

TIFFANY & CO  
Form 10-K  
March 16, 2018  
Table of Contents

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

Form 10-K

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

For the fiscal year ended January 31, 2018

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: 1-9494

(Exact name of registrant as specified in its charter)

Delaware

13-3228013

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

727 Fifth Avenue, New York, NY

10022

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (212) 755-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
---------------------	---

Common Stock, \$.01 par value per share	New York Stock Exchange
---	-------------------------

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
-------------------------	-------------------------------------	-------------------	--------------------------	-----------------------	--------------------------	---------------------------	--------------------------	-------------------------	--------------------------

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

Edgar Filing: TIFFANY & CO - Form 10-K

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
As of July 31, 2017, the aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant was approximately \$11,993,601,775 using the closing sales price on July 31, 2017 of \$95.51. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of March 12, 2018, the registrant had outstanding 124,398,512 shares of its common stock, \$.01 par value per share.

**DOCUMENTS INCORPORATED BY REFERENCE.**

The following documents are incorporated by reference into this Annual Report on Form 10-K: Registrant's Proxy Statement Dated April 6, 2018 (Part III).

TIFFANY & CO.

K-1

---

Table of Contents

Tiffany &amp; Co.

Table of Contents

Form 10-K for the fiscal year ended January 31, 2018

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	K- <u>3</u>
Item 1A. <u>Risk Factors</u>	K- <u>11</u>
Item 1B. <u>Unresolved Staff Comments</u>	K- <u>18</u>
Item 2. <u>Properties</u>	K- <u>18</u>
Item 3. <u>Legal Proceedings</u>	K- <u>19</u>
Item 4. <u>Mine Safety Disclosures</u>	K- <u>21</u>
<u>PART II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	K- <u>22</u>
Item 6. <u>Selected Financial Data</u>	K- <u>25</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	K- <u>27</u>
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	K- <u>49</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	K- <u>50</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	K- <u>101</u>
Item 9A. <u>Controls and Procedures</u>	K- <u>101</u>
Item 9B. <u>Other Information</u>	K- <u>102</u>
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	K- <u>103</u>
Item 11. <u>Executive Compensation</u>	K- <u>103</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	K- <u>103</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	K- <u>103</u>
Item 14. <u>Principal Accounting Fees and Services</u>	K- <u>103</u>
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	K- <u>104</u>
Item 16. <u>Form 10-K Summary</u>	K- <u>104</u>

---

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The historical trends and results reported in this annual report on Form 10-K should not be considered an indication of future performance. Further, statements contained in this annual report on Form 10-K that are not statements of historical fact, including those that refer to plans, assumptions and expectations for future periods, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include, but are not limited to, the statements under "2018 Outlook" as well as statements that can be identified by the use of words such as 'expects,' 'projects,' 'anticipates,' 'assumes,' 'forecasts,' 'plans,' 'believes,' 'intends,' 'estimates,' 'pursues,' 'scheduled,' 'continues,' 'outlook,' 'may,' 'will,' 'can,' 'should' and variations of such words and similar expressions. Examples of forward-looking statements include, but are not limited to, statements we make regarding the Company's plans, assumptions, expectations, beliefs and objectives with respect to store openings and closings; product introductions; sales; sales growth; sales trends; store traffic; the Company's strategy and initiatives and the pace of execution thereon; the Company's objectives to compete in the global luxury market and to improve financial performance; retail prices; gross margin; operating margin; expenses; interest expense and financing costs; effective income tax rate; the nature, amount or scope of charges resulting from recent revisions to the U.S. tax code; net earnings and net earnings per share; share count; inventories; capital expenditures; cash flow; liquidity; currency translation; macroeconomic conditions; growth opportunities; litigation outcomes and recovery related thereto; contributions to Company pension plans; and certain ongoing or planned real estate, product, marketing, retail, customer experience, manufacturing, supply chain, information systems development, upgrades and replacement, and other operational initiatives and strategic priorities.

These forward-looking statements are based upon the current views and plans of management, speak only as of the date on which they are made and are subject to a number of risks and uncertainties, many of which are outside of our control. Actual results could therefore differ materially from the planned, assumed or expected results expressed in, or implied by, these forward-looking statements. While we cannot predict all of the factors that could form the basis of such differences, key factors include, but are not limited to: global macroeconomic and geopolitical developments; changes in interest and foreign currency rates; changes in taxation policies and regulations (including changes effected by the recent revisions to the U.S. tax code) or changes in the guidance related to, or interpretation of, such policies and regulations; shifting tourism trends; regional instability; violence (including terrorist activities); political activities or events; weather conditions that may affect local and tourist consumer spending; changes in consumer confidence, preferences and shopping patterns, as well as our ability to accurately predict and timely respond to such changes; shifts in the Company's product and geographic sales mix; variations in the cost and availability of diamonds, gemstones and precious metals; adverse publicity regarding the Company and its products, the Company's third-party vendors or the diamond or jewelry industry more generally; any non-compliance by third-party vendors and suppliers with the Company's sourcing and quality standards, codes of conduct, or contractual requirements as well as applicable laws and regulations; changes in our competitive landscape; disruptions impacting the Company's business and operations; failure to successfully implement or make changes to the Company's information systems; gains or losses in the trading value of the Company's stock, which may impact the amount of stock repurchased; and the Company's ability to successfully control costs and execute on, and achieve the expected benefits from, the operational initiatives and strategic priorities referenced above. Developments relating to these and other factors may also warrant changes to the Company's operating and strategic plans, including with respect to store openings, closings and renovations, capital expenditures, information systems development, inventory management, and continuing execution on, or timing of, the aforementioned initiatives and priorities. Such changes could also cause actual results to differ materially from the expected results expressed in, or implied by, the forward-looking statements.

Additional information about potential risks and uncertainties that could affect the Company's business and financial results is included under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report on Form 10-K for the fiscal year ended January 31, 2018. Readers of this annual report on Form 10-K should consider the risks, uncertainties and factors outlined above and in

Edgar Filing: TIFFANY & CO - Form 10-K

this Form 10-K in evaluating, and are cautioned not to place undue reliance on, the forward-looking statements contained herein. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by applicable law or regulation.

TIFFANY & CO.

K-2

---

## Table of Contents

### PART I

#### Item 1. Business.

##### GENERAL HISTORY AND NARRATIVE DESCRIPTION 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"). Charles Lewis Tiffany founded Tiffany's business in 1837. He incorporated Tiffany in New York in 1868. The Registrant acquired Tiffany in 1984 and completed the initial public offering of the Registrant's Common Stock in 1987. The Registrant, through its subsidiaries, sells jewelry and other items that it manufactures or has made by others to its specifications.

All references to years relate to fiscal years that end on January 31 of the following calendar year.

##### MAINTENANCE OF THE TIFFANY & CO. BRAND

The TIFFANY & CO. brand (the "Brand") is the single most important asset of Tiffany and, indirectly, of the Company. The strength of the Brand goes beyond trademark rights (see "TRADEMARKS" below) and is derived from consumer perceptions of the Brand. Management monitors the strength of the Brand through focus groups and survey research.

Management believes that consumers associate the Brand with high-quality gemstone jewelry, particularly diamond jewelry; sophisticated style and romance; excellent customer service; an elegant store and online environment; upscale store locations; "classic" product positioning; and distinctive and high-quality packaging materials (most significantly, the TIFFANY & CO. blue box). Tiffany's business plan includes expenses to maintain the strength of the Brand, such as the following:

Maintaining its position within the high-end of the jewelry market requires Tiffany to invest significantly in diamond and gemstone inventory, which carries a lower overall gross margin; it also causes some consumers to view Tiffany as beyond their price range;

• To provide excellent service, stores must be well staffed with knowledgeable professionals;

• Elegant stores in the best "high street" and luxury mall locations are more expensive and difficult to secure and maintain, but reinforce the Brand's luxury connotations through association with other luxury brands;

• While the classic positioning of much of Tiffany's product line supports the Brand and requires sufficient display space in its stores, management's strategic priorities also include the accelerated introduction of new design collections primarily in jewelry, but also in non-jewelry products, which could result in a necessary reallocation of product display space;

• Tiffany's packaging supports consumer expectations with respect to the Brand but is expensive; and

• A significant amount of advertising is required to both reinforce the Brand's association with luxury, sophistication, style and romance, as well as to market specific products.

All of the foregoing require that management make tradeoffs between business initiatives that might generate incremental sales and earnings and Brand maintenance objectives. This is a dynamic process. To the extent that management deems that product, marketing or distribution initiatives will unduly and negatively affect the strength of the Brand, such initiatives have been and will be curtailed or modified appropriately. At the same time, Brand maintenance suppositions are regularly questioned by management to determine if any tradeoff between sales and earnings is truly worth the positive effect on the Brand. At times, management has determined, and may in the future determine, that the strength of the Brand warranted, or that it will permit, more aggressive and profitable product, marketing or distribution initiatives.

FINANCIAL INFORMATION ABOUT REPORTABLE SEGMENTS

The Company has four reportable segments: (i) Americas, (ii) Asia-Pacific, (iii) Japan and (iv) Europe. All non-reportable segments are included within Other. The Company transacts business within certain of its segments through the following channels: (i) retail, (ii) Internet, (iii) catalog, (iv) business-to-business (products drawn from

TIFFANY & CO.

K-3

---

## Table of Contents

the retail product line and items specially developed for the business market) and (v) wholesale distribution (merchandise sold to independent distributors for resale). The Company's segment information for the fiscal years ended January 31, 2018, 2017 and 2016 is reported in "Item 8. Financial Statements and Supplementary Data - Note P. Segment Information."

### Americas

Sales in the Americas represented 45% of worldwide net sales in 2017, while sales in the United States ("U.S.") represented approximately 90% of net sales in the Americas. Sales are transacted through the following channels: retail (in the U.S., Canada and Latin America), Internet and catalog (in the U.S. and Canada), business-to-business (in the U.S.) and wholesale distribution (in Latin America and the Caribbean).

Retail sales in the Americas are transacted in 124 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2018 included in parentheses): the U.S. (94), Canada (13), Mexico (11), Brazil (5) and Chile (1). Included within these totals are 10 Company-operated stores located within various department stores in Canada and Mexico. Included in the U.S. retail stores is the New York Flagship store, which represented less than 10% of worldwide net sales in 2017.

### Asia-Pacific

Sales in Asia-Pacific represented 26% of worldwide net sales in 2017, while sales in Greater China represented approximately 60% of Asia-Pacific's net sales. Sales are transacted through the following channels: retail, Internet (in Australia) and wholesale distribution.

Retail sales in Asia-Pacific are transacted in 87 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2018 included in parentheses): China (31), Korea (15), Australia (11), Hong Kong (10), Taiwan (7), Singapore (5), Macau (4), Malaysia (2), New Zealand (1) and Thailand (1). Included within these totals are 34 Company-operated stores located within various department stores.

### Japan

Sales in Japan represented 14% of worldwide net sales in 2017. Sales are transacted through the following channels: retail, Internet, business-to-business and wholesale distribution.

Retail sales in Japan are transacted in 54 Company-operated TIFFANY & CO. stores. Included within this total are 49 stores located within department stores, generating approximately 75% of Japan's net sales. There are four large department store groups in Japan. The Company operates TIFFANY & CO. stores in locations controlled by these groups as follows (number of locations at January 31, 2018 included in parentheses): Isetan Mitsukoshi Ltd. (13), J. Front Retailing Co., Ltd. (Daimaru and Matsuzakaya department stores) (8), Takashimaya Co., Ltd. (8) and Seven & i Holding Co., Ltd. (Sogo and Seibu department stores) (5). The Company also operates 15 stores in other department stores.

### Europe

Sales in Europe represented 12% of worldwide net sales in 2017, while sales in the United Kingdom ("U.K.") represented approximately 40% of European net sales. Sales are transacted through the following channels: retail, Internet and wholesale distribution.



Edgar Filing: TIFFANY & CO - Form 10-K

Retail sales in Europe are transacted in 46 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2018 included in parentheses): the U.K. (11), Italy (10), Germany (6), France (5), Spain (3), Switzerland (3), the Netherlands (2), Russia (2), Austria (1), Belgium (1), the Czech Republic (1) and Ireland (1). Included within these totals are nine Company-operated stores located within various department stores. The Company currently operates e-commerce enabled websites within the following countries: U.K., Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain.

TIFFANY & CO.

K-4

---

Table of Contents

## Other

Other consists of all non-reportable segments, including: (i) retail sales transacted in four Company-operated TIFFANY & CO. stores in the United Arab Emirates ("U.A.E.") and wholesale distribution in the Emerging Markets region (which represented approximately 50% of Other net sales in 2017); (ii) wholesale sales of diamonds (see "PRODUCT SUPPLY CHAIN – Supply of Diamonds" below); and (iii) licensing agreements.

Licensing Agreements. The Company receives earnings from a licensing agreement with Luxottica Group, for the development, production and distribution of TIFFANY & CO. brand eyewear, and from a licensing agreement with Coty Inc., for the development, production and distribution of a new line of TIFFANY & CO. brand fragrances. The earnings received from these licensing agreements represented less than 1% of worldwide net sales in 2017.

## Retail Distribution Base

Management regularly evaluates opportunities to optimize its retail store base. This includes evaluating potential markets for new TIFFANY & CO. stores, as well as the renovation, relocation, or closing of existing stores. Considerations include the characteristics of the markets to be served, consumer demand and the proximity of other luxury brands and existing TIFFANY & CO. locations. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the Brand, but believes that there are a number of opportunities remaining in new and existing markets that will meet the requirements for a TIFFANY & CO. location in the future.

The following chart details the number of TIFFANY & CO. retail locations operated by the Company since 2013:

Americas							
Year:	U.S.	Canada & Latin America	Asia-Pacific	Japan	Europe	Emerging Markets	Total
2013	94	27	72	54	37	5	289
2014	95	27	73	56	39	5	295
2015	95	29	81	56	41	5	307
2016	95	30	85	55	43	5	313
2017	94	30	87	54	46	4	315

As part of the Company's long-term objectives, management plans to increase gross retail square footage by approximately 2%, net through the addition of new stores, relocations, renovations and closings in 2018. For a summary of the Company's existing retail square footage, see "Item 2. Properties".

## E-Commerce, Catalog and Phone Orders

The Company currently operates e-commerce enabled websites in 13 countries as well as informational websites in several additional countries. To a lesser extent, sales are also generated through catalogs that the Company distributes in certain countries as well as orders placed via telephone in certain markets. Sales transacted on those websites, through catalogs or via telephone accounted for 7% of worldwide net sales in 2017, 2016 and 2015. The Company invests in ongoing website enhancements and is evaluating opportunities to expand its e-commerce sites to additional countries. In addition, management believes that these websites serve an important marketing role in attracting customers to the Company's stores.

## Products

The Company's principal product category is jewelry, which represented 91%, 92% and 93% of worldwide net sales in 2017, 2016 and 2015. The Company offers an extensive selection of TIFFANY & CO. brand jewelry at a wide range

of prices. Designs are developed by employees, suppliers, independent designers and independent "named" designers (see "MATERIAL DESIGNER LICENSE" below).

The Company also sells timepieces, leather goods, sterling silver goods (other than jewelry), china, crystal, stationery, eyewear, fragrances and other accessories, which represented, in total, 7% of worldwide net sales in 2017, 2016 and 2015. The remainder of worldwide net sales were attributable to wholesale sales of diamonds and earnings received from third-party licensing agreements.

TIFFANY & CO.

K-5

---

Table of Contents

## Sales by Reportable Segment of TIFFANY &amp; CO. Jewelry by Category

	% of total Americas Sales	% of total Asia-Pacific Sales	% of total Japan Sales	% of total Europe Sales	% of total Reportable Segment Sales	
2017						
Jewelry collections <sup>a</sup>	54	%61	%31	%61	%53	%
Engagement jewelry <sup>b</sup>	21	%30	%38	%24	%26	%
Designer jewelry <sup>c</sup>	14	%8	%22	%12	%14	%
2016						
Jewelry collections <sup>a</sup>	54%	56%	31%	59%	52%	%
Engagement jewelry <sup>b</sup>	22%	35%	39%	26%	28%	%
Designer jewelry <sup>c</sup>	14%	7%	23%	11%	13%	%
2015						
Jewelry collections <sup>a</sup>	53%	56%	33%	60%	52%	%
Engagement jewelry <sup>b</sup>	23%	35%	39%	25%	28%	%
Designer jewelry <sup>c</sup>	14%	8%	21%	11%	13%	%

a) This category includes jewelry in a wide range of prices within the Company's high jewelry and named jewelry collections such as Tiffany Victoria<sup>®</sup>, Tiffany Soleste<sup>®</sup>, Tiffany Keys, Tiffany T, Tiffany HardWear and Return to Tiffany<sup>®</sup>, among others. Jewelry in this category is primarily crafted using precious metals (platinum, gold or sterling silver) and may contain diamonds and/or other gemstones.

b) This category includes engagement rings (approximately 60% of the category) and wedding bands. Most jewelry in this category contains diamonds and is constructed of platinum and/or gold.

