NELNET INC
Form 10-Q
May 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

or

¨ 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 001-31924

NELNET, INC.
(Exact name of registrant as specified in its charter)

NEBRASKA (State or other jurisdiction of incorporation or organization)	84-0748903 (I.R.S. Employer Identification No.)

121 SOUTH 13TH STREET LINCOLN, NEBRASKA (Address of principal executive offices)	68508 (Zip Code)

(402) 458-2370
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]

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

As of April 30, 2014, there were 35,018,015 and 11,491,932 shares of Class A Common Stock and Class B Common Stock, par value $0.01 per share, outstanding, respectively (excluding 11,317,364 shares of Class A Common Stock held by wholly owned subsidiaries).

NELNET, INC.
FORM 10-Q
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March 31, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(unaudited)

	As of March 31, 2014	As of December 31, 2013
Assets:		
Student loans receivable (net of allowance for loan losses of $54,628 and $55,122, respectively)	$25,607,143	25,907,589
Cash and cash equivalents:		
Cash and cash equivalents - not held at a related party	18,374	8,537
Cash and cash equivalents - held at a related party	88,728	54,730
Total cash and cash equivalents	107,102	63,267
Investments	166,201	192,040
Restricted cash and investments	705,889	735,123
Restricted cash - due to customers	180,469	167,576
Accrued interest receivable	305,672	314,553
Accounts receivable (net of allowance for doubtful accounts of $2,556 and $3,845, respectively)	62,423	56,072
Goodwill	117,118	117,118
Intangible assets, net	9,089	6,132
Property and equipment, net	33,302	33,829
Other assets	128,597	115,043
Fair value of derivative instruments	64,002	62,507
Total assets	$27,487,007	27,770,849
Liabilities:		
Bonds and notes payable	$25,589,287	25,955,289
Accrued interest payable	22,338	21,725
Other liabilities	164,692	164,300
Due to customers	180,469	167,576
Fair value of derivative instruments	16,547	17,969
Total liabilities	25,973,333	26,326,859
Commitments and contingencies		
Equity:		
Nelnet, Inc. shareholders' equity:		
Preferred stock, $0.01 par value. Authorized 50,000,000 shares; no shares issued or outstanding	—	—
Common stock:		
Class A, $0.01 par value. Authorized 600,000,000 shares; issued and outstanding 35,019,924 shares and 34,881,338 shares, respectively	350	349
Class B, convertible, $0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,491,932 shares and 11,495,377 shares, respectively	115	115
Additional paid-in capital	27,138	24,887

Retained earnings	1,482,637	1,413,492
Accumulated other comprehensive earnings	2,679	4,819
Total Nelnet, Inc. shareholders' equity	1,512,919	1,443,662
Noncontrolling interest	755	328
Total equity	1,513,674	1,443,990
Total liabilities and equity	$27,487,007	27,770,849
Supplemental information - assets and liabilities of consolidated variable interest entities:		
Student loans receivable	$25,716,871	26,020,629
Restricted cash and investments	704,370	732,771
Fair value of derivative instruments	36,795	36,834
Other assets	303,511	313,748
Bonds and notes payable	(25,909,892)	(26,244,222)
Other liabilities	(287,703)	(303,142)
Net assets of consolidated variable interest entities	$563,952	556,618

See accompanying notes to consolidated financial statements.

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NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except share data)
(unaudited)

	Three months ended March 31,	
	2014	2013
Interest income:		
Loan interest	$156,896	155,539
Investment interest	1,979	1,617
Total interest income	158,875	157,156
Interest expense:		
Interest on bonds and notes payable	60,004	58,358
Net interest income	98,871	98,798
Less provision for loan losses	2,500	5,000
Net interest income after provision for loan losses	96,371	93,798
Other income (expense):		
Loan and guaranty servicing revenue	64,757	55,601
Tuition payment processing and campus commerce revenue	25,235	23,411
Enrollment services revenue	22,011	28,957
Other income	18,131	9,416
Gain on sale of loans and debt repurchases	39	1,407
Derivative market value and foreign currency adjustments and derivative settlements, net	(4,265)	1,072
Total other income	125,908	119,864
Operating expenses:		
Salaries and benefits	52,484	47,905
Cost to provide enrollment services	14,475	19,642
Depreciation and amortization	4,783	4,377
Other	35,627	34,941
Total operating expenses	107,369	106,865
Income before income taxes	114,910	106,797
Income tax expense	40,611	38,447
Net income	74,299	68,350
Net income attributable to noncontrolling interest	513	271
Net income attributable to Nelnet, Inc.	$73,786	68,079
Earnings per common share:		
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	$1.59	1.46
Weighted average common shares outstanding - basic and diluted	46,527,917	46,658,031

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(unaudited)

	Three months ended March 31,	
	2014	2013
Net income	$74,299	68,350
Other comprehensive income:		
Available-for-sale securities:		
Unrealized holding gains arising during period, net of losses	3,675	4,520
Less reclassification adjustment for gains recognized in net income, net of losses	(7,073)	(957)
Income tax effect	1,258	(1,326)
Total other comprehensive (loss) income	(2,140)	2,237
Comprehensive income	72,159	70,587
Comprehensive income attributable to noncontrolling interest	513	271
Comprehensive income attributable to Nelnet, Inc.	$71,646	70,316

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except share data)
(unaudited)

	Nelnet, Inc. Shareholders										
		Common stock shares									
	Preferred stock shares	Class A	Class B	Preferred stock	Class A common stock	Class B common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Noncontrolling interest	Total equity
Balance as of December 31, 2012	—	35,116,913	11,495,377	$ —	351	115	32,540	1,129,389	2,813	5	1,165,213
Issuance of noncontrolling interest	—	—	—	—	—	—	—	—	—	5	5
Net income	—	—	—	—	—	—	—	68,079	—	271	68,350
Other comprehensive income	—	—	—	—	—	—	—	—	2,237	—	2,237
Cash dividends on Class A and Class B common stock - $0.10 per share	—	—	—	—	—	—	—	(4,646)	—	—	(4,646)
Issuance of common stock, net of forfeitures	—	125,963	—	—	1	—	1,272	—	—	—	1,273
Compensation expense for stock based awards	—	—	—	—	—	—	676	—	—	—	676
Repurchase of common stock	—	(213,535)	—	—	(2)	—	(6,702)	—	—	—	(6,704)
Balance as of March 31, 2013	—	35,029,341	11,495,377	$ —	350	115	27,786	1,192,822	5,050	281	1,226,404
Balance as of December 31, 2013	—	34,881,338	11,495,377	$ —	349	115	24,887	1,413,492	4,819	328	1,443,990
Issuance of noncontrolling interest	—	—	—	—	—	—	—	—	—	201	201
Net income	—	—	—	—	—	—	—	73,786	—	513	74,299
Other comprehensive loss	—	—	—	—	—	—	—	—	(2,140)	—	(2,140)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	(287)	(287)

Cash dividends on Class A and Class B common stock - $0.10 per share	—	—	—	—	—	—	—	(4,641)	—	—	(4,641)
Issuance of common stock, net of forfeitures	—	155,705	—	—	2	—	2,244	—	—	—	2,246
Compensation expense for stock based awards	—	—	—	—	—	—	875	—	—	—	875
Repurchase of common stock	—	(20,564)	—	—	(1)	—	(868)	—	—	—	(869)
Conversion of common stock	—	3,445	(3,445)	—	—	—	—	—	—	—	—
Balance as of March 31, 2014	—	35,019,924	11,491,932	$—	350	115	27,138	1,482,637	2,679	755	1,513,674

See accompanying notes to consolidated financial statements.

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NELNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	Three months ended March 31,	
	2014	2013
Net income attributable to Nelnet, Inc.	$73,786	68,079
Net income attributable to noncontrolling interest	513	271
Net income	74,299	68,350
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including debt discounts and student loan premiums and deferred origination costs	21,999	20,079
Student loan discount accretion	(10,023)	(9,075)
Provision for loan losses	2,500	5,000
Derivative market value adjustment	(2,916)	19,507
Foreign currency transaction adjustment	952	(28,763)
Gain on sale of loans	—	(33)
Gain from debt repurchases	(39)	(1,374)
Gain from sales of available-for-sale securities, net	(7,073)	(957)
Deferred income tax expense	2,497	4,874
Purchases of trading investments, net	(731)	—
Other	2,285	(355)
Decrease in accrued interest receivable	8,881	2,341
Increase in accounts receivable	(5,758)	(9,601)
Decrease in other assets	1,303	293
Increase in accrued interest payable	613	1,091
(Decrease) increase in other liabilities	(185)	13,614
Net cash provided by operating activities	88,604	84,991
Cash flows from investing activities:		
Purchases of student loans	(385,963)	(758,508)
Purchase of student loans from a related party	(137)	—
Net proceeds from student loan repayments, claims, capitalized interest, participations, and other	686,908	688,387
Proceeds from sale of student loans	—	11,284
Purchases of available-for-sale securities	(69,930)	(86,776)
Proceeds from sales of available-for-sale securities	99,799	13,405
Purchases of other investments, net	(14,467)	—
Purchases of property and equipment, net	(3,146)	(2,778)
Decrease in restricted cash and investments, net	29,356	695
Business acquisition, net of cash acquired	(1,909)	—
Net cash provided by (used in) investing activities	340,511	(134,291)
Cash flows from financing activities:		
Payments on bonds and notes payable	(1,347,517)	(2,244,266)
Proceeds from issuance of bonds and notes payable	972,384	2,295,865
Payments of debt issuance costs	(4,700)	(7,093)
Dividends paid	(4,641)	(4,646)
Repurchases of common stock	(869)	(6,704)
Proceeds from issuance of common stock	149	174

Issuance of noncontrolling interest	201	5
Distribution to noncontrolling interest	(287)	—
Net cash (used in) provided by financing activities	(385,280)	33,335
Net increase (decrease) in cash and cash equivalents	43,835	(15,965)
Cash and cash equivalents, beginning of period	63,267	66,031
Cash and cash equivalents, end of period	$107,102	50,066
Cash disbursements made for:		
Interest	$48,750	48,696
Income taxes, net of refunds	$13,378	5,489

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information as of March 31, 2014 and for the three months ended
March 31, 2014 and 2013 is unaudited)
(Dollars in thousands, except per share amounts, unless otherwise noted)

1. Basis of Financial Reporting

The accompanying unaudited consolidated financial statements of Nelnet, Inc. and subsidiaries (the "Company") as of March 31, 2014 and for the three months ended March 31, 2014 and 2013 have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2013 and, in the opinion of the Company's management, the unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results of operations for the interim periods presented. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results for the year ending December 31, 2014. The unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Annual Report").

2. Student Loans Receivable and Allowance for Loan Losses

Student loans receivable consisted of the following:

	As of March 31, 2014	As of December 31, 2013
Federally insured loans		
Stafford and other	$6,606,814	6,686,626
Consolidation	19,138,841	19,363,577
Total	25,745,655	26,050,203
Non-federally insured loans	68,540	71,103
	25,814,195	26,121,306
Loan discount, net of unamortized loan premiums and deferred origination costs (a)	(152,424)	(158,595)
Allowance for loan losses – federally insured loans	(42,909)	(43,440)
Allowance for loan losses – non-federally insured loans	(11,719)	(11,682)
	$25,607,143	25,907,589

(a) For loans purchased where there is evidence of credit deterioration since the origination of the loan, the Company records a credit discount, separate from the allowance for loan losses, which is non-accretable to interest income. Remaining discounts and premiums for purchased loans are recognized in interest income over the remaining estimated lives of the loans. The Company continues to evaluate credit losses associated with purchased loans based on current information and changes in expectations to determine the need for any additional allowance for loan losses. At March 31, 2014 and December 31, 2013, "loan discount, net of unamortized loan premiums and deferred origination costs" included $20.0 million and $20.2 million, respectively, of non-accretable discount associated with purchased loans.

Activity in the Allowance for Loan Losses

The provision for loan losses represents the periodic expense of maintaining an allowance appropriate to absorb losses, net of recoveries, inherent in the portfolio of student loans. Activity in the allowance for loan losses is shown below.

	Three months ended March 31,	
	2014	2013
Balance at beginning of period	$55,122	51,902
Provision for loan losses:		
Federally insured loans	3,000	6,000
Non-federally insured loans	(500)	(1,000)
Total provision for loan losses	2,500	5,000
Charge-offs:		
Federally insured loans	(3,631)	(5,990)
Non-federally insured loans	(421)	(772)
Total charge-offs	(4,052)	(6,762)
Recoveries - non-federally insured loans	371	368
Purchase (sale) of federally insured loans, net	100	(2,218)
Transfer from repurchase obligation related to non-federally insured loans repurchased, net	587	1,119
Balance at end of period	$54,628	49,409
Allocation of the allowance for loan losses:		
Federally insured loans	$42,909	37,913
Non-federally insured loans	11,719	11,496
Total allowance for loan losses	$54,628	49,409

Repurchase Obligations

As of March 31, 2014, the Company had participated a cumulative amount of $119.6 million (par value) of non-federally insured loans to third parties. Loans participated under these agreements have been accounted for by the Company as loan sales. Accordingly, the participation interests sold are not included in the Company's consolidated balance sheets. Per the terms of the servicing agreements, the Company's servicing operations are obligated to repurchase loans subject to the participation interests in the event such loans become 60 or 90 days delinquent.

In addition, in 2011, the Company sold a portfolio of non-federally insured loans for proceeds of $91.3 million (100% of par value). The Company retained credit risk related to this portfolio and will pay cash to purchase back any loans which become 60 days delinquent. As of March 31, 2014, the balance of this portfolio was $61.1 million (par value).

The Company's estimate related to its obligation to repurchase these loans is included in "other liabilities" in the Company's consolidated balance sheets. The activity related to this accrual is detailed below.

	Three months ended March 31,	
	2014	2013
Beginning balance	$16,143	16,130
Loans repurchased	(730)	(1,119)
Ending balance	$15,413	15,011

Student Loan Status and Delinquencies

Delinquencies have the potential to adversely impact the Company’s earnings through increased servicing and collection costs and account charge-offs. The percent of non-federally insured loans that were delinquent 31 days or greater as of March 31, 2014, December 31, 2013, and March 31, 2013 was 12.8 percent, 12.7 percent, and 20.5 percent, respectively. The table below shows the Company’s federally insured student loan delinquency amounts.

Rehabilitation Loans and Delinquent Loans Funded in FFELP Warehouse Facilities

Rehabilitation loans are student loans that have previously defaulted, but for which the borrower has made a specified number of on-time payments. Although rehabilitation loans benefit from the same guarantees as other federally insured student loans, rehabilitation loans have generally experienced re-default rates that are higher than default rates for federally insured student loans that have not previously defaulted. The Company has purchased a significant amount of rehabilitation loans. Upon purchase, these loans are recorded at fair value, which generally approximates the federal guarantee rate under the Federal Family Education Loan Program (the "FFEL Program" or "FFELP"). As such, there is minimal credit risk related to rehabilitation loans purchased; therefore, these loans are presented separately in the following delinquency tables.

In addition, the Company has purchased delinquent federally insured loans that are funded in the Company's FFELP warehouse facilities. Upon purchase, these loans are recorded at fair value, which generally approximates the federal guarantee rate. As such, there is minimal credit risk related to these loans. Loans delinquent 121 days or greater and funded in the Company's FFELP warehouse facilities are included with rehabilitation loans purchased in the following delinquency tables.

	As of March 31, 2014			As of December 31, 2013			As of March 31, 2013		
Federally insured loans, excluding rehabilitation loans:									
Loans in-school/grace/deferment	$2,617,628			$2,618,390			$2,933,416		
Loans in forbearance	2,797,432			2,954,495			2,890,574		
Loans in repayment status:									
Loans current	15,293,299	87.2	%	15,251,869	86.1	%	14,501,802	87.8	%
Loans delinquent 31-60 days	669,238	3.8		768,600	4.3		621,296	3.8	
Loans delinquent 61-90 days	407,779	2.3		426,089	2.5		409,209	2.5	
Loans delinquent 91-120 days	252,413	1.4		281,991	1.6		241,113	1.5	
Loans delinquent 121-270 days	640,214	3.7		712,204	4.0		512,875	3.1	
Loans delinquent 271 days or greater	272,159	1.6		269,066	1.5		211,461	1.3	
Total loans in repayment	17,535,102	100.0	%	17,709,819	100.0	%	16,497,756	100.0	%
Total federally insured loans, excluding rehabilitation loans	$22,950,162			$23,282,704			$22,321,746		
Rehabilitation loans:									
Loans in-school/grace/deferment	$261,754			$254,115			$213,101		
Loans in forbearance	416,206			415,530			394,733		
Loans in repayment status:									
Loans current	1,205,261	56.9	%	1,086,053	51.8	%	877,800	42.4	%
Loans delinquent 31-60 days	163,143	7.7		198,718	9.5		138,249	6.7	
Loans delinquent 61-90 days	114,920	5.4		124,244	5.9		109,129	5.3	
Loans delinquent 91-120 days	91,730	4.3		108,800	5.2		121,468	5.9	

Loans delinquent 121-270 days	344,434	16.3		405,732	19.3		573,054	27.7
Loans delinquent 271 days or greater	198,045	9.4		174,307	8.3		249,011	12.0
Total loans in repayment	2,117,533	100.0	%	2,097,854	100.0	%	2,068,711	100.0 %
Total rehabilitation loans	2,795,493			2,767,499			2,676,545	
Total federally insured loans	$25,745,655			$26,050,203			$24,998,291	

3. Bonds and Notes Payable

The following tables summarize the Company's outstanding debt obligations by type of instrument:

	As of March 31, 2014		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in asset-backed securitizations:			
Bonds and notes based on indices	$23,780,072	0.24% - 6.90%	5/25/18 - 8/26/52
Bonds and notes based on auction or remarketing	1,132,900	0.07% - 2.18%	5/1/28 - 11/26/46
Total variable-rate bonds and notes	24,912,972		
FFELP warehouse facilities	772,435	0.16% - 0.24%	1/17/16 - 9/30/16
Unsecured line of credit	—	—	3/28/18
Unsecured debt - Junior Subordinated Hybrid Securities	96,457	3.61%	9/15/61
Other borrowings	61,374	1.65% - 5.10%	8/11/14 - 11/11/15
	25,843,238		
Discount on bonds and notes payable	(253,951)		
Total	$25,589,287		

	As of December 31, 2013		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in asset-backed securitizations:			
Bonds and notes based on indices	$23,479,893	0.25% - 6.90%	5/25/18 - 8/26/52
Bonds and notes based on auction or remarketing	1,134,250	0.07% - 2.17%	5/1/28 - 11/26/46
Total variable-rate bonds and notes	24,614,143		
FFELP warehouse facilities	1,396,344	0.17% - 0.25%	1/17/16 - 6/12/16
Unsecured line of credit	45,000	1.67%	3/28/18
Unsecured debt - Junior Subordinated Hybrid Securities	96,457	3.62%	9/15/61
Other borrowings	61,401	1.67% - 5.10%	4/11/14 - 11/11/15
	26,213,345		
Discount on bonds and notes payable	(258,056)		
Total	$25,955,289		

FFELP Warehouse Facilities

The Company funds a portion of its FFELP loan acquisitions using its FFELP warehouse facilities. Student loan warehousing allows the Company to buy and manage student loans prior to transferring them into more permanent financing arrangements.

As of March 31, 2014, the Company had three FFELP warehouse facilities as summarized below.

	NHELP-III	NFSLW-I (a)	NHELP-II	Total
Maximum financing amount	$750,000	500,000	500,000	1,750,000
Amount outstanding	377,995	276,915	117,525	772,435
Amount available	$372,005	223,085	382,475	977,565
Expiration of liquidity provisions	February 5, 2015	June 12, 2014	September 30, 2014	
Final maturity date	January 17, 2016	June 12, 2016	September 30, 2016	
Maximum advance rates	92.2 - 95.0%	92.0 - 98.0%	84.5 - 94.5%	
Minimum advance rates	92.2 - 95.0%	84.0 - 90.0%	84.5 - 94.5%	
Advanced as equity support	$22,912	16,847	11,745	51,504

(a) On April 15, 2014, the Company amended the agreement for this warehouse facility to temporarily increase the maximum financing amount to $1.0 billion, change the expiration date for the liquidity provisions to June 11, 2015, and change the maturity date to June 11, 2017. The maximum financing amount is scheduled to decrease $100.0 million a month beginning in June 2014 until it returns to $500.0 million in size.

Asset-backed Securitizations

The following table summarizes the asset-backed securitization transactions completed during the three months ended March 31, 2014.

	2014-1	2014-2				Total
		Class A-1 notes	Class A-2 notes	Class A-3 notes	2014-2 total	
Date securities issued	2/6/14	3/12/14	3/12/14	3/12/14	3/12/14	
Total original principal amount	$458,500				509,000	$967,500
Class A senior notes:						
Total original principal amount	$445,000	191,000	222,000	84,000	497,000	942,000
Bond discount	—	—	—	(535)	(535)	(535)
Issue price	$445,000	191,000	222,000	83,465	496,465	941,465
Cost of funds (1-month LIBOR plus:)	0.57%	0.28%	0.60%	0.85%		
Final maturity date	9/25/41	6/25/21	3/25/30	7/27/37		
Class B subordinated notes:						
Total original principal amount	$13,500				12,000	25,500
Bond discount	(1,132)				(1,046)	(2,178)
Issue price	$12,368				10,954	23,322
Cost of funds (1-month LIBOR plus:)	1.50%				1.50%	
Final maturity date	10/25/47				6/25/41	

Unsecured Line of Credit

The Company has a $275.0 million unsecured line of credit that matures on March 28, 2018. As of March 31, 2014, no amounts were outstanding on the unsecured line of credit and $275.0 million was available for future use.

