ALLIANCE ONE INTERNATIONAL, INC.
Form 10-K
July 12, 2016
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, 2016

[ ] 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 (Do not check if a smaller reporting company)	[]	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, 2015, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $167.6 million based on the closing sale price of the common stock as reported on the New York Stock Exchange. As of July 1, 2016, there were 8,923,319 shares of Common Stock outstanding (no par value) excluding 785,313 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 11, 2016) of the registrant is incorporated by reference into Part III hereof.

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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 $1.9 billion and operating income of approximately $201.8 million for the year ended March 31, 2016. 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 less than 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. In fiscal 2016, some customers began reversing certain aspects of their previous vertical integration of operations. 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, 2016, 2015 and 2014, approximately 24%, 20% and 21%, respectively, of our purchases of tobacco were from the North America operating segment and approximately 76%, 80% and 79%, respectively, were from the Other Regions operating segment. Within the Other Regions operating segment, approximately 61%, 63% and 63% of our total purchases for the three years ended March 31, 2016, 2015 and 2014, respectively, were from China, Brazil, 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, 2016, 2015 and 2014.

In 2016, Alliance One delivered approximately 44% of its tobacco sales to customers in Europe and approximately 16% 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 2016, 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 and Asia to monitor our various operations in these areas. In reviewing these operations, we have concluded that the economic characteristics of North America are dissimilar from the other operating regions. Based on this fact, we disclose North America separately and aggregate the remaining four operating segments, Africa, Asia, Europe and South 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 3,299 persons, excluding seasonal employees, in our worldwide operations at March 31, 2016. In the Other Regions operating segment, Alliance One's consolidated entities employed approximately 2,665 employees at March 31, 2016, excluding approximately 4,536 seasonal employees. Most seasonal employees are covered by collective bargaining agreements. In the North America operating segment, Alliance One's consolidated entities employed approximately 634 employees at March 31, 2016, excluding approximately 206 seasonal employees. Most seasonal employees as well as approximately 202 full-time factory personnel in the United States are covered by collective bargaining agreements. 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, 2016, 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	52	President and Chief Executive Officer
Graham J. Kayes	51	Executive Vice President - Business Relationship Management and Leaf
Jose Maria Costa Garcia	50	Executive Vice President - Global Operations and Supply Chain
Joel L. Thomas	49	Executive Vice-President - Chief Financial Officer
William L. O’Quinn, Jr.	47	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, 2016, 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. Although in fiscal 2016, some customers began reversing certain aspects of their previous vertical integration of operations, 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, fraud risks, 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 subsidiary, Mashonaland Tobacco Company LTD ("MTC"). Subsequently, we determined that the significant doubt about our ability to control MTC was eliminated and we have reconsolidated MTC as of March 31, 2016.

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, including the classification of Malawi's economy as highly inflationary. 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 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.

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.

Risks relating to Our Operations (continued)

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 and there can be no assurance that material weaknesses will not be identified in the future.
On February 19, 2016, we concluded that the financial statements included in our Annual Form 10-K for the year ended March 31, 2015 could not be relied upon due to improper accounting for accounts receivable and inventory in

Kenya. As a result, we identified certain matters involving our internal control over financial reporting that we determined to be material weaknesses. We believe we will complete the remediation of those material weaknesses in internal control over financial reporting during fiscal 2017. Although we intend to aggressively 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. Ineffective 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 2017 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. Our U.S. revolver matures April 15, 2017 and we plan to either extend or refinance this facility during fiscal year 2017. Our inability to extend or refinance our U.S. revolver could impact our ability to meet our future liquidity requirements.

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, 2016, we had approximately $486.0 million drawn and outstanding on short-term and long-term foreign seasonal lines with maximum capacity totaling $910.1 million subject to limitations under our senior secured credit facility. Additionally against these lines there was $13.1 million available in unused letter of credit capacity with $4.7 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, 2016, we had approximately $1,396.5 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 was $200.0 million outstanding under this facility at March 31, 2016. 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, 2016, we had approximately $486.0 million drawn and outstanding on short-term and long-term foreign seasonal lines with maximum capacity totaling $910.1 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, which amended the Food, Drug, and Cosmetic 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. Regulations under the act do 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, but do apply to our U.S. cut rag processing facility with respect to covered tobacco products. In May 2016, the FDA finalized regulations, to be effective in August 2016, that extends its regulatory authority under the act to tobacco products not previously covered by its regulations, including vaporizers, vape pens, hookah pens, electronic cigarettes (or, e-cigarettes), e-pipes, and other types of electronic nicotine delivery systems, including e-liquids used in these devices, as well as pipe tobacco and cigars (including little cigars and cigarillos), and future novel tobacco products. These regulations require manufacturers of these additional tobacco products to, among other things submit an application and obtain FDA authorization to market a new tobacco product; register establishment(s) and submit product listing to FDA by December 31, 2016; submit listing of ingredients; submit information on harmful and potentially harmful constituents; submit tobacco health documents; not introduce into interstate commerce modified-risk tobacco products (e.g., products with label, labeling, or advertising representing that they

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)
reduce risk or are less harmful compared to other tobacco products on the market) without an FDA order; and include the required warning statement on packaging and advertisements. These regulations will extend to certain of our operations that had not previously been subject to the act, including the processing of pipe tobacco and tobacco for little cigars and cigarillos at our U.S. cut rag processing facility, and to Purilum, LLC, a 50% owned joint venture that develops, produces and sells consumable e-liquids to manufacturers and distributors of e-vapor products. In addition, the May 2016 regulations make these additional tobacco products subject to certain existing restrictions on the sale of cigarettes, including restrictions prohibiting sale to individuals under 18 years of age. In addition, in finalizing the May 2016 regulations, the FDA announced that it intends in the future to issue a proposed product standard that would, if finalized, eliminate characterizing flavors in all cigars, including cigarillos and little cigars.
The full impact of the act, including the May 2016 regulations and any future regulatory action to implement the act, is uncertain. However, if the effect of the act and FDA regulations under the act 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.

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.

Risks Relating to the Tobacco Industry (continued)

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, 2016.

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 12 production facilities in 8 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
NORTH AMERICA SEGMENT	
UNITED STATES	
WILSON, N.C.	FACTORY/STORAGE
FARMVILLE, N.C.	FACTORY/STORAGE
DANVILLE, VA	STORAGE
OTHER REGIONS SEGMENT	
SOUTH AMERICA	
VENANCIO AIRES, BRAZIL	FACTORY/STORAGE
ARARANGUA, BRAZIL	FACTORY/STORAGE
EL CARRIL, ARGENTINA	FACTORY/STORAGE
AFRICA	
LILONGWE, MALAWI	FACTORY/STORAGE
MOROGORO, TANZANIA	FACTORY/STORAGE
HARARE, ZIMBABWE	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 was held on June 12, 2015, which was adjourned pending a further hearing set for February 2018. 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. Stock prices are adjusted for a 1-to-10 reverse stock split that was effective June 26, 2015.

