

ALLIANCE ONE INTERNATIONAL, INC.
Form 10-K
June 14, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED March 31, 2017

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 (Commission File Number) (I.R.S. Employer
of incorporation) 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

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

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 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 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," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated filer (Do not check if a smaller reporting company)

Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of September 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$157.7 million based on the closing sale price of the common stock as reported on the New York Stock Exchange. As of June 1, 2017, there were 8,962,891 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 10, 2017) 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 \$1.7 billion and operating income of approximately \$84.6 million for the year ended March 31, 2017. 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 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. Beginning 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 30 countries. During the three years ended March 31, 2017, 2016 and 2015, approximately 24%, 24% and 20%, respectively, of our purchases of tobacco were from the North America operating segment and approximately 76%, 76% and 80%, respectively, were from the Other Regions operating segment. Within the Other Regions operating segment, approximately 60%, 61% and 63% of our total purchases for the three years ended March 31, 2017, 2016 and 2015, 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 34 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, 2017, 2016 and 2015.

In 2017, Alliance One delivered approximately 39% 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 2017, 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 3,277 persons, excluding seasonal employees, in our worldwide operations at March 31, 2017. In the Other Regions operating segment, Alliance One's consolidated entities employed approximately 2,673 employees at March 31, 2017, excluding approximately 6,031 seasonal employees. Most seasonal employees are covered by collective bargaining agreements. In the North America operating segment, Alliance One's consolidated entities employed approximately 604 employees at March 31, 2017, excluding approximately 165 seasonal employees. Most seasonal employees as well as approximately 208 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, 2017, 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	53	President and Chief Executive Officer
Graham J. Kayes	52	Executive Vice President - Business Relationship Management and Leaf
Jose Maria Costa Garcia	51	Executive Vice President - Global Operations and Supply Chain
Joel L. Thomas	50	Executive Vice-President - Chief Financial Officer
William L. O'Quinn, Jr.	48	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 the 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, 2017, 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 recently, 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.

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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 we 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 foreign tax regimes, and changes in U.S. or 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. Certain of our subsidiaries are and may in the future be involved in tax matters in foreign countries. While the outcome of any of these existing matters cannot be predicted with certainty, we are vigorously defending them and do not currently expect that any of them will have a

material adverse effect on our business or financial position. However, should one or more of these matters be resolved in a manner adverse to our current expectation, the effect on our results of operations for a particular fiscal reporting period could be material.

We seek to optimize our tax footprint across all operations in U.S. and non-U.S. jurisdictions alike. These benefits are contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations could adversely affect our ability to continue to realize these tax benefits. Political leaders in the U.S. have called for comprehensive tax reform which, among other things, might change certain U.S. tax rules impacting the way U.S. based multinationals are taxed on foreign income or may require previously earned but untaxed foreign earnings and profits to be taxed immediately but at a rate lower than the current 35% U.S. Federal tax rate.

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

Risks relating to Our Operations (continued)

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.

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 publicly held 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.

In the course of downsizing and terminating certain operations of our subsidiary, Alliance One Tobacco (Kenya) Limited (“AOTK”), and preparing our financial statements for the quarter ended September 30, 2015, we identified errors in accounts receivable, inventory, sales and cost of goods sold in AOTK. Specifically, the value of inventory was overstated due to improper accounting for shrinkage, deferred crop costs, lower of cost or market valuations and inventory counts. Further, sales and other operating revenues, and trade and other receivables, net were incorrectly stated due to improper revenue recognition for external sales. As a result of these errors, we restated our consolidated financial statements for the years ended March 31, 2015, 2014 and 2013, and the selected quarterly financial data for each of the quarters in the fiscal years then ended, our condensed consolidated financial statements for the period ended June 30, 2015 and selected consolidated statement of operations data for the fiscal year ended March 31, 2012 and selected consolidated balance sheet data at March 31, 2012 and 2011.

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Risks relating to Our Operations (continued)

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. (continued)

Our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2016, the following material weaknesses in internal control over financial reporting existed at AOTK:

Processes and control activities designed to support the amounts of inventory recorded in the general ledger were not effective, were incorrectly applied or were overridden. It appears that local AOTK management, through collusion, overrode controls to record fictional inventory balances.

Processes and control activities designed to support the amounts of deferred crop costs recorded in the general ledger were not effective, were incorrectly applied or were overridden. It appears that local AOTK management, through collusion, overrode controls to inappropriately cost redried inventory and understate cost of goods sold.

Processes and control activities designed to support the revenue transactions recorded in the general ledger were not effective, were incorrectly applied or were overridden. Specifically, revenues were recorded based on estimated transactions and actual transactions were processed outside the general ledger system. As a result revenue recorded did not reflect actual sales transactions and accounts receivable balances were recorded which would not be realized.

In addition, our Chief Executive Officer and Chief Financial Officer have also concluded that, as of March 31, 2016, the following material weaknesses existed at the regional and corporate levels:

The Company's regional review of operations at African origins was ineffective due to the lack of adequate qualified resources to appropriately examine and investigate financial results. Although the financial information from the Kenya origin was reviewed on a timely basis, the regional review did not incorporate the qualitative and operational context needed to perform an adequate review, which allowed the misstated balances to build up over extended periods of time.

The Company's fraud risk assessment was not adequately designed or implemented to address the risks of fraud in certain origins. The Company's assessment did not determine that certain regions warranted additional control activities to respond to additional fraud risks.

The Company's controls applicable to the accounting for the reconsolidation of its Zimbabwe subsidiary did not operate effectively.

We remediated those material weaknesses in internal control over financial reporting, and we believe that our internal control over financial reporting was effective at March 31, 2017 as reported elsewhere in this Annual Report.

Although we intend to continue 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.

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, 2017, we had approximately \$486.0 million drawn and outstanding on short-term and long-term foreign seasonal lines with maximum capacity totaling \$818.7 million subject to limitations under our asset-based revolving credit facility (the "ABL Facility"). Additionally against these lines there was \$13.0 million available in unused letter of credit capacity with \$5.2 million issued but unfunded.

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Risks relating to Our Capital Structure (continued)

We may not have access to available capital to finance our local operations in non-U.S. jurisdictions. (continued)
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 effect 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 may not be able to satisfy the covenants included in our financing arrangements, which could result in the default of our outstanding debt obligations.

The agreement governing the ABL Facility includes certain restrictive covenants and a springing covenant requiring that our fixed charge coverage ratio be no less than 1.00 to 1.00 during any period commencing at any time that the excess borrowing availability under the ABL Facility is less than a specified amount and ending on the first date after excess borrowing availability has been equal to or greater than such specified amount for a period of 30 consecutive days. The agreements governing our other indebtedness and the indentures governing our 8.500% senior secured first lien notes due 2021 (the “senior secured first lien notes”) and our 9.875% senior secured second lien notes due 2021 (the “senior secured second line notes”) also include restrictive covenants. In the recent past, we have sought and obtained waivers and amendments under our 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 financial and 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.

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, 2017, we had approximately \$1,428.9 million of indebtedness. If we incur additional indebtedness to our current indebtedness levels, including borrowings under the ABL Facility or other short or long-term credit facilities, the related risks that we now face could increase.

Our substantial debt could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to the senior notes and our other obligations;
- limiting 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;
- 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;
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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.

In addition, the agreement governing the ABL Facility and the indentures governing the senior secured first lien notes and the senior secured second lien notes 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 certain covenants within the ABL Facility 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 the ABL 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.

Risks Relating to Our Capital Structure (continued)

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 under the terms of the indentures governing the senior secured first lien notes and the senior secured second lien notes and the agreement governing the ABL Facility. The ABL Facility provides for a revolving credit line of up to \$60.0 million subject to a borrowing base of eligible inventory and accounts receivable, and under certain conditions, we may solicit the lenders under the ABL Facility or other prospective lenders to provide additional revolving loan commitments under the ABL Facility in an aggregate amount not to exceed \$15.0 million (less the aggregate principal amount of any additional notes issued under the indenture governing the senior secured first lien notes). As of March 31, 2017, we had no outstanding borrowings under the ABL Facility and \$60.0 million, subject to limitations under the ABL Facility, was available for borrowing under the ABL Facility and an additional \$327.6 million was available for borrowing under other short and long-term credit facilities, including \$7.8 million with respect to issued but unfunded letters of credit. If new debt is added to our current debt levels, the risks discussed above could intensify.

Our debt agreements will contain restrictions that limit our flexibility in operating our business.

The agreement governing the ABL Facility and the indentures governing the senior secured first lien notes and the senior secured second lien notes contain a number of significant covenants. These covenants limit our ability to, among other things:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- make investments;
- pay dividends and make other restricted payments;
- sell certain assets;
- create liens;
- enter into sale and leaseback transactions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

In addition, the ABL Facility requires us to periodically satisfy a fixed charge coverage ratio during any period commencing at any time that excess borrowing availability is less than a specified amount and ending on the first date after excess borrowing availability has been equal to or greater than such specified amount for a period of 30 consecutive days. 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 ABL Facility and under the indentures governing the senior secured first lien notes and the senior secured second lien notes and would prevent us from taking certain actions, such as incurring additional debt, paying dividends or redeeming the senior secured first lien notes, the senior secured second lien notes or any subordinated debt. A default, if not waived, could result in the debt under the ABL Facility and the indentures governing the senior secured first lien notes and the senior secured second lien notes 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 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, legislative, regulatory and other factors that are 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 the ABL Facility or otherwise in an amount sufficient to enable us to pay our indebtedness, including the senior secured first lien notes and the senior secured second lien notes, or to fund our other liquidity needs.

We may not be able to refinance or renew our indebtedness, including the senior secured first lien notes, the senior secured second lien notes and the ABL Facility, or be able to borrow under the ABL Facility or other future credit facilities, which may have a material adverse effect on our financial condition.

We anticipate that loans under the ABL Facility will mature on January 14, 2021. We may not be able to renew or refinance the ABL Facility or other indebtedness, including the senior secured first lien notes and the senior secured second lien notes, on substantially similar terms, or at all. We may have to pay additional fees and expenses that we might not have to pay under normal circumstances, and we may have to agree to terms that could increase the cost of our debt structure. If we are unable to renew or refinance the ABL Facility, the senior secured first lien notes, the senior secured second lien notes or our other indebtedness on terms which are not materially less favorable than the terms currently available to us or obtain alternative or additional financing

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Risks Relating to Our Capital Structure (continued)

We may not be able to refinance or renew our indebtedness, including the senior secured first lien notes, the senior secured second lien notes and the ABL Facility, or be able to borrow under the ABL Facility or other future credit facilities, which may have a material adverse effect on our financial condition. (continued)

arrangements, we may not be able to repay the ABL Facility, the senior secured first lien notes, the senior secured second lien notes or certain of our other indebtedness, which may result in a default under other indebtedness.

We may need to refinance all or a portion of our indebtedness, including the ABL Facility, the senior secured first lien notes and the senior secured second lien notes, on or before maturity. Additionally, to the extent permitted under the agreement governing the ABL Facility and indentures governing the senior secured first lien notes and the senior secured second lien notes, we may repurchase, repay or tender for our bank debt, senior secured first lien notes and the senior secured second lien notes or other debt, which may place pressure on future cash requirements to the extent that the debt repurchased, repaid or tendered cannot be redrawn.

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 expose 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, 2017, we had approximately \$486.0 million drawn and outstanding on short-term and long-term foreign seasonal lines with maximum capacity totaling \$818.7 million subject to limitations under the ABL Facility. 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 the ABL 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 ABL 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 may, from time to time, enter 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 may be financial institutions or affiliates of financial institutions, and we would be subject to risks that these counterparties default under these transactions. In some of these transactions, our exposure to counterparty credit risk may not be 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 would 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;

Risks Relating to the Tobacco Industry (continued)

Reductions in demand for consumer tobacco products could adversely affect our results of operations. (continued)

• 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, which became effective in August 2016, that extend 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; 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 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

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)
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.

We have been, and continue to be, 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

Risks Relating to the Tobacco Industry (continued)

We have been, and continue to be, subject to governmental investigations into, and litigation concerning, leaf tobacco industry buying and other payment practices. (continued)
 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, 2017.

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.

The Company received a subpoena from the SEC, dated November 28, 2016, for documents relating to the restatement of its financial statements for the years ended March 31, 2013, 2014 and 2015 and the three months ended June 30, 2015, which restatements were filed with the SEC on May 25, 2016. The Company is cooperating fully with the SEC and providing the requested materials.

In addition to the above-mentioned matters, 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, 2017			
Fourth Quarter	\$19.50	\$12.30	—
Third Quarter	19.81	13.75	—
Second Quarter	22.69	15.35	—
First Quarter	27.23	14.40	—
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 —

As of March 31, 2017, there were 4,187 shareholders, including 3,549 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. The agreement governing the ABL Facility and the indentures governing our senior secured first lien notes and 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 3/31/12 in stock or index, including reinvestment of dividends.

Fiscal year ending March 31.

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Cumulative Total Return

	3/12	3/13	3/14	3/15	3/16	3/17
Alliance One International, Inc.	\$100.00	\$103.18	\$77.45	\$29.18	46.58	34.08
S&P 500	\$100.00	\$113.96	\$138.87	\$156.55	159.34	186.71
S&P Smallcap 600	\$100.00	\$116.14	\$148.44	\$161.39	156.22	194.63
Custom Peer Group	\$100.00	\$125.16	\$129.53	\$114.21	143.20	183.20

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR FINANCIAL STATISTICS

Alliance One International, Inc. and Subsidiaries

(in thousands, except per share amount, ratio and number of stockholders)	Years Ended March 31,				
	2017	2016	2015	2014	2013
Summary of Operations					
Sales and other operating revenues	\$1,714,750	\$1,904,592	\$2,066,865	\$2,354,996	\$2,240,996
Other income (expense) (1)	4,896	105,427	(66)	)18,760	20,721
Restructuring and asset impairment charges (recoveries)	1,375	5,888	9,118	5,111	(55)
Operating income	84,568	201,787	97,295	105,513	162,201
Debt retirement expense (income) (2)	(300)	)—	(771)	)57,449	1,195
Net income (loss)	(63,271)	)65,445	(28,034)	)102,876	)24,612
Net income (loss) attributable to Alliance One International, Inc.	(62,928)	)65,532	(27,862)	)102,533	)23,913
Earnings Per Share Attributable to Alliance One International, Inc.:					
Basic earnings (loss) per share	\$(7.05))\$7.38	\$(3.16))\$(11.69))\$2.74

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Diluted earnings (loss) per share (3)	\$(7.05)\$7.38	\$(3.16)\$(11.69)\$2.53
Cash dividends paid	—	—	—	—	—
Balance Sheet Data					
Working capital	\$797,326	\$815,532	\$641,275	\$803,038	\$841,700
Total assets (6)	1,971,872	1,968,198	1,622,460	1,744,460	1,899,232
Long-term debt (6)	942,959	910,214	727,197	886,475	822,831
Stockholders' equity attributable to Alliance One International, Inc.	203,518	271,126	190,790	243,830	324,504
Other Data					
Ratio of earnings to fixed charges	—	1.75	—	—	1.44
Coverage deficiency	35,335	n/a	8,939	60,852	n/a
Common shares outstanding at year end (4)	8,963	8,900	8,858	8,816	8,764
Number of stockholders at year end (5)	4,187	4,465	4,995	5,346	5,582

(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, 2017, 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 antidilutive 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) On April 1, 2016, new accounting guidance that changed the presentation of debt issuance costs in financial statements was adopted on a retrospective basis. Therefore the March 31, 2016, 2015, 2014 and 2013 balances have been adjusted in accordance with the adoption of this guidance.

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

With our heavy weighting in Brazil, the United States and Tanzania - three crops that were hardest hit by El Nino weather-related crop size reductions, yield and consequent increases in conversion cost we were hard hit in Fiscal 2017 by unusual and uncontrollable events, which overshadowed significant improvements in many origins and targeted improvements to the balance sheet. Smaller crops in the U.S., Brazil and Tanzania related to weather conditions, lower prices paid to tobacco suppliers across most regions and an increased percentage of byproduct sales versus lamina resulted in reduced revenues and cost of sales. As a result, gross profit decreased 3.9% to \$217.0 million while gross profit as a percentage of sales improved from 11.9% to 12.7% due to the positive impact of currency movements and reduced lower of cost or market adjustments this year. SG&A increased from increased legal and professional fees, incentive compensation costs and the inclusion of costs from our reconstituted Zimbabwe subsidiary this year. Primarily due to the non-recurrence of a one-time gain of \$106.2 million related to the reconstituted of our Zimbabwe subsidiary in the prior year, operating income declined \$117.3 million. Accounts receivable and inventory reductions from prior year-end levels generated \$253.6 million of cash this year and we ended the fiscal year with an uncommitted inventory level well within our stated target range of \$50-\$150 million. The significantly lower levels of inventory positions us well for improved quality and size of most 2017 crops.

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. During March and April 2017, we utilized surplus cash to reduce long-term debt with the purchase and cancellation of \$57.1 million of our Senior Secured Second Lien Notes, leaving \$662.9 million after purchases in April. We remain confident in our targets to purchase \$25.0-\$50.0 million per year of our more expensive debt with surplus cash. After giving effect to the initial \$28.4 million purchased in March, our year-end cash position was \$473.1 million with \$475.9 million in notes payable to banks. Our liquidity position is strong and in line with internal expectations at \$852.9 million as of March 31, 2017, comprised of cash and \$379.8 million of available credit lines. 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

As we look to fiscal year 2018, global market conditions are positive with good early weather patterns that support better global growing conditions. These conditions have resulted in increased global Flue Cured crop sizes particularly in Brazil and Argentina, while total Burley production will see some decline particularly from wetter conditions in Africa. Based on current conditions, our internal forecast anticipates significantly increased full-service and processing volumes across most regions and improved sales boosted by increased demand, crop size and pricing in fiscal 2018. Our Company is well positioned to address complex industry dynamics and the impact of our strategic initiatives should become more apparent as crop sizes return to normalized levels in key markets. Our strong employee base continues to innovate and develop cost-driven solutions to meet evolving customer requirements. Our customers remain focused on optimizing their supply chains with reduced complexity. They are planning for improvement in global sustainability and driving positive change in nicotine consumption habits with reduced risk products. We are well positioned to assist them with all of these requirements, investing where appropriate returns

should be achievable. Growth opportunities exist and we continue to take the necessary steps to further strengthen our preferred supplier position. Continued focus on strategic plan execution to meet our customer's growth initiatives is anticipated to improve shareholder value.