Debt Repurchases

The Company repurchased $1.4 million (face amount) and $13.0 million (face amount) of its own asset-backed debt securities during the three months ended March 31, 2014 and 2013, respectively, and recognized gains on such purchases of approximately $39,000 and $1.4 million, respectively.

4. Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage interest rate risk and foreign currency exchange risk. Derivative instruments used as part of the Company's risk management strategy are further described in note 6 of the notes to consolidated financial statements included in the 2013 Annual Report. A tabular presentation of such derivatives outstanding as of March 31, 2014 and December 31, 2013 is presented below.

Basis Swaps

The following table summarizes the Company's basis swaps outstanding as of March 31, 2014 and December 31, 2013 in which the Company receives three-month LIBOR set discretely in advance and pays one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps").

Maturity		Notional amount	
2021		$250,000	
2022		1,900,000	
2023		3,650,000	
2024		250,000	
2026		800,000	
2028		100,000	
2036		700,000	
2039	(a)	150,000	
2040	(b)	200,000	
		$8,000,000	(c)

(a) This derivative has a forward effective start date in 2015.
(b) This derivative has a forward effective start date in 2020.
(c) The weighted average rate paid by the Company on the 1:3 Basis Swaps as of March 31, 2014 and December 31, 2013 was one-month LIBOR plus 3.5 basis points.

Interest Rate Swaps – Floor Income Hedges

The following table summarizes the outstanding derivative instruments used by the Company to economically hedge loans earning fixed rate floor income as of March 31, 2014 and December 31, 2013.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)	
2014	$1,750,000	0.71	%
2015	1,100,000	0.89	
2016	750,000	0.85	
2017	1,250,000	0.86	
	$4,850,000	0.81	%

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

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Interest Rate Swaps – Unsecured Debt Hedges

The Company had the following derivatives outstanding as of March 31, 2014 and December 31, 2013 that are used to effectively convert the variable interest rate on a portion of the Junior Subordinated Hybrid Securities ("Hybrid Securities") to a fixed rate.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2036	$ 25,000	4.28 %

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

Foreign Currency Exchange Risk

In 2006, the Company issued €352.7 million of student loan asset-backed Euro Notes (the "Euro Notes") with an interest rate based on a spread to the EURIBOR index. As a result of the Euro Notes, the Company is exposed to market risk related to fluctuations in foreign currency exchange rates between the U.S. dollar and Euro. The principal and accrued interest on these notes are re-measured at each reporting period and recorded in the Company’s consolidated balance sheet in U.S. dollars based on the foreign currency exchange rate on that date.

The Company entered into a cross-currency interest rate swap in connection with the issuance of the Euro Notes. Under the terms of the cross-currency interest rate swap, the Company receives from the counterparty a spread to the EURIBOR index based on a notional amount of €352.7 million and pays a spread to the LIBOR index based on a notional amount of $450.0 million. In addition, under the terms of this agreement, all principal payments on the Euro Notes will effectively be paid at the exchange rate in effect between the U.S. dollar and Euro as of the issuance of the notes.

The following table shows the income statement impact as a result of the re-measurement of the Euro Notes and the change in the fair value of the related derivative instrument.

	Three months ended March 31,	
	2014	2013 (b)
Re-measurement of Euro Notes	$ (952)	28,763
Change in fair value of cross-currency interest rate swaps	(39)	(34,844)
Total impact to consolidated statements of income - income (expense) (a)	$ (991)	(6,081)

(a) The financial statement impact of the above items is included in "Derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income.

(b) The 2013 operating results includes the re-measurement of €420.5 million of student loan asset-backed Euro notes and the change in fair value of a related cross-currency interest rate swap entered into in connection with the issuance of such notes. In November 2013, the notional amount outstanding on the notes was changed to U.S. dollars and the cross-currency interest swap was terminated.

The re-measurement of the Euro-denominated bonds generally correlates with the change in fair value of the cross-currency interest rate swaps. However, the Company will experience unrealized gains or losses related to the cross-currency interest rate swaps if the two underlying indices (and related forward curve) do not move in parallel.

Consolidated Financial Statement Impact Related to Derivatives

The following table summarizes the fair value of the Company's derivatives as reflected in the consolidated balance sheets:

	Fair value of asset derivatives		Fair value of liability derivatives	
	As of March 31, 2014	As of December 31, 2013	As of March 31, 2014	As of December 31, 2013
1:3 basis swaps	$19,600	18,490	—	—
Interest rate swaps - floor income hedges	7,607	7,183	12,915	15,849
Interest rate swaps - hybrid debt hedges	—	—	3,632	2,120
Cross-currency interest rate swaps	36,795	36,834	—	—
Total	$64,002	62,507	16,547	17,969

During the three months ended March 31, 2013, the Company terminated certain derivatives for gross proceeds and payments of $2.7 million and $2.9 million, respectively. There were no derivative terminations during the first quarter of 2014.

Offsetting of Derivative Assets/Liabilities

The Company records derivative instruments in the consolidated balance sheets on a gross basis as either an asset or liability measured at its fair value. Certain of the Company's derivative instruments are subject to right of offset provisions with counterparties. The following tables include the gross amounts related to the Company's derivative portfolio recognized in the consolidated balance sheets, reconciled to the net amount when excluding derivatives subject to enforceable master netting arrangements and cash collateral received/pledged:

		Gross amounts not offset in the consolidated balance sheets		
Derivative assets	Gross amounts of recognized assets presented in the consolidated balance sheets	Derivatives subject to enforceable master netting arrangement	Cash collateral received	Net asset (liability)
Balance as of March 31, 2014	$64,002	(15,313)	(323)	48,366
Balance as of December 31, 2013	62,507	(15,437)	(15,959)	31,111

		Gross amounts not offset in the consolidated balance sheets		
Derivative liabilities	Gross amounts of recognized liabilities presented in the consolidated balance sheets	Derivatives subject to enforceable master netting arrangement	Cash collateral pledged	Net asset (liability)
Balance as of March 31, 2014	$(16,547)	15,313	3,140	1,906
	(17,969)	15,437	3,630	1,098

Balance as of
December 31, 2013

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The following table summarizes the effect of derivative instruments in the consolidated statements of income.

	Three months ended March 31,	
	2014	2013
Settlements:		
1:3 basis swaps	$881	911
Interest rate swaps - floor income hedges	(6,950)	(8,304)
Interest rate swaps - hybrid debt hedges	(252)	(645)
Cross-currency interest rate swaps	92	(146)
Total settlements - expense	(6,229)	(8,184)
Change in fair value:		
1:3 basis swaps	1,110	1,933
Interest rate swaps - floor income hedges	3,358	9,422
Interest rate swaps - hybrid debt hedges	(1,513)	3,640
Cross-currency interest rate swaps	(39)	(34,844)
Other	—	342
Total change in fair value - income (expense)	2,916	(19,507)
Re-measurement of Euro Notes (foreign currency transaction adjustment) - (expense) income	(952)	28,763
Derivative market value and foreign currency adjustments and derivative settlements, net - (expense) income	$(4,265)	1,072

5. Investments

A summary of the Company's investments and restricted investments follows:

	As of March 31, 2014				As of December 31, 2013			
	Amortized cost	Gross unrealized gains	Gross unrealized losses (a)	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investments:								
Available-for-sale investments:								
Student loan asset-backed and other debt securities (b)	$149,016	3,192	(824)	151,384	171,931	7,111	(1,241)	177,801
Equity securities	1,308	1,884	—	3,192	1,502	1,783	(3)	3,282
Total available-for-sale investments	$150,324	5,076	(824)	154,576	173,433	8,894	(1,244)	181,083
Trading investments:								
Student loan asset-backed and other debt securities				11,625				10,957
Total available-for-sale and trading investments				$166,201				192,040
Restricted Investments (c):								
Guaranteed investment contracts - held-to-maturity				$6,742				7,285

(a) As of March 31, 2014, the Company considered the decline in market value of its available-for-sale investments to be temporary in nature and did not consider any of its investments other-than-temporarily impaired.

(b) As of March 31, 2014, the stated maturities of the majority of the Company's student loan asset-backed and other debt securities classified as available-for-sale were greater than 10 years.

(c) Restricted investments are included in "restricted cash and investments" in the Company's consolidated balance sheets.

The amounts reclassified from accumulated other comprehensive income related to the realized gains and losses on available-for-sale-securities is summarized below.

	Three months ended March 31,	
Affected line item in the consolidated statements of income - income (expense):	2014	2013
Other income	$7,073	957
Income tax expense	(2,617)	(354)
Net	$4,456	603

6. Earnings per Common Share

Presented below is a summary of the components used to calculate basic and diluted earnings per share. The Company applies the two-class method in computing both basic and diluted earnings per share, which requires the calculation of separate earnings per share amounts for common stock and unvested share based awards. Unvested share-based awards that contain nonforfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock.

	Three months ended March 31, 2014			2013		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:						
Net income attributable to Nelnet, Inc.	$73,125	661	73,786	67,517	562	68,079
Denominator:						
Weighted-average common shares outstanding - basic and diluted	46,110,952	416,965	46,527,917	46,272,324	385,707	46,658,031
Earnings per share - basic and diluted	$1.59	1.59	1.59	1.46	1.46	1.46

Unvested restricted stock awards are the Company's only potential common shares and, accordingly, there were no awards that were antidilutive and not included in average shares outstanding for the diluted earnings per share calculation.

7. Segment Reporting

See note 13 of the notes to consolidated financial statements included in the 2013 Annual Report for a description of the Company's operating segments. The following tables include the results of each of the Company's operating segments reconciled to the consolidated financial statements.

	Three months ended March 31, 2014							
	Fee-Based							
	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Enrollment Services	Total Fee-Based	Asset Generation and Management	Corporate Activity and Overhead	Eliminations	Total
Total interest income	$11	—	—	11	157,003	2,658	(797)	158,875
Interest expense	—	—	—	—	59,476	1,325	(797)	60,004
Net interest income	11	—	—	11	97,527	1,333	—	98,871
Less provision for loan losses	—	—	—	—	2,500	—	—	2,500
Net interest income after provision for loan losses	11	—	—	11	95,027	1,333	—	96,371
Other income (expense):								
Loan and guaranty servicing revenue	64,757	—	—	64,757	—	—	—	64,757
Intersegment servicing revenue	14,221	—	—	14,221	—	—	(14,221)	—
Tuition payment processing and campus commerce revenue	—	25,235	—	25,235	—	—	—	25,235
Enrollment services revenue	—	—	22,011	22,011	—	—	—	22,011
Other income	—	—	—	—	4,164	13,967	—	18,131
Gain on sale of loans and debt repurchases	—	—	—	—	39	—	—	39
Derivative market value and foreign currency adjustments, net	—	—	—	—	3,477	(1,513)	—	1,964
Derivative settlements, net	—	—	—	—	(5,977)	(252)	—	(6,229)
Total other income (expense)	78,978	25,235	22,011	126,224	1,703	12,202	(14,221)	125,908
Operating expenses:								
Salaries and benefits	32,307	10,027	4,380	46,714	609	5,161	—	52,484
Cost to provide enrollment services	—	—	14,475	14,475	—	—	—	14,475
Depreciation and amortization	2,789	1,428	47	4,264	—	519	—	4,783
Other	18,452	2,647	1,449	22,548	7,146	5,933	—	35,627
	1,083	1,420	1,006	3,509	14,371	(3,659)	(14,221)	—

Intersegment expenses, net								
Total operating expenses	54,631	15,522	21,357	91,510	22,126	7,954	(14,221)	107,369
Income before income taxes and corporate overhead allocation	24,358	9,713	654	34,725	74,604	5,581	—	114,910
Corporate overhead allocation	(1,860)	(620)	(620)	(3,100)	(1,329)	4,429	—	—
Income before income taxes	22,498	9,093	34	31,625	73,275	10,010	—	114,910
Income tax expense	(8,549)	(3,455)	(13)	(12,017)	(27,844)	(750)	—	(40,611)
Net income	13,949	5,638	21	19,608	45,431	9,260	—	74,299
Net income attributable to noncontrolling interest	—	—	—	—	—	513	—	513
Net income attributable to Nelnet, Inc.	$13,949	5,638	21	19,608	45,431	8,747	—	73,786

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	Three months ended March 31, 2013							
	Fee-Based							
	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Enrollment Services	Total Fee-Based	Asset Generation and Management	Corporate Activity and Overhead	Eliminations	Total
Total interest income	$10	—	—	10	155,654	2,311	(819)	157,156
Interest expense	—	—	—	—	57,482	1,695	(819)	58,358
Net interest income	10	—	—	10	98,172	616	—	98,798
Less provision for loan losses	—	—	—	—	5,000	—	—	5,000
Net interest income after provision for loan losses	10	—	—	10	93,172	616	—	93,798
Other income (expense):								
Loan and guaranty servicing revenue	55,601	—	—	55,601	—	—	—	55,601
Intersegment servicing revenue	14,953	—	—	14,953	—	—	(14,953)	—
Tuition payment processing and campus commerce revenue	—	23,411	—	23,411	—	—	—	23,411
Enrollment services revenue	—	—	28,957	28,957	—	—	—	28,957
Other income	—	—	—	—	4,196	5,220	—	9,416
Gain on sale of loans and debt repurchases	—	—	—	—	1,407	—	—	1,407
Derivative market value and foreign currency adjustments, net	—	—	—	—	5,275	3,981	—	9,256
Derivative settlements, net	—	—	—	—	(7,539)	(645)	—	(8,184)
Total other income (expense)	70,554	23,411	28,957	122,922	3,339	8,556	(14,953)	119,864
Operating expenses:								
Salaries and benefits	28,444	9,359	5,767	43,570	562	3,773	—	47,905
Cost to provide enrollment services	—	—	19,642	19,642	—	—	—	19,642
Depreciation and amortization	2,789	1,138	61	3,988	—	389	—	4,377
Other	18,390	2,287	1,651	22,328	7,513	5,100	—	34,941
Intersegment expenses, net	935	1,425	1,149	3,509	15,142	(3,698)	(14,953)	—
Total operating expenses	50,558	14,209	28,270	93,037	23,217	5,564	(14,953)	106,865
Income before income taxes and corporate overhead allocation	20,006	9,202	687	29,895	73,294	3,608	—	106,797

Corporate overhead allocation	(997)	(332)	(332)	(1,661)	(712)	2,373	—	—
Income before income taxes	19,009	8,870	355	28,234	72,582	5,981	—	106,797
Income tax expense	(7,223)	(3,371)	(135)	(10,729)	(27,581)	(137)	—	(38,447)
Net income	11,786	5,499	220	17,505	45,001	5,844	—	68,350
Net income attributable to noncontrolling interest	—	—	—	—	—	271	—	271
Net income attributable to Nelnet, Inc.	$11,786	5,499	220	17,505	45,001	5,573	—	68,079

8. Major Customer

The Company earns loan servicing revenue from a servicing contract with the U.S. Department of Education ("Department") that spans five years (through June 2014). Revenue earned by the Company's Student Loan and Guaranty Servicing operating segment related to this contract was $29.9 million and $20.3 million for the three months ended March 31, 2014 and 2013, respectively. The Department has the option to extend the contract for an additional five years. On October 25, 2013, the Company received a letter from the Department notifying the Company of the Department's intent to exercise its optional ordering period to extend the contract for an additional five years through June 16, 2019, with actual extension subject to the availability of government funds.

9. Related Party Transactions

The Company has entered into certain contractual arrangements with related parties as described in note 19 of the notes to consolidated financial statements included in the Company's 2013 Annual Report. The following provides an update for a related party transaction that occurred during the first quarter of 2014.

On January 1, 2014, the Company subparticipated the Company's participation interest in a loan receivable from an unrelated third party to Union Bank and Trust Company ("Union Bank"), an entity under common control with the Company. The participated portion of the loan was $1.7 million, with an obligation to fund an additional $1.4 million. As part of this agreement, Union Bank will pay the Company monthly servicing fees equal to 40 basis points on the participated portion of the outstanding principal balance of the loan.

10. Fair Value

The following tables present the Company’s financial assets and liabilities that are measured at fair value on a recurring basis. There were no transfers into or out of level 1, level 2, or level 3 for the three months ended March 31, 2014.

	As of March 31, 2014			As of December 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Investments:						
Student loan asset-backed securities	$—	162,553	162,553	—	188,279	188,279
Equity securities	3,192	—	3,192	3,282	—	3,282
Debt securities	456	—	456	479	—	479
Total investments	3,648	162,553	166,201	3,761	188,279	192,040
Fair value of derivative instruments	—	64,002	64,002	—	62,507	62,507
Total assets	$3,648	226,555	230,203	3,761	250,786	254,547
Liabilities:						
Fair value of derivative instruments	$—	16,547	16,547	—	17,969	17,969
Total liabilities	$—	16,547	16,547	—	17,969	17,969

The following table summarizes the fair values of all of the Company’s financial instruments on the consolidated balance sheets:

	As of March 31, 2014										
	Fair value		Carrying value	Level 1		Level 2	Level 3				
Financial assets:			0.6	—		23.1		—			
Shares withheld related to net share settlement of share-based compensation	(8.6	)	—		—	(0.1	)	—	(8.6	)	—
Share-based compensation expense	34.1		—		—	—		—	34.1		—
Purchase and retirement of Common Stock	(421.4	)	(392.1	)	—	(3.5	)	—	(29.3	)	—
Cash dividends on Common Stock	(263.8	)	(263.8	)	—	—		—	—		—
Accrued dividends on share-based awards	(1.1	)	(1.2	)	—	—		—	0.1		—

Cumulative effect adjustment from adoption of new accounting standards	3.9	2.1		1.8	—	—	—	—
Other comprehensive earnings, net of tax	(68.6)	—		(68.6)	—	—	—	—
Net earnings	586.4	586.4		—	—	—	—	—
Non-controlling interests	(1.3)	—		—	—	—	—	(1.3)
Balance at January 31, 2019	$3,130.9	$	2,045.6	$(204.8)	121.5	$1.2	$1,275.4	$13.5

See notes to consolidated financial statements.

TIFFANY & CO.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended January 31, 2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$586.4	$370.1	$446.1
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	229.0	206.9	208.5
Amortization of gain on sale-leasebacks	(8.4)	(8.2)	(8.5)
Provision for inventories	54.4	28.9	19.2
Deferred income taxes	(21.3)	96.8	46.1
Provision for pension/postretirement benefits	35.7	35.0	45.4
Share-based compensation expense	34.1	28.0	24.3
Loan impairment charges	—	3.0	12.6
Asset impairment charges	—	10.0	25.4
Gains on sales of marketable securities	2.3	(3.5)	—
Changes in assets and liabilities:			
Accounts receivable	(30.8)	7.0	(19.2)
Inventories	(270.5)	(52.9)	54.8
Prepaid expenses and other current assets	(11.3)	(28.8)	33.6
Other assets, net	(22.2)	(3.7)	0.8
Accounts payable and accrued liabilities	53.7	98.8	(21.7)
Income taxes payable	(104.6)	149.7	(39.3)
Merchandise credits and deferred revenue	(1.0)	6.2	1.5
Other long-term liabilities	6.3	(11.1)	(123.9)
Net cash provided by operating activities	531.8	932.2	705.7
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities and short-term investments	(154.1)	(598.0)	(125.5)
Proceeds from sales of marketable securities and short-term investments	394.1	351.4	109.8
Capital expenditures	(282.1)	(239.3)	(222.8)
Other, net	12.2	4.8	1.7
Net cash used in investing activities	(29.9)	(481.1)	(236.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayment of) proceeds from credit facility borrowings, net	(18.4)	(67.8)	14.2
Proceeds from other credit facility borrowings	49.3	39.2	76.8
Repayment of other credit facility borrowings	(32.0)	(96.1)	(83.1)
Proceeds from the issuance of long-term debt	—	—	98.1
Repayment of long-term debt	—	—	(97.1)
Repurchase of Common Stock	(421.4)	(99.2)	(183.6)
Proceeds from exercised stock options	23.1	54.6	15.3
Payments related to tax withholding for share-based payment arrangements	(8.6)	(8.7)	(2.9)
Cash dividends on Common Stock	(263.8)	(242.6)	(218.8)
Distribution to non-controlling interest	(0.3)	(0.5)	(3.8)
Financing fees	(2.2)	—	(1.5)
Net cash used in financing activities	(674.3)	(421.1)	(386.4)
Effect of exchange rate changes on cash and cash equivalents	(5.7)	12.7	1.9
Net (decrease) increase in cash and cash equivalents	(178.1)	42.7	84.4
Cash and cash equivalents at beginning of year	970.7	928.0	843.6
Cash and cash equivalents at end of year	$792.6	$970.7	$928.0

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. NATURE OF BUSINESS

Tiffany & Co. (the "Registrant") is a holding company that operates through Tiffany and Company ("Tiffany") and the Registrant's other subsidiary companies (collectively, the "Company"). The Registrant, through its subsidiaries, designs and manufactures products and operates TIFFANY & CO. retail stores worldwide, and also sells its products through Internet, catalog, business-to-business and wholesale distribution. The Company's principal merchandise offering is jewelry (representing 92% of worldwide net sales in 2018); it also sells watches, home and accessories products and fragrances.