	High	Low	Dividends Declared
Year Ended March 31, 2016			
Fourth Quarter	$17.94	$8.33	$—
Third Quarter	21.03	10.35	—
Second Quarter	26.47	18.79	—
First Quarter	25.40	10.80	—
Year Ended March 31, 2015			
Fourth Quarter	$16.30	$8.30	$—
Third Quarter	21.00	15.20	—
Second Quarter	27.40	19.30	—
First Quarter	30.10	23.00	—

As of June 10, 2016, there were 4,465 shareholders, including 3,709 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 3/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

Cumulative Total Return

	03/31/2011	03/31/2012	03/31/2013	03/31/2014	03/31/2015	03/31/2016
Alliance One International, Inc.	$100.00	$ 93.78	$ 96.77	$ 72.64	27.36	43.68
S&P 500	$100.00	$ 108.54	$ 123.69	$ 150.73	169.92	172.95
S&P Smallcap 600	$100.00	$ 105.03	$ 121.98	$ 155.90	169.50	164.07
Custom Peer Group	$100.00	$ 112.11	$ 140.32	$ 145.22	128.04	160.54

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)	2016	2015 (6)	2014 (6)	2013 (6)	2012 (6)
Summary of Operations					
Sales and other operating revenues	$1,904,592	$2,066,865	$2,354,996	$2,240,996	$2,149,468
Other income (expense) (1)	105,427	(66)	18,760	20,721	15,725
Restructuring and asset impairment charges (recoveries)	5,888	9,118	5,111	(55)	1,006
Operating income	201,787	97,295	105,513	162,201	149,636
Debt retirement expense (income) (2)	—	(771)	57,449	1,195	—
Net income (loss)	65,445	(28,034)	(102,876)	24,612	24,908
Net income (loss) attributable to Alliance One International, Inc.	65,532	(27,862)	(102,533)	23,913	25,168
Earnings Per Share Attributable to Alliance One International, Inc.:					
Basic earnings (loss) per share	$7.38	$(3.16)	$(11.69)	$2.74	$2.89

Diluted earnings (loss) per share (3)	$7.38	$(3.16)	$(11.69)	$2.53	$2.61
Cash dividends paid	—	—	—	—	—
Balance Sheet Data					
Working capital	$815,532	$641,275	$803,038	$841,700	$824,838
Total assets	1,978,073	1,634,206	1,758,348	1,907,181	1,945,675
Long-term debt	920,089	738,943	900,363	830,780	821,453
Stockholders' equity attributable to Alliance One International, Inc.	271,126	190,790	243,830	324,504	313,918
Other Data					
Ratio of earnings to fixed charges	1.75	—	—	1.44	1.49
Coverage deficiency	n/a	$8,939	60,852	n/a	n/a
Common shares outstanding at year end (4)	8,900	8,858	8,816	8,764	8,738
Number of stockholders at year end (5)	4,465	4,995	5,346	5,582	6,380

(1) As of March 31, 2016, the Company determined that the significant doubt about our ability to control MTC was eliminated and recorded a gain of $106,203 upon reconsolidation.
(2) 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.
(3) For the years ended March 31, 2015 and 2014, 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 and 2014, assumed conversion of convertible notes at the beginning of the period has an antidultive effect on the loss per share.
(4) Excluding 785 shares owned by a wholly owned subsidiary.
(5) Includes the number of stockholders of record and non-objecting beneficial owners.
(6) Includes adjustments for certain immaterial errors in previously issued financial statements. See Note 1, "Significant Accounting Policies" to the "Notes to Consolidated Financial Statements" for further information.

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

Operating income for the fiscal year ended March 31, 2016 improved by $104.5 million to $201.8 million. This was the result of slight growth in full service sales volumes despite an oversupply of tobacco in global markets, reduced SG&A and restructuring costs and a one-time gain of $106.2 million in other operating income related to the reconsolidation of MTC. Total sales and other operating revenues decreased by 7.9% to $1,904.6 million mainly as a result of lower green leaf costs and lower processing revenues due to a stronger U.S. dollar, reduced crop sizes and a change from processing to full service by a customer in the United States leading to reduced throughput in the factories. However, gross margin as a percentage of sales remained consistent with the prior year. Full service volumes were bolstered by increased full service volumes from Uganda and the United States related to changes in customer sourcing models.

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. Again, this year, working capital and cash cycle improvements are focal areas. Our improved cost structure and well-positioned inventories at year end are important elements. Inventories at year end are positioned below our internal plan and uncommitted inventories are lower than the prior year even with the inclusion of Zimbabwe inventories. We will continue to monitor and adjust funding sources as needed to enhance and drive various business opportunities that maintain flexibility and meet cost expectations.

Outlook

Global markets are tightening as we emerge from an oversupply situation. Market prices paid in U.S dollars for suppliers' green tobacco have again been generally lower this year. We anticipate that oversupply will further correct through the current crop cycle. We have seen considerable effects on crop sizes through the EL Nino weather pattern that we have been experiencing with reduced crop sizes experienced in the 2015 United States crop and 2016 Brazil crop due to higher rainfall. We continue to make progress toward our global plans and strategies. Those plans include investing in sustainable tobacco production where appropriate returns are achievable, eliminating costs from the supply chain and optimizing our global footprint to match future customer requirements. We have made solid progress in all these initiatives during the quarter and expect execution of these plans to improve our results and 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)	2016	$	%	2015	$	%	2014
Kilos sold	382.4	4.0	1.1	378.4	(46.4)	(10.9)	424.8
Tobacco sales and other operating revenues:							
Sales and other operating revenues	$1,827.9	$(120.6)	(6.2)	$1,948.5	$(320.1)	(14.1)	$2,268.6
Average price per kilo	4.78	(0.37)	(7.2)	5.15	(0.19)	(3.6)	5.34
Processing and other revenues	76.7	(41.7)	(35.2)	118.4	32.5	37.8	85.9
Total sales and other operating revenues	1,904.6	(162.3)	(7.9)	2,066.9	(287.6)	(12.2)	2,354.5
Tobacco cost of goods sold:							
Tobacco costs	1,553.2	(120.4)	(7.2)	1,673.6	(298.8)	(15.1)	1,972.4
Transportation, storage and other period costs	71.4	(6.8)	(8.7)	78.2	(17.7)	(18.5)	95.9
Derivative financial instrument and exchange (gains) losses	2.9	3.4	680.0	(0.5)	(8.6)	(106.2)	8.1
Total tobacco cost of goods sold	1,627.5	(123.8)	(7.1)	1,751.3	(325.1)	(15.7)	2,076.4
Average cost per kilo	4.26	(0.37)	(8.0)	4.63	(0.26)	(5.3)	4.89
Processing and other revenues cost of services sold	51.3	(20.8)	(28.8)	72.1	19.9	38.1	52.2
Total cost of goods and services sold	1,678.8	(144.6)	(7.9)	1,823.4	(305.2)	(14.3)	2,128.6
Gross profit	225.8	(17.7)	(7.3)	243.5	17.6	7.8	225.9
Selling, general, and administrative expenses	123.5	(13.5)	(9.9)	137.0	2.9	2.2	134.1
Other income (expense)	105.4	105.5	105,500.0	(0.1)	(18.9)	(100.5)	18.8
Restructuring and asset impairment charges	5.9	(3.2)	(35.2)	9.1	4.0	78.4	5.1
Operating income	201.8	104.5	107.4	97.3	(8.2)	(7.8)	105.5
Debt retirement expense (income)	—	0.8	100.0	(0.8)	(58.2)	(101.4)	57.4
Interest expense	117.2	3.9	3.4	113.3	(3.5)	(3.0)	116.8
Interest income	7.1	0.8	12.7	6.3	(0.8)	(11.3)	7.1
Income tax expense	32.2	10.3	47.0	21.9	(19.3)	(46.8)	41.2
Equity in net income of investee companies	6.0	3.2	114.3	2.8	2.7	2,700.0	0.1
Loss attributable to noncontrolling interests	(0.1)	0.1	50.0	(0.2)	0.1	33.3	(0.3)
Income (loss) attributable to Alliance One International, Inc.	$65.5*	$93.4*	334.8	$(27.9)*	74.6*	72.8	$(102.5)*