This category includes only jewelry that is attributed to one of the Company's "named" designers: Elsa Peretti (refer to "MATERIAL DESIGNER LICENSE" below), Paloma Picasso and Jean Schlumberger. Jewelry in this category is primarily crafted using precious metals (platinum, gold or sterling silver) and may contain diamonds and/or other gemstones.

The Jewelry collections category reflects the combination of the previously reported high, fine & solitaire jewelry and fashion jewelry categories. Additionally, jewelry bearing the name of and attributed to Jean Schlumberger, which was previously reported within the high, fine & solitaire jewelry category, has been reclassified into the Designer jewelry category. Such changes or reclassifications have been made to conform with management's current internal analysis of product sales and are reflected for each of the periods presented in the table above.

## ADVERTISING, MARKETING, PUBLIC AND MEDIA RELATIONS

The Company's strategy is to invest in marketing and public relations programs designed to build awareness of the Brand, its heritage and its products, as well as to enhance the Brand's association among consumers with quality and luxury. The Company regularly advertises in newspapers, magazines and through digital media. Public and media relations activities are also significant to the Company's business. The Company engages in a program of media activities and marketing events to maintain consumer awareness of the Brand and TIFFANY & CO. products. It also publishes its well-known Blue Book to showcase its high-end jewelry. In 2017, 2016 and 2015, the Company spent \$314.9 million, \$299.0 million and \$302.0 million, representing 7.6%, 7.5% and 7.4% of worldwide net sales in those respective years, on advertising, marketing and public and media relations, which include costs for media, production, catalogs, Internet, visual merchandising (in-store and window displays), marketing events and other related items.

In addition, management believes that the Brand is enhanced by a program of charitable sponsorships, grants and merchandise donations. The Company also periodically makes donations to The Tiffany & Co. Foundation, a private

TIFFANY & CO.



## Table of Contents

foundation organized to support 501(c)(3) charitable organizations. The efforts of this Foundation are primarily focused on environmental conservation.

## TRADEMARKS

The designations TIFFANY<sup>®</sup> and TIFFANY & CO.<sup>®</sup> are the principal trademarks of Tiffany, and also serve as tradenames. Tiffany has obtained and is the proprietor of trademark registrations for TIFFANY and TIFFANY & CO., as well as the TIFFANY BLUE BOX<sup>®</sup>, the TIFFANY BLUE BOX design, TIFFANY BLUE<sup>®</sup> and the color Tiffany Blue for a variety of product categories and services in the U.S. and in other countries.

Tiffany maintains a program to protect its trademarks and institutes legal action where necessary to prevent others either from registering or using marks which are considered to create a likelihood of confusion with the Company or its products.

Tiffany has been generally successful in such actions and management considers that the Company's worldwide rights in its principal trademarks, TIFFANY and TIFFANY & CO., are strong. However, use of the designation TIFFANY by third parties on related or unrelated goods or services, frequently transient in nature, may not come to the attention of Tiffany or may not rise to a level of concern warranting legal action.

Tiffany actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, counterfeit TIFFANY & CO. goods remain available in many markets because it is not possible or cost-effective to eradicate the problem. The cost of enforcement is expected to continue to rise. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, on the Internet and in various markets by street vendors and small retailers. Tiffany pursues infringers through leads generated internally and through a network of investigators, legal counsel, law enforcement and customs authorities worldwide. The Company responds to such infringing activity by taking various actions, including sending cease and desist letters, cooperating with law enforcement in criminal prosecutions, initiating civil proceedings and participating in joint actions and anti-counterfeiting programs with other like-minded third party rights holders.

Despite the general fame of the TIFFANY and TIFFANY & CO. name and mark for the Company's products and services, Tiffany is not the sole person entitled to use the name TIFFANY in every category of use in every country of the world; for example, in some countries, third parties have registered the name TIFFANY in connection with certain product categories (including, in the U.S., the category of bedding and, in certain foreign countries, the categories of food, cosmetics, clothing, paper goods and tobacco products) under circumstances where Tiffany's rights were not sufficiently clear under local law, and/or where management concluded that Tiffany's foreseeable business interests did not warrant the expense of legal action.

## MATERIAL DESIGNER LICENSE

Since 1974, Tiffany has been the sole licensee for the intellectual property rights necessary to make and sell jewelry and other products designed by Elsa Peretti and bearing her trademarks. The designs of Ms. Peretti accounted for 9%, 9% and 8% of the Company's worldwide net sales in 2017, 2016 and 2015.

Tiffany is party to an Amended and Restated Agreement (the "Peretti Agreement") with Ms. Peretti, which largely reflects the long-standing rights and marketing and royalty obligations of the parties. Pursuant to the Peretti Agreement, Ms. Peretti grants Tiffany an exclusive license, in all of the countries in which Peretti-designed jewelry

and products are currently sold, to make, have made, advertise and sell these items. Ms. Peretti continues to retain ownership of the copyrights for her designs and her trademarks and remains entitled to exercise approval and consultation rights with respect to important aspects of the promotion, display, manufacture and merchandising of the products made in accordance with her designs. Under and in accordance with the terms set forth in the Peretti Agreement, Tiffany is required to display the licensed products in stores, to devote a portion of its advertising budget to the promotion of the licensed products, to pay royalties to Ms. Peretti for the licensed products sold, to maintain total on-hand and on-order inventory of non-jewelry licensed products (such as tabletop products) at approximately \$8.0 million and to take certain actions to protect Ms. Peretti's intellectual property, including to maintain

TIFFANY & CO.

K-7

---

## Table of Contents

trademark registrations reasonably necessary to sell the licensed products in the markets in which the licensed products are sold by Tiffany.

The Peretti Agreement has a term that expires in 2032 and is binding upon Ms. Peretti, her heirs, estate, trustees and permitted assignees. During the term of the Peretti Agreement, Ms. Peretti may not sell, lease or otherwise dispose of her copyrights and trademarks unless the acquiring party expressly agrees with Tiffany to be bound by the provisions of the Peretti Agreement. The Peretti Agreement is terminable by Ms. Peretti only in the event of a material breach by Tiffany (subject to a cure period) or upon a change of control of Tiffany or the Company. It is terminable by Tiffany only in the event of a material breach by Ms. Peretti or following an attempt by Ms. Peretti to revoke the exclusive license (subject, in each case, to a cure period).

## PRODUCT SUPPLY CHAIN

The Company's strategic priorities include maintaining substantial control over its product supply chain through internal jewelry manufacturing and direct diamond sourcing. The Company manufactures jewelry in New York, Rhode Island and Kentucky, polishes jewelry in the Dominican Republic and crafts silver hollowware in Rhode Island. In total, these internal manufacturing facilities produce approximately 60% of the jewelry sold by the Company. The balance, and almost all non-jewelry items, is purchased from third parties. The Company may increase the percentage of internally-manufactured jewelry in the future, but management does not expect that the Company will ever manufacture all of its needs. Factors considered by management in its decision to use third-party manufacturers include access to or mastery of various product-making skills and technology, support for alternative capacity, product cost and the cost of capital investments. To supply its internal manufacturing facilities, the Company processes, cuts and polishes rough diamonds at its facilities outside the U.S. and sources precious metals, rough diamonds, polished diamonds and other gemstones, as well as certain fabricated components, from third parties.

**Supply of Diamonds.** The Company regularly purchases parcels of rough diamonds for polishing and further processing. The vast majority of diamonds acquired by the Company originate from Botswana, Canada, Namibia, Russia and South Africa. The Company has diamond processing operations in Belgium, Botswana, Cambodia, Mauritius and Vietnam that prepare and/or cut and polish rough diamonds for its use. The Company conducts operations in Botswana through a subsidiary in which local third parties own minority, non-controlling interests, allowing the Company to access rough diamond allocations reserved for local manufacturers. The Company maintains a relationship and has an arrangement with these local third parties; however, if circumstances warrant, the Company could seek to replace its existing local partners or operate without local partners.

The Company secures supplies of rough diamonds primarily through arrangements with diamond producers and, to a lesser extent, on the secondary market. Most of this supply comes from arrangements in which the Company accesses rough diamonds that are offered for sale (including as a sightholder or through the right to purchase a defined portion of a mine's output), although with no contractual purchase obligation for such rough diamonds. A smaller portion of rough diamond purchases is made through agreements in which the Company is required to purchase a minimum volume of rough diamonds (anticipated to be approximately \$45.0 million in 2018). All such supply arrangements are generally at the market price prevailing at the time of purchase.

As a result of the manner in which rough diamonds are typically assorted for sale, it is occasionally necessary for the Company to knowingly purchase, as part of a larger assortment, rough diamonds that do not meet the Company's quality standards or assortment needs. The Company seeks to recover its costs related to these diamonds by selling such diamonds to third parties (generally other diamond polishers), which has the effect of modestly reducing the Company's overall gross margins. Any such sales are included in the Other non-reportable segment.



Edgar Filing: TIFFANY & CO - Form 10-K

In recent years, approximately 65% – 75% (by dollar value) of the polished diamonds used in the Company's jewelry have been produced from rough diamonds that the Company has purchased. The balance of the Company's needs for polished diamonds is purchased from polishers or polished-diamond dealers generally through purchase orders for fixed quantities. These relationships may be terminated at any time by either party, but such a termination would not discharge either party's obligations under unfulfilled purchase orders accepted prior to the termination. It is the Company's intention to continue to supply the majority of its needs for diamonds by purchasing and polishing rough diamonds.

TIFFANY & CO.

K-8

---

## Table of Contents

Products containing one or more diamonds of varying sizes, including diamonds used as accents, side-stones and center-stones, accounted for 57%, 59% and 59% of worldwide net sales in 2017, 2016 and 2015.

**Conflict Diamonds.** Media attention has been drawn to the issue of "conflict" diamonds. This term is used to refer to diamonds extracted from war-torn geographic regions and sold by rebel forces to fund insurrection. Allegations have also been made that trading in such diamonds supports terrorist activities. Management believes that it is not possible in most purchasing scenarios to distinguish diamonds produced in conflict regions from diamonds produced in other regions once they have been polished. Therefore, concerned participants in the diamond trade, including the Company and nongovernment organizations, seek to exclude "conflict" diamonds, which represent a small fraction of the world's supply, from legitimate trade through an international system of certification and legislation known as the Kimberley Process Certification Scheme. All rough diamonds the Company buys, crossing an international border, must be accompanied by a Kimberley Process certificate and all trades of rough and polished diamonds must conform to a system of warranties that references the aforesaid scheme. It is not expected that such efforts will substantially affect the supply of diamonds. In addition, concerns over human rights abuses in Zimbabwe, Angola and the Democratic Republic of the Congo underscore that the aforementioned system has not deterred the production of diamonds in state-sanctioned mines under poor working conditions. The Company has informed its vendors that it does not intend to purchase Zimbabwean, Angolan or Congolese-produced diamonds. Accordingly, the Company has implemented the Diamond Source Warranty Protocol, which requires vendors to provide a warranty, and a qualified independent audit certificate, that loose polished diamonds were not obtained from Zimbabwean, Angolan or Congolese mines.

**Worldwide Availability and Price of Diamonds.** The availability and price of diamonds are dependent on a number of factors, including global consumer demand, the political situation in diamond-producing countries, the opening of new mines, the continuance of the prevailing supply and marketing arrangements for rough diamonds and levels of industry liquidity. In recent years, there has been substantial volatility in the prices of both rough and polished diamonds. Prices for rough diamonds do not necessarily reflect current demand for polished diamonds.

In addition, the supply and prices of rough and polished diamonds in the principal world markets have been and continue to be influenced by the Diamond Trading Company ("DTC"), an affiliate of the De Beers Group. Although the DTC's historical ability to control worldwide production has diminished due to its lower share of worldwide production and changing policies in diamond-producing countries, the DTC continues to supply a meaningful portion of the world market for rough, gem-quality diamonds and continues to impact diamond supply through its marketing and advertising initiatives. A significant portion of the diamonds that the Company purchased in 2017 had their source with the DTC.

Sustained interruption in the supply of diamonds, an overabundance of supply or a substantial change in the marketing arrangements described above could adversely affect the Company and the retail jewelry industry as a whole. Changes in the marketing and advertising spending of the DTC and its direct purchasers could affect consumer demand for diamonds.

The Company purchases conflict-free rough and polished colorless diamonds, in high color and clarity ranges. Management does not foresee a shortage of diamonds in these quality ranges in the short term but believes that, unless new mines are developed, rising demand will eventually create such a shortage and lead to higher prices.

**Synthetic and Treated Diamonds.** Synthetic diamonds (diamonds manufactured but not naturally occurring) and treated diamonds (naturally occurring diamonds subject to treatment processes, such as irradiation) are produced in growing quantities. Although significant questions remain as to the ability of producers to produce synthetic and/or treated diamonds economically within a full range of sizes and natural diamond colors, and as to consumer acceptance of these diamonds, such diamonds are becoming a larger factor in the market. Should synthetic and/or treated

diamonds be offered in significant quantities, the supply of and prices for natural diamonds may be affected. The Company does not produce and does not intend to purchase or sell such diamonds.

**Purchases of Precious Metals and Other Polished Gemstones.** Precious metals and other polished gemstones used in making jewelry are purchased from a variety of sources for use in the Company's internal manufacturing operations and/or for use by third-party manufacturers contracted to supply Tiffany merchandise. The silver, gold and platinum sourced directly by the Company principally come from two sources: (i) in-ground, large-scale deposits of metals, primarily in the U.S., that meet the Company's standards for responsible mining and (ii) metals from recycled sources. While the Company may supply precious metals to a manufacturer, it cannot determine, in all

TIFFANY & CO.

K-9

---

## Table of Contents

circumstances, whether the finished goods provided by such manufacturer were actually produced with Company-supplied precious metals.

The Company generally enters into purchase orders for fixed quantities with precious metals and other polished gemstone vendors. Purchases are generally made at prevailing market prices, which have, with respect to precious metals, experienced substantial volatility in recent years. These relationships may be terminated at any time by either party; such termination would not discharge either party's obligations under unfulfilled purchase orders accepted prior to the termination. The Company believes that there are numerous alternative sources for other polished gemstones and precious metals and that the loss of any single supplier would not have a material adverse effect on its operations.

Finished Jewelry. Finished jewelry is purchased from approximately 50 manufacturers. However, the Company does not enter into long-term supply arrangements with its finished goods vendors. The Company does enter into merchandise vendor agreements with nearly all of its finished goods vendors. The merchandise vendor agreements establish non-price terms by which the Company may purchase and by which vendors may sell finished goods to the Company. These terms include payment terms, shipping procedures, product quality requirements, merchandise specifications and vendor social responsibility requirements. The Company generally enters into purchase orders for fixed quantities of merchandise with its vendors. These relationships may be terminated at any time by either party; such termination would not discharge either party's obligations under unfulfilled purchase orders accepted prior to termination. The Company actively seeks alternative sources for its best-selling jewelry items to mitigate any potential disruptions in supply. However, due to the craftsmanship involved in a small number of designs, the Company may have difficulty finding readily available alternative suppliers for those jewelry designs in the short term.

Watches. The Company sells TIFFANY & CO. brand watches, which are designed, produced, marketed and distributed through certain of the Company's Swiss subsidiaries. The Company has relationships with approximately 30 component and subassembly vendors to manufacture watches. The terms of the Company's contractual relationships with these vendors are substantially similar to those described under "Finished Jewelry" above. Sales of these TIFFANY & CO. brand watches represented approximately 1% of worldwide net sales in 2017, 2016 and 2015.

## COMPETITION

The global jewelry industry is competitively fragmented. The Company encounters significant competition in all product categories. Some competitors specialize in just one area in which the Company is active. Many competitors have established worldwide, national or local reputations for style, quality, expertise and customer service similar to the Company and compete on the basis of that reputation. Certain other jewelers and retailers compete primarily through advertised price promotion. The Company competes on the basis of the Brand's reputation for high-quality products, customer service and distinctive merchandise and does not engage in price promotional advertising.

Competition for engagement jewelry sales is particularly and increasingly intense. The Company's retail price for diamond jewelry reflects the rarity of the stones it offers and the rigid parameters it exercises with respect to the cut, clarity and other diamond quality factors which increase the beauty of the diamonds, but which also increase the Company's cost. The Company competes in this market by emphasizing quality.

## SEASONALITY

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing approximately one-third of annual net sales and a higher percentage of annual net earnings. Management expects such seasonality to continue.

EMPLOYEES

As of January 31, 2018, the Company employed an aggregate of approximately 13,100 full-time and part-time persons. Of those employees, approximately 5,600 are employed in the United States.