The Company's reportable segments are as follows:

- Americas includes sales in Company-operated TIFFANY & CO. stores in the United States, Canada and Latin America, as well as sales of TIFFANY & CO. products in certain markets through Internet, catalog, business-to-business and wholesale operations;

- Asia-Pacific includes sales in Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations;

- Japan includes sales in Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through Internet, business-to-business and wholesale operations;

- Europe includes sales in Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and

- Other consists of all non-reportable segments. Other includes the Emerging Markets region, which includes sales in Company-operated TIFFANY & CO. stores and wholesale operations in the Middle East. In addition, Other includes wholesale sales of diamonds as well as earnings from third-party licensing agreements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company's fiscal year ends on January 31 of the following calendar year. All references to years relate to fiscal years rather than calendar years.

Basis of Reporting

The accompanying consolidated financial statements include the accounts of Tiffany & Co. and its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities (VIEs), if the Company has the power to significantly direct the activities of a VIE, as well as the obligation to absorb significant losses of or the right to receive significant benefits from the VIE. Intercompany accounts, transactions and profits have been eliminated in consolidation. The equity method of accounting is used for investments in which the Company has significant influence, but not a controlling interest.

Certain prior year amounts have been reclassified to conform with the current year presentation. In connection with the adoption of ASU 2017-07 - Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, certain items have been reclassified on the consolidated statements of earnings for the years ended January 31, 2018 and 2017. See "Recently Adopted Accounting Standards" below for additional information.

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Use of Estimates

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); these principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and related notes to the consolidated financial statements. Actual results could differ from these estimates and the differences could be material. Periodically, the Company reviews all significant estimates and assumptions affecting the consolidated financial statements relative to current conditions and records the effect of any necessary adjustments.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents include highly liquid investments with an original maturity of three months or less and consist of time deposits and/or money market fund investments with a number of U.S. and non-U.S. financial institutions with high credit ratings. The Company's policy restricts the amount invested with any one financial institution.

Short-Term Investments

The Company's short-term investments consist of time deposits and are carried at fair value. At the time of purchase, management determines the appropriate classification of these investments and reevaluates such designation as of each balance sheet date.

Receivables and Financing Arrangements

Receivables. The Company's Accounts receivable, net primarily consists of amounts due from Credit Receivables (defined below), department store operators that host TIFFANY & CO. boutiques in their stores, third-party credit card issuers and wholesale customers. The Company maintains an allowance for doubtful accounts for estimated losses associated with outstanding accounts receivable. The allowance is determined based on a combination of factors including, but not limited to, the length of time that the receivables are past due, management's knowledge of the customer, economic and market conditions and historical write-off experiences.

For the receivables associated with Tiffany & Co. credit cards ("Credit Card Receivables"), management uses various indicators to determine whether to extend credit to customers and the amount of credit. Such indicators include reviewing prior experience with the customer, including sales and collection history, and using applicants' credit reports and scores provided by credit rating agencies. Certain customers may be granted payment terms which permit purchases above a minimum amount to be paid for in equal monthly installments over a period not to exceed 12 months (together with Credit Card Receivables, "Credit Receivables"). Credit Receivables require minimum balance payments. An account is classified as overdue if a minimum balance payment has not been received within the allotted timeframe (generally 30 days), after which internal collection efforts commence. In order for the account to return to current status, full payment on all past due amounts must be received by the Company. For all Credit Receivables, once all internal collection efforts have been exhausted and management has reviewed the account, the account balance is written off and may be sent for external collection or legal action. At January 31, 2019, the carrying amount of the Credit Receivables (recorded in Accounts receivable, net) was $87.0 million, of which 98% was considered current. Finance charges earned on Credit Receivables accounts were not significant.

Financing Arrangements. The Company previously provided financing to diamond mining and exploration companies in order to obtain rights to purchase the mine's output. As of January 31, 2017, the Company had a $43.8 million financing arrangement (the "Loan") with Koidu Limited (previously Koidu Holdings S.A.) ("Koidu"). However, the Company previously recorded impairment charges totaling $42.1 million related to the Loan (including

$4.2 million in 2016), resulting in a net carrying amount of $1.7 million as of January 31, 2017. In 2017, the Company sold its interest in the Loan to Koidu's largest creditor for $1.7 million. Additionally, the Company and Koidu entered into an agreement to terminate the supply agreement between the parties.

The Company also recorded an impairment charge of $8.4 million during the fiscal year ended January 31, 2017 related to a separate financing arrangement with another diamond mining and exploration company.

At January 31, 2019, accounts receivable allowances totaled $31.5 million compared to $17.2 million at January 31, 2018, with $12.2 million of the increase at January 31, 2019 due to the adoption of ASU 2014-09, which

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requires sales returns reserves to be presented on a gross basis on the consolidated balance sheet, with the asset related to merchandise expected to be returned recorded outside of Accounts receivable, net.

Inventories

Inventories are valued at the lower of cost or net realizable value using the average cost method, except for certain diamond and gemstone jewelry, which uses the specific identification method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	39 years
Machinery and equipment	5-15 years
Office equipment	3-8 years
Software	5-10 years
Furniture and fixtures	3-10 years

Leasehold improvements and building improvements are amortized over the shorter of their estimated useful lives (primarily ranging from 8-10 years) or the related lease terms or building life, respectively. Maintenance and repair costs are charged to earnings while expenditures for major renewals and improvements are capitalized. Upon the disposition of property, plant and equipment, the accumulated depreciation is deducted from the original cost and any gain or loss is reflected in current earnings.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. The Company's capitalized interest costs were not significant in 2018, 2017 or 2016.

Information Systems Development Costs

Eligible costs incurred during the development stage of information systems projects are capitalized and amortized over the estimated useful life of the related project. Eligible costs include those related to the purchase, development, and installation of the related software. Costs incurred prior to the development stage, as well as costs for maintenance, data conversion, training, and other general and administrative costs, are expensed as incurred. Costs that are capitalized are included in Property, plant and equipment, net in Construction-in-progress while in the development stage and in Software once placed into service.

Capitalized software costs are subject to the Company's accounting policy related to the review of long-lived assets for impairment. See "Impairment of Long-Lived Assets" below for further details.

Intangible Assets and Key Money

Intangible assets, consisting of product rights and trademarks, are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, which range from 15 to 20 years. Intangible assets are reviewed for impairment in accordance with the Company's policy for impairment of long-lived assets (see "Impairment of Long-Lived Assets" below).

Key money is the amount of funds paid to a landlord or tenant to acquire the rights of tenancy under a commercial property lease for a certain property. Key money represents the "right to lease" with an automatic right of renewal.

This right can be subsequently sold by the Company or can be recovered should the landlord refuse to allow the automatic right of renewal to be exercised. Key money is amortized over the estimated useful life, 39 years.

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The following table summarizes intangible assets and key money, included in Other assets, net, as follows:

(in millions)	January 31, 2019 Gross Carrying Amount	January 31, 2019 Accumulated Amortization	January 31, 2018 Gross Carrying Amount	January 31, 2018 Accumulated Amortization
Product rights	$48.9	$ (16.0)	$48.9	$ (13.5)
Key money	34.1	(6.0)	36.8	(5.5)
Trademarks	2.5	(2.5)	2.5	(2.5)
	$85.5	$ (24.5)	$88.2	$ (21.5)

Amortization of intangible assets and key money was $3.4 million for the years ended January 31, 2019, 2018 and 2017. Amortization expense is estimated to be $3.5 million in each of the next five years.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired in a business combination. Goodwill is evaluated for impairment annually in the fourth quarter, or when events or changes in circumstances indicate that the value of goodwill may be impaired. A qualitative assessment is first performed for each reporting unit to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, a quantitative evaluation, based on discounted cash flows, is performed and requires management to estimate future cash flows, growth rates and economic and market conditions. If the quantitative evaluation indicates that goodwill is not recoverable, an impairment loss is calculated and recognized during that period. At January 31, 2019 and 2018, goodwill, included in Other assets, net, consisted of the following by reportable segment:

(in millions)	Americas	Asia-Pacific	Japan	Europe	Other	Total
January 31, 2017	$ 12.1	$ 0.3	$ 1.0	$ 1.1	$23.9	$38.4
Translation	0.1	—	—	—	0.6	0.7
January 31, 2018	12.2	0.3	1.0	1.1	24.5	39.1
Translation	(0.1)	—	—	—	(0.3)	(0.4)
January 31, 2019	$ 12.1	$ 0.3	$ 1.0	$ 1.1	$24.2	$38.7

The Company recorded no impairment charges related to goodwill in 2018, 2017 or 2016.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets (such as property, plant and equipment) other than goodwill for impairment when management determines that the carrying value of such assets may not be recoverable due to events or changes in circumstances. Recoverability of long-lived assets is evaluated by comparing the carrying value of the asset with its estimated future undiscounted cash flows. If the comparisons indicate that the value of the asset is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the asset and the loss is recognized during that period. There were no significant impairment charges related to long-lived assets during 2018. In 2017, the Company recorded aggregate impairment charges of $10.0 million related to property, plant and equipment. In 2016, the Company recorded an impairment charge of $25.4 million associated with the software costs capitalized in connection with the development of a finished goods inventory management and merchandising information system (see "Note E. Property, Plant and Equipment" for additional information).

Hedging Instruments

The Company uses derivative financial instruments to mitigate a portion of its foreign currency, precious metal price and interest rate exposures. Derivative instruments are recorded on the consolidated balance sheet at their fair values,

as either assets or liabilities, with an offset to current or other comprehensive earnings, depending on

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whether a derivative is designated as part of an effective hedge transaction and, if it is, the type of hedge transaction.
Marketable Securities

The Company's marketable securities primarily consist of investments in mutual funds and are recorded within Other assets, net, at fair value with realized and unrealized gains and losses recorded in earnings. Marketable securities are held for an indefinite period of time, but may be sold in the future as changes in market conditions or economic factors occur. The fair value of marketable securities is determined based on prevailing market prices.

Merchandise Credits and Deferred Revenue

Merchandise credits and deferred revenue primarily represent outstanding gift cards sold to customers and outstanding credits issued to customers for returned merchandise. All such outstanding items may be tendered for future merchandise purchases. A gift card liability is established when the gift card is sold. A merchandise credit liability is established when a merchandise credit is issued to a customer for a returned item and the original sale is reversed. These liabilities are relieved when revenue is recognized for transactions in which a merchandise credit or gift card is used as a form of payment.

If merchandise credits or gift cards are not redeemed over an extended period of time (for example, approximately three to five years in the U.S.), the value associated with the merchandise credits or gift cards may be subject to remittance to the applicable jurisdiction in accordance with unclaimed property laws. The Company determines the amount of breakage income to be recognized on gift cards and merchandise credits using historical experience to estimate amounts that will ultimately not be redeemed. The Company recognizes such breakage income in proportion to redemption rates of the overall population of gift cards and merchandise credits.

In 2018, the Company recognized net sales of approximately $34.0 million related to the Merchandise credits and deferred revenue balance that existed at January 31, 2018.

Revenue Recognition

The following table disaggregates the Company's net sales by major source:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Net sales*:			
Jewelry collections	$2,374.1	$2,146.6	$1,991.0
Engagement jewelry	1,157.4	1,111.9	1,174.9
Designer jewelry	544.5	551.2	529.1
All other	366.1	360.1	306.8
	$4,442.1	$4,169.8	$4,001.8

*Certain reclassifications within the jewelry categories have been made to the prior year amounts to conform to the current year category presentation.

The Company's performance obligations consist primarily of transferring control of merchandise to customers. Sales are recognized upon transfer of control, which occurs when merchandise is taken in an "over-the-counter" transaction or upon receipt by a customer in a shipped transaction, such as through the Internet and catalog channels. Sales are reported net of returns, sales tax and other similar taxes. The Company excludes from the measurement of the transaction price all taxes assessed by a governmental authority and collected by the entity from a customer.

Shipping and handling fees billed to customers are recognized in net sales when control of the underlying merchandise is transferred to the customer. The related shipping and handling charges incurred by the Company represent

fulfillment activities and are included in Cost of sales.

The Company maintains a reserve for potential product returns and records (as a reduction to sales and cost of sales) its provision for estimated product returns, which is determined based on historical experience.

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As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component when management expects, at contract inception, that the period between the transfer of a product to a customer and when the customer pays for that product is one year or less.

Additionally, outside of the U.S., the Company operates certain TIFFANY & CO. stores within various department stores. Sales transacted at these store locations are recognized upon transfer of control, which occurs when merchandise is taken in an "over-the-counter" transaction. The Company and these department store operators have distinct responsibilities and risks in the operation of such TIFFANY & CO. stores. The Company (i) owns and manages the merchandise; (ii) establishes retail prices; (iii) has merchandising, marketing and display responsibilities; and (iv) in almost all locations provides retail staff and bears the risk of inventory loss. The department store operators (i) provide and maintain store facilities; (ii) in almost all locations assume retail credit and certain other risks; and (iii) act for the Company in the sale of merchandise. In return for their services and use of their facilities, the department store operators retain a portion of net retail sales made in TIFFANY & CO. stores which is recorded as commission expense within Selling, general and administrative expenses.

Cost of Sales

Cost of sales includes costs to internally manufacture merchandise (primarily metals, gemstones, labor and overhead), costs related to the purchase of merchandise from third-parties, inbound freight, purchasing and receiving, inspection, warehousing, internal transfers and other costs associated with distribution and merchandising. Cost of sales also includes royalty fees paid to outside designers and customer shipping and handling charges.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses include costs associated with the selling and marketing of products as well as administrative expenses. The types of expenses associated with these functions are store operating expenses (such as labor, rent and utilities), advertising and other corporate level administrative expenses.

Advertising, Marketing, Public and Media Relations Costs

Advertising, marketing, public and media relations costs include media, production, catalogs, Internet, marketing events, visual merchandising costs (in-store and window displays) and other related costs. In 2018, 2017 and 2016, these costs totaled $394.1 million, $314.9 million and $299.0 million, respectively, representing 8.9%, 7.6% and 7.5% of worldwide net sales, respectively. Media and production costs for print and digital advertising are expensed as incurred, while catalog costs are expensed upon first distribution.

Pre-Opening Costs

Costs associated with the opening of new retail stores are expensed in the period incurred.

Stock-Based Compensation

New, modified and unvested share-based payment transactions with employees, such as stock options and restricted stock units, are measured at fair value and recognized as compensation expense over the requisite service period. Compensation expense recognized reflects an estimate of the number of awards expected to vest and incorporates an estimate of award forfeitures based on actual experience. Compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period required to obtain full vesting.

Merchandise Design Activities

Merchandise design activities consist of conceptual formulation and design of possible products and creation of pre-production prototypes and molds. Costs associated with these activities are expensed as incurred.

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Foreign Currency

The functional currency of most of the Company's foreign subsidiaries and branches is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded as a component of Accumulated other comprehensive loss, net of tax within stockholders' equity. The Company also recognizes gains and losses associated with transactions that are denominated in foreign currencies. The Company recorded net losses resulting from foreign currency transactions of $5.3 million, $5.3 million and $4.8 million within Other expense, net in 2018, 2017 and 2016, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are recognized by applying statutory tax rates in effect in the years in which the differences between the financial reporting and tax filing bases of existing assets and liabilities are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent management believes these assets will more likely than not be realized. In making such determination, the Company considers all available evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial results. In the event management were to determine that the Company would be able to realize its deferred income tax assets in the future in excess of their net recorded amounts, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

In evaluating the exposures associated with the Company's various tax filing positions, management records reserves using a more-likely-than-not recognition threshold for income tax positions taken or expected to be taken.

The Registrant, its U.S. subsidiaries and the foreign branches of its U.S. subsidiaries file a consolidated Federal income tax return.

The Company accounts for the impact of changes in tax legislation in the period in which the legislation is enacted. The 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act") was enacted on December 22, 2017 in the U.S. On that date, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 118 ("SAB 118"), which addressed the application of U.S. GAAP in situations in which a registrant did not have necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. The Company accounted for the 2017 Tax Act in accordance with the provisions of SAB 118. See "Note N. Income Taxes" for additional information on the provisions and impacts of the 2017 Tax Act and the completion of the related analyses during 2018, as permitted by SAB 118.

Earnings Per Share ("EPS")

Basic EPS is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the dilutive effect of the assumed exercise of stock options and unvested restricted stock units.

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The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted EPS computations:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Net earnings for basic and diluted EPS	$586.4	$370.1	$446.1
Weighted-average shares for basic EPS	122.9	124.5	125.1
Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units	0.6	0.6	0.4
Weighted-average shares for diluted EPS	123.5	125.1	125.5

For the years ended January 31, 2019, 2018 and 2017, there were 0.7 million, 0.6 million and 1.3 million stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect, respectively.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02 – Leases, which was amended in January 2018 and requires an entity that leases assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Leases will be classified as either financing or operating, similar to current accounting requirements, with the applicable classification determining the pattern of expense recognition in the statement of earnings.

This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and must be adopted using a modified retrospective approach, which requires lessees and lessors to recognize and measure all leases within the scope of this ASU using one of the following transition methods: (i) as of the beginning of the earliest comparative period presented in the financial statements, or (ii) as of the beginning of the period in which this ASU is adopted. The Company elected to adopt the ASU in the first quarter of 2019 by applying its provisions prospectively and recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of February 1, 2019. The Company also elected the package of practical expedients permitted under the transition guidance, which provides that an entity need not reassess: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases. The Company also elected to not reassess lease terms using hindsight and expects to combine lease and non-lease components for new leases subsequent to February 1, 2019.

The Company estimates the following impacts to its consolidated balance sheet as of February 1, 2019:
- The establishment of a lease liability of approximately $1.2 billion and
- The reclassification of $31.1 million of deferred gains on sale-leasebacks to opening retained earnings.

In June 2016, the FASB issued ASU 2016-13 - Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses. The new standard applies to financial assets measured at amortized cost basis, including receivables that result from revenue transactions and held-to-maturity debt securities. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, and early adoption is permitted for fiscal years beginning after December 15, 2018. Management continues to evaluate the impact of this ASU on the consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 - Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedged items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. This ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018, with early adoption permitted. The amendments in this ASU must be applied on a modified retrospective basis, while presentation and disclosure requirements set forth under this

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ASU are required prospectively in all interim periods and fiscal years ending after the date of adoption. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02 - Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows for the reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for the tax effects on deferred tax items included within AOCI (referred to in the ASU as "stranded tax effects") resulting from the reduction of the U.S. federal statutory income tax rate to 21% from 35% that was effected by the 2017 Tax Act. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The adoption of ASU 2018-02 will result in a reclassification from AOCI to retained earnings, and will have no impact on the Company's results of operations, financial position or cash flows.

In August 2018, the FASB issued ASU 2018-15 - Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. ASU 2018-15 aligns the requirements for capitalizing implementation costs in such cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019 with early adoption permitted. Entities can choose to adopt the new guidance prospectively or retrospectively. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU 2014-09 - Revenue from Contracts with Customers, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards. The core principle of the guidance is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under previous guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14 – Revenue from Contracts with Customers: Deferral of the Effective Date, deferring the effective date of ASU 2014-09 for one year to interim and annual reporting periods beginning after December 15, 2017. Early adoption was also permitted as of the original effective date (interim and annual periods beginning after December 15, 2016) and full or modified retrospective application was permitted. Subsequently, the FASB issued a number of ASU's amending ASU 2014-09 and providing further guidance related to revenue recognition, which management evaluated. The effective date and transition requirements for these amendments were the same as ASU 2014-09, as amended by ASU 2015-14. Management adopted this guidance on February 1, 2018 using the modified retrospective approach. The impact of the adoption of ASU 2014-09 on the Company's consolidated financial statements is as follows:

- The Company's revenue is primarily generated from the sale of finished products to customers (primarily through the retail, e-commerce or wholesale channels). The Company's performance obligations underlying such sales, and the timing of revenue recognition related thereto, remain substantially unchanged following the adoption of this ASU.
- The Company now recognizes breakage income on gift cards and merchandise credits (which represents income recognized from the customer's unexercised right to receive merchandise through the redemption of such gift cards and merchandise credits) based on the historical pattern of gift card and merchandise credit redemptions. Breakage income recognized during 2018 was not significant.
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This ASU requires sales returns reserves to be presented on a gross basis on the consolidated balance sheet, with the asset related to merchandise expected to be returned recorded outside of Accounts receivable, net. Prior to the adoption of this ASU, sales returns reserves were recorded on a net basis within Accounts receivable, net.

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The impact of the adoption of ASU 2014-09 on the Company's consolidated balance sheet was as follows:

	January 31, 2019		
(in millions)	As Reported	Balances Without Adoption of ASC 606	Effect of Adoption Increase/(Decrease)
Assets			
Accounts receivable, net	$245.4	$257.6	$ (12.2)
Prepaid expenses and other current assets	230.8	218.6	12.2

There was no significant impact from the adoption of ASU 2014-09 on the Company's consolidated statement of earnings or consolidated statement of cash flows.

In August 2016, the FASB issued ASU 2016-15 – Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which provides guidance on eight specific cash flow issues in an effort to reduce diversity in practice in how certain transactions are classified within the statement of cash flows. This ASU was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption was permitted and the amendments are applied using a retrospective method. Management adopted this ASU on February 1, 2018. The adoption of this ASU did not have any impact on the consolidated statements of cash flows and related disclosures.