*Amounts do not equal column totals due to rounding.

Comparison of the Year Ended March 31, 2016 to the Year Ended March 31, 2015

Summary

Total sales and other operating revenues decreased by 7.9% to $1,904.6 million. Tobacco revenues decreased 6.2% and average sales prices decreased 7.2% due to changes in product mix, the negative impact on pricing resulting from an oversupply of tobacco in the market and lower prices paid to tobacco suppliers in most regions due to a stronger U.S. dollar. Certain customers in North America changed their requirements during the current year from processing services only to purchases of full service tobaccos. This shift in requirements resulted in increased volumes, tobacco revenues and tobacco costs which were partially offset by decreased processing revenues and processing costs related to the change in sales terms and weather-related reduced crop sizes when compared with the previous year. However, volumes remained consistent with the prior year from reduced requirements in some markets and the timing of shipments in North America and Europe. Changes in product mix and lower prices paid to tobacco suppliers across all regions partially offset by currency movement reduced tobacco costs overall as well as lowered average

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, 2016 to the Year Ended March 31, 2015

Summary (continued)

tobacco costs on a per kilo basis. As a result, gross margin decreased 7.3% to $225.8 million however gross margin as a percentage of sales remained consistent with the prior year. SG&A decreased primarily from the non-recurrence of reserves for customer receivables in the prior year, decreased compensation costs due to headcount reduction, lower travel costs and the favorable impact of currency movement that were partially offset by increased legal and professional fees in respect of the errors identified in our Kenya operation during the second quarter of the current year. During the fourth quarter of the current year, we determined that the significant doubt about our ability to control MTC was eliminated and we reconsolidated it as of March 31, 2016. As a result, we recorded a gain of $106.2 million in other operating income. Restructuring and asset impairment charges in the current year are primarily attributable to impairment of advances to tobacco suppliers and real property in Africa and to changes in certain defined benefit plans as a result of our restructuring initiative that began in the prior fiscal year. Charges in the prior year are primarily employee severance charges in connection with our restructuring plan that began in the fourth quarter of the prior year. Due to the changes in our results for the year, operating income increased 107.4% to $201.8 million.
Our interest costs increased from the prior year primarily due to higher amortization of debt costs and higher average borrowings. Our effective tax rate was 35.1% this year compared to (245.2)% last year. The variance in the effective tax rate between this year and last year is the result of many factors that include but are not limited to differences in income for the respective years; certain losses for which no tax benefit is recorded; and, differences between discrete items recognized for the years that include changes in valuation allowances, net exchanges losses on income tax accounts, and net exchange gains related to liabilities for unrecognized tax benefits.

North America Region

North America Region Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2016	$	%	2015
Kilos sold	71.6	18.0	33.6	53.6
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$420.7	$57.4	15.8	$363.3
Average price per kilo	5.88	(0.90)	(13.3)	6.78
Processing and other revenues	47.4	(30.3)	(39.0)	77.7
Total sales and other operating revenues	468.1	27.1	6.1	441.0
Tobacco cost of goods sold				
Tobacco costs	369.7	53.5	16.9	316.2
Transportation, storage and other period costs	13.0	2.0	18.2	11.0
Derivative financial instrument and exchange (gains) losses	0.8	3.1	134.8	(2.3)
Total tobacco cost of goods sold	383.5	58.6	18.0	324.9
Average cost per kilo	5.36	(0.70)	(11.6)	6.06
Processing and other revenues costs of services sold	33.6	(11.9)	(26.2)	45.5
Total cost of goods and services sold	417.1	46.7	12.6	370.4
Gross profit	51.0	(19.6)	(27.8)	70.6

Selling, general and administrative expenses	25.9	(4.0)	(13.4)	29.9
Other income	0.1	(0.1)	(50.0)	0.2
Restructuring and asset impairment charges	—	(0.5)	(100.0)	0.5
Operating income	$25.2	$(15.2)	(37.6)	$40.4

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, 2016 to the Year Ended March 31, 2015 (continued)

North America Region (continued)

Total sales and other operating revenues increased 6.1% to $468.1 million while total cost of goods and services sold increased 12.6% to $417.1 million. In the current year, certain customer requirements changed from providing processing services only in the prior year to providing full service tobacco sales in the current year. As a result, volumes, tobacco revenues and tobacco costs increased but were partially offset by the related decrease in processing revenues and cost of services. The 33.6% increase in volumes was partially offset by the timing of shipments. Tobacco revenues and tobacco costs of goods sold increases due to the change in customer requirements were partially offset by the timing of shipments and product mix which also decreased average sales prices and average cost of tobacco on a per kilo basis. In addition, the decrease in tobacco costs of goods sold was partially offset by increased period costs as a result of maintaining two U.S. cut rag facilities in the current year and the negative impact of exchange rate movement. Processing revenues and costs of services also decreased due to weather-related reduced crop sizes which particularly negatively impacted costs of services as a result of lower throughput. As a result, gross margin decreased 27.8% to $51.0 million and gross margin as a percentage of sales decreased from 16.0% to 10.9% when compared to the prior year. Reductions in SG&A were attributable to allocations for general corporate services. Asset impairment charges in the prior year are for machinery and equipment related to our previous U.S. cut rag facility due to the construction of a new facility. Operating income declined 37.6% from the prior year as a result of the impact of the change in results for the region.

