



Press Release

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Please find a Press release from Alliance One Tobacco Tanzania Limited (AOTTL).

For any queries or anything else in relation to this press release please contact the undersigned.

Thanking you in advance.

Kind regards,

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Alliance One trains for a stronger Management Team

Or

Alliance One enhances Management Team skills

Dar es Salaam: Alliance One Tobacco Tanzania Limited (AOTTL) held a management team building exercise on 10th May 2013 at White Sands resort. The Team building was organised so management could enhance their skills as well as share challenges from their departments then workshop solutions.

During the exercise, AOTTL's Managing Director, Mark Mason took the opportunity to address its management team of 20 professionals about the strategy for AOTTL in 2013/14. The highlights of the strategy included the growth of the Company; Farmers' sustainability; enhancing Safety Health and Environment policies as well as improving Customer Relations further. "At Alliance One our strategies are geared towards growth for the company through positive relationships. We aim to return value to our shareholders and partners as well as our stakeholders. We are very excited to be recognised as one of the significant contributors to Tanzania's GDP, as well as a proactive developer of Tanzania's agricultural sector. This is what we will be the key focus of our initiatives going forward," said Mason.

The 2013/14 Strategy for AOTTL will aim to optimise processes in the value chain by improving on efficiencies. Top line measures that include; agronomy up-skilling for tobacco farmers; technological innovation in the industry; as well as a robust reforestation programme; will all be implemented in the current financial year. Sustainable CSI programmes are also part of the strategy as AOTTL aims to assist Tanzanian communities where it operates. During the presentation Mason also pointed out that Management were the bridge between the theory of a strategy and its practical application on the ground. The strategy presentation led into the Team Building that the Management team had assembled for.

Speaking on the team building Mason said, "It is not every day that we take time out to assess our performance as Alliance One's management team outside of our daily routines. We took this opportunity to leave our desks and get together to share our challenges. There after we also had an opportunity to use our broad collective experience to find solutions." Carl Bosse, the training facilitator also added that the management team building exercise needed to be a regular part of a company calendar to ensure that the lessons learnt in the sessions become a culture."

The exercises which included ‘Building the emotional intelligence of a team’; as well as ‘Strengthening interdepartmental understanding’, were conducted at White Sands Resort.

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Note to the Editors:

About AOTL

As a leading independent leaf tobacco merchant, Alliance One International provides worldwide service to the large cigarette manufacturers. Multinational manufacturers of consumer tobacco products rely on independent merchants such as Alliance One to supply the majority of their leaf. We purchase tobacco in more than 45 countries and serve manufacturers of cigarettes and other consumer tobacco products in over 90 countries.

Alliance One proudly claims broad geographic processing capabilities, a diversified product offering, and an established customer base, which includes all of the major consumer tobacco product manufacturers. We select, purchase, process, pack, store, ship, and, in certain developing markets, provide [agronomy](#) expertise and financing for growing leaf tobacco.

Our revenues are primarily comprised of sales of processed tobacco and fees charged for related services to manufacturers of consumer tobacco products around the world. We do not manufacture cigarettes or other consumer tobacco products.

Alliance One's global headquarters is located in Raleigh, North Carolina.

Our Product

Alliance One deals primarily in [flue-cured](#), [burley](#), and [oriental tobaccos](#) that are used in international brand cigarettes, including American blend cigarettes. American blend cigarettes contain approximately 50% flue-cured, 37% burley, and 13% oriental tobacco; contain less tar and nicotine; and taste milder than locally-produced cigarettes containing dark and semi-oriental tobacco historically consumed in certain parts of the world.

Our Purchasing Network

Tobacco is purchased either at [auction](#) or directly from the grower. In the United States, [flue-cured](#) and [burley](#) tobacco crops were traditionally sold at public auction, but these markets have undergone a fundamental change in recent years. There has been a significant shift from auction markets to purchasing directly from growers (" direct contract buying "). A number of our significant U.S. customers now purchase [green tobacco](#) directly from the growers. Although the tobacco purchased directly from growers by our customers has continued to be processed in our U.S. facilities, we no longer take ownership of that tobacco and no longer record sales revenues associated with its resale.

Under the direct contract buying system, purchasers generally buy a farmer's entire tobacco crop. The majority of our purchases of U.S. [flue-cured](#) and [burley](#) tobacco are made through the direct contract

buying system, where we buy the farmer's entire crop. With respect to tobacco purchased by us through this system (and to which we still take title), we assume the risk of matching the quantities and grades needed by our customers to the entire crop we must purchase under contract. As a result, we work closely with our customers in advance of the crop to estimate our customer requirements and use these estimates as the basis to contract tobaccos directly from farmers. However, this arrangement has increased the possibility that we may accumulate inventories of grades of tobacco that our customers do not need.

With respect to tobacco purchased directly by our customers (and to which we do not take title), the customer assumes the risk of loss of such tobacco while it is located at our facilities or en route to and from our facilities. When we purchase under an auction system, we continue to purchase tobaccos primarily to match specific customer orders.

