UNIVERSAL CORP /VA/
Form 10-K
May 22, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED MARCH 31, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ______________TO_______________
Commission File Number: 001-00652
UNIVERSAL CORPORATION
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	54-0414210 (I.R.S. Employer Identification Number)
9201 Forest Hill Avenue, Richmond, Virginia (Address of principal executive offices)	23235 (Zip Code)

Registrant's telephone number, including area code: 804-359-9311
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each 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 þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act.
Yes o No þ
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 þ No o
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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. o
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 definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ
The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates, based upon the closing sales price on the New York Stock Exchange of the registrant's common stock on September 30, 2014, the last day of the registrant's most recently completed second fiscal quarter, was approximately $1.0 billion.
As of May 20, 2015, the total number of shares of common stock outstanding was 22,593,266.
DOCUMENTS INCORPORATED BY REFERENCE
Certain information contained in the 2015 Proxy Statement for the Annual Meeting of Shareholders of the registrant is incorporated by reference into Part III hereof.

UNIVERSAL CORPORATION
FORM 10-K
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General

This Annual Report on Form 10-K, which we refer to herein as our Annual Report, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Among other things, these statements relate to Universal Corporation’s financial condition, results of operations and future business plans, operations, opportunities, and prospects. In addition, Universal Corporation and its representatives may make written or oral forward-looking statements from time to time, including statements contained in other filings with the Securities and Exchange Commission (the “SEC”) and in reports to shareholders. These forward-looking statements are generally identified by the use of words such as we “expect,” “believe,” “anticipate,” “could,” “should,” “may,” “plan,” “will,” “predict,” “estimate,” a expressions or words of similar import. These forward-looking statements are based upon management’s current knowledge and assumptions about future events and involve risks and uncertainties that could cause actual results, performance, or achievements to be materially different from any anticipated results, prospects, performance, or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to: anticipated levels of demand for and supply of our products and services; costs incurred in providing these products and services; timing of shipments to customers; changes in market structure; government regulation; product taxation; industry consolidation and evolution; changes in exchange rates; and general economic, political, market, and weather conditions. For a description of factors that may cause actual results to differ materially from such forward-looking statements, see Item 1A, “Risk Factors.” We caution investors not to place undue reliance on any forward-looking statements as these statements speak only as of the date when made, and we undertake no obligation to update any forward-looking statements made in this report. In addition, the discussion of the impact of current trends on our business in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Other Information Regarding Trends and Management’s Actions” in Item 7 should be read carefully in connection with evaluating our business and the forward-looking statements contained in this Annual Report.

This Annual Report uses the terms “Universal,” “the Company,” “we,” “us,” and “our” to refer to Universal Corporation and it subsidiaries when it is not necessary to distinguish among Universal Corporation and its various operating subsidiaries or when any distinction is clear from the context in which it is used.

PART I

Item 1. Business

A. The Company

Overview

We are the leading global leaf tobacco supplier. We operate in over 30 countries on five continents. Tobacco has been our principal focus since our founding in 1918. The largest portion of our business involves procuring and processing flue-cured and burley leaf tobacco for manufacturers of consumer tobacco products. Our reportable segments for our flue-cured and burley tobacco operations are North America and Other Regions. We also have a third reportable segment, Other Tobacco Operations, which comprises our dark tobacco business, our oriental tobacco joint venture, and certain tobacco- and non-tobacco-related services. We generated approximately $2.3 billion in consolidated revenues and earned $167.2 million in total segment operating income in fiscal year 2015. Universal Corporation is a holding company that operates through numerous directly and indirectly owned subsidiaries. Universal Corporation’s primary subsidiary is Universal Leaf Tobacco Company, Incorporated. See Exhibit 21, “Subsidiaries of the Registrant,” for additional subsidiary information.

Key Operating Principles

We believe that by following several key operating principles we can continue to produce good financial returns from our business and enhance shareholder value. These key operating principles are:

- Strategic market position. We work closely with both our customers and suppliers to ensure that we deliver a product that meets our customers' needs and promotes a strong sustainable supplier base. We believe that developing and maintaining these relationships is particularly valuable in the leaf tobacco industry where delivering quality, compliant tobacco at an appropriate price is a key factor in long-term profitability. Balancing these relationships, we target our tobacco production contracts against customer purchase indications and maintain global procurement and production supply chain operations that allow us to maximize efficiencies. We continually work to adapt our business model to meet our customers' evolving needs while providing the compliant products, stability of supply, and the high level of service that distinguishes our company.
- Strong local management. We operate with strong local management. We believe that having strong local management in each leaf tobacco origin helps us better identify and adjust to constantly changing market conditions and provides us with specific market knowledge quickly. We believe that this, coupled with effective global coordination, is a key factor in our ability to continue to deliver the high quality, competitively-priced products and services that our customers expect.
- Compliant products. We focus on sourcing a compliant product that meets customer requirements in a competitive, yet sustainable, manner. We are committed to continuous improvement by employing and promoting good agricultural practices which encompass crop quality, environmental stewardship, and agricultural labor practices (“Good Agricultural Practices”). Our Good Agricultural Practices programs educate farmers in such matters as the reduction of non-tobacco related materials, product traceability, environmental sustainability, and social responsibility.
- Diversified sources. We strive to maintain efficient diversified sources of leaf tobacco to minimize reliance on any one sourcing area. We operate in over 30 countries on five continents, maintain a presence in all major flue-cured, burley, oriental, and dark air-cured tobacco growing regions in the world, and hold a prominent position in all key tobacco areas. Our global reach allows us to meet our customers' diverse and dynamic leaf requirements and helps minimize the impact of crop failures or other localized supply interruptions.
- Financial strength. We believe that sustaining our financial strength is important, because it enables us to fund our business efficiently and make investments in our business when appropriate opportunities are identified. We believe that lower interest and capital costs give us a competitive advantage. Our financial strength also affords us financial flexibility in dealing with customer requirements and market changes. We continually work to improve our financial condition and creditworthiness.

Additional Information

Our website address is www.universalcorp.com. We post regulatory filings on this website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. These filings include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports on Forms 3, 4, and 5, and any amendments to those reports filed with or furnished to the SEC. Access to these filings on our website is available free of charge. Copies are also available, without charge, from Universal Corporation Investor Relations, 9201 Forest Hill Avenue, Richmond, VA 23235. Reports filed with the SEC may be viewed at www.sec.gov or obtained at the SEC Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. We also post our press releases on our website. Information on our website is not deemed to be incorporated by reference into this Annual Report.

In addition, our Corporate Governance Guidelines, Code of Conduct, and charters for the Audit Committee, the Executive Committee, the Executive Compensation, Nominating and Corporate Governance Committee, the Pension Investment Committee, and the Finance Committee are available free of charge to shareholders and the public through the “Corporate Governance” section of our website. Printed copies of the foregoing are available to any shareholder upon written request to our Treasurer at the address set forth on the cover of this Annual Report or may be requested through our website, www.universalcorp.com.

B. Description of Business

General

Our primary business is procuring, financing, processing, packing, storing, and shipping leaf tobacco for sale to, or for the account of, manufacturers of consumer tobacco products throughout the world. Procuring leaf tobacco involves contracting with, providing agronomy support to, and financing farmers in many origins. We do not manufacture cigarettes or other consumer tobacco products. Through various operating subsidiaries and unconsolidated affiliates located in tobacco-growing countries around the world, we contract, purchase, process, and sell flue-cured and burley tobaccos, as well as dark air-cured and oriental tobaccos. Flue-cured, burley, and oriental tobaccos are used principally in the manufacture of cigarettes, and dark air-cured tobaccos are used mainly in the manufacture of cigars, smokeless, and pipe tobacco products. We also provide value-added services to our customers, including blending, chemical and physical testing of tobacco, service cutting for select manufacturers, manufacturing reconstituted leaf tobacco, and managing just-in-time inventory.

In addition to our primary business, we are involved in tobacco and other agribusiness opportunities where we believe we can earn an adequate return, leverage our assets and expertise, and enhance our farmer base. We participate in a joint venture that supplies traceable liquid nicotine to the vapor products industry. During fiscal year 2015, we entered a new business to produce high-quality dehydrated and juiced fruit and vegetable products.

With respect to our primary business, we generate our revenues from product sales of processed, packed tobacco that we source, from processing fees for tobacco owned by third parties, and from fees for other services. Sales to our five largest customers, with whom we have longstanding relationships, have accounted for more than 60% of our consolidated revenues for each of the past three fiscal years. Our sales consist primarily of flue-cured and burley tobaccos. For the fiscal year ended March 31, 2015, our flue-cured and burley operations accounted for 90% of our revenues and 94% of our segment operating income.

We conduct our business in varying degrees in a number of countries, including Bangladesh, Brazil, the Dominican Republic, Germany, Guatemala, Hungary, India, Indonesia, Italy, Malawi, Mexico, Mozambique, the Netherlands, Nicaragua, Paraguay, the People's Republic of China, the Philippines, Poland, Russia, Singapore, South Africa, Spain, Switzerland, Tanzania, the United States, Zambia, and Zimbabwe. In addition, our oriental tobacco joint venture, Socotab, L.L.C. has operations in Bulgaria, Greece, Macedonia, and Turkey.

Because unprocessed, or "green," leaf tobacco is a perishable product, timely processing is an essential service to our customers. Our processing of leaf tobacco includes grading in the factories, blending, removal of non-tobacco material, separation of leaf from the stems, drying, packing to precise moisture targets for proper aging, as well as temporary storage. Accomplishing these tasks generally requires investments in factories and machinery in areas where the tobacco is grown. Processed tobacco that has been properly packed can be stored by customers for a number of years prior to use, but most processed tobacco is used within two to three years.

We are a major purchaser and processor in the chief exporting regions for flue-cured and burley tobacco throughout the world. Africa, Brazil, and the United States produce approximately 60% of the flue-cured and burley tobacco grown outside of China. We estimate that we have historically handled, through leaf sales or processing, between 35% and 45% of the annual production of such tobaccos in Africa, between 15% and 25% in Brazil, and between 25% and 35% in the United States. These percentages can change from year to year based on the size, price, and quality of the crops. Recently, as tobacco growing regions have expanded in Africa, we have handled a larger proportion of the crops there. We participate in the procurement, processing, storage, and sale of oriental tobacco through ownership of a 49% equity interest in Socotab, L.L.C., a leading processor and supplier of oriental tobaccos. In addition, we maintain a presence, and in certain cases, a leading presence, in virtually all other major tobacco growing regions in the world. We believe that our leading position in the leaf tobacco industry is based on our operating presence in all of the major sourcing areas, our ability to meet customer style, volume, and quality requirements, our expertise in dealing with large numbers of farmers, our long-standing relationships with customers, our development of processing equipment and technologies, and our financial position. The efficiencies that we offer our customers, due to our established network of operational expertise and infrastructure on the ground and our ability to market most styles and grades of leaf to a diverse customer base, are also key to our success.

We also have a leading position in worldwide dark tobacco markets. Our dark tobacco operations are located in most of the major producing countries and in other smaller markets. We operate in major dark tobacco producing countries,

including the United States, the Dominican Republic, Indonesia, Paraguay, the Philippines, Nicaragua, and Brazil. Dark tobaccos are typically used in the manufacture of cigars, pipe tobacco, and smokeless tobacco products, and as components of certain “roll-your-own” cigarette products.

Sales are made by our sales force and, to a much smaller degree, through the use of commissioned agents. Most customers are long-established tobacco product manufacturers. Customer contract arrangements vary around the world and include negotiated pricing as well as cost plus arrangements. Discussions of a customer’s longer-term needs may begin as early as one to two years in advance of a particular crop purchase. These discussions are key to our future crop production planning. Prior to planting each

year, we use early customer indications for type, style, processing, and volume requirements from the upcoming season's crop to help us determine our farmer contracting and grower input needs in our origins. We work with our farmers and customers continually throughout the crop season. As crops progress through the growing season, customers will inspect the crop, and a customer's early indications may be refined based upon emerging crop qualities and quantities and market pricing expectations. Ultimately, purchase agreements specifying quantity, quality, grade and price are executed, leading to committed inventory allocations of harvested green or processed leaf that we have acquired.

In the majority of the countries where we operate, we contract directly with tobacco farmers or tobacco farmer cooperatives. In most countries outside the United States, we advance seed, fertilizer, and other agricultural inputs to farmers. These advances are repaid by farmers with the tobacco they produce. We are dedicated to promoting a sustainable farmer base and provide our farmers with agronomy support. Our Good Agricultural Practices programs educate farmers in such matters as the reduction of non-tobacco related materials, product traceability, environmental sustainability, and social responsibility. In Malawi and Zimbabwe, we also purchase some tobacco under auction systems.

Our foreign operations are subject to international business risks, including unsettled political conditions, expropriation, import and export restrictions, exchange controls, and currency fluctuations. During the tobacco season in many of the countries listed above, we advance funds, guarantee local loans, or do both, each in substantial amounts, for the eventual purchase of tobacco. The majority of these seasonal advances and loan guarantees mature in one year or less upon the farmers' delivery of contracted tobaccos. Most advances to farmers are denominated in local currency, which is a source of foreign currency exchange rate risk. Most tobacco sales are denominated in U.S. dollars, which reduces our foreign currency exchange risk after the tobacco has been purchased. See Item 1A, "Risk Factors" for more information about our foreign currency exchange and other risks.

For a discussion of recent developments and trends in our business, along with factors that may affect our business, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 1A, "Risk Factors."

Seasonality

Our operations are seasonal in nature. Tobacco in Brazil is usually purchased from January through July, while buying in Malawi, Mozambique, and other African countries typically begins around April and continues through November. Farmers begin to sell U.S. flue-cured tobacco in late July, and the marketing season lasts for approximately four months.

We normally operate each of our processing plants for seven to nine months of the year. During this period for each region, inventories of green tobacco, inventories of processed tobacco, and trade accounts receivable normally reach peak levels in succession. We normally finance this expansion of current assets with cash, short-term borrowings from banks, and customer advances, and these funding sources normally reach their peak usage in each region during its respective purchasing or processing period. Our balance sheet at our fiscal year end reflects seasonal expansions in working capital in South America and Central America. Our financial performance is also impacted by the seasonality of our business. In recent years, as production volumes in Brazil have declined and volumes have increased in Africa, we have seen more of our volumes shipped and the related revenues move into the second half of our fiscal year. Changes in crop timing in a season or changes in customer shipment schedules can also shift recognition of revenue in a given fiscal year.

Customers

A material part of our business is dependent upon a few customers. Our five largest customers are Philip Morris International, Inc., Imperial Tobacco Group, PLC, British American Tobacco, PLC, China Tobacco International, Inc., and Japan Tobacco, Inc. In the aggregate, these customers have accounted for more than 60% of our consolidated revenues for each of the past three fiscal years. For the fiscal year ended March 31, 2015, each of Philip Morris International, Inc. and Imperial Tobacco Group, PLC, including their respective affiliates, accounted for 10% or more of our revenues, while British American Tobacco, PLC, China Tobacco International, Inc., and Japan Tobacco, Inc. each accounted for between 7% and 10% of our revenues. The loss of, or substantial reduction in business from, any of these customers could have a material adverse effect on our results. We have longstanding relationships with all of these customers.