Other Regions

Other Regions Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2016	$	%	2015
Kilos sold	310.8	(14.0)	(4.3)	324.8
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$1,407.2	$(178.0)	(11.2)	$1,585.2
Average price per kilo	4.53	(0.35)	(7.2)	4.88
Processing and other revenues	29.3	(11.4)	(28.0)	40.7
Total sales and other operating revenues	1,436.5	(189.4)	(11.6)	1,625.9
Tobacco cost of goods sold				
Tobacco costs	1,183.5	(173.9)	(12.8)	1,357.4
Transportation, storage and other period costs	58.4	(8.8)	(13.1)	67.2
Derivative financial instrument and exchange losses	2.1	0.3	16.7	1.8
Total tobacco cost of goods sold	1,244.0	(182.4)	(12.8)	1,426.4
Average cost per kilo	4.00	(0.39)	(8.9)	4.39
Processing and other revenues costs of services sold	17.7	(8.9)	(33.5)	26.6
Total cost of goods and services sold	1,261.7	(191.3)	(13.2)	1,453.0
Gross profit	174.8	1.9	1.1	172.9
Selling, general and administrative expenses	97.6	(9.5)	(8.9)	107.1
Other income (expense)	105.3	105.6	35,200.0	(0.3)
Restructuring and asset impairment charges	5.9	(2.7)	(31.4)	8.6

Operating income	$176.6	$119.7	210.3	$56.9

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

Results of Operations (continued)

Other Regions (continued)

Total sales and other operating revenues decreased 11.6% to $1,436.5 million primarily due to a 4.3% decrease in volumes sold primarily due to lower customer requirements in Asia and Europe and the timing of shipments in Europe. Average sales prices decreased 7.2% and average tobacco costs per kilo decreased 8.9% primarily due to product mix, lower prices paid to tobacco suppliers across all regions and the impact on costs due to a stronger U.S. dollar. Processing and other revenues and processing costs decreased primarily due to timing of processing for our former Brazilian subsidiary. As a result of product mix, gross margin increased slightly to $174.8 million and gross margin as a percentage of sales increased from 10.6% to 12.2%. Decreases in SG&A are associated with the non-recurrence of reserves for customer receivables in the prior year, decreased compensation costs due to headcount reduction, lower travel costs and the favorable impact of currency movement that were partially offset by increased legal and professional fees in respect of the errors identified in our Kenya operation during the second quarter of the current year. During the fourth quarter of the current year, we determined that the significant doubt about our ability to control MTC was eliminated and we reconsolidated it as of March 31, 2016. As a result, we recorded a gain of $106.2 million in other operating income. Restructuring and asset impairment charges in the current year are primarily attributable to impairment of advances to tobacco suppliers and real property in Africa and to changes in certain defined benefit plans as a result of our restructuring initiative that began in the prior fiscal year compared to charges in the prior year primarily due to employee severance costs in connection the same restructuring plan. Operating income improved 210.3% from the prior year as a result of the impact of these changes.

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

Summary

Total sales and other operating revenues decreased 12.2% to $2,066.9 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 margin increased 7.8% to $243.5 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 margin as a percentage of sales improved from 9.6% to 11.8%. 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 7.8% 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 (245.2)% this year compared to (66.8)% last year. The variance in the effective tax rate between this year and last year is mainly related to differences in forecasted income for the respective years, differences in year-to-date income; certain losses for which no tax benefit is recorded; and, differences between discrete items recognized that include changes in valuation allowances, net exchanges losses on income tax accounts and net exchange gains related to liabilities for unrecognized tax benefits.

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)

North America Region
North America Region Supplemental Information

	Twelve Months Ended March 31,			
		Change		
(in millions, except per kilo amounts)	2015	$	%	2014
Kilos sold	53.6	(10.6)	(16.5)	64.2
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$363.3	$(71.2)	(16.4)	$434.5
Average price per kilo	6.78	0.01	0.1	6.77
Processing and other revenues	77.7	13.8	21.6	63.9
Total sales and other operating revenues	441.0	(57.4)	(11.5)	498.4
Tobacco cost of goods sold				
Tobacco costs	316.2	(69.6)	(18.0)	385.8
Transportation, storage and other period costs	11.0	0.4	3.8	10.6
Derivative financial instrument and exchange gains	(2.3)	(1.4)	(155.6)	(0.9)
Total tobacco cost of goods sold	324.9	(70.6)	(17.9)	395.5
Average cost per kilo	6.06	(0.10)	(1.6)	6.16
Processing and other revenues costs of services sold	45.5	4.8	11.8	40.7
Total cost of goods and services sold	370.4	(65.8)	(15.1)	436.2
Gross profit	70.6	8.4	13.5	62.2
Selling, general and administrative expenses	29.9	(0.6)	(2.0)	30.5
Other income	0.2	0.2	100.0	—
Restructuring and asset impairment charges	0.5	0.5	100.0	—
Operating income	$40.4	$8.7	27.4	$31.7

Total sales and other operating revenues as well as total cost of goods and services sold decreased due to a 16.5% decrease in volumes primarily the result of an oversupply of tobacco in the global market and the timing of shipments. Average sales prices were consistent with the prior year while average cost of tobacco on a per kilo basis decreased as a result of a larger U.S. crop this year. Processing revenues and cost of services increases were due to increased customer volumes also related to a larger U.S. crop this year. Although tobacco volumes were lower, the increased throughput resulted in a 13.5% increase in gross margin and gross margin as a percentage of sales improved from 12.5% in the prior year to 16.0% in the current year. Reductions in SG&A were attributable to lower compensation costs. 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. Operating income improved 27.4% from the prior year as a result of the impact of the change in results for the region.

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	324.8	(35.8)	(9.9)	360.6
Tobacco sales and other operating revenues:				
Sales and other operating revenues	$1,585.2	$(248.9)	(13.6)	$1,834.1
Average price per kilo	4.88	(0.21)	(4.1)	5.09
Processing and other revenues	40.7	18.7	85.0	22.0
Total sales and other operating revenues	1,625.9	(230.2)	(12.4)	1,856.1
Tobacco cost of goods sold				
Tobacco costs	1,357.4	(229.2)	(14.4)	1,586.6
Transportation, storage and other period costs	67.2	(18.1)	(21.2)	85.3
Derivative financial instrument and exchange losses	1.8	(7.2)	(80.0)	9.0
Total tobacco cost of goods sold	1,426.4	(254.5)	(15.1)	1,680.9
Average cost per kilo	4.39	(0.27)	(5.8)	4.66
Processing and other revenues costs of services sold	26.6	15.1	131.3	11.5
Total cost of goods and services sold	1,453.0	(239.4)	(14.1)	1,692.4
Gross profit	172.9	9.2	5.6	163.7
Selling, general and administrative expenses	107.1	3.5	3.4	103.6
Other income (expense)	(0.3)	(19.1)	(101.6)	18.8
Restructuring and asset impairment charges	8.6	3.5	68.6	5.1
Operating income	$56.9	$(16.9)	(22.9)	$73.8