TIFFANY & CO.  
K-10

---

Table of Contents

AVAILABLE INFORMATION

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may read and copy these materials at the Securities and Exchange Commission's ("SEC") Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding Tiffany & Co. and other companies that electronically file materials with the SEC. Copies of the Company's reports on Form 10-K, Form 10-Q and Form 8-K may be obtained, free of charge, on the Company's website at <http://investor.tiffany.com/financials.cfm>.

Item 1A. Risk Factors.

As is the case for any retailer, the Company's success in achieving its objectives and expectations is dependent upon general economic conditions, competitive conditions and consumer attitudes. However, certain factors are specific to the Company and/or the markets in which it operates. The following "risk factors" are specific to the Company; these risk factors affect the likelihood that the Company will achieve the objectives and expectations communicated by management:

(i) Challenging global economic conditions and related low levels of consumer confidence over a prolonged period of time could adversely affect the Company's sales and earnings.

As a retailer of goods which are discretionary purchases, the Company's sales results are particularly sensitive to changes in economic conditions and consumer confidence. Consumer confidence is affected by general business conditions; political uncertainties and/or developments; changes in the market value of equity securities and real estate; inflation; interest rates and the availability of consumer credit; tax rates; and expectations of future economic conditions and employment prospects.

Consumer spending for discretionary goods generally declines during times of falling consumer confidence, which negatively affects the Company's sales and earnings.

Certain competitors may react to such conditions by reducing retail prices and promoting such reductions; such reductions and/or inventory liquidations can have a short-term adverse effect on the Company's sales, especially given the Company's policy of not engaging in price promotional activity.

The Company has invested in and operates a significant number of stores in Greater China and anticipates continuing to do so. Any slowdown in the Chinese economy could have a negative impact on the sales and profitability of stores in Greater China as well as stores in other markets that serve Chinese tourists.

Uncertainty surrounding the current global economic environment makes it more difficult for the Company to forecast operating results. The Company's forecasts employ the use of estimates and assumptions. Actual results could differ from forecasts, and those differences could be material.

(ii) Sales may decline or remain flat in the Company's fourth fiscal quarter, which includes the Holiday selling season.

The Company's business is seasonal in nature, with the fourth quarter typically representing approximately one-third of annual net sales and a higher percentage of annual net earnings. Poor sales results during the fourth quarter would

have an adverse effect on annual earnings and inventories in the short term.

TIFFANY & CO.

K-11

---

Table of Contents

(iii) The Company conducts operations globally, the risks of which could increase its costs, reduce its profits or disrupt its business.

The Company operates globally and generates a majority of its worldwide net sales outside the United States. It also has both U.S. and foreign manufacturing operations, and relies on certain U.S. and foreign third-party vendors and suppliers. In addition, the Company maintains investments in, and has provided loans to, certain foreign suppliers. As a result, the Company is subject to the risks of doing business globally, including:

- the laws, regulations and policies of governments relating to investments, loans and operations, the costs or desirability of complying with local practices and customs and the impact of various anti-corruption and other laws affecting the activities of U.S. companies abroad;
- uncertainties from changes in U.S. or foreign taxation policies, including, for example, as a result of recent revisions to the U.S. tax code;
- compliance by third party vendors and suppliers with the Company's sourcing and quality standards, codes of conduct, or contractual requirements as well as applicable laws and regulations;
- import and export licensing requirements and regulations, as well as unforeseen changes in regulatory requirements;
- political or economic instability in foreign countries, including the potential for rapid and unexpected changes in government, economic and political policies (including diplomatic and trade relations or agreements with other countries), political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation – as a result of, for example, (1) the United Kingdom's ("U.K.") referendum vote to exit the European Union ("E.U."), as discussed below, or (2) changes in government policies resulting from the change in the U.S. Presidential administration in 2017;
- challenges inherent in oversight of foreign operations, systems and controls;
- potential negative consequences from foreign governments' currency management practices;
- uncertainties as to enforcement of certain contract and other rights; and
- inventory risk exposures.

In June 2016, voters in the U.K. approved an advisory referendum to withdraw from the E.U., commonly referred to as "Brexit." Negotiations have commenced to determine the U.K.'s future relationship with the E.U., including terms of trade. However, there can be no assurance regarding the duration of such negotiations or the terms thereof. A withdrawal could significantly disrupt the free movement of goods, services, and people between the U.K. and the E.U., and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. There may be similar referendums or votes in other European countries in which the Company does business. The uncertainty surrounding the terms of the U.K.'s withdrawal and its consequences, as well as the impact of any similar circumstances that may arise elsewhere in Europe, could increase the Company's costs and adversely impact consumer and investor confidence, and the level of consumer discretionary purchases, including purchases of the Company's products.

While these factors and the effect of these factors are difficult to predict, any one or more of them could lower the Company's revenues, increase its costs, reduce its earnings or disrupt its business.

(iv) Recent revisions to the U.S. tax code, including changes in the guidance related to, or interpretation and application of, such revisions could materially affect the Company's tax obligations, provision for income taxes and effective tax rate.

On December 22, 2017, the U.S. enacted comprehensive tax legislation, commonly referred to as the 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act"), which significantly affected U.S. tax law by changing how the U.S. imposes income tax on U.S. taxpayers. In particular, these changes impact the U.S. taxation of earnings in the jurisdictions in which the Company operates, the measurement of its deferred tax assets and liabilities and the Company's plans to repatriate the earnings of its non-U.S. subsidiaries to the U.S. The provisions of the 2017 Tax Act will likely be



subject to further interpretation by the Internal Revenue Service, which has broad authority to issue regulations and interpretative guidance that may significantly impact how the Company will apply such provisions.

Changes in tax law are accounted for in the period of enactment. As a result, the Company's 2017 consolidated financial statements reflect provisional estimates of the immediate tax effect of the 2017 Tax Act. As the Company

TIFFANY & CO.

K-12

---

Table of Contents

refines its provisional estimate calculations, further analyzes provisions of the 2017 Tax Act and any subsequent guidance related thereto, these provisional estimates could be affected, which could have a material impact on the Company's future financial results, including its fiscal 2018 results (see "Item 7. Management's Discussion and Analysis - 2018 Outlook"). Additionally, further regulatory or GAAP accounting guidance regarding the 2017 Tax Act could also materially affect the Company's future financial results.

(v) A strengthening of the U.S. dollar against foreign currencies would negatively affect the Company's sales and profitability.

The Company operates retail stores in more than 20 countries outside of the U.S. and, as a result, is exposed to market risk from fluctuations in foreign currency exchange rates, including, among others, the Japanese Yen, Euro, British Pound and Chinese Yuan. In 2017, sales in countries outside of the U.S. in aggregate represented a substantial portion of the Company's net sales and earnings from operations. A strengthening of the U.S. dollar against foreign currencies would require the Company to raise its retail prices in various locations outside of the U.S. in order to maintain its worldwide relative pricing structure, or reduce its profit margins. Consumers in those markets may not accept significant price increases on the Company's goods; thus, there is a risk that a strengthening of the U.S. dollar would result in reduced sales and profitability. In addition, a weakening of any foreign currency relative to other currencies may negatively affect spending by foreign tourists in the various regions where the Company operates retail stores which would adversely affect its net sales and profitability.

The reported results of operations of the Company's international subsidiaries are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into U.S. dollars during the process of financial statement consolidation. If the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions would decrease consolidated net sales and profitability. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." for a discussion of such impacts.

(vi) Political activities, regional instability and/or conflict or similar events could disrupt tourist travel and local consumer spending.

Regional and global conflicts or crises, such as military actions, terrorist activities and natural disasters, geopolitical or regulatory developments (and any related protests) and other similar events and conditions in the various regions and cities where the Company operates retail stores may negatively affect spending by both foreign tourists and local consumers. The Company's retail stores, many of which are located in major metropolitan areas globally, may in fact have close proximity to the locations of such events – for example, the Company's New York Flagship store is located adjacent to a private residence of the U.S. President which has, at times, impacted consumer access as a result of security measures. The occurrence of the types of events or conditions described above, or the related effect of security measures implemented to address the possibility of such occurrences, could affect consumer traffic and/or spending in one or more of the Company's locations, which could adversely affect the Company's sales and earnings. While sales in the Company's largest store (the New York Flagship) represent less than 10% of worldwide net sales, the impact of significant sales declines in any one store could still be meaningful to consolidated results.

(vii) Changes in the Company's product or geographic sales mix could affect the Company's profitability.

The Company sells an extensive selection of jewelry and other merchandise at a wide range of retail price points that yield different gross profit margins. Additionally, the Company's geographic regions achieve different operating profit margins due to a variety of factors including product mix, store size and occupancy costs, labor costs, retail pricing and fixed versus variable expenses. The increasing availability of, and ease of access to, retail price information across markets, primarily through the Internet, may affect consumers' decisions regarding in which geographies to shop. If

the Company's sales mix were to shift toward products or geographic regions that are significantly different than the Company's plans, it could have an effect, either positively or negatively, on its expected profitability.

(viii) Increases in costs of diamonds, other gemstones and precious metals or reduced supply availability may adversely affect the Company's ability to produce and sell products at desired profit margins.

Most of the Company's jewelry offerings are made with diamonds, other gemstones and/or precious metals. A significant increase in the costs or change in the supply of these commodities could adversely affect the Company's business, which is vulnerable to the risks inherent in the trade for such commodities. A substantial increase or

TIFFANY & CO.

K-13

---

Table of Contents

decrease in the cost or supply of precious metals, high-quality rough and polished diamonds (within the quality grades, colors and sizes that customers demand) and/or other gemstones could affect, negatively or positively, customer demand, sales and gross profit margins. Additionally, should synthetic diamonds (diamonds manufactured but not naturally occurring) and/or treated diamonds (naturally occurring diamonds subject to treatment processes, such as irradiation) be offered in significant quantities and gain consumer acceptance, the supply of, demand for and prices for natural diamonds may be affected.

(ix) The Company may be unable to secure and retain sufficient space for its retail stores in prime locations, and maintaining the Company's brand image and desirability to consumers requires significant investment in store construction, maintenance and periodic renovation.

The Company, positioned as a luxury goods retailer, has established its retail presence in choice store locations. Management regularly evaluates opportunities to optimize its retail store base, including potential markets for new TIFFANY & CO. stores, as well as the renovation and relocation of its existing stores. Maintaining the Company's brand image and desirability to consumers requires that stores be constructed and maintained in a manner consistent with that brand image. This requires significant capital investment, including for periodic renovations of existing stores. Renovations of existing stores may also result in temporary disruptions to an individual store's business. For example, the Company is in the conceptual phase of a multi-year effort to renovate its New York Flagship store, which will require significant capital investment and may result in business and/or consumer traffic disruptions to that store, once such renovations begin. If the Company cannot secure and retain store locations on suitable terms in prime and desired luxury shopping locations, or if its investments to construct and/or renovate existing stores do not generate sufficient incremental sales and/or profitability or significantly disrupt sales and/or profitability during renovations, the Company's sales and/or earnings performance could be jeopardized.

(x) The value of the TIFFANY & CO. and TIFFANY trademarks could decline due to third-party use and infringement.

The TIFFANY & CO. and TIFFANY trademarks are assets that are essential to the competitiveness and success of the Company's business, and the Company takes appropriate action to protect them. The Company actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, use of the designation TIFFANY by third parties on related goods or services and the Company's failure or inability to protect against such use could adversely affect and dilute the value of the TIFFANY & CO. brand.

Notwithstanding the general success of the Company's enforcement actions, such actions have not stopped the imitation and counterfeiting of the Company's merchandise or the infringement of the trademark, and counterfeit TIFFANY & CO. goods remain available in most markets. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, on the Internet and in various markets by street vendors and small retailers. The continued sale of counterfeit merchandise or merchandise that infringes the Company's trademarks could have an adverse effect on the TIFFANY & CO. brand by undermining the Company's reputation for quality goods and making such goods appear less desirable to consumers of luxury goods. Damage to the TIFFANY & CO. brand could result in lost sales and earnings.

(xi) The Company's business is dependent upon the distinctive appeal of the TIFFANY & CO. brand.

The TIFFANY & CO. brand's association with quality and luxury is integral to the success of the Company's business. The Company's expansion plans for retail, e-commerce and other direct selling operations and merchandise development, production and management support the appeal of the TIFFANY & CO. brand. Consequently, poor maintenance, promotion and positioning of the TIFFANY & CO. brand, as well as market over-saturation, may

adversely affect the business by diminishing the distinctive appeal of the TIFFANY & CO. brand and tarnishing its image. This could result in lower sales and earnings.

In addition, adverse publicity regarding TIFFANY & CO. and its products, as well as adverse publicity in respect of, or resulting from, the Company's third-party vendors or the diamond or jewelry industries more generally, could adversely affect the Company's business. For example, the Company sources from third-party vendors certain products that, from time to time, may not, or may contain raw materials that do not, meet the Company's sourcing and quality standards as well as applicable requirements and regulations. In such instances, although the Company may have recourse against such third-party vendors, the Company may self-report to the relevant regulatory agencies, recall affected products and/or pay potential fines. By way of further example, during the Company's regular internal

TIFFANY & CO.

K-14

---

Table of Contents

quality testing in 2016, the Company identified a potential breach of the Company's sourcing and quality standards applicable to third party vendors. The Company assessed the composition of certain of its gold products manufactured primarily by certain U.S. third-party vendors, which contained gold solder manufactured by other U.S. vendors, to determine whether such products were in compliance with applicable consumer products requirements and regulations. Following this assessment, management determined that no liability was required to be recorded.

Any of the above could harm the TIFFANY & CO. brand and reputation, cause a loss of consumer confidence in the TIFFANY & CO. brand, its products and the industry, and/or negatively affect the Company's results of operations.

The considerable expansion in the use of social media in recent years has compounded the potential scope of any negative publicity.

(xii) Any material disruption of, or a failure to successfully implement or make changes to, information systems could negatively impact the Company's business.

The Company is increasingly dependent on its information systems to operate its business, including in designing, manufacturing, marketing and distributing its products, as well as processing transactions, managing inventory and accounting for and reporting its results. Given the complexity of the Company's global business, it is critical that the Company maintain the uninterrupted operation of its information systems. Despite the Company's preventative efforts, its information systems may be vulnerable to damage, disruption or shutdown due to power outages, computer and telecommunications failures, computer viruses, systems failures, security breaches or natural disasters. Damage, disruption or shutdown of the Company's information systems may require a significant investment to fix or replace them, and the Company could suffer interruptions in its operations in the interim.

In addition, in the ordinary course of business, the Company regularly evaluates and makes changes and upgrades to its information systems. The Company is in the process of executing its multi-year effort to evaluate and, where appropriate, to upgrade and/or replace certain of its information systems, including systems for global customer relationship management, order management and inventory management. These system changes and upgrades can require significant capital investments and dedication of resources. While the Company follows a disciplined methodology when evaluating and making such changes, there can be no assurances that the Company will successfully implement such changes, that such changes will occur without disruptions to its operations or that the new or upgraded systems will achieve the desired business objectives. For example, in 2016 the Company recorded a pre-tax impairment charge of \$25.4 million related to software costs capitalized in connection with the development of a new finished goods inventory management and merchandising information system. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Information Systems Assessment" for a discussion of this impairment charge.

Any damage, disruption or shutdown of the Company's information systems, or the failure to successfully implement new or upgraded systems, such as those referenced above, could have a direct material adverse effect on the Company's results of operations, could undermine the Company's ability to execute on its strategic and operational initiatives, and could also affect the Company's reputation, its ability to compete effectively, its relationship with customers and the TIFFANY & CO. brand, which could result in reduced sales and profitability.

(xiii) New and existing data privacy laws and/or a significant data security breach of the Company's information systems could increase the Company's operational costs, subject the Company to claims and otherwise adversely affect its business.

The protection of customer, employee and Company information is important to the Company, and its customers and employees expect that their personal data will be adequately protected. In addition, the regulatory environment

surrounding information security and data privacy is becoming increasingly demanding, with evolving requirements in respect of personal data use and processing, including significant penalties for non-compliance, in the various jurisdictions in which the Company does business. Although the Company has developed and implemented systems, policies, procedures and controls that are designed to protect personal data and Company information, prevent data loss and other security breaches, and otherwise identify, assess and analyze cybersecurity risks, such measures cannot provide absolute security. For example, the Company faces a complex and evolving threat landscape in which cybercriminals, nation-states and "hacktivists" employ a complex array of techniques designed to access personal data and other information, including the use of stolen access credentials, malware, ransomware, phishing, structured query language ("SQL") injection attacks and distributed denial-of-service attacks, which may penetrate

TIFFANY & CO.

K-15

---

Table of Contents

the Company's systems despite its extensive and evolving protective information security measures. Further, the Company relies on its software and hardware providers to issue timely patches for known vulnerabilities; however, the failure of software and hardware companies to release or to timely release effective patching and the Company's reliance on patches or inability to patch software and hardware vulnerabilities, could expose it to increased risk of attack, data loss and data breach.