We had commitments from customers for approximately $485 million of the tobacco in our inventories at March 31, 2015. Based upon historical experience, we expect that at least 80% of such orders will be delivered during fiscal year 2016. Most of our product requires shipment via trucks and oceangoing vessels to reach customer destinations. Delays in the delivery of orders can result from such factors as truck and container availability, port access and capacity, vessel scheduling, and changing customer requirements for shipment.

As more fully described in Note 1 to the consolidated financial statements in Item 8 of this Annual Report, we recognize sales revenue at the time that title to the tobacco and risk of loss passes to our customer. 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, including the United States, Italy, and Brazil, we process tobacco that is owned by our customers, and we recognize the revenue for that service when the processing is completed.

Competition

Competition among leaf tobacco suppliers is based on the ability to meet customer specifications in the growing, buying, processing, and financing of tobacco, and on the price charged for products and services. Competition varies depending on the market or country involved. The number of competitors varies from country to country, but there is competition in most areas to buy and sell the available tobacco. Our principal competitor is Alliance One International, Inc. ("Alliance One"). Alliance One operates in most of the countries where we operate. Based on our estimates, we do not believe that worldwide market shares differ substantially between the two companies. Most of our major customers are partially vertically integrated, and thus also compete with us for the purchase of leaf tobacco in several of the major markets.

In most major markets, smaller competitors are very active. These competitors typically have lower overhead requirements and provide less support to customers and farmers. Due to their lower cost structures, they can often offer a price on products that is lower than our price. However, we believe that we provide quality controls and farm programs that add value for our customers in an increasingly regulated world and make our products highly desirable. For example, we have established worldwide farm programs designed to prevent non-tobacco related materials from being introduced into the green tobacco delivered to our factories. In addition, we have established programs for sustainable tobacco production which include promoting Good Agricultural Practices that encompass crop quality, environmental stewardship, and agricultural labor practices. We believe that our major customers increasingly desire these services and that our programs increase the quality and value of the products and services we offer. We also believe that our customers value the security of supply that we are able to provide due to our strong relationships with our farmer base and our global footprint.

Reportable Segments

We evaluate the performance of our business by geographic region, although the dark air-cured and oriental tobacco businesses are each evaluated on the basis of their worldwide operations. Performance of the oriental tobacco operations is evaluated based on our equity in the pretax earnings of our affiliate. Under this structure, we have the following primary operating segments: North America, South America, Africa, Europe, Asia, Dark Air-Cured, Oriental, and Special Services. North America, South America, Africa, Europe, and Asia are primarily involved in flue-cured and burley leaf tobacco operations for supply to cigarette manufacturers. Our Dark Air-Cured group supplies dark air-cured tobacco principally to manufacturers of cigars, pipe tobacco, and smokeless tobacco products, and our Oriental business supplies oriental tobacco to cigarette manufacturers. Our Special Services group provides laboratory services, including physical and chemical product testing, e-cigarette and e-liquid testing, and smoke testing for customers. Our liquid nicotine joint venture and our fruit and vegetable ingredients business are included in the Special Services group.

The five regional operating segments serving our cigarette manufacturer customers share similar characteristics in the nature of their products and services, production processes, class of customer, product distribution methods, and regulatory environment. Based on the applicable accounting guidance, four of the regions – South America, Africa, Europe, and Asia – are aggregated into a single reporting segment, Other Regions, because they also have similar economic characteristics. North America is reported as an individual operating segment, because its economic characteristics differ from the other regions, generally because its operations require lower working capital investments for crop financing and inventory. The Dark Air-Cured, Oriental, and Special Services segments, which have differing characteristics in some of the categories mentioned above, are reported together as Other Tobacco Operations, because each is below the measurement threshold for separate reporting.

Financial Information about Segments

Our North America and Other Regions reportable segments, which represent our flue-cured and burley tobacco operations, accounted for 13% and 77% of our revenues and 19% and 75% of our segment operating income, respectively, in fiscal year 2015. Our Other Tobacco Operations reportable segment accounted for 10% of our revenues and 6% of our segment operating income in fiscal year 2015. Sales and other operating revenues and operating income attributable to our reportable segments for each of the last three fiscal years, along with segment assets for each reportable segment at March 31, 2015, 2014, and 2013, are set forth in Note 15 to the consolidated financial statements, which are included in Item 8 of this Annual Report. Information with respect to the geographic distribution of our revenues and long-lived assets is also set forth in Note 15 to the consolidated financial statements.

C. Employees

We employed over 27,000 employees throughout the world during the fiscal year ended March 31, 2015. We estimated this figure because the majority of our personnel are seasonal employees.

D. Research and Development

We did not expend material amounts for research and development during the fiscal years ended March 31, 2015, 2014, or 2013.

E. Patents, etc.

We hold no material patents, licenses, franchises, or concessions.

F. Government Regulation, Environmental Matters, and Other Matters

Our business is subject to general governmental regulation in the United States and in foreign jurisdictions where we conduct business. Such regulation includes, but is not limited to, matters relating to environmental protection. To date, governmental provisions regulating the discharge of material into the environment have not had a material effect upon our capital expenditures, earnings, or competitive position. See Item 1A, “Risk Factors” for a discussion of government regulations and other factors that may affect our business.

Item 1A. Risk Factors

Operating Factors

In areas where we purchase leaf tobacco directly from farmers, we bear the risk that the tobacco we receive will not meet quality and quantity requirements.

When we contract directly with tobacco farmers or tobacco farmer cooperatives, which is the method we use to purchase tobacco in most countries, we bear the risk that the tobacco delivered may not meet customer quality and quantity requirements. If the tobacco does not meet such market requirements, we may not be able to fill all of our customers' orders, and such failure would have an adverse effect on profitability and results of operations. In a contract market our obligation is to purchase the entire tobacco plant, which encompasses many leaf styles, therefore, we also have a risk that not all of that production will be readily marketable at prices which support acceptable margins. In addition, in many foreign countries where we purchase tobacco directly from farmers, we provide them with financing. Unless we receive marketable tobacco that meets the quality and quantity specifications of our customers, we bear the risk that we will not be able to fully recover our crop advances or recover them in a reasonable period of time.

The leaf tobacco industry is competitive, and we are heavily reliant on a few large customers.

We are one of two major independent global competitors in the leaf tobacco industry, both of whom are reliant upon a few large customers. The loss of one of those large customers or a significant decrease in their demand for our products or services could significantly decrease our sales of products or services, which would have a material adverse effect on our results of operations. The competition among leaf tobacco suppliers and dealers is based on the ability to meet customer requirements in the buying, processing, and financing of tobacco, and on the price charged for products and services. We believe that we consistently meet our customers' requirements and charge competitive prices. Since we rely upon a few significant customers, the consolidation or failure of any of these large customers, or a significant increase in their vertical integration, could contribute to a significant decrease in our sales of products and services.

We compete for both the purchase and sale of leaf with smaller leaf tobacco suppliers in some of the markets where we conduct business. Some of these smaller leaf tobacco suppliers operate in more than one country. Since they typically provide little or no support to farmers, these leaf tobacco suppliers typically have lower overhead requirements than we do. Due to their lower cost structures, they often can offer prices on products and services that are lower than our prices. Our customers also directly source leaf tobacco from farmers to meet some of their raw material needs. Direct sourcing provides our customers with some qualities and quantities of leaf tobacco that they prefer not to use in their existing blends and that may be offered for sale. This competition for both the sale and purchase of leaf could reduce the volume of the leaf we handle and could negatively impact our financial results.

Our financial results can be significantly affected by changes in the balance of supply and demand for leaf tobacco.

As a leaf tobacco supplier, our financial results can be significantly affected by changes in the overall balance of worldwide supply and demand for leaf tobacco. The demand for leaf tobacco, which is based upon customers' expectations of their future requirements, can change from time to time depending upon factors affecting the demand for their products. Our customers' expectations and their demand for leaf tobacco are influenced by a number of factors, including:

- trends in the global consumption of cigarettes,
- trends in consumption of cigars and other tobacco products,
- trends in consumption of alternative tobacco products, such as e-cigarettes,
- levels of competition among our customers, and
- regulatory and governmental factors.

The world supply of leaf tobacco at any given time is a function of current tobacco production, inventories held by manufacturers, and the stocks of leaf tobacco held by leaf tobacco suppliers. Production of tobacco in a given year may be significantly affected by such factors as:

- demographic shifts that change the number of farmers or the amount of land available to grow tobacco,
- decisions by farmers to grow crops other than leaf tobacco,
- elimination of government subsidies to farmers,
- volume of annual tobacco plantings and yields realized by farmers,

- availability of crop inputs,
- weather and natural disasters, including any adverse weather conditions that may result from climate change, and
- crop infestation and disease.

Any significant change in these factors could cause a material imbalance in the supply of and demand for tobacco, which would affect our results of operations.

Our financial results will vary according to tobacco growing conditions, customer requirements, and other factors. These factors may also limit the ability to accurately forecast our future performance and increase the risk of an investment in our common stock or other securities.

Our financial results, particularly our year-over-year quarterly comparisons, may be significantly affected by variations in tobacco growing seasons and fluctuations in crop sizes. The timing of the cultivation and delivery of tobacco is dependent upon a number of factors, including weather and other natural events, and our processing schedules and results of operations can be significantly altered by these factors. In addition, the potential impact of climate change is uncertain and may vary by geographic region. The possible effects, as described in various public accounts, could include changes in rainfall patterns, water shortages, changing storm patterns and intensities, and changing temperature levels that could adversely impact our costs and business operations and the supply and demand for leaf tobacco. Our operations also rely on dependable and efficient transportation services. A disruption in transportation services, as a result of climate change or otherwise, may also significantly impact our results of operations.

Further, the timing and unpredictability of customer orders and shipments may require us to keep tobacco in inventory and may also result in variations in quarterly and annual financial results. We base sales recognition on the passage of ownership. Since individual shipments may represent significant amounts of revenue, our quarterly and annual financial results may vary significantly depending on the timing of needs and shipping instructions of our customers and the availability of transportation services. These fluctuations result in varying volumes and sales in given periods, which also reduce the comparability of financial results.

Major shifts in customer requirements for tobacco supply may significantly affect our operating results.

If our customers significantly alter their requirements for tobacco volumes from certain regions, we may have to change our production facilities and alter our fixed asset base in certain origins. Permanent or long-term reduction in demand for tobacco from origins where we have operations may trigger restructuring and impairment charges. We may also need to make significant capital investments in other regions to develop the needed infrastructure to meet customer supply requirements.

Weather and other conditions can affect the marketability of our products.

Tobacco crops are subject to vagaries of weather and the environment that can, in some cases, change the quality or size of the crops. 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 manufacturers, 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 tobacco required by our customers. In addition, other factors can affect the marketability of tobacco, including, among other things, the presence of excess residues of crop protection agents or non-tobacco related materials. A significant event impacting the condition or quality of a large amount of any of the crops that we buy could make it difficult for us to sell these products or to fill customers' orders.

Regulatory and Governmental Factors

Government efforts to regulate the production and consumption of tobacco products could have a significant impact on the businesses of our customers, which would, in turn, affect our results of operations.

Nationally, the U.S. federal government and certain state and local governments have taken or proposed actions that may have the effect of reducing U.S. consumption of tobacco products and indirectly reducing demand for our products and services. These activities have included:

- restrictions on the use of tobacco products in public places and places of employment,
- legislation authorizing the U.S. Food and Drug Administration (the "FDA") to regulate the manufacturing and marketing of tobacco products,
- increases in the federal, state, and local excise taxes on cigarettes and other tobacco products, and
- the policy of the U.S. government to link certain federal grants to the enforcement of state laws restricting the sale of tobacco products.

Numerous other legislative and regulatory anti-smoking measures have been proposed at the federal, state, and local levels. About 5% of cigarettes manufactured worldwide are consumed in the United States.

Globally, a number of foreign governments and non-government organizations also have taken or proposed steps to restrict or prohibit tobacco product advertising and promotion, to increase taxes on tobacco products, to indirectly

limit the use of certain types of tobacco, and to discourage tobacco product consumption. A number of such measures, including plain packaging, are included in the Framework Convention on Tobacco Control (“FCTC”), which was negotiated and promoted globally under the auspices of the World Health Organization (“WHO”). We cannot predict the extent or speed at which the efforts of governments or non-governmental agencies to reduce tobacco consumption might affect the business of our primary customers. However, 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, has created a formal study group to identify and assess crop diversification initiatives and alternatives to growing leaf tobacco in countries whose economies depend upon tobacco production. The study group began its work in February 2007. If certain countries were to partner with the FCTC study group and seek to eliminate or significantly reduce leaf tobacco production, we could encounter difficulty in sourcing leaf tobacco to fill customer requirements, which could have an adverse effect on our results of operations.
Certain recommendations by the WHO, through the FCTC, may cause shifts in customer usage of certain styles of tobacco. As seen in countries like Canada and Brazil and in the European Union, efforts have been taken to eliminate ingredients from the manufacturing process for tobacco products. Such decisions could cause a change in requirements for certain styles of tobacco in particular countries. Shifts in customer demand from one type of tobacco to another could create sourcing challenges as requirements move from one origin to another.
Trade proposals currently under consideration include provisions that could effectively allow governments to regulate tobacco products differently than other products. These "carve outs" could negatively impact the industry and reduce requirements for leaf tobacco.
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. 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.
Because we conduct a significant portion of our operations internationally, political and economic uncertainties in certain countries could have an adverse effect on our performance and results of operations.
Our international operations are subject to uncertainties and risks relating to the political stability of certain foreign governments, principally in developing countries and emerging markets, and also to the effects of changes in the trade policies and economic regulations of foreign governments. These uncertainties and risks, which include undeveloped or antiquated commercial law, the expropriation, indigenization, or nationalization of assets, and the authority to revoke or refuse to renew business licenses and work permits, may adversely impact our ability to effectively manage our operations in those countries. We have substantial capital investments in South America and Africa, and the performance of our operations in those regions can materially affect our earnings. If the political situation in any of the countries where we conduct business were to deteriorate significantly, our ability to recover assets located there could be impaired. To the extent that we do not replace any lost volumes of tobacco with tobacco from other sources, or we incur increased costs related to such replacement, our financial condition or results of operations, or both, would suffer.
Changes in tax laws in the countries where we do business may adversely affect our results of operations.
Through our subsidiaries, we are subject to the tax laws of many jurisdictions. Changes in tax laws or the interpretation of tax laws can affect our earnings, as can the resolution of various pending and contested tax issues. In most jurisdictions, we regularly have audits and examinations by the designated tax authorities, and additional tax assessments are common. We believe that we comply with applicable tax laws in the jurisdictions where we operate, and we vigorously contest all significant tax assessments where we believe we are in compliance with the tax laws.
Financial Factors
Failure of our customers or suppliers to repay extensions of credit could materially impact our results of operations.
We extend credit to both suppliers and customers. A significant bad debt provision related to amounts due could adversely affect our results of operations. In addition, crop advances to farmers are generally secured by the farmers' agreement to deliver green tobacco. In the event of crop failure, delivery failure, or permanent reductions in crop

sizes, full recovery of advances may never be realized, or otherwise could be delayed until future crops are delivered. See Notes 1 and 14 to the consolidated financial statements in Item 8 for more information on these extensions of credit.