In October 2016, the FASB issued ASU 2016-16 – Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. This ASU eliminates the requirement to defer the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. Therefore, under this guidance, an entity recognizes the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption was permitted as of the first interim period of 2017. The amendments in this ASU were required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Management adopted this ASU on February 1, 2018. The adoption of this ASU did not have any impact on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07 - Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Under this ASU, only the service cost component of the net periodic benefit cost is presented in the same income statement line item as other employee compensation costs arising from services rendered during the period, while the non-service cost components of net periodic benefit cost are required to be presented in the income statement separate from Earnings from operations. In addition, only the service cost component is eligible for capitalization in assets. This ASU was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amendments in this ASU were applied retrospectively for the presentation of the components of net periodic benefit cost other than service cost in the statement of earnings, and prospectively for the capitalization of the service cost component. Management adopted this ASU on February 1, 2018 using the practical expedient permitted by this ASU and reclassified the non-service cost components of the net periodic benefit cost from within Earnings from operations to Other expense, net. This increased Earnings from operations for the years ended January 31, 2018 and 2017 by $14.9 million (with $6.0 million reclassified from Cost of sales and $8.9 million reclassified from SG&A expenses) and $25.2 million (with $8.7 million reclassified from Cost of sales and $16.5 million reclassified from SG&A expenses), respectively, but had no impact on Net earnings for those periods. The requirement set forth under this ASU that allows only the service cost component of net periodic benefit cost to be capitalized did not have a significant impact on the Company's results of operations in 2018.

In May 2017, the FASB issued ASU 2017-09 - Compensation-Stock Compensation: Scope of Modification Accounting, clarifying when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. This guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. This ASU was effective prospectively for annual periods beginning after December 15, 2017 and early adoption was permitted. Management adopted this ASU on February 1, 2018 and applies the provisions of this ASU to any share-based payment awards modified on or after February 1, 2018.

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C. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Interest, net of interest capitalization	$40.6	$41.5	$40.6
Income taxes	$291.4	$156.2	$213.9

Supplemental noncash investing and financing activities:

	January 31,		
(in millions)	2019	2018	2017
Accrued capital expenditures	$11.0	$20.1	$10.7

D. INVENTORIES

	January 31,	
(in millions)	2019	2018
Finished goods	$1,484.3	$1,314.6
Raw materials	781.8	821.4
Work-in-process	161.9	117.5
Inventories, net	$2,428.0	$2,253.5

E. PROPERTY, PLANT AND EQUIPMENT

	January 31,	
(in millions)	2019	2018
Land	$41.8	$41.8
Buildings	122.6	123.0
Leasehold and building improvements	1,378.1	1,328.6
Office equipment	286.0	267.4
Software	452.2	353.2
Furniture and fixtures	315.0	311.6
Machinery and equipment	197.8	187.4
Construction-in-progress	98.7	105.1
	2,892.2	2,718.1
Accumulated depreciation and amortization	(1,865.5)	(1,727.6)
	$1,026.7	$990.5

Depreciation and amortization expense for the years ended January 31, 2019, 2018 and 2017 was $223.6 million, $200.8 million and $202.5 million, respectively.

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Information Systems Assessment. The Company is engaged in a multi-year program to upgrade and/or replace certain of its information systems. As part of this program, the Company concluded that the development of a previous system originally intended to deliver enhanced finished goods inventory management and merchandising capabilities would instead be delivered through further development of the Company's Enterprise Resource Planning system and the continued implementation of a new order management system. Accordingly, the Company evaluated the costs capitalized in connection with the development of the previous system for impairment in accordance with its policy on the review of long-lived assets (see "Note B. Summary of Significant Accounting Policies") and recorded a related pre-tax impairment charge of $25.4 million within SG&A during 2016.

F. ACCOUNTS PAYABLE AND ACCRUED LIABILTIES

	January 31,	
(in millions)	2019	2018
Accounts payable - trade	$217.1	$201.5
Accrued compensation and commissions	120.9	110.0
Other	175.4	125.9
	$513.4	$437.4

G. DEBT

	January 31,	
(in millions)	2019	2018
Short-term borrowings:		
Credit Facilities	$13.5	$33.5
Other credit facilities	99.9	87.1
	$113.4	$120.6

Long-term debt:		
Unsecured Senior Notes:		
2012 4.40% Series B Notes, due July 2042 [a]	$250.0	$250.0
2014 3.80% Senior Notes, due October 2024 [b, c]	250.0	250.0
2014 4.90% Senior Notes, due October 2044 [b, c]	300.0	300.0
2016 0.78% Senior Notes, due August 2026 [b, d]	91.8	91.9
	891.8	891.9
Less unamortized discounts and debt issuance costs	8.4	9.0
	$883.4	$882.9

[a] The agreements governing these Senior Notes require repayments of $50.0 million in aggregate every five years beginning in July 2022.

[b] These agreements require lump sum repayments upon maturity.

[c] These Senior Notes were issued at a discount, which will be amortized until the debt maturity.

[d] These Senior Notes were issued at par, ¥10.0 billion.

Credit Facilities

On October 25, 2018, the Registrant, along with certain of its subsidiaries designated as borrowers thereunder, entered into a five-year multi-bank, multi-currency committed unsecured revolving credit facility, including a letter of credit subfacility, consisting of basic commitments in an amount up to $750.0 million (which commitments may be increased, subject to certain conditions and limitations, at the request of the Registrant) (“Credit Facility”). The Credit Facility replaced the Registrant's previously existing $375.0 million four-year unsecured revolving credit facility and $375.0 million five-year unsecured revolving credit facility, which were each terminated and repaid in connection with the Registrant’s entry into the Credit Facility.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of the Registrant, (1) LIBOR (or other applicable or successor reference rate) for the relevant currency plus an applicable margin based upon the more favorable to the Registrant of (i) a leverage financial metric of the Registrant and (ii) the Registrant's debt rating for long-term unsecured senior, non-credit enhanced debt, or (2) an alternate base rate equal to the highest of (i) the federal funds effective rate plus 0.50%, (ii) MUFG Bank, Ltd.'s prime rate and (iii) one-month LIBOR plus 1.00%, plus an applicable margin based upon the more favorable to the Registrant of (x) a leverage financial metric of the Registrant and (y) the Registrant's debt rating for long-term unsecured senior, non-credit enhanced debt.

The Credit Facility also requires payment to the lenders of a facility fee on the amount of the lenders' commitments under the credit facility from time to time at rates based upon the more favorable to the Registrant of (1) a leverage financial metric of the Registrant and (2) the Registrant's debt rating for long-term unsecured senior, non-credit enhanced debt. Voluntary prepayments of the loans and voluntary reductions of the unutilized portion of the commitments under the Credit Facility are permissible without penalty, subject to certain conditions pertaining to minimum notice and minimum reduction amounts.

The Credit Facility is available for working capital and other corporate purposes.

The Credit Facility matures in 2023, provided that such maturity may be extended for one or two additional one-year periods at any time with the consent of the applicable lenders, as further described in the agreement governing such facility.

At January 31, 2019, there were $13.5 million of borrowings outstanding, $6.1 million of letters of credit issued and $730.4 million available for borrowing under the Credit Facility. At January 31, 2018, there were $33.5 million of borrowings outstanding, $6.8 million of letters of credit issued and $709.7 million available for borrowing under the previously existing revolving credit facilities. The weighted-average interest rate for borrowings outstanding was 1.05% at January 31, 2019 and 1.10% at January 31, 2018.

Commercial Paper

In August 2017, the Registrant and one of its wholly owned subsidiaries established a commercial paper program (the "Commercial Paper Program") for the issuance of commercial paper in the form of short-term promissory notes in an aggregate principal amount not to exceed $750.0 million. Borrowings under the Commercial Paper Program may be used for general corporate purposes. The aggregate amount of borrowings that the Company is currently authorized to have outstanding under the Commercial Paper Program and the Registrant's Credit Facility is $750.0 million. The Registrant guarantees the obligations of its wholly owned subsidiary under the Commercial Paper Program. Maturities of commercial paper notes may vary, but cannot exceed 397 days from the date of issuance. Notes issued under the Commercial Paper Program rank equally with the Registrant's present and future unsecured and unsubordinated indebtedness. As of January 31, 2019 and 2018, there were no borrowings outstanding under the Commercial Paper

Program.

Other Credit Facilities

Tiffany-Shanghai Credit Agreement. In July 2016, the Registrant's wholly owned subsidiary, Tiffany & Co. (Shanghai) Commercial Company Limited ("Tiffany-Shanghai"), entered into a three-year multi-bank revolving credit agreement (the "Tiffany-Shanghai Credit Agreement"). The Tiffany-Shanghai Credit Agreement has an aggregate borrowing limit of RMB 990.0 million ($147.4 million at January 31, 2019) and matures in July 2019. The six lenders party to the

Tiffany-Shanghai Credit Agreement will make loans, upon Tiffany-Shanghai's request, for periods of up to 12 months at the applicable interest rates as announced by the People's Bank of China (provided, that if such announced rate is below zero, the applicable interest rate shall be deemed to be zero). In connection with the Tiffany-Shanghai Credit Agreement, in July 2016, the Registrant entered into a Guaranty Agreement by and between the Registrant and the facility agent under the Tiffany-Shanghai Credit Agreement (the "Guaranty"). At January 31, 2019, there was $120.6 million available to be borrowed under the Tiffany-Shanghai Credit Agreement and $26.8 million was outstanding at a weighted-average interest rate of 4.35%. At January 31, 2018, there was $112.7 million available to be borrowed under the Tiffany-Shanghai Credit Agreement and $43.8 million was outstanding at a weighted-average interest rate of 4.35%.

Other. The Company has various other revolving credit facilities, primarily in Japan and China. At January 31, 2019, the facilities totaled $135.6 million and $73.1 million was outstanding at a weighted-average interest rate of 3.93%. At January 31, 2018, the facilities totaled $139.0 million and $43.3 million was outstanding at a weighted-average interest rate of 6.87%.

Senior Notes

2016 Senior Notes. In August 2016, the Registrant issued ¥10.0 billion ($91.8 million at January 31, 2019) of 0.78% Senior Notes due August 2026 (the "Yen Notes") in a private transaction. The proceeds from the issuance of the Yen Notes were used to repay the Registrant's ¥10.0 billion 1.72% Senior Notes due September 2016 upon the maturity thereof. Interest on the Yen Notes is payable semi-annually on February 26 and August 26 of each year, commencing February 26, 2017. The Registrant may redeem all or part of the Yen Notes upon not less than 30 nor more than 60 days' prior notice at a redemption price equal to the sum of (i) 100% of the principal amount of the Yen Notes to be redeemed, plus (ii) accrued and unpaid interest, if any, on those Yen Notes to the redemption date, plus (iii) a make-whole premium as of the redemption date.

Debt Covenants

The agreement governing the Credit Facility includes a specific financial covenant, as well as other covenants that limit the ability of the Company to incur certain subsidiary indebtedness, incur liens and engage in mergers, consolidations and sales of all or substantially all of its and its subsidiaries' assets, in addition to other requirements and "Events of Default" (as defined in the agreement governing the Credit Facility) customary to such borrowings.

The Tiffany-Shanghai Credit Agreement includes certain covenants that limit Tiffany-Shanghai's ability to pay certain dividends, make certain investments and incur certain indebtedness, and the Guaranty requires maintenance by the Registrant of specific financial covenants, in addition to other requirements and limitations customary to such borrowings.

The indenture governing the 2014 3.80% Senior Notes and 2014 4.90% Senior Notes, as amended and supplemented in respect of each such series of Notes (the "Indenture"), contains covenants that, among other things, limit the ability of the Registrant and its subsidiaries under certain circumstances to create liens and impose conditions on the Registrant's ability to engage in mergers, consolidations and sales of all or substantially all of its or its subsidiaries' assets. The Indenture also contains certain "Events of Default" (as defined in the Indenture) customary for indentures of this type. The Indenture does not contain any specific financial covenants.

The agreements governing the 2012 4.40% Series B Senior Notes and the Yen Notes require maintenance of a specific financial covenant and limit certain changes to indebtedness of the Registrant and its subsidiaries and the general nature of the business, in addition to other requirements customary to such borrowings.

At January 31, 2019, the Company was in compliance with all debt covenants. In the event of any default of payment or performance obligations extending beyond applicable cure periods as set forth in the agreements governing the Company's applicable debt instruments, such agreements may be terminated or payment of the applicable debt may be accelerated. Further, each of the Credit Facility, the Tiffany-Shanghai Credit Agreement, the agreements governing the 2012 4.40% Series B Senior Notes and the Yen Notes, and certain other loan agreements contain cross default provisions permitting the termination and acceleration of the loans, or acceleration of the notes, as the case may be, in the event that certain of the Company's other debt obligations are terminated or accelerated prior to their maturity.

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Long-Term Debt Maturities

Aggregate maturities of long-term debt as of January 31, 2019 are as follows:

Years Ending January 31,	Amount [a] (in millions)
2020	$
2021	—
2022	—
2023	50.0
2024	—
Thereafter	841.8
	$891.8

[a] Amounts exclude any unamortized discount or premium.

Letters of Credit

The Company has available letters of credit and financial guarantees of $77.7 million, of which $28.3 million was outstanding at January 31, 2019. Of those available letters of credit and financial guarantees, $64.1 million expires within one year. These amounts do not include letters of credit issued under the Credit Facility.

H. HEDGING INSTRUMENTS

Background Information

The Company uses derivative financial instruments, including interest rate swaps, cross-currency swaps, forward contracts and net-zero-cost collar arrangements (combination of call and put option contracts) to mitigate a portion of its exposures to changes in interest rates, foreign currency exchange rates and precious metal prices.

Derivative Instruments Designated as Hedging Instruments. If a derivative instrument meets certain hedge accounting criteria, it is recorded on the consolidated balance sheet at its fair value, as either an asset or a liability, with an offset to current or other comprehensive earnings, depending on whether the hedge is designated as one of the following on the date it is entered into:

- Fair Value Hedge – A hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. For fair value hedge transactions, both the effective and ineffective portions of the changes in the fair value of the derivative and changes in the fair value of the item being hedged are recorded in current earnings.

- Cash Flow Hedge – A hedge of the exposure to variability in the cash flows of a recognized asset, liability or a forecasted transaction. For cash flow hedge transactions, the effective portion of the changes in fair value of derivatives is reported as other comprehensive income ("OCI") and is recognized in current earnings in the period or periods during which the hedged transaction affects current earnings. Amounts excluded from the effectiveness calculation and any ineffective portions of the change in fair value of the derivative are recognized in current earnings.

The Company formally documents the nature of and relationships between the hedging instruments and hedged items for a derivative to qualify as a hedge at inception and throughout the hedged period. The Company also documents its

risk management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be identified, and it must be probable that each forecasted transaction will occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss on the derivative financial instrument would be recognized in current earnings. Derivative financial instruments

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qualifying for hedge accounting must maintain a specified level of effectiveness between the hedge instrument and the item being hedged, both at inception and throughout the hedged period.

Derivative Instruments Not Designated as Hedging Instruments. Derivative instruments which do not meet the criteria to be designated as a hedge are recorded on the consolidated balance sheet at their fair values, as either assets or liabilities, with an offset to current earnings. The gains or losses on undesignated foreign exchange forward contracts substantially offset foreign exchange losses or gains on the underlying liabilities or transactions being hedged.

The Company does not use derivative financial instruments for trading or speculative purposes.

Types of Derivative Instruments

Interest Rate Swaps – In 2012, the Company entered into forward-starting interest rate swaps to hedge the impact of interest rate volatility on future interest payments associated with the anticipated incurrence of $250.0 million of debt, which was incurred in July 2012. The Company accounted for the forward-starting interest rate swaps as cash flow hedges. The Company settled the interest rate swaps in 2012 and recorded a loss within accumulated other comprehensive loss. As of January 31, 2019, $17.3 million remains recorded as a loss in accumulated other comprehensive loss, which is being amortized over the term of the 2042 Notes to which the interest rate swaps related.

In 2014, the Company entered into forward-starting interest rate swaps to hedge the impact of interest rate volatility on future interest payments associated with the anticipated incurrence of long-term debt which was incurred in September 2014. The Company accounted for the forward-starting interest rate swaps as cash flow hedges. The Company settled the interest rate swaps in 2014 and recorded a loss within accumulated other comprehensive loss. As of January 31, 2019, $3.5 million remains recorded as a loss in accumulated other comprehensive loss, which is being amortized over the terms of the respective 2024 Notes or 2044 Notes to which the interest rate swaps related.

Cross-currency Swaps – In 2016 and 2017, the Company entered into cross-currency swaps to hedge the foreign currency exchange risk associated with Japanese yen-denominated intercompany loans. These cross-currency swaps are designated and accounted for as cash flow hedges. As of January 31, 2019, the notional amounts of cross-currency swaps accounted for as cash flow hedges and the respective maturity dates were as follows:

Cross-Currency Swap		Notional Amount	
Effective Date	Maturity Date	(in billions)	(in millions)
July 2016	October 1, 2024	¥10.6	$ 100.0
March 2017	April 1, 2027	11.0	96.1
May 2017	April 1, 2027	5.6	50.0

Foreign Exchange Forward Contracts – The Company uses foreign exchange forward contracts to offset a portion of the foreign currency exchange risks associated with foreign currency-denominated liabilities, intercompany transactions and forecasted purchases of merchandise between entities with differing functional currencies. The Company assesses hedge effectiveness based on the total changes in the foreign exchange forward contracts' cash flows. These foreign exchange forward contracts are designated and accounted for as either cash flow hedges or economic hedges that are not designated as hedging instruments.

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As of January 31, 2019, the notional amounts of foreign exchange forward contracts were as follows:

(in millions)		Notional Amount	USD Equivalent
Derivatives designated as hedging instruments:			
Japanese yen	¥	16,902.4	$157.4
British pound	£	14.7	19.4
Derivatives not designated as hedging instruments:			
U.S. dollar	$	47.4	$47.4
Euro	€	6.6	7.7
Australian dollar	AU$	44.0	31.8
British pound	£	6.3	8.3
Czech koruna	CZK	134.1	6.0
Japanese yen	¥	1,816.6	16.6
Hong Kong dollar	HKD	63.7	8.1
New Zealand dollar	NZ$	11.2	7.3
Singapore dollar	S$	20.3	15.0
Korean won	W	21,516.5	19.2
Danish kroner	DKK	50.4	7.7

The maximum term of the Company's outstanding foreign exchange forward contracts as of January 31, 2019 is 12 months.

Precious Metal Collars and Forward Contracts – The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to manage the effect of volatility in precious metal prices. The Company may use either a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar expires at no cost to the Company. The Company accounts for its precious metal collars and forward contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the precious metal collars and forward contracts' cash flows. As of January 31, 2019, the maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted precious metals transactions is 17 months. As of January 31, 2019, there were precious metal derivative instruments outstanding for approximately 34,000 ounces of platinum, 624,000 ounces of silver and 83,300 ounces of gold.

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Information on the location and amounts of derivative gains and losses in the consolidated financial statements is as follows:

	Years Ended January 31,			
	2019		2018	
(in millions)	Pre-Tax Gain (Loss) Recognized in OCI (Effective Portion)	Pre-Tax Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Pre-Tax Gain (Loss) Recognized in OCI (Effective Portion)	Pre-Tax Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts [a]	$5.8	$ 2.6	$(6.3)	$ 0.1
Precious metal collars [a]	—	0.6	1.0	0.3
Precious metal forward contracts [a]	(7.2)	(1.0)	4.2	(0.9)
Cross-currency swaps [b]	0.3	0.4	(19.9)	(11.1)
Forward-starting interest rate swaps [c]	—	(1.4)	—	(1.4)
	$(1.1)	$ 1.2	$(21.0)	$ (13.0)

[a] The gain or loss recognized in earnings is included within Cost of sales.
[b] The gain or loss recognized in earnings is included within Other expense, net.
[c] The gain or loss recognized in earnings is included within Interest expense and financing costs.

The pre-tax gains (losses) on derivatives not designated as hedging instruments were not significant for the years ended January 31, 2019 and 2018 and were included in Other expense, net. There was no material ineffectiveness related to the Company's hedging instruments for the years ended January 31, 2019 and 2018. The Company expects approximately $2.5 million of net pre-tax derivative losses included in accumulated other comprehensive loss at January 31, 2019 will be reclassified into earnings within the next 12 months. The actual amount reclassified will vary due to fluctuations in foreign currency exchange rates and precious metal prices.

For information regarding the location and amount of the derivative instruments in the consolidated balance sheet, see "Note I. Fair Value of Financial Instruments."

Concentration of Credit Risk

A number of major international financial institutions are counterparties to the Company's derivative financial instruments. The Company enters into derivative financial instrument agreements only with counterparties meeting certain credit standards (an investment grade credit rating at the time of the agreement) and limits the amount of agreements or contracts it enters into with any one party. The Company may be exposed to credit losses in the event of nonperformance by individual counterparties or the entire group of counterparties.

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP prescribes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities, which are considered to be most reliable.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs reflecting the reporting entity's own assumptions, which require the most judgment.

The Company's derivative instruments are considered Level 2 instruments for the purpose of determining fair value. The Company's foreign exchange forward contracts, as well as its put option contracts and cross-currency swaps, are primarily valued using the appropriate foreign exchange spot rates. The Company's precious metal forward contracts and collars are primarily valued using the relevant precious metal spot rate. For further information on the Company's hedging instruments and program, see "Note H. Hedging Instruments."