Additionally, the Company's implementation of new information technology or information systems and/or increased use and reliance on web-based hosted (i.e., cloud computing) applications and systems for the storage, processing and transmission of information, including customer and employee personal data, could expose the Company, its employees and its customers to a risk of loss or misuse of such information. The Company's efforts to protect personal data and Company information may also be adversely impacted by data security or privacy breaches that occur at its third-party vendors. While the Company's contractual arrangements with such third-party vendors provide for the protection of personal data and Company information, the Company cannot control these vendors or their systems and cannot guarantee that a data security or privacy breach of their systems will not occur in the future.

A significant violation of applicable privacy laws or the occurrence of a cybersecurity incident resulting in breach of personal data or Company information could result in the temporary suspension of some or all of the Company's operating and/or information systems, damage the Company's reputation, its relationships with customers, vendors and service providers and the TIFFANY & CO. brand and could result in lost data, lost sales, sizable fines, increased insurance premiums, substantial breach-notification and other remediation costs and lawsuits as well as adversely affect results of operations. The Company may also incur additional costs in the future related to the implementation of additional security measures to protect against new or enhanced data security and privacy threats, to comply with state, federal and international laws that may be enacted to address personal data processing risks and data security threats or to investigate or address potential or actual data security or privacy breaches.

(xiv) The loss or a prolonged disruption in the operation of the Company's centralized distribution centers could adversely affect its business and operations.

The Company maintains two separate distribution centers in close proximity to one another in New Jersey. Both are dedicated to warehousing merchandise; one handles worldwide store replenishment and the other processes direct-to-customer orders. Although the Company believes that it has appropriate contingency plans, unforeseen disruptions impacting one or both locations for a prolonged period of time may result in delays in the delivery of merchandise to stores or in fulfilling customer orders.

(xv) The loss or a prolonged disruption in the operation of the Company's internal manufacturing facilities could adversely affect its business and operations.

The Company's internal manufacturing facilities produce approximately 60% of the merchandise sold by the Company. Any prolonged disruption to their operations would require the Company to seek alternate sources of production and could have a negative effect on inventory availability and sales until such sources are established.

(xvi) There is no assurance that the Company will be able to successfully grow its watch business.

The Company sells TIFFANY & CO. brand watches, which are designed, produced, marketed and distributed through certain of the Company's Swiss subsidiaries. Sales of these TIFFANY & CO. brand watches represented approximately 1% of worldwide net sales in 2017, 2016 and 2015. The development of this watch business has required and will continue to require additional resources and involves risks and uncertainties, including: (i) significant ongoing expenditures; (ii) the need to employ highly specialized and experienced personnel; (iii) dependence on relatively small supply partners; and (iv) production and distribution inefficiencies. In addition, the



Company is competing with businesses with stronger market positions and has invested and will continue to invest in marketing to build customer awareness and to establish product differentiation. There is, however, no assurance that the Company will be able to effectively grow its watch business or that such business will be successful in growing the Company's revenues or enhancing its profitability.

TIFFANY & CO.

K-16

---

Table of Contents

(xvii) If the Company is unable to effectively anticipate and respond to changes in consumer preferences and shopping patterns, or introduce new products or programs that appeal to new or existing customers, the Company's sales and profitability could be adversely affected.

The Company's continued success depends on its ability to anticipate and respond in a timely and cost-effective manner to changes in consumer preferences for jewelry and other luxury goods, attitudes towards the global jewelry industry as a whole, as well as the manner and locations in which consumers purchase such goods. The Company recognizes that consumer tastes cannot be predicted with certainty and are subject to change, which is compounded by the expanding use of digital and social media by consumers and the speed by which information and opinions are shared. The Company's product development strategy is to introduce new design collections, primarily jewelry, and/or expand certain existing collections annually. If the Company is unable to anticipate and respond in a timely and cost-effective manner to changes in consumer preferences and shopping patterns, including the development of an engaging omnichannel experience for its customers, the Company's sales and profitability could be adversely affected.

In addition, management intends to increase its spending in a number of areas, including technology, marketing communications, visual merchandising, digital, and store presentations, which it believes are necessary to achieve its longer term sales, margin and earnings growth objectives. Such investment is also intended to build awareness of the Brand, its heritage and its products, as well as to enhance the Brand's association among consumers with quality and luxury. There can, however, be no assurance these strategies will appeal to new or existing customers or will result in increased sales or profitability.

Lastly, approximately 75% of the Company's stores are located within luxury department stores and shopping malls and benefit from the ability of those locations to generate consumer traffic. A substantial decline in department store and/or mall traffic may negatively impact the Company's ability to maintain or increase its sales in existing stores, as well as its ability to open new stores.

(xviii) The price of the Company's common stock may periodically rise or fall based on the Company's achievement of earnings forecasts and investors' expectations.

The Company's strategic planning process is designed to maximize its long-term strength, growth, and profitability. Management believes that this longer-term focus is in the best interests of the Company and its stockholders. At the same time, however, the Company recognizes that, from time to time, it may be helpful to provide investors with guidance as to management's annual earnings forecast. If, or when, the Company announces actual results that differ from those that have been forecast by management or others, the market price of the Company's common stock could be adversely affected.

The Company returns value to its stockholders through common stock share repurchases and payment of quarterly cash dividends. The market price of the Company's common stock could be adversely affected if the Company's share repurchase activity and/or cash dividend rate differs from investors' expectations.

(xix) Recent changes in the Company's executive management team may be disruptive to, or cause uncertainty in, its business, results of operations and the price of the Company's common stock.

Certain members of the Company's executive management team have left the Company in recent years, which has required the Company to focus time and resources on recruiting new members of its executive management team. For example, in February 2017, Frederic Cumenal stepped down from his position as Chief Executive Officer ("CEO") of the Company, and the Company's Board of Directors appointed Michael J. Kowalski (Chairman of the Board and former CEO at the time of appointment) as the Company's Interim CEO. In October 2017, Alessandro Bogliolo joined the Company as CEO replacing Mr. Kowalski, who stepped down from that role. Any further changes in the

Company's executive management team may be disruptive to, or cause uncertainty in, the Company's business, and could have a negative impact on the Company's ability to manage and grow its business effectively, its results of operations and the price of the Company's common stock.

TIFFANY & CO.  
K-17

---

Table of Contents

(xx) Environmental and climate changes could affect the Company's business.

The Company operates retail stores in more than 20 countries and has both domestic and foreign manufacturing operations that are susceptible to the risks associated with climate change. Such risks include those related to the physical impacts of climate change, such as more frequent and severe weather events and/or long term shifts in climate patterns, and risks related to the transition to a lower-carbon economy, such as reputational, market and/or regulatory risks. Climate change and climate events could result in social, cultural and economic disruptions in these areas, including supply chain disruptions, the disruption of local infrastructure and transportation systems that could limit the ability of the Company's employees and/or its customers to access the Company's stores or manufacturing locations, damage to such stores or locations or reductions in material availability and quality. These events could also compound adverse economic conditions and impact consumer confidence and discretionary spending. Despite the fact that the Company is pursuing numerous initiatives to reduce its environmental footprint, including efforts related to energy efficiency, renewable energy use and carbon offsets, there remains the risk that insufficient global cooperation could lead to increased negative impacts from climate change. While the Company has an ongoing program for reviewing its vulnerability to the impacts of severe weather events and other risks associated with climate change, these events could nonetheless negatively affect the Company's business and operations.

Item 1B. Unresolved Staff Comments.

NONE

Item 2. Properties.

The Company leases its various store premises (other than the New York Flagship store, which is owned by the Company) under arrangements that generally range from 3 to 10 years. The following table provides information on the number of locations and square footage of Company-operated TIFFANY & CO. stores as of January 31, 2018:

	Total Stores	Total Gross Retail Square Footage	Gross Retail Square Footage Range	Average Gross Retail Square Footage
Americas:				
New York Flagship	1	45,500	45,500	45,500
Other stores	123	684,700	1,000 - 17,600	5,600
Asia-Pacific	87	245,900	400 - 12,800	2,800
Japan:				
Tokyo Ginza	1	13,300	13,300	13,300
Other stores	53	141,800	1,600 - 7,500	2,700
Europe:				
London Old Bond Street	1	22,400	22,400	22,400
Other stores	45	160,700	600 - 18,200	3,600
Emerging Markets	4	6,900	400 - 3,600	1,700
Total	315	1,321,200	400 - 45,500	4,200

Excluded from the store count and square footage amounts above are pop-up stores (stores with lease terms of 24 months or less).

TIFFANY & CO.



## Table of Contents

### NEW YORK FLAGSHIP STORE

The Company owns the building, but not the air rights above the building, housing its New York Flagship store at 727 Fifth Avenue, which was designed to be a retail store for Tiffany and is well located for this function. Approximately 45,500 gross square feet of this 124,000 square foot building are devoted to retail sales and The Blue Box Cafe, which opened in 2017. The balance is devoted to administrative offices, certain product services, jewelry manufacturing and storage. The New York Flagship store is also the focal point for marketing and public relations efforts. Sales in this store represent less than 10% of worldwide net sales.

### RETAIL SERVICE CENTER

The Company's Retail Service Center ("RSC"), located in Parsippany, New Jersey, comprises approximately 370,000 square feet. Approximately half of the building is devoted to office and information technology operations and half to warehousing, shipping, receiving, merchandise processing and other distribution functions. The RSC receives merchandise and replenishes retail stores. The Company has a 20-year lease for this facility, which expires in 2025, and has two 10-year renewal options.

### CUSTOMER FULFILLMENT CENTER

The Company owns the Customer Fulfillment Center ("CFC") in Whippany, New Jersey and leases the land on which the facility resides. The CFC is approximately 266,000 square feet and is primarily used for warehousing merchandise and processing direct-to-customer orders. The land lease expires in 2032 and the Company has the right to renew the lease for an additional 20-year term.

### MANUFACTURING AND DESIGN FACILITIES

The Company owns and operates jewelry manufacturing facilities in Cumberland, Rhode Island and Lexington, Kentucky, leases a jewelry manufacturing facility in Pelham, New York, leases a facility in the Dominican Republic which performs certain functions such as jewelry polishing and leases a facility containing its Jewelry Design and Innovation Workshop in New York, New York. Lease expiration dates range from 2019 to 2029. The owned and leased facilities total approximately 244,000 square feet.

The Company leases a facility in Belgium and owns facilities in Botswana, Cambodia, Mauritius and Vietnam (although the land in Botswana, Cambodia and Vietnam is leased) that prepare, cut and/or polish rough diamonds for use by Tiffany. These facilities total approximately 280,000 square feet and the lease expiration dates range from 2018 to 2062.

### Item 3. Legal Proceedings.

Arbitration Award. On December 21, 2013, an award was issued (the "Arbitration Award") in favor of The Swatch Group Ltd. ("Swatch") and its wholly owned subsidiary Tiffany Watch Co. ("Watch Company"; Swatch and Watch Company, together, the "Swatch Parties") in an arbitration proceeding (the "Arbitration") between the Registrant and its wholly owned subsidiaries, Tiffany and Company and Tiffany (NJ) Inc. (the Registrant and such subsidiaries, together, the "Tiffany Parties") and the Swatch Parties.

The Arbitration was initiated in June 2011 by the Swatch Parties, who sought damages for alleged breach of agreements entered into by and among the Swatch Parties and the Tiffany Parties in December 2007 (the "Agreements"). The Agreements pertained to the development and commercialization of a watch business and, among

other things, contained various licensing and governance provisions and approval requirements relating to business, marketing and branding plans and provisions allocating profits relating to sales of the watch business between the Swatch Parties and the Tiffany Parties.

In general terms, the Swatch Parties alleged that the Tiffany Parties breached the Agreements by obstructing and delaying development of Watch Company's business and otherwise failing to proceed in good faith. The Swatch Parties sought damages based on alternate theories ranging from CHF 73.0 million (or approximately \$78.0 million at January 31, 2018) (based on its alleged wasted investment) to CHF 3.8 billion (or approximately \$4.1 billion at

TIFFANY & CO.

K-19

---

Table of Contents

January 31, 2018) (calculated based on alleged future lost profits of the Swatch Parties and their affiliates over the entire term of the Agreements).

The Registrant believes that the claims of the Swatch Parties are without merit. In the Arbitration, the Tiffany Parties defended against the Swatch Parties' claims vigorously, disputing both the merits of the claims and the calculation of the alleged damages. The Tiffany Parties also asserted counterclaims for damages attributable to breach by the Swatch Parties, stemming from the Swatch Parties' September 12, 2011 public issuance of a Notice of Termination purporting to terminate the Agreements due to alleged material breach by the Tiffany Parties, and for termination due to such breach. In general terms, the Tiffany Parties alleged that the Swatch Parties did not have grounds for termination, failed to meet the high standard for proving material breach set forth in the Agreements and failed to provide appropriate management, distribution, marketing and other resources for TIFFANY & CO. brand watches and to honor their contractual obligations to the Tiffany Parties regarding brand management. The Tiffany Parties' counterclaims sought damages based on alternate theories ranging from CHF 120.0 million (or approximately \$129.0 million at January 31, 2018) (based on its wasted investment) to approximately CHF 540.0 million (or approximately \$578.0 million at January 31, 2018) (calculated based on alleged future lost profits of the Tiffany Parties).

The Arbitration hearing was held in October 2012 before a three-member arbitral panel convened in the Netherlands pursuant to the Arbitration Rules of the Netherlands Arbitration Institute (the "Rules"), and the Arbitration record was completed in February 2013.

Under the terms of the Arbitration Award, and at the request of the Swatch Parties and the Tiffany Parties, the Agreements were deemed terminated. The Arbitration Award stated that the effective date of termination was March 1, 2013. Pursuant to the Arbitration Award, the Tiffany Parties were ordered to pay the Swatch Parties damages of CHF 402.7 million (the "Arbitration Damages"), as well as interest from June 30, 2012 to the date of payment, two-thirds of the cost of the Arbitration and two-thirds of the Swatch Parties' legal fees, expenses and costs. These amounts were paid in full in January 2014.

Prior to the ruling of the arbitral panel, no accrual was established in the Company's consolidated financial statements because management did not believe the likelihood of an award of damages to the Swatch Parties was probable. As a result of the ruling, in the fourth quarter of 2013, the Company recorded a charge of \$480.2 million, which included the damages, interest, and other costs associated with the ruling and which was classified as Arbitration award expense in the consolidated statement of earnings.

On March 31, 2014, the Tiffany Parties took action in the District Court of Amsterdam to annul the Arbitration Award. Generally, arbitration awards are final; however, Dutch law does provide for limited grounds on which arbitral awards may be set aside. The Tiffany Parties petitioned to annul the Arbitration Award on these statutory grounds. These grounds include, for example, that the arbitral tribunal violated its mandate by changing the express terms of the Agreements.

A three-judge panel presided over the annulment hearing on January 19, 2015, and, on March 4, 2015, issued a decision in favor of the Tiffany Parties. Under this decision, the Arbitration Award was set aside. However, the Swatch Parties took action in the Dutch courts to appeal the District Court's decision, and a three-judge panel of the Appellate Court of Amsterdam presided over an appellate hearing in respect of the annulment, and the related claim by the Tiffany Parties for the return of the Arbitration Damages and related costs, on June 29, 2016. The Appellate Court issued its decision on April 25, 2017, finding in favor of the Swatch Parties and ordering the Tiffany Parties to reimburse the Swatch Parties EUR 6,340 in legal costs. The Tiffany Parties have taken action to appeal the decision of the Appellate Court to the Supreme Court of the Netherlands. As such, the Arbitration Award may ultimately be set aside by the Supreme Court. Registrant's management believes it is likely that the Supreme Court will issue its decision during Registrant's fiscal year ending January 31, 2019. However, it is possible that such decision could be



later issued or that such decision could require the Appellate Court to reconsider certain elements of the dispute and, as such, the annulment action may not be ultimately resolved until, at the earliest, Registrant's fiscal year ending January 31, 2020.

If the Arbitration Award is finally annulled, management anticipates that the claims and counterclaims that formed the basis of the Arbitration, and potentially additional claims and counterclaims, will be litigated in court proceedings between and among the Swatch Parties and the Tiffany Parties. The identity and location of the courts that would hear such actions have not been determined at this time.

TIFFANY & CO.

K-20

---

## Table of Contents

In any litigation regarding the claims and counterclaims that formed the basis of the arbitration, issues of liability and damages will be pled and determined without regard to the findings of the arbitral panel. As such, it is possible that a court could find that the Swatch Parties were in material breach of their obligations under the Agreements, that the Tiffany Parties were in material breach of their obligations under the Agreements or that neither the Swatch Parties nor the Tiffany Parties were in material breach. If the Swatch Parties' claims of liability were accepted by the court, the damages award cannot be reasonably estimated at this time, but could exceed the Arbitration Damages and could have a material adverse effect on the Registrant's consolidated financial statements or liquidity.