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

Results of Operations

Condensed Consolidated Statements of Operations and Supplemental Information

(in millions, except per kilo amounts)	Twelve Months Ended March 31,						2015
	2017	Change		2016	Change		
	\$	%	\$	%	\$	%	
Kilos sold	381.4	(1.0)	(0.3)	382.4	4.0	1.1	378.4
Tobacco sales and other operating revenues:							
Sales and other operating revenues	\$1,631.3	\$(196.6)	(10.8)	\$1,827.9	\$(120.6)	(6.2)	\$1,948.5
Average price per kilo	4.28	(0.50)	(10.5)	4.78	(0.37)	(7.2)	5.15
Processing and other revenues	83.4	6.7	8.7	76.7	(41.7)	(35.2)	118.4
Total sales and other operating revenues	1,714.7	(189.9)	(10.0)	1,904.6	(162.3)	(7.9)	2,066.9
Tobacco cost of goods sold:							
Tobacco costs	1,371.6	(181.6)	(11.7)	1,553.2	(120.4)	(7.2)	1,673.6
Transportation, storage and other period costs	70.7	(0.7)	(1.0)	71.4	(6.8)	(8.7)	78.2
Derivative financial instrument and exchange (gains) losses	(7.5)	(10.4)	(358.6)	2.9	3.4	680.0	(0.5)
Total tobacco cost of goods sold	1,434.8	(192.7)	(11.8)	1,627.5	(123.8)	(7.1)	1,751.3
Average cost per kilo	3.76	(0.50)	(11.7)	4.26	(0.37)	(8.0)	4.63
Processing and other revenues cost of services sold	62.9	11.6	22.6	51.3	(20.8)	(28.8)	72.1
Total cost of goods and services sold	1,497.7	(181.1)	(10.8)	1,678.8	(144.6)	(7.9)	1,823.4
Gross profit	217.0	(8.8)	(3.9)	225.8	(17.7)	(7.3)	243.5
Selling, general, and administrative expenses	136.0	12.5	10.1	123.5	(13.5)	(9.9)	137.0
Other income (expense)	4.9	(100.5)	(95.4)	105.4	105.5	105,500.0	(0.1)
Restructuring and asset impairment charges	1.4	(4.5)	(76.3)	5.9	(3.2)	(35.2)	9.1
Operating income	84.5	(117.3)	(58.1)	201.8	104.5	107.4	97.3
Debt retirement expense (income)	(0.3)	(0.3)	(100.0)	—	0.8	100.0	(0.8)
Interest expense	132.7	15.5	13.2	117.2	3.9	3.4	113.3
Interest income	8.2	1.1	15.5	7.1	0.8	12.7	6.3
Income tax expense	23.5	(8.7)	(27.0)	32.2	10.3	47.0	21.9
Equity in net income (loss) of investee companies	(0.1)	(6.1)	(101.7)	6.0	3.2	114.3	2.8
Loss attributable to noncontrolling interests	(0.3)	(0.2)	(200.0)	(0.1)	0.1	50.0	(0.2)
Income (loss) attributable to Alliance One International, Inc.	\$(62.9)	*\$(128.4)	*\$(196.0)	\$65.5	*93.4	*334.8	\$(27.9)*

*Amounts do not equal column totals due to rounding.

Comparison of the Year Ended March 31, 2017 to the Year Ended March 31, 2016

Summary

Total sales and other operating revenues decreased by 10.0% to \$1,714.7 million and total costs of goods and services sold decreased 10.8% to \$1,497.7 million primarily due to lower average sales prices and tobacco costs per kilo attributable to smaller crops in the U.S., Brazil and Tanzania related to weather conditions, lower prices paid to tobacco suppliers across most regions and changes in product mix with an increased percentage of byproduct sales versus lamina. The positive impact of currency movements primarily in Europe on average tobacco costs per kilo were partially offset by \$4.8 million of lower of cost or market adjustments. Volumes were down slightly as volume increases from expanded cut rag services in the Africa Region, sales of prior crop in most regions and the timing of shipments in Africa were offset by the weather-related smaller crop sizes and the timing of shipments in other regions. Processing and other revenues and processing costs increases were primarily related to the reconsolidation of our Zimbabwe subsidiary. As a result of lower average sales price and costs per kilo, gross profit decreased 3.9% to \$217.0 million

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, 2017 to the Year Ended March 31, 2016

Summary - (continued)

while gross profit as a percentage of sales improved from 11.9% to 12.7%. SG&A increased 10.1% primarily from increased legal and professional fees, incentive compensation costs and the inclusion of costs from our reconstituted Zimbabwe subsidiary this year partially offset by the non-recurrence of reserves for customer receivables in the prior year. Increases in SG&A were partially offset by the net insurance recovery related to tobacco lost by fire in Zimbabwe last year, the non-recurrence of one-time expenses in Africa and the sale of trade tax credits in South America. During the prior year, we determined that the significant doubt about our ability to control MTC was eliminated and we reconstituted 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 mainly related to our former U.S. cut rag facility. Restructuring and asset impairment charges in the prior year were primarily attributable to impairment of advances to tobacco suppliers and real property in Africa. During third quarter of fiscal 2017, we refinanced our existing senior secured revolving credit facility with the issuance of \$275.0 million of 8.5% senior secured first lien notes due 2021 and a \$60.0 million ABL credit agreement. As a result, one-time debt retirement costs of \$2.3 million were recorded for the accelerated amortization of debt issuance costs. During the fourth quarter of fiscal 2017, we purchased \$28.4 million of our senior secured second lien notes on the open market. As a result, one-time related discounts of \$3.4 million offset by \$0.7 million for the accelerated amortization of debt issuance costs and original issue discount were recorded. Our interest costs increased from the prior year primarily due to higher average borrowings and higher average rates on our seasonal lines of credit as well as increased amortization of debt issuance costs and the inclusion of interest costs from our reconstituted Zimbabwe subsidiary this year. Our effective tax rate was (59.2)% this year compared to 35.1% 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 forecasted income for the respective years; differences in year-to-date income for the quarters; certain losses for which no tax benefit is recorded; and, differences between discrete items recognized for the periods that include changes in valuation allowances, net exchanges losses on income tax accounts and net exchange gains related to liabilities for unrecognized tax benefit.

North America Region

North America Region Supplemental Information

(in millions, except per kilo amounts)	Twelve Months Ended March 31,			
	2017	Change		2016
	\$	%		
Kilos sold	67.1	(4.5)	(6.3)	71.6
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$357.4	\$(63.3)	(15.0)	\$420.7
Average price per kilo	5.33	(0.55)	(9.4)	5.88
Processing and other revenues	38.8	(8.6)	(18.1)	47.4
Total sales and other operating revenues	396.2	(71.9)	(15.4)	468.1
Tobacco cost of goods sold				
Tobacco costs	315.6	(54.1)	(14.6)	369.7
Transportation, storage and other period costs	10.1	(2.9)	(22.3)	13.0
Derivative financial instrument and exchange (gains) losses	(0.2)	(1.0)	(125.0)	0.8

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Total tobacco cost of goods sold	325.5	(58.0)	(15.1)	383.5
Average cost per kilo	4.85	(0.51)	(9.5)	5.36
Processing and other revenues costs of services sold	29.8	(3.8)	(11.3)	33.6
Total cost of goods and services sold	355.3	(61.8)	(14.8)	417.1
Gross profit	40.9	(10.1)	(19.8)	51.0
Selling, general and administrative expenses	25.0	(0.9)	(3.5)	25.9
Other income (expense)	(0.1)	(0.2)	(200.0)	0.1
Restructuring and asset impairment charges	0.5	0.5	100.0	—
Operating income	\$15.3	\$(9.9)	(39.3)	\$25.2

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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, 2017 to the Year Ended March 31, 2016 (continued)

North America Region (continued)

Total sales and other operating revenues decreased 15.4% to \$396.2 million and total costs of goods and services sold decreased 14.8% to \$355.3 million due to a 9.4% decrease in average sales prices per kilo and a 9.5% decrease in average tobacco costs per kilo primarily attributable to the impact of adverse weather conditions during the U.S. growing season that resulted in a smaller crop this year. Also decreasing average sales prices and costs per kilo was product mix with an increased percentage of byproduct sales versus lamina. Volume decreases resulted from the negative impact of smaller U.S. crops and the timing of shipments. The smaller U.S. crops also negatively impacted customer requirements for processing and other services which decreased processing and other revenues and costs of services when compared with the prior year. As a result, gross profit decreased 19.8% to \$40.9 million this year and gross profit as a percentage of sales declined slightly from 10.9% to 10.3%. Decreases in SG&A were related to allocations for general corporate services. Restructuring and asset impairment charges during the current year were from our former U.S. cut rag facility. Primarily due to the decrease in gross profit, operating income declined \$9.9 million from the prior year.

Other Regions

Other Regions Supplemental Information

(in millions, except per kilo amounts)	Twelve Months Ended March 31,			
	2017	Change		2016
	\$	%		
Kilos sold	314.3	3.5	1.1	310.8
Tobacco sales and other operating revenues:				
Sales and other operating revenues	\$1,274.0	\$(133.2)	(9.5)	\$1,407.2
Average price per kilo	4.05	(0.48)	(10.6)	4.53
Processing and other revenues	44.6	15.3	52.2	29.3
Total sales and other operating revenues	1,318.6	(117.9)	(8.2)	1,436.5
Tobacco cost of goods sold				
Tobacco costs	1,056.0	(127.5)	(10.8)	1,183.5
Transportation, storage and other period costs	60.6	2.2	3.8	58.4
Derivative financial instrument and exchange losses	(7.3)	(9.4)	(447.6)	2.1
Total tobacco cost of goods sold	1,109.3	(134.7)	(10.8)	1,244.0
Average cost per kilo	3.53	(0.47)	(11.8)	4.00
Processing and other revenues costs of services sold	33.1	15.4	87.0	17.7
Total cost of goods and services sold	1,142.4	(119.3)	(9.5)	1,261.7
Gross profit	176.2	1.4	0.8	174.8
Selling, general and administrative expenses	111.0	13.4	13.7	97.6
Other income (expense)	5.0	(100.3)	(95.3)	105.3
Restructuring and asset impairment charges	0.9	(5.0)	(84.7)	5.9
Operating income	\$69.3	\$(107.3)	(60.8)	\$176.6

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 8.2% to \$1,318.6 million and total costs of goods and services sold decreased 9.5% to \$1,142.4 million. Volumes increased 1.1% primarily due to expansion of our cut rag services in the Africa Region, the timing of shipments and sales of prior crop in the current year in most regions that were partially offset by the short crops in Brazil and Tanzania this year. Although volumes increased, the product mix of sales this year changed with an increased percentage of byproduct sales versus lamina. The change in product mix and lower prices paid to tobacco suppliers in Africa and South America lowered average sales prices by 10.6% and average tobacco costs per kilo by 11.8%. The positive impact of currency movements primarily in Europe on average tobacco costs per kilo were partially offset by \$4.2 million of lower of cost or market adjustments, and higher conversion costs per kilo in Tanzania due to the smaller crop size. Processing and other revenues and processing costs increases were related to the reconsolidation of our Zimbabwe subsidiary. As a result, gross profit increased slightly by 0.8% to \$176.2 million and gross profit as a percentage of sales increased from 12.2% to 13.4%. Increases in SG&A are associated with increased Kenya-related legal and professional fees, incentive compensation costs, additional audit related fees and the inclusion of costs from our reconsolidated Zimbabwe subsidiary partially offset by the non-recurrence of reserves for customer receivables in the prior year. Increases in SG&A were partially offset by the net insurance recovery related to tobacco lost by fire in Zimbabwe last year, the non-recurrence of one-time expenses in Africa and the sale of trade tax credits in South America as well as reduced restructuring and asset impairment charges from the prior year related to impairment of advances to tobacco suppliers and real property in Africa. During the prior 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 in fiscal 2016. Primarily the result of the gain on reconsolidation of MTC in the prior year and increased SG&A, operating income declined 60.8% to \$69.3 million this year.

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 fiscal 2016 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 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 Kenya-related legal and professional fees. During the fourth quarter of fiscal 2016, 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 fiscal 2016 were 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 fiscal 2016, 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% in fiscal 2016 compared to (245.2)% in the prior year. The variance in the effective tax rate between fiscal 2016 and the prior 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.

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

North America Region Supplemental Information

(in millions, except per kilo amounts)	Twelve Months Ended March 31,			
	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

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 fiscal 2016, certain customer requirements changed from providing processing-services-only in the prior year to providing full-service tobacco sales in fiscal 2016. 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 fiscal 2016 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.

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)

Other Regions

Other Regions Supplemental Information

(in millions, except per kilo amounts)	Twelve Months Ended March 31,			
	2016	Change		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

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 Kenya-related legal and professional fees. During the fourth quarter of fiscal 2016, we determined that the significant doubt about our ability to control MTC was eliminated and we re consolidated 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 fiscal 2016 were 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.

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 first lien notes, senior secured second lien notes and an ABL 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, 2017, we had \$473.1 million in cash on our balance sheet, \$60.0 million available under the ABL facility, \$485.9 million outstanding under short-term and long-term foreign lines with an additional \$319.8 million available under those lines and \$0.9 million outstanding of other debt for a total of \$852.9 million of debt availability and cash on hand around the world, excluding \$5.2 million in issued but unfunded letters of credit with \$7.8 million available. Another source of liquidity as of March 31, 2017 was \$175.8 million funded under our accounts receivable sale programs. Additionally, customer advances were \$30.9 million at March 31, 2017 compared to \$9.9 million at March 31, 2016. 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. Effective March 31, 2017, we did not meet the fixed charge coverage ratio of 2.0 to 1.0 required under the indentures governing our senior secured first lien notes and 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 and failure to meet this fixed charge coverage ratio does not constitute an event of default. See Note 7 "Short-term Borrowing Arrangements" and Note 17 "Sale of Receivables" to the "Notes to Consolidated Financial Statements" for further information.

Alliance One affirms our belief that the sources of capital we have access to are sufficient to fund our anticipated needs for fiscal year 2018. 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 or failure to renew foreign lines could impact our ability to meet our future liquidity requirements.

Seasonal liquidity beyond cash flow from operations is provided by our ABL facility, seasonal working capital lines throughout the world, advances from customers and sale of accounts receivable. For the years ended March 31, 2017 and 2016, 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)	2017	2016
Average short-term borrowings	\$528.2	\$444.8
Aggregated peak short-term borrowings outstanding	\$688.7	\$665.0
Weighted-average interest rate on short-term borrowings	5.89	%5.18 %

Aggregated peak borrowings for 2017 were during the second quarter of 2017 compared to during the fourth quarter for 2016. The peak borrowings occurred in the second quarter of 2017 due to the timing of purchases of tobacco and repayments in the South America and Africa regions as compared to 2016. Peak borrowings for 2017 and 2016 were repaid with cash provided by operating activities.

As of March 31, 2017, 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.

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

Working Capital

Our working capital decreased to \$797.3 million at March 31, 2017 from \$815.5 million at March 31, 2016. Our current ratio was 2.1 to 1 at March 31, 2017 compared to 2.2 to 1 at March 31, 2016. The decrease in working capital is primarily attributable to increased customer advances and interest accruals due to our first lien notes issued during fiscal 2017 and the timing of the related interest payments. The decrease in working capital is partially offset by increased cash balances due to the timing of collections of receivables, efforts to reduce uncommitted inventory balances and other inventory reductions due to the timing of shipments.

The following table is a summary of items from the Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Approximately \$322.3 million of our outstanding cash balance at March 31, 2017 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.

(in millions except for current ratio)	As of March 31,			Change			2015
	2017	\$	%	2016	\$	%	
Cash and cash equivalents	\$473.1	\$273.4	136.9	\$199.7	\$55.9	38.9	\$143.8
Net trade and other receivables	254.2	(146.8)	(36.6)	401.0	161.5	67.4	239.5
Inventories and advances to tobacco suppliers	733.0	(100.2)	(12.0)	833.2	55.9	7.2	777.3
Total current assets	1,510.1	19.7	1.3	1,490.4	264.7	21.6	1,225.7
Notes payable to banks	475.9	(0.1)	—	476.0	(1)145.7	44.1	330.3
Accounts payable	89.4	7.8	9.6	81.6	8.3	11.3	73.3
Advances from customers	30.9	21.0	212.1	9.9	(9.0)	(47.6)	18.9
Total current liabilities	712.8	38.0	5.6	674.8	90.4	15.5	584.4
Current ratio	2.1 to			2.2 to 1			2.1 to
	1						1
Working capital	797.3	(18.2)	(2.2)	815.5	174.2	27.2	641.3
Total long term debt	943.0	32.8	3.6	910.2	183.0	25.2	727.2
Stockholders' equity attributable to Alliance One International, Inc.	203.5	(67.6)	(24.9)	271.1	80.3	42.1	190.8
Net cash provided (used) by:							
Operating activities	\$247.2	\$382.5	282.7	\$(135.3)	\$(80.1)	\$(145.1)	\$(55.2)
Investing activities	(11.5)	2.0	14.8	(13.5)	(1.8)	(15.4)	(11.7)
Financing activities	38.2	(155.4)	(80.3)	193.6	217.0	927.4	(23.4)

(1) Includes \$130.6 million of debt owed by MTC under a short-term credit facility in which one of our other subsidiaries had 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. At March 31, 2017, our subsidiary's participation interest no longer remained.

Operating Cash Flows

Net cash provided by operating activities increased \$382.5 million compared to net cash used by operating activities in 2016 which increased \$80.1 million compared to 2015. The increase in cash provided in 2017 compared to 2016 is primarily due to increased collections of accounts receivable in accordance with terms and the timing of shipments in

the fourth quarter. Cash provided also increased due to lower inventory balances from the timing of shipments in the fourth quarter as well as smaller crop sizes resulting in lower balances of inventory carried over to the next fiscal year. 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.

Investing Cash Flows

Net cash used by investing activities decreased \$2.0 million in 2017 compared to 2016 which increased \$1.8 million compared to 2015. The decrease in cash used in 2017 is primarily due to lower purchases of property and equipment while the increase in cash used in 2016 is primarily due to lower proceeds from the sale of property partially offset by lower purchases of property and equipment.