Financial assets and liabilities carried at fair value at January 31, 2019 are classified in the table below in one of the three categories described above:

(in millions)	Estimated Fair Value			Total Fair Value
	Level 1	Level 2	Level 3	
Financial assets				
Time deposits [a]	$62.7	$ —	$ —	$62.7
Marketable securities [b]	36.3	—	—	36.3
Derivatives designated as hedging instruments:				
Precious metal forward contracts [c]	—	5.2	—	5.2
Foreign exchange forward contracts [c]	—	1.8	—	1.8
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [c]	—	0.9	—	0.9
Total financial assets	$99.0	$ 7.9	$ —	$106.9

(in millions)	Estimated Fair Value			Total Fair Value
	Level 1	Level 2	Level 3	
Financial liabilities				
Derivatives designated as hedging instruments:				
Precious metal forward contracts [d]	$ —	$2.7	$ —	$2.7
Foreign exchange forward contracts [d]	—	2.1	—	2.1
Cross-currency swaps [d]	—	19.9	—	19.9
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [d]	—	2.7	—	2.7
Total financial liabilities	$ —	$27.4	$ —	$27.4

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Financial assets and liabilities carried at fair value at January 31, 2018 are classified in the table below in one of the three categories described above:

(in millions)	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Financial assets				
Time deposits [a]	$320.5	$—	$—	$320.5
Marketable securities [b]	22.5	—	—	22.5
Derivatives designated as hedging instruments:				
Precious metal forward contracts [c]	—	3.6	—	3.6
Foreign exchange forward contracts [c]	—	0.1	—	0.1
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [c]	—	1.0	—	1.0
Total financial assets	$343.0	$4.7	$—	$347.7

(in millions)	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities				
Derivatives designated as hedging instruments:				
Precious metal forward contracts [d]	$—	$1.9	$—	$1.9
Foreign exchange forward contracts [d]	—	4.8	—	4.8
Cross-currency swaps [d]	—	20.2	—	20.2
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [d]	—	1.4	—	1.4
Total financial liabilities	$—	$28.3	$—	$28.3

[a] Included within Short-term investments.

[b] Included within Other assets, net.

[c] Included within Prepaid expenses and other current assets or Other assets, net based on the maturity of the contract.

[d] Included within Accounts payable and accrued liabilities or Other long-term liabilities based on the maturity of the contract.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these assets and liabilities and as such are measured using Level 1 inputs. The fair value of debt with variable interest rates approximates carrying value and is measured using Level 2 inputs. The fair value of debt with fixed interest rates was determined using the quoted market prices of debt instruments with similar terms and maturities, which are considered Level 2 inputs. The total carrying value of short-term borrowings and long-term debt was approximately $1.0 billion at January 31, 2019 and 2018 and the corresponding fair value was approximately $1.0 billion at January 31, 2019 and 2018.

J. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office, distribution, retail and manufacturing facilities, land and equipment. Retail store leases may require the payment of minimum rentals and contingent rent based on a percentage of sales exceeding a stipulated amount. The lease agreements, which expire at various dates through 2062, are subject, in many cases, to

renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation

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clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices.

Rent-free periods and other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight-line basis over the related terms of such leases, beginning from when the Company takes possession of the leased facility. Lease expense includes predetermined rent escalations (including escalations based on the Consumer Price Index or other indices) and is recorded on a straight-line basis over the term of the lease. Adjustments to indices are treated as contingent rent and recorded in the period that such adjustments are determined.

The Company entered into sale-leaseback arrangements for its Retail Service Center, a distribution and administrative office facility in New Jersey, in 2005 and for the TIFFANY & CO. stores in Tokyo's Ginza shopping district and on London's Old Bond Street in 2007. These sale-leaseback arrangements resulted in total deferred gains of $144.5 million, which have been amortized in SG&A expenses over periods that range from 15 to 20 years. As of January 31, 2019, $31.1 million of these deferred gains remained on the Company's consolidated balance sheet and were reclassified to opening retained earnings in the first quarter of 2019 in accordance with ASU 2016-02 (see "Note B. Summary of Significant Accounting Policies–New Accounting Standards" for additional information).

Rent expense for the Company's operating leases consisted of the following:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Minimum rent for retail locations	$217.0	$198.7	$184.1
Contingent rent based on sales	38.9	32.7	32.4
Office, distribution and manufacturing facilities and equipment	38.3	40.0	40.0
	$294.2	$271.4	$256.5

In addition, the Company operates certain TIFFANY & CO. stores within various department stores outside the U.S. and has agreements where the department store operators provide store facilities and other services. The Company pays the department store operators a percentage fee based on sales generated in these locations (recorded as commission expense within SG&A expenses) which totaled $129.0 million, $118.9 million and $117.9 million in 2018, 2017 and 2016, respectively, and which are not included in the table above.

Aggregate annual minimum rental payments under non-cancelable operating leases are as follows:

Years Ending January 31,	Annual Minimum Rental Payments [a] (in millions)
2020	$292.8
2021	239.2
2022	212.8
2023	177.4
2024	146.8
Thereafter	438.0

[a] Operating lease obligations do not include obligations for property taxes, insurance and maintenance that are required by most lease agreements.

Diamond Sourcing Activities

The Company has agreements with various diamond producers to purchase a minimum volume of rough diamonds at prevailing fair market prices. Under those agreements, management anticipates that it will purchase approximately

$60.0 million of rough diamonds in 2019. The Company also regularly purchases rough and polished diamonds from

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other suppliers, although it has no contractual obligations to do so. Purchases beyond 2019 under the aforementioned agreements cannot be reasonably estimated.

Contractual Cash Obligations and Contingent Funding Commitments

At January 31, 2019, the Company's contractual cash obligations and contingent funding commitments were for inventory purchases of $283.9 million (which includes the $60.0 million obligation discussed in Diamond Sourcing Activities above), as well as for other contractual obligations of $113.8 million (primarily for construction-in-progress, technology licensing and service contracts, advertising and media agreements, fixed royalty commitments and the Transition Tax liability).

Litigation

Litigation Matters. The Company is from time to time involved in routine litigation incidental to the conduct of its business, including proceedings to protect its trademark rights, litigation with parties claiming infringement of patents and other intellectual property rights by the Company, litigation instituted by persons alleged to have been injured upon premises under the Company's control and litigation with present and former employees and customers. Although litigation with present and former employees is routine and incidental to the conduct of the Company's business, as well as for any business employing significant numbers of employees, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages for actions such as those claiming discrimination on the basis of age, gender, race, religion, disability or other legally-protected characteristic or for termination of employment that is wrongful or in violation of implied contracts. However, the Company believes that all such litigation currently pending to which it is a party or to which its properties are subject will be resolved without any material adverse effect on the Company's financial position, earnings or cash flows.

Gain Contingency. On February 14, 2013, Tiffany and Company and Tiffany (NJ) LLC (collectively, the "Tiffany plaintiffs") initiated a lawsuit against Costco Wholesale Corp. ("Costco") for trademark infringement, false designation of origin and unfair competition, trademark dilution and trademark counterfeiting (the "Costco Litigation"). The Tiffany plaintiffs sought injunctive relief, monetary recovery and statutory damages on account of Costco's use of "Tiffany" on signs in the jewelry cases at Costco stores used to describe certain diamond engagement rings that were not manufactured by Tiffany. Costco filed a counterclaim arguing that the TIFFANY trademark was a generic term for multi-pronged ring settings and seeking to have the trademark invalidated, modified or partially canceled in that respect. On September 8, 2015, the U.S. District Court for the Southern District of New York (the "Court") granted the Tiffany plaintiffs' motion for summary judgment of liability in its entirety, dismissing Costco's genericism counterclaim and finding that Costco was liable for trademark infringement, trademark counterfeiting and unfair competition under New York law in its use of "Tiffany" on the above-referenced signs. On September 29, 2016, a civil jury rendered its verdict, finding that Costco's profits on the sale of the infringing rings should be awarded at $5.5 million, and further finding that an award of punitive damages was warranted. On October 5, 2016, the jury awarded $8.25 million in punitive damages. The aggregate award of $13.75 million was not final, as it was subject to post-verdict motion practice and ultimately to adjustment by the Court. On August 14, 2017, the Court issued its ruling, finding that the Tiffany plaintiffs are entitled to recover (i) $11.1 million in respect of Costco's profits on the sale of the infringing rings (which amount is three times the amount of such profits, as determined by the Court), (ii) prejudgment interest on such amount (calculated at the applicable statutory rate) from February 15, 2013 through August 14, 2017, (iii) an additional $8.25 million in punitive damages, and (iv) Tiffany's reasonable attorneys' fees, and, on August 24, 2017, the Court entered judgment in the amount of $21.0 million in favor of the Tiffany plaintiffs (reflecting items (i) through (iii) above). On February 7, 2019, the Court awarded the Tiffany plaintiffs $5.9 million in respect of the aforementioned attorneys' fees and costs, bringing the total judgment to $26.9 million. The Court has denied a motion made by Costco for a new trial; however, Costco has also filed an appeal from the judgment, which is pending before the Second Circuit Court of Appeals. As the Tiffany plaintiffs may not enforce the Court's judgment

during the appeals process, the Company has not recorded any amount in its consolidated financial statements related to this gain contingency as of January 31, 2019. The Company expects that this matter will not ultimately be resolved until, at the earliest, a future date during the Company's fiscal year ending January 31, 2020.

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Environmental Matter

In 2005, the U.S. Environmental Protection Agency ("EPA") designated a 17-mile stretch of the Passaic River (the "River") part of the Diamond Alkali "Superfund" site. This designation resulted from the detection of hazardous substances emanating from the site, which was previously home to the Diamond Shamrock Corporation, a manufacturer of pesticides and herbicides. Under the Superfund law, the EPA will negotiate with potentially responsible parties to agree on remediation approaches and may also enter into settlement agreements pursuant to an allocation process.

The Company, which operated a silverware manufacturing facility near a tributary of the River from approximately 1897 to 1985, is one of more than 300 parties (the "Potentially Responsible Parties") designated in litigation as potentially responsible parties with respect to the River. The EPA issued general notice letters to 125 of these parties. The Company, along with approximately 70 other Potentially Responsible Parties (collectively, the "Cooperating Parties Group" or "CPG") voluntarily entered into an Administrative Settlement Agreement and Order on Consent ("AOC") with the EPA in May 2007 to perform a Remedial Investigation/Feasibility Study (the "RI/FS") of the lower 17 miles of the River. In June 2012, most of the CPG voluntarily entered into a second AOC related to focused remediation actions at Mile 10.9 of the River. The actions under the Mile 10.9 AOC are complete (except for continued monitoring), the Remedial Investigation ("RI") portion of the RI/FS was submitted to the EPA on February 19, 2015, and the Feasibility Study ("FS") portion of the RI/FS was submitted to the EPA on April 30, 2015. The Company nonetheless remained in the CPG until October 24, 2017. The Company has accrued for its financial obligations under both AOCs, which have not been material to its financial position or results of operations in previous financial periods or on a cumulative basis.

The FS presented and evaluated three options for remediating the lower 17 miles of the River, including the approach recommended by the EPA in its Focused Feasibility Study discussed below, as well as a fourth option of taking no action, and recommended an approach for a targeted remediation of the entire 17-mile stretch of the River. The estimated cost of the approach recommended by the CPG in the FS is approximately $483.0 million. The RI and FS are being reviewed by the EPA and other governmental agencies and stakeholders. Ultimately, the Company expects that the EPA will identify and negotiate with any or all of the potentially responsible parties regarding any remediation action that may be necessary, and issue a Record of Decision with a proposed approach to remediating the entire lower 17-mile stretch of the River.

Separately, on April 11, 2014, the EPA issued a proposed plan for remediating the lower eight miles of the River, which is supported by a Focused Feasibility Study (the "FFS"). The FFS evaluated three remediation options, as well as a fourth option of taking no action. Following a public review and comment period and the EPA's review of comments received, the EPA issued a Record of Decision on March 4, 2016 that set forth a remediation plan for the lower eight miles of the River (the "RoD Remediation"). The RoD Remediation is estimated by the EPA to cost $1.38 billion. The Record of Decision did not identify any party or parties as being responsible for the design of the remediation or for the remediation itself. The EPA did note that it estimates the design of the necessary remediation activities will take three to four years, with the remediation to follow, which is estimated to take an additional six years to complete.

On March 31, 2016, the EPA issued a letter to approximately 100 companies (including the Company) (collectively, the "notified companies") notifying them of potential liability for the RoD Remediation and of the EPA's planned approach to addressing the cost of the RoD Remediation, which included the possibility of a de-minimis cash-out settlement (the "settlement option") for certain parties. In April of 2016, the Company notified the EPA of its interest in pursuing the settlement option, and accordingly recorded an immaterial liability representing its best estimate of its minimum liability for the RoD Remediation, which reflects the possibility of a de-minimis settlement. On March 30, 2017, the EPA issued offers related to the settlement option to 20 parties; while the Company was not one of the

parties receiving such an offer, the EPA has indicated that the settlement option may be made available to additional parties beyond those notified on March 30, 2017. Although the EPA must determine which additional parties are eligible for the settlement option, the Company does not expect any settlement amount that it might agree with the EPA to be material to its financial position, results of operations or cash flows.

In the absence of a viable settlement option with the EPA, the Company is unable to determine its participation in the overall RoD Remediation, if any, relative to the other potentially responsible parties, or the allocation of the estimated cost thereof among the potentially responsible parties, until such time as the EPA reaches an agreement with any potentially responsible party or parties to fund the RoD Remediation (or pursues legal or administrative

action to require any potentially responsible party or parties to perform, or pay for, the RoD Remediation). With respect to the RI/FS (which is distinct from the RoD Remediation), until a Record of Decision is issued with respect to the RI/FS, neither the ultimate remedial approach for the remaining upper nine miles of the relevant 17-mile stretch of the River and its cost, nor the Company's participation, if any, relative to the other potentially responsible parties in this approach and cost, can be determined.

In October 2016, the EPA announced that it entered into a legal agreement with Occidental Chemical Corporation ("OCC"), pursuant to which OCC agreed to spend $165.0 million to perform the engineering and design work required in advance of the clean-up contemplated by the RoD Remediation (the "RoD Design Phase"). OCC has waived any rights to collect contribution from the Company (the "Waiver") for certain costs, including those associated with such engineering and design work, incurred by OCC through July 14, 2016. However, on June 29, 2018, OCC filed a lawsuit in the United States District Court for the District of New Jersey against Tiffany and Company and 119 other companies (the "defendant companies") seeking to have the defendant companies reimburse OCC for certain response costs incurred by OCC in connection with its and its predecessors' remediation work relating to the River, other than those costs subject to the Waiver. OCC is also seeking a declaratory judgment to hold the defendant companies liable for their alleged shares of future response costs, including costs related to the RoD Remediation. The suit does not quantify damages sought, and the Company is unable to determine at this time whether, or to what extent, the OCC lawsuit will impact the cost allocation described in the immediately preceding paragraph or will otherwise result in any liabilities for the Company.

Given the uncertainties described above, the Company's liability, if any, beyond that already recorded for (1) its obligations under the 2007 AOC and the Mile 10.9 AOC, and (2) its estimate related to a de-minimis cash-out settlement for the RoD Remediation, cannot be determined at this time. However, the Company does not expect that its ultimate liability related to the relevant 17-mile stretch of the River will be material to its financial position, in light of the number of companies that have previously been identified as Potentially Responsible Parties (i.e., the more than 300 parties that were initially designated in litigation as potentially responsible parties), which includes, but goes well beyond those approximately 70 CPG member companies that participated in the 2007 AOC and the Mile 10.9 AOC, and the Company's relative participation in the costs related to the 2007 AOC and Mile 10.9 AOC. It is nonetheless possible that any resulting liability when the uncertainties discussed above are resolved could be material to the Company's results of operations or cash flows in the period in which such uncertainties are resolved.

Other

In the normal course of business, the Company entrusts precious scrap metals generated through its internal manufacturing operations to metal refiners. In November 2018, one such refiner filed for relief under chapter 11 of the U.S. Bankruptcy Code. As a result, the Company recognized a charge of $8.5 million during the three months ended October 31, 2018, which represented the carrying value of such precious scrap metals entrusted to the refiner, net of expected insurance recoveries.
During 2018, the Company received an offer of AUD $48.0 million as compensation for the previous acquisition of the premises containing one of its leased retail stores and an administrative office in Sydney, Australia under compulsory acquisition laws in Australia. The Company did not accept the offer of compensation and has filed an appeal of the compensation amount with the Land and Environment Court in Australia. In accordance with local law, the Company received an advance payment of 90% ($31.1 million, based on foreign currency exchange rates on the date of receipt) of the offered compensation during the fourth quarter of 2018. The appeal process is inherently uncertain and the Land and Environment Court will make an independent assessment of the amount of compensation in this matter, which may require the Company to repay all or a portion of the advance payment. Therefore, the Company cannot currently determine an amount, or any minimum amount, it ultimately expects to realize in connection with this matter. Accordingly, the Company did not recognize any gain in the accompanying consolidated statement of earnings for the year ended January 31, 2019. Instead, the Company recognized the advance payment

within Cash and cash equivalents and as a liability within Accounts payable and accrued liabilities as of January 31, 2019. The Company classified $19.2 million of the advance payment within operating cash flows and $11.9 million within investing cash flows on the consolidated statement of cash flows, with such classification determined by the nature of the underlying components of the cash receipt.

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K. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

(in millions)	January 31, 2019	2018
Accumulated other comprehensive loss, net of tax:		
Foreign currency translation adjustments	$(108.2)	$(48.0)
Unrealized loss on marketable securities [a]	—	(1.8)
Deferred hedging loss	(24.5)	(22.9)
Net unrealized loss on benefit plans	(72.1)	(65.3)
	$(204.8)	$(138.0)

a The Company adopted ASU 2016-01 - Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities on February 1, 2018 using the modified retrospective method. Under ASU 2016-01, the Company recognizes both realized and unrealized gains and losses on marketable securities in Other expense, net. Previously, unrealized gains and losses were recorded as a separate component of stockholders' equity.

Additions to and reclassifications out of accumulated other comprehensive earnings (loss) were as follows:

(in millions)	Years Ended January 31, 2019	2018	2017
Foreign currency translation adjustments	$(62.9)	$97.9	$8.3
Income tax benefit (expense)	2.7	(2.2)	(16.7)
Foreign currency translation adjustments, net of tax	(60.2)	95.7	(8.4)
Unrealized gain on marketable securities	—	0.2	2.7
Reclassification for gain included in net earnings	—	(3.5)	—
Income tax benefit (expense)	—	0.7	(0.9)
Unrealized (loss) gain on marketable securities, net of tax	—	(2.6)	1.8
Unrealized (loss) gain on hedging instruments	(1.1)	(21.0)	12.1
Reclassification adjustment for (gain) loss included in net earnings [a]	(1.2)	13.0	4.9
Income tax benefit (expense)	0.7	1.2	(6.3)
Unrealized (loss) gain on hedging instruments, net of tax	(1.6)	(6.8)	10.7
Net actuarial (loss) gain	(24.2)	30.6	14.1
Amortization of net loss included in net earnings [b]	15.1	13.3	14.7
Amortization of prior service credit included in net earnings [b]	(0.6)	(0.5)	(0.7)
Income tax benefit (expense)	2.9	(11.5)	(10.3)
Net unrealized (loss) gain on benefit plans, net of tax	(6.8)	31.9	17.8
Total other comprehensive (loss) earnings, net of tax	$(68.6)	$118.2	$21.9

a These losses (gains) are reclassified into Interest expense and financing costs and Cost of sales (see "Note H. Hedging Instruments" for additional details).

b These losses (gains) are included in the computation of net periodic benefit cost (see "Note M. Employee Benefit Plans" for additional details) and are reclassified into Other expense, net.

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Stock Repurchase Program
In May 2018, the Registrant's Board of Directors approved a new share repurchase program (the "2018 Program"). The 2018 Program, which became effective June 1, 2018 and expires on January 31, 2022, authorizes the Company to repurchase up to $1.0 billion of its Common Stock through open market transactions, including through Rule 10b5-1 plans and one or more accelerated share repurchase ("ASR") or other structured repurchase transactions, and/or privately negotiated transactions. Purchases under this program are discretionary and will be made from time to time based on market conditions and the Company's liquidity needs. The Company may fund repurchases under the 2018 Program from existing cash at such time or from proceeds of any existing borrowing facilities at such time and/or the issuance of new debt. The 2018 Program replaced the Company's previous share repurchase program approved in January 2016 (the "2016 Program"), under which the Company was authorized to repurchase up to $500.0 million of its Common Stock. At the time of termination, $154.9 million remained available for repurchase under the 2016 Program. As of January 31, 2019, $635.0 million remained available under the 2018 Program.

During the three months ended July 31, 2018, the Company entered into ASR agreements with two third-party financial institutions to repurchase an aggregate of $250.0 million of its Common Stock. The ASR agreements were entered into under the 2018 Program. Pursuant to the ASR agreements, the Company made an aggregate payment of $250.0 million from available cash on hand in exchange for an initial delivery of 1,529,286 shares of its Common Stock. Final settlement of the ASR agreements was completed in July 2018, pursuant to which the Company received an additional 353,112 shares of its Common Stock. In total, 1,882,398 shares of the Company's Common Stock were repurchased under these ASR agreements at an average cost per share of $132.81 over the term of the agreements.