Other principal auction markets include Canada, Malawi, and Zimbabwe. We usually purchase tobacco at those auction markets after receiving specific customer orders or indications of customers' upcoming needs. Our network of tobacco buyers allows us to cover the major auctions of flue-cured and burley tobacco throughout the world. These buyers are experts in differentiating hundreds of grades of tobacco based on customer specifications and preferences that take into account, among other factors, the texture, visual appearance, and aroma of the tobacco.

In non-auction markets such as Argentina, Brazil, Bulgaria, China, Greece, Guatemala, Indonesia, Italy, Kyrgyzstan, Mexico, Tanzania, Thailand, and Turkey, we purchase tobacco directly from growers or from local entities that have arranged for purchase from growers. We often make these direct purchases based upon our projection of the needs of our long-standing customers rather than against specific purchase orders. Our arrangements with growers vary from locale to locale, depending on our predictions of future supply and demand, local historical practice, and availability of capital. For example, in Brazil, we generally contract to purchase a grower's entire tobacco crop at the market price per grade at the time of harvest based on the quality of the tobacco delivered. Pursuant to these purchase contracts, we provide growers with fertilizer and other materials necessary to grow tobacco and may either directly loan or guarantee Brazilian rural credit loans to growers to finance the crop. Under longer-term arrangements with growers, we may also finance or guarantee financing on growers' construction of curing barns. In addition, our agronomists maintain frequent contact with growers prior to and during the growing and curing seasons to provide technical assistance to improve the quality and yield of the crop.

In other non-auction markets, such as Argentina and China, we buy tobacco from local entities that have purchased tobacco from growers and supervise the processing of that tobacco by those local entities. We believe that our long-standing relationships with our customers are vital to our purchasing operations outside of the auction markets.

Our Processing Approach

We process tobacco to meet each customer's specifications for quality, yield, chemistry, particle size, [moisture content](#), and other characteristics. Unprocessed tobacco is a semi-perishable commodity that generally must be processed within a relatively short period of time to prevent [fermentation](#) or deterioration in quality. Accordingly, we have located our 24 worldwide [processing](#) facilities in proximity to our principal sources of tobacco.

Upon arrival at our processing plants, [flue-cured](#) and [burley](#) tobaccos are first [re-graded](#) to better define their characteristics. Most of that tobacco is then [blended](#) to meet customer specifications regarding [colour](#), [body](#), and chemistry; [threshed](#) to remove the [stem](#) from the [leaf](#); and then further processed to produce [strips](#) of tobacco and separate out the smaller pieces, or [scrap](#). We also sell a small amount of processed but un-threshed flue-cured and burley tobacco in [loose-leaf](#) and [bundle](#) form. Processed flue-cured and burley tobacco is re-dried to remove excess moisture so that it can be held in storage for long periods of time. After [re-drying](#), whole leaves, bundles, strips, or stems are separately packed in cases, [bales](#), cartons, or [hogsheads](#) for storage and shipment. Generally, packed flue-cured and burley tobacco is transported in the country of origin by truck or rail, and exports are moved by ship. Prior to and during processing, steps are taken to ensure consistent quality of the tobacco, including the re-grading and removal of undesirable leaves, dirt, and other foreign matter.

Customer representatives are frequently present at our facilities to monitor the processing of their particular orders. Increased consumption of discount and value-priced cigarettes, and competition among leaf merchants have led to improvements in processing designed to minimise waste and thereby increase yield. Throughout the processing, our technicians use laboratory test equipment for quality control to ensure that the product meets all customer specifications.

Seasonality of Our Business

The purchasing and [processing](#) activities of our tobacco business are seasonal. [Flue-cured tobacco](#) grown in the U.S. is generally purchased during the five-month period beginning in July and ending in November. U.S.-grown [burley tobacco](#) is usually purchased from late November through January or February. Tobacco grown in Brazil is normally purchased from January through July. Other markets around the world have similar purchasing periods, although at different times of the year. [Mature](#) tobacco, prior to being processed and packed, is a semi-perishable commodity. The production cycle for [re-drying](#) and packing is relatively short. For example, flue-cured tobacco in the U.S. is generally processed, packed, and invoiced within the same five-month period (July through November) that it is purchased. During this period, inventories of unprocessed tobacco, inventories of [re-dried tobacco](#), and trade accounts receivable normally reach peak levels in succession. Current liabilities, particularly advances from customers and short-term notes payable to banks, normally reach their peak in this period as a means of financing the seasonal expansion of current assets. Increasing amounts of U.S.-grown burley and foreign tobacco are now being processed in periods other than July through November, reducing the seasonal fluctuations in working capital.

Our Customers

Our customers are the multinational [manufacturers](#) of cigarettes and other consumer tobacco products. We typically purchase most of our [leaf tobacco](#) according to customer orders, supply contracts, or customer indications of anticipated need. The tobacco is then shipped to our customers' factories, which are located in approximately 90 countries around the world. Most of our sales throughout the world are denominated in U.S. dollars. While we can receive payment for the tobacco after we have processed and shipped it, most of the larger customers advance payments to us throughout the buying season as we purchase tobacco for their accounts.