Management has not established any accrual in the Company's consolidated financial statements for the year ended January 31, 2018 related to the annulment process or any potential subsequent litigation because it does not believe that the final annulment of the Arbitration Award and a subsequent award of damages exceeding the Arbitration Damages is probable.

**Other 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 (which will be determined at a later date), 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). Costco has filed an appeal from the judgment, as well as a motion in the Court for a new trial. The appeal has been automatically stayed pending determination of the Court motion. Costco has also filed an appeal bond to secure the amount of the judgment entered by the Court pending appeal, so the Tiffany plaintiffs will be unable to enforce the judgment while the motion for a

new trial and the appeal are pending. As such, the Company has not recorded any amount in its consolidated financial statements related to this gain contingency as of January 31, 2018, and expects that this matter will not ultimately be resolved until, at the earliest, the Company's fiscal year ending January 31, 2019.

Item 4. Mine Safety Disclosures.

Not Applicable.

TIFFANY & CO.

K-21

---

Table of Contents

PART II

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

In calculating the aggregate market value of the voting stock held by non-affiliates of the Company shown on the cover page of this Annual Report on Form 10-K, 1,062,096 shares of Common Stock beneficially owned by the executive officers and directors of the Company (exclusive of shares which may be acquired on exercise of employee stock options) were excluded, on the assumption that certain of those persons could be considered "affiliates" under the provisions of Rule 405 promulgated under the Securities Act of 1933, as amended.

Performance of Company Stock

The Registrant's Common Stock is traded on the New York Stock Exchange. In consolidated trading, the high and low selling prices per share for shares of such Common Stock for 2017 were:

	High	Low
First Quarter	\$ 97.29	\$ 77.52
Second Quarter	\$ 96.94	\$ 84.15
Third Quarter	\$ 97.10	\$ 86.15
Fourth Quarter	\$ 111.44	\$ 90.46

On March 12, 2018, the high and low selling prices quoted on such exchange were \$102.75 and \$99.78. On March 12, 2018, there were 13,756 holders of record of the Registrant's Common Stock.

In consolidated trading, the high and low selling prices per share for shares of such Common Stock for 2016 were:

	High	Low
First Quarter	\$ 74.06	\$ 59.75
Second Quarter	\$ 72.18	\$ 56.99
Third Quarter	\$ 74.81	\$ 58.77
Fourth Quarter	\$ 85.44	\$ 71.86

TIFFANY & CO.

K-22

---

Table of Contents

The following graph compares changes in the cumulative total shareholder return on the Company's stock for the previous five fiscal years to returns for the same five-year period on (i) the Standard & Poor's 500 Stock Index and (ii) the Standard & Poor's 500 Consumer Discretionary Index. Cumulative shareholder return is defined as changes in the closing price of the stock and such indices, plus the reinvestment of any dividends paid. The graph assumes an investment of \$100 on January 31, 2013 in the Company's common stock and in each of the two indices as well as the reinvestment of any subsequent dividends.

Total returns are based on market capitalization; indices are weighted at the beginning of each period for which a return is indicated. The stock performance shown in the graph is not intended to forecast or to be indicative of future performance.

	1/31/13	1/31/14	1/31/15	1/31/16	1/31/17	1/31/18
Tiffany & Co.	\$ 100.00	\$ 128.74	\$ 136.13	\$ 102.24	\$ 129.23	\$ 178.67
S&P 500 Stock Index	100.00	121.52	138.80	137.88	165.51	209.22
S&P 500 Consumer Discretionary Index	100.00	127.37	143.94	155.13	180.69	233.09

TIFFANY & CO.  
K-23

---

Table of Contents

## Dividends

It is the Company's policy to pay a quarterly dividend on its Common Stock, subject to declaration by its Board of Directors. In 2016, a dividend of \$0.40 per share of Common Stock was paid on April 11, 2016. On May 26, 2016, the Company announced a 12.5% increase in its regular quarterly dividend rate to a new rate of \$0.45 per share of Common Stock which was paid on July 11, 2016, October 11, 2016 and January 10, 2017.

In 2017, a dividend of \$0.45 per share of Common Stock was paid on April 10, 2017. On May 25, 2017, the Company announced an 11% increase in its regular quarterly dividend rate to a new rate of \$0.50 per share of Common Stock which was paid on July 10, 2017, October 10, 2017 and January 10, 2018.

## Issuer Purchases of Equity Securities

In January 2016, the Registrant's Board of Directors approved a new share repurchase program (the "2016 Program") and terminated the Company's then-existing share repurchase program, which was approved in March 2014 and had authorized the Company to repurchase up to \$300.0 million of its Common Stock through open market transactions (the "2014 Program"). The 2016 Program, which will expire on January 31, 2019, authorizes the Company to repurchase up to \$500.0 million of its Common Stock through open market transactions, block trades or privately negotiated transactions. Purchases under the 2014 Program were, and purchases under the 2016 Program have been, executed under a written plan for trading securities as specified under Rule 10b5-1 promulgated under the Securities and Exchange Act of 1934, as amended, the terms of which are within the Company's discretion, subject to applicable securities laws, and are based on market conditions and the Company's liquidity needs. As of January 31, 2018, \$211.2 million remained available for repurchase under the 2016 Program.

The following table contains the Company's purchases of equity securities in the fourth quarter of 2017:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (in millions)
November 1, 2017 to November 30, 2017	141,881	\$ 93.18	141,881	\$ 237.1
December 1, 2017 to December 31, 2017	128,020	\$ 98.32	128,020	\$ 224.5
January 1, 2018 to January 31, 2018	122,985	\$ 107.53	122,985	\$ 211.2
TOTAL	392,886	\$ 99.35	392,886	\$ 211.2

TIFFANY &amp; CO.

K-24



Table of Contents

## Item 6. Selected Financial Data.

The following table sets forth selected financial data, certain of which have been derived from the Company's consolidated financial statements for fiscal years 2013-2017, which ended on January 31 of the following calendar year:

(in millions, except per share amounts, percentages, ratios, stores and employees)	2017 <sup>a</sup>	2016 <sup>b</sup>	2015 <sup>c</sup>	2014 <sup>d</sup>	2013 <sup>e</sup>	
<b>EARNINGS DATA</b>						
Net sales	\$4,169.8	\$4,001.8	\$4,104.9	\$4,249.9	\$4,031.1	
Gross profit	2,604.7	2,490.3	2,491.3	2,537.2	2,340.4	
Selling, general & administrative expenses	1,810.2	1,769.1	1,731.2	1,645.8	1,555.9	
Net earnings	370.1	446.1	463.9	484.2	181.4	
Net earnings per diluted share	2.96	3.55	3.59	3.73	1.41	
Weighted-average number of diluted common shares	125.1	125.5	129.1	129.9	128.9	
<b>BALANCE SHEET AND CASH FLOW DATA</b>						
Total assets	\$5,468.1	\$5,097.6	\$5,121.6	\$5,171.8	\$4,745.1	
Cash and cash equivalents	970.7	928.0	843.6	730.0	345.8	
Inventories, net	2,253.5	2,157.6	2,225.0	2,362.1	2,326.6	
Short-term borrowings and long-term debt (including current portion)	1,003.5	1,107.1	1,095.8	1,107.8	996.3	
Stockholders' equity	3,248.2	3,028.4	2,929.5	2,850.7	2,734.0	
Working capital	3,258.5	2,940.8	2,778.5	2,850.8	2,431.1	
Cash flows from operating activities *	932.2	705.7	817.4	633.5	174.1	
Capital expenditures	239.3	222.8	252.7	247.4	221.4	
Stockholders' equity per share	26.10	24.33	23.10	22.04	21.31	
Cash dividends paid per share	1.95	1.75	1.58	1.48	1.34	
<b>RATIO ANALYSIS AND OTHER DATA</b>						
As a percentage of net sales:						
Gross profit	62.5	% 62.2	% 60.7	% 59.7	% 58.1	%
Selling, general & administrative expenses	43.4	% 44.2	% 42.2	% 38.7	% 38.6	%
Earnings from operations	19.1	% 18.0	% 18.5	% 21.0	% 7.5	%
Net earnings	8.9	% 11.1	% 11.3	% 11.4	% 4.5	%
Capital expenditures	5.7	% 5.6	% 6.2	% 5.8	% 5.5	%
Return on average assets	7.0	% 8.7	% 9.0	% 9.8	% 3.9	%
Return on average stockholders' equity	11.8	% 15.0	% 16.1	% 17.3	% 6.8	%
Total debt-to-equity ratio	30.9	% 36.6	% 37.4	% 38.9	% 36.4	%
Dividends as a percentage of net earnings	65.5	% 49.0	% 43.8	% 39.5	% 93.9	%
Company-operated TIFFANY & CO. stores	315	313	307	295	289	
Number of employees	13,100	11,900	12,200	12,000	10,600	

The Company adopted ASU No. 2016-09 – Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting, as of February 1, 2017. Accordingly, cash payments made to taxing authorities on employees' behalf for shares withheld for taxes were reclassified retrospectively from operating activities to financing activities on the Consolidated Statements of Cash Flows in each of the years presented. Additionally, the Company elected to classify excess tax benefits as an operating activity instead of as a financing activity on the Consolidated Statements of Cash Flows and such amounts were reclassified retrospectively in each of the years presented. See "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies" for additional information.



TIFFANY & CO.  
K-25

---

Table of Contents

NOTES TO SELECTED FINANCIAL DATA

Financial information and ratios for 2017 include \$146.2 million, or \$1.17 per diluted share, of net tax expense a. related to the enactment of the 2017 U.S. Tax Cuts and Jobs Act. See "Item 8. Financial Statements and Supplementary Data - Note O. Income Taxes" for additional information.

Financial information and ratios for 2016 include the following amounts, totaling \$38.0 million of pre-tax expense b. (\$24.0 million after tax expense, or \$0.19 per diluted share):

\$25.4 million of pre-tax expense (\$16.0 million after tax expense, or \$0.13 per diluted share) associated with an asset impairment charge related to software costs capitalized in connection with the development of a new finished goods inventory management and merchandising information system. See "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies" and "Note E. Property, Plant and Equipment" for additional information; and

\$12.6 million of pre-tax expense (\$8.0 million after tax expense, or \$0.06 per diluted share) associated with impairment charges related to financing arrangements with diamond mining and exploration companies. See "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies" for additional information.

Financial information and ratios for 2015 include the following amounts, totaling \$46.7 million of pre-tax expense c. (\$29.9 million after tax expense, or \$0.24 per diluted share):

\$37.9 million of pre-tax expense (\$24.3 million after tax expense, or \$0.19 per diluted share) associated with impairment charges related to a financing arrangement with Koidu Limited. See "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies" for additional information; and \$8.8 million of pre-tax expense (\$5.6 million after tax expense, or \$0.05 per diluted share) associated with severance related to staffing reductions and subleasing of certain office space for which only a portion of the Company's future rent obligations will be recovered.

Financial information and ratios for 2014 include \$93.8 million of net pre-tax expense (\$60.9 million net after tax expense, or \$0.47 per diluted share) associated with the redemption of \$400.0 million in aggregate principal amount d. of certain senior notes prior to their scheduled maturities. See "Item 8. Financial Statements and Supplementary Data - Note G. Debt" for additional information.

Financial information and ratios for 2013 include the following amounts, totaling \$482.1 million of net e. pre-tax expense (\$299.2 million net after-tax expense, or \$2.32 per diluted share):

\$480.2 million pre-tax expense associated with the Swatch arbitration award and \$7.5 million pre-tax income associated with a foreign currency transaction gain on this expense. See "Item 8. Financial Statements and Supplementary Data - Note J. Commitments and Contingencies" for additional information regarding the arbitration proceeding; and

\$9.4 million pre-tax expense associated with severance related to staffing reductions and subleasing of certain office space for which only a portion of the Company's future rent obligations will be recovered.

TIFFANY & CO.

K-26

---

## Table of Contents

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

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes. All references to years relate to fiscal years which ended on January 31 of the following calendar year.

#### KEY STRATEGIC PRIORITIES

The Company's key strategic priorities are to:

◆ Amplify an evolved brand message.

The Brand is the single most important asset of Tiffany and, indirectly, of the Company. Management intends to increasingly invest in and evolve marketing and public relations programs through a variety of media designed to build awareness of the Brand, its heritage and its products, as well as to enhance the Brand's association with quality and luxury by consumers.

◆ Renew the Company's product offerings and enhance in-store presentations.

The Company's product development strategy is to accelerate the introduction of new design collections, primarily in jewelry, but also in non-jewelry products, and/or expand certain existing collections annually, all of which are intended to appeal to existing and new customers.

To ensure a superior shopping experience, the Company is focused on enhancing the design of its stores, as well as the creative visual presentation of its merchandise, to provide an engaging luxury experience in both its new and existing stores.

◆ Deliver an exciting omnichannel customer experience.

Management intends to continue to expand and optimize its global store base by evaluating potential markets for new TIFFANY & CO. stores, as well as through the renovation, relocation, or closing of existing stores. Management will also continue to pursue opportunities to grow sales through its e-commerce websites and utilize the websites to drive store traffic. In addition, the Company employs highly qualified sales and customer service professionals and is focused on developing effective omnichannel relationships with its customers.

- Strengthen the Company's competitive position and lead in key markets.

The global jewelry industry is competitively fragmented. While the Company enjoys a strong reputation and large customer base, it encounters significant competition in all product categories and geographies. By focusing on enhanced marketing communications, product development and optimization of its store base and digital capabilities, the Company's objective is to be an industry leader in key markets.

◆ Cultivate a more efficient operating model.

The Company is focused on improving its business operations through new systems, more effective processes and cost restraint, to drive margin growth. This includes realizing greater efficiencies in its product supply chain and other operations, and enhancing its global procurement capabilities. The Company has developed a substantial product

supply infrastructure for the procurement and processing of diamonds and the manufacturing of jewelry. This infrastructure is intended to ensure adequate product supply and favorable product costs while adhering to the Company's quality and ethical standards.

¶Inspire an aligned and agile organization to win.

The Company's success depends upon its people and their effective execution of the Company's strategic priorities. The Company's management strives to motivate and develop employees with the core competencies and adaptability needed to achieve its objectives.

TIFFANY & CO.

K-27

---

## Table of Contents

By pursuing these key strategic priorities, management is committed to the following long-term financial objectives:

• To achieve sustainable sales growth.

Management's objective is to generate mid-single-digit percentage worldwide sales increases, primarily through comparable store sales growth, as well as through modest square footage growth.

• To increase retail productivity and profitability.

Management is focused on increasing the frequency of store and website visits and the percentage of store and website visitors who make a purchase, as well as optimal utilization of store square footage, to grow sales and sales per square foot.

• To achieve improved operating margins, through both improved gross margin and efficient expense management.

Management's long-term objective is to improve gross margin, including through controlling product input costs, realizing greater efficiencies in its product supply chain and adjusting retail prices when appropriate. Additionally, management is focused on efficient selling, general and administrative expense management, thereby generating sales leverage on fixed costs. These efforts are collectively intended to generate a higher rate of operating earnings growth relative to sales growth, and management targets an improvement in operating margin of 50 basis points per year over the long term.

• To improve inventory and other asset productivity and cash flow.

Management's long-term objective is to maintain inventory growth at a rate less than sales growth, with greater focus on efficiencies in product sourcing and manufacturing as well as optimizing store inventory levels, all of which is intended to contribute to improvements in cash flow and return on assets.

• To maintain a capital structure that provides financial strength and the ability to invest in strategic initiatives, while also allowing for the return of excess capital to shareholders through dividends and share repurchases.

## 2017 SUMMARY

Worldwide net sales increased 4% to \$4.2 billion, reflecting sales growth in most reportable segments. Comparable store sales were unchanged from the prior year. There was no significant impact from currency translation (see "Non-GAAP Measures").

The Company added a net of two TIFFANY & CO. stores (opening five in Asia-Pacific, three in Europe and one in the Americas, while closing three in Asia-Pacific, two in the Americas and one each in Japan and the Emerging Markets and relocating seven stores), resulting in a 3% net increase in gross retail square footage.

The Company expanded its product offerings, including by introducing the new TIFFANY HARDWEAR jewelry collection, through additions to several existing jewelry collections, such as the TIFFANY T collection, and by introducing its new Home and Accessories collection, new watch designs and a new fragrance.

Earnings from operations as a percentage of net sales ("operating margin") increased 110 basis points, which includes the impact of certain impairment charges recorded in 2016, as described below under "Non-GAAP Measures". Excluding these charges, operating margin increased 10 basis points.

Net earnings decreased 17% to \$370.1 million, or \$2.96 per diluted share. However, net earnings in 2017 included a net charge of \$146.2 million, or \$1.17 per diluted share related to the enactment of the 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act") (see "Non-GAAP Measures"). Net earnings in 2016 included impairment charges of \$0.19 per diluted share (see "Non-GAAP Measures"). Excluding these charges, net earnings per diluted share increased 10% to \$4.13.