The Company's share repurchase activity was as follows:

	Years Ended January 31,		
(in millions, except per share amounts)	2019	2018	2017
Cost of repurchases	$421.4	$99.2	$183.6
Shares repurchased and retired	3.5	1.0	2.8
Average cost per share	$121.28	$94.86	$65.24

Cash Dividends

The Company's Board of Directors declared quarterly dividends which, on an annual basis, totaled $2.15, $1.95 and $1.75 per share of Common Stock in 2018, 2017 and 2016, respectively.

On February 21, 2019, the Company's Board of Directors declared a quarterly dividend of $0.55 per share of Common Stock. This dividend will be paid on April 10, 2019 to stockholders of record on March 20, 2019.

L. STOCK COMPENSATION PLANS

The Company has two stock compensation plans under which awards may be made: the Employee Incentive Plan and the Directors Equity Compensation Plan, both of which were approved by the Company's stockholders. No award may be made under the Employee Incentive Plan after May 22, 2024 or under the Directors Equity Compensation Plan after May 25, 2027.

Under the Employee Incentive Plan, the maximum number of common shares authorized for issuance is 8.7 million. Awards may be made to employees of the Company in the form of stock options, stock appreciation rights, shares of stock (or rights to receive shares of stock) and cash. Awards made in the form of non-qualified stock options, tax-qualified incentive stock options or stock appreciation rights have a maximum term of 10 years from the grant date and may not be granted for an exercise price below fair market value.

The Company has granted time-vesting restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs") and stock options under the Employee Incentive Plan. Stock options and RSUs typically vest in increments of 25% per year over four years. PSUs vest at the end of a three-year period. Vesting of all PSUs is contingent on the Company's performance against objectives established by the Compensation Committee of the Company's Board of Directors. The PSUs and RSUs require no payment from the employee. PSU and RSU payouts are in shares of Company stock at vesting (aside from fractional dividend equivalents, which are settled in cash). Compensation expense is recognized using the fair market value of the award at the date of grant and recorded ratably over the vesting period. However, PSU compensation expense may be adjusted over the vesting period based on interim estimates of performance against the established objectives. Award holders are not entitled to receive dividends or dividend equivalents on PSUs or RSUs granted prior to January 2017 or on unvested stock options. PSUs and RSUs granted in or after January 2017 accrue dividend equivalents that may only be paid or delivered upon vesting of the underlying stock units.

Under the Directors Equity Compensation Plan, the maximum number of shares of Common Stock authorized for issuance is 1.0 million (subject to adjustment); awards may be made to non-employee directors of the Company in the form of stock options or shares of stock but may not exceed $750,000 of total compensation (including without limitation, non-equity compensation and the grant-date fair value of options or stock awards, or any combination of options and stock awards) that may be awarded to any one participant in any single fiscal year of the Company in connection with his or her service as a member of the Board; provided, however, that this limitation shall not apply to a non-executive chairperson of the Board. Awards made in the form of stock options may have a maximum term of 10 years from the grant date and may not be granted for an exercise price below fair market value. Director options vest immediately. Director RSUs vest at the end of a one-year period.

The Company uses newly issued shares to satisfy stock option exercises and the vesting of PSUs and RSUs.

The fair value of each option award is estimated on the grant date using a Black-Scholes option valuation model and compensation expense is recognized ratably over the vesting period. The valuation model uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company's stock. The Company uses historical data to estimate the expected term of the option that represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the grant date.

	Years Ended January 31,		
	2019	2018	2017
Dividend yield	2.2 %	1.8 %	2.0 %
Expected volatility	24.2 %	22.0 %	23.8 %
Risk-free interest rate	2.5 %	2.2 %	1.8 %
Expected term in years	4	5	5

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A summary of the Company's stock option activity is presented below:

	Number of Shares (in millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in millions)
Outstanding at January 31, 2018	1.7	$ 84.25	7.87	$ 41.1
Granted	1.1	92.05		
Exercised	(0.3)	70.35		
Forfeited/canceled	(0.1)	76.46		
Outstanding at January 31, 2019	2.4	$ 89.84	8.33	$ 11.3
Exercisable at January 31, 2019	0.7	$ 84.21	6.45	$ 7.0

The weighted-average grant-date fair value of options granted for the years ended January 31, 2019, 2018 and 2017 was $16.97, $18.33 and $14.36, respectively. The total intrinsic value (market value on date of exercise less grant price) of options exercised during the years ended January 31, 2019, 2018 and 2017 was $16.3 million, $31.2 million and $4.5 million, respectively.

A summary of the Company's RSU activity is presented below:

	Number of Shares (in millions)	Weighted-Average Grant-Date Fair Value
Non-vested at January 31, 2018	0.6	$ 81.12
Granted	0.3	103.40
Vested	(0.2)	103.47
Forfeited	(0.1)	88.57
Non-vested at January 31, 2019	0.6	$ 88.49

A summary of the Company's PSU activity is presented below:

	Number of Shares (in millions)	Weighted-Average Grant-Date Fair Value
Non-vested at January 31, 2018	0.5	$ 84.85
Granted	0.2	85.26
Vested	(0.1)	84.16
Forfeited/canceled	(0.1)	83.46
Non-vested at January 31, 2019	0.5	$ 85.30

The weighted-average grant-date fair value of RSUs granted for the years ended January 31, 2018 and 2017 was $91.69 and $67.46, respectively. The weighted-average grant-date fair value of PSUs granted for the years ended January 31, 2018 and 2017 was $108.99 and $79.23, respectively. The total fair value of RSUs vested during the years ended January 31, 2019, 2018 and 2017 was $24.3 million, $22.2 million and $13.6 million, respectively. The total fair value of PSUs vested during the years ended January 31, 2019, 2018 and 2017 was $2.7 million, $3.4 million and $6.3 million, respectively.

As of January 31, 2019, there was $87.3 million of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the Employee Incentive Plan and Directors Equity Compensation Plan. The expense is expected to be recognized over a weighted-average period of 2.7 years.

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Total compensation cost for stock-based compensation awards recognized in income and the related income tax benefit was $34.1 million and $6.8 million for the year ended January 31, 2019, $28.0 million and $8.5 million for the year ended January 31, 2018 and $24.3 million and $7.7 million for the year ended January 31, 2017. Total stock-based compensation cost capitalized in inventory was not significant.

M. EMPLOYEE BENEFIT PLANS

Pensions and Other Postretirement Benefits

The Company maintains the following pension plans: a noncontributory defined benefit pension plan qualified in accordance with the Internal Revenue Service Code ("Qualified Plan") covering substantially all U.S. employees hired before January 1, 2006, a non-qualified unfunded retirement income plan ("Excess Plan") covering certain U.S. employees hired before January 1, 2006 and affected by Internal Revenue Service Code compensation limits, a non-qualified unfunded Supplemental Retirement Income Plan ("SRIP") covering certain executive officers of the Company hired before January 1, 2006 and noncontributory defined benefit pension plans in certain of its international locations ("Other Plans").

Qualified Plan benefits are based on (i) average compensation in the highest paid five years of the last 10 years of employment ("average final compensation") and (ii) the number of years of service. The normal retirement age under the Qualified Plan is age 65; however, participants who retire with at least 10 years of service may elect to receive reduced retirement benefits starting at age 55. The Company funds the Qualified Plan's trust in accordance with regulatory limits to provide for current service and for the unfunded benefit obligation over a reasonable period and for current service benefit accruals. To the extent that these requirements are fully covered by assets in the Qualified Plan, the Company may elect not to make any contribution in a particular year. No cash contribution was required in 2018 and none is required in 2019 to meet the minimum funding requirements of the Employee Retirement Income Security Act. However, the Company periodically evaluates whether to make discretionary cash contributions to the Qualified Plan and made voluntary cash contributions of $11.8 million in 2018, $15.0 million in 2017 and $120.0 million in 2016. The Company also made such a contribution of $30.0 million in March 2019. The Company does not currently expect to make any additional contributions in 2019. This expectation is subject to change based on management's assessment of a variety of factors, including, but not limited to, asset performance, interest rates and changes in actuarial assumptions.

The Qualified Plan, Excess Plan and SRIP exclude all employees hired on or after January 1, 2006. Instead, employees hired on or after January 1, 2006 are eligible to receive a defined contribution retirement benefit under the Employee Profit Sharing and Retirement Savings ("EPSRS") Plan (see "Employee Profit Sharing and Retirement Savings Plan" below). Employees hired before January 1, 2006 continue to be eligible for and accrue benefits under the Qualified Plan.

The Excess Plan uses the same retirement benefit formula set forth in the Qualified Plan, but includes earnings that are excluded under the Qualified Plan due to Internal Revenue Service Code qualified pension plan limitations. Benefits payable under the Qualified Plan offset benefits payable under the Excess Plan. Employees vested under the Qualified Plan are vested under the Excess Plan; however, benefits under the Excess Plan are subject to forfeiture if employment is terminated for cause and, for those who leave the Company prior to age 65, if they fail to execute and adhere to noncompetition and confidentiality covenants. Under the Excess Plan, participants who retire with at least 10 years of service may elect to receive reduced retirement benefits starting at age 55.

The SRIP supplements the Qualified Plan, Excess Plan and Social Security by providing additional payments upon a participant's retirement. SRIP benefits are determined by a percentage of average final compensation; this percentage

increases as specified service plateaus are achieved. Benefits payable under the Qualified Plan, Excess Plan and Social Security offset benefits payable under the SRIP. Under the SRIP, benefits vest when a participant both (i) attains age 55 while employed by the Company and (ii) has provided at least 10 years of service. In certain limited circumstances, early vesting can occur due to a change in control. Benefits under the SRIP are forfeited if benefits under the Excess Plan are forfeited.

Benefits for the Other Plans are typically based on monthly eligible compensation and the number of years of service. Benefits are typically payable in a lump sum upon retirement, termination, resignation or death if the participant has completed the requisite service period.

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The Company accounts for pension expense using the projected unit credit actuarial method for financial reporting purposes. The actuarial present value of the benefit obligation is calculated based on the expected date of separation or retirement of the Company's eligible employees.

The Company provides certain health-care and life insurance benefits ("Other Postretirement Benefits") for certain retired employees and accrues the cost of providing these benefits throughout the employees' active service period until they attain full eligibility for those benefits. Substantially all of the Company's U.S. full-time employees hired on or before March 31, 2012 may become eligible for these benefits if they reach normal or early retirement age while working for the Company. The cost of providing postretirement health-care benefits is shared by the retiree and the Company, with retiree contributions evaluated annually and adjusted in order to maintain the Company/retiree cost-sharing target ratio. The life insurance benefits are noncontributory. The Company's employee and retiree health-care benefits are administered by an insurance company, and premiums on life insurance are based on prior years' claims experience.

Obligations and Funded Status

The following tables provide a reconciliation of benefit obligations, plan assets and funded status of the pension and other postretirement benefit plans as of the measurement date:

	Years Ended January 31,			
	Pension Benefits		Other Postretirement Benefits	
(in millions)	2019	2018	2019	2018
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$795.6	$783.7	$78.5	$72.5
Service cost	17.9	17.3	3.0	2.8
Interest cost	30.7	32.0	3.0	3.0
Participants' contributions	—	—	1.3	1.0
MMA retiree drug subsidy	—	—	0.1	0.2
Actuarial (gain) loss	(22.4)	21.1	(7.0)	1.5
Benefits paid	(26.8)	(59.4)	(2.8)	(2.5)
Translation	—	0.9	—	—
Projected benefit obligation at end of year	795.0	795.6	76.1	78.5
Change in plan assets:				
Fair value of plan assets at beginning of year	578.1	530.1	—	—
Actual return on plan assets	(20.1)	86.1	—	—
Employer contribution	18.5	21.3	1.4	1.3
Participants' contributions	—	—	1.3	1.0
MMA retiree drug subsidy	—	—	0.1	0.2
Benefits paid	(26.8)	(59.4)	(2.8)	(2.5)
Fair value of plan assets at end of year	549.7	578.1	—	—
Funded status at end of year	$(245.3)	$(217.5)	$(76.1)	$(78.5)

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The following tables provide additional information regarding the Company's pension plans' projected benefit obligations and assets (included in pension benefits in the table above) and accumulated benefit obligation:

	January 31, 2019			
(in millions)	Qualified	Excess/SRIP	Other	Total
Projected benefit obligation	$658.5	$ 109.4	$27.1	$795.0
Fair value of plan assets	549.7	—	—	549.7
Funded status	$(108.8)	$ (109.4)	$(27.1)	$(245.3)
Accumulated benefit obligation	$598.8	$ 94.0	$22.2	$715.0

	January 31, 2018			
(in millions)	Qualified	Excess/SRIP	Other	Total
Projected benefit obligation	$662.0	$ 112.6	$21.0	$795.6
Fair value of plan assets	578.1	—	—	578.1
Funded status	$(83.9)	$ (112.6)	$(21.0)	$(217.5)
Accumulated benefit obligation	$600.2	$ 98.5	$19.3	$718.0

At January 31, 2019, the Company had a current liability of $9.0 million and a non-current liability of $312.4 million for pension and other postretirement benefits. At January 31, 2018, the Company had a current liability of $8.6 million and a non-current liability of $287.4 million for pension and other postretirement benefits.

Pre-tax amounts recognized in accumulated other comprehensive loss consisted of:

	Years Ended January 31,			
	Pension Benefits		Other Postretirement Benefits	
(in millions)	2019	2018	2019	2018
Net actuarial loss (gain)	$132.7	$116.5	$ (5.8)	$ 1.3
Prior service cost (credit)	0.5	0.6	(1.0)	(1.7)
Total before tax	$133.2	$117.1	$ (6.8)	$ (0.4)

The estimated pre-tax amount that will be amortized from accumulated other comprehensive loss into net periodic benefit cost within the next 12 months is as follows:

(in millions)	Pension Benefits	Other Postretirement Benefits
Net actuarial loss	$10.5	$
Prior service cost (credit)	0.1	(0.7)
	$10.6	$(0.7)

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Components of Net Periodic Benefit Cost and
Other Amounts Recognized in Other Comprehensive Earnings

	Years Ended January 31,					
	Pension Benefits			Other Postretirement Benefits		
(in millions)	2019	2018	2017	2019	2018	2017
Service cost	$17.9	$17.3	$17.4	$3.0	$2.8	$2.8
Interest cost	30.7	32.0	31.6	3.0	3.0	3.1
Expected return on plan assets	(33.4)	(32.9)	(23.5)	—	—	—
Amortization of prior service cost	0.1	0.2	—	(0.7)	(0.7)	(0.7)
Amortization of net loss	15.0	13.2	14.7	0.1	0.1	—
Net periodic benefit cost	30.3	29.8	40.2	5.4	5.2	5.2
Net actuarial loss (gain)	31.2	(32.1)	(3.6)	(7.0)	1.5	(10.5)
Recognized actuarial loss	(15.0)	(13.2)	(14.7)	(0.1)	(0.1)	—
Recognized prior service (cost) credit	(0.1)	(0.2)	—	0.7	0.7	0.7
Total recognized in other comprehensive earnings	16.1	(45.5)	(18.3)	(6.4)	2.1	(9.8)
Total recognized in net periodic benefit cost and other comprehensive earnings	$46.4	$(15.7)	$21.9	$(1.0)	$7.3	$(4.6)

Assumptions

Weighted-average assumptions used to determine benefit obligations:

	January 31,	
	2019	2018
Discount rate:		
Qualified Plan	4.25 %	4.00 %
Excess Plan/SRIP	4.25 %	3.75 %
Other Plans	0.81 %	0.83 %
Other Postretirement Benefits	4.50 %	4.00 %
Rate of increase in compensation:		
Qualified Plan	3.00 %	3.00 %
Excess Plan	4.25 %	4.25 %
SRIP	6.50 %	6.50 %
Other Plans	2.56 %	1.13 %

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Weighted-average assumptions used to determine net periodic benefit cost:

	Years Ended January 31,		
	2019	2018	2017
Discount rate:			
Qualified Plan	4.00 %	4.25 %	4.50 %
Excess Plan/SRIP	3.75 %	4.25 %	4.25 %
Other Plans	1.54 %	1.49 %	1.40 %
Other Postretirement Benefits	4.00 %	4.25 %	4.50 %
Expected return on plan assets	7.00 %	7.00 %	7.00 %
Rate of increase in compensation:			
Qualified Plan	3.00 %	3.00 %	3.00 %
Excess Plan	4.25 %	4.25 %	4.25 %
SRIP	6.50 %	6.50 %	6.50 %
Other Plans	1.41 %	1.38 %	1.38 %

The expected long-term rate of return on Qualified Plan assets is selected by taking into account the average rate of return expected on the funds invested or to be invested to provide for benefits included in the projected benefit obligation. More specifically, consideration is given to the expected rates of return (including reinvestment asset return rates) based upon the plan's current asset mix, investment strategy and the historical performance of plan assets.

For postretirement benefit measurement purposes, a 6.75% annual rate of increase in the per capita cost of covered health care was assumed for 2019. This rate was assumed to decrease gradually to 4.75% by 2023 and remain at that level thereafter.

Assumed health-care cost trend rates can affect amounts reported for the Company's postretirement health-care benefits plan. A one-percentage-point change in the assumed health-care cost trend rate would not have had a significant effect on the Company's accumulated postretirement benefit obligation as of January 31, 2019 or aggregate service and interest cost components of the 2018 postretirement expense.

Plan Assets

The Company's investment objectives related to the Qualified Plan's assets are the preservation of principal and balancing the management of interest rate risk associated with the duration of the plan's liabilities with the achievement of a reasonable rate of return over time. The Qualified Plan's assets are allocated based on an expectation that equity securities will outperform debt securities over the long term, but that as the plan's funded status (assets relative to liabilities) increases, the amount of assets allocated to fixed income securities which match the interest rate risk profile of the plan's liabilities will increase. The Company's target asset allocation based on its funded status as of January 31, 2019 is as follows: approximately 50% in equity securities; approximately 35% in fixed income securities; and approximately 15% in other securities. The Company attempts to mitigate investment risk by rebalancing the asset allocation periodically.

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The fair value of the Qualified Plan's assets at January 31, 2019 and 2018 by asset category is as follows:

(in millions)	Fair Value at January 31, 2019	Fair Value Measurements Using Inputs Considered as* Level 1	Level 2	Level 3
Equity securities:				
U.S. equity securities	$ 63.4	$63.4	$—	$ —
Mutual fund	38.7	38.7	—	—
Fixed income securities:				
Government bonds	80.8	79.6	1.2	—
Corporate bonds	122.7	—	122.7	—
Other types of investments:				
Cash and cash equivalents	2.7	2.7	—	—
Mutual funds	52.0	52.0	—	—
Net assets in fair value hierarchy	360.3	236.4	123.9	—
Investments at NAV practical expedient [a]	189.4			
Plan assets at fair value	$ 549.7	$236.4	$123.9	$ —

(in millions)	Fair Value at January 31, 2018	Fair Value Measurements Using Inputs Considered as* Level 1	Level 2	Level 3
Equity securities:				
U.S. equity securities	$ 74.3	$74.3	$—	$ —
Mutual fund	44.7	44.7	—	—
Fixed income securities:				
Government bonds	79.0	77.3	1.7	—
Corporate bonds	115.2	—	115.2	—
Other types of investments:				
Cash and cash equivalents	2.3	2.3	—	—
Mutual funds	49.6	49.6	—	—
Net assets in fair value hierarchy	365.1	248.2	116.9	—
Investments at NAV practical expedient [a]	213.0			
Plan assets at fair value	$ 578.1	$248.2	$116.9	$ —

* See "Note I. Fair Value of Financial Instruments" for a description of the levels of inputs.

[a] In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the Qualified Plan's fair value of plan assets at the end of each respective year.

Valuation Techniques

Investments within the fair value hierarchy. Securities traded on the national securities exchange (certain government bonds) are valued at the last reported sales price or closing price on the last business day of the fiscal year. Investments traded in the over-the-counter market and listed securities for which no sales were reported (certain

government bonds, corporate bonds and mortgage obligations) are valued at the last reported bid price.

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Certain fixed income investments are held in separately managed accounts and those investments are valued using the underlying securities in the accounts.

Investments in mutual funds are stated at fair value as determined by quoted market prices based on the NAV of shares held by the Qualified Plan at year-end. Investments in U.S. equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Investments measured at NAV. This category consists of common/collective trusts and limited partnerships.

Common/collective trusts include investments in U.S. and international large, middle and small capitalization equities. Investments in common/collective trusts are stated at estimated fair value, which represents the NAV of shares held by the Qualified Plan as reported by the investment advisor. The NAV is based on the value of the underlying assets owned by the common/collective trust, minus its liabilities and then divided by the number of shares outstanding. The NAV is used as a practical expedient to estimate fair value.

The Qualified Plan maintains investments in limited partnerships that are valued at estimated fair value based on financial information received from the investment advisor and/or general partner. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding. The NAV is used as a practical expedient to estimate fair value.

Benefit Payments

The Company estimates the following future benefit payments:

Years Ending January 31,	Pension Benefits (in millions)	Other Postretirement Benefits (in millions)
2020	$28.4	$2.0
2021	29.3	2.1
2022	30.3	2.2
2023	31.3	2.4
2024	32.5	2.6
2025-2029	188.0	16.1

Employee Profit Sharing and Retirement Savings ("EPSRS") Plan

The Company maintains an EPSRS Plan that covers substantially all U.S.-based employees. Under the profit-sharing feature of the EPSRS Plan, the Company made contributions, in the form of newly issued Company Common Stock through 2014, to the employees' accounts based on the achievement of certain targeted earnings objectives established by, or as otherwise determined by, the Company's Board of Directors. Beginning in 2015, these contributions were made in cash. The EPSRS Plan provides a retirement savings feature, a profit sharing feature and a defined contribution retirement benefit (“DCRB”). The DCRB is provided to eligible employees hired on or after January 1, 2006. Contributions related to the retirement savings feature and profit sharing feature for a particular plan year are made the following year.