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 decreased \$155.4 million in 2017 compared to 2016 which increased \$217.0 million compared to 2015. The decrease in cash provided in 2017 is primarily due to repayments and cancellation of our former senior revolving credit facility during the year and our repurchase of \$28.4 million of second lien notes partially offset by proceeds from the issuance of \$275.0 million first lien notes. The increase in cash provided in 2016 compared to 2015 is primarily due to less repayment of our former senior revolving credit facility during the year due to the higher balance outstanding at year end.

Certain debt agreements contain certain cross-default or cross-acceleration provisions. The following table summarizes our debt financing as of March 31, 2017:

	Outstanding		March 31, 2017 Lines and		Long Term Debt Repayment Schedule by Fiscal Year					
	March 31, 2016	March 31, 2017	Letters Available	Interest Rate	2018	2019	2020	2021	2022	Later
Senior secured credit facility:										
Revolver ⁽¹⁾	\$200.0	\$—	\$ —	— % ^(3)	\$—	\$—	\$—	\$—	\$—	\$—
ABL facility ⁽²⁾	—	—	60.0	— % ^(3)	—	—	—	—	—	—
Senior notes:										
8.5% senior secured first lien notes due 2021 ⁽⁶⁾	—	267.0	—	8.5 %	—	—	—	—	267.0	—
9.875% senior secured second lien notes due 2021 ^{(4) (5)}	699.3	675.1	—	9.9 %	—	—	—	—	675.1	—
Long-term foreign seasonal borrowings	10.0	10.0	—	4.1 % ^(3)	10.0	—	—	—	—	—
Other long-term debt	1.3	0.9	—	7.2 % ^(3)	0.1	0.2	0.3	0.1	0.1	0.1
Notes payable to banks ⁽⁷⁾	476.0	475.9	319.8	5.9 % ^(3)	—	—	—	—	—	—
Total debt	\$1,386.6	\$1,428.9	\$379.8		\$10.1	\$0.2	\$0.3	\$0.1	\$942.2	\$0.1
Short-term ⁽⁷⁾	\$476.0	\$475.9								
Long-term:										
Long-term debt current	\$0.4	\$10.0								
Long-term debt	910.2	943.0								
	\$910.6	\$953.0								
Letters of credit	\$4.7	\$5.2	7.8							
Total credit available			\$387.6							

(1) As of October 14, 2016, the revolving credit facility was paid in full and cancelled.

(2) As of March 31, 2017, the full amount of the ABL facility was available. Borrowing is permitted under the ABL Credit Facility only to the extent that, after consideration of the application of the proceeds of the borrowing, the Company's unrestricted cash and cash equivalents would not exceed \$180.0 million. At March 31, 2017, the Company's unrestricted cash and cash equivalents significantly exceeded \$180.0 million.

(3) Weighted average rate for the twelve months ended March 31, 2017.

(4) On April 1, 2016, we adopted new accounting guidance that changed the presentation of debt issuance costs in financial statements on a retrospective basis. Therefore, the March 31, 2016 balance previously reported of \$709.2

million has been adjusted by \$9.9 million to \$699.3 million in accordance with the adoption of this new accounting guidance.

(5) Repayment of \$675.1 million is net of original issue discount of \$8.8 million and unamortized debt issuance of \$7.7 million. Total repayment will be \$691.6 million.

(6) Repayment of \$267.0 million is net of original issue discount of \$2.3 million and unamortized debt issuance of \$5.7 million. Total repayment will be \$275.0 million.

(7) 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 the Company's 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. See Note 21 "Reconsolidation of MTC" to the "Notes to Consolidated Financial Statements" for further information. At March 31, 2017, our subsidiary's participation interest no longer remained.

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

Liquidity and Capital Resources (continued)

On October 14, 2016, the Company issued \$275.0 million in aggregate principal amount of 8.5% senior secured first lien notes due 2021 (the "First Lien Notes"), at an issue price of 99.085% of the face amount thereof, entered into an ABL credit agreement (the "ABL Credit Agreement") with certain bank lenders establishing a senior secured revolving asset-based lending facility (the "ABL Facility") of \$60.0 million subject to a borrowing base composed of its eligible accounts receivable and inventory, and used a portion of the net proceeds from the offering of the First Lien Notes to repay in full all outstanding indebtedness and accrued and unpaid interest owed under the Company's then existing senior secured revolving credit facility. Upon such repayment, Alliance One terminated the senior secured revolving credit facility.

The ABL credit agreement restricts the Company from paying any dividends during the term of this facility subject to the satisfaction of specified financial ratios. In addition, the indentures governing the First Lien Notes and its outstanding senior secured second lien notes due 2021 contain similar restrictions and also prohibit the payment of dividends and other distributions if the Company fails to satisfy a ratio of consolidated EBITDA to fixed charges of at least 2.0 to 1.0. At March 31, 2017, the Company did not satisfy this fixed charge coverage ratio. The Company may from time to time not satisfy this ratio.

The terms of the First Lien Notes and the ABL Facility, and certain effects of these refinancing transactions, are summarized below:

First Lien Notes

The First Lien Notes, which bear interest at a rate of 8.500% per year, are payable semi-annually in arrears in cash on April 15 and October 15 of each year, beginning April 15, 2017, to holders of record at the close of business on the preceding April 1 and October 1, respectively. The First Lien Notes mature on April 15, 2021. The First Lien Notes are initially guaranteed on a senior secured basis by Alliance One's subsidiary, Alliance One Specialty Products, LLC (the "Initial Guarantor"), and each of its future material domestic subsidiaries are required to guarantee the First Lien Notes on a senior secured basis. The Initial Guarantor is

not a material domestic subsidiary, and Alliance One currently has no material domestic subsidiaries. The Initial Guarantor and any future guarantors of the First Lien Notes are referred to as the "guarantors."

Alliance One's and the guarantors' obligations under the First Lien Notes and any guarantee of the First Lien Notes (and certain related obligations) and under the ABL Facility and any guarantee of the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) are secured by first-priority liens on substantially all of Alliance One's and the guarantors' tangible and intangible assets, subject to certain exceptions and permitted liens (the "Collateral"). Alliance One's and the guarantors' obligations under the First Lien Notes and any guarantee of the First Lien Notes (and certain related obligations) have first-priority in the waterfall set forth in a senior lien intercreditor agreement entered into in connection with the issuance of the First Lien Notes and the establishment of the ABL Facility (the "Senior Lien Intercreditor Agreement") in respect of the liens on the Collateral that is not ABL Priority Collateral (as defined below), including owned material real property in the United States, capital stock of subsidiaries owned directly by Alliance One or a guarantor (except that, in the case of foreign subsidiaries, only capital stock of only direct foreign subsidiaries that are material are to be pledged and only 65% of the voting capital stock and 100% of the non-voting capital stock are to be pledged), existing and after acquired intellectual property rights, equipment, related general intangibles and instruments and certain other related assets of the foregoing and proceeds of the foregoing (collectively, the "Notes Priority Collateral"). Alliance One's and the guarantors' obligations under the ABL Facility and any guarantee of the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) have second-priority in the waterfall set forth in the Senior Lien Intercreditor Agreement in respect of the liens on the Notes Priority Collateral. Alliance One's and the guarantors' obligations under the First Lien Notes and any guarantee of the First Lien Notes (and certain related obligations) have

second-priority in the waterfall set forth in the Senior Lien Intercreditor Agreement in respect of the liens on the Collateral consisting of accounts receivable, inventories, cash (other than identifiable cash proceeds of the Notes Priority Collateral), deposit accounts, related general intangibles and instruments, certain other related assets of the foregoing and proceeds of the foregoing (collectively, the “ABL Priority Collateral”). Alliance One’s and the guarantors’ obligations under the ABL Facility and any guarantee of the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) have first-priority in the waterfall set forth in the Senior Lien Intercreditor Agreement in respect of the liens on the ABL Priority Collateral.

If a change of control (as defined in the indenture governing the First Lien Notes) occurs at any time, holders of the First Lien Notes will have the right, at their option, to require the Company to repurchase all or a portion of the First Lien Notes for cash at a price equal to 101% of the principal amount of First Lien Notes being repurchased, plus accrued and unpaid interest, to, but excluding, the date of repurchase. The indenture governing the First 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.

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

Liquidity and Capital Resources (continued)

ABL Facility

The ABL Facility may be used for revolving credit loans, swingline loans and letters of credit from time to time up to an initial maximum principal amount of \$60.0 million, subject to the limitations described below in this paragraph. Under certain conditions, Alliance One may solicit the ABL Facility lenders or other prospective lenders to provide additional revolving loan commitments under the ABL Facility in an aggregate amount not to exceed \$15.0 million (less the aggregate principal amount of any notes exceeding \$275.0 million issued under the First Lien Notes Indenture). The maximum amount available under the revolving credit facility is limited by a borrowing base consisting of eligible accounts receivable and inventory as follows:

85% of eligible accounts receivable, plus

the lesser of (i) 85% of the appraised net-orderly-liquidation value of eligible inventory or (ii) 65% of eligible inventory valued at the lower of cost (based on a first-in first-out basis) and market value thereof (net of intercompany profits).

The borrowing base is subject to a \$25.0 million deduction and customary reserves, which are to be established by the agent for the ABL Facility lenders in its permitted discretion from time to time. At March 31, 2017, no borrowings were outstanding under the ABL Facility and \$60.0 million was available for borrowing. Borrowing is permitted under the ABL Credit Facility only to the extent that, after consideration of the application of the proceeds of the borrowing, the Company's unrestricted cash and cash equivalents would not exceed \$180.0 million. At March 31, 2017, the Company's unrestricted cash and cash equivalents significantly exceeded \$180.0 million.

In addition, loans under the ABL Facility shall not be made if after incurrence of such loans there will be more than \$180.0 million of unrestricted cash and cash equivalents in the aggregate on the consolidated balance sheet of the Company and its subsidiaries.

The ABL Facility permits both base rate borrowings and LIBOR borrowings. Borrowings under the ABL Facility bear interest at an annual rate equal to LIBOR plus 250 basis points or 150 basis points above base rate, as applicable, with a fee on unused borrowings initially at an annual rate of 50 basis points until March 31, 2017 and thereafter at annual rates of either 37.5 or 50 basis points based on average quarterly historical utilization under the ABL Facility. The ABL Facility matures on January 14, 2021.

In addition, customary mandatory prepayments of the loans under the ABL Facility are required upon the occurrence of certain events including, without limitation, certain dispositions of assets outside of the ordinary course of business in respect of certain collateral securing the ABL Facility, unrestricted cash and cash equivalents on the Company's consolidated balance sheet exceeding \$180.0 million for a period of seven consecutive business days, and certain casualty and condemnation events.

The Company's obligations under the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) are (a) guaranteed by the Initial Guarantor and are required to be guaranteed by each material domestic subsidiary of Alliance One (currently there are no material domestic subsidiaries of Alliance One) (collectively with the Company, the "Credit Parties") and (b) secured by the Collateral.

The liens and other security interests granted by the Credit Parties on the Collateral for the benefit of the ABL Lenders (and certain related secured parties) are, subject to certain permitted liens, secured by first-priority security interests on a pari passu

basis with the security interests securing the First Lien Notes, with respective priorities in a waterfall with respect to portions of the Collateral as set forth in the Senior Lien Intercreditor Agreement described above.

Under the terms of the ABL Facility, if (i) an event of default has occurred and is continuing or (ii) excess borrowing availability under the ABL Facility (based on the lesser of the commitments thereunder and the borrowing base) (the “Excess Availability”) falls below the greater of (x) \$12,500 and (y) 25% of the lesser of (A) the commitments under the ABL Facility at such time and (B) the borrowing base at such time (such greater amount being the “Cash Dominion Threshold”) for more than three consecutive business days, the Credit Parties will become subject to cash dominion, which will require daily prepayment of loans under the ABL Facility with the cash deposited in certain deposit accounts of the Credit Parties, including concentration accounts, and will restrict the Credit Parties’ ability to transfer cash from their concentration accounts to their disbursement accounts. Such cash dominion period shall end when (i) if arising as a result of a continuing event of default, such event of default ceases to exist, or (ii) if arising as a result of non-compliance with the Excess Availability threshold, Excess Availability shall be equal to or greater than the Cash Dominion Threshold for a period of 30 consecutive days.

The ABL Credit Agreement governing the ABL Facility contains a springing covenant requiring that the Company’s fixed charge coverage ratio be no less than 1.00 to 1.00 during any period commencing when our Excess Availability is less than the greater of (x) \$10,000 and (y) 20% of the lesser of (A) the commitments under the ABL Facility at such time and (B) the borrowing base at such time (such greater amount being the “Financial Covenant Threshold”) until such time as our Excess Availability has been equal to or greater than the Financial Covenant Threshold for a period of 30 consecutive days.

The ABL Credit Agreement governing the ABL Facility contains customary representations and warranties, affirmative and negative covenants (subject, in each case, to exceptions and qualifications) and events of defaults, including covenants that limit the Company’s ability to, among other things incur certain guarantees, merge, consolidate or dispose of substantially all of

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

Liquidity and Capital Resources (continued)

ABL Facility (continued)

its assets, grant liens on assets, pay dividends, redeem stock or make other distributions or restricted payments, create certain dividend and payment restrictions on subsidiaries, repurchase or redeem capital stock or prepay subordinated or certain other material debt (including the First Lien Notes and the Company's senior secured second lien notes due 2021), make certain investments, agree to restrictions on the payment of dividends to Alliance One by its subsidiaries, sell or otherwise dispose of assets, including equity interests of subsidiaries, enter into transactions with affiliates, enter into certain sale and leaseback transactions.

The ABL credit agreement restricts the Company from paying any dividends during the term of this facility subject to the satisfaction of specified financial ratios. In addition, the indentures governing the Company's First Lien Notes and its senior secured second lien notes due 2021 contain similar restrictions and also prohibits the payment of dividends and other distributions if the Company fails to satisfy a ratio of consolidated EBITDA to fixed charges of at least 2.0 to 1.0. At March 31, 2017, the Company did not satisfy this fixed charge coverage ratio. The Company may from time to time not satisfy this ratio.

Termination of Existing Senior Secured Revolving Credit Facility

On October 14, 2016, the Company terminated its then existing senior secured revolving credit facility and repaid in full all outstanding indebtedness plus accrued and unpaid interest and other costs, of which \$0.1 million was charged to debt retirement expense. As a result, the Company accelerated \$2.3 million of deferred financing costs during the three months ended December 31, 2016.

Senior Secured Second Lien Notes

On August 1, 2013, the Company issued \$735.0 million in aggregate principal amount of its 9.875% senior secured second lien notes due 2021 (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, 2017, the Company purchased \$28.4 million of its senior notes on the open market. All purchased securities were canceled leaving \$691.6 million of the 9.875% senior notes outstanding at March 31, 2017. Associated costs paid were \$0.1 million and related discounts were \$(3.4) million resulting in net

cash repayment of \$25.6 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 \$0.7 million were accelerated. In April 2017, the Company purchased \$28.6 million of its existing \$691.6 million senior notes on the open market. See Note 20 "Subsequent Events" to the Notes to Consolidated Financial Statements.

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, 2017, the Company had approximately \$475.9 million drawn and outstanding on foreign seasonal lines with maximum capacity totaling \$808.7 million subject to limitations as provided for in the Credit Agreement. Additionally, against these lines there was \$13.0 million available in unused letter of credit capacity with \$5.2 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, 2017, 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)

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, 2017.

(in millions)	Total 2018	Payments / Expirations by Period			
		Years 2019-2020	Years 2021-2022	After 2022	
Long-Term Debt	\$ 67.2	\$ 108.0	\$ 196.8	\$ 1,062.4	\$ —
Other Long-Term Debt Obligations*	16.9	8.8	9.0	22.3	—
Operating Lease Obligations	13.8	18.1	17.2	7.0	1.6
Tobacco and Other Purchase Obligations	45.2	663.1	82.1	—	—
Beneficial Interest Receivables Sold	38.2	38.2	—	—	—
Guaranteed Tobacco Suppliers Total Contractual Obligations	182.2	182.2	—	—	—
Other Commercial Commitments	23.6	1,016.4	304.9	1,078.4	23.9

* 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, 2017 on the ABL credit facility until the maturity of January 14, 2021, 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, 2017. 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 2022" 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.

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.

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)

Planned Capital Expenditures

We have projected a total of \$30.7 million in capital investments for our 2018 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.

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.

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

Liquidity and Capital Resources (continued)

Income Taxes (continued)

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 that the remaining 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 less than 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, 2017, 2016 and 2015. 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)	2017	2016	2015
Favorable variances (including mark-up)	\$16.9	\$14.2	\$19.8
Unfavorable variances (including unrecoverable advances)	(9.1)	(8.5)	(11.4)
Net favorable variance in crop cost in inventory	\$7.8	\$5.7	\$8.4

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

Liquidity and Capital Resources (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 2017, favorable variances increased primarily due to more normalized crop sizes but were partially offset by the continued devaluation of the U.S. dollar against South American and African currencies. Unfavorable variances are comparable with the prior year due to increases from larger crop sizes offset by currency impact and improved recoverability in certain locations. 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.

We believe the favorable variances relating to the 2017, 2016 and 2015 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 2017, 2016 and 2015 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 2017, 2016, and 2015, 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. Additionally, goodwill is reviewed for impairment on an annual basis. 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 \$1.4 million in the fiscal year ended March 31, 2018 as compared to March 31, 2017. We continually evaluate ways to better manage benefits and control costs. The cash contribution to our employee benefit plans in fiscal 2017 was \$6.2 million and is expected to be \$6.8 million in fiscal 2018.

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	Estimated
Change	Change in
in	Annual
Projected	Expense
Benefit	Increase
Obligation	(Decrease)
Increase	(in 000's)
(Decrease)	

(in 000's)

Change in Assumption (Pension and Postretirement Plans)		
1% increase in discount rate	\$ (16,842)	\$ 70
1% decrease in discount rate	\$ 19,799	\$ 124
1% increase in salary increase assumption	\$ 207	\$ 46
1% decrease in salary increase assumption	\$ (191)	\$ (46)
1% increase in cash balance crediting rate	\$ 1,307	\$ 98
1% decrease in cash balance crediting rate	\$ (1,131)	\$ (85)
1% increase in rate of return on assets		\$ (909)
1% decrease in rate of return on assets		\$ 909

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 foreign exchange exposure using forward contracts are specifically contemplated to manage risk in accordance with management's policies and reduce the risks inherent in currency fluctuations. We do not utilize derivatives for speculative purposes or enter into market risk sensitive instruments for trading purposes. Derivatives are transaction specific so that a specific 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 \$8.7 million, \$(0.9) million and \$3.8 million for the fiscal years ended March 31, 2017, 2016 and 2015, respectively. We recognized exchange gains (losses) of \$3.1 million, \$(5.6) million and \$(7.9) million related to tax balances in our tax expense for the fiscal years ended March 31, 2017, 2016 and 2015, 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 \$(8.2) million, \$0.1 million and \$(12.5) million in 2017, 2016, and 2015, 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 24.1% or \$32.8 million of our total SG&A expenses for the twelve months ended March 31, 2017. 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 \$3.3 million.