Fluctuations in foreign currency exchange rates may affect our results of operations.
We account for most of our tobacco operations using the U.S. dollar as the functional currency. The international tobacco trade generally is conducted in U.S. dollars, and we finance most of our tobacco operations in U.S. dollars. Although this generally limits foreign exchange risk to the economic risk that is related to leaf purchase and production costs, overhead, and income taxes in the source country, significant currency movements could materially impact our results of operations. Changes in exchange rates can make a particular crop more or less expensive in U.S. dollar terms. If a particular crop is viewed as expensive in U.S. dollar terms, it may be less attractive in the world market. This could negatively affect the profitability of that crop and our results of operations. In certain tobacco markets that are primarily domestic, the local currency is the functional currency. Examples of these markets are Hungary, Poland, and the Philippines. Similarly, the local currency is the functional currency in other markets, such as Western Europe, where export sales have been denominated primarily in local currencies. In these markets, reported earnings are affected by the translation of the local currency into the U.S. dollar. See Item 7A, “Qualitative and Quantitative Disclosure About Market Risk” for additional discussion related to foreign currency exchange risk.
Our purchases of tobacco are generally made in local currency, and we also provide farmer advances that are denominated in the local currency. We account for currency remeasurement gains or losses on those advances as period costs, and they are usually accompanied by offsetting increases or decreases in the purchase cost of tobacco, which is priced in the local currency. The effect of differences in the cost of tobacco is generally not realized in our earnings until the tobacco is sold, which often occurs in a quarter or fiscal year subsequent to the recognition of the related remeasurement gains or losses. The difference in timing could affect our profitability in a given quarter or fiscal year.
We have used currency hedging strategies to reduce our foreign currency exchange rate risks in some markets. In addition, where we source tobacco in countries with illiquid or nonexistent forward foreign exchange markets, we often manage our foreign exchange risk by matching funding for inventory purchases with the currency of sale and by minimizing our net investment in these countries. To the extent that we have net monetary assets or liabilities in local currency, and those balances are not hedged, we may have currency remeasurement gains or losses that will affect our results of operations.
Changes in interest rates may affect our results of operations.
We generally use both fixed and floating interest rate debt to finance our operations. Changes in market interest rates expose us to changes in cash flows for floating rate instruments and to changes in fair value for fixed-rate instruments. We normally maintain a proportion of our debt in both variable and fixed interest rates to manage this exposure, and from time to time we may enter hedge agreements to swap the interest rates. In addition, our customers may pay market rates of interest for inventory purchased on order, which could mitigate a portion of the floating interest rate exposure on short-term borrowings. To the extent we are unable to match these interest rates, a decrease in interest rates could increase our net financing costs. We also periodically have large cash balances and may receive deposits from customers, both of which we use to fund seasonal purchases of tobacco, reducing our financing needs. Decreases in short-term interest rates could reduce the income we derive from those investments. Changes in interest rates also affect expense related to our defined benefit pension plan, as described below.
Low investment performance by our defined benefit pension plan assets and changes in pension plan valuation assumptions 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 domestic defined benefit pension plans that cover certain eligible employees. Our results of operations may be positively or negatively affected by the amount of expense we record for these plans. U.S. generally accepted accounting principles (“GAAP”) require that we calculate expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions that may change based on changes in key economic indicators. The most significant year-end assumptions we used to estimate pension expense for fiscal year 2015 were the discount rate, the expected long-term rate of return on plan assets, and the mortality rates. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to shareholders’ equity through a reduction or increase to the “Pension and other postretirement benefits plan” component of Accumulated Other Comprehensive Loss. At the end of fiscal year 2015, the projected benefit obligation of our U.S. pension plan was $230 million and plan assets were $204 million. For a discussion

regarding how our financial statements can be affected by pension plan valuation assumptions, see “Critical Accounting Estimates – Pension and Other Postretirement Benefit Plans” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and in Note 11 to the consolidated financial statements in Item 8. Although GAAP expense and pension funding contributions are not directly related, key economic factors that affect GAAP expense can also affect the amount of cash we are required to contribute to our pension plans under requirements of the Employee Retirement Income Security Act (“ERISA”). Failure to achieve expected returns on plan assets could also result in an increase to the amount of cash we would be required to contribute to our pension plans. In order to maintain or improve the funded status of our plans, we may also choose to contribute more cash to our plans than required by ERISA regulations.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

We own the following significant properties (greater than 500,000 square feet):

Location	Principal Use	Building Area (Square Feet)
Flue-Cured and Burley Leaf Tobacco Operations:		
North America:		
United States		
Nash County, North Carolina	Factory and storages	1,312,000
Other Regions:		
Brazil		
Santa Cruz	Factory and storages	2,386,000
Malawi		
Lilongwe	Factory and storages	942,000
Mozambique		
Tete	Factory and storages	748,000
Philippines		
Agoo, La Union	Factory and storages	770,000
Tanzania		
Morogoro	Factory and storages	803,000
Zimbabwe		
Harare [1]	Factory and storages	1,445,000
Other Tobacco Operations:		
United States		
Lancaster, Pennsylvania	Factory and storages	793,000

(1) Owned by an unconsolidated subsidiary.

We lease headquarters office space of about 50,000 square feet at 9201 Forest Hill Avenue in Richmond, Virginia, which we believe is adequate for our current needs.

Our business involves, among other things, storing and processing green tobacco and storing processed tobacco. We operate processing facilities in major tobacco growing areas. In addition, we require tobacco storage facilities that are in close proximity to the processing facilities. We own most of the tobacco storage facilities, but we lease additional space as needs arise, and expenses related to such leases are not material. We believe that the properties currently utilized in our tobacco operations are maintained in good operating condition and are suitable and adequate for our purposes at our current volumes.

In addition to our significant properties listed above, we own other processing facilities in the following countries: Germany, Hungary, Italy, the Netherlands, Poland, and the United States. In addition, we have ownership interests in processing plants in Guatemala and Mexico and have access to processing facilities in other areas, such as India, the People's Republic of China, South Africa, and Zambia. Socotab L.L.C., an oriental tobacco joint venture in which we own a noncontrolling interest, owns tobacco processing plants in Turkey, Macedonia, and Bulgaria.

Except for the Lancaster, Pennsylvania facility, the facilities described above are engaged primarily in processing tobaccos used by manufacturers in the production of cigarettes. The Lancaster facility, as well as facilities in Brazil, the Dominican Republic, Indonesia, and Paraguay, process tobaccos used in making cigar, pipe, and smokeless products, as well as components of certain "roll-your-own" products.

We expect to complete the construction of a 120,000 square-foot processing facility for our new fruit and vegetable ingredients business and begin operations in that facility during fiscal year 2016. The facility is located in Nash County, North Carolina.

Item 3. Legal Proceedings

European Commission Fines in Italy

In 2002, we reported that we were aware that the European Commission (the "Commission") was investigating certain aspects of the leaf tobacco markets in Italy. One of our subsidiaries, Deltafina S.p.A. ("Deltafina"), buys and processes tobacco in Italy. We reported that we did not believe that the Commission investigation in Italy would result in penalties being assessed against us or our subsidiaries that would be material to our earnings. The reason we held this belief was that we had received conditional immunity from the Commission because Deltafina had voluntarily informed the Commission of the activities that were the basis of the investigation.

On December 28, 2004, we received a preliminary indication that the Commission intended to revoke Deltafina's immunity for disclosing in April 2002 that it had applied for immunity. Neither the Commission's Leniency Notice of February 19, 2002, nor Deltafina's letter of provisional immunity, contains a specific requirement of confidentiality. The potential for such disclosure was discussed with the Commission in March 2002, and the Commission never told Deltafina that the disclosure would affect Deltafina's immunity. On November 15, 2005, we received notification from the Commission that the Commission had imposed fines totaling €30 million on Deltafina and Universal Corporation jointly for infringing European Union antitrust law in connection with the purchase and processing of tobacco in the Italian raw tobacco market. In January 2006, Universal Corporation and Deltafina each filed appeals in the General Court of the European Union ("General Court"). Deltafina's appeal was held on September 28, 2010. For strategic reasons related to the defense of the Deltafina appeal, we withdrew our appeal. On September 9, 2011, the General Court issued its decision, in which it rejected Deltafina's application to reinstate immunity. Deltafina appealed the decision of the General Court to the European Court of Justice, and a hearing was held in November 2012. Effective with the September 9, 2011 General Court decision, we recorded a charge for the full amount of the fine (€30 million) plus accumulated interest (€5.9 million). The charge totaled $49.1 million at the exchange rate in effect on the date of the General Court decision. Deltafina previously provided the Commission a bank guarantee in the amount of the fine plus accumulated interest in order to stay execution during the appeals process. In January 2013, the guarantee was fully collateralized with a bank deposit. On June 12, 2014, the European Court of Justice issued its final decision on the matter, in which it rejected Deltafina's application to reinstate immunity. We and Deltafina paid the final amount of the fine and interest, approximately €38.9 million ($53.0 million), before June 30, 2014. Upon payment, the bank guarantee was terminated and the related deposit was returned. The payment of the fine and interest did not have a material impact on our operations or the operations at Deltafina.

Other Legal Matters

In addition to the above-mentioned matter, some of our subsidiaries are involved in other litigation or legal matters incidental to their business activities. While the outcome of these matters cannot be predicted with certainty, we are vigorously defending the matters 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.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Equity

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "UVV." The following table sets forth the high and low sales prices per share of the common stock on the NYSE Composite Tape, based upon published financial sources, and the dividends declared on each share of common stock for the quarter indicated.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year Ended March 31, 2015				
Cash dividends declared	$0.51	$0.51	$0.52	$0.52
Market price range:				
High	56.82	56.35	45.63	48.10
Low	52.16	44.39	38.53	39.27
Fiscal Year Ended March 31, 2014				
Cash dividends declared	$0.50	$0.50	$0.51	$0.51
Market price range:				
High	61.46	63.36	54.60	58.99
Low	54.45	48.43	50.06	49.84

Our current dividend policy anticipates the payment of quarterly dividends in the future. However, the declaration and payment of dividends to holders of common stock is at the discretion of the Board of Directors and will be dependent upon our future earnings, financial condition, and capital requirements. Under the terms of our Series B 6.75% Convertible Perpetual Preferred Stock (the "Preferred Stock"), we may not declare or pay dividends on our common stock unless dividends on the Preferred Stock for the four most recent consecutive dividend periods have been declared and paid. The Preferred Stock contains provisions that prohibit the payment of cash dividends if certain income and shareholders' equity levels are not met. Under certain of our credit facilities, we must meet financial covenants relating to minimum tangible net worth and maximum levels of debt. If we were not in compliance with them, these financial covenants could restrict our ability to pay dividends. We were in compliance with all such covenants at March 31, 2015. At May 20, 2015, there were 1,220 holders of record of our common stock. See Notes 6 and 12 to the consolidated financial statements in Item 8 for more information on debt covenants and equity securities.

Purchases of Equity Securities

The following table summarizes our repurchases of our common stock and our Series B 6.75% Convertible Perpetual Preferred Stock during the three-month period ended March 31, 2015:

	Common Stock			Series B 6.75% Convertible Perpetual Preferred Stock			
Period [1]	Total Number of Shares Repurchased	Average Price Paid Per Share [2]	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs [3]	Total Number of Shares Repurchased	Average Price Paid Per Share [2]	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs [3]	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [3]
January 1-31, 2015	214,900	$40.06	214,900	1,106	$985.00	$1,106	$68,339,934
February 1-28, 2015	25,405	41.86	25,405	—	—	—	67,276,553
March 1-31, 2015	—	—	—	—	—	—	67,276,553
Total	240,305	$40.25	240,305	1,106	$985.00	1,106	$67,276,553

(1) Repurchases are based on the date the shares were traded. This presentation differs from the consolidated statement of cash flows, where the cost of share repurchases is based on the date the transactions were settled.

(2) Amounts listed for average price paid per share include broker commissions paid in the transactions.

(3) A stock repurchase plan, which was authorized by our Board of Directors, became effective and was publicly announced on November 5, 2013. This stock repurchase plan authorizes the purchase of up to $100 million in common and/or preferred stock in open market or privately negotiated transactions, subject to market conditions and other factors. This stock repurchase program will expire on the earlier of November 15, 2015, or when we have exhausted the funds authorized for the program.

Item 6. Selected Financial Data

	Fiscal Year Ended March 31,				
	2015	2014	2013	2012	2011
	(in thousands, except share and per share data, ratios, and number of shareholders)				
Summary of Operations					
Sales and other operating revenues	$2,271,801	$2,542,115	$2,461,699	$2,446,877	$2,571,527
Segment operating income [1]	$167,225	$175,175	$232,757	$233,548	$257,925
Operating income	$167,874	$246,151	$223,009	$180,304	$254,600
Net income	$120,461	$155,155	$140,919	$100,819	$164,550
Net income attributable to Universal Corporation [2]	$114,608	$149,009	$132,750	$92,057	$156,565
Earnings available to Universal Corporation common shareholders	$99,748	$134,159	$117,900	$77,207	$141,715
Return on beginning common shareholders' equity	8.6 %	12.8 %	12.1 %	7.9 %	15.6 %
Earnings per share attributable to Universal Corporation common shareholders:					
Basic	$4.33	$5.77	$5.05	$3.32	$5.94
Diluted	$4.06	$5.25	$4.66	$3.25	$5.42
Financial Position at Year End					
Current ratio	6.03	3.68	2.80	4.31	3.08
Total assets	$2,198,473	$2,270,907	$2,306,155	$2,266,919	$2,227,867
Long-term obligations	$370,000	$240,000	$181,250	$392,500	$320,193
Working capital	$1,363,697	$1,218,270	$1,123,376	$1,297,921	$1,065,883
Total Universal Corporation shareholders' equity	$1,362,725	$1,378,230	$1,258,571	$1,183,451	$1,185,606
General					
Ratio of earnings to fixed charges	8.46	10.73	8.87	7.53	9.41
Ratio of earnings to combined fixed charges and preference dividends	4.05	5.49	4.69	4.07	5.17
Number of common shareholders	1,225	1,295	1,354	1,408	1,447
Weighted average common shares outstanding:					
Basic	23,035,920	23,238,978	23,354,793	23,227,884	23,859,373
Diluted	28,221,264	28,392,033	28,478,058	28,339,307	28,887,552
Dividends per share of convertible perpetual preferred stock (annual)	$67.50	$67.50	$67.50	$67.50	$67.50
Dividends per share of common stock (annual)	$2.06	$2.02	$1.98	$1.94	$1.90
Book value per common share	$50.95	$50.19	$44.79	$41.73	$41.85

(1) The Company evaluates the performance of its segments based on operating income after allocated overhead expenses (excluding significant charges or credits), plus equity in the pretax earnings of unconsolidated affiliates. See Note 15 to the consolidated financial statements in Item 8 of this Annual Report.

(2) We hold less than a 100% financial interest in certain consolidated subsidiaries, and a portion of net income is attributable to the noncontrolling interests in those subsidiaries.