Under the retirement savings feature of the EPSRS Plan, employees who meet certain eligibility requirements may participate by contributing up to 50% of their annual compensation, not to exceed Internal Revenue Service limits, and the Company may provide a matching cash contribution of 50% of each participant's contributions, with a maximum matching contribution of 3% of each participant's total compensation. The Company recorded expense of $8.6 million,

$8.2 million and $7.5 million in 2018, 2017 and 2016, respectively, related to the retirement savings feature of the EPSRS Plan.

Under the profit-sharing feature of the EPSRS Plan, contributions are made in cash and are allocated within the respective participant's account based on investment elections made under the EPSRS Plan. If the participant has made no election, the contribution will be invested in the appropriate default target fund as determined by each participant's date of birth. Under the retirement savings portion of the EPSRS Plan, employees may invest their contributions and the related matching contribution to their accounts in a similar manner. Under both the profit-

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sharing and retirement savings features, employees may elect to invest a portion of the contributions to their accounts in Company stock. At January 31, 2019, investments in Company stock represented 17% of total EPSRS Plan assets. The Company recorded expense of $4.9 million, $3.9 million and $2.3 million in 2018, 2017 and 2016, respectively, related to the profit sharing feature of the EPSRS Plan.

Under the DCRB, the Company makes contributions each year to each employee's account at a rate based upon age and years of service. These contributions are deposited into individual accounts in each employee's name to be invested in a manner similar to the profit-sharing and retirement savings portions of the EPSRS Plan (except that DCRB contributions may not be invested in Company stock). The Company recorded expense of $4.7 million, $5.2 million and $4.6 million in 2018, 2017 and 2016, respectively, related to the DCRB.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan for directors, executives and certain management employees, whereby eligible participants may defer a portion of their compensation for payment at specified future dates, upon retirement, death or termination of employment. This plan also provides for an excess defined contribution retirement benefit ("Excess DC benefit") for certain eligible executives and management employees, hired on or after January 1, 2006. The Excess DC benefit is credited to the eligible employee's account, based on the compensation paid to the employee in excess of the IRS limits for contributions under the DCRB Plan. Under the plan, the deferred compensation is adjusted to reflect performance, whether positive or negative, of selected investment options chosen by each participant during the deferral period. The amounts accrued under the plans were $22.6 million and $28.9 million at January 31, 2019 and 2018, respectively, and are reflected in Other long-term liabilities. The Company does not promise or guarantee any rate of return on amounts deferred.

N. INCOME TAXES

U.S. Federal Income Tax Reform

On December 22, 2017, the 2017 Tax Act was enacted in the U.S. This enactment resulted in a number of significant changes to U.S. federal income tax law for U.S. taxpayers. Changes in tax law are accounted for in the period of enactment. As such, the 2017 consolidated financial statements reflected the estimated immediate tax effect of the 2017 Tax Act. The 2017 Tax Act contains a number of key provisions, including, among other items:

- The reduction of the statutory U.S. federal corporate income tax rate from 35.0% to 21.0% effective January 1, 2018;
- A one-time transition tax via a mandatory deemed repatriation of post-1986 undistributed foreign earnings and profits (the "Transition Tax");
- A deduction for Foreign Derived Intangible Income ("FDII") for tax years beginning after December 31, 2017;
- A tax on global intangible low-taxed income ("GILTI") for tax years beginning after December 31, 2017;
- A limitation on net interest expense deductions to 30% of adjusted taxable income for tax years beginning after December 31, 2017;
- Broader limitations on the deductibility of compensation of certain highly compensated employees;
- The ability to elect to accelerate tax depreciation on certain qualified assets;
- A territorial tax system providing a 100% dividends received deduction on certain qualified dividends from foreign subsidiaries for tax years beginning after December 31, 2017;
- The Base Erosion and Anti-Abuse Tax ("BEAT") for tax years beginning after December 31, 2017; and
- Changes in the application of the U.S. foreign tax credit regulations for tax years beginning after December 31, 2017.

Additionally, on December 22, 2017, the SEC issued SAB 118 to address the application of U.S. GAAP in situations when a registrant did not have the necessary information available, prepared, or analyzed (including computations) in

reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. Specifically, SAB 118 provided a measurement period for companies to evaluate the impacts of the 2017 Tax Act on their financial statements. This measurement period began in the reporting period that included the enactment date and ended when an entity obtained, prepared and analyzed the information that was needed in order to complete the

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accounting requirements, but could not exceed one year. The Company adopted the provisions of SAB 118 with respect to the impact of the 2017 Tax Act on its 2017 consolidated financial statements.

During the year ended January 31, 2018, the Company recorded an estimated net tax expense of $146.2 million as a result of the effects of the 2017 Tax Act. The tax effects recorded included:

- Estimated tax expense of $94.8 million for the impact of the reduction in the U.S. statutory tax rate on the Company's deferred tax assets and liabilities;
- Estimated tax expense of $56.0 million for the Transition Tax; and
- A tax benefit of $4.6 million resulting from the effect of the 21% statutory income tax rate for the month of January 2018 on the Company's annual statutory income tax rate for the year ended January 31, 2018. Because the Company's fiscal year ended on January 31, 2018, the Company’s statutory income tax rate for fiscal 2017 was 33.8% rather than 35.0%.

Consistent with SAB 118, the Company calculated and recorded reasonable estimates for the impact of the Transition Tax and the remeasurement of its deferred tax assets and deferred tax liabilities, as set forth above. The Company also adopted the provisions of SAB 118 as it related to the assertion of the indefinite reinvestment of foreign earnings and profits. The charges associated with the Transition Tax and the remeasurement of the Company's deferred tax assets and deferred tax liabilities, as a result of applying the 2017 Tax Act, represented provisional amounts for which the Company's analysis was incomplete but reasonable estimates could be determined and were recorded during the fourth quarter of 2017. Further, the impact of the 2017 Tax Act on the Company's assertion to indefinitely reinvest foreign earnings was incomplete as the Company was analyzing the relevant provisions of the 2017 Tax Act and related accounting guidance.

During the year ended January 31, 2019, as permitted by SAB 118, the Company completed its analyses under the 2017 Tax Act, including those related to: (i) the provisional estimate recorded during the year ended January 31, 2018 for the Transition Tax; (ii) the provisional estimate recorded during the year ended January 31, 2018 to remeasure the Company's deferred tax assets and liabilities; and (iii) the Company's assertion to indefinitely reinvest undistributed foreign earnings and profits.

As a result of completing these analyses, during the year ended January 31, 2019, the Company: (i) recorded tax benefits totaling $12.6 million to adjust the provisional estimate recorded in the year ended January 31, 2018 to remeasure the Company's deferred tax assets and liabilities; (ii) recorded tax benefits totaling $3.3 million to adjust the provisional estimate recorded in the year ended January 31, 2018 for the Transition Tax; and (iii) determined to maintain its assertion to indefinitely reinvest undistributed foreign earnings and profits, which amounted to approximately $900.0 million as of January 31, 2019.

Upon distribution of those foreign earnings and profits in the form of dividends or otherwise, the Company would be subject to U.S. state and local taxes, taxes on foreign currency gains and withholding taxes payable in various jurisdictions, which may be partially offset by foreign tax credits. Determination of the amount of the unrecognized deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

The Company expects to continue to account for the tax on GILTI as a period cost and therefore has not adjusted any of the deferred tax assets and liabilities of its foreign subsidiaries in connection with the 2017 Tax Act.

Income Taxes

Earnings from operations before income taxes consisted of the following:

Years Ended January 31,

(in millions)	2019	2018	2017
United States	$584.5	$597.1	$478.2
Foreign	159.0	163.4	198.4
	$743.5	$760.5	$676.6

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Components of the provision for income taxes were as follows:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Current:			
Federal	$112.5	$227.9	$125.5
State	18.2	16.7	15.4
Foreign	47.7	49.0	43.5
	178.4	293.6	184.4
Deferred:			
Federal	(23.2)	94.1	36.7
State	(2.0)	1.1	7.1
Foreign	3.9	1.6	2.3
	(21.3)	96.8	46.1
	$157.1	$390.4	$230.5

Reconciliations of the provision for income taxes at the statutory Federal income tax rate to the Company's effective income tax rate were as follows:

	Years Ended January 31,		
	2019	2018	2017
Statutory Federal income tax rate	21.0 %	33.8 %	35.0 %
State income taxes, net of Federal benefit	1.5	1.5	2.2
Foreign losses with no tax benefit	—	0.2	0.2
Foreign tax rate differences	1.1	(1.4)	(2.3)
Net change in uncertain tax positions	(0.4)	0.2	(0.7)
Domestic manufacturing deduction	—	(1.8)	(0.9)
Foreign Derived Intangible Income deduction	(2.6)	—	—
Impact of the 2017 Tax Act	1.3	19.8	—
Other	(0.8)	(1.0)	0.6
	21.1 %	51.3 %	34.1 %

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Deferred tax assets (liabilities) consisted of the following:

	January 31,	
(in millions)	2019	2018
Deferred tax assets:		
Pension/postretirement benefits	$82.1	$81.2
Accrued expenses	31.3	25.4
Share-based compensation	7.9	7.2
Depreciation and amortization	18.1	14.8
Foreign and state net operating losses	7.0	9.2
Sale-leasebacks	13.1	17.2
Inventory	42.5	35.8
Unearned income	7.2	7.7
Other	28.8	23.2
	238.0	221.7
Valuation allowance	(8.5)	(9.6)
	229.5	212.1
Deferred tax liabilities:		
Foreign tax credit and other tax liabilities	(21.5)	(24.9)
Net deferred tax asset	$208.0	$187.2

The Company has recorded a valuation allowance against certain deferred tax assets related to foreign net operating loss carryforwards where management has determined it is more likely than not that deferred tax assets will not be realized in the future. The overall valuation allowance relates to tax loss carryforwards and temporary differences for which no benefit is expected to be realized. Tax loss carryforwards of $23.3 million exist in certain foreign jurisdictions. Whereas some of these tax loss carryforwards do not have an expiration date, others expire at various times from 2019 through 2035.

The following table reconciles the unrecognized tax benefits:

	Years ended January 31,		
(in millions)	2019	2018	2017
Unrecognized tax benefits at beginning of year	$10.1	$7.2	$14.0
Gross increases – tax positions in prior period	8.0	3.2	0.9
Gross decreases – tax positions in prior period	—	(0.9)	(5.0)
Gross increases – tax positions in current period	1.3	0.6	0.3
Settlements	—	—	(3.0)
Lapse of statute of limitations	(2.1)	—	—
Unrecognized tax benefits at end of year	$17.3	$10.1	$7.2

The amount of tax benefits included in the balance of unrecognized tax benefits at January 31, 2019 that, if recognized, would affect the effective income tax rate was not significant.

The Company recognizes expense for interest and penalties related to unrecognized tax benefits within the provision for income taxes. The Company recognized a benefit of $6.2 million in 2018 and recognized expense of $2.0 million for interest and penalties during 2017. No expense for interest and penalties was recognized in 2016. Accrued interest and penalties, which amounted to $4.2 million and $10.3 million at January 31, 2019 and 2018,

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respectively, is included within Accounts payable and accrued liabilities and Other long-term liabilities on the consolidated balance sheets.

The Company conducts business globally and, as a result, is subject to taxation in the U.S. and various state and foreign jurisdictions. As a matter of course, tax authorities regularly audit the Company. The Company's tax filings are currently being examined by a number of tax authorities, both in the U.S. and in foreign jurisdictions. Ongoing audits where subsidiaries have a material presence include New York City (tax years 2011-2014), New York State (tax years 2012-2014) and Japan (tax years 2015-2017). Tax years from 2010-present are open to examination in the U.S. Federal jurisdiction and 2006-present are open in various state, local and foreign jurisdictions. As part of these audits, the Company engages in discussions with taxing authorities regarding tax positions. Management anticipates that it is reasonably possible that the total gross amount of unrecognized tax benefits will decrease by approximately $6.0 million in the next 12 months; however management does not currently anticipate a corresponding impact on net earnings. Future developments may result in a change in this assessment.

O. SEGMENT INFORMATION

Net sales by geographic area are presented by attributing revenues from external customers on the basis of the country in which the merchandise is sold. In deciding how to allocate resources and assess performance, the Company's Chief Operating Decision Maker regularly evaluates the performance of its reportable segments on the basis of net sales and earnings from operations, after the elimination of inter-segment sales and transfers. The accounting policies of the reportable segments are the same as those described in "Note B. Summary of Significant Accounting Policies."

Certain information relating to the Company's segments is set forth below:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Net sales:			
Americas	$1,960.3	$1,870.9	$1,841.9
Asia-Pacific	1,239.0	1,095.0	999.1
Japan	643.0	596.3	604.4
Europe	504.4	489.0	462.5
Total reportable segments	4,346.7	4,051.2	3,907.9
Other	95.4	118.6	93.9
	$4,442.1	$4,169.8	$4,001.8
Earnings from operations*:			
Americas	$386.7	$399.0	$387.9
Asia-Pacific	311.5	287.7	258.4
Japan	237.2	209.3	208.1
Europe	86.2	90.4	85.9
Total reportable segments	1,021.6	986.4	940.3
Other	(6.4)	3.6	4.0
	$1,015.2	$990.0	$944.3

* Represents earnings from operations before (i) unallocated corporate expenses, (ii) Interest expense and financing costs and Other expense, net, and (iii) other operating expenses.

The Company's Chief Operating Decision Maker does not evaluate the performance of the Company's assets on a segment basis for internal management reporting and, therefore, such information is not presented. The following

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table sets forth a reconciliation of the segments' earnings from operations to the Company's consolidated earnings from operations before income taxes:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Earnings from operations for segments	$1,015.2	$990.0	$944.3
Unallocated corporate expenses	(224.9)	(180.6)	(159.9)
Interest expense and financing costs and Other expense, net	(46.8)	(48.9)	(69.8)
Other operating expenses	—	—	(38.0)
Earnings from operations before income taxes	$743.5	$760.5	$676.6

Unallocated corporate expenses include certain costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for centralized information technology, finance, legal and human resources departments.

Other operating expenses in the year ended January 31, 2017 represented an impairment charge related to software costs capitalized in connection with the development of a finished goods inventory management and merchandising information system and impairment charges related to financing arrangements with diamond mining and exploration companies. See "Note B. Summary of Significant Accounting Policies" and "Note E. Property, Plant and Equipment" for additional details on the asset impairment and "Note B. Summary of Significant Accounting Policies" for additional details on the loan impairments.

Sales to unaffiliated customers by geographic area were as follows:

	Years Ended January 31,		
(in millions)	2019	2018	2017
Net sales:			
United States	$1,837.5	$1,739.0	$1,691.4
Japan	643.0	596.3	604.4
Other countries	1,961.6	1,834.5	1,706.0
	$4,442.1	$4,169.8	$4,001.8

Net sales information for classes of similar products is presented in "Note B. Summary of Significant Accounting Policies."

Long-lived assets by geographic area were as follows:

	January 31,	
(in millions)	2019	2018
Long-lived assets:		
United States	$762.9	$724.5
Japan	18.9	21.4
Other countries	306.1	301.4
	$1,087.9	$1,047.3

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P. QUARTERLY FINANCIAL DATA (UNAUDITED)

	2018 Quarters Ended			
(in millions, except per share amounts)	April 30	July 31	October 31	January 31
Net sales	$1,033.2	$1,075.9	$1,012.4	$1,320.6
Gross profit	650.9	688.8	629.3	842.0
Earnings from operations	204.3	191.2	126.4	268.4
Net earnings	142.3	144.7	94.9	204.5
Net earnings per share:				
Basic	$1.14	$1.17	$0.78	$1.68
Diluted	$1.14	$1.17	$0.77	$1.67

	2017 Quarters Ended			
(in millions, except per share amounts)	April 30	July 31	October 31	January 31 [a]
Net sales	$899.6	$959.7	$976.2	$1,334.3
Gross profit	559.1	599.6	600.0	852.0
Earnings from operations	149.6	184.7	164.0	311.1
Net earnings	92.9	115.0	100.2	61.9
Net earnings per share:				
Basic	$0.75	$0.92	$0.81	$0.50
Diluted	$0.74	$0.92	$0.80	$0.50

a Net earnings included a net charge of $146.2 million, or $1.17 per diluted share, related to the estimated impact of the 2017 Tax Act (see "Note N. Income Taxes") for the quarter ended January 31, 2018.

Basic and diluted earnings per share are computed independently for each quarter presented. Accordingly, the sum of the quarterly earnings per share may not agree with the calculated full year earnings per share.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), the Registrant's principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Registrant in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

In the ordinary course of business, the Registrant reviews its system of internal control over financial reporting and makes changes to its systems and processes to improve controls and increase efficiency, while ensuring that the Registrant maintains an effective internal control environment. Changes may include activities such as implementing new, more efficient systems and automating manual processes.

The Registrant's principal executive officer and principal financial officer have determined that there have been no changes in the Registrant's internal control over financial reporting during the most recently completed fiscal quarter covered by this report identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

The Registrant's management, including its principal executive officer and principal financial officer, necessarily applied their judgment in assessing the costs and benefits of such controls and procedures. By their nature, such controls and procedures cannot provide absolute certainty, but can provide reasonable assurance regarding management's control objectives. Our principal executive officer and our principal financial officer have concluded that the Registrant's disclosure controls and procedures are (i) designed to provide such reasonable assurance and (ii) effective at that reasonable assurance level.

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Report of Management

Management's Responsibility for Financial Information. The Company's consolidated financial statements were prepared by management, who are responsible for their integrity and objectivity. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include amounts based on management's best estimates and judgments.

Management is further responsible for maintaining a system of internal accounting control designed to provide reasonable assurance that the Company's assets are adequately safeguarded, and that the accounting records reflect transactions executed in accordance with management's authorization. The system of internal control is continually reviewed and is augmented by written policies and procedures, the careful selection and training of qualified personnel and a program of internal audit.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their report is shown on page K-50. The Audit Committee of the Board of Directors, which is composed solely of independent directors, reviewed and discussed with the Company's management and the independent registered public accounting firm, as appropriate, specific accounting, financial reporting and internal control matters. Both the independent registered public accounting firm and the internal auditors have full and free access to the Audit Committee. Each year the Audit Committee selects the firm that is to perform audit services for the Company.

Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control - Integrated Framework issued in 2013. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on this evaluation, management concluded that internal control over financial reporting was effective as of January 31, 2019 based on criteria in Internal Control - Integrated Framework issued by the COSO. The effectiveness of the Company's internal control over financial reporting as of January 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is shown on page K-50.

/s/ Alessandro Bogliolo
Chief Executive Officer

/s/ Mark J. Erceg
Executive Vice President and Chief Financial Officer

Item 9B. Other Information.

None

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference from the sections titled "Section 16(a) Beneficial Ownership Reporting Compliance," "Executive Officers of the Company," "Item 1. Election of the Board," and "Board of Directors and Corporate Governance" in Registrant's Proxy Statement dated April 17, 2019.

CODE OF ETHICS AND OTHER CORPORATE GOVERNANCE DISCLOSURES

Registrant has adopted a Code of Business and Ethical Conduct for its Directors, Chief Executive Officer, Chief Financial Officer and all other officers of the Registrant. A copy of this Code is posted on the corporate governance section of the Registrant's website, https://investor.tiffany.com/index.php/corporate-governance; go to "Code of Conduct."

See Registrant's Proxy Statement dated April 17, 2019, for additional information within the section titled "Business Conduct Policy and Code of Ethics."

Item 11. Executive Compensation.

Incorporated by reference from the sections titled "Board of Directors and Corporate Governance" and "Compensation of the CEO and Other Executive Officers" in Registrant's Proxy Statement dated April 17, 2019.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Incorporated by reference from the sections titled "Ownership of the Company" and "Compensation of the CEO and Other Executive Officers" in Registrant's Proxy Statement dated April 17, 2019.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Incorporated by reference from the sections titled "Board of Directors and Corporate Governance" and "Transactions with Related Persons" in Registrant's Proxy Statement dated April 17, 2019.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference from the section titled "Relationship with Independent Registered Public Accounting Firm" in Registrant's Proxy Statement dated April 17, 2019.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) List of Documents Filed As Part of This Report:

1. Financial Statements

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of January 31, 2019 and 2018.

Consolidated Statements of Earnings for the years ended January 31, 2019, 2018 and 2017.

Consolidated Statements of Comprehensive Earnings for the years ended January 31, 2019, 2018 and 2017.

Consolidated Statements of Stockholders' Equity for the years ended January 31, 2019, 2018 and 2017.

Consolidated Statements of Cash Flows for the years ended January 31, 2019, 2018 and 2017.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

The following financial statement schedule should be read in conjunction with the Consolidated Financial Statements:

Schedule II - Valuation and Qualifying Accounts and Reserves for the years ended January 31, 2019, 2018 and 2017, appearing on pages K-112 to K-114.

All other schedules have been omitted since they are not applicable, not required, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits

The information called for by this item is incorporated herein by reference to the Exhibit Index in this report.