TIFFANY & CO.

K-28

---

Table of Contents

Inventories, net increased 4%, with the majority of the increase attributed to currency translation.

Cash flow from operating activities was \$932.2 million in 2017, compared with \$705.7 million in 2016. Free cash flow (see "Non-GAAP Measures") was \$692.9 million in 2017, compared with \$482.9 million in 2016.

- The Company returned capital to shareholders by paying regular quarterly dividends (which were increased 11% effective July 2017 to \$0.50 per share, or an annualized rate of \$2.00 per share) and by repurchasing 1.0 million shares of its Common Stock for \$99.2 million.

RESULTS OF OPERATIONS

Non-GAAP Measures

The Company reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Internally, management also monitors and measures its performance using certain sales and earnings measures that include or exclude amounts, or are subject to adjustments that have the effect of including or excluding amounts, from the most directly comparable GAAP measure ("non-GAAP financial measures"). The Company presents such non-GAAP financial measures in reporting its financial results to provide investors with useful supplemental information that will allow them to evaluate the Company's operating results using the same measures that management uses to monitor and measure its performance. The Company's management does not, nor does it suggest that investors should, consider non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. These non-GAAP financial measures presented here may not be comparable to similarly-titled measures used by other companies.

TIFFANY & CO.

K-29

---

Table of Contents

Net Sales. The Company's reported net sales reflect either a translation-related benefit from strengthening foreign currencies or a detriment from a strengthening U.S. dollar. Internally, management monitors and measures its sales performance on a non-GAAP basis that eliminates the positive or negative effects that result from translating sales made outside the U.S. into U.S. dollars ("constant-exchange-rate basis"). Sales on a constant-exchange-rate basis are calculated by taking the current year's sales in local currencies and translating them into U.S. dollars using the prior year's foreign currency exchange rates. Management believes this constant-exchange-rate basis provides a useful supplemental basis for the assessment of sales performance and of comparability between reporting periods. The following table reconciles the sales percentage increases (decreases) from the GAAP to the non-GAAP basis versus the previous year:

	2017			2016			
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	
Net Sales:							
Worldwide	4	% —	% 4	% (3	)% —	% (3	)%
Americas	2	1	1	(5	) —	(5	)
Asia-Pacific	10	2	8	—	(1	) 1	
Japan	(1	) (2	) 1	12	12	—	
Europe	6	3	3	(10	) (7	) (3	)
Other	26	—	26	(8	) —	(8	)
Comparable Store Sales:							
Worldwide	—	% —	% —	% (5	)% —	% (5	)%
Americas	1	1	—	(6	) (1	) (5	)
Asia-Pacific	(1	) 1	(2	) (9	) (2	) (7	)
Japan	(1	) (3	) 2	16	11	5	
Europe	(2	) 2	(4	) (14	) (5	) (9	)
Other	2	—	2	(15	) —	(15	)

Statements of Earnings. Internally, management monitors and measures its earnings performance excluding certain items listed below. Management believes excluding such items provides a useful supplemental basis for the assessment of the Company's results relative to the corresponding period in the prior year. The following tables reconcile certain GAAP amounts to non-GAAP amounts:

(in millions, except per share amounts)	GAAP	Charges related to the 2017 Tax Act <sup>a</sup>	Non-GAAP	
Year Ended January 31, 2018				
Provision for income taxes	\$390.4	\$(146.2)	\$ 244.2	
Effective income tax rate	51.3	% (19.2	)% 32.1	%
Net earnings	370.1	146.2	516.3	
Diluted earnings per share*	2.96	1.17	4.13	

Net expense recognized in 2017 related to the estimated impact of the 2017 Tax Act. See "Provision for Income Taxes" and "Item 8. Financial Statements and Supplementary Data - Note O. Income Taxes" for additional information.



Table of Contents

(in millions, except per share amounts)	GAAP	Impairment charges <sup>b</sup>	Non-GAAP
Year Ended January 31, 2017			
SG&A expenses	\$1,769.1	\$ (38.0 )	\$1,731.1
As a % of sales	44.2 %		43.3 %
Earnings from operations	721.2	38.0	759.2
As a % of sales	18.0 %		19.0 %
Provision for income taxes <sup>c</sup>	230.5	14.0	244.5
Net earnings	446.1	24.0	470.1
Diluted earnings per share*	3.55	0.19	3.75

\*Amounts may not add due to rounding.

<sup>b</sup> Expenses associated with the following:

\$25.4 million of pre-tax expense (\$16.0 million after tax expense, or \$0.13 per diluted share) associated with an asset impairment charge related to software costs capitalized in connection with the development of a new finished goods inventory management and merchandising information system (see "Information Systems Assessment"); and \$12.6 million of pre-tax expense (\$8.0 million after tax expense, or \$0.06 per diluted share) associated with impairment charges related to financing arrangements with diamond mining and exploration companies (see "Financing Arrangements with Diamond Mining and Exploration Companies").

The income tax effect resulting from the adjustments has been calculated as both current and deferred tax benefit<sup>c</sup> (expense), based upon the tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying adjustment.

(in millions, except per share amounts)	GAAP	Impairment charges <sup>d</sup>	Specific cost-reduction initiatives <sup>e</sup>	Non-GAAP
Year Ended January 31, 2016				
SG&A expenses	\$1,731.2	\$ (37.9 )	\$ (8.8 )	\$1,684.5
As a % of net sales	42.2 %			41.0 %
Earnings from operations	760.1	37.9	8.8	806.8
As a % of net sales	18.5 %			19.7 %
Provision for income taxes <sup>c</sup>	246.0	13.6	3.2	262.8
Net earnings	463.9	24.3	5.6	493.8
Diluted earnings per share	3.59	0.19	0.05	3.83

<sup>d</sup> Expenses associated with impairment charges related to a financing arrangement with Koidu Limited (see "Financing Arrangements with Diamond Mining and Exploration Companies").

Expenses associated with specific cost-reduction initiatives, which included severance related to staffing reductions<sup>e</sup> and subleasing of certain office space for which only a portion of the Company's future rent obligations will be recovered.

Table of Contents

Free Cash Flow. Internally, management monitors its cash flow on a non-GAAP basis. Free cash flow is calculated by deducting capital expenditures from net cash provided by operating activities. The ability to generate free cash flow demonstrates how much cash the Company has available for discretionary and non-discretionary purposes after deduction of capital expenditures. The Company's operations require regular capital expenditures for the opening, renovation and expansion of stores and distribution and manufacturing facilities as well as ongoing investments in information technology. Management believes this provides a useful supplemental basis for assessing the Company's operating cash flows. The following table reconciles GAAP net cash provided by operating activities to non-GAAP free cash flow:

(in millions)	2017	2016
Net cash provided by operating activities	\$932.2	\$705.7
Less: Capital expenditures	(239.3)	(222.8)
Free cash flow <sup>a</sup>	\$692.9	\$482.9

Net cash provided by operating activities and free cash flow in 2017 reflected more effective management and timing of payables and reduced payments for income taxes, partly offset by increased inventory purchases.

<sup>a</sup> Additionally, net cash provided by operating activities and free cash flow in 2017 and 2016 reflected a voluntary cash contribution of \$15.0 million and \$120.0 million, respectively, made by the Company to its U.S. pension plan (See "Item 8. Financial Statements and Supplementary Data - Note N. Employee Benefit Plans").

## Comparable Store Sales

Comparable store sales include only sales transacted in Company-operated stores open for more than 12 months. Sales for relocated stores are included in comparable store sales if the relocation occurs within the same geographical market. Sales for a new store are not included in comparable store sales if that store was relocated from one department store to another or from a department store to a free-standing location. In all markets, the results of a store in which the square footage has been expanded or reduced remain in the comparable store base.

## Net Sales

The Company generates sales through its retail, Internet, wholesale, business-to-business and catalog channels (see "Item 1. Business - Financial Information about Reportable Segments").

Net sales by segment were as follows:

(in millions)	2017	% of Total Net Sales	2016	% of Total Net Sales	2015	% of Total Net Sales	2017 vs 2016 % Change in Net Sales	2016 vs 2015 % Change in Net Sales
Americas	\$1,870.945		\$1,841.946		\$1,947.047		2	(5)
Asia-Pacific	1,095.0	26	999.1	25	1,003.1	24	10	—
Japan	596.3	14	604.4	15	541.3	13	(1)	12
Europe	482.9	12	457.6	11	505.7	12	6	(10)
Other	124.7	3	98.8	3	107.8	4	26	(8)
	\$4,169.8		\$4,001.8		\$4,104.9		4	(3)

TIFFANY & CO.

K-32

Table of Contents

Net Sales — 2017 compared with 2016. In 2017, worldwide net sales increased \$168.0 million, or 4%, reflecting an increase in net sales in most reportable segments. There was no impact from foreign currency translation on worldwide net sales.

In 2017, jewelry sales represented 91% of worldwide net sales. Changes in jewelry sales by product category relative to the prior year were as follows:

(in millions)	\$ Change	% Change
Jewelry collections	\$ 149.3	7 %
Engagement jewelry (56.6 )	(5 )	( )
Designer jewelry	22.1	4

The increase in net sales of Jewelry collections was driven primarily by the Tiffany HardWear and Tiffany T collections, while the Engagement jewelry category reflected decreases across the category. The Designer jewelry category reflected increases across the category.

The Jewelry collections category reflects the combination of the previously reported high, fine & solitaire jewelry and fashion jewelry categories. Additionally, jewelry bearing the name of and attributed to Jean Schlumberger, which was previously reported within the high, fine & solitaire jewelry category, has been reclassified into the Designer jewelry category. Such changes or reclassifications have been made to conform with management's current internal analysis of product sales.

Changes in net sales by reportable segment were as follows:

(in millions)	Comparable Store Sales	Non-comparable Store Sales	Wholesale/ E-Commerce/Other	Total
Americas	\$ 8.3	\$ (0.8 )	\$ 21.5	\$29.0
Asia-Pacific	(8.0 )	38.8	65.1	95.9
Japan	(5.1 )	(2.5 )	(0.5 )	(8.1 )
Europe	(6.3 )	22.1	9.5	25.3

In 2017, jewelry sales represented 89%, 99%, 91% and 97% of total net sales in the Americas, Asia-Pacific, Japan and Europe, respectively. Changes in jewelry sales relative to the prior year were as follows:

	Average Price per Unit Sold		Number of Units Sold
	As Reported	Impact of Currency Translation	
Change in Jewelry Sales			
Americas	(4 )%	—	% 5
Asia-Pacific	(11 )	1	21
Japan	—	(3 )	(3 )
Europe	2	2	4

Americas. In 2017, total net sales increased \$29.0 million, or 2%, which included comparable store sales increasing \$8.3 million, or 1%. The total net sales increase was primarily due to increased e-commerce sales growth in the U.S. and comparable store sales growth. Management attributed performance in this region to an increase in spending by local customers. On a constant-exchange-rate basis, total net sales increased 1% and comparable store sales were unchanged.

The increase in the number of jewelry units sold reflected increases in the Jewelry collections and Designer jewelry categories. The decrease in average price per jewelry unit sold reflected decreases across all categories.

TIFFANY & CO.  
K-33

---

Table of Contents

Asia-Pacific. In 2017, total net sales increased \$95.9 million, or 10%, which included comparable store sales decreasing \$8.0 million, or 1%. Total net sales growth was due to increased wholesale sales, primarily in Korea, and the effect of new stores, while comparable store sales reflected growth in mainland China offset by declines in most other countries. Management attributed the declines in other Asia-Pacific countries partly to lower spending by Chinese tourists. On a constant-exchange-rate basis, total net sales increased 8% and comparable store sales decreased 2%.

The increase in the number of jewelry units sold reflected increases in Jewelry collections and the Designer jewelry categories. Management attributed the decrease in the average price per jewelry unit sold to a shift in sales mix to the Jewelry collections and Designer jewelry categories that partly resulted from the increase in wholesale sales noted above.

Japan. In 2017, total net sales decreased \$8.1 million, or 1%, which included comparable store sales decreasing \$5.1 million, or 1%. The sales declines reflected the negative effect of currency translation. On a constant-exchange-rate basis, total net sales increased 1% and comparable store sales increased 2%.

The decrease in the number of jewelry units sold primarily reflected decreases in the Jewelry collections and the Designer jewelry categories, partly offset by increases in the Engagement jewelry category

Europe. In 2017, total net sales increased \$25.3 million, or 6%, which included comparable store sales decreasing \$6.3 million, or 2%, each benefiting from the positive effect of currency translation. Total net sales growth also reflected the effect of new stores and e-commerce sales growth. Management attributed retail sales growth to higher spending by local customers. On a constant-exchange-rate basis, total net sales increased 3% while comparable store sales decreased 4%, due to similar trends noted above.

The increase in the number of jewelry units sold reflected increases across all categories. Management attributed the increase in average price per unit sold to the positive effect of currency translation.

Other. In 2017, total net sales increased \$25.9 million, or 26%, primarily due to an increase in wholesale sales of diamonds.

Net Sales — 2016 compared with 2015. In 2016, worldwide net sales decreased \$103.1 million, or 3%, reflecting declines in the Americas and Europe, an increase in Japan and unchanged sales in Asia-Pacific. There was no significant impact from foreign currency translation on worldwide net sales.

In 2016, jewelry sales represented 92% of worldwide net sales. Changes in jewelry sales by product category relative to the prior year were as follows:

(in millions)	\$ Change	% Change
Jewelry collections	\$ (85.3 )	(4 )%
Engagement jewelry	(20.2 )	(2 )
Designer jewelry	2.7	1

The decrease in sales in the Jewelry collections category reflected declines across the category, while the Engagement jewelry category decreased due to a shift in sales mix towards wedding bands.

The Jewelry collections category reflects the combination of the previously reported high, fine & solitaire jewelry and fashion jewelry categories. Additionally, jewelry bearing the name of and attributed to Jean Schlumberger, which was previously reported within the high, fine & solitaire jewelry category, has been reclassified into the Designer jewelry

category. Such changes or reclassifications have been made to conform with management's current internal analysis of product sales.

TIFFANY & CO.  
K-34

---

Table of Contents

Changes in net sales by reportable segment were as follows:

(in millions)	Comparable Store Sales	Non-comparable Store Sales	Wholesale/ E-commerce/ Other	Total
Americas	\$ (96.1 )	\$ 2.3	\$ (11.3 )	\$(105.1)
Asia-Pacific	(80.1 )	59.8	16.3	(4.0 )
Japan	78.8	(1.3 )	(14.4 )	63.1
Europe	(59.7 )	13.1	(1.5 )	(48.1 )

In 2016, jewelry sales represented 90%, 98%, 93% and 96% of total net sales in the Americas, Asia-Pacific, Japan and Europe, respectively. Changes in jewelry sales relative to the prior year were as follows:

Change in Jewelry Sales	Average Price per Unit Sold		Number of Units Sold
	As Reported	Impact of Currency Translation	
Americas	1 %	—	(6 )%
Asia-Pacific	(5 )	(2 )	4
Japan	(2 )	11	13
Europe	(1 )	(6 )	(9 )

Americas. In 2016, total net sales decreased \$105.1 million, or 5%, which management attributed to lower sales to U.S. customers and foreign tourist spending (primarily Chinese tourists). Comparable store sales decreased \$96.1 million, or 6%. On a constant-exchange-rate basis, both total net sales and comparable store sales decreased 5%.

The decrease in the number of jewelry units sold reflected declines across all categories.

Asia-Pacific. In 2016, total net sales were approximately equal to the prior year, decreasing \$4.0 million, partly reflecting new stores and increased wholesale sales; comparable store sales decreased \$80.1 million, or 9%. Management attributed performance in this region to increased purchasing by local customers and declines in spending by foreign tourists. In addition, total net sales growth included sales growth in China, increased wholesale sales in Korea, a decelerating rate of retail sales declines in Hong Kong and varying performance in other countries. On a constant-exchange-rate basis, total net sales increased 1% and comparable store sales decreased 7%.

The increase in the number of jewelry units sold reflected increases in the Jewelry collections category and in wedding bands within the Engagement jewelry category. Management attributed the decrease in the average price per jewelry unit sold to a shift in mix within the Jewelry collections category and within the Engagement jewelry category toward wedding bands.

Japan. In 2016, total net sales increased \$63.1 million, or 12%, and comparable store sales increased \$78.8 million, or 16%. On a constant-exchange-rate basis, total net sales were in line with prior year and comparable store sales increased 5%. Management attributed this performance to higher spending by local customers and lower spending by Chinese tourists, as well as lower wholesale sales.

The increase in number of jewelry units sold reflected increases across all categories. Management attributed the decrease in the average price per jewelry unit sold to a shift in sales mix to the Designer jewelry category, as well as a shift in sales mix within the Jewelry collections category.