Total sales and other operating revenues and total cost of goods and services sold decreased primarily due to a 9.9% decrease in volumes after the deconsolidation of a Brazilian subsidiary following completion of a joint venture in March 2014. Lower average sales prices and costs on a per kilo basis are primarily due to product mix, lower prices paid to tobacco suppliers as well as the oversupply of tobacco in the global market. Lower tobacco revenues and costs were partially offset by opportunistic sales of 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 reduced 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. 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, gross margin increased 5.6% to $172.9 million and gross margin as a percentage of sales increased from 8.8% to 10.6%. Increases in SG&A are associated with increased reserves for customer receivables which were partially 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 $20.9 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 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 decrease in other income in Brazil, operating income decreased 22.9% to $56.9 million this 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, 2016, we had $199.7 million in cash on our balance sheet, $10.3 million available under the senior secured revolving credit facility, $486.0 million outstanding under short-term and long term foreign lines with an additional $416.4 million available under those lines and $1.3 million outstanding of other debt for a total of $626.3 million of debt availability and cash on hand around the world, excluding $4.7 million in issued but unfunded letters of credit with $13.1 million available. Another source of liquidity as of March 31, 2016 was $171.3 million funded under our accounts receivable sale programs. Additionally, customer advances were $9.9 million in 2016 compared to $18.9 million in 2015. 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 2017. Effective March 31, 2016, 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. Note that in March 2016, Moody's Investors Service downgraded the Corporate Family Rating of the Company to Caa2 from Caa1. Moody's also downgraded the Probability of Default Rating to Caa2-PD from Caa1-PD, and the senior secured second lien note rating to Caa3 with a Loss Given Default (“LGD”) of 5 from Caa2 and a LGD of 5. At the same time Moody's affirmed the Company's senior secured bank credit facility rating at B1 with a LGD of 1 and the Speculative Grade Liquidity Rating at SGL-4. Standard & Poor’s (“S&P”) ratings are Corporate Credit Rating CCC+, senior secured second lien note rating CCC with a recovery rating (“RR”) of 5 and a senior secured debt rating of B with a RR of 1. S&P currently has outlook negative and as of June 3, 2016, Moody's has outlook positive. However, we affirm our belief that the sources of capital we have access to are sufficient to fund our anticipated needs for fiscal year 2017. Our U.S revolver matures April 15, 2017 and we plan to either extend or refinance this facility during fiscal year 2017. Our access to capital meets our current expectations and outlook that is anticipated to provide sufficient liquidity to fulfill our future funding requirements. General deterioration of our business and the cash flow that it generates, failure to renew foreign lines or an inability to extend or refinance our U.S. revolver could impact our ability to meet our future liquidity requirements.

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, 2016 and 2015, 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)	2016	2015
Average short-term borrowings	$444.8	$454.8
Aggregated peak short-term borrowings outstanding	$665.0	$662.5
Weighted-average interest rate on short-term borrowings	5.18 %	5.12 %

Aggregated peak borrowings for 2016 were during the fourth quarter of 2016 compared to during the third quarter for 2015. The peak borrowings occurred in the fourth quarter of 2016 due to the timing of repayments in the South America and Africa regions as compared to 2015. Peak borrowings for 2016 and 2015 were repaid with cash provided by operating activities.

As of March 31, 2016, 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 increased to $815.5 million at March 31, 2016 from $641.3 million at March 31, 2015. Our current ratio was 2.2 to 1 at March 31, 2016 compared to 2.1 to 1 at March 31, 2015. The reconsolidation of MTC at March 31, 2016 contributed $15.4 million to the increase in working capital. The remaining increase in working capital is attributable to higher cash balances due to the collection of receivables in accordance with terms, higher accounts receivable due to the timing of sales and higher

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

Liquidity and Capital Resources (continued)

Working Capital (continued)

inventory and advances to tobacco suppliers due to the timing of shipments and the continued oversupply of tobacco in the market.

The following table is a summary of items from the Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Approximately $192.2 million of our outstanding cash balance at March 31, 2016 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)	2016	$	%	2015	$	%	2014
Cash and cash equivalents	$199.7	$55.9	38.9	$143.8	$(91.0)	(38.8)	$234.8
Net trade and other receivables	401.0	161.5	67.4	239.5	20.0	9.1	219.5
Inventories and advances to tobacco suppliers	833.2	55.9	7.2	777.3	(14.5)	(1.8)	791.8
Total current assets	1,490.4	264.7	21.6	1,225.7	(77.7)	(6.0)	1,303.4
Notes payable to banks	476.0 (1)	145.7	44.1	330.3	117.6	55.3	212.7
Accounts payable	81.6	8.3	11.3	73.3	(41.9)	(36.4)	115.2
Advances from customers	9.9	(9.0)	(47.6)	18.9	(3.2)	(14.5)	22.1
Total current liabilities	674.8	90.4	15.5	584.4	84.0	16.8	500.4
Current ratio	2.2 to 1			2.1 to 1			2.6 to 1
Working capital	815.5	174.2	27.2	641.3	(161.7)	(20.1)	803.0
Total long term debt	920.1	181.2	24.5	738.9	(161.5)	(17.9)	900.4
Stockholders' equity attributable to Alliance One International, Inc.	271.1	80.3	42.1	190.8	(53.0)	(21.7)	243.8
Net cash provided (used) by:							
Operating activities	$(135.3)	$(80.1)		$(55.2)	$(317.7)		$262.5
Investing activities	(13.5)	(1.8)		(11.7)	8.7		(20.4)
Financing activities	193.6	217.0		(23.4)	77.1		(100.5)

(1) Includes $130.6 million of debt owed by MTC under a short-term credit facility in which one of our other subsidiaries has a participation interest in the lender's rights and obligations under the facility. At March 31, 2016, $84.3 million of that amount was attributed to outstanding borrowings by MTC funded under that facility by such other subsidiary pursuant to that participation interest. Because such other subsidiary's funding is pursuant to a participation interest through a third-party lender and not a direct intercompany loan between such other subsidiary and MTC, the total amount of debt under the facility is required to be reflected as consolidated debt upon the reconsolidation of MTC.

Operating Cash Flows

Net cash used by operating activities increased $80.1 million compared to 2015 which increased $317.7 million compared to 2014. The increase in cash used in 2016 compared to 2015 is primarily due to the increase in accounts receivable as a result of the timing of sales in the fourth quarter partially offset by less cash used for accounts payable due to the timing of payments in accordance with terms. The increase in cash used 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.

Investing Cash Flows

Net cash used by investing activities increased $1.8 million in 2016 compared to 2015 which decreased $8.7 million compared to 2014. The increase in cash used in 2016 is primarily due to lower purchases of property and equipment partially offset by lower proceeds from the sale of property. 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.

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 provided by financing activities increased $217.0 million in 2016 compared to 2015 which increased $77.1 million compared to 2014. The increase in cash provided in 2016 is primarily due to less repayment of our revolver during the year due to the higher balance outstanding at year end. The increase in cash provided 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.