The calculations of the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preference dividends are shown in Exhibit 12. Fixed charges primarily represent interest expense we incurred during the designated fiscal year, and preference dividends represent the pre-tax equivalent of dividends on preferred stock. Significant items included in the operating results in the above table are as follows:

- Fiscal Year 2015 – a $12.7 million benefit to pretax earnings from the reversal of a valuation allowance on the remaining unused balance of the excise tax credits realized from the favorable outcome of litigation by our subsidiary in Brazil in fiscal year 2014. In addition, we recorded a consolidated income tax benefit of $8.0 million arising from the ability of our subsidiary, Deltafina S.p.A. ("Deltafina"), to pay a significant portion of the European Commission fine and related interest charges settled during the first quarter following the unsuccessful appeal of the case related to tobacco buying practices in Italy. The effect of those items was partially offset by restructuring costs of $4.9 million, primarily related to downsizing certain functions at our operations in Brazil and the decision to suspend our operations in Argentina. On a combined basis, the net effect of these items increased income before income taxes by $7.8 million and net income by $13.1 million, or $0.46 per diluted share.
- Fiscal Year 2014 – an $81.6 million gain resulting from the favorable outcome of litigation by our operating subsidiary in Brazil related to previous years' excise tax credits. In addition to the gain, we recorded restructuring costs of $6.7 million, primarily related to the closure of a tobacco processing facility in Brazil and the consolidation of these operations into our main processing facility there. The net effect of the gain and the restructuring costs increased net income before income taxes by $74.9 million and net income by $48.7 million, or $1.72 per diluted share.
- Fiscal Year 2013 – $4.1 million in restructuring costs, primarily related to workforce reductions in Africa. The effect of these charges was a reduction in net income of $1.8 million, or $0.06 per diluted share.
- Fiscal Year 2012 – a $49.1 million charge to accrue a fine and accumulated interest imposed jointly on the Company and Deltafina by the European Commission related to tobacco buying practices in Italy. The charge reflected a September 2011 appeals court decision rejecting Deltafina's application to reinstate its immunity in the case. No income tax benefit was recorded on the non-deductible fine portion of the charge. In addition to that charge, we recorded restructuring costs of $11.7 million, including approximately $8.6 million for employee termination benefits, primarily related to our operations in the U.S. and South America, and $3.1 million for costs to exit a supplier arrangement in Europe. Results for the year also included a gain of $11.1 million on the sale of land and buildings in Brazil that were most recently used for storage activities and a $9.6 million gain on insurance settlement proceeds to replace factory and equipment lost in a fire at a plant in Europe. On a combined basis, the net effect of these items decreased income before income taxes by $40.0 million and net income by $40.3 million, or $1.42 per diluted share.
- Fiscal Year 2011 – a $7.4 million reversal of a portion of a charge recorded in fiscal year 2005 to accrue a fine imposed by the European Commission on Deltafina related to tobacco buying practices in Spain. The reversal reflected a favorable European Union's General Court decision in Deltafina's appeal of the fine. We also recorded a $19.4 million gain on the assignment of farmer contracts and sale of related assets in Brazil to an operating subsidiary of a major customer. In addition to those items, which benefited fiscal year 2011 earnings, we recorded $21.5 million in restructuring and impairment costs during the year. A significant portion of those costs related to our decision to close our leaf tobacco processing operations in Canada and sell the assets of those operations. Restructuring charges were also recorded to recognize costs associated with voluntary early retirement offers in our U.S. operations and additional voluntary and involuntary separations in various other locations. On a combined basis, the net effect of these items increased income before income taxes by $5.3 million and net income by $3.3 million, or about $0.12 per diluted share.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations is provided to enhance the understanding of, and should be read in conjunction with, Part I, Item 1, "Business" and Item 8, "Financial Statements and Supplementary Data." For information on risks and uncertainties related to our business that may make past performance not indicative of future results, or cause actual results to differ materially from any forward-looking statements, see "General," and Part I, Item 1A, "Risk Factors."

OVERVIEW

We are the leading global leaf tobacco supplier. We derive most of our revenues from sales of processed tobacco to manufacturers of tobacco products throughout the world and from fees and commissions for specific services. We hold a strategic position in the world leaf markets where we work closely with both our customers and farmers to ensure that we deliver a compliant product that meets our customers' needs while promoting a strong supplier base. We adapt to meet changes in customer requirements as well as broader changes in the leaf markets while continuing to provide the stability of supply and high level of service that distinguishes us in the marketplace. We believe that we have successfully met the needs of both our customers and suppliers while adapting to changes in leaf markets. Consequently, we have delivered strong results to our shareholders. Over the last three fiscal years, we have strengthened our balance sheet by repaying almost $100 million in debt, generated over $450 million in net cash flow from operations, and returned almost $240 million to our shareholders through a combination of dividends and share repurchases.

Despite smaller crops, rising leaf production costs, and margin pressures in most regions, we delivered better performance in fiscal year 2013 than we had anticipated at the beginning of the fiscal year. Some of this success was attributable to the sale of previously uncommitted inventories and carryover shipments of the prior year's large African and South American crops. In addition, we benefited from lower selling, general, and administrative costs. Certain of these costs reductions were unpredictable - such as currency remeasurement and exchange gains - and may not be recurring, while others were a result of our targeted cost reduction and efficiency improvement efforts.

We also performed well in the face of a challenging environment in fiscal year 2014. Due to larger crops, shipping volumes in the second half of fiscal year 2014 exceeded those in the comparable period of fiscal year 2013. These increased volumes partially offset lower levels of carryover volumes in the first half of fiscal year 2014, weaker margins in Brazil from volatile Brazilian leaf markets, and negative foreign currency remeasurement and exchange loss comparisons. Our higher working capital cash requirements in fiscal year 2014 were a sharp contrast to the returns of working capital seen in fiscal year 2013, when we had the advantage of sales of uncommitted inventory and large carryover crops that bolstered cash flows. In fiscal year 2014, purchases of larger crops, tighter margins in Brazil from higher green leaf costs, and investments in production growth in Africa utilized much of the substantial levels of cash flow from fiscal year 2013.

Given fiscal year 2015's oversupplied market conditions, we are pleased with the results we achieved. We ended the year with strong fourth quarter results, which helped to bring our segment operating earnings for the fiscal year in line with our expectations. We also realized higher margins, maintained our solid financial position, and returned over $90 million to our shareholders in dividends and share repurchases this fiscal year. We believe that our performance demonstrates our ability to execute well on our objective of delivering a compliant product in an efficient manner to our customers, under challenging circumstances.

We are well-positioned as we enter fiscal year 2016 with substantial cash balances and manageable uncommitted inventory levels. Markets in Africa and Brazil have opened at a similar pace compared to fiscal year 2015, and crop qualities are mixed, with production volumes expected to be lower in most origins. Although we are not seeing significant delays in customer orders, we expect shipping instructions to be weighted towards the second half of our fiscal year. In addition, while our own leaf inventories are well-managed, global tobacco leaf inventory volumes are high. This may have the effect of extending the duration of the oversupply conditions, despite reduced new crop production and a more positive outlook for demand from some customers based on recent recoveries in certain of their retail markets.

Looking beyond near-term market conditions, we are optimistic about the future as we believe there are several trends in our business that could provide opportunities for us to increase our market share and to offer additional services to our customers. We have recently seen an increase in the level of supply chain services, which include direct

purchasing, that we provide our customers, notably in the United States, Mexico, Brazil, and the Dominican Republic. We believe these moves acknowledge the efficiencies and services that global leaf suppliers bring to the entire supply chain. In addition, we believe that compliant leaf requirements and reduction in sourcing complexity will continue to be important to our customers and should favor stable global leaf suppliers who are able to meet these requirements.

RESULTS OF OPERATIONS

Amounts described as net income and earnings per diluted share in the following discussion are attributable to Universal Corporation and exclude earnings related to non-controlling interests in subsidiaries. The total for segment operating income referred to in the discussion below is a non-GAAP financial measure. This measure is not a financial measure calculated in accordance with GAAP and should not be considered as a substitute for net income, operating income, cash flows from operating activities or any other operating performance measure calculated in accordance with GAAP, and it may not be comparable to similarly titled measures reported by other companies. We have provided a reconciliation of the total for segment operating income to consolidated operating income in Note 15. "Operating Segments" to the consolidated financial statements in Item 8. We evaluate our segment performance excluding certain significant charges or credits. We believe this measure, which excludes these items that we believe are not indicative of our core operating results, provides investors with important information that is useful in understanding our business results and trends.

Fiscal Year Ended March 31, 2015, Compared to the Fiscal Year Ended March 31, 2014

Net income for the fiscal year ended March 31, 2015, was $114.6 million, or $4.06 per diluted share, compared with last year’s net income of $149.0 million, or $5.25 per diluted share. Last year’s results included a gain of $81.6 million before tax ($53.1 million after tax, or $1.87 per diluted share), from the favorable outcome of litigation in Brazil related to previous years’ excise tax credits. Results for the current fiscal year included a further gain related to those tax credits, of $12.7 million before tax ($0.29 per diluted share) recorded in the fourth fiscal quarter from updated projections of the utilization of the credits before expiration. The current year also included an income tax benefit of $8.0 million ($0.28 per diluted share) arising from a subsidiary’s payment of a portion of a fine following the resolution of a court case. Pretax restructuring costs of $4.9 million ($0.11 per diluted share) and $6.7 million ($0.15 per diluted share) were also incurred for fiscal years 2015 and 2014, respectively. Excluding those items in both years, net income for the fiscal year increased $1.2 million ($0.07 per diluted share) compared to the same period last year. Segment operating income, which excludes those items, was $167.2 million for fiscal year 2015, a decrease of $8.0 million from the prior year. That reduction was primarily attributable to this year’s lower sales volumes, partially mitigated by a reduction in selling, general, and administrative costs. Revenues of $2.3 billion for fiscal year 2015 declined 11% compared with the previous year, driven mainly by those lower overall volumes and modestly lower green leaf costs.

Flue-cured and Burley Leaf Tobacco Operations

Other Regions

Operating income for the Other Regions segment for the fiscal year ended March 31, 2015, was $125.8 million, down 6% compared to $133.4 million in the previous fiscal year. The decrease was attributable mainly to reduced sales volumes in all regions along with inventory writedowns, primarily in Africa and South America, reflecting this year’s oversupply market conditions. The impact of those factors was somewhat mitigated by improved gross margins, particularly in Brazil, where volatile markets increased green leaf costs last year, as well as benefits from lower selling, general and administrative costs. Results for Europe were also negatively influenced by currency translation effects from a stronger U.S. dollar. Selling, general, and administrative expenses for the segment declined for the fiscal year, mostly from lower currency remeasurement and exchange losses in the Philippines and Brazil, lower provisions for supplier advances, and positive comparisons of value-added tax valuation allowances, partly offset by higher customer claims. Revenues for the segment were down about 10% to $1.7 billion, on reduced volumes and lower average green leaf prices.

North America

Operating income for the North America segment for the fiscal year ended March 31, 2015 was $31.1 million, up $7.8 million compared with the previous year, on increased third party processing business and a more favorable sales mix, despite lower overall sales volumes. Revenues for the segment for fiscal year 2015 decreased by 13% to $305.0 million on reduced sales volumes and lower green leaf prices. Selling, general, and administrative costs for this segment were relatively flat for fiscal year 2015.

Other Tobacco Operations

For the fiscal year ended March 31, 2015, the Other Tobacco Operations segment operating income was down $8.2 million to $10.3 million compared with the same period of the prior year. Results for the dark tobacco operations contributed significantly to the decline, as lower sales volumes, in part due to shipment timing, were partially mitigated by favorable currency remeasurement comparisons, mainly in Indonesia. Results for the special services group also contributed to the decline, reflecting startup costs for the new food ingredients business. However, results from the oriental joint venture improved for the fiscal year despite sales volume declines influenced by shipment timing comparisons. The impact from the volume declines was more than offset by favorable variances from the prior year's currency remeasurement losses and lower selling, general and administrative costs. Revenues for the segment were down by $34.3 million to $227.0 million for the year ended March 31, 2015, compared to the previous year, primarily attributable to the lower volumes for the dark tobacco operations, as well as lower overall volumes and the timing of shipments of oriental tobaccos into the United States.

Other Items

Cost of goods sold decreased by about 12% to $1.9 billion for the fiscal year ended March 31, 2015, consistent with lower overall sales volumes and lower green leaf prices compared with the previous year. Selling, general, and administrative costs decreased by $11.8 million for fiscal year 2015, compared with fiscal year 2014. The decline for the fiscal year was primarily related to lower currency remeasurement and exchange costs, provisions for suppliers, and value-added tax allowances, partly offset by higher customer claims.

Interest expense of $17.1 million for fiscal year 2015 declined by about 16%, compared to the prior fiscal year. The reduction was mostly due to lower average interest rates during the period, offset in part by slightly higher average debt balances. The consolidated effective income tax rates on pretax earnings were approximately 24% and 33% for the fiscal years ended March 31, 2015 and 2014, respectively. Income taxes for fiscal year 2015 were reduced by a non-recurring benefit of $8.0 million arising from the partial payment of the European Commission fine by our Italian subsidiary in June 2014. Excluding that item, the consolidated effective tax rate for fiscal 2015 was about 29%. The rates for both years, excluding adjustments, were below the 35% federal statutory rate mainly because of the effect of changes in exchange rates on deferred income tax assets and liabilities, as well as lower effective rates on dividend income from certain foreign subsidiaries.

On December 30, 2014, the Company executed a new senior unsecured credit facility agreement with a group of banks, which consolidated and extended maturities of its previous short-term revolving credit and long-term borrowing facilities. The new agreement includes a $430 million five-year revolving credit facility, a $150 million five-year term loan, and a $220 million seven-year term loan. The revolving credit facility contains terms and conditions that are substantially similar to the Company’s previous revolving credit facility. The term loans, which were fully funded at closing, require no amortization and are prepayable without penalty prior to maturity. The facilities include a customary accordion feature allowing for additional borrowings of up to $100 million under certain conditions. Currently, borrowings under the revolving credit agreement bear interest at variable rates based on LIBOR plus a margin of 1.50% to 1.75%. The Company subsequently entered interest rate swap agreements to fix the variable interest component of the five- and seven-year term loans to 1.44% and 1.73%, respectively. The effective rates on the five- and seven-year term loans were 2.94% and 3.48%, respectively, as of May 18, 2015.

Fiscal Year Ended March 31, 2014, Compared to the Fiscal Year Ended March 31, 2013

Net income for the fiscal year ended March 31, 2014, was $149.0 million, or $5.25 per diluted share, compared with net income for the fiscal year ended March 31, 2013, of $132.8 million, or $4.66 per diluted share. Fiscal year 2014’s results included a gain in the first fiscal quarter of $81.6 million before tax ($53.1 million after tax, or $1.87 per diluted share), from the favorable outcome of litigation in Brazil related to previous years’ excise tax credits. The annual results also included pretax restructuring costs of $6.7 million ($0.15 per share) and $4.1 million ($0.06 per share) for fiscal years 2014 and 2013, respectively. Segment operating income, which excludes those items, was $175.2 million for fiscal year 2014, a decrease of $57.6 million from the prior year. That reduction was primarily attributable to weaker margins in Brazil from higher green leaf costs, increased currency remeasurement and exchange costs, and the higher sales of carryover and uncommitted inventories in fiscal year 2013. Revenues of $2.5 billion for fiscal year 2014 were up 3.3% compared with revenues for fiscal year 2013, as slightly lower volumes were offset by higher prices.