Interest rates: We manage our exposure to interest rate risk through the proportion of fixed rate and variable rate debt in our total debt portfolio. A 1% change in variable interest rates would increase or decrease our reported interest cost by approximately \$5.0 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

(in thousands, except per share data)	Years Ended March 31,		
	2017	2016	2015
Sales and other operating revenues	\$1,714,750	\$1,904,592	\$2,066,865
Cost of goods and services sold	1,497,721	1,678,798	1,823,366
Gross profit	217,029	225,794	243,499
Selling, general and administrative expenses	135,982	123,546	137,020
Other income (expense)	4,896	105,427	(66)
Restructuring and asset impairment charges	1,375	5,888	9,118
Operating income	84,568	201,787	97,295
Debt retirement expense (income)	(300)	)—	(771)
Interest expense	132,667	117,190	113,273
Interest income	8,157	7,077	6,268
Income (loss) before income taxes and other items	(39,642)	)91,674	(8,939)
Income tax expense	23,480	32,215	21,918
Equity in net income (loss) of investee companies	(149)	)5,986	2,823
Net income (loss)	(63,271)	)65,445	(28,034)
Less: Net loss attributable to noncontrolling interests	(343)	)87	)172)
Net income (loss) attributable to Alliance One International, Inc.	\$(62,928)	)\$65,532	\$(27,862)
Earnings (loss) per share:			
Basic	\$(7.05)	)\$7.38	\$(3.16)
Diluted	\$(7.05)	)\$7.38	\$(3.16)

See notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Alliance One International, Inc. and Subsidiaries

(in thousands)	Years Ended March 31,		
	2017	2016	2015
Net income (loss)	\$(63,271)	\$65,445	\$(28,034)
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(8,247)	108	(12,514)
Pension prior service credit (cost) and net actuarial gain (loss), net of tax of \$(670) in 2017, \$(328) in 2016 and \$186 in 2015	3,137	12,437	(15,546)
Loss on derivatives, net of tax	(1,100)	—	—
Total other comprehensive income (loss), net of tax	(6,210)	12,545	(28,060)
Total comprehensive income (loss)	(69,481)	77,990	(56,094)
Comprehensive loss attributable to noncontrolling interests	(354)	(80)	(172)
Comprehensive income (loss) attributable to Alliance One International, Inc.	\$(69,127)	\$78,070	\$(55,922)

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, 2017	March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$473,110	\$199,720
Trade receivables, net	239,558	303,907
Other receivables	14,627	97,101
Accounts receivable, related parties	8,133	1,920
Inventories	678,325	791,340
Advances to tobacco suppliers	54,713	41,837
Recoverable income taxes	7,389	13,421
Prepaid expenses	17,924	20,016
Current derivative asset	943	—
Other current assets	15,354	21,096
Total current assets	1,510,076	1,490,358
Other assets		
Investments in unconsolidated affiliates	52,328	58,259
Goodwill	16,463	16,463
Other intangible assets	46,136	50,571
Long-term recoverable income taxes	—	8,686
Deferred income taxes	38,507	38,773
Other deferred charges	5,397	3,934
Other noncurrent assets	46,454	23,629
Property, plant and equipment, net	205,285	200,315
	256,511	277,525
	\$1,971,872	\$1,968,198
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable to banks	\$475,863	\$475,989
Accounts payable	89,434	81,649
Due to related parties	9,773	20,490
Advances from customers	30,925	9,895
Accrued expenses and other current liabilities	91,332	74,425
Income taxes	5,377	12,022
Long-term debt current	10,046	356
Total current liabilities	712,750	674,826
Long-term debt	942,959	910,214
Deferred income taxes	17,608	16,924
Liability for unrecognized tax benefits	10,073	9,809
Pension, postretirement and other long-term liabilities	81,772	81,753
	1,052,412	1,018,700
Commitments and contingencies		
Stockholders' equity		
Common stock—no par value:		

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250,000 authorized shares, 9,748 issued and outstanding (9,685 at March 31, 2016)	472,349	470,830
Retained deficit	(208,784)	(145,856)
Accumulated other comprehensive loss	(60,047)	(53,848)
Total stockholders' equity of Alliance One International, Inc.	203,518	271,126
Noncontrolling interests	3,192	3,546
Total equity	206,710	274,672
	\$1,971,872	\$1,968,198

See notes to consolidated financial statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

Alliance One International, Inc. and Subsidiaries

Attributable to Alliance One International, Inc.

Common Stock (in thousands)	Retained Deficit	Accumulated Other Comprehensive Income			Noncontrolling Interest	Total Stockholders' Equity
		Currency Translation Adjustment	Pensions, Net of Tax	Loss on Derivatives, Net of Tax		
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)
Stock-based compensation	3,028	—	—	—	—	3,028
Other comprehensive loss, net of tax	—	(12,514)	(15,546)	—	—	(28,060)
Balance, March 31, 2015	\$468,564	\$(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)
Stock-based compensation	2,423	—	—	—	—	2,423
Other comprehensive	—	108	12,430	—	7	12,545

income, net of tax Balance, March 31, 2016	\$470,830	\$(145,856)	\$(14,046)	\$(39,802)	\$ —	\$ 3,546	\$ 274,672	
Net loss	(62,928	)—	—	—	—	(343	) (63,271)
Restricted (book surrendered Stock-based compensation Other comprehensive income (loss), net of tax Balance, March 31, 2017	)—	—	—	—	—	—	(32)
	—	—	—	—	—	—	1,551	
	—	(8,247	)3,148	(1,100	) (11	) (6,210)	
	\$472,349	\$(208,784)	\$(22,293)	\$(36,654)	\$(1,100)	\$ 3,192	\$ 206,710	

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

(in thousands)	Years Ended March 31,		
	2017	2016	2015
Operating activities			
Net income (loss)	\$(63,271)	\$65,445	\$(28,034)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	34,476	28,361	29,623
Debt amortization/interest	13,122	11,333	8,816
Debt retirement	(300)	—	(771)
Restructuring and asset impairment charges	1,375	5,888	9,118
(Gain) loss on foreign currency transactions	(11,816)	6,498	8,274
Gain on sale of property, plant and equipment	(658)	(597)	(1,751)
Reconsolidation of subsidiary	—	(106,203)	—
Bad debt expense (recovery)	(5,545)	(169)	12,368
Equity in net (income) loss of unconsolidated affiliates, net of dividends	4,348	(4,105)	(2,823)
Stock-based compensation	1,712	2,874	3,194
Changes in operating assets and liabilities, net:			
Trade and other receivables	146,109	(149,825)	(50,358)
Inventories and advances to tobacco suppliers	92,586	(13,747)	(3,992)
Deferred items	611	(2,439)	(18,025)
Recoverable income taxes	15,410	(8,563)	(1,372)
Payables and accrued expenses	13,192	46,767	(23,408)
Advances from customers	21,096	(19,224)	(3,638)
Current derivative asset	(2,044)	1,373	(1,373)
Prepays	(10,413)	6,218	1,743
Income taxes	(6,331)	2,943	5,511
Other operating assets and liabilities	5,376	(8,382)	1,452
Other, net	(1,806)	227	223
Net cash provided (used) by operating activities	247,229	(135,327)	(55,223)
Investing activities			
Purchases of property, plant and equipment	(13,683)	(17,194)	(25,273)
Intangibles, including internally developed software costs	(79)	—	(781)
Proceeds from sale of property, plant and equipment	1,890	2,270	16,840
Payments to acquire equity method investments	—	—	(1,655)
Change in restricted cash	389	(276)	(1,678)
Surrender of life insurance policies	91	1,675	1,194
Other, net	(89)	—	(309)
Net cash used by investing activities	(11,481)	(13,525)	(11,662)

(in thousands)	Years Ended March 31,		
	2017	2016	2015
Financing activities			
Net proceeds of short-term borrowings	\$10,544	\$21,360	\$145,988
Proceeds from long-term borrowings	472,484	210,000	300,000
Repayment of long-term borrowings	(425,426)	(32,867)	(463,341)
Debt issuance cost	(19,305)	(5,325)	(6,538)
Other, net	(95)	455	455
Net cash provided (used) by financing activities	38,202	193,623	(23,436)
Effect of exchange rate changes on cash	(560)	823	(608)
Increase (decrease) in cash and cash equivalents	273,390	45,594	(90,929)
Cash and cash equivalents at beginning of year	199,720	143,849	234,778
Cash assumed in reconsolidation of subsidiary	—	10,277	—
Cash and cash equivalents at end of year	\$473,110	\$199,720	\$143,849
Other information:			
Cash paid for income taxes	\$18,088	\$20,369	\$16,192
Cash paid for interest	107,116	104,882	98,957
Cash received from interest	(8,140)	(7,291)	(6,529)

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.

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 were 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 was 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 21 "Reconsolidation of MTC" to the "Notes to Consolidated Financial Statements" for further information.

Beginning April 1, 2016, the financial results of MTC are included in the Statements of Consolidated Operations, Consolidated Balance Sheets and Statements of Consolidated Cash Flows.

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.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Revenue Recognition

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

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

Taxes Collected from Customers

Certain subsidiaries are subject to value added taxes on local sales. These amounts have been included in sales and cost of goods and services sold and were \$25,631, \$23,451 and \$25,282 for the years ended March 31, 2017, 2016 and 2015, respectively.

Shipping and Handling

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

Other Income (Expense)

At March 31, 2016, the Company re consolidated MTC. As a result, the Company recorded a gain of \$106,203 to record the fair value of MTC of which \$10,277 was cash and the remaining \$95,926 was non-cash.

Other Income (Expense) also includes gains on sales of property, plant and equipment and assets held for sale. This caption also includes expenses related to the Company's sale of receivables and Brazilian intrastate trade tax credits. See Note 16 "Contingencies and other Information" and Note 17 "Sale of Receivables" to the "Notes to Consolidated Financial Statement" for further information.

The following table summarizes the significant components of Other Income (Expense).

	Years Ending March 31,		
	2017	2016	2015
Gain on re consolidation of subsidiary	\$—	\$106,203	\$—
Other sales of assets and expenses	1,994	595	5,286
Sales of Brazilian intrastate trade tax credits	9,356	4,309	2,073
Losses on sale of receivables	(6,454)	(5,680)	(7,425)
	\$4,896	\$105,427	\$(66)

Cash and Cash Equivalents

Cash equivalents are defined as temporary investments of cash with original maturities of less than 90 days. At March 31, 2017 and 2016, respectively, customer funding that was restricted for social responsibility programs maintained by the Company of \$153 and \$188 and cash held on deposit as a compensating balance for short-term borrowings of \$1,767 and \$2,137 were included in Other Current Assets.

Trade Receivables, Net

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

The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on the Company's assessment of known delinquent accounts, other currently available evidence of collectability and the aging of accounts receivable. The Company's allowance for doubtful accounts was \$6,990 and \$12,984 at March 31, 2017 and 2016 respectively. The provision for doubtful accounts was \$(5,545), \$(169) and \$12,446 for the years ending March 31, 2017, 2016 and 2015, respectively and is reported in Selling, General and Administrative Expenses in the Statements of Consolidated Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Other Receivables

Other receivables consist primarily of receivables related to participation in a subsidiary funding arrangement of \$84,258 at March 31, 2016 (the subsidiary funding arrangement no longer remained at March 31, 2017); and value added tax receivables of \$12,449 and \$9,377 at March 31, 2017 and 2016, respectively.

Other Deferred Charges

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

Sale of Accounts Receivable

The Company is currently engaged in two revolving trade accounts receivable securitization arrangements to sell receivables. The Company records the transaction as a sale of receivables, removes such receivables from its financial statements and records a receivable for the beneficial interest in such receivables. The losses on the sale of receivables are recognized in Other Income (Expense). As of March 31, 2017 and 2016, respectively, accounts receivable sold and outstanding were \$200,084 and \$188,764. See Note 17 "Sale of Receivables" and Note 18 "Fair Value Measurements" to the "Notes to Consolidated Financial Statements" for further information.

Inventories

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

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

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

Advances to Tobacco Suppliers

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

methodology.

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

Advances to tobacco suppliers are carried at cost and evaluated for recoverability. The realizability evaluation process is similar to that of the LCM evaluation process for inventories. The Company evaluates its advances for recoverability by crop and country. The Company reclasses the advance to inventory at the time suppliers deliver tobacco. The purchase price for the tobacco delivered by the suppliers is based on market prices. Two primary factors determine the market value of the tobacco suppliers

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 1 - Significant Accounting Policies (continued)

Advances to Tobacco Suppliers (continued)

deliver: the quantity of tobacco delivered and the quality of the tobacco delivered. Therefore, the Company ensures its advances are appropriately stated at the lower of cost or estimated recoverable amounts.

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

The Company accounts for its advances to tobacco suppliers using a cost accumulation model, which results in the reporting of its advances at the lower of cost or recoverable amounts exclusive of the mark-up and interest. The mark-up and interest on its advances are recognized upon delivery of tobacco as a decrease in the cost of the current crop. The mark-up and interest capitalized or to be capitalized into inventory for the current crop was \$16,919 and \$14,208 as of March 31, 2017 and 2016, respectively. Unrecoverable advances and other costs capitalized or to be capitalized into the current crop was \$9,125 and \$8,535 at March 31, 2017 and 2016, respectively. The following table reflects the classification of advances to tobacco suppliers:

	March 31, 2017	March 31, 2016
Current	\$54,713	\$41,837
Noncurrent	5,855	2,612
	\$60,568	\$44,449

Noncurrent advances to tobacco suppliers are recorded in Other Noncurrent Assets in the Consolidated Balance Sheets.

Unrecovered amounts expensed directly to cost of goods and services sold in the income statement for abnormal yield adjustments or unrecovered amounts from prior crops were \$1,085 for the year ended March 31, 2015. There were no such abnormal yield adjustments or unrecovered amounts for the years ended March 31, 2017 and 2016. Normal yield adjustments are capitalized into the cost of the current crop and are expensed as cost of goods and services sold as that crop is sold.

Guarantees

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

	March 31, 2017	March 31, 2016
Amounts guaranteed (not to exceed)	\$ 194,656	\$ 210,703
Amounts outstanding under guarantees	106,465	107,615
Fair value of guarantees	7,126	7,350

Of the guarantees outstanding at March 31, 2017, all expire within one year. The fair value of guarantees is recorded in Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheets and included in crop costs except for the joint venture in Brazil which are included in Accounts Receivable, Related Parties. See Note 18 "Fair Value Measurements" to the "Notes to Consolidated Financial Statements" for further information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Guarantees (continued)

In Brazil, some suppliers obtain government subsidized rural credit financing from local banks that is guaranteed by the Company. The Company withholds amounts owed to suppliers related to the rural credit financing of the supplier upon delivery of tobacco to the Company. The Company remits payments to the local banks on behalf of the guaranteed suppliers. Terms of rural credit financing are such that repayment is due to local banks based on contractual due dates. As of March 31, 2017 and 2016, respectively, the Company had balances of \$20,860 and \$16,699 that were due to local banks on behalf of suppliers. These amounts are included in Accounts Payable in the Consolidated Balance Sheets.

Goodwill and Other Intangibles

Goodwill represents the excess of purchase price over fair value of net assets acquired, and is allocated to the appropriate reporting unit when acquired. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. The components within the Company's operating segments were aggregated into three reporting units (North America, Africa and Other Regions) due to their similar economic characteristics. Goodwill is not amortized; rather it is evaluated for impairment annually or whenever events or changes in circumstances indicate that the value of the asset may be impaired. Goodwill is evaluated for impairment by determining the fair value of the related reporting unit. Fair value is measured based on a discounted cash flow method or relative market-based approach. If the carrying amount of goodwill exceeds its fair value, an impairment charge is recorded.

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

Other Noncurrent Assets

For the year ended March 31, 2017, other noncurrent assets consist primarily of long-term VAT and intrastate tax receivables of \$4,170, long-term advances to suppliers of \$5,855, long-term escrow deposits of \$12,745, long-term retirement benefit assets of \$7,555 and cash surrender value of life insurance of \$5,502. For the year ended March 31, 2016, other noncurrent assets consist primarily of long-term VAT and intrastate tax receivables of \$4,816, long-term advances to suppliers of \$2,612, long-term retirement benefit assets of \$2,450 and cash surrender value of life insurance of \$5,575.

Property, Plant and Equipment

Property, plant and equipment at March 31, 2017 and 2016, are summarized as follows:

2017	2016
------	------

Land	\$27,705	\$26,995
Buildings	207,833	211,540
Machinery and equipment	178,182	183,000
Total	413,720	421,535
Less accumulated depreciation	(157,209)	(144,010)
Total property, plant and equipment, net	\$256,511	\$277,525

Property, plant and equipment is stated at cost less accumulated depreciation. Provisions for depreciation are computed on a straight-line basis at annual rates calculated to amortize the cost of depreciable properties over their estimated useful lives. Buildings and machinery and equipment are depreciated over ranges of 20 to 30 years and 3 to 10 years, respectively. The consolidated financial statements do not include fully depreciated assets. Depreciation expense recorded in Cost of Goods and Services Sold for the years ended March 31, 2017, 2016 and 2015 was \$27,730, \$23,132 and \$24,179, respectively. Depreciation expense recorded in Selling, General and Administrative Expense for the years ended March 31, 2017, 2016 and 2015 was \$2,662, \$2,699 and \$2,998, respectively. Total property and equipment purchases, including internally developed software intangibles, were \$12,737 for the

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)

Property, Plant and Equipment (continued)

year ended March 31, 2017 of which \$413 was unpaid at March 31, 2017 and included in Accounts Payable; \$17,786 for the year

ended March 31, 2016 of which \$1,359 was unpaid at March 31, 2016 and included in Accounts Payable; and \$22,673 for the year ended March 31, 2015 of which \$1,024 was unpaid at March 31, 2015 and included in Accounts Payable.