Europe. In 2016, total net sales decreased \$48.1 million, or 10%, and comparable store sales decreased \$59.7 million, or 14%, which management attributed to lower spending by foreign tourists and local customers across continental

Europe. On a constant-exchange-rate basis, total net sales decreased 3% and comparable store sales

TIFFANY & CO.

K-35

---



Table of Contents

decreased 9%, as softness across continental Europe was partially offset by sales increases in the U.K. (particularly in the second half of the year, largely attributable to foreign tourist spending).

The decrease in the number of jewelry units sold reflected decreases across all categories. Management attributed the decrease in average price per unit sold to the negative effect of currency translation, which offset a favorable shift toward higher-priced products within the Engagement jewelry category.

Other. In 2016, total net sales decreased \$9.0 million, or 8%, partly due to a \$16.9 million, or 22%, sales decline in the Emerging Markets region, partly offset by an increase in wholesale sales of diamonds.

Store Data. In 2017, the Company increased gross retail square footage by 3%, net, through store openings, closings and relocations. The Company opened nine stores and closed seven: opening five in Asia-Pacific (two in China, two in Australia and one in Korea), three in Europe (one each in Italy, Russia and the U.K.) and one in the Americas (in the U.S.) while closing three stores in Asia-Pacific (one each in China, Korea and Taiwan), two stores in the Americas (in the U.S.) and one each in Japan and the Emerging Markets. In addition, the Company relocated seven existing stores.

In 2016, the Company increased gross retail square footage by 3%, net, through store openings, closings and relocations. The Company opened 11 stores and closed five: opening seven in Asia-Pacific (three in China, two in Australia and one each in Korea and New Zealand), three in Europe (two in Italy and one in the Netherlands) and one in the Americas (in Canada) while closing three stores in Asia-Pacific (two in China and one in Singapore) and one each in Japan and Europe (in Germany). In addition, the Company relocated five existing stores.

Sales per gross square foot generated by all company-operated stores were approximately \$2,700 in 2017, \$2,700 in 2016 and \$2,900 in 2015. The decline in 2016 reflected the effects of decreased sales and growth in retail square footage.

Excluded from the store counts and sales per gross square foot amounts above are pop-up stores (stores with lease terms of 24 months or less).

## Gross Margin

(in millions)	2017	2016	2015
Gross profit	\$2,604.7	\$2,490.3	\$2,491.3
Gross profit as a percentage of net sales	62.5	% 62.2	% 60.7

Gross margin (gross profit as a percentage of net sales) increased 30 basis points in 2017 due to favorable product input costs, partly offset by the dilutive effects from increases in sales for wholesale distribution (merchandise sold to independent distributors for resale) and in wholesale sales of diamonds, as well as increases in certain product-related costs, including inventory reserves and distribution and logistics.

Gross margin increased 150 basis points in 2016 reflecting favorable product input costs and the effect of price increases, and, to a lesser extent, favorable changes in product sales mix.

Management periodically reviews and adjusts its retail prices when appropriate to address product input cost increases, specific market conditions and changes in foreign currencies/U.S. dollar relationships. Its long-term strategy is to continue that approach, although significant increases in product input costs or weakening foreign currencies can affect gross margin negatively over the short-term until management makes necessary price adjustments. Among the market conditions that management considers are consumer demand for the product category involved, which may be

influenced by consumer confidence, and competitive pricing conditions. Management uses derivative instruments to mitigate certain foreign exchange and precious metal price exposures (see "Item 8. Financial Statements and Supplementary Data – Note H. Hedging Instruments"). Management increased retail prices in both 2017 and 2016 across most geographic regions and product categories, some of which were intended to mitigate foreign currency fluctuations.

TIFFANY & CO.

K-36

---

Table of Contents

## Selling, General and Administrative Expenses

(in millions)	2017	2016	2015
As reported:			
SG&A expenses	\$1,810.2	\$1,769.1	\$1,731.2
SG&A expenses as a percentage of net sales ("SG&A expense ratio")	43.4	% 44.2	% 42.2
Excluding other operating expenses*:			
SG&A expenses	\$1,810.2	\$1,731.1	\$1,684.5
SG&A expense ratio	43.4	% 43.3	% 41.0

\*See "Non-GAAP Measures" above for a description of such excluded operating expenses.

SG&A expenses increased \$41.1 million, or 2%, in 2017 and \$37.9 million, or 2%, in 2016. SG&A expenses in 2016 and 2015 included certain other operating expenses. See "Non-GAAP Measures" for further details.

SG&A expenses in 2017 increased \$79.1 million, or 5%, compared to 2016 (excluding the 2016 items noted in "Non-GAAP Measures"), largely reflecting increased labor and incentive compensation costs, store occupancy and depreciation expenses and marketing costs. There was no significant effect on SG&A expense changes from foreign currency translation.

SG&A expenses in 2016 increased \$46.6 million, or 3%, compared to 2015 (excluding the 2016 and 2015 items noted in "Non-GAAP Measures"), largely reflecting increased store occupancy and depreciation expenses and labor and incentive compensation costs. There was no significant effect on SG&A expense changes from foreign currency translation.

The Company's SG&A expenses are largely fixed or controllable in nature (including, but not limited to, marketing costs, employees' salaries and benefits, fixed store rent and depreciation expenses), with the total of such costs representing approximately 80 - 85% of total SG&A expenses, and the remainder comprised of variable items (including, but not limited to, variable store rent, sales commissions and fees paid to credit card companies).

## Earnings from Operations

(dollars in millions)	2017	2016	2015
As reported:			
Earnings from operations	\$794.5	\$721.2	\$760.1
Operating margin	19.1	% 18.0	% 18.5
Basis point change from prior year	110	(50 )	(250 )
Excluding other operating expenses*:			
Earnings from operations	\$794.5	\$759.2	\$806.8
Operating margin	19.1	% 19.0	% 19.7
Basis point change from prior year	10	(70 )	(130 )

\*See "Non-GAAP Measures" above for a description of such excluded operating expenses.

The increase in operating margin in 2017 reflected impairment charges recorded in 2016 (see "Non-GAAP Measures"). When excluding such charges, the slight increase in 2017 resulted from a higher gross margin partly offset by an increase in the SG&A expense ratio. The decline in operating margin in 2016 resulted from sales deleveraging of SG&A expenses, which were only partly offset by higher gross margins.

TIFFANY &amp; CO.

K-37

Table of Contents

Results by segment are as follows:

(in millions)	2017	% of Net Sales	2016	% of Net Sales	2015	% of Net Sales
Earnings from operations*:						
Americas	\$390.3	20.9	\$373.0	20.3	\$390.8	20.1
Asia-Pacific	286.1	26.1	256.0	25.6	264.4	26.4
Japan	207.3	34.8	204.6	33.9	199.9	36.9
Europe	86.3	17.9	81.6	17.8	97.4	19.3
Other	6.3	5.1	5.9	6.0	6.4	6.0
	976.3		921.1		958.9	
Unallocated corporate expenses	(181.8 )	(4.4 )%	(161.9 )	(4.0 )%	(152.1 )	(3.7 )%
Earnings from operations before other operating expenses	794.5	19.1	759.2	19.0	806.8	19.7
Other operating expenses	—		(38.0 )		(46.7 )	
Earnings from operations	\$794.5	19.1	\$721.2	18.0	\$760.1	18.5

\* Percentages represent earnings from operations as a percentage of each segment's net sales.

On a segment basis, the ratio of earnings from operations to each segment's net sales in 2017 compared with 2016 was as follows:

- Americas – the ratio increased 60 basis points due to an improvement in gross margin, partly offset by sales leverage on operating expenses;

- Asia-Pacific – the ratio increased 50 basis points due to sales leverage on operating expenses, partly offset by a decrease in gross margin, both attributable to increased wholesale sales in the region;

- Japan – the ratio increased 90 basis points due to an increase in gross margin (which includes the effect of changes in foreign currency exchange rates on inventory purchases), partly offset by sales leverage on operating expenses; and

- Europe – the ratio increased 10 basis points due to an increase in gross margin, largely offset by a sales leverage on operating expenses.

On a segment basis, the ratio of earnings from operations to each segment's net sales in 2016 compared with 2015 was as follows:

- Americas – the ratio increased 20 basis points due to an improvement in gross margin, largely offset by a lack of sales leverage on operating expenses resulting from a decrease in net sales;

- Asia-Pacific – the ratio decreased 80 basis points due to a lack of sales leverage on operating expenses, primarily attributable to new store-related expenses, partly offset by an improvement in gross margin;

- Japan – the ratio decreased 300 basis points primarily due to a decrease in gross margin that reflected an unfavorable impact tied to the strengthening of the Yen on the Company's program to utilize Yen forward contracts for a portion of its forecasted merchandise purchases; and

- Europe – the ratio decreased 150 basis points due to a decrease in net sales resulting in a lack of sales leverage on operating expenses, partly offset by an improvement in gross margin.

Unallocated corporate expenses include 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. Unallocated corporate expenses increased by \$19.9 million in 2017 due

TIFFANY & CO.

K-38

## Table of Contents

to an increase in charitable donations to the Tiffany & Co. Foundation, a private foundation organized to support 501(c)(3) charitable organizations, increased costs associated with upgrades to the Company's information technology systems and higher severance costs associated with changes in corporate management. Such expenses increased \$9.8 million in 2016, primarily due to increased costs, including depreciation and amortization expense, associated with upgrades to the Company's information technology systems as well as increased incentive compensation expense.

Included in other operating expenses in the table above, the 2016 amount represented \$25.4 million associated with an impairment charge related to software costs capitalized in connection with the development of a new finished goods inventory management and merchandising information system (see "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies and Note E. Property, Plant and Equipment") and \$12.6 million associated with impairment charges related to financing arrangements with diamond mining and exploration companies (see "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies").

Included in other operating expenses in the table above, the 2015 amount represented \$37.9 million associated with impairment charges related to a financing arrangement with Koidu Limited (see "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies") and \$8.8 million of expenses associated with specific cost-reduction initiatives (see "Item 8. Financial Statements and Supplementary Data - Note J. Commitments and Contingencies").

### Interest Expense and Financing Costs

Interest expense and financing costs decreased \$4.0 million, or 9%, in 2017 and \$3.0 million, or 6%, in 2016.

### Other (Income) Expense, Net

Other (income) expense, net includes interest income as well as gains/losses on investment activities and foreign currency transactions. Net other income of \$8.0 million in 2017 compared with net other income of \$1.4 million in 2016. The \$6.6 million increase in 2017 was primarily due to gains on sales of marketable securities and an increase in interest income. Net other income of \$1.4 million in 2016 compared with net other expense of \$1.2 million in 2015. The \$2.6 million change was primarily due to reduced foreign currency transaction losses.

### Provision for Income Taxes

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. On the same date, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which addresses the application of U.S. GAAP in situations in which a registrant does 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. Changes in tax law are accounted for in the period of enactment. As such, the 2017 consolidated financial statements reflect the estimated immediate tax effect of the 2017 Tax Act. See "Item 8. Financial Statements and Supplementary Data - Note O. Income Taxes" for additional information on the provisions and impacts of the 2017 Tax Act and SAB 118.

The effective income tax rate was 51.3% in 2017 compared with 34.1% in 2016 and 34.7% in 2015. The effective income tax rate in 2017 reflected the impact of a \$146.2 million net charge, or \$1.17 per diluted share, related to the enactment of the 2017 Tax Act in December 2017. The net charge recorded includes:

• Estimated tax expense of \$94.8 million, or \$0.76 per diluted share, for the impact of the reduction in the U.S. tax rate on the Company's deferred tax assets and liabilities,

Estimated tax expense of \$56.0 million, or \$0.45 per diluted share, for the one-time transition tax effected via a mandatory deemed repatriation of post-1986 undistributed foreign earnings and profits ("Transition Tax"), and

A tax benefit of \$4.6 million, or \$0.04 per diluted share, resulting from the effect of the 21% statutory tax rate for the month of January 2018 on the Company's annual statutory tax rate for the year ended January

TIFFANY & CO.

K-39

---

Table of Contents

31, 2018. Because the Company's fiscal year ended on January 31, 2018, the Company's statutory tax rate for fiscal 2017 is 33.8%, rather than 35.0%.

Excluding this net charge, the effective income tax rate was 32.1% (see "Non-GAAP Measures"). This differs from the effective tax rate in 2016 of 34.1% primarily due to an increase in the domestic manufacturing deduction, the implementation of ASU 2016-09, which now requires excess tax benefits and/or shortfalls related to exercises and vesting of share-based compensation to be recorded in the provision for income taxes rather than in additional paid-in capital and lower state taxes, partially offset by the impact of a change in uncertain tax positions primarily attributable to the conclusion of a tax examination during the first quarter of 2016.

In connection with the implementation of ASU 2016-09, the Company recognized an income tax benefit of \$6.8 million, or \$0.05 per diluted share, in 2017. In connection with the conclusion of the tax examination during the first quarter of 2016, the Company recognized an income tax benefit of \$6.6 million, or \$0.05 per diluted share.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's liquidity needs have been, and are expected to remain, primarily a function of its ongoing, seasonal and expansion-related working capital requirements and capital expenditure needs. Over the long term, the Company manages its cash and capital structure to maintain a strong financial position that provides flexibility to pursue strategic priorities. Management regularly assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. Management believes that cash on hand, internally generated cash flows, the funds available under its revolving credit facilities and the ability to access the debt and capital markets are sufficient to support the Company's liquidity and capital requirements for the foreseeable future.

At January 31, 2018, the Company's cash and cash equivalents totaled \$970.7 million, of which approximately 25% was held in locations outside the U.S. where, prior to the enactment of the 2017 Tax Act, the Company had asserted to indefinitely reinvest any undistributed earnings to support its continued expansion and investments in such foreign locations. As a result of the 2017 Tax Act, the Company is currently evaluating such assertion. This evaluation is incomplete and will be completed during the measurement period allowed for under SAB 118. If the Company's assertion to indefinitely reinvest earnings is maintained, such cash balances would not be available to fund U.S. cash requirements unless the Company were to decide to repatriate such funds and incur applicable tax charges. The applicable tax charges may include withholding taxes and tax on foreign currency gains and losses. The Company believes it has sufficient sources of cash in the U.S. to fund its U.S. operations without the need to repatriate any of those funds held outside the U.S. See "Item 8. Financial Statements and Supplementary Data - Note O. Income Taxes" for additional information. In addition, the Company had Short-term investments of \$320.5 million at January 31, 2018 compared with \$57.8 million at January 31, 2017.

The following table summarizes cash flows from operating, investing and financing activities:

(in millions)	2017	2016	2015
Net cash provided by (used in):			
Operating activities	\$932.2	\$705.7	\$817.4
Investing activities	(481.1 )	(236.8 )	(278.2 )
Financing activities	(421.1 )	(386.4 )	(426.1 )
Effect of exchange rates on cash and cash equivalents	12.7	1.9	0.5
Net increase in cash and cash equivalents	\$42.7	\$84.4	\$113.6

TIFFANY & CO.  
K-40

---



## Table of Contents

### Operating Activities

The Company had net cash inflows from operating activities of \$932.2 million in 2017, \$705.7 million in 2016 and \$817.4 million in 2015. The increase in 2017 compared to 2016 reflected more effective management and timing of payables and reduced payments for income taxes, partly offset by increased inventory purchases. Additionally, the Company made a \$15.0 million voluntary cash contribution to its U.S. pension plan in the third quarter of 2017. The decrease in 2016 compared to 2015 was primarily due to a \$120.0 million voluntary contribution made by the Company to its U.S. pension plan in 2016.

**Working Capital.** Working capital (current assets less current liabilities) increased to \$3.3 billion at January 31, 2018 from \$2.9 billion at January 31, 2017. The increase in 2017 was due to an increase in Short-term investments and a decrease in Short-term borrowings.

Accounts receivable, less allowances at January 31, 2018 were 2% higher than at January 31, 2017. Currency translation had the effect of increasing accounts receivable, less allowances by 4% from January 31, 2017.

Inventories, net at January 31, 2018 were 4% higher than at January 31, 2017, which reflected similar increases in both finished goods inventories and combined raw material and work-in-process inventories. Currency translation had the effect of increasing inventories, net by 3% from January 31, 2017.

Accounts payable and accrued liabilities at January 31, 2018 were 40% higher than at January 31, 2017, which reflected more effective management of payables, as well as the timing of payments.

### Investing Activities

The Company had net cash outflows from investing activities of \$481.1 million in 2017, \$236.8 million in 2016 and \$278.2 million in 2015. The increase in net cash outflows in 2017 compared to 2016 was driven by increased net purchases of marketable securities and short-term investments. The decrease in net cash outflows in 2016 compared to 2015 was driven by decreased capital expenditures as well as reduced net purchases of marketable securities and short-term investments.