Flue-cured and Burley Leaf Tobacco Operations

Other Regions

Within our flue-cured and burley leaf tobacco operations, operating income for our Other Regions segment for the fiscal year ended March 31, 2014, declined by 31% to $133.4 million compared with the fiscal year ended March 31, 2013. The reduction was driven primarily by results in South America, on lower volumes from fewer carryover shipments and weaker margins from higher green leaf prices. Africa results were negatively impacted by a less favorable product mix despite increased shipment volumes from larger current crops. The weaker results in those regions were partly mitigated by improved results in Europe as well as in Asia, where trading volumes were higher. Selling, general, and administrative expenses for the segment were significantly higher for fiscal year 2014, mostly due to unfavorable net foreign currency remeasurement and exchange comparisons, as losses in fiscal year 2014 compared to gains in fiscal year 2013, mostly in Africa, South America, and Asia. Revenues for this segment for fiscal year 2014 increased by about 3% to $1.9 billion compared with fiscal year 2013, reflecting modestly reduced volumes

and higher green leaf prices.

North America

Operating income for our North America segment for fiscal year 2014 was $23.2 million, up $3.5 million compared with fiscal year 2013, on a more favorable product mix and lower overheads, including postretirement benefit costs. Revenues for this segment increased 4% to $348.6 million on a combination of reduced volumes, higher green leaf costs, and improved product mix.

Other Tobacco Operations

In our Other Tobacco Operations segment, operating income was down $2.0 million to $18.5 million for fiscal year 2014, compared with the comparable period of fiscal year 2013, primarily due to lower results for the oriental joint venture. In fiscal 2014, the oriental business achieved higher revenues and reduced operating expenses which were more than offset by large currency remeasurement and exchange losses from the devaluation of the Turkish lira. Our dark tobacco operations saw earnings improvements from a better product mix for fiscal year 2014, although these benefits were nearly offset by higher foreign currency remeasurement and exchange losses, mainly from the Indonesian rupiah.

Revenues for this segment increased by about 2% to $261.3 million for fiscal year 2014. Higher volumes attributable to the timing of shipments of oriental tobaccos into the United States, combined with lower volumes in the dark tobacco operations, drove the revenue change.

Other Items

Cost of goods sold increased by about 5% to $2.1 billion for the fiscal year ended March 31, 2014, reflecting higher green leaf costs compared with the fiscal year ended March 31, 2013. Selling, general, and administrative costs increased by $26.7 million for fiscal year 2014, compared with fiscal year 2013. The large increase for fiscal year 2014 was primarily related to unfavorable comparisons from currency remeasurement and exchange losses, which amounted to $20.3 million compared with gains of $9.6 million in fiscal year 2013.

Interest expense of $20.3 million for fiscal year 2014 declined by about 8%, compared to fiscal year 2013. The reduction was mostly due to lower average debt levels and interest rates during the period. The consolidated effective income tax rates on pretax earnings were approximately 33% and 32% for the fiscal years ended March 31, 2014 and 2013, respectively. The rates for both periods were lower than the 35% federal statutory rate mainly because of the effect of changes in exchange rates on deferred income tax assets and liabilities, as well as lower effective rates on dividend income from certain foreign subsidiaries.

In the first fiscal quarter of 2014, we recorded an $81.6 million gain resulting from the favorable conclusion during the quarter of a longstanding lawsuit challenging the Brazilian government's denial of our rights to claim certain excise tax credits generated in previous years. The outcome of the case entitles us to the previously denied excise tax credits, as well as additional credits for interest from the dates the tax credits should have been available (approximately $104 million at the date the lawsuit was concluded). All avenues of appeal by either party were exhausted, and we are now permitted to utilize the total amount of the credits to offset future federal tax obligations for a period of up to five years. The amount of the gain, which is reported in Other Income, reflects our current estimate of the actual tax credits that are likely to be realized before they expire.

On October 15, 2013, we repaid at maturity $200 million principal amount of 5.2% medium term notes. Subsequently, we entered into a $175 million senior term loan agreement with a group of banks. The loan is unsecured and matures in five years. Loans outstanding under the agreement currently bear interest at LIBOR plus 1.50% and may be prepaid at any time without premium or penalty. The financial covenants under the new term loan agreement are substantially similar to those of our $450 million senior unsecured committed revolving credit facility, including maintaining a minimum level of tangible net worth and observing limits on debt levels.

Accounting Pronouncements

We adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," effective at the beginning of fiscal year 2014. The new guidance requires companies to report the effect of significant reclassifications out of accumulated other comprehensive income (loss) on the respective line items in net income unless the amounts are not reclassified in their entirety to net income. For amounts that are not reclassified in their entirety to net income in the same reporting period, companies are required to cross-reference other disclosures that provide additional detail about those amounts. Since the new guidance requires additional disclosures only, it did not have any impact on our results of operations, cash flows, or financial position. The required disclosures are provided in Note 16 to the consolidated financial statements in Item 8.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes substantially all of the current revenue recognition guidance under U.S. generally accepted accounting principles ("U.S. GAAP"). ASU 2014-09 was developed under a joint project with the

International Accounting Standards Board ("IASB") to improve and converge the existing revenue recognition accounting guidance in U.S. GAAP and International Accounting Standards. Under ASU 2014-09, the central underlying principle is to recognize revenues when promised goods or services are transferred to customers at an amount determined by the consideration a company expects to receive for those goods or services. The guidance outlines a five-step process for determining the amount and timing of revenue to be recognized from those arrangements. It is more principles-based than the existing guidance under U.S. GAAP, and therefore is expected to require more management judgment and involve more estimates than the current guidance. ASU 2014-09 is effective for annual periods beginning after December 15, 2016, including all interim periods within the year of adoption. However, the FASB has recently proposed a one-year deferral of the effective date. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method

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that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. Assuming the proposed one-year deferral of the effective date is issued by the FASB as expected, we would expect to adopt ASU 2014-09 effective April 1, 2018, which is the beginning of our fiscal year ending March 31, 2019. We are currently evaluating the impact that the adoption of ASU 2014-09 will have on our consolidated financial statements and have not made any decision on the method of adoption.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our working capital requirements in fiscal year 2015 were lower compared to fiscal year 2014 primarily due to lower crop purchase volumes and green tobacco prices. However, market oversupply conditions, which delayed purchasing, processing, and crop shipments this year, extended the duration of our working capital needs in most origins. We generated $226.5 million in net cash flows to fund our operating activities during the fiscal year, and our liquidity was sufficient to meet our needs. We also continued our conservative financial policies, maintained our discipline on using our free cash flow, and returned funds to shareholders.

Our liquidity and capital resource requirements are predominately short-term in nature and primarily relate to working capital required for tobacco crop purchases. Working capital needs are seasonal within each geographic region. The geographic dispersion and the timing of working capital needs permit us to predict our general level of cash requirements, although crop sizes, prices paid to farmers, shipment and delivery timing, and currency fluctuations affect requirements each year. Peak working capital requirements are generally reached during the first and second fiscal quarters. Each geographic area follows a cycle of buying, processing, and shipping tobacco, and in many regions we also provide agricultural materials to farmers during the growing season. The timing of the elements of each cycle is influenced by such factors as local weather conditions and individual customer shipping requirements, which may change the level or the duration of crop financing. Despite a predominance of short-term needs, we maintain a portion of our total debt as long-term to reduce liquidity risk. We also periodically have large cash balances that we utilize to meet our working capital requirements.

We believe that our financial resources are adequate to support our capital needs for at least the next twelve months. Our seasonal borrowing requirements primarily relate to purchasing crops in South America and Africa and can increase from March to September by more than $300 million. The funding required can vary significantly depending upon such factors as crop sizes, the price of leaf, the relative strength of the U.S. dollar, and the timing of shipments and customer payments. We deal with this uncertainty by maintaining substantial credit lines and cash balances. In addition to our operating requirements for working capital, we expect to spend around $60 to $65 million during fiscal year 2016 for capital expenditures to maintain our facilities, complete the construction of a new manufacturing facility for our food ingredients business, and invest in opportunities to grow and improve our tobacco business. We also expect to provide about $12 million in funding to our pension plans. We have no long-term debt maturing before fiscal year 2020. After balancing our capital structure, any excess cash flow from operations after dividends and capital expenditures will be available to fund expansion, purchase our stock, or otherwise enhance shareholder value.

Cash Flow

Our operations generated about $226.5 million in operating cash flows in fiscal year 2015. That amount was about $230 million higher than the $3.5 million we required during the same period last fiscal year, primarily due to lower crop purchase volumes and green leaf prices. During the fiscal year ended March 31, 2015, we increased our cash balances by $85.3 million, spent $58.4 million on capital projects, returned $94.9 million to shareholders in the form of dividends and repurchases of our common and preferred stock, and refinanced a major portion of our capital structure, extending our debt maturities. At March 31, 2015, cash balances totaled $248.8 million.

Working Capital

Working capital at March 31, 2015, was about $1.4 billion, up $145.4 million from last year's level. The $85.3 million increase in cash and cash equivalents was partially offset by fewer advances to suppliers on smaller anticipated 2015 crops, down $19.7 million. We extended our debt maturities as part of our $800 million refinancing in December 2014 and, as a result, we have no principal payments due on our long-term debt over the next twelve months.

Tobacco inventories of $636.5 million at March 31, 2015, were relatively flat compared to inventory levels at the end of the prior fiscal year. We usually finance inventory with a mix of cash, notes payable, and customer deposits, depending on our borrowing capabilities, interest rates, and exchange rates, as well as those of our customers. We generally do not purchase material quantities of tobacco on a speculative basis. However, when we contract directly with farmers, we are often obligated to buy all stalk positions, which may contain less marketable leaf styles. Our uncommitted tobacco inventories decreased by approximately $20.3 million to $151.1 million, or about 24% of tobacco inventory, at March 31, 2015. Uncommitted inventories at March 31, 2014, were $171.4 million, which represented 27% of tobacco inventory. The level of these uncommitted inventories is influenced by timing of farmer

deliveries of new crops, as well as the timing of customer deliveries.

In the quarter ended June 30, 2014, following our unsuccessful appeal, we paid the European Commission fine related to market activities in Italy. In order to stay execution during the appeals process, we had put in place a bank guarantee in favor of the Commission in the amount of the fine plus accumulated interest and had collateralized that guarantee with a bank deposit. Following payment of the fine and the return of the bank deposit, other current assets and accounts payable and accrued expenses were each reduced by approximately $54 million.

Share Repurchase Activity

Our Board of Directors approved our current share repurchase program in November 2013. The program expires in November 2015 and authorizes the purchase of up to $100 million of our common and preferred stock. Under the authorization, we may purchase shares from time to time on the open market or in privately negotiated transactions at prices not exceeding prevailing market rates. During fiscal year 2015, we purchased 719,993 shares of common stock at an aggregate cost of $31.2 million (average price per share of $43.37) and 1,509 shares of preferred stock at an aggregate cost of $1.5 million (average price per share of $992.27). In determining our level of common share repurchase activity, our intent is to use only cash available after meeting our anticipated capital investment, dividend, and working capital requirements. Repurchases of shares under the repurchase program may vary based on management discretion, as well as changes in cash flow generation and availability. At March 31, 2015, our available authorization under our current share repurchase program was $67.3 million, and approximately 22.6 million common shares and 218,490 preferred shares were outstanding.

Capital Spending

Our capital expenditures are generally limited to those that add value, replace or maintain equipment, increase efficiency, or position us for future growth. In deciding where to invest capital resources, we look for opportunities where we believe we can earn an adequate return, leverage our assets and expertise, and enhance our farmer base. Our capital expenditures totaled $58.4 million in fiscal year 2015 and $45.8 million in fiscal year 2014. Increased capital spending in fiscal years 2014 and 2015 is attributable mainly to production expansion projects in Africa and construction of our new manufacturing facility for our food ingredients business. Depreciation expense was approximately $35.4 million and $37.3 million, respectively, in each of fiscal years 2015 and 2014. Generally, our routine capital spending is at a level below depreciation expense in order to maintain strong cash flow. However, from time to time, we undertake projects that increase spending beyond those limits when we identify opportunities to improve efficiencies, add value for our customers, and position ourselves for future growth. We currently plan to spend approximately $60 to $65 million in fiscal year 2016 on capital projects for maintenance of our facilities, completion of the new manufacturing facility for our food ingredients business, and other investments to grow and improve our tobacco business.

Outstanding Debt and Other Financing Arrangements

We consider the sum of notes payable and overdrafts, long-term debt (including the current portion), and customer advances and deposits, less cash, cash equivalents, and short-term investments on our balance sheet to be our net debt. We also consider our net debt plus shareholders' equity to be our net capitalization. Net debt decreased by $60.2 million to $211.3 million during the fiscal year ended March 31, 2015. The decrease primarily reflects higher cash balances, partially offset by higher debt levels. Net debt as a percentage of net capitalization was approximately 13% at March 31, 2015, down from 16% at March 31, 2014, and it remains lower than our target range for peak borrowings of 30% to 40% of net capitalization.

In December 2014, we entered into a new bank credit agreement that established a five-year committed revolving credit facility of $430 million, a funded $150 million five-year term loan, and a funded $220 million seven-year term loan. Both term loans require no amortization and may be prepaid without penalty prior to maturity. The new revolving credit facility replaced a $450 million revolving credit facility that would have matured in November 2016. We concurrently repaid $248.8 million outstanding on term loans under previous bank credit facilities and approximately $120 million in borrowings under the previous revolving credit facility. In addition, on December 1, 2014, we repaid at maturity our $100 million 6.25% medium-term note using cash on hand and revolver borrowings. The financial covenants under the new revolving credit facility are similar to those of the previous facility and require us to maintain certain levels of tangible net worth and observe restrictions on debt levels. As of March 31, 2015, we had no borrowings under the revolving credit facility, and we were in compliance with all covenants of our debt agreements.

As of March 31, 2015, we, together with our consolidated affiliates, had approximately $388 million in uncommitted lines of credit, of which approximately $328 million were unused and available to support seasonal working capital needs. We also have an active, undenominated universal shelf registration filed with the SEC in November 2014, that provides for future issuance of additional debt or equity securities. We have no long-term debt maturing in fiscal year 2016.

Derivatives

From time to time, we use interest rate swap agreements to manage our exposure to changes in interest rates. Upon repayment of outstanding term loans in December 2014, we terminated $74 million notional amount of swap agreements. The fair value of these swap agreements was a liability of approximately $0.6 million. In January 2015, we entered into interest rate swap agreements that convert the variable benchmark LIBOR rate on the new term loans entered into in December 2014 to a fixed rate. With the swap agreements in place, the effective interest rates on the $150 million five-year term loan and the $220 million seven-year term loan were 2.95% and 3.49%, respectively, as of March 31, 2015. These agreements were entered into to eliminate the variability of cash flows in the interest payments on our variable-rate five- and seven-year term loans and are accounted for as cash flow hedges. Under the swap agreements, we receive variable rate interest and pay fixed rate interest. At March 31, 2015, the fair value of our open interest rate hedge swaps was a net liability of approximately $3 million .

