,160	—	—
International equities / equity funds	14,297	4,598	9,699	—
Global equity funds	9,913	—	9,913	—
International fixed income funds	2,725	2,725	—	—
U.S. fixed income funds	7,491	—	7,491	—
Global fixed income funds	5,862	1,287	4,575	—
Other investments:				
Diversified funds	1,991	1,991	—	