**Marketable Securities and Short-Term Investments.** The Company invests a portion of its cash in marketable securities and short-term investments. The Company had \$246.6 million of net purchases of marketable securities and short-term investments during 2017, compared with \$15.7 million during 2016 and \$26.4 million during 2015.

**Capital Expenditures.** Capital expenditures are typically related to the opening, renovation and/or relocation of stores (which represented approximately 60%, 60% and 50% of capital expenditures in 2017, 2016 and 2015, respectively), as well as distribution and manufacturing facilities and ongoing investments in information technology. Capital expenditures were \$239.3 million in 2017, \$222.8 million in 2016 and \$252.7 million in 2015, representing 6% of worldwide net sales in each year.

### Financing Activities

The Company had net cash outflows from financing activities of \$421.1 million in 2017, \$386.4 million in 2016 and \$426.1 million in 2015.

TIFFANY & CO.

K-41



Table of Contents

Recent Borrowings. The Company had net (repayments of) proceeds from short-term and long-term borrowings as follows:

(in millions)	2017	2016	2015
Short-term borrowings:			
(Repayments of) proceeds from credit facility borrowings, net	\$(67.8 )	\$14.2	\$(11.3)
Proceeds from other credit facility borrowings	39.2	76.8	24.8
Repayments of other credit facility borrowings	(96.1 )	(83.1 )	(16.0 )
Net (repayments of) proceeds from short-term borrowings	(124.7 )	7.9	(2.5 )
Long-term borrowings:			
Proceeds from the issuance of long-term debt	—	98.1	—
Repayment of long-term debt	—	(97.1 )	—
Net proceeds from long-term borrowings	—	1.0	—
Net (repayments of) proceeds from total borrowings	\$(124.7)	\$8.9	\$(2.5 )

Credit Facilities. In 2014, the Registrant entered into a four-year \$375.0 million and a five-year \$375.0 million multi-bank, multi-currency, committed unsecured revolving credit facility, including letter of credit subfacilities (collectively, the "Credit Facilities"), resulting in a total borrowing capacity of \$750.0 million. In October 2016, the maturity for each of the Credit Facilities was extended for one additional year pursuant to the terms set forth in the respective agreements governing the Credit Facilities. Therefore, the four-year and five-year Credit Facilities will mature in October of 2019 and 2020, respectively.

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 are 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 Credit Facilities 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.

Other Credit Facilities. In 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 (\$156.5 million at January 31, 2018) and matures in July 2019.

Under all of the Company's credit facilities and the Commercial Paper Program, at January 31, 2018, there were \$120.6 million of borrowings outstanding, \$6.8 million of letters of credit issued but not outstanding and \$918.1 million available for borrowing. At January 31, 2017, there were \$228.7 million of borrowings outstanding, \$4.0 million of letters of credit issued but not outstanding and \$798.4 million available for borrowing. The weighted-average interest rate for borrowings outstanding was 4.35% at January 31, 2018 and 2.71% at January 31, 2017.

Senior Notes. In August 2016, the Registrant issued ¥10.0 billion (\$91.9 million at January 31, 2018) of 0.78% Senior Notes due August 2026 (the "Yen Notes") in a private transaction. The Yen Notes bear interest at a rate of 0.78% per annum, payable semi-annually on February 26 and August 26 of each year, commencing February 26, 2017. 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.

The ratio of total debt (short-term borrowings and long-term debt) to stockholders' equity was 31% at January 31, 2018 and 37% at 2017.

At January 31, 2018, the Company was in compliance with all debt covenants.

TIFFANY & CO.

K-42

---

Table of Contents

For additional information regarding all of the Company's credit facilities, senior note issuances and other outstanding indebtedness, see "Item 8. Financial Statements and Supplementary Data - Note G. Debt."

Share Repurchases. In March 2014, the Company's Board of Directors approved a share repurchase program (the "2014 Program"), which authorized the Company to repurchase up to \$300.0 million of its Common Stock through open market transactions. The 2014 Program had an expiration date of March 31, 2017, but was terminated in January 2016 in connection with the authorization of a new program with increased repurchase capacity (as described in more detail below). Approximately \$58.6 million remained available for repurchase under the 2014 Program at the time of its termination.

In January 2016, the Company's Board of Directors approved a new share repurchase program (the "2016 Program"), which authorizes the Company to repurchase up to \$500.0 million of its Common Stock through open market transactions, block trades or privately negotiated transactions and terminated the 2014 Program. Purchases under the 2014 Program were, and purchases under the 2016 Program have been, executed under a written plan for trading securities as specified under Rule 10b5-1 promulgated under the Securities and Exchange Act of 1934, as amended, the terms of which are within the Company's discretion, subject to applicable securities laws, and are based on market conditions and the Company's liquidity needs. The 2016 Program will expire on January 31, 2019. At January 31, 2018, \$211.2 million remained available for repurchase under the 2016 Program.

The Company's share repurchase activity was as follows:

(in millions, except per share amounts)	2017	2016	2015
Cost of repurchases	\$99.2	\$183.6	\$220.4
Shares repurchased and retired	1.0	2.8	2.8
Average cost per share	\$94.86	\$65.24	\$78.40

Proceeds from exercised stock options. The Company's proceeds from exercised stock options were \$54.6 million, \$15.3 million and \$2.0 million in 2017, 2016 and 2015, respectively.

Dividends. The cash dividend on the Company's Common Stock was increased once in each of 2017, 2016 and 2015. The Company's Board of Directors declared quarterly dividends which totaled \$1.95, \$1.75 and \$1.58 per common share in 2017, 2016 and 2015, respectively, with cash dividends paid of \$242.6 million, \$218.8 million and \$203.4 million in those respective years. The dividend payout ratio (dividends as a percentage of net earnings) was 66%, 49% and 44% in 2017, 2016 and 2015, respectively. Dividends as a percentage of adjusted net earnings (see "Non-GAAP Measures") were 47%, 47% and 41% in 2017, 2016 and 2015, respectively.

At least annually, the Company's Board of Directors reviews its policies with respect to dividends and share repurchases with a view to actual and projected earnings, cash flows and capital requirements.

#### Financing Arrangements with Diamond Mining and Exploration Companies

The Company provided financing to diamond mining and exploration companies in order to obtain rights to purchase the output from mines owned by these companies. At January 31, 2017, there was \$43.8 million of principal outstanding under a financing arrangement (the "Loan") with Koidu Limited (previously Koidu Holdings S.A.) ("Koidu"). However, the Company recorded impairment charges totaling \$4.2 million and \$37.9 million during the fiscal years ended January 31, 2017 and 2016, respectively, related to the Loan and ceased accruing interest income on the loan as of July 2015, resulting in a net carrying amount of the Loan of \$1.7 million at 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, pursuant to which Laurelton

Edgar Filing: TIFFANY & CO - Form 10-K

Diamonds, Inc., a wholly owned subsidiary of the Company, had previously been required to purchase at fair market value certain diamonds recovered from the mine operated by Koidu that met Laurelton's quality standards.

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.

TIFFANY & CO.

K-43

---

Table of Contents

Impairment charges recorded on such arrangements were not significant during the fiscal year ended January 31, 2018.

## Information Systems Assessment

The Company is engaged in a multi-year program to evaluate and, where appropriate, upgrade and/or replace certain of its information systems. As part of this program, the Company identified opportunities to enhance its finished goods inventory management and merchandising capabilities, and began development efforts to replace certain of its existing systems and provide these enhanced capabilities. In 2016, the Company completed an assessment of the replacement system that was under development to evaluate whether the continued development of this system would deliver sufficiently improved operating capabilities. Following the completion of this assessment, in the fourth quarter of 2016, the Company concluded that the development of this system should be modified such that the finished goods inventory management and merchandising capabilities that were intended to be delivered utilizing this new system will instead be delivered through further development of the Company's current Enterprise Resource Planning system and continued implementation of a new order management system. Accordingly, the Company evaluated the costs capitalized for the development of the replacement system for impairment in accordance with its policy on the review of long-lived assets, and determined, based on specific identification of costs capitalized pertaining to the development of specific capabilities in the new system, that \$25.4 million of such capitalized costs related to software functionality which will not be utilized, and therefore will not have future benefit to the Company. As such, the Company recorded a pre-tax impairment charge of \$25.4 million as a component of Selling, General and Administrative expenses in the fourth quarter of 2016. This multi-year program is ongoing and, as previously disclosed, may require significant capital expenditures and dedication of resources in both current and future periods, though management believes that the modified approach referenced above will ultimately result in a lower overall cost to the Company in delivering these capabilities.

## Contractual Cash Obligations and Commercial Commitments

The following is a summary of the Company's contractual cash obligations at January 31, 2018:

(in millions)	Total	2018	2019-2020	2021-2022	Thereafter
Unrecorded contractual obligations:					
Operating leases <sup>a</sup>	\$1,685.7	\$313.6	\$ 458.9	\$ 349.4	\$ 563.8
Inventory purchase obligations <sup>b</sup>	268.4	268.4	—	—	—
Interest on debt <sup>c</sup>	629.2	35.9	71.8	70.7	450.8
Other contractual obligations <sup>d</sup>	86.6	58.1	17.8	4.1	6.6
Recorded contractual obligations:					
Short-term borrowings	120.6	120.6	—	—	—
Long-term debt <sup>e</sup>	891.9	—	—	50.0	841.9
2017 Tax Act - Transition Tax liability <sup>f</sup>	56.5	5.9	8.8	8.8	33.0
	\$3,738.9	\$802.5	\$ 557.3	\$ 483.0	\$ 1,896.1

Operating lease obligations do not include obligations for contingent rent, property taxes, insurance and maintenance that are required by most lease agreements. Contingent rent for the year ended January 31, 2018

a) totaled \$32.7 million. See "Item 8. Financial Statements and Supplementary Data - Note J. Commitments and Contingencies" for a discussion of the Company's operating leases.

The Company will, from time to time, enter into arrangements to purchase rough diamonds that contain minimum purchase obligations. Inventory purchase obligations associated with these agreements have been estimated at

b) approximately \$45.0 million for 2018 and are included in this table. Purchases beyond 2018 that are contingent upon mine production have been excluded as they cannot be reasonably estimated.

c) Excludes interest payments on amounts outstanding under available lines of credit, as the outstanding amounts fluctuate based on the Company's working capital needs.

TIFFANY & CO.  
K-44

---



Table of Contents

d) Consists primarily of technology licensing and service contracts, fixed royalty commitments, construction-in-progress and packaging supplies.

e) Amounts exclude any unamortized discount or premium.

Under the 2017 Tax Act, the Company recorded estimated income tax expense of \$56.0 million in respect of the Transition Tax and a related income tax liability, which is payable over eight years, and of which \$5.9 million is current and \$50.6 million is non-current, as of January 31, 2018. See "Item 8. Financial Statements and Supplementary Data - Note O. Income Taxes" for additional information.

The summary above does not include the following items:

Cash contributions to the Company's pension plan and cash payments for other postretirement obligations. The Company funds its U.S. pension 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 2017, and none is required in 2018, to meet the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA"). However, the Company periodically evaluates whether to make discretionary cash contributions to the Qualified Plan and made voluntary cash contributions of \$15.0 million in 2017 and \$120.0 million in 2016, but currently does not expect to make such contributions in 2018. 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 Company estimates cash payments for postretirement health-care and life insurance benefit obligations will not be significant in 2018.

Unrecognized tax benefits at January 31, 2018 of \$10.1 million and accrued interest and penalties of \$10.3 million. The final outcome of tax uncertainties is dependent upon various matters including tax examinations, interpretation of the applicable tax laws or expiration of statutes of limitations. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters. However, the examinations may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes.

The following is a summary of the Company's outstanding borrowings and available capacity under its credit facilities at January 31, 2018:

(in millions)	Total Capacity	Borrowings Outstanding	Letters of Credit Available	
			Issued	Capacity
Four-year revolving credit facility <sup>a, c</sup>	\$ 375.0	\$ 8.7	\$ —	\$ 366.3
Five-year revolving credit facility <sup>b, c</sup>	375.0	24.8	6.8	343.4
Other credit facilities <sup>d</sup>	295.5	87.1	—	208.4
	\$1,045.5	\$ 120.6	\$ 6.8	\$ 918.1

a) Matures in October 2019.

b) Matures in October 2020.

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. The aggregate amount of borrowings that the Company is currently authorized to have outstanding under the Commercial Paper Program and the Credit Facilities is \$750.0 million. As of January 31, 2018, there were no borrowings outstanding under the Commercial Paper Program.

d) Maturities through 2019.

In addition, the Company has other available letters of credit and financial guarantees of \$81.2 million, of which \$22.6 million was outstanding at January 31, 2018. Of those available letters of credit and financial guarantees, \$60.1 million expires within one year.

TIFFANY & CO.

K-45

---

## Table of Contents

### Seasonality

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing approximately one-third of annual net sales and a higher percentage of annual net earnings. Management expects such seasonality to continue.

### Critical Accounting Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates and the differences could be material. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements and records any necessary adjustments.

The development and selection of critical accounting estimates and the related disclosures below have been reviewed with the Audit Committee of the Company's Board of Directors. The following critical accounting policies that rely on assumptions and estimates were used in the preparation of the Company's consolidated financial statements.

**Inventory.** The Company writes down its inventory for discontinued and slow-moving products. This write-down is equal to the difference between the cost of inventory and its net realizable value, and is based on assumptions about future demand and market conditions. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company has not made any material changes in the accounting methodology used to establish its reserve for discontinued and slow-moving products during the past three years. At January 31, 2018, a 10% change in the reserve for discontinued and slow-moving products would have resulted in a change of \$7.5 million in inventory and cost of sales.

**Property, plant and equipment and intangibles assets and key money.** The Company reviews its property, plant and equipment and intangibles assets and key money 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 these assets is evaluated by comparing the carrying value of the asset with 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. 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 software costs capitalized in connection with the development of a new finished goods inventory management and merchandising information system (see "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies and Note E. Property, Plant and Equipment" for additional information). The Company did not record any significant impairment charges in 2015.

**Goodwill.** The Company performs its annual impairment evaluation of goodwill during the fourth quarter of its fiscal year or when circumstances otherwise indicate an evaluation should be performed. A qualitative assessment is first performed for each reporting unit to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than its carrying value. If it is concluded that this is the case, an evaluation, based upon discounted cash flows, is performed and requires management to estimate future cash flows, growth rates and economic and market conditions. The 2017, 2016 and 2015 evaluations resulted in no impairment charges.

**Income taxes.** The Company is subject to income taxes in U.S. federal and state, as well as foreign, jurisdictions. The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company's global operations. Significant judgments and

estimates are required in determining consolidated income tax expense. The Company's income tax expense, deferred tax assets and liabilities and reserves for uncertain tax positions reflect management's best assessment of estimated future taxes to be paid.

Foreign and domestic tax authorities periodically audit the Company's income tax returns. These audits often examine and test the factual and legal basis for positions the Company has taken in its tax filings with respect to its tax liabilities, including the timing and amount of deductions and the allocation of income among various tax jurisdictions ("tax filing positions"). Management believes that its tax filing positions are reasonable and legally

TIFFANY & CO.

K-46

---

## Table of Contents

supportable. However, in specific cases, various tax authorities may take a contrary position. 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. Earnings could be affected to the extent the Company prevails in matters for which reserves have been established or is required to pay amounts in excess of established reserves. At January 31, 2018, total unrecognized tax benefits were \$10.1 million of which approximately \$1.1 million, if recognized, would affect the effective income tax rate. As of January 31, 2018, unrecognized tax benefits are not expected to change materially in the next 12 months. Future developments may result in a change in this assessment.

In evaluating the Company's ability to recover its deferred tax assets within the jurisdiction from which they arise, management considers all available evidence. The Company records valuation allowances when management determines it is more likely than not that deferred tax assets will not be realized in the future.

Following the enactment of the 2017 Tax Act on December 22, 2017, the SEC issued SAB 118 to address the application of U.S. GAAP in situations when a registrant does 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 provides a measurement period for companies to evaluate the impacts of the 2017 Tax Act on their financial statements. This measurement period begins in the reporting period that includes the enactment date and ends when an entity has obtained, prepared and analyzed the information that was needed in order to complete the accounting requirements, and cannot exceed one year. The Company has adopted the provisions of SAB 118 with respect to the impact of the 2017 Tax Act on its consolidated financial statements.

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 relates 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, represent provisional amounts for which the Company's analysis is incomplete but a reasonable estimate could be determined and 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 is incomplete as the Company is analyzing the relevant provisions of the 2017 Tax Act and related accounting guidance. Therefore, a provisional estimate has not been recorded or disclosed as it relates to the potential tax consequences of an actual repatriation of unremitted foreign earnings.

As the Company refines its provisional estimate calculations, further analyzes provisions of the 2017 Tax Act and any subsequent guidance related thereto