We also enter forward contracts from time to time to hedge certain foreign currency exposures, primarily related to forecast purchases of tobacco and related processing costs in Brazil, as well as our net monetary asset exposure in local currency there. We generally account for our hedges of forecast tobacco purchases as cash flow hedges. At March 31, 2015, the fair value of those open contracts was a net liability of approximately $0.3 million. We also had other forward contracts outstanding that were not designated as hedges, and the fair value of those contracts was a net asset of approximately $5 million at March 31, 2015. For additional information, see Note 9 to the consolidated financial statements in Item 8.

Pension Funding

Funds supporting our ERISA-regulated U.S. defined benefit pension plan increased by $10 million during fiscal year 2015 to $204 million, as contributions and asset returns exceeded benefit payments. Following the changes to the plan benefit formula during fiscal year 2014, the accumulated benefit obligation ("ABO") and the projected benefit obligation ("PBO") were both approximately $230 million as of March 31, 2015. The ABO and PBO are calculated on the basis of certain assumptions that are outlined in Note 11 to the consolidated financial statements in Item 8. We expect to make contributions of about $12 million to our pension plans, including $5 million to our ERISA-regulated plan, during the next year. It is our policy to regularly monitor the performance of the funds and to review the adequacy of our funding and plan contributions.

Contractual Obligations

Our contractual obligations as of March 31, 2015, were as follows:

(in thousands of dollars)	Total	2016	2017-2018	2019-2020	After 2020
Notes payable and long-term debt [(1)]	$503,423	$72,912	$24,114	$173,012	$233,385
Operating lease obligations	40,529	10,826	13,975	7,738	7,990
Inventory purchase obligations:					
Tobacco	891,667	555,488	336,179	—	—
Agricultural materials	42,017	42,017	—	—	—
Other purchase obligations	23,636	23,636	—	—	—
Total	$1,501,272	$704,879	$374,268	$180,750	$241,375

(1) Includes interest payments. Interest payments on $429.9 million of variable rate debt were estimated based on rates as of March 31, 2015. The Company has entered interest rate swaps that effectively convert the interest payments on the $370.0 million outstanding balance of its two bank term loans from variable to fixed. The fixed rate has been used to determine the contractual interest payments for all periods.

In addition to principal and interest payments on notes payable and long-term debt, our contractual obligations include operating lease payments, inventory purchase commitments, and capital expenditure commitments. Operating lease obligations represent minimum payments due under leases for various production, storage, distribution, and other facilities, as well as vehicles and equipment. Tobacco inventory purchase obligations primarily represent contracts to purchase tobacco from farmers. The amounts shown above are estimates since actual quantities purchased will depend on crop yield, and prices will depend on the quality of the tobacco delivered. About 43% of our crop year contracts to purchase tobacco are with farmers in Brazil. We have partially funded our tobacco purchases in Brazil and in other regions with advances to farmers and other suppliers, which totaled approximately $115 million, net of allowances, at March 31, 2015. In addition, we have guaranteed bank loans to farmers in Brazil that relate to a portion of our tobacco purchase obligations there. At March 31, 2015, we were contingently liable under those guarantees for outstanding balances of approximately $17 million (including accrued interest), and we had recorded a liability of approximately $2 million for the fair value of those guarantees. As tobacco is purchased and the related bank loans are repaid, our contingent liability is reduced.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the financial statements in accordance with GAAP, we are required to make estimates and assumptions that have an impact on the assets, liabilities, revenue, and expense amounts reported. These estimates can also affect our supplemental information disclosures, including information about contingencies, risks, and financial condition. We believe, given current facts and circumstances, that our estimates and assumptions are reasonable, adhere to GAAP, and are consistently applied. However, changes in the assumptions used could result in a material adjustment to the financial statements. Our critical accounting estimates and assumptions are in the following areas:

Inventories

Inventories of tobacco are valued at the lower of cost or market with cost determined under the specific cost method. Raw materials are clearly identified at the time of purchase. We track the costs associated with raw materials in the final product lots, and maintain this identification through the time of sale. We also capitalize direct and indirect costs related to processing raw materials. This method of cost accounting is referred to as the specific cost or specific identification method. We write down inventory for changes in market value based upon assumptions related to future demand and market conditions if the indicated market value is below cost. Future demand assumptions can be impacted by changes in customer sales, changes in customers' inventory positions and policies, competitors' pricing policies and inventory positions, and varying crop sizes and qualities. Market conditions that differ significantly from those assumed by management could result in additional write-downs. We experience inventory write-downs routinely. Inventory write-downs in fiscal years 2015, 2014, and 2013 were $18.6 million, $7.6 million, and $1.5 million, respectively. The higher levels of inventory write-downs for fiscal years 2015 and 2014 generally reflect the effects of oversupply conditions in the global leaf tobacco markets.

Advances to Suppliers and Guarantees of Bank Loans to Suppliers

In many sourcing origins, we provide tobacco growers with agronomy services and seasonal crop advances of, or for, seed, fertilizer, and other supplies. These advances are short term in nature and are customarily repaid upon delivery of tobacco to us. In several origins, we have also made long-term advances to tobacco farmers to finance curing barns and other farm infrastructure. In Brazil, we also guarantee bank loans made to farmers for the same purposes. In some years, due to low crop yields and other factors, individual farmers may not deliver sufficient volumes of tobacco to repay maturing advances. In those cases, we may extend repayment of the advances into the following crop year or satisfy the guarantee by acquiring the loan from the bank. In either situation, we will incur losses whenever we are unable to recover the full amount of the loans and advances. At each reporting period, we must make estimates and assumptions in determining the valuation allowance for advances to farmers and the liability to accrue for our obligations under bank loan guarantees. At March 31, 2015, the gross balance of advances to suppliers totaled approximately $156 million, and the related valuation allowance totaled approximately $35 million. The fair value of the loan guarantees for farmers in Brazil was a liability of approximately $2 million at March 31, 2015.

Recoverable Value-Added Tax Credits

In many foreign countries, we pay significant amounts of value-added tax ("VAT") on purchases of unprocessed and processed tobacco, crop inputs, packing materials, and various other goods and services. In some countries, VAT is a national tax, and in other countries it is assessed at the state level. Items subject to VAT vary from jurisdiction to jurisdiction, as do the rates at which the tax is assessed. When we sell tobacco to customers in the country of origin, we generally collect VAT on those sales. We are normally permitted to offset our VAT payments against those collections and remit only the incremental VAT collections to the tax authorities. When tobacco is sold for export, VAT is normally not assessed. In countries where our tobacco sales are predominately for export markets, we often do not generate enough VAT collections on downstream sales to fully offset our VAT payments. In those situations, we can accumulate unused VAT credits. Some jurisdictions have procedures that allow companies to apply for refunds of unused VAT credits from the tax authorities, but the refund process often takes an extended period of time and it is not uncommon for refund applications to be challenged or rejected in part on technical grounds. Other jurisdictions may permit companies to sell or transfer unused VAT credits to third parties in private transactions, although approval for such transactions must normally be obtained from the tax authorities, limits on the amounts that can be transferred may be imposed, and the proceeds realized may be heavily discounted from the face value of the credits. Due to these factors, in some countries we can accumulate significant balances of VAT credits over time. We review these balances on a regular basis, and we record valuation allowances on the credits to reflect amounts that we do not expect to

recover, as well as discounts anticipated on credits we expect to sell or transfer. In determining the appropriate valuation allowance to record in a given jurisdiction, we must make various estimates and assumptions about factors affecting the ultimate recovery of the VAT credits. At March 31, 2015, the gross balance of recoverable tax credits (primarily VAT) totaled approximately $60 million, and the related valuation allowance totaled approximately $23 million.

Goodwill

We review the carrying value of goodwill for potential impairment on an annual basis and at any time that events or business conditions indicate that it may be impaired. As permitted under Accounting Standards Codification Topic 350 (“ASC 350”), at March 31, 2015, we elected to base our initial assessment of potential impairment on qualitative factors. Those factors did not indicate any impairment of our recorded goodwill. Prior to fiscal year 2015, we followed the quantitative approach in ASC 350 in assessing the fair value of our goodwill, which involved the use of discounted cash flow models (Level 3 of the fair value hierarchy under GAAP). The calculations in these models were not based on observable market data from independent sources and therefore required significant management judgment with respect to operating earnings growth rates and the selection of an appropriate discount rate. Significant adverse changes in our operations or our estimates of future cash flows for a reporting unit with recorded goodwill, such as those caused by unforeseen events or changes in market conditions, could result in an impairment charge. Over 90% of our goodwill balance relates to our reporting unit in Brazil.

Fair Value Measurements

We hold various financial assets and financial liabilities that are required to be measured and reported at fair value in our financial statements, including money market funds, trading securities associated with deferred compensation plans, interest rate swaps, forward foreign currency exchange contracts, and guarantees of bank loans to tobacco growers. We follow the relevant accounting guidance in determining the fair values of these financial assets and liabilities. Quoted market prices (Level 1 of the fair value hierarchy) are used in most cases to determine the fair values of trading securities. Money market funds are valued based on net asset value (“NAV”), which is computed based on amortized cost (Level 2 of the fair value hierarchy). Interest rate swaps, and forward foreign currency exchange contracts are valued based on dealer quotes using discounted cash flow models matched to the contractual terms of each instrument (Level 2 of the fair value hierarchy). The fair value of the guarantees of bank loans to tobacco growers, which was approximately $2 million at March 31, 2015, is derived using an internally-developed discounted cash flow model. The model requires various inputs, including historical loss percentages for comparable loans and a risk-adjusted interest rate. Because significant management judgment is required in determining and applying these inputs to the valuation model, our process for determining the fair value of these guarantees is classified as Level 3 of the fair value hierarchy. At March 31, 2015, a 1% increase in the expected loss percentage for all guaranteed farmer loans would not have had a material effect on the fair value of the guarantee obligation. In addition, a 1% change in the risk-adjusted interest rate would not have had a material effect on the fair value of the guarantee obligation. We incorporate credit risk in determining the fair values of our financial assets and financial liabilities, but that risk did not materially affect the fair values of any of those assets or liabilities at March 31, 2015.

Income Taxes

Our consolidated effective income tax rate is based on our expected taxable income, tax laws and statutory tax rates, and tax planning opportunities in the various jurisdictions in which we operate. Significant judgment is required in determining the effective tax rate and evaluating our tax position. We are subject to the tax laws of many jurisdictions, and could be subject to a tax audit in each of these jurisdictions, which could result in adjustments to tax expense in future periods. In the event that there is a significant, unusual, or one-time item recognized in our results, the tax attributed to that discrete item would be recorded at the same time as the item.

We have no undistributed earnings of consolidated foreign subsidiaries that are classified as permanently or indefinitely reinvested. We assume that all undistributed earnings of our foreign subsidiaries will be repatriated back to their parent entities in the United States where the funds are best placed to meet our cash flow requirements. In addition, we strive to mitigate economic, political, and currency risk by following a disciplined annual approach to the distribution of excess capital back to the U.S. Based on these assumptions, in our income tax expense for each reporting period we fully provide for all additional U.S. income taxes that are expected to be due on these distributions.

Our accounting for uncertain tax positions requires that we review all significant tax positions taken, or expected to be taken, in income tax returns for all jurisdictions in which we operate. In this review, we must assume that all tax positions will ultimately be audited, and either accepted or rejected based on the applicable tax regulations by the tax authorities for those jurisdictions. We must recognize in our financial statements only the tax benefits associated with tax positions that are “more likely than not” to be accepted upon audit, at the greatest amount that is considered “more

likely than not" to be accepted. These determinations require significant management judgment, and changes in any given quarterly or annual reporting period could affect our consolidated income tax rate.

Tax regulations require items to be included in the tax return at different times than the items are reflected in the financial statements. As a result, our effective tax rate reflected in the financial statements is different than that reported in our tax returns. Some of these differences are permanent, such as expenses that are not tax deductible, while others are related to timing issues, such as differences in depreciation methods. Timing differences create deferred tax assets and liabilities. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred or income taxes related to expenses that have not yet been recognized in the financial statements, but have been deducted in our tax return. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future tax returns for which we have already recorded the tax benefit in our financial statements. We record valuation allowances for deferred tax assets when the amount of estimated future taxable

income is not likely to support the use of the deduction or credit. Determining the amount of such valuation allowances requires significant management judgment, including estimates of future taxable income in multiple tax jurisdictions where we operate. Based on our periodic earnings forecasts, we project the upcoming year's taxable income to help us evaluate our ability to realize deferred tax assets.

The functional currency in most of our significant foreign operations is the U.S. dollar, as export tobacco sales are generally made in dollars. Purchasing and processing costs are usually incurred in local currency. When the U.S. dollar is weakening relative to the local currency, purchasing and processing costs increase in dollar terms, resulting in higher cost inventory. The sale of that inventory in dollars generates less taxable income in local currency, which results in lower income taxes owed when translated into U.S. dollars. This causes the effective income tax rate on dollar income to be lower than the statutory rate in the local country. The reverse can occur when the local currency is weakening relative to the U.S. dollar, thereby causing the effective income tax rate on dollar earnings to be above the statutory rate. This impact on our effective income tax rate in a country can be significant during a normal crop cycle. A prolonged period of strengthening or weakening over more than one crop may increase the impact if we sell material quantities of old crop inventories. Lower-taxed foreign source income increases our ability to use foreign tax credits. Higher-taxed foreign source income has the reverse effect. When these changes occur in our larger operations, such as our operations in Brazil, they can have a material impact on our overall tax position.

For additional disclosures on income taxes, see Notes 1 and 5 to the consolidated financial statements in Item 8.

Pension and Other Postretirement Benefit Plans

The measurement of our pension and other postretirement benefit obligations and costs at the end of each fiscal year requires that we make various assumptions that are used by our actuaries in estimating the present value of projected future benefit payments to all plan participants. Those assumptions take into consideration the likelihood of potential future events such as salary increases and demographic experience. The assumptions we use may have an effect on the amount and timing of future contributions to our plans. The plan trustee conducts an independent valuation of the fair value of pension plan assets. The significant assumptions used in the calculation of our pension and other postretirement benefit obligations are:

- Discount rate – The discount rate is based on investment yields on a hypothetical portfolio of actual long-term corporate bonds rated AA that align with the cash flows for our benefit obligations.
- Salary scale – The salary scale assumption is based on our long-term actual experience for salary increases, the near-term outlook, and expected inflation.
- Expected long-term return on plan assets – The expected long-term return on plan assets reflects asset allocations and investment strategy adopted by the Pension Investment Committee of the Board of Directors.
- Retirement and mortality rates – Retirement rates are based on actual plan experience along with our near-term outlook. Early retirement assumptions are based on our actual experience. Mortality rates are based on standard industry group annuity mortality tables which are updated to reflect projected improvements in life expectancy.
- Healthcare cost trend rates – For postretirement medical plan obligations and costs, we make assumptions on future inflationary increases in medical costs. These assumptions are based on our actual experience, along with third-party forecasts of long-term medical cost trends.