Estimated useful lives

are periodically reviewed and changes are made to the estimated useful lives when necessary. Long-lived assets are reviewed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows. An impairment loss would be recognized when estimated undiscounted future cash flows from the use of the asset and its eventual disposition are less than its carrying amount. Measurement of an impairment loss would be based on the excess of the carrying amount of the asset over its fair value. Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties and may be estimated using a number of techniques, including quoted market prices or valuations, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures.

Derivative Financial Instruments

The Company uses forward or option currency contracts to protect against volatility associated with certain non-U.S. dollar denominated forecasted transactions. These contracts are for green tobacco purchases, processing costs, and selling, general and administrative costs. Derivative financial instruments are recognized on the balance sheet as assets and liabilities and are measured at fair value. Changes in the fair value of derivative instruments designated as hedging instruments are recorded each period according to the determination of the derivative's effectiveness. The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recorded in Accumulated Other Comprehensive Loss and subsequently reclassified into earnings in the period during which the hedged transaction is recognized in earnings. The ineffective portion of the change in fair value of the derivatives is recognized in Cost of Goods and Services Sold immediately as incurred.

As of March 31, 2017, Other Comprehensive Loss includes \$1,100, net of tax, of unrealized (gains)/losses related to designated cash flow hedges. These contracts did not qualify for hedge accounting as defined by generally accepted accounting principles in the previous years. The Company recorded losses of \$1,161, \$2,001 and \$3,123 in its Cost of Goods and Services Sold for the years ended March 31, 2017, 2016, and 2015, respectively. The Company recorded a current derivative asset of \$943 as of March 31, 2017. There was no current derivative asset as of March 31, 2016.

The Company has elected not to offset fair value amounts recognized for derivative instruments with the same counterparty under a master netting agreement. See Note 18 "Fair Value Measurements" to the "Notes to Consolidated Financial Statements" for further information of fair value methodology.

Income Taxes

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

The Company's annual tax rate is based on its income, statutory tax rates and tax planning opportunities available to it in the various jurisdictions in which it operates. Tax laws are complex and subject to different

interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. The Company reviews its tax positions quarterly and adjusts the balances as new information becomes available.

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

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)

Stock-Based Compensation

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

New Accounting Standards

Recent Adopted Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-15 "Presentation of Financial Statement-Going Concern (Subtopic 205-40): Disclosure of uncertainties about and Entity's ability to Continue as a Going Concern," which requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of the financial statements are issued and provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. This guidance is effective for the Company as of March 31, 2017. Additional disclosures were added in Note 8 "Long-Term Debt" to the "Notes to Consolidated Financial Statements" as a result of the adoption of this guidance.

In April 2015, the FASB issued ASU 2015-03 "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which changed the presentation of debt issuance costs in financial statements from an asset on the balance sheet to a direct deduction of the related debt liability. Amortization of debt issuance costs are reported as interest expense. The Company adopted this guidance as of April 1, 2016, on a retrospective basis. As a result of the adoption of this guidance, \$9,875 was reclassified from Other Deferred Charges to Long-Term Debt on the consolidated balance sheets at March 31, 2016.

In May 2015, the FASB issued ASU 2015-07 "Fair Value Measurement, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent," which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and eliminates certain disclosures for investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Company adopted this guidance as of March 31, 2017. Additional disclosures were added in Note 13 "Employee Benefits" to the "Notes to Consolidated Financial Statements" as a result of the adoption of this guidance.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09 "Revenue Recognition (Topic 606), Revenue from Contracts with Customers", which outlines a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This guidance provides companies the option of applying a full or modified retrospective approach upon adoption and is effective for the Company April 1, 2018. An implementation group for this ASU has been established and is evaluating the impact this guidance will have on the consolidated financial statements and related disclosures, business processes, systems and

controls. The Company is analyzing its current contracts and comparing its current accounting policies and practices pertaining to revenue recognition to those required under the new ASU to identify potential differences; however, any potential effect of adoption of this ASU has not yet been quantified. Additionally, the Company anticipates election of the full retrospective approach upon adoption.

In July 2015, the FASB issued ASU 2015-11 "Inventory," which simplifies the measurement of inventory and requires a single measurement of inventory at the lower of cost and net realizable value. Under the previous accounting guidance, an entity measured inventory at the lower of cost or market with market defined as one of three different measures. This guidance is effective for the Company April 1, 2017. The Company does not expect this new guidance to have a material impact on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01 "Financial Instruments - Recognition and Measurement of Financial Assets and Liabilities," which requires equity investments (excluding equity method investments) to be measured at fair value with changes in fair value recognized in net income. This guidance is effective for the Company April 1, 2018. The Company does not expect this new guidance to have a material impact on its consolidated financial statements and related disclosures.

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)

New Accounting Standards (continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. This guidance also requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. The guidance must be adopted using a modified retrospective approach and is effective for the Company April 1, 2020. Early adoption is permitted. The Company is evaluating the effect that the adoption will have on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. This guidance is effective for the Company April 1, 2020. The Company is evaluating the effect that the adoption will have on its consolidated financial statements and related disclosures.

In August of 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which clarifies the classification of certain cash receipts and cash payments to reduce the diversity in practice on how these activities are presented on the statement of cash flows. This guidance is effective for the Company March 31, 2018. The Company is evaluating the effect that the adoption will have on its consolidated financial statements and related disclosures.

In November of 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash," which clarifies the presentation of restricted cash on the statement of cash flows to reduce diversity in practice on how restricted cash is presented on the statement of cash flows. This guidance is effective for the Company April 1, 2018. The Company is evaluating the effect that the adoption will have on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04 "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates the requirement to determine implied goodwill in measuring an impairment loss. Upon adoption, goodwill impairment will be measured as the excess of the reporting unit's carrying value over fair value, limited to the amount of goodwill. This guidance is effective for the Company April 1, 2020. Early adoption is permitted. The Company is evaluating the effect that the adoption will have on its consolidated financial statements and related disclosures.

In March 31, 2017, the FASB issued ASU 2017-07 "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" to increase the consistency, transparency, and usefulness of financial information of retirement benefits by disaggregating the service cost component from the other components of net benefit cost. This guidance is effective for the Company April 1, 2019. Early adoption is permitted. The Company is currently evaluating the impact of this new guidance.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Computation of Earnings (Loss) Per Common Share
Years Ended March 31,

(in
thousands,

except 2017 per share data)	2016	2015
BASIC EARNINGS (LOSS)		
Net income (loss) attributable		
\$(62,928) \$65,532		\$(27,862)

Alliance
One
International,
Inc.

SHARES

Weighted
Average

Number of 8,930	8,882	8,829
-----------------------	-------	-------

Shares

Outstanding

BASIC
EARNINGS

\$(0.85)) \$7.38		\$(3.16)
------------------------------	--	-----------

PER

SHARE

DILUTED

EARNINGS

(LOSS)

\$(62,928) \$65,532		\$(27,862)
--------------------------------	--	------------

income

(loss)

attributable

to

Alliance

One
International,
Inc.

Plus
interest
expense
on
5

1/2% — — *

convertible
notes,
net
of
tax

Net
income
(loss)
attributable
to

~~\$(62,938)~~ \$65,532 \$(27,862)

One
International,
Inc.

as
adjusted
SHARES

Weighted
average
number
of

8,930 8,882 8,829

shares

outstanding — Plus: * 1 — *

Restricted
shares
issued
and
shares
applicable
to
stock
options

and
restricted
stock
units,
net
of
shares
assumed
to

be			
purchased			
from			
proceeds			
at			
average			
market			
price			
Assuming			
conversion			
of			
5	—	—	*
½%			
convertible			
notes			
Shares			
applicable			
to	—	** —	**
stock			
warrants			
Adjusted			
weighted			
average			
8,970 number	8,883	8,829	
of			
shares			
outstanding			
DILUTED			
EARNINGS			
\$(0.85))	\$7.38	\$(3.16)	
PER			
SHARE			

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

** For the years ended March 31, 2016 and 2015 the warrants were not assumed exercised because the exercise price was more than the average price for the period. The warrants were fully expired on April 8, 2015.

The weighted average number of common shares outstanding is reported as the weighted average of the total shares of common stock outstanding net of shares of common stock held by a wholly owned subsidiary. Shares of common stock owned by the subsidiary were 785 at March 31, 2017 and 2016. This subsidiary waives its right to receive dividends and it does not have the right to vote.

Certain potentially dilutive options were not included in the computation of earnings per diluted share because their exercise prices were greater than the average market price of the shares of common stock during the period and their effect would be antidilutive. These shares totaled 458 at a weighted average exercise price of \$61.00 per share at March 31, 2017, 471 at a weighted average exercise price of \$60.70 per share at March 31, 2016 and 661 at a weighted average exercise price of \$60.37 per share at March 31, 2015.

In connection with the offering of the Company's 5.50% Convertible Senior Subordinated Notes due 2014, issued on July 2, 2009 (the "Convertible Notes"), the Company entered into privately negotiated convertible note hedge transactions (the "convertible note hedge transactions") equal to the number of shares that underlie the Company's

Convertible Notes. These convertible note hedge transactions were designed to reduce the potential dilution of the Company's common stock upon conversion of the Convertible Notes in the event that the value per share of common stock exceeds the initial conversion price of \$50.28 per share. These shares were not included in the computation of earnings per diluted share because their inclusion would be antidilutive. The Convertible Notes matured during the second quarter of fiscal 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 1 - Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

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

	Currency Translation Adjustment	Pensions, Net of Tax	Derivatives, Net Tax	Accumulated Other Comprehensive Income (Loss)
Balances, March 31, 2014	\$ (1,640)	\$(36,686)	\$ —	\$ (38,326)
Other comprehensive losses before reclassifications	(12,514)	(16,257)	—	(28,771)
Amounts reclassified to net income, net of tax	—	711	—	711
Other comprehensive losses, net of tax	(12,514)	(15,546)	—	(28,060)
Balances, March 31, 2015	(14,154)	(52,232)	—	(66,386)
Other comprehensive income before reclassifications	108	7,811	—	7,919
Amounts reclassified to net loss, net of tax	—	4,619	—	4,619
Other comprehensive income, net of tax	108	12,430	—	12,538
Balances, March 31, 2016	(14,046)	(39,802)	—	(53,848)
Other comprehensive losses before reclassifications	(8,247)	(573)	(1,100)	(9,920)
Amounts reclassified to net loss, net of tax	—	3,721	—	3,721
Other comprehensive losses, net of tax	(8,247)	3,148	(1,100)	(6,199)
Balances, March 31, 2017	\$ (22,293)	\$(36,654)	\$(1,100)	\$ (60,047)

The following table sets forth amounts by component, reclassified from accumulated other comprehensive income (loss) to net income (loss) for the years ended March 31, 2017, 2016 and 2015:

	Years Ended March 31,		
	2017	2016	2015
Pension and postretirement plans *:			
Actuarial loss	\$3,911	\$3,629	\$3,092
Amortization of prior service cost (credit)	(670)	840	(2,213)
Deferred income tax benefit	480	150	(168)
Amounts reclassified from accumulated other comprehensive income (loss) to net income (loss)	\$3,721	\$4,619	\$711

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

Concentration of Credit Risk

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

Preferred Stock

The Board of Directors is authorized to issue shares of Preferred Stock in series with variations as to the number of shares in any series. The Board of Directors also is authorized to establish the rights and privileges of such shares issued, including dividend and voting rights. At March 31, 2017, 10,000 shares of preferred stock were authorized and no shares had been issued.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 2 – Inventories

	March 31, 2017	March 31, 2016
Processed tobacco	\$424,984	\$584,158
Unprocessed tobacco	220,625	175,933
Other	32,716	31,249
	\$678,325	\$791,340

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

The Company recorded LCM adjustments of \$4,833, \$5,996 and \$7,533 for the years ended March 31, 2017, 2016 and 2015, respectively.

Note 3 – Variable Interest Entities

The Company holds variable interests in seven joint ventures that are accounted for under the equity method of accounting. These joint ventures procure inventory on behalf of the Company and the other joint venture partners. The variable interests relate to equity investments and advances made by the Company to the joint ventures. In addition, the Company also guarantees two of its joint ventures' borrowings which also represent a variable interest in those joint ventures. The Company is not the primary beneficiary, as it does not have the power to direct the activities that most significantly impact the economic performance of the entities as a result of the entities' management and board of directors structure. Therefore, these entities are not consolidated. At March 31, 2017 and 2016, the Company's investment in these joint ventures was \$51,443 and \$57,243, respectively and is classified as Investments in Unconsolidated Affiliates in the Consolidated Balance Sheets. The Company's advances to these joint ventures were \$8,133 and \$1,920 at March 31, 2017 and 2016, respectively, and are classified as Accounts Receivable, Related Parties in the Consolidated Balance Sheets. The Company guaranteed an amount to two joint ventures not to exceed \$96,378 and \$100,238 at March 31, 2017 and 2016, respectively. The investments, advances and guarantees in these joint ventures represent the Company's maximum exposure to loss.

Note 4 – Restructuring and Asset Impairment Charges

During the quarter ended March 31, 2015, the Company announced a global restructuring plan focusing on efficiency and cost improvements. The Company reviewed origin and corporate operations and initiatives were implemented to increase operational efficiency and effectiveness. These initiatives continue to occur as the Company restructures certain operations not meeting strategic business objectives and performance metrics in future periods. At March 31, 2017, the costs of any future initiatives is not estimable. During the fiscal year ended March 31, 2017, the Company recorded \$517 for employee severance charges, primarily related to certain operations in Africa, \$120 for other cash charges and \$738 for asset impairment charges primarily related to the Company's former U.S. cut rag facility. During the fiscal year ended March 31, 2016, the Company recorded \$(498) of employee severance charges and \$5,723 of asset impairment charges. The asset impairment charges were incurred due to restructuring of certain operations in Africa, Bulgaria and Brazil as well as the curtailment of certain U.S. pension plans. During the fiscal year ended March 31, 2015, charges of \$8,612 were incurred in connection with the reduction in the global workforce. Also

during the fiscal year ended March 31, 2015, the Company recorded a \$500 asset impairment charge resulting from certain machinery in a former U.S. cut rag facility as operations moved to a new facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 4 – Restructuring and Asset Impairment Charges (continued)

The following table summarizes the restructuring actions as of March 31, 2017, 2016 and 2015:

Restructuring and Asset Impairment Charges	Years Ended March 31,		
	2017	2016	2015
Employee separation and other cash charges:			
Beginning balance	\$398	\$8,087	\$397
Period Charges:			
Employee separation charges (recoveries)	517	(498)	8,612
Other cash charges	120	662	6
Total employee separation and other cash charges	637	164	8,618
Payments	(846)	(7,853)	(928)
Ending balance March 31	\$189	\$398	\$8,087
Asset impairment and other non-cash charges	738	5,724	500
Total restructuring and asset impairment charges	\$1,375	\$5,888	\$9,118

The following table summarizes the employee separation and other cash charges recorded in the Company's North America and Other Regions segments as of March 31, 2017, 2016 and 2015:

Employee Separation and Other Cash Charges	Years Ended March 31,		
	2017	2016	2015
Beginning balance:	\$398	\$8,087	\$397
North America	—	—	—
Other regions	398	8,087	397
Period charges:	\$637	\$164	\$8,618
North America	180	—	—
Other regions	457	164	8,618
Payments:	\$(846)	\$(7,853)	\$(928)
North America	(120)	—	—
Other regions	(726)	(7,853)	(928)
Ending balance March 31:	\$189	\$398	\$8,087
North America	60	—	—
Other regions	129	398	8,087

The following table summarizes non-cash charges for the Company's North America and Other Regions segments for fiscal years ended March 31, 2017, 2016 and 2015:

	North America	Other Regions
Years ended March 31,		
2017	495	243
2016	712	5,012
2015	500	—

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 5 – Goodwill and Other Intangibles

The Company tests the carrying amount of goodwill annually as of the first day of the last quarter of the fiscal year and whenever events or circumstances indicate that impairment may have occurred. The Company evaluated its goodwill for impairment during fiscal 2017, 2016 and 2015 and determined that the fair value of each reporting unit is substantially in excess of its carrying value including goodwill.

The carrying value of other intangible assets as of March 31, 2017 represents customer relationship, production and supply contracts and internally developed software. These intangible assets were determined by management to meet the criterion for recognition apart from goodwill and have finite lives. The Company uses judgment in assessing whether the carrying amount of its intangible assets is not expected to be recoverable over their estimated remaining useful lives. Amortization expense associated with these intangible assets was \$4,514, \$3,356 and \$3,532 for the years ended March 31, 2017, 2016 and 2015, respectively and is recorded in Selling, General and Administrative Expenses except for production and supply contracts which is recorded against the associated revenues.

The Company has no intangible assets with indefinite useful lives. It does have intangible assets which are amortized. The following table summarizes the changes in the Company's goodwill and other intangibles for the years ended March 31, 2017, 2016 and 2015.

Goodwill and Intangible Asset Rollforward:

	Goodwill (1)	Amortizable Intangibles			Total
		Customer Relationship Intangible	Production and Supply Contract Intangibles	Internally Developed Software Intangible	
Weighted average remaining useful life in years as of March 31, 2017	12	4.25	3		
March 31, 2015 balance:					
Gross carrying amount	\$2,794	\$33,700	\$14,893	\$18,502	\$69,889
Accumulated amortization	—	(16,639)	(5,786)	(15,573)	(37,998)
Net March 31, 2015 balance	2,794	17,061	9,107	2,929	31,891
Additions (2)	13,669	24,830	—	—	38,499
Amortization expense	—	(1,685)	(825)	(846)	(3,356)
Net March 31, 2016 balance	16,463	40,206	8,282	2,083	67,034
Additions	—	—	—	79	79
Amortization expense	—	(3,340)	(432)	(742)	(4,514)
Net March 31, 2017 balance	\$16,463	\$36,866	\$7,850	\$1,420	\$62,599

(1) Goodwill of \$2,794 relates to the North America segment and \$13,669 relates to the Other Regions segment.

(2) Additions relate to the reconsolidation of MTC. See Note 21 "Reconsolidation of MTC" to the "Notes to Consolidated Financial Statements" for further information.

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

For Fiscal Years Ended	Customer Relationship	Production and	Internally Developed	Total
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	Intangible	Supply Contract Intangible	Software Intangible *	
2018	\$ 3,340	\$ 1,492	\$ 646	\$5,478
2019	3,340	1,405	427	5,172
2020	3,340	1,397	247	4,984
2021	3,340	1,397	86	4,823
2022	3,340	1,397	14	4,751
Later	20,166	762	—	20,928
	\$ 36,866	\$ 7,850	\$ 1,420	\$46,136

* Estimated amortization expense for the internally developed software is based on costs accumulated as of March 31, 2017.