Certain debt agreements contain certain cross-default or cross-acceleration provisions. The following table summarizes our debt financing as of March 31, 2016:

	Outstanding		March 31, 2016 Lines and		Long Term Debt Repayment Schedule by Fiscal Year					
(in millions)	March 31, 2015	March 31, 2016	Letters Available	Interest Rate	2017	2018	2019	2020	2021	Later
Senior secured credit facility:										
Revolver [1]	$—	$200.0	$10.3	5.4 % [2]	$—	$200.0	$—	$—	$—	$—
Senior notes:										
9.875% senior secured second lien notes due 2021 [4]	707.7	709.2	—	9.9 %	—	—	—	—	—	709.2
Long-term foreign seasonal borrowings	30.0	10.0	—	3.8 % [2]	—	10.0	—	—	—	—
Other long-term debt	4.1	1.3	—	7.2 % [2]	0.4	0.2	0.1	0.3	0.1	0.2
Notes payable to banks [3]	330.3	476.0	416.4	5.2 % [2]	476.0	—	—	—	—	—
Total debt	$1,072.1	$1,396.5	426.7		$476.4	$210.2	$0.1	$0.3	$0.1	$709.4
Short-term [3]	$330.3	$476.0								
Long-term:										
Long-term debt current	$2.9	$0.4								
Long-term debt	738.9	920.1								
	$741.8	$920.5								
Letters of credit	$6.3	$4.7	13.1							
Total credit available			$439.8							

(1) As of March 31, 2016, 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, 2016.

(3) Primarily foreign seasonal lines of credit. At March 31, 2016, the outstanding amount includes $130.6 million of debt owed by MTC under a short-term credit facility in which one of our other subsidiaries has a participation interest in the lender’s rights and obligations under the facility. At March 31, 2016, $84.3 million of that amount was attributed to outstanding borrowings by MTC funded under that facility by such other subsidiary pursuant to that participation interest. Because such other subsidiary’s funding is pursuant to a participation interest through a third-party lender and not a direct intercompany loan between such other subsidiary and MTC, the total amount of debt under the facility is

required to be reflected as consolidated debt upon the reconsolidation of MTC.
(4) Repayment of $709.2 million is net of original issue discount of $10.8 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. 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.

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 and certain U.S. fixed assets.

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)

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.

Fourth amendment. On May 20, 2016, the Company entered into the Fourth Amendment to the Amended and Restated Credit Agreement (the "Fourth Amendment"), which amended the Credit Agreement. See Note 21 "Subsequent Events" to the Notes to Consolidated Financial Statements.

Fifth amendment. On July 6, 2016, the Company entered into the Fifth Amendment to the Amended and Restated Credit Agreement (the “Fifth Amendment"), which amended the Credit Agreement. See Note 21 "Subsequent Events" to the Notes to Consolidated Financial Statements.

Financial covenants. After giving effect to the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment to the Amended and Restated Credit Agreement, the financial covenants and required financial ratios at March 31, 2016 are as follows:

• a minimum consolidated interest coverage ratio of not less than 1.70 to 1.00 for the fiscal quarter ended March 31, 2016 (1.90 to 1.00 for the fiscal quarters ending June 30, 2016, September 30, 2016 and December 31, 2016 and 1.65 to 1.00 for the fiscal quarter ending March 31, 2017);

• a maximum consolidated leverage ratio specified for each fiscal quarter, which ratio is 5.50 to 1.00 for the fiscal quarter ended March 31, 2016 (6.25 to 1.00 for the fiscal quarter ending June 30, 2016, 6.45 to 1.00 for the fiscal quarter ending and September 30, 2016, 6.25 to 1.00 for the fiscal quarter ending December 31, 2016, and 5.50 to 1.00 for the fiscal quarter ending March 31, 2017);

• 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

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 amount of the Company's annual capital expenditures of $52.5 million during the fiscal year ending March 31, 2016 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.

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.

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 certain lenders can demand repayment of loans at any time. These loans are typically renewed at the outset of each tobacco season. As of March 31, 2016, the Company had approximately $476.0 million drawn and outstanding on foreign seasonal lines with maximum capacity totaling $910.1 million subject to limitations as provided for in the Credit Agreement. Additionally, against these lines there was $13.1 million available in unused letter of credit capacity with $4.7 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, 2016, approximately $10.0 million was drawn and outstanding with maximum capacity totaling $10.0 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, 2016, 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, 2016.

	Payments / Expirations by Period				
(in millions)	Total	2017	Years 2018-2019	Years 2020-2021	After 2021
Long-Term Debt Obligations*	$1,319.4	$84.3	$ 357.0	$ 147.3	$730.8
Other Long-Term Obligations**	46.4	6.8	8.5	8.9	22.2
Operating Lease Obligations	46.6	16.9	20.4	7.8	1.5
Tobacco and Other Purchase Obligations	800.0	588.0	212.0	—	—
Beneficial Interest in Receivables Sold	40.4	40.4	—	—	—
Amounts Guaranteed for Tobacco Suppliers	210.7	210.7	—	—	—
Total Contractual Obligations and Other Commercial	$2,463.5	$947.1	$ 597.9	$ 164.0	$754.5

Commitments

* Long-Term Debt Obligations include projected interest for both fixed and variable rate debt. We assume that there will be no additional drawings after March 31, 2016 on the senior secured credit facility until the maturity of April 15, 2017, 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, 2016. 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 2021" 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 and Other 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. Other purchase obligations consist primarily of purchase commitments of agricultural material.

Beneficial Interest in Receivables Sold

We sell accounts receivable under two 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 and Brazil. 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 $22.0 million in capital investments for our 2017 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 to 5.0%.

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, 2016, 2015 and 2014. 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)	2016	2015	2014
Favorable variances (including mark-up)	$14.2	$19.8	$18.2
Unfavorable variances (including unrecoverable advances)	(8.5)	(11.4)	(15.3)
Net favorable variance in crop cost in inventory	$5.7	$8.4	$2.9

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

Critical Accounting Estimates (continued)

Advances to Tobacco Suppliers (continued)

Other Regions

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. 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.

Within the Other Regions, Brazil and Africa 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.

For 2016, favorable variances decreased due to the currency impact in South America and due to smaller crops in Other Regions due to the global oversupply situation. Additionally, unfavorable variances decreased for similar reasons, as well as fewer unrecoverable advances in certain locations.

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 2016, 2015 and 2014 crops are representative of average favorable variance percentages based on market conditions and currency rates in each year. The Company did not incur any other changes in net variances within the Other Regions operating segments for 2016, 2015 and 2014 that were absorbed into inventory.

North America Region

In Guatemala, we advance some inputs to suppliers for the coming crop based on expected crop production. For 2016, 2015, and 2014, advances in North America have a minor impact to the consolidated favorable and unfavorable variances.

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.