From one fiscal year to the next, the rates we use for each of the above assumptions may change based on market developments and other factors. The discount rate reflects prevailing market interest rates at the end of the fiscal year when the benefit obligations are actuarially measured and will increase or decrease based on market patterns. The expected long-term return on plan assets may change based on changes in investment strategy for plan assets or changes in indicated longer-term yields on specific classes of plan assets. Based on the high percentage of retired and inactive participants in our ERISA-regulated domestic defined benefit pension plan (approximately 75% of total participants), as well as the high funded status of the plan, the Pension Investment Committee adopted changes to the underlying plan assets during fiscal year 2015 to move toward a liability-driven investment strategy. We reduced our expected long-term return on assets assumption by 50 basis points at March 31, 2015 to reflect those changes. We also adopted updated mortality tables at March 31, 2015 based on recently-completed actuarial studies that reflect improvements in life expectancy. In addition to the changes in actuarial assumptions from year to year, actual plan experience affecting our benefit obligations, such as actual returns on plan assets and actual mortality experience, will differ from the assumptions used to measure the obligations. The effects of these changes and differences increase or

decrease the obligation we record for our pension and other postretirement benefit plans, and they also create gains and losses that are accumulated and amortized over future periods, thus affecting the expense we recognize for these plans over those periods. These effects may be significant. For example, between fiscal year 2009 and fiscal year 2013, the discount rates used to measure the obligations for our domestic benefit plans declined by more than 3.50%, reflecting the significant decline in interest rates and bond yields in the U.S. market. Over this period, our related benefit obligation increased by more than $100 million (approximately 50%) and our annual expense increased by more than $4 million (more than 40%). The reduction in discount rates accounted for a large portion of the increase in the benefit obligation and annual expense. In fiscal year 2014, the discount rates used to determine the benefit obligations and related expense increased slightly,

reversing a portion of the effects seen from fiscal years 2009 through 2013. However, our benefit obligations increased again in fiscal year 2015 due to a decrease in discount rates, along with the adoption of the updated mortality tables.

As of March 31, 2015, the effect of the indicated increase or decrease in the selected pension and other postretirement benefit valuation assumptions is shown below. The effect assumes no change in benefit levels.

(in thousands of dollars)	Effect on 2015 Projected Benefit Obligation Increase (Decrease)	Effect on 2016 Annual Expense Increase (Decrease)
Changes in Assumptions for Pension Benefits		
Discount Rate:		
1% increase	$(29,654)	$(2,668)
1% decrease	36,171	3,189
Expected Long-Term Return on Plan Assets:		
1% increase	—	(1,792)
1% decrease	—	1,791
Changes in Assumptions for Other Postretirement Benefits		
Discount Rate:		
1% increase	(3,813)	(173)
1% decrease	4,591	(1)
Healthcare Cost Trend Rate:		
1% increase	1,300	69
1% decrease	(1,191)	(64)

A 1% increase or decrease in the salary scale assumption would not have a material effect on the projected benefit obligation or on annual expense for the Company's pension benefits. See Note 11 to the consolidated financial statements in Item 8 for additional information on pension and postretirement benefit plans.

Other Estimates and Assumptions

Other management estimates and assumptions are routinely required in preparing our financial statements, including the determination of valuation allowances on accounts receivable and the fair value of long-lived assets. 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 management’s best judgment.

OTHER INFORMATION REGARDING TRENDS AND MANAGEMENT'S ACTIONS

Our financial performance depends on our ability to obtain an appropriate price for our products and services, to secure the tobacco volumes and quality desired by our customers, and to maintain efficient, competitive operations. We continually monitor issues and opportunities that may impact the supply of and demand for leaf tobacco, the volumes of leaf tobacco that we handle, and the services we provide.

Supply

Crops sold in fiscal year 2015 were larger than in the prior fiscal year in many of our key sourcing areas for flue-cured and burley tobacco. Flue-cured production outside of China was up approximately 10%, and burley production was up approximately 9%. The larger crops followed increases in crop sizes in fiscal year 2014 and contributed to an oversupply of tobacco in fiscal year 2015. Crop sizes for flue-cured, burley and oriental tobaccos available for export are expected to decrease in fiscal year 2016. However, we expect total production levels in fiscal year 2016 will continue to exceed demand.

Production

Worldwide flue-cured tobacco production outside of China increased by about 10% in fiscal year 2015 to 2.2 billion kilos. China is an extremely large market that is predominately domestic. Because very little of that tobacco is available outside of that country to trade, we generally exclude Chinese crops when we consider worldwide production. However, the current buildup of domestic stocks in China is quite significant, and may influence the global supply/demand balance due to efforts to reduce production and imports there. Burley crops increased by about 9% in fiscal year 2015. We estimate that at March 31, 2015, industry uncommitted flue-cured and burley inventories totaled about 131 million kilos, an increase of about 176% from March 31, 2014 levels.

We believe flue-cured production (excluding China) will decrease by about 9%, to about 2.0 billion kilos, in fiscal year 2016. Burley production is forecast to decrease by about 12%. We also believe that oriental tobacco as a whole has moved into a balanced position. We forecast that dark air-cured production will remain flat in fiscal year 2016. Looking forward beyond 2016, we believe that global tobacco production will remain relatively stable to meet slightly declining total demand. South America, Asia, Africa, and North America will remain key sourcing regions for flue-cured and burley tobaccos. Over the last decade, Africa has experienced growth in flue-cured and burley tobacco production of almost 250 million kilos. We expect Africa to continue to be an important tobacco source and to lead tobacco production growth outside of China.

Pricing

Factors that affect green tobacco prices include global supply and demand, market conditions, production costs, foreign exchange rates, and competition from other crops. We work with farmers to maintain tobacco production and to secure product at price levels that are attractive to both the farmers and our customers. Our objective is to secure compliant tobacco that is produced in a cost-effective manner under a sustainable business model with the desired quality for our customers. In some areas, tobacco competes with agricultural commodity products for farmer production. If prices for soybeans, wheat, rice, and seed oils rise in certain origins, green tobacco prices may have to rise to maintain tobacco production levels. This could be a factor in efforts of the WHO to shift farmer production away from leaf tobacco to other crops. In the past, leaf shortages in specific markets or on a worldwide basis have also led to green tobacco price increases.

Demand

Over the last three decades, the percentage of the global population that smokes has fallen, but the number of smokers has increased due to global population growth. Industry data also shows that over the past ten years, total world consumption of cigarettes grew at the compound annual rate of 0.3%, including annual growth of about 3.0% in China. Outside China, consumption fell by about 1.4% during the ten-year period. However, there are indications that growth in world consumption of cigarettes may have peaked and that the rate of growth is slowing in some key areas, particularly China. We expect that near term global demand for leaf tobacco will decline slightly primarily due to declining cigarette consumption in developed markets partially offset by modest growth in consumption in emerging markets (Asia, the Middle East, and Africa), influenced by demographic trends such as population growth and increasing disposable income.

Our sales consist primarily of flue-cured and burley tobaccos. Those types of tobacco, along with oriental tobaccos, are used in American-blend cigarettes which are primarily smoked in Western Europe and the United States. English-blend cigarettes which use flue-cured tobacco are mainly smoked in Asia and other emerging markets. Industry data shows that consumption of American-blend cigarettes has declined at a compound annual rate of 2.2% for the ten years ended in 2014. As cigarette consumption declines in developed markets and increases in the emerging markets, there may be less demand for burley and oriental tobaccos and more demand for flue-cured tobacco. However, demand is affected by many factors, including regulation, product taxation, illicit trade, alternative tobacco products, and Chinese imports. To the extent that domestic leaf production in China does not meet requirements for Chinese cigarette brands, those styles of tobacco could be sourced from other origins where we have major market positions. On a year-to-year basis, we are also susceptible to fluctuations in leaf supply due to crop sizes and leaf demand as manufacturers adjust inventories or respond to changes in cigarette markets. Recent declines in some of our customers' sales volumes

in the U.S. and Western European markets, partially due to weak economic conditions, reduced demand for leaf tobacco in fiscal year 2015. Despite modest curbs in projected crop year 2015 leaf tobacco production, we currently expect oversupply conditions will continue into fiscal year 2016, as we believe that packed tobacco inventories and production levels need to come down further to match demand. We also sell dark tobacco which is used in cigars and other smokeless products. We expect demand for this category of tobacco to also decline slightly.

Regulation and Product Taxation

Decreased social acceptance of smoking and increased pressure from anti-smoking groups have had an ongoing adverse effect on the percentage of the population using tobacco products, particularly in the United States and Western Europe. Also, many foreign governments have taken or proposed steps to restrict or prohibit cigarette advertising and promotion, to increase taxes on cigarettes, to prohibit smoking in public areas, and to discourage cigarette consumption. A number of such measures are included in the Framework Convention on Tobacco Control ("FCTC"), which was negotiated under the auspices of the WHO and offers guidelines for discouraging or controlling tobacco use. Countries that are parties to the FCTC may choose the level of implementation of the guidelines that is most suitable with their approach to tobacco control. In some cases, such restrictions are more onerous than those proposed or in effect in the United States. We cannot predict the extent to which government efforts to reduce tobacco consumption might affect the business of our primary customers. However, a significant decrease in worldwide tobacco consumption, as well as shifts to modified risk tobacco products brought about by existing or future governmental laws and regulations, could reduce demand for leaf tobacco and services and could have a material adverse effect on our results of operations.

In addition, certain recommendations by the WHO, through the FCTC, may cause shifts in customer usage of certain types and styles of tobacco. As seen in Canada, Brazil, and the European Union, efforts have been taken to eliminate flavorings from tobacco products. Such decisions could cause a change in requirements for certain tobaccos in particular countries. Shifts in customer demand from one type of tobacco to another could create sourcing issues as requirements move from one origin to another. Furthermore, instruction at the farm level may be required to produce the changing styles of tobacco needed by tobacco product manufacturers. Given our established and well-developed programs at the farm level worldwide, we are particularly well positioned to meet manufacturer requirements.

In 2009, the U.S. Congress passed the Family Smoking Prevention and Tobacco Control Act ("the Act"). This legislation authorizes the FDA to regulate the manufacturing and marketing of tobacco products. To date, the FDA has banned flavored cigarettes, restricted youth access to tobacco products, banned advertising claims regarding certain tobacco products, established new smokeless tobacco warnings, and issued new cigarette health warnings. In addition, the FDA established the Center for Tobacco Products ("CTP"). The CTP has focused on establishing the scientific foundation and regulatory framework for regulating tobacco products in the United States and on April 24, 2014, released proposed "deeming" regulations which encompass additional manufactured tobacco products. Under these proposed regulations, tobacco products such as cigars and alternative tobacco products, including e-cigarettes, will be regulated by the FDA. In addition, the proposed regulations require that tobacco product manufacturers provide the FDA with a list of ingredients in their products. It may take several years for the proposed regulations to be finalized and implemented. Regulations impacting our customer base that change the requirements for leaf tobacco will inherently impact our business. As discussed, we have established programs that begin at the farm level to assist our customers with raw material information to support leaf traceability and customer testing requirements. Additionally, given our global presence, we also have the ability to source different types and styles of tobacco for our customers should their needs change due to regulation of ingredients.

A number of governments, particularly federal and local governments in the United States and the European Union, impose excise or similar taxes on tobacco products. There has been, and will likely continue to be, new legislation proposing new or increased taxes on tobacco products. In some cases, proposed legislation seeks to significantly increase existing taxes on tobacco products, or impose new taxes on products that to date have not been subject to tax. Increases in product taxation may have an influence on the level of illicit trade, which will affect the global leaf markets.

Illicit Trade

Illicit trade is another factor which influences demand for leaf tobacco. Industry estimates of the illegal, unregulated black market for cigarettes are approximately 10% of global consumption, or one in every 10 cigarettes consumed.

The European Commission estimates that illicit trade in cigarettes costs the European Union over €10 billion annually. We are supportive of industry efforts to eradicate illicit trade.

Alternative Tobacco Products

Many of the major tobacco product manufacturers have been developing next generation products. These include e-cigarettes, liquid vaporizers, and heat-not-burn products. E-cigarettes and liquid vaporizers use liquid nicotine, which is predominately derived from leaf tobacco, and heat-not-burn products use leaf tobacco. At this time it is unclear as to how these new products will affect demand for leaf tobacco. Our AmeriNic joint venture produces liquid nicotine for the vapor products industry. At this time, regulation of these products as well as consumer acceptance and their influence on smoking trends are unclear, and we continue to monitor industry developments. E-cigarettes and other vapor products are currently primarily consumed in the

United States and Western Europe, and it is unclear at this time what effect the consumption of vapor products will have on global demand for leaf tobacco.

Current Industry Dynamics

Leaf tobacco is sourced directly by product manufacturers, by global leaf suppliers such as ourselves, and by other smaller, mostly regional or local, leaf suppliers. We estimate that, of the flue-cured and burley tobacco grown outside of China, approximately one third is purchased directly by manufacturers, slightly over one third is handled by global leaf suppliers, and the remainder is sourced by the smaller regional or local suppliers. Although we operate in a mature industry, where demand for the end products is slightly declining, we continually look for ways to grow our business. We believe that there are several trends in the industry that could provide opportunities for us to increase our market share and to offer additional services to our customers.

Manufacturers naturally seek to mitigate raw materials cost increases, and they are placing increased emphasis on cost containment as they address declining demand. While this is not a new trend, it continues to offer opportunities to us as we bring supply chain efficiencies to the leaf markets. We believe that global leaf suppliers add efficiencies to the markets through economies of scale, as well as through the vital role played in finding buyers for all styles and qualities of leaf tobacco, which achieves overall cost reductions. To understand our business, it is important to note that tobacco is not a commodity product. Flavor and smoking characteristics of tobacco vary based on the type of tobacco and the region where the tobacco is grown. In addition, characteristics of tobacco leaves vary by their position on the stalk of the plant, which means that many different styles and grades of tobacco may be produced in a single tobacco crop. A particular manufacturer, in seeking tobacco for its proprietary blend, may only want and have use for certain leaves of a plant. The leaf tobacco supplier plays a vital role in the industry by finding buyers for all of the leaf grades and styles of tobacco produced in a farmer’s crop. This role helps to eliminate excess tobacco being produced, which improves leaf utilization.

In addition to leaf utilization, we bring operational efficiencies to the industry, which in turn help reduce costs. These efficiencies include economical utilization of processing capacity in our facilities, an established and scalable global network of agronomists and technicians helping maintain a stable, productive, and sustainable farmer base, and agronomic and production improvements to optimize leaf yields and qualities. In addition, we are able to offer manufacturers a complete range of services from the field to the delivery of the packed product that benefit from our efficiencies. These services include such things as buying station optimization, processing to specific customer specifications or needs, storage of green or packed leaf tobacco, and logistical services. We have seen an increase in the level of supply chain services, which include direct purchasing, that we provide our customers, notably in the United States, Mexico, Brazil, and the Dominican Republic. We believe these moves acknowledge the efficiencies and services that global leaf suppliers bring to the entire supply chain.

Several major manufacturers have also indicated to us their interest in reducing sourcing complexity. We believe that these moves are another way for the industry to increase leaf sourcing efficiency and to reduce costs. We maintain a strong presence in all of the major tobacco sourcing areas and believe that any growth in these areas would favor global leaf suppliers such as ourselves. In the future, we expect that increased regulations requiring stringent monitoring and testing of leaf chemistry and compliant sourcing documentation could place greater emphasis on major sourcing areas.