These estimates will change as new costs are incurred and until the software is placed into service in all locations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 6 – Related Party Transactions

The Company's operating subsidiaries engage in transactions with related parties in the normal course of business. The following is a summary of balances and transactions with related parties of the Company:

	March 31, 2017	March 31, 2016	
Balances:			
Accounts receivable	\$8,133	\$1,920	
Accounts payable	\$9,773	\$20,490	
	Year Ended March 31,		
	2017	2016	2015
Transactions:			
Sales	\$47,726	\$18,827	\$20,692
Purchases	\$62,350	\$264,707	\$271,466

The Company's operating subsidiaries have entered into transactions with affiliates of the Company for the purpose of procuring inventory.

The Company's balances due to and from related parties and transactions relate to the Company's equity basis investments in companies located in Asia, South America, North America and Europe which grow, purchase, process and sell tobacco or produce consumable e-liquids.

Note 7 – Short-Term Borrowing Arrangements

Excluding all long-term credit agreements, the Company has lines of credit arrangements with a number of banks under which the Company may borrow up to a total of \$808,695 and \$910,131 at March 31, 2017 and 2016, respectively. The weighted average variable interest rate for the years ending March 31, 2017 and 2016 was 5.9% and 5.2%, respectively. At March 31, 2017 and 2016, amounts outstanding under the lines were \$475,863 and \$475,989, respectively. Unused lines of credit at March 31, 2017 amounted to \$319,844, net of \$12,989 of letters of credit and \$416,352 at March 31, 2016, net of \$17,790 of letters of credit. Certain non-U.S. borrowings of approximately \$144,881 and \$103,366 have inventories of \$56,040 and \$99,442 as collateral at March 31, 2017 and 2016, respectively. At March 31, 2017 and 2016, respectively, \$1,767 and \$2,137 were held on deposit as a compensating balance.

The foregoing amounts at March 31, 2016 reflected aggregate borrowing availability, outstanding borrowings and unused borrowing availability under a short-term credit facility extended to MTC in which one of the Company's other subsidiaries had a participation interest in the lender's rights and obligations under the facility. At March 31, 2016, \$100,000 of the aggregate borrowing availability was with respect to borrowing such other subsidiary would be required to fund under the terms of the participation interest. Aggregate outstanding borrowings attributed to outstanding borrowings by MTC funded under that facility by such other subsidiary pursuant to that participation interest are \$84,258 and \$15,742 of the unused borrowing availability was with respect to unused borrowing availability such other subsidiary would be required to fund under the terms of the participation interest. Because such other subsidiary's funding was 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 was required to

be reflected as consolidated debt upon the reconsolidation of MTC. See Note 21 “Reconsolidation of MTC” to the “Notes to Consolidated Financial Statements” for further information. At March 31, 2017, the other subsidiary's participation interest no longer remained.

Note 8 – Long-Term Debt

On October 14, 2016, the Company issued \$275,000 in aggregate principal amount of 8.5% senior secured first lien notes due 2021 (the “First Lien Notes”), at an issue price of 99.085% of the face amount thereof, entered into an ABL credit agreement (the “ABL Credit Agreement”) with certain bank lenders establishing a senior secured revolving asset-based lending facility (the “ABL Facility”) of \$60,000 subject to a borrowing base composed of its eligible accounts receivable and inventory, and used a portion of the net proceeds from the offering of the First Lien Notes to repay in full all outstanding indebtedness and accrued and unpaid interest owed under the Company’s then existing senior secured revolving credit facility. Upon such repayment, Alliance One terminated the senior secured revolving credit facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 – Long-Term Debt (continued)

The ABL credit agreement restricts the Company from paying any dividends during the term of this facility subject to the satisfaction of specified financial ratios. In addition, the indentures governing the First Lien Notes and its outstanding senior secured second lien notes due 2021 contain similar restrictions and also prohibit the payment of dividends and other distributions if the Company fails to satisfy a ratio of consolidated EBITDA to fixed charges of at least 2.0 to 1.0. At March 31, 2017, the Company did not satisfy this fixed charge coverage ratio. The Company may from time to time not satisfy this ratio and failure to meet this fixed charge coverage ratio does not constitute an event of default.

The terms of the First Lien Notes and the ABL Facility, and certain effects of these refinancing transactions, are summarized below:

First Lien Notes

The First Lien Notes, which bear interest at a rate of 8.500% per year, are payable semi-annually in arrears in cash on April 15 and October 15 of each year, beginning April 15, 2017, to holders of record at the close of business on the preceding April 1 and October 1, respectively. The First Lien Notes mature on April 15, 2021. The First Lien Notes are initially guaranteed on a senior secured basis by Alliance One's subsidiary, Alliance One Specialty Products, LLC (the "Initial Guarantor"), and each of its future material domestic subsidiaries are required to guarantee the First Lien Notes on a senior secured basis. The Initial Guarantor is

not a material domestic subsidiary, and Alliance One currently has no material domestic subsidiaries. The Initial Guarantor and any future guarantors of the First Lien Notes are referred to as the "guarantors."

Alliance One's and the guarantors' obligations under the First Lien Notes and any guarantee of the First Lien Notes (and certain related obligations) and under the ABL Facility and any guarantee of the ABL Facility (and certain related obligations and

obligations in respect of certain hedging arrangements) are secured by first-priority liens on substantially all of Alliance One's and the guarantors' tangible and intangible assets, subject to certain exceptions and permitted liens (the "Collateral"). Alliance One's and the guarantors' obligations under the First Lien Notes and any guarantee of the First Lien Notes (and certain related obligations) have first-priority in the waterfall set forth in a senior lien intercreditor agreement entered into in connection with the issuance of the First Lien Notes and the establishment of the ABL Facility (the "Senior Lien Intercreditor Agreement") in respect of the liens on the Collateral that is not ABL Priority Collateral (as defined below), including owned material real property in the United States, capital stock of subsidiaries owned directly by Alliance One or a guarantor (except that, in the case of foreign subsidiaries, only capital stock of only direct foreign subsidiaries that are material are to be pledged and only 65% of the voting capital stock and 100% of the non-voting capital stock are to be pledged), existing and after acquired intellectual property rights, equipment, related general intangibles and instruments and certain other related assets of the foregoing and proceeds of the foregoing (collectively, the "Notes Priority Collateral"). Alliance One's and the guarantors' obligations under the ABL Facility and any guarantee of the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) have second-priority in the waterfall set forth in the Senior Lien Intercreditor Agreement in respect of the liens on the Notes Priority Collateral. Alliance One's and the guarantors' obligations under the First Lien Notes and any guarantee of the First Lien Notes (and certain related obligations) have second-priority in the waterfall set forth in the Senior Lien Intercreditor Agreement in respect of the liens on the Collateral consisting of accounts receivable, inventories, cash (other than identifiable cash proceeds of the Notes Priority Collateral), deposit accounts,

related general intangibles and instruments, certain other related assets of the foregoing and proceeds of the foregoing (collectively, the "ABL Priority Collateral"). Alliance One's and the guarantors' obligations under the ABL Facility and any guarantee of the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) have first-priority in the waterfall set forth in the Senior Lien Intercreditor Agreement in respect of the liens on the ABL Priority Collateral.

If a change of control (as defined in the indenture governing the First Lien Notes) occurs at any time, holders of the First Lien Notes will have the right, at their option, to require the Company to repurchase all or a portion of the First Lien Notes for cash at a price equal to 101% of the principal amount of First Lien Notes being repurchased, plus accrued and unpaid interest, to, but excluding, the date of repurchase. The indenture governing the First 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.

ABL Facility

The ABL Facility may be used for revolving credit loans, swingline loans and letters of credit from time to time up to an initial maximum principal amount of \$60,000, subject to the limitations described below in this paragraph. Under certain conditions, Alliance One may solicit the ABL Facility lenders or other prospective lenders to provide additional revolving loan commitments

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 – Long-Term Debt (continued)

ABL Facility (continued)

under the ABL Facility in an aggregate amount not to exceed \$15,000 (less the aggregate principal amount of any notes exceeding \$275,000 issued under the First Lien Notes Indenture). The maximum amount available under the revolving credit facility is limited by a borrowing base consisting of eligible accounts receivable and inventory as follows:

85% of eligible accounts receivable, plus the lesser of (i) 85% of the appraised net-orderly-liquidation value of eligible inventory or (ii) 65% of eligible inventory valued at the lower of cost (based on a first-in first-out basis) and market value thereof (net of intercompany profits).

The borrowing base is subject to a \$25,000 deduction and customary reserves, which are to be established by the agent for the ABL Facility lenders in its permitted discretion from time to time. At March 31, 2017, no borrowings were outstanding under the ABL Facility and \$60,000 was available for borrowing. Borrowing is permitted under the ABL Credit Facility only to the extent that, after consideration of the application of the proceeds of the borrowing, the Company's unrestricted cash and cash equivalents would not exceed \$180,000. At March 31, 2017, the Company's unrestricted cash and cash equivalents significantly exceeded \$180,000.

In addition, loans under the ABL Facility shall not be made if after incurrence of such loans there will be more than \$180,000 of unrestricted cash and cash equivalents in the aggregate on the consolidated balance sheet of the Company and its subsidiaries.

The ABL Facility permits both base rate borrowings and LIBOR borrowings. Borrowings under the ABL Facility bear interest at an annual rate equal to LIBOR plus 250 basis points or 150 basis points above base rate, as applicable, with a fee on unused borrowings initially at an annual rate of 50 basis points until March 31, 2017 and thereafter at annual rates of either 37.5 or 50 basis points based on average quarterly historical utilization under the ABL Facility. The ABL Facility matures on January 14, 2021.

In addition, customary mandatory prepayments of the loans under the ABL Facility are required upon the occurrence of certain events including, without limitation, certain dispositions of assets outside of the ordinary course of business in respect of certain collateral securing the ABL Facility, unrestricted cash and cash equivalents on the Company's consolidated balance sheet exceeding \$180,000 for a period of seven consecutive business days, and certain casualty and condemnation events.

The Company's obligations under the ABL Facility (and certain related obligations and obligations in respect of certain hedging arrangements) are (a) guaranteed by the Initial Guarantor and are required to be guaranteed by each material domestic subsidiary of Alliance One (currently there are no material domestic subsidiaries of Alliance One) (collectively with the Company, the "Credit Parties") and (b) secured by the Collateral.

The liens and other security interests granted by the Credit Parties on the Collateral for the benefit of the ABL Lenders (and certain related secured parties) are, subject to certain permitted liens, secured by first-priority security interests on a pari passu basis with the security interests securing the First Lien Notes, with respective priorities in a waterfall with respect to portions of the Collateral as set forth in the Senior Lien Intercreditor Agreement described above.

Under the terms of the ABL Facility, if (i) an event of default has occurred and is continuing or (ii) excess borrowing availability under the ABL Facility (based on the lesser of the commitments thereunder and the borrowing base) (the "Excess Availability") falls below the greater of (x) \$12,500 and (y) 25% of the lesser of (A) the commitments under the

ABL Facility at such time and (B) the borrowing base at such time (such greater amount being the “Cash Dominion Threshold”) for more than three consecutive business days, the Credit Parties will become subject to cash dominion, which will require daily prepayment of loans under the ABL Facility with the cash deposited in certain deposit accounts of the Credit Parties, including concentration accounts, and will restrict the Credit Parties’ ability to transfer cash from their concentration accounts to their disbursement accounts. Such cash dominion period shall end when (i) if arising as a result of a continuing event of default, such event of default ceases to exist, or (ii) if arising as a result of non-compliance with the Excess Availability threshold, Excess Availability shall be equal to or greater than the Cash Dominion Threshold for a period of 30 consecutive days.

The ABL Credit Agreement governing the ABL Facility contains a springing covenant requiring that the Company’s fixed charge coverage ratio be no less than 1.00 to 1.00 during any period commencing when our Excess Availability is less than the greater of (x) \$10,000 and (y) 20% of the lesser of (A) the commitments under the ABL Facility at such time and (B) the borrowing base at such time (such greater amount being the “Financial Covenant Threshold”) until such time as our Excess Availability has been equal to or greater than the Financial Covenant Threshold for a period of 30 consecutive days.

The ABL Credit Agreement governing the ABL Facility contains customary representations and warranties, affirmative and

negative covenants (subject, in each case, to exceptions and qualifications) and events of defaults, including covenants that limit

the Company’s ability to, among other things incur certain guarantees, merge, consolidate or dispose of substantially all of its assets, grant liens on assets, pay dividends, redeem stock or make other distributions or restricted payments, create certain dividend and payment restrictions on subsidiaries, repurchase or redeem capital stock or prepay subordinated or certain other material debt (including the First Lien Notes and the Company’s senior secured second lien notes due 2021), make certain investments, agree

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 - Long-Term Debt (continued)

ABL Facility (continued)

to restrictions on the payment of dividends to Alliance One by its subsidiaries, sell or otherwise dispose of assets, including equity interests of subsidiaries, enter into transactions with affiliates, enter into certain sale and leaseback transactions.

The ABL credit agreement restricts the Company from paying any dividends during the term of this facility subject to the satisfaction of specified financial ratios. In addition, the indentures governing the Company's First Lien Notes and its senior secured second lien notes due 2021 contain similar restrictions and also prohibits the payment of dividends and other distributions if the Company fails to satisfy a ratio of consolidated EBITDA to fixed charges of at least 2.0 to 1.0. At March 31, 2017, the Company did not satisfy this fixed charge coverage ratio. The Company may from time to time not satisfy this ratio.

Termination of Existing Senior Secured Revolving Credit Facility

On October 14, 2016, the Company terminated its then existing senior secured revolving credit facility and repaid in full all outstanding indebtedness plus accrued and unpaid interest and other costs, of which \$73 was charged to debt retirement expense. As a result, the Company accelerated \$2,266 of deferred financing costs during the three months ended December 31, 2016, which was charged to debt retirement expense.

Senior Secured Second Lien Notes

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

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

on the Second Lien Notes, at increasing annual rates up to a maximum of 1.0% per year, if the Company fails to timely comply with its registration obligations thereunder. Pursuant to the registration rights agreement, on December 20, 2013, the Company completed a registered exchange offer in which it offered to exchange for the outstanding Second Lien Notes an equal amount of new Second Lien Notes having identical terms in all material respects. During the year ended March 31, 2017, the Company purchased \$28,409 of its senior notes on the open market. All purchased securities were canceled leaving \$691,591 of the 9.875% senior notes outstanding at March 31, 2017. Associated costs paid were \$71 and related discounts were \$(3,409) resulting in net cash repayment of \$25,606 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 \$678 were accelerated. In April 2017, the Company purchased \$28,645 of its existing \$691,591 senior notes on the open market. See Note 20 "Subsequent Events" to the Notes to Consolidated Financial Statements.

Foreign Seasonal Lines of Credit

The Company has typically financed its non-U.S. operations with uncommitted unsecured short-term seasonal lines of credit at the local level. These operating lines are seasonal in nature, normally extending for a term of 180 to 270 days corresponding to the tobacco crop cycle in that location. These facilities are typically uncommitted in that the lenders have the right to cease making loans and demand repayment of loans at any time. These loans are typically renewed at the outset of each tobacco season. As of March 31, 2017, the Company had approximately \$475,863 drawn and outstanding on foreign seasonal lines with maximum capacity totaling \$808,695 subject to limitations as provided for in the Credit Agreement. Additionally, against these lines there was \$12,988 available in unused letter of credit capacity with \$5,211 issued but unfunded.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 8 - Long-Term Debt (continued)

Long-Term Foreign Seasonal Borrowings

The Company had foreign seasonal borrowings with original maturities greater than one year. At March 31, 2017, approximately \$10,000 was drawn and outstanding with maximum capacity totaling \$10,000.

Summary of Debt

Certain debt agreements contain cross-default or cross-acceleration provisions. The Company has considered its short-term liquidity needs, the adequacy of estimated cash flows from operating activities, and other financing sources to meet these needs. The Company expects that its cash and cash equivalents, available borrowings from foreign lines of credit and accounts receivable securitization programs, and cash flows from operating activities are sufficient to meet anticipated cash flow needs for operations, capital expenditures, debt service obligations, and other fees payable under other contractual obligations for the foreseeable future. The following table summarizes the Company's debt financing as of March 31, 2017:

	Outstanding		March 31, 2017 Lines and		Long Term Debt Repayment Schedule by Fiscal Year					
	March 31, 2016	March 31, 2017	Letters Available	Interest Rate	2018	2019	2020	2021	2022	Later
Senior secured credit facility:										
Revolver ⁽¹⁾	\$200,000	\$—	\$—	— %	\$—	\$—	\$—	\$—	\$—	\$—
ABL facility ⁽²⁾	—	—	60,000	— %	—	—	—	—	—	—
Senior notes:										
8.5% senior first lien notes due 2021 ⁽⁶⁾	—	267,049	—	8.5 %	—	—	—	—	267,049	—
9.875% senior secured second lien notes due 2021 ^{(4) (5)}	699,321	675,076	—	9.9 %	—	—	—	—	675,076	—
Long-term foreign seasonal borrowings	10,000	10,000	—	4.1 % ⁽³⁾	10,000	—	—	—	—	—
Other long-term debt	1,249	880	—	7.2 % ⁽³⁾	46	205	329	100	100	100
Notes payable to banks ⁽⁷⁾	475,989	475,863	319,844	5.9 % ⁽³⁾	—	—	—	—	—	—
Total debt	\$1,386,559	\$1,428,868	379,844		\$10,046	\$205	\$329	\$100	\$942,225	\$100
Short term ⁽⁷⁾	\$475,989	\$475,863								
Long term:										
Long term debt current	\$356	\$10,046								
Long term debt	910,214	942,959								
	\$910,570	\$953,005								
Letters of credit	\$4,733	\$5,211	7,777							
Total credit available			\$387,621							

(1) As of October 14, 2016, the revolving credit facility was paid in full and cancelled.

(2) As of March 31, 2017, the full amount of the ABL facility was available. Borrowing is permitted under the ABL Credit Facility only to the extent that, after consideration of the application of the proceeds of the borrowing, the

Company's unrestricted cash and cash equivalents would not exceed \$180,000. At March 31, 2017, the Company's unrestricted cash and cash equivalents significantly exceeded \$180,000.

(3) Weighted average rate for the twelve months ended March 31, 2017.