Business Combinations

The reconsolidation of MTC has been treated as a purchase business combination which requires recording the assets and liabilities of MTC at their estimated fair values. The Company employed a discounted cash flow model to estimate the fair values of the assets and liabilities. The model used assumptions and estimates including projections of financial information; forecasted capital expenditure requirements and related tax depreciation; cash-free, debt-free long-term growth rate; and discount rate. Management's estimates were based on historical performance, current market conditions and industry trends, long-term customer relationships and strategic plans for future business growth and opportunities. Liquidity assumptions were based on the historical and current economic environments in capital markets.

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 decrease by $4.5 million in the fiscal year ended March 31, 2017 as compared to March 31, 2016. We continually evaluate ways to better manage benefits and control costs. The cash contribution to our employee benefit plans in fiscal 2016 was $7.7 million and is expected to be $6.8 million in fiscal 2017.

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)	Estimated Change in Annual Expense Increase (Decrease) (in 000’s)

	(in 000's)	
Change in Assumption (Pension and Postretirement Plans)		
1% increase in discount rate	$ (17,093)	$ (290)
1% decrease in discount rate	$ 20,082	$ 211
1% increase in salary increase assumption	$ 192	$ 44
1% decrease in salary increase assumption	$ (177)	$ (46)
1% increase in cash balance crediting rate	$ 1,449	$ 105
1% decrease in cash balance crediting rate	$ (1,250)	$ (90)
1% increase in rate of return on assets		$ (905)
1% decrease in rate of return on assets		$ 905

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 $(0.9) million, $3.8 million and $(4.7) million for the fiscal years ended March 31, 2016, 2015 and 2014, respectively. We recognized exchange losses of $5.6 million, $7.9 million and $7.6 million related to tax balances in our tax expense for the fiscal years ended March 31, 2016, 2015 and 2014, 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 $0.1 million, $(12.5) million and $4.1 million in 2016, 2015, and 2014, 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 27.3% or $33.8 million of our total SG&A expenses for the twelve months ended March 31, 2016. 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 $3.4 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 $6.7 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)	2016	2015	2014
Sales and other operating revenues	$1,904,592	$2,066,865	$2,354,536
Cost of goods and services sold	1,678,798	1,823,366	2,128,586
Gross profit	225,794	243,499	225,950
Selling, general and administrative expenses	123,546	137,020	134,086
Other income (expense)	105,427	(66)	18,760
Restructuring and asset impairment charges	5,888	9,118	5,111
Operating income	201,787	97,295	105,513
Debt retirement expense (income)	—	(771)	57,449
Interest expense	117,190	113,273	116,827
Interest income	7,077	6,268	7,068
Income (loss) before income taxes and other items	91,674	(8,939)	(61,695)
Income tax expense	32,215	21,918	41,241
Equity in net income of investee companies	5,986	2,823	60
Net income (loss)	65,445	(28,034)	(102,876)
Less: Net loss attributable to noncontrolling interests	(87)	(172)	(343)
Net income (loss) attributable to Alliance One International, Inc.	$65,532	$(27,862)	$(102,533)
Earnings (loss) per share:			
Basic	$7.38	$(3.16)	$(11.69)
Diluted	$7.38	$(3.16)	$(11.69)

See notes to consolidated financial statements.

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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)	2016	2015	2014
Net income (loss)	$65,445	$(28,034)	$(102,876)
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	108	(12,514)	4,084
Pension prior service credit (cost) and net actuarial gain (loss), net of tax of $(328) in 2016, $186 in 2015 and $(306) in 2014	12,437	(15,546)	13,007
Total other comprehensive income (loss), net of tax	12,545	(28,060)	17,091
Total comprehensive income (loss)	77,990	(56,094)	(85,785)
Comprehensive loss attributable to noncontrolling interests	(80)	(172)	(343)
Comprehensive income (loss) attributable to Alliance One International, Inc.	$78,070	$(55,922)	$(85,442)

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, 2016	March 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$199,720	$143,849
Trade receivables, net	303,907	184,772
Other receivables	97,101	54,731
Accounts receivable, related parties	1,920	7,491
Inventories	791,340	739,563
Advances to tobacco suppliers	41,837	37,767
Recoverable income taxes	13,421	3,433
Current deferred taxes	—	15,586
Prepaid expenses	20,016	23,901
Current derivative asset	—	1,373
Other current assets	21,096	13,233
Total current assets	1,490,358	1,225,699
Other assets		
Investments in unconsolidated affiliates	58,259	54,694
Goodwill	16,463	2,794
Other intangible assets	50,571	29,097
Long-term recoverable income taxes	8,686	6,571
Deferred income taxes	38,773	32,111
Other deferred charges	13,809	17,695
Other noncurrent assets	23,629	27,631
	210,190	170,593
Property, plant and equipment, net	277,525	237,914
	$1,978,073	$1,634,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable to banks	$475,989	$330,254
Accounts payable	81,649	73,349
Due to related parties	20,490	58,512
Advances from customers	9,895	18,906
Accrued expenses and other current liabilities	74,425	87,815
Income taxes	12,022	12,694
Long-term debt current	356	2,894
Total current liabilities	674,826	584,424
Long-term debt	920,089	738,943
Deferred income taxes	16,924	2,454
Liability for unrecognized tax benefits	9,809	11,011
Pension, postretirement and other long-term liabilities	81,753	103,310
	1,028,575	855,718
Commitments and contingencies		
Stockholders' equity		

Common stock—no par value:		
250,000 authorized shares, 9,685 issued and outstanding (9,644 at March 31, 2015)	470,830	468,564
Retained deficit	(145,856)	(211,388)
Accumulated other comprehensive loss	(53,848)	(66,386)
Total stockholders' equity of Alliance One International, Inc.	271,126	190,790
Noncontrolling interests	3,546	3,274
Total equity	274,672	194,064
	$1,978,073	$1,634,206

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

(in thousands)	Attributable to Alliance One International, Inc.					
			Accumulated Other Comprehensive Income			
	Common Stock	Retained Deficit	Currency Translation Adjustment	Pensions, Net of Tax	Noncontrolling Interest	Total Stockholders' Equity
Balance, March 31, 2013	$460,914	$(80,993)	$(5,724)	$(49,693)	$ 3,638	$ 328,142
Net loss	—	(102,533)	—	—	(343)	(102,876)
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	$(183,526)	$(1,640)	$(36,686)	$ 3,295	$ 247,125
Net loss	—	(27,862)	—	—	(172)	(28,034)
Acquisition of noncontrolling interest	—	—	—	—	151	151
Restricted stock surrendered	(146)	—	—	—	—	(146)
Stock-based compensation	3,028	—	—	—	—	3,028
Other comprehensive loss, net of	—	—	(12,514)	(15,546)	—	(28,060)

tax						
Balance, March 31, 2015	$468,564	$(211,388)	$(14,154)	$(52,232)	$ 3,274	$ 194,064
Net income (loss)	—	65,532	—	—	(87)	65,445
Acquisition of noncontrolling interest	—	—	—	—	352	352
Restricted stock surrendered	(157)	—	—	—	—	(157)
Stock-based compensation	2,423	—	—	—	—	2,423
Other comprehensive income, net of tax	—	—	108	12,430	7	12,545
Balance, March 31, 2016	$470,830	$(145,856)	$(14,046)	$(39,802)	$ 3,546	$ 274,672