As we have said for a number of years, the production of compliant leaf for the tobacco industry continues to grow in importance. To be considered compliant, leaf tobacco must be grown utilizing Good Agricultural Practices. We have long invested significant resources in the programs and infrastructure needed to work with growers to produce compliant leaf and continue to enhance our ability to monitor and demonstrate this compliance for customers. Our Good Agricultural Practices programs educate farmers in such matters as the reduction of non-tobacco related materials, product traceability, environmental sustainability, and social responsibility. We believe that compliant leaf will continue to be important to our customers and should favor global suppliers who are able to deliver this product.

We also believe that a key factor in our ability to perform successfully in this industry is our ability to provide customers with the quality of leaf and the level of service they desire on a global basis at competitive prices, while maintaining a stability of supply. As the leading global leaf tobacco supplier, we add significant value to the supply chain, providing expertise in dealing with large numbers of farmers, efficiently selling various qualities of leaf produced in each crop to a broad global customer base, and delivering products that meet stringent quality and

regulatory specifications. We also help stabilize the tobacco markets and influence crop development at the farm level. Our key objective is to continually adapt our business model to meet our customers' evolving needs while continuing to provide stability of supply and the quality that distinguishes our products and services. In addition, we monitor new product developments in the industry to identify areas where we can provide additional value to our customers.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

We generally use both fixed and floating interest rate debt to finance our operations. Changes in market interest rates expose us to changes in cash flows for floating rate instruments and to changes in fair value for fixed-rate instruments. We normally maintain a proportion of our debt in both variable and fixed interest rates to manage this exposure, and from time to time we may enter hedge agreements to swap the interest rates. In addition, our customers may pay market rates of interest for inventory purchased on order, which could mitigate a portion of the floating interest rate exposure. We also periodically have large cash balances and may receive deposits from customers, both of which we use to fund seasonal purchases of tobacco, reducing our financing needs. Excluding our bank term loans, which were converted to fixed-rate borrowings with interest rate swaps in January 2015, debt carried at variable interest rates was approximately $60 million at March 31, 2015. Although a hypothetical 1% change in short-term interest rates would result in a change in annual interest expense of approximately $0.6 million, that amount would be at least partially mitigated by changes in charges to customers.

In addition, changes in interest rates affect the calculation of our pension plan liabilities. As rates decrease, the liability for the present value of amounts expected to be paid under the plans increases. Rate changes also affect expense. As of the March 31, 2015 measurement date, a 1% decrease in the discount rate would have increased the projected benefit obligation (“PBO”) for pensions by $36 million and increased annual pension expense by $3 million. Conversely, a 1% increase in the discount rate would have reduced the PBO by $30 million and reduced annual pension expense by $3 million.

Currency

The international leaf tobacco trade generally is conducted in U.S. dollars, thereby limiting foreign exchange risk to that which is related to leaf purchase and production costs, overhead, and income taxes in the source country. We also provide farmer advances that are directly related to leaf purchases and are denominated in the local currency. Any currency gains or losses on those advances are usually offset by increases or decreases in the cost of tobacco, which is priced in the local currency. However, the effect of the offset may not occur until a subsequent quarter or fiscal year. Most of our tobacco operations are accounted for using the U.S. dollar as the functional currency. Because there are no forward foreign exchange markets in many of our major countries of tobacco origin, we often manage our foreign exchange risk by matching funding for inventory purchases with the currency of sale, which is usually the U.S. dollar, and by minimizing our net local currency monetary position in individual countries. We are vulnerable to currency remeasurement gains and losses to the extent that monetary assets and liabilities denominated in local currency do not offset each other. We recognized $28.8 million in net remeasurement losses in fiscal year 2015, compared to $14.3 million in net remeasurement losses in fiscal year 2014, and $10.6 million in net remeasurement gains in fiscal year 2013. We recognized $17.7 million in net foreign currency transaction gains in fiscal year 2015, compared to net transaction losses of $6.0 million in fiscal year 2014, and net transaction losses of $1.0 million in fiscal year 2013. In addition to foreign exchange gains and losses, we are exposed to changes in the cost of tobacco due to changes in the value of the local currency in relation to the U.S. dollar. We have entered forward currency exchange contracts to hedge against the effects of currency movements on purchases of tobacco to reduce the volatility of costs. In addition, we periodically enter into forward contracts to hedge balance sheet exposures. See Note 9 to the consolidated financial statements in Item 8 for additional information about our hedging activities.

In certain tobacco markets that are primarily domestic, we use the local currency as the functional currency. Examples of these markets are Hungary, Poland, and the Philippines. In other markets, such as Western Europe, where export sales are primarily in local currencies, we also use the local currency as the functional currency. In each case, reported earnings are affected by the translation of the local currency into the U.S. dollar.

Derivatives Policies

Hedging interest rate exposure using swaps and hedging foreign exchange exposure using forward contracts are specifically contemplated to manage risk in keeping with management's policies. We may use derivative instruments, such as swaps, forwards, or futures, which are based directly or indirectly upon interest rates and currencies to manage and reduce the risks inherent in interest rate and currency fluctuations. When we use foreign currency derivatives to mitigate our exposure to exchange rate fluctuations, we may choose not to designate them as hedges for accounting purposes, which may result in the effects of the derivatives being recognized in our earnings in periods different from

the items that created the exposure.

We do not utilize derivatives for speculative purposes, and we do not enter into market risk-sensitive instruments for trading purposes. Derivatives are transaction-specific so that a specific debt instrument, forecast purchase, contract, or invoice determines the amount, maturity, and other specifics of the hedge. We routinely review counterparty risk as part of our derivative program.

Item 8. Financial Statements and Supplementary Data

UNIVERSAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended March 31,		
(in thousands of dollars, except share and per share data)	2015	2014	2013
Sales and other operating revenues	$2,271,801	$2,542,115	$2,461,699
Costs and expenses			
Cost of goods sold	1,861,527	2,108,824	1,999,282
Selling, general and administrative expenses	250,186	262,013	235,295
Other income	(12,676)	(81,619)	—
Restructuring costs	4,890	6,746	4,113
Operating income	167,874	246,151	223,009
Equity in pretax earnings of unconsolidated affiliates	7,137	3,897	5,635
Interest income	576	949	654
Interest expense	17,120	20,307	22,013
Income before income taxes	158,467	230,690	207,285
Income taxes	38,006	75,535	66,366
Net income	120,461	155,155	140,919
Less: net income attributable to noncontrolling interests in subsidiaries	(5,853)	(6,146)	(8,169)
Net income attributable to Universal Corporation	114,608	149,009	132,750
Dividends on Universal Corporation convertible perpetual preferred stock	(14,824)	(14,850)	(14,850)
Cost in excess of carrying value on repurchase of convertible perpetual preferred stock	(36)	—	—
Earnings available to Universal Corporation common shareholders	$99,748	$134,159	$117,900
Earnings per share attributable to Universal Corporation common shareholders:			
Basic	$4.33	$5.77	$5.05
Diluted	$4.06	$5.25	$4.66
Weighted average common shares outstanding:			
Basic	23,035,920	23,238.978	23,354.793
Diluted	28,221,264	28,392,033	28,478,058

See accompanying notes.

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UNIVERSAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended March 31,		
(in thousands of dollars)	2015	2014	2013
Net income	$120,461	$155,155	$140,919
Other comprehensive income (loss):			
Foreign currency translation, net of income taxes	(22,625)	6,480	(3,370)
Foreign currency hedge, net of income taxes	(2,603)	1,624	87
Interest rate hedge, net of income taxes	(1,374)	483	(364)
Pension and other postretirement benefit plans, net of income taxes	(14,023)	32,022	8,803
Total other comprehensive income (loss), net of income taxes	(40,625)	40,609	5,156
Total comprehensive income	79,836	195,764	146,075
Less: comprehensive income attributable to noncontrolling interests	(5,890)	(5,547)	(8,504)
Comprehensive income attributable to Universal Corporation	$73,946	$190,217	$137,571

See accompanying notes.

UNIVERSAL CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31,	
(in thousands of dollars)	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$248,783	$163,532
Accounts receivable, net	434,362	468,015
Advances to suppliers, net	114,883	134,621
Accounts receivable—unconsolidated affiliates	1,907	7,375
Inventories—at lower of cost or market:		
Tobacco	636,488	639,812
Other	62,195	67,219
Prepaid income taxes	17,811	27,866
Deferred income taxes	36,611	22,052
Other current assets	81,570	142,755
Total current assets	1,634,610	1,673,247
Property, plant and equipment		
Land	16,790	17,275
Buildings	238,372	239,913
Machinery and equipment	576,010	562,597
	831,172	819,785
Less accumulated depreciation	(525,783)	(523,239)
	305,389	296,546
Other assets		
Goodwill and other intangibles	99,146	99,453
Investments in unconsolidated affiliates	76,512	95,305
Deferred income taxes	6,301	14,562
Other noncurrent assets	76,515	91,794
	258,474	301,114
Total assets	$2,198,473	$2,270,907

UNIVERSAL CORPORATION
CONSOLIDATED BALANCE SHEETS—(Continued)

(in thousands of dollars)	March 31, 2015	2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable and overdrafts	$59,862	$62,905
Accounts payable and accrued expenses	140,112	212,422
Accounts payable—unconsolidated affiliates	3,281	65
Customer advances and deposits	30,183	15,869
Accrued compensation	28,232	31,772
Income taxes payable	9,243	15,694
Current portion of long-term obligations	—	116,250
Total current liabilities	270,913	454,977
Long-term obligations	370,000	240,000
Pensions and other postretirement benefits	97,048	85,081
Other long-term liabilities	36,790	34,457
Deferred income taxes	26,628	45,500
Total liabilities	801,379	860,015
Shareholders' equity		
Universal Corporation:		
Preferred stock:		
Series A Junior Participating Preferred Stock, no par value, 500,000 shares authorized, none issued or outstanding	—	—
Series B 6.75% Convertible Perpetual Preferred Stock, no par value, 220,000 shares authorized, 218,490 shares issued and outstanding (219,999 at March 31, 2014)	211,562	213,023
Common stock, no par value, 100,000,000 shares authorized, 22,593,266 shares issued and outstanding (23,216,312 at March 31, 2014)	206,002	206,446
Retained earnings	1,020,155	993,093
Accumulated other comprehensive loss	(74,994)	(34,332)
Total Universal Corporation shareholders' equity	1,362,725	1,378,230
Noncontrolling interests in subsidiaries	34,369	32,662
Total shareholders' equity	1,397,094	1,410,892
Total liabilities and shareholders' equity	$2,198,473	$2,270,907

See accompanying notes.

UNIVERSAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended March 31,		
(in thousands of dollars)	2015	2014	2013
Cash Flows From Operating Activities:			
Net income	$120,461	$155,155	$140,919
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	35,394	37,257	43,408
Amortization	1,930	1,642	1,708
Provision for losses on advances and guaranteed loans to suppliers	3,734	6,705	1,623
Inventory write-downs	18,612	7,654	1,523
Stock-based compensation expense	6,230	6,278	6,171
Foreign currency remeasurement loss (gain), net	28,836	14,322	(10,579)
Deferred income taxes	(13,662)	(2,176)	11,794
Equity in net income of unconsolidated affiliates, net of dividends	(1,075)	3,420	(4,966)
Gain on favorable outcome of excise tax case in Brazil	(12,676)	(81,619)	—
Restructuring costs	4,890	6,746	4,113
Other, net	(9,272)	2,251	(1,174)
Changes in operating assets and liabilities, net:			
Accounts and notes receivable	49,414	(89,536)	(5,433)
Inventories and other assets	37,751	(47,492)	6,578
Income taxes	4,790	11,391	18,111
Accounts payable and other accrued liabilities	(63,257)	(27,345)	11,167
Customer advances and deposits	14,397	(8,156)	9,503
Net cash provided (used) by operating activities	226,497	(3,503)	234,466
Cash Flows From Investing Activities:			
Purchase of property, plant and equipment	(58,385)	(45,849)	(30,783)
Proceeds from sale of property, plant and equipment	4,522	2,746	3,534
Other, net	(141)	1,033	1,004
Net cash used by investing activities	(54,004)	(42,070)	(26,245)
Cash Flows From Financing Activities:			
Issuance (repayment) of short-term debt, net	2,618	(43,727)	(18,374)
Issuance of long-term obligations	370,000	175,000	—
Repayment of long-term obligations	(356,250)	(211,250)	(16,250)
Dividends paid to noncontrolling interests	(4,183)	(1,971)	(1,957)
Issuance of common stock	187	457	3,949
Repurchase of convertible perpetual preferred stock	(1,497)	—	—
Repurchase of common stock	(31,227)	(14,145)	(8,481)
Dividends paid on convertible perpetual preferred stock	(14,824)	(14,850)	(14,850)
Dividends paid on common stock	(47,337)	(46,721)	(45,996)
Debt issuance costs and other	(3,621)	(875)	—
Net cash used by financing activities	(86,134)	(158,082)	(101,959)
Effect of exchange rate changes on cash	(1,108)	(677)	(97)
Net increase (decrease) in cash and cash equivalents	85,251	(204,332)	106,165
Cash and cash equivalents at beginning of year	163,532	367,864	261,699
Cash and Cash Equivalents at End of Year	$248,783	$163,532	$367,864

Supplemental information—cash paid for:			
Interest	$19,184	$25,116	$22,027
Income taxes, net of refunds	$46,044	$65,511	$35,913

See accompanying notes.

UNIVERSAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Universal Corporation Shareholders					
(in thousands of dollars)	Series B 6.75% Convertible Perpetual Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Shareholders' Equity
Fiscal Year Ended March 31, 2015						
Balance at beginning of year	$213,023	$206,446	$993,093	$ (34,332)	$ 32,662	$ 1,410,892
Changes in preferred and common stock						
Repurchase of Series B 6.75% convertible perpetual preferred stock	(1,461)	—	—	—	—	(1,461)
Issuance of common stock	—	187	—	—	—	187
Repurchase of common stock	—	(6,439)	—	—	—	(6,439)
Accrual of stock-based compensation	—	6,230	—	—	—	6,230
Withholding of shares from stock-based compensation for grantee income taxes	—	(1,076)	—	—	—	(1,076)
Dividend equivalents on RSUs	—	654	—	—	—	654
Changes in retained earnings						
Net income	—	—	114,608	—	5,853	120,461
Cash dividends declared						
Series B 6.75% convertible perpetual preferred stock ($67.50 per share)	—	—	(14,824)	—	—	(14,824)
Common stock ($2.06 per share)	—	—	(47,244)	—	—	(47,244)
Repurchase of Series B 6.75% convertible perpetual preferred stock			(36)			(36)
Repurchase of common stock	—	—	(24,788)	—	—	(24,788)
Dividend equivalents on RSUs	—	—	(654)	—	—	(654)
Other comprehensive income (loss)						
Foreign currency translation, net of income taxes	—	—	—	(22,662)	37	(22,625)
Foreign currency hedge, net of income taxes	—	—	—	(2,603)	—	(2,603)
Interest rate hedge, net of income taxes	—	—	—	(1,374)	—	(1,374)
Pension and other postretirement benefit plans, net of income taxes	—	—	—	(14,023)	—	(14,023)
Other changes in noncontrolling interests						