(4) On April 1, 2016, we adopted new accounting guidance that changed the presentation of debt issuance costs in financial statements on a retrospective basis. Therefore, the March 31, 2016 balance previously reported of \$709,196 has been adjusted by \$9,875 to \$699,321 in accordance with the adoption of this new accounting guidance.

(5) Repayment of \$675,076 is net of original issue discount of \$8,821 and unamortized debt issuance of \$7,694. Total repayment will be \$691,591.

(6) Repayment of \$267,049 is net of original issue discount of \$2,303 and unamortized debt issuance of \$5,648. Total repayment will be \$275,000.

(7) Primarily foreign seasonal lines of credit. At March 31, 2016, the outstanding amount includes \$130,600 of debt owed by MTC under a short-term credit facility in which one of the Company's other subsidiaries has a participation interest in the lender's rights and obligations under the facility. At March 31, 2016, \$84,258 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. See Note 21 "Reconsolidation of MTC" to the "Notes to Consolidated Financial Statements" for further information. At March 31, 2017, the other subsidiary's participation interest no longer remained.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 9 - Long-Term Leases

The Company has operating leases for land, buildings, automobiles and other equipment. Rent expense for all operating leases was \$21,689, \$22,989 and \$22,622 for the years ended March 31, 2017, 2016 and 2015, respectively. Minimum future obligations are as follows:

	Operating Leases
2018	\$ 18,150
2019	10,096
2020	7,056
2021	4,716
2022	2,259
Remaining	1,601
	\$ 43,878

Note 10 – Equity in Net Assets of Investee Companies

The Company has equity method investments in companies located in Asia which purchase and process tobacco. The Asia investees and ownership percentages are as follows: Alliance One Industries India Private Ltd. (India) 49%, Siam Tobacco Export Company (Thailand) 49%, and Adams International Ltd. (Thailand) 49%. The Company owns a 50% equity based interest in Oryantal Tutun Paketleme which processes tobacco in Turkey. On March 26, 2014, the Company completed the formation of a new joint venture in Brazil with the disposition of 51% interest in China Brasil Tabacos Exportadora SA (“CBT”). The Company retained a 49% equity based interest in CBT which purchases and processes tobacco. Upon the disposition of 51% interest in CBT, the difference between the book basis of the Company’s 49% interest and the fair value of the investment recorded created a basis difference of \$15,990. The Company evaluated the contributed assets and identified basis differences in certain accounts, including inventory, intangible assets and deferred taxes. The basis differences are being amortized over the respective estimated lives of these assets and liabilities, which range from one to ten years. For the year ended March 31, 2017, the Company’s earnings from the equity method investment were reduced by amortization expense of \$1,518 related to these basis differences. At March 31, 2017, the basis difference was \$10,104. On April 2, 2014 the Company completed the purchase of a 50% interest in Purilum, LLC, a U.S. company that develops, produces and sells consumable e-liquids to manufacturers and distributors of e-vapor products. Summarized combined financial information for these investees for fiscal years ended March 31, 2017, 2016 and 2015 follows:

	Years Ended March 31,		
Operations Statement Information	2017	2016	2015
Sales	\$ 232,145	\$ 274,183	\$ 297,474
Gross profit	23,739	42,143	33,246
Net income	3,072	15,254	11,394
Company's dividends received	4,307	1,887	—

Balance Sheet Information	March 31,	
	2017	2016
Current assets	\$ 139,146	\$ 118,745
Property, plant and equipment and other assets	54,674	61,845
Current liabilities	102,550	77,908
Long-term obligations and other liabilities	7,432	10,222

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 – Stock-Based Compensation

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

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

	Year Ended March 31,		
	2017	2016	2015
Compensation expense for all stock based compensation plans	\$ 1,712	\$ 2,874	\$ 3,194
Tax (expense) benefits for stock-based compensation	\$ —	\$ —	\$ —
Fair value of stock options vested	\$ 315	\$ 2,043	\$ 3,353

The Company's shareholders approved the 2016 Incentive Plan (the "2016 Plan") at its Annual Meeting of Shareholders on August 12, 2016, which is the successor to the 2007 Incentive Plan (the "2007 Plan") as amended on August 11, 2011 and August 6, 2009. The 2016 Plan is an omnibus plan that provides the flexibility to grant a variety of equity awards including stock options, stock appreciation rights, stock awards, stock units, performance awards and incentive awards to officers, directors and employees of the Company.

As of March 31, 2017, a maximum of 1,109 shares may be issued under the 2016 Plan, inclusive of 900 original to the 2016 Plan and 209 carried forward from the 2007 Plan. The 2016 Plan requires that the shares available for grant be reduced by twice the number of shares issued for any awards other than options or stock appreciation rights. This has resulted in decreasing the shares available to grant by 140. As of March 31, 2017, 142 equity awards have been granted, 2 equity awards have been cancelled and 22 vested under the 2016 Plan, leaving 828 shares available for future awards under the 2016 Plan, inclusive of 620 original to the 2016 Plan and 209 carried forward from the 2007 Plan.

Total equity awards outstanding are 660, inclusive of 542 awards granted and outstanding under the previous 2007 plan and 118 awards granted under the 2016 Plan. Shares issued are new shares which have been authorized and designated for award under the plans. Individual types of awards are discussed in greater detail below.

Stock Option Awards

Stock options allow for the purchase of common stock at a price determined at the time the option is granted. Stock options generally vest ratably over five years and generally expire after ten years. The fair value of these options is determined at grant date using the Black-Scholes valuation model and includes estimates of forfeiture based on historical experience. The fair value is then recognized as compensation expense ratably over the vesting term of the options. No stock options were granted during 2017, 2016 and 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 – Stock-Based Compensation (continued)

Stock Option Awards (continued)

A summary of option activity for stock options follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2014	688	\$ 60.45		
Forfeited	(18)	61.49		
Expired	(9)	64.50		
Outstanding at March 31, 2015	661	60.37		
Forfeited	(9)	66.21		
Expired	(182)	59.23		
Outstanding at March 31, 2016	470	60.70		
Forfeited	(4)	66.73		
Expired	(8)	39.40		
Outstanding at March 31, 2017	458	61.00	4.29	\$ —
Vested and expected to vest at March 31, 2017	458	61.00	4.29	\$ —
Exercisable at March 31, 2017	441	61.04	4.26	\$ —

The intrinsic values in the table above represent the total pre-tax intrinsic value which is the difference between the Company's closing stock price and the exercise price multiplied by the number of options. The expense related to stock option awards for 2017, 2016, and 2015 was \$277, \$1,097, and \$1,363, respectively. There were no options exercised in 2017, 2016 and 2015.

The table below shows the movement in unvested options from March 31, 2016 to March 31, 2017.

	Shares	Weighted Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Unvested March 31, 2016	38	\$ 15.80	\$ 599
Forfeited	(1)	15.80	(9)
Vested	(20)	15.80	(315)
Unvested March 31, 2017	17	15.80	\$ 275

As of March 31, 2017, there is \$13 of unearned compensation, net of expected forfeitures, related to stock option awards which will vest over a weighted average remaining life of 0.1 years.

Restricted Stock

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 – Stock-Based Compensation (continued)

Restricted Stock (continued)

Restricted Stock	Shares	Weighted Average Grant Date Fair Value
Restricted at March 31, 2014	20	\$ 38.00
Granted	27	16.12
Vested	(47)	25.39
Restricted at March 31, 2015	—	—
Granted	23	18.42
Vested	(23)	18.42
Restricted at March 31, 2016	—	—
Granted	28	16.74
Vested	(28)	16.74
Restricted at March 31, 2017	—	—

As of March 31, 2017, there was no remaining unamortized deferred compensation. Expense recognized due to the vesting of restricted stock awards was \$469, \$417 and \$701 for the years ended March 31, 2017, 2016 and 2015, respectively.

Restricted Stock Units

Restricted stock units differ from restricted stock in that zero shares are issued until restrictions lapse. Certain restricted stock units vest ratably over a three-year period and others vest 50% in the first year and 25% in each of the second and third years. The fair value of the restricted stock units is determined on the grant date and is amortized over the vesting period.

Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Outstanding at March 31, 2014	63	\$38.50
Granted	22	27.20
Vested	(21)	38.50
Forfeited	(6)	38.50
Outstanding at March 31, 2015	58	34.18
Granted	58	14.73
Vested	(25)	35.16
Forfeited	(2)	38.50
Outstanding at March 31, 2016	89	21.28
Granted	64	17.19
Vested	(48)	25.43
Forfeited	(1)	22.41
Outstanding at March 31, 2017	104	16.84

As of March 31, 2017, there was \$1,119 of remaining unamortized deferred compensation associated with these restricted stock units that will be expensed over the remaining service period through August 15, 2019. Expense recognized due to the vesting of these awards was \$805, \$1,113 and \$859 during the years ended March 31, 2017, 2016 and 2015 respectively.

On August 13, 2015, the Company's shareholders approved an exchange offer that would allow certain employees to surrender options and receive restricted stock units in exchange for these options. The offer was made on September 14, 2015 and applied only to grants made during years 2012 and 2013 that had an exercise price of \$60.00 following the reverse stock split on June 26, 2015. The exchange offer was consummated as of October 13, 2015 with no changes in the timing or material amount of expense recognized for stock based compensation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 – Stock-Based Compensation (continued)

Performance-Based Restricted Stock Units

Performance-based restricted stock units may vest at the end of either a two- or three-year performance period but the level of the awards to be earned at the end of the performance period is contingent upon attainment of specific business performance goals. If certain minimum performance levels are not attained, no compensation will be earned. The awards are variable in that compensation could range from zero to 200% of the plan's target contingent on the performance level attained. The table below includes the maximum number of restricted stock units that may be earned under the plan.

Performance-Based Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2014	62	\$38.50
Granted	22	27.20
Forfeited	(1)	38.50
Outstanding as of March 31, 2015	83	35.52
Granted	30	10.11
Forfeited	(61)	38.50
Outstanding as of March 31, 2016	52	17.33
Granted	56	17.76
Forfeited	(23)	26.81
Outstanding as of March 31, 2017	85	15.06

As of March 31, 2017, the Company anticipates that no performance-based restricted stock units will vest resulting in \$0 to be expensed over the remaining service life through August 15, 2019. Expense recognized due to the expected vesting of these awards were \$(202) and \$104 during the years ended March 31, 2016 and 2015, respectively. There was no expense recognized for the year ending March 31, 2017.

Cash-Settled Awards

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

Cash-Settled Restricted Stock Units

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

Cash-Settled Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2015	44	\$27.06
Granted	1	19.65

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Vested	(14)	27.06
Forfeited	(2)	27.20
Outstanding as of March 31, 2016	29	26.85
Vested	(14)	26.84
Forfeited	(2)	25.82
Outstanding as of March 31, 2017	13	27.01

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 11 – Stock-Based Compensation (continued)

Cash-Settled Restricted Stock Units (continued)

As of March 31, 2017, there was \$46 of remaining unamortized deferred compensation associated with these restricted stock units that will be expensed over the remaining service period through August 13, 2017. Expense recognized due to the vesting of these awards was \$161, \$488 and \$128 during the years ended March 31, 2017, 2016 and 2015, respectively.

Cash-Settled Performance-Based Restricted Stock Units

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

Cash-Settled Performance-Based Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2015	44	\$27.06
Forfeited	(2)	27.20
Outstanding as of March 31, 2016	42	27.10
Forfeited	(42)	27.10
Outstanding as of March 31, 2017	—	—

As of March 31, 2017, the Company anticipates that no performance-based restricted stock units will vest resulting in \$0 to be expensed over the remaining service period through August 13, 2017. Expense recognized due to the expected vesting of these awards was \$(39) and \$39 during the years ended March 31, 2016 and 2015. There was no expense recognized for the year ending March 31, 2017.

Note 12 – Income Taxes

Accounting for Uncertainty in Income Taxes

As of March 31, 2017, 2016 and 2015, the Company's unrecognized tax benefits totaled \$15,196, \$16,675 and \$17,752, respectively, of which \$7,710 would impact the Company's March 31, 2017 effective tax rate if recognized. The following table presents the changes to unrecognized tax benefits during the years ended March 31, 2017, 2016 and 2015:

	2017	2016	2015
Balance at April 1	\$16,675	\$17,752	\$12,635
Increase for current year tax positions	275	24	7,260
Reduction for prior year tax positions	(1,764)	(223)	(1,055)
Impact of changes in exchange rates	10	(878)	(1,088)
Balance at March 31	\$15,196	\$16,675	\$17,752

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended March 31, 2017 and 2016, the Company accrued (reduced) interest, penalties and related

exchange losses related to unrecognized tax benefits by \$255 and \$(224), respectively. As of March 31, 2017, accrued interest and penalties totaled \$1,545 and \$818, respectively. During the year ending March 31, 2017, the Company reduced its accrued interest and penalties for \$287 related to the expiration of statute of limitations. As of March 31, 2016, accrued interest and penalties totaled \$1,315 and \$793, respectively.

During the fiscal year ending March 31, 2017, the Company's total liability for unrecognized tax benefits, including the related interest and penalties, decreased from \$18,784 to \$17,558. The change in the liability for unrecognized tax benefits relates to expiration of statute of limitations of approximately \$505 and decreases related to current period activity of approximately \$721.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 12 – Income Taxes (continued)

Income Tax Provision (continued)

During the fiscal year ending March 31, 2017, the Zimbabwe High Court of Harare rejected the Company's appeal relating to the recovery of an income tax receivable for certain withholding taxes which were assessed against the Company's subsidiary in Switzerland. As a result, the Company concluded it was no longer more-likely-than-not that the receivable will be realized and a non-cash tax provision of approximately \$9,000 was recorded as an adjustment to tax expense. The tax expense recognized this fiscal year does not impact cash flow as the Company had previously made a deposit of the amount due as part of the appeal process. The Company is in the process of appealing the decision to the Supreme Court of Zimbabwe.

It is reasonably possible that the Company's unrecognized tax benefits may decrease in the next twelve months by \$261 due to the expiration of the statute of limitations, but the Company must acknowledge circumstances can change due to unexpected developments in the law. In certain jurisdictions, tax authorities have challenged positions that the Company has taken that resulted in recognizing benefits that are material to its financial statements. The Company believes it is more likely than not that it will prevail in these situations and accordingly have not recorded liabilities for these positions. The Company expects the challenged positions to be settled at a time greater than twelve months from its balance sheet date.

The Company and its subsidiaries file a U.S. federal consolidated income tax return as well as returns in several U.S. states and a number of foreign jurisdictions. As of March 31, 2017, the Company's earliest open tax year for U.S. federal income tax purposes was its fiscal year ended March 31, 2014; however, the Company's net operating loss carryovers from prior periods remain subject to adjustment. Open tax years in state and foreign jurisdictions generally range from three to six years.

Income Tax Provision

The components of income (loss) before income taxes, equity in net income of investee companies and minority interests consisted of the following:

	Years Ended March 31,		
	2017	2016	2015
U.S.	\$(87,963)	\$(55,073)	\$(24,749)
Non-U.S.	48,321	146,747	15,810
Total	\$(39,642)	\$91,674	\$(8,939)

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

	Years Ended March 31,		
	2017	2016	2015
Current			
Federal	\$(926)	\$—	\$—
State	—	—	—
Non-U.S.	23,974	26,476	19,850
	\$23,048	\$26,476	\$19,850
Deferred			

Federal	\$—	\$—	\$—
State	—	—	—
Non-U.S.	432	5,739	2,068
	\$432	\$5,739	\$2,068
Total	\$23,480	\$32,215	\$21,918

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 12 - Income Taxes (continued)

Income Tax Provision (continued)

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

	Years Ended March 31,		
	2017	2016	2015
Tax expense (benefit) at U.S. statutory rate	\$(13,875)	\$32,086	\$(3,129)
Effect of non-U.S. income taxes	(6,410)	(15,131)	647
U.S. taxes on non-U.S. income	3,736	23,734	14,768
Foreign tax credits expiration	—	47,552	—
Change in valuation allowance	13,748	(47,135)	(14,908)
Increase (decrease) in reserves for uncertain tax positions	264	(1,203)	5,227
Change in tax rates	(308)	2,480	—
Exchange effects and currency translation	6,046	15,492	14,308
Permanent items	4,859	891	5,005
Write-down of state tax loss carryovers	6,430	—	—
Nontaxable gain - Zimbabwe subsidiary reconsolidation	—	(26,551)	—
Write-down of withholding tax recoverable	8,990	—	—
Actual tax expense	\$23,480	\$32,215	\$21,918

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

	March 31, March 31,	
	2017	2016
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	\$30,581	\$27,641
Intangible assets	8,397	9,334
Fixed assets	7,242	11,435
Total deferred tax liabilities	\$46,220	\$48,410
Deferred tax assets:		
Reserves and accruals	\$(24,308)	\$(23,870)
Tax credits	(7,286)	(8,191)
Tax loss carryforwards	(125,601)	(104,337)
Derivative transactions	(669)	(892)
Postretirement and other benefits	(28,512)	(30,635)
Unrealized exchange loss	(4,046)	(12,645)
Other	(8,471)	(8,207)
Gross deferred tax assets	(198,893)	(188,777)
Valuation allowance	131,774	118,518
Total deferred tax assets	\$(67,119)	\$(70,259)
Net deferred tax asset	\$(20,899)	\$(21,849)

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

	March 31, 2017	March 31, 2016
Non-current asset	\$(38,507)	\$(38,773)
Non-current liability	17,608	16,924
Net deferred tax asset	\$(20,899)	\$(21,849)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 12 - Income Taxes (continued)

Income Tax Provision (continued)

During the year ended March 31, 2017, the net deferred tax asset balance decreased by \$(454) for certain adjustments not included in the deferred tax expense (benefit), primarily for deferred tax assets related to pension accruals recorded in equity as part of Other Comprehensive Income (Loss) and currency translation adjustments.

For the year ended March 31, 2017, the valuation allowance increased by \$13,256 which is inclusive of \$(595) related to adjustments in other comprehensive income and \$100 related primarily to currency translation adjustments. The valuation allowance increased primarily due to U.S. federal, U.S. state and non-U.S. tax losses. The valuation allowance is based on the Company's assessment that it is more likely than not that certain deferred tax assets, primarily foreign tax credits and net operating loss carryovers, will not be realized in the foreseeable future. Recent years' cumulative losses incurred in the United States as of March 31, 2017, combined with the effects of certain changes in the market, provide significant objective negative evidence in the evaluation of whether the U.S. entity will generate sufficient taxable income to realize the tax benefits of the deferred tax assets. This negative evidence carries greater weight than the more subjective positive evidence of favorable future projected income in the assessment of whether realization of the tax benefits of the deferred tax assets is more likely than not. Therefore, based on the weight of presently objectively verifiable positive and negative evidence, it is management's judgment that realization of the tax benefits of the deferred tax assets is less than more likely than not.