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)	2016	2015	2014
Operating activities			
Net income (loss)	$65,445	$(28,034)	$(102,876)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	28,361	29,623	32,427
Debt amortization/interest	11,333	8,816	12,707
Debt retirement	—	(771)	57,449
Restructuring and asset impairment charges	5,888	9,118	5,111
Loss on foreign currency transactions	6,498	8,274	12,348
Gain on sale of property, plant and equipment	(597)	(1,751)	(3,175)
Reconsolidation of subsidiary	(106,203)	—	—
Gain on disposition of stock in subsidiaries	—	—	(20,369)
Loss on acquisition of equity method investment	—	—	1,253
Bad debt expense	(169)	12,368	312
Equity in net income of unconsolidated affiliates, net of dividends	(4,105)	(2,823)	783
Stock-based compensation	2,874	3,194	3,222
Changes in operating assets and liabilities, net:			
Trade and other receivables	(149,825)	(50,358)	51,085
Inventories and advances to tobacco suppliers	(13,747)	(3,992)	168,900
Deferred items	(2,439)	(18,025)	4,888
Recoverable income taxes	(8,563)	(1,372)	(1,370)
Payables and accrued expenses	46,767	(23,408)	26,838
Advances from customers	(19,224)	(3,638)	3,330
Current derivative asset	1,373	(1,373)	3,145
Prepaids	6,218	1,743	4,238
Income taxes	2,943	5,511	538
Other operating assets and liabilities	(8,382)	1,452	(1,127)
Other, net	227	223	2,815
Net cash provided (used) by operating activities	(135,327)	(55,223)	262,472
Investing activities			
Purchases of property, plant and equipment	(17,194)	(25,273)	(24,928)
Intangibles, including internally developed software costs	—	(781)	(7,803)
Proceeds from sale of property, plant and equipment	2,270	16,840	9,336
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	(276)	(1,678)	268
Surrender of life insurance policies	1,675	1,194	2,861
Other, net	—	(309)	(196)
Net cash used by investing activities	(13,525)	(11,662)	(20,449)

(in thousands)	Years Ended March 31, 2016	2015	2014
Financing activities			
Net proceeds (repayments) of short-term borrowings	$21,360	$145,988	$(87,398)
Proceeds from long-term borrowings	210,000	300,000	1,075,877
Repayment of long-term borrowings	(32,867)	(463,341)	(1,030,256)
Debt issuance cost	(5,325)	(6,538)	(22,764)
Debt retirement cost	—	—	(36,033)
Other, net	455	455	111
Net cash used by financing activities	193,623	(23,436)	(100,463)
Effect of exchange rate changes on cash	823	(608)	1,192
Increase (decrease) in cash and cash equivalents	45,594	(90,929)	142,752
Cash and cash equivalents at beginning of year	143,849	234,778	92,026
Cash assumed in reconsolidation of subsidiary	10,277	—	—
Cash and cash equivalents at end of year	$199,720	$143,849	$234,778
Other information:			
Cash paid for income taxes	$20,369	$16,192	$17,911
Cash paid for interest	104,882	98,957	105,192
Cash received from interest	(7,291)	(6,529)	(8,799)

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. For the year ending March 31, 2014, the Consolidated Statements of Operations include the results of operations for this subsidiary through 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.

In fiscal 2006, the Company deconsolidated its Zimbabwe subsidiary, Mashonaland Tobacco Company LTD ("MTC") in accordance with accounting requirements that apply to foreign subsidiaries that are subject to foreign exchange controls and other government restrictions that casted significant doubt on the parent's ability to control the subsidiary. As of March 31, 2016, the Company determined that significant doubt about its ability to control MTC was eliminated due to changes in the political landscape and the recent issuance of clarifications to the indigenization laws within Zimbabwe. The recent issuance of clarifications to the indigenization law within Zimbabwe resulted in the Company's development and filing with the Zimbabwean government of a plan of compliance with the indigenization law on March 31, 2016, the date of reconsolidation of MTC. The reconsolidation has been treated as a purchase business combination for accounting purposes, with the Company designated as the acquirer. As such, the Consolidated Balance Sheet includes 100% of the fair value of the assets and liabilities of MTC as of March 31, 2016. See Note 22 “Reconsolidation of MTC” to the “Notes to Consolidated Financial Statements” for further information. Prior to March 31, 2016, the Company accounted for its investment in MTC on the cost method and had been reporting it in Investments in Unconsolidated Affiliates in the Consolidated Balance Sheets since March 31, 2006 and had written its investment in MTC down to zero in fiscal 2007. At March 31, 2015, the Company guaranteed an amount outstanding to MTC of $49,208 at March 31, 2015.

Restatement of Previously Reported Financial Information
During the year ended March 31, 2016, the Company identified certain immaterial errors in previously issued financial statements related to inventory, cost of goods sold and income tax.

- The Company became aware of improper inventory entries in a European subsidiary's records resulting in an understatement of cost of goods sold of $674 for the year ended March 31, 2015 and $706 for the year ended March 31, 2014.
- The Company identified a misstatement of recoverable income tax in an international jurisdiction in prior periods resulting in an understatement of income tax expense of $1,058 for the year ended March 31, 2015 and $766 for the year ended March 31, 2014.

Additionally, the Company corrected the classification of amounts between line items on the Consolidated Statements of Operations and the Consolidated Balance Sheets included in the previously issued financial statements. For the year ended March 31, 2015, reclassification of $1,456 was made between “Other income (expense)” and “Cost of goods and services sold.” There was no change to operating income or net income as a result of this reclassification. For the year ended March 31, 2015, reclassifications of $1,044 between deferred tax assets and liabilities and $11,808 between "Accounts receivable, related parties" and "Pension, postretirement and other long-term liabilities" were made.
The Company has evaluated the effects of the above misstatements on its consolidated financial statements for each of these years in accordance with the guidance provided by SEC Staff Accounting Bulletin No. 108, codified as SAB Topic 1.N, “Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in the Current Year Financial Statements,” and concluded that none of these years are materially misstated. The effect of correcting these misstatements within the accompanying consolidated financial statements, and as permitted by SAB Topic 1.N, the Company was to increase Net Loss attributable to Alliance One International, Inc.” for the years ended March 31, 2015 and 2014 by $1,732 and $1,472, respectively. See Note 23 “Reconciliation

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)

Restatement of Previously Reported Financial Information (continued)
of Previously Reported Amounts to Amounts Revised and Restated" to the "Notes to Consolidated Financial Statements" for the impact of these corrections on previously reported amounts for the years ended March 31, 2015 and 2014.

Investments in Unconsolidated Affiliates
The Company's equity method investments and its cost method investments 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. Estim