Item 16. Form 10-K Summary.

Not Applicable.

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EXHIBIT INDEX

Exhibit Table (numbered in accordance with Item 601 of Regulation S-K)

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Registrant. Incorporated by reference from Exhibit 3.1 to Registrant's Report on Form 8-K dated May 16, 1996, as amended by the Certificate of Amendment of Certificate of Incorporation dated May 20, 1999. Incorporated by reference from Exhibit 3.1 filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended July 31, 1999.
3.1a	Amendment to Certificate of Incorporation of Registrant dated May 18, 2000. Incorporated by reference from Exhibit 3.1b to Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2001.
3.2	Restated By-laws of Registrant, as last amended January 18, 2018. Incorporated by reference from Exhibit 3.2 to Registrant's Report on Form 8-K dated January 19, 2018.
4.5	Indenture, dated September 25, 2014, between Registrant, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated by reference from Exhibit 4.5 to Registrant's Report on Form 8-K dated September 26, 2014.
4.6	Supplemental Indenture No. 1, dated September 25, 2014, among Registrant, as issuer, certain subsidiaries of Registrant, as guarantors thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated by reference from Exhibit 4.6 to Registrant's Report on Form 8-K dated September 26, 2014.
4.7	Supplemental Indenture No. 2, dated September 25, 2014, among Registrant, as issuer, certain subsidiaries of Registrant, as guarantors thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated by reference from Exhibit 4.7 to Registrant's Report on Form 8-K dated September 26, 2014.
4.8	Upon the request of the Securities and Exchange Commission, Registrant will furnish a copy of all instruments defining the rights of holders of all other long-term debt of Registrant.
10.1	Amended and Restated Agreement, dated as of December 27, 2012, by and between Tiffany and Company and Elsa Peretti. Incorporated by reference from Exhibit 10.123 filed with Registrant's Report on Form 8-K dated January 2, 2013.
10.2	Ground Lease between Tiffany and Company and River Park Business Center, Inc., dated November 29, 2000. Incorporated by reference from Exhibit 10.145 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2005.
10.2a	First Addendum to the Ground Lease between Tiffany and Company and River Park Business Center, Inc., dated November 29, 2000. Incorporated by reference from Exhibit 10.145a filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2005.
10.3	Lease Agreement made as of September 28, 2005 between CLF Sylvan Way LLC and Tiffany and Company, and form of Registrant's guaranty of such lease. Incorporated by reference from Exhibit

	10.149 filed with Registrant’s Report on Form 8-K dated September 23, 2005.
10.4	Five Year Credit Agreement dated as of October 25, 2018 by and among Registrant and each other Subsidiary of Registrant that is a Borrower and is a signatory thereto and MUFG Bank Ltd., as Administrative Agent, and various lenders party thereto. Incorporated by reference from Exhibit 10.43 filed with Registrant’s Report on Form 8-K dated October 31, 2018.

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Exhibit No.	Description
10.5	Amended and Restated Note Purchase and Private Shelf Agreement dated as of July 25, 2012 by and among Registrant and various institutional note purchasers with respect to Registrant's $100 million principal amount of 9.05% Series A Senior Notes due December 23, 2015, $150 million principal amount of 4.40% Series B-P Senior Notes due July 25, 2042 and private shelf facility. Incorporated by reference from Exhibit 10.155 filed with Registrant's Report on Form 8-K dated July 27, 2012.
10.5a	Amendment dated as of January 14, 2014 to the Amended and Restated Note Purchase and Private Shelf Agreement (see Exhibit 10.5 above) by and among Registrant, and various institutional note purchasers. Incorporated by reference from Exhibit 10.157 filed with Registrant's Report on Form 8-K dated January 17, 2014.
10.6	Amended and Restated Note Purchase and Private Shelf Agreement dated as of July 25, 2012 by and among Registrant and various institutional note purchasers with respect to Registrant's $50 million principal amount of 10.0% Series A Senior Notes due April 9, 2018, $100 million principal amount of 4.40% Series B-M Senior Notes due July 25, 2042 and up to $50 million private shelf facility. Incorporated by reference from Exhibit 10.159 filed with Registrant's Report on Form 8-K dated July 27, 2012.
10.6a	Amendment dated as of January 14, 2014 to the Amended and Restated Note Purchase and Private Shelf Agreement, dated as of July 25, 2012 (see Exhibit 10.6 above), by and among Registrant and various institutional note purchasers. Incorporated by reference from Exhibit 10.161 filed with Registrant's Report on Form 8-K dated January 17, 2014.
10.7	Note Purchase Agreement dated as of August 26, 2016 by and between Registrant and the institutional note purchasers with respect to Registrant's ¥ 10,000,000,000 principal amount of 0.78% Senior Notes due August 26, 2026. Incorporated by reference from Exhibit 10.37 filed with Registrant's Report on Form 8-K dated September 1, 2016.
10.8	Credit Agreement dated as of July 11, 2016 by and among Tiffany & Co. (Shanghai) Commercial Company Limited, Bank of America, N.A., Shanghai Branch and Mizuho Bank (China), Ltd. as Jointed Coordinators, Mandated Lead Arrangers and Bookrunners, Mizuho Bank (China), Ltd. as Facility Agent and certain other banks and financial institutions party thereto as original lenders. Incorporated by reference from Exhibit 10.15 filed with Registrant's Report on Form 8-K dated July 15, 2016.
10.9	Guaranty Agreement dated as of July 11, 2016, with respect to the Credit Agreement (see Exhibit 10.8 above) by and between Registrant and Mizuho Bank (China), Ltd. as Facility Agent. Incorporated by reference from Exhibit 10.16 filed with Registrant's Report on Form 8-K dated July 15, 2016.
10.10	Master Confirmation-Accelerated Share Repurchase dated May 31, 2018 between Registrant and MUFG Securities EMEA plc. Incorporated by reference from Exhibit 10.38 filed with Registrant's Report on Form 8-K dated May 31, 2018.
10.11	Master Confirmation-Accelerated Share Repurchase dated May 31, 2018 between Registrant and UBS AG, London Branch. Incorporated by reference from Exhibit 10.39 filed with Registrant's Report on Form 8-K dated May 31, 2018.

10.12	Cooperation Agreement, dated February 20, 2017, between JANA Partners LLC and Registrant. Incorporated by reference from Exhibit 10.37 filed with Registrant's Report on Form 8-K dated February 21, 2017.

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Exhibit No.	Description
10.13	Cooperation Agreement, dated February 20, 2017, between Francesco Trapani and Registrant. Incorporated by reference from Exhibit 10.38 filed with Registrant's Report on Form 8-K dated February 21, 2017.
14.1	Code of Business and Ethical Conduct. Incorporated by reference from Exhibit 14.1 filed with Registrant's Report on Form 8-K dated September 27, 2017.
21.1	Subsidiaries of Registrant.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2019, filed with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Earnings; (iii) the Consolidated Statements of Comprehensive Earnings; (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; (vi) the Notes to the Consolidated Financial Statements; and (vii) Schedule II - Valuation and Qualifying Accounts and Reserves.

Executive Compensation Plans and Arrangements

Exhibit No.	Description
10.14	Form of Indemnity Agreement, approved by the Board of Directors on March 15, 2018 for use with directors, officers and certain other employees of the Registrant or its subsidiaries. Incorporated by reference from Exhibit 10.13 filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended April 30, 2018.
10.15	Tiffany and Company Executive Deferral Plan originally made effective October 1, 1989, as amended and restated effective January 19, 2017. Incorporated by reference from Exhibit 10.18 filed with Registrant's Report on Form 8-K dated January 25, 2017.
10.16	Registrant's Amended and Restated Retirement Plan for Non-Employee Directors originally made effective January 1, 1989, as amended through January 21, 1999. Incorporated by reference from Exhibit 10.108 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 1999.

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Exhibit No.	Description
10.17	1994 Tiffany and Company Supplemental Retirement Income Plan, Amended and Restated as of March 17, 2016. Incorporated by reference from Exhibit 10.21 filed with Registrant's Report on Form 8-K dated March 22, 2016.
10.18	Summary of Executive Long Term Disability Plan available to executive officers. Incorporated by reference from Exhibit 10.24 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2013.
10.18a	Group Long Term Disability Insurance Policy issued by First Unum Life Insurance, Policy No. 533717 001. Incorporated by reference from Exhibit 10.24a filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2013.
10.18b	Individual Disability Insurance Policy issued by Provident Life and Casualty Insurance Company. Incorporated by reference from Exhibit 10.24b filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2013.
10.18c	Individual Disability Insurance Policy issued by Lloyd's of London. Incorporated by reference from Exhibit 10.24c filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2013.
10.19	Summary of arrangements for the payment of premiums on life insurance policies owned by executive officers. Incorporated by reference from Exhibit 10.137 filed with Registrant's Report on Form 8-K dated February 2, 2009.
10.20	2004 Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits, Amended and Restated as of November 16, 2017. Incorporated by reference from Exhibit 10.22 filed with Registrant's Report on Form 8-K dated November 21, 2017.
10.21	Registrant's 2005 Employee Incentive Plan Amended and Adopted as of May 21, 2009. Incorporated by reference from Exhibit 10.28b filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2013.
10.21a	Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2005 Employee Incentive Plan as revised January 14, 2009 (form used for grants made to executive officers subsequent to that date). Incorporated by reference from Exhibit 10.144b filed with Registrant's Report on Form 8-K dated February 2, 2009.
10.21b	Terms of 2014 Amended and Restated Performance-Based Restricted Stock Unit Grant for Michael J. Kowalski. Incorporated by reference from Exhibit 10.27s filed with Registrant's Report on Form 8-K dated March 24, 2015.
10.21c	Terms of 2015 Amended and Restated Performance-Based Restricted Stock Unit Grant for Michael J. Kowalski. Incorporated by reference from Exhibit 10.27t filed with Registrant's Report on Form 8-K dated March 24, 2015.

10.22	Registrant's 2008 Directors Equity Compensation Plan. Incorporated by reference from Exhibit 4.3a filed with Registrant's Report on Form 8-K dated March 23, 2009.
10.22a	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2008 Directors Equity Compensation Plan. Incorporated by reference from Exhibit 10.30a filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2013.

Exhibit No.	Description
10.22b	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant’s 2008 Directors Equity Compensation Plan, effective May 26, 2016. Incorporated by reference from Exhibit 10.28c filed with Registrant's Report on Form 8-K dated June 2, 2016.
10.22c	Terms of Restricted Stock Unit Grant under Registrant's 2008 Directors Equity Compensation Plan, effective May 26, 2016. Incorporated by reference from Exhibit 10.28d filed with Registrant’s Report on Form 8-K dated June 2, 2016.
10.22d	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant’s 2008 Directors Equity Compensation Plan, effective March 16, 2017. Incorporated by reference from Exhibit 10.25d filed with Registrant’s Annual Report on Form 10-K for the Fiscal Year ended January 31 2017.
10.22e	Terms of Restricted Stock Unit Grant under Registrant’s 2008 Directors Equity Compensation Plan, effective March 16, 2017. Incorporated by reference from Exhibit 10.25e filed with Registrant’s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2017.
10.23	Registrant’s 2017 Directors Equity Compensation Plan. Incorporated by reference from Exhibit 10.38 filed with Registrant's Report on Form 8-K dated June 1, 2017.
10.23a	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2017 Directors Equity Compensation Plan, effective November 16, 2017. Incorporated by reference from Exhibit 10.38a filed with Registrant’s Report on Form 8-K dated November 21, 2017.
10.23b	Terms of Restricted Stock Unit Grant under Registrant's 2017 Directors Equity Compensation Plan, effective November 16, 2017. Incorporated by reference from Exhibit 10.38b filed with Registrant’s Report on Form 8-K dated November 21, 2017.
10.24	Registrant’s 2014 Employee Incentive Plan, amended and restated as of March 16, 2016. Incorporated by reference from Exhibit 10.29 filed with Registrant’s Report on Form 8-K dated March 22, 2016.
10.24a	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant’s 2014 Employee Incentive Plan. Incorporated by reference from Exhibit 10.31a filed with Registrant’s Report on Form 8-K dated July 18, 2014.
10.24b	Terms of Time-Vesting Restricted Stock Grant (Non-Transferable) under Registrant’s 2014 Employee Incentive Plan. Incorporated by reference from Exhibit 10.31d filed with Registrant’s Report on Form 8-K dated July 18, 2014.
10.24c	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant’s 2014 Employee Incentive Plan, as revised March 16, 2016. Incorporated by reference from Exhibit 10.29g filed with Registrant’s Report on Form 8-K dated March 22, 2016.
10.24d	Terms of Tranche-Vesting Restricted Stock Grant (Non-Transferable) under Registrant’s 2014 Employee Incentive Plan, as revised March 16, 2016. Incorporated by reference from Exhibit 10.29j filed with Registrant’s Report on Form 8-K dated March 22, 2016.

10.24e	Form of Cash Incentive Award Agreement for executive officers as adopted on January 19, 2017 under Registrant’s 2014 Employee Incentive Plan. Incorporated by reference from Exhibit 10.29l filed with Registrant’s Report on Form 8-K dated January 25, 2017.

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Exhibit No.	Description
10.24f	Form of Non-Competition and Confidentiality Covenants for use in connection with Performance-Based Restricted Stock Unit Grants to Registrant's executive officers, Time-Vesting Restricted Stock Unit Grants, Stock Option Awards and certain non-qualified retirement contributions made to executive officers and certain other officers of Registrant's affiliated companies pursuant to Registrant's 2014 Employee Incentive Plan, the Tiffany and Company Executive Deferral Plan and the 2004 Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits. Incorporated by reference from Exhibit 10.29m filed with Registrant's Report on Form 8-K dated January 25, 2017.
10.24g	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2014 Employee Incentive Plan, as revised January 19, 2017. Incorporated by reference from Exhibit 10.29n filed with Registrant's Report on Form 8-K dated January 25, 2017.
10.24h	Terms of Performance-Based Restricted Stock Unit Grant (Non-Transferable) to executive officers under Registrant's 2014 Employee Incentive Plan, as revised January 19, 2017. Incorporated by reference from Exhibit 10.29o filed with Registrant's Report on Form 8-K dated January 25, 2017.
10.24i	Terms of Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, as revised January 19, 2017. Incorporated by reference from Exhibit 10.29p filed with Registrant's Report on Form 8-K dated January 25, 2017.
10.24j	Terms of Stock Option Award (Transferable Non-Qualified Option) granted to Michael J. Kowalski under Registrant's 2014 Employee Incentive Plan on February 15, 2017. Incorporated by reference from Exhibit 10.39 filed with Registrant's Report on Form 8-K/A dated February 22, 2017.
10.24k	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2014 Employee Incentive Plan, approved March 16, 2017. Incorporated by reference from Exhibit 10.25q filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2018.
10.24l	Terms of Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, approved March 16, 2017. Incorporated by reference from Exhibit 10.25r filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2018.
10.24m	Terms of Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, as revised January 17, 2018. Incorporated by reference from Exhibit 10.26q filed with Registrant's Report on Form 8-K dated January 19, 2018.
10.24n	Terms of Performance-Based Restricted Stock Unit Grant (Non-Transferable) to executive officers under Registrant's 2014 Employee Incentive Plan, as revised January 17, 2018. Incorporated by reference from Exhibit 10.26r filed with Registrant's Report on Form 8-K dated January 19, 2018.
10.24o	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2014 Employee Incentive Plan, as revised January 17, 2018. Incorporated by reference from Exhibit 10.26s filed with Registrant's Report on Form 8-K dated January 19, 2018.
10.24p	Terms of Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, as revised September 20, 2018. Incorporated by reference from Exhibit 10.25v filed with Registrant's Report on

Form 8-K dated September 26, 2018.

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Exhibit No.	Description
10.24q	Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2014 Employee Incentive Plan, as revised September 20, 2018. Incorporated by reference from Exhibit 10.25w filed with Registrant's Report on Form 8-K dated September 26, 2018.
10.24r	Terms of Performance-Based Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, as amended January 17, 2019. Incorporated by reference from Exhibit 10.25x filed with Registrant's Report on Form 8-K dated January 24, 2019.
10.25	Employment offer letter, dated as of September 7, 2016, between Mark J. Erceg and Tiffany and Company. Incorporated by reference from Exhibit 10.29 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2017.
10.26	Separation Agreement and Release, dated as of March 14, 2018 by and among Registrant and Tiffany and Company and Jean-Marc Bellaiche. Incorporated by reference from Exhibit 10.36 to Registrant's Report on Form 8-K/A dated March 19, 2018.
10.27	Employment offer letter, dated as of June 15, 2015, between Philippe Galtie and Tiffany and Company. Incorporated by reference from Exhibit 10.32 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2017.
10.28	Employment offer letter, dated as of July 12, 2017, by and among Alessandro Bogliolo, Registrant and Tiffany and Company. Incorporated by reference from Exhibit 10.39 filed with Registrant's Report on Form 8-K dated July 12, 2017.
10.29	Share Ownership Policy for Executive Officers and Directors, Amended and Restated as of November 15, 2017. Incorporated by reference from Exhibit 10.34 filed with Registrant's Report on Form 8-K dated November 21, 2017.
10.30	Form of Retention Agreement with Registrant and Tiffany and Company, adopted September 20, 2018. Incorporated by reference from Exhibit 10.40 filed with Registrant's Report on Form 8-K dated September 26, 2018.
10.31	Tiffany & Co. Executive Severance Plan. Incorporated by reference from Exhibit 10.41 filed with the Registrant's Report on Form 8-K dated September 26, 2018.
10.32	Tiffany & Co. Director Fee Deferral Plan. Incorporated by reference from Exhibit 10.42 filed with the Registrant's Report on Form 8-K dated September 26, 2018.
10.33	Corporate Governance Principles, amended and restated effective January 17, 2019. Incorporated by reference from Exhibit 10.37 filed with Registrant's Report on Form 8-K dated January 24, 2019.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 22, 2019 TIFFANY & CO.
(Registrant)

By: /s/ Alessandro Bogliolo
Alessandro Bogliolo
Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By: /s/ Alessandro Bogliolo
Alessandro Bogliolo
Chief Executive Officer
(Principal Executive Officer) (Director)

By: /s/ Mark J. Erceg
Mark J. Erceg
Executive Vice President,
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Michael Rinaldo
Michael Rinaldo
Vice President, Controller
(Principal Accounting Officer)

By: /s/ Rose Marie Bravo
Rose Marie Bravo
Director

By: /s/ Roger N. Farah
Roger N. Farah
Director

By: /s/ Lawrence K. Fish
Lawrence K. Fish
Director

By: /s/ Abby F. Kohnstamm
Abby F. Kohnstamm
Director

By: /s/ James E. Lillie
James E. Lillie
Director

By: /s/ Robert S. Singer
Robert S. Singer
Director

By: /s/ William A. Shutzer
William A. Shutzer
Director

By: /s/ Francesco Trapani
Francesco Trapani
Director

By: /s/ Annie Young - Scrivner
Annie Young - Scrivner
Director

March 22, 2019

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Tiffany & Co. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts and Reserves
(in millions)

Column A	Column B	Column C		Column D		Column E
		Additions				
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions		Balance at end of period
Year Ended January 31, 2019:						
Reserves deducted from assets:						
Accounts receivable allowances:						
Doubtful accounts	$ 2.2	$ 4.1	$ —	$ 4.7	a	$ 1.6
Sales returns	15.0	12.6	—	10.1	b	17.5
Allowance for inventory liquidation and obsolescence	75.0	31.9	—	25.4	c	81.5
Allowance for inventory shrinkage	0.7	1.7	—	1.1	d	1.3
Deferred tax valuation allowance	9.6	0.2	—	1.3	e	8.5

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to net realizable value.
d) Physical inventory losses.
e) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.

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Tiffany & Co. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts and Reserves
(in millions)

Column A	Column B	Column C		Column D		Column E
Description	Balance at beginning of period	Additions Charged to costs and expenses	Charged to other accounts	Deductions		Balance at end of period
Year Ended January 31, 2018:						
Reserves deducted from assets:						
Accounts receivable allowances:						
Doubtful accounts	$ 1.9	$ 3.3	$ —	$ 3.0	a	$ 2.2
Sales returns	9.6	7.5	—	2.1	b	15.0
Allowance for inventory liquidation and obsolescence	65.4	28.9	—	19.3	c	75.0
Allowance for inventory shrinkage	1.0	1.1	—	1.4	d	0.7
Deferred tax valuation allowance	24.1	2.3	—	16.8	e	9.6

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to net realizable value.
d) Physical inventory losses.
e) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.

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Tiffany & Co. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts and Reserves
(in millions)

Column A	Column B	Column C		Column D		Column E
Description	Balance at beginning of period	Additions Charged to costs and expenses	Charged to other accounts	Deductions		Balance at end of period
Year Ended January 31, 2017:						
Reserves deducted from assets:						
Accounts receivable allowances:						
Doubtful accounts	$ 3.2	$ 3.8	$ —	$ 5.1	a	$ 1.9
Sales returns	8.3	2.5	—	1.2	b	9.6
Allowance for inventory liquidation and obsolescence	59.2	19.2	—	13.0	c	65.4
Allowance for inventory shrinkage	1.2	0.5	—	0.7	d	1.0
Deferred tax valuation allowance	19.5	5.0	—	0.4	e	24.1

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to net realizable value.
d) Physical inventory losses.
e) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.