At March 31, 2017, the Company has U.S. federal tax loss carryovers of \$324,608, non-U.S. tax loss carryovers of \$75,873, and U.S. state tax loss carryovers of \$575,419. The U.S. federal tax loss carryovers will expire in 2030 and thereafter. Of the non-U.S. tax loss carryovers, \$29,129 will expire within the next 5 years, \$31,586 will expire in later years, and \$15,158 can be carried forward indefinitely. Of the U.S. state tax loss carryovers, \$1,854 will expire within the next five years and \$573,565 will expire thereafter. At March 31, 2017, the Company has foreign tax credit carryovers in the United States of \$4,348, of which \$2,195 will expire within the next five years.

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

A provision of \$30,581 has been made for U.S. or foreign taxes that may result from future remittances of foreign earnings of \$95,662. No provision has been made for U.S. or foreign taxes that may result from future remittances of approximately \$353,032 at March 31, 2017 and \$334,445 at March 31, 2016 of undistributed earnings of foreign subsidiaries because management expects that such earnings will be reinvested overseas indefinitely. Determination of the amount of any unrecognized deferred income tax liability on these unremitted earnings is not practicable.

Note 13 – Employee Benefits

Retirement Benefits

The Company has multiple benefit plans at several locations. The Company has a defined benefit plan that provides retirement benefits for substantially all U.S. salaried personnel based on years of service rendered, age and compensation. The Company also maintains various other Excess Benefit and Supplemental Plans that provide

additional benefits to (1) certain individuals whose compensation and the resulting benefits that would have actually been paid are limited by regulations imposed by the Internal Revenue Code and (2) certain individuals in key positions. In addition, a Supplemental Retirement Account Plan ("SRAP"), a defined contribution program, is maintained.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 13 – Employee Benefits (continued)

Retirement Benefits (continued)

During the year ended March 31, 2017, the Company's activity of cash payments triggered settlement accounting. The settlement accounting resulted in a settlement loss of \$1,454 recorded in Selling, General and Administrative Expenses ("SGA") and a reduction in accumulated other comprehensive income as of March 31, 2017. In addition, as a result of payments made to employees due to involuntary dismissal in a foreign subsidiary, special termination benefits of \$14 were recorded in SGA and the benefit obligation.

During the three months ended December 31, 2015, the Company announced that the U.S. Pension Plan would be frozen effective January 1, 2016. This change is accounted for as a curtailment and resulted in a curtailment loss of \$1,062 and a reduction

in the benefit obligation and accumulated other comprehensive income of \$2,534 as of December 31, 2015. The curtailment loss is recorded in restructuring and asset impairment charges.

A reconciliation of benefit obligations, plan assets and funded status of the plans at March 31, 2017 and 2016, the measurement dates, is as follows:

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
	2017	2016	2017	2016
Change in Benefit Obligation				
Benefit obligation, beginning	\$99,632	\$107,423	\$63,570	\$69,939
Service cost	250	1,434	226	271
Interest cost	2,863	3,640	1,728	2,146
Plan amendments	—	—	18	(4)
Plan curtailments	—	(1,963)	—	(256)
Actuarial losses (gains)	(161)	(3,288)	6,245	(5,025)
Settlements/special termination benefits	(4,802)	—	(123)	—
Effects of currency translation	—	—	(4,693)	(681)
Benefits paid	(5,149)	(7,614)	(2,433)	(2,820)
Benefit obligation, ending	\$92,633	\$99,632	\$64,538	\$63,570
Change in Plan Assets				
Fair value of plan assets, beginning	\$40,982	\$44,921	\$52,774	\$53,709
Actual return on plan assets	2,954	(471)	8,784	(289)
Employer contributions	2,902	4,146	2,868	3,211
Plan settlements	(4,802)	—	(136)	—
Effects of currency translation	—	—	(4,731)	(1,037)
Benefits paid	(5,149)	(7,614)	(2,433)	(2,820)
Fair value of plan assets, ending	\$36,887	\$40,982	\$57,126	\$52,774
Net amount recognized	\$(55,746)	\$(58,650)	\$(7,412)	\$(10,796)

U.S. Plans		Non-U.S. Plans	
March 31,		March 31,	
2017	2016	2017	2016

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Amounts Recognized in the Consolidated Balance Sheets Consist of:

Noncurrent benefit asset recorded in Other Noncurrent Assets	\$—	\$—	\$7,555	\$2,450
Accrued current benefit liability recorded in Accrued Expenses and Other Current Liabilities	(3,010)	(2,967)	(1,224)	(1,166)
Accrued noncurrent benefit liability recorded in Pension, Postretirement and Other Long-Term Liabilities	(52,736)	(55,683)	(13,743)	(12,080)
Net amount recognized	\$(55,746)	\$(58,650)	\$(7,412)	\$(10,796)

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 13 - Employee Benefits (continued)

Retirement Benefits (continued)

The pension obligations for all defined benefit pension plans:

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
	2017	2016	2017	2016

Information for Pension Plans
with Accumulated Benefit

Obligation in Excess of Plan

Assets:

Projected benefit obligation	\$92,633	\$99,632	\$34,391	\$32,683
Accumulated benefit obligation	92,633	99,632	33,715	32,068
Fair value of plan assets	36,887	40,982	19,423	19,437

Net periodic pension costs included the following components:

	U.S. Plans			Non-U.S. Plans		
	March 31,			March 31,		
	2017	2016	2015	2017	2016	2015
Service cost	\$250	\$1,434	\$1,856	\$226	\$271	\$173
Interest cost	2,863	3,640	3,969	1,728	2,146	2,711
Expected return on plan assets	(2,578)	(3,070)	(3,131)	(2,760)	(3,110)	(3,477)
Amortization of actuarial losses	1,136	1,809	1,440	905	1,388	740
Amortization of prior service cost	40	136	192	(1)	1	1
Curtailement loss	—	1,062	—	—	—	—
Special termination benefits	—	—	—	14	—	72
Effects of settlement	1,363	—	35	91	—	(13)
Net periodic pension cost	\$3,074	\$5,011	\$4,361	\$203	\$696	\$207

The amounts showing in accumulated other comprehensive income at March 31, 2017, March 31, 2016 and movements for the year were as follows:

	U.S. and Non-U.S. Pension	U.S. and Non-U.S. Post-retirement	Total
Prior service credit (cost)	\$(516)	\$ 3,733	\$3,217
Net actuarial losses	(49,819)	(4,018)	(53,837)
Deferred taxes	11,347	(529)	10,818
Balance at March 31, 2016	\$(38,988)	\$(814)	\$(39,802)
Prior service credit (cost)	\$26	\$(691)	\$(665)
Net actuarial gains	5,098	(615)	4,483
Deferred taxes	(891)	221	(670)
Total change for 2017	\$4,233	\$(1,085)	\$3,148
Prior service credit (cost)	\$(490)	\$ 3,042	\$2,552
Net actuarial losses	(44,721)	(4,633)	(49,354)

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Deferred taxes	10,456	(308)	10,148
Balance at March 31, 2017	\$(34,755)	\$(1,899)	\$(36,654)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Retirement Benefits (continued)

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

	U.S. Plans			Non-U.S. Plans		
	March 31,			March 31,		
	2017	2016	2015	2017	2016	2015
Discount rate	3.86%	3.60%	4.20%	3.38%	3.13%	4.30%
Rate of increase in future compensation	Not applicable	4.50%	4.50%	3.47%	3.56%	3.94%
Expected long-term rate of return on plan assets	7.00%	7.25%	7.25%	5.63%	5.73%	6.83%

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

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

The following assumptions were used to determine the benefit obligations disclosed for the pension plans at March 31, 2017 and 2016:

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
	2017	2016	2017	2016
Discount rate	3.90%	3.86%	2.59%	3.38%
Rate of increase in future compensation	Not applicable	Not applicable	5.91%	3.47%

Net gain (loss) and prior service credits (costs) for the combined U.S. and non-U.S. pension plans expected to be amortized from accumulated comprehensive income into net periodic benefit cost during fiscal 2017 is \$(1,142) and \$(943), respectively.

Plan Assets

The Company's asset allocations and the percentage of the fair value of plan assets at March 31, 2017 and 2016 by asset category are as follows:

	Target Allocations	U.S. Plans		Non-U.S. Plans	
(percentages)	March 31, 2017	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Asset Category:					
Cash and cash equivalents	—	% 3.7	% 3.2	% 34.5	% 1.5

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Equity securities	36.0	%	34.3	%	34.6	%	19.6	%	58.8	%
Debt securities	24.0	%	22.4	%	22.8	%	10.6	%	34.2	%
Real estate and other investments	40.0	%	39.6	%	39.4	%	35.3	%	5.5	%
Total	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 13 - Employee Benefits (continued)

Plan Assets (continued)

The Company's investment objectives are to generate consistent total investment return to pay anticipated plan benefits, while minimizing long-term costs and portfolio volatility. Financial objectives underlying this policy include maintaining plan contributions at a reasonable level relative to benefits provided and assuring that unfunded obligations do not grow to a level that would adversely affect the Company's financial health. Manager and composite portfolio performance is measured against investment objectives and objective benchmarks, including but not limited to: Citibank 90 Day Treasury Bill, Bloomberg Barclays Intermediate Govt/Credit, Bloomberg Barclays Aggregate, Russell 1000 Value, Russell 1000 Growth, Russell 2500 Value, Russell 2500 Growth, MSCI EAFE, HFR Absolute Return, HFR Equity Hedge, and others. The Portfolio Objective is to exceed the actuarial return on assets assumption. Management and the Plan's Consultant regularly review portfolio allocations and periodically rebalance the portfolio to the targeted allocations according to the guidelines set forth in the Company's investment policy. Equity securities do not include the Company's common stock. The Company's diversification and risk control processes serve to minimize the concentration and experience of risk. There are no significant concentrations of risk, in terms of sector, industry, geography or individual company or companies.

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

U.S. Pension Plans	March 31, 2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$1,342	\$851	\$491	\$ —
U.S. equities / equity funds	7,649	7,649	—	—
International equities / equity funds	4,997	4,997	—	—
U.S. fixed income funds	7,251	7,251	—	—
International fixed income funds	1,028	1,028	—	—
Other investments:				
Diversified funds (1)	10,496	10,463	—	—
Real estate and other (1)	4,124	—	—	—
Total	\$36,887	\$32,239	\$491	\$ —
U.S. Pension Plans	March 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$1,326	\$815	\$511	\$ —
U.S. equities / equity funds	8,712	8,712	—	—
International equities / equity funds	5,466	5,466	—	—
U.S. fixed income funds	8,178	8,178	—	—
International fixed income funds	1,169	1,169	—	—
Other investments:				
Diversified funds (1)	11,791	11,741	—	—
Real estate (1)	4,352	—	—	—
Total	\$40,994	\$36,081	\$511	\$ —

(1) In accordance with new guidance retrospectively adopted this year, certain investments that are measured at fair value using the net asset value have not been classified in the fair value hierarchy.

Coast Access III Ltd (UL) Class (Diversified). The hedge fund's objective is to use leveraged, long, short, and derivative positions in both domestic and international markets with the goal of generating positive absolute returns uncorrelated to other asset classes over full market cycles. The fund is in process of periodic and self-liquidating drawdown, to be fully liquidated by January 2018.

Trumbull Property Fund (Real Estate and Other). The real estate fund invests primarily in commercial real estate and includes mortgage loans which are backed by associated properties. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. This fund has a quarterly redemption frequency with a 60-day notice period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 13 - Employee Benefits (continued)

Plan Assets (continued)

The following table summarizes the plan assets recognized and measured at fair value using the net asset value and the inputs used to determine the fair value:

	March 31, 2017				March 31, 2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified funds	33	None	Self-Liquidating	None	50	None	Self-Liquidating	None
Real estate and other	4,124	None	Quarterly	60 Days	4,352	None	Quarterly	60 Days

Non-U.S. Pension Plans

March 31, 2017

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$19,749	\$19,749	\$—	\$—
U.S. equities / equity funds	—	—	—	—
International equities / equity funds	5,208	—	5,208	—
Global equity funds	6,000	—	6,000	—
U.S. fixed income funds	—	—	—	—
International fixed income funds	6,040	—	6,040	—
Global fixed income funds	—	—	—	—
Other investments:				
Diversified funds	20,201	—	20,201	—
Real estate	—	—	—	—
Total	\$57,198	\$19,749	\$37,449	\$—

Non-U.S. Pension Plans

March 31, 2016

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$776	\$776	\$—	\$—
U.S. equities / equity funds	7,340	7,340	—	—
International equities / equity funds	13,615	4,335	9,280	—
Global equity funds	10,083	—	10,083	—
US fixed income funds	2,829	2,829	—	—
International fixed income funds	8,415	—	8,415	—
Global fixed income funds	6,813	1,384	5,429	—
Other investments:				
Diversified funds	1,685	1,685	—	—
Real estate	1,268	1,268	—	—
Total	\$52,824	\$19,617	\$33,207	\$—

The fair value hierarchy is described in Note 18 "Fair Value Measurements" to the "Notes to Consolidated Financial Statements." For all periods presented, the Company had no Non-U.S. pension plan assets measured at fair value using the net asset value. Plan assets are recognized and measured at fair value in accordance with the accounting standards regarding fair value measurements. The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of plan assets. Cash and cash equivalents include short-term investment funds, primarily in diversified portfolios of investment grade money market instruments and are valued using quoted market prices or other valuation methods, and thus classified within Level 1 or Level 2 of the fair value hierarchy.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries
(in thousands)

Note 13 - Employee Benefits (continued)

Plan Assets (continued)

Equity securities are investments in common stock of domestic and international corporations in a variety of industry sectors, and are valued primarily using quoted market prices and generally classified within Level 1 in the fair value hierarchy.

Fixed income securities include U.S. Treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. The fair value of fixed income securities are based on observable prices for identical or comparable assets, adjusted using benchmark curves, sector grouping, matrix pricing, broker/dealer quotes and issuer spreads, and are generally classified within Level 1 or Level 2 in the fair value hierarchy.

Investments in equity and fixed income mutual funds are publicly traded and valued primarily using quoted market prices and generally classified within Level 1 in the fair value hierarchy. Investments in commingled funds used in certain non-U.S. pension plans are not publicly traded, but the underlying assets held in these funds are traded in active markets and the prices for these assets are readily observable. Holdings in these commingled funds are generally classified as Level 2 investments.

Real estate investments include those in private limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally as well as publicly traded REIT securities. The fair values of private real estate assets are typically determined by using income and/or cost approaches or comparable sales approach, taking into consideration discount and capitalization rates, financial conditions, local market conditions and the status of the capital markets, and thus are generally classified within Level 3 in the fair value hierarchy. Publicly traded REIT securities are valued primarily using quoted market prices and are generally classified within Level 1 in the fair value hierarchy.

Diversified investments include those in limited partnerships that invest in companies that are not publicly traded on a stock exchange and mutual funds with an absolute return strategy. Limited partnership investment strategies in non-publicly traded companies include leveraged buyouts, venture capital, distressed investments and investments in natural resources. These investments are valued using inputs such as trading multiples of comparable public securities, merger and acquisition activity and pricing data from the most recent equity financing taking into consideration illiquidity, and thus are classified within Level 3 in the fair value hierarchy. Mutual fund investments with absolute return strategies are publicly traded and valued using quoted market prices and are generally classified within Level 1 in the fair value hierarchy.

Cash Flows

Contributions

The Company expects to contribute \$3,751 to its U.S. benefits plans and \$2,571 to its non-U.S. benefit plans in fiscal 2018.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Pension Benefits		Other Benefits	
U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans

	March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
2018	\$8,981	\$ 2,996	\$339	\$ 142
2019	7,047	2,805	341	147
2020	7,299	2,492	279	162
2021	6,920	2,949	280	169
2022	6,807	2,632	268	175
Years 2023-2027	31,888	15,385	1,320	991

The Company sponsors 401-k savings plans for most of its salaried employees located in the United States. The Supplemental Executive Retirement Plan and the Pension Equity Plan were replaced by the SRAP during 2008. The Company also maintains defined contribution plans at various foreign locations. The Company's contributions to the defined contribution plans were \$4,843 in 2017, \$3,978 in 2016 and \$4,009 in 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Alliance One International, Inc. and Subsidiaries

(in thousands)

Note 13 - Employee Benefits (continued)

Postretirement Health and Life Insurance Benefits

The Company provides certain health and life insurance benefits to retired U.S. employees (and their eligible dependents) who meet specified age and service requirements. The plan excludes new employees after September 2005 and caps the Company's annual cost commitment to postretirement benefits for retirees. The Company retains the right, subject to existing agreements, to modify or eliminate these postretirement health and life insurance benefits in the future.

The Company provides certain health and life insurance benefits to retired Brazilian directors and certain retirees located in Europe including their eligible dependents who meet specified requirements.

During the three months ended September 30, 2015, the Company announced that certain U.S. postretirement medical benefits would no longer be provided effective January 1, 2016. This change is accounted for as a negative plan amendment and resulted in a reduction of \$4,461 in the benefit obligation and in accumulated other comprehensive income as of September 30, 2015. The Company retains the right, subject to existing agreements, to modify or eliminate the postretirement medical benefits.

The following assumptions were used to determine non-U.S. Plan postretirement benefit obligations at March 31:

	2017	2016
Discount rate	9.74%	11.33%
Health care cost trend rate assumed for next year	8.00%	8.00%
Ultimate trend rate	8.00%	8.00%

A one-percentage-point change in assumed health care cost trend rates would not have a significant effect on the amounts reported for health care plans.

For 2017 and 2016, the annual rate of increase in the per capita cost of covered health care benefits is not applicable as the Company's annual cost commitment to the benefits is capped and not adjusted for future medical inflation.

Additional retiree medical benefits are provided to certain U.S. individuals in accordance with their employment contracts. For 2017 the additional cost related to these contracts was \$45.

Prior service credits of \$710 and unrecognized net actuarial losses of \$460 are expected to be amortized from accumulated comprehensive income into postretirement healthcare benefits net periodic benefit cost for the combined U.S. and non-U.S. postretirement benefits during fiscal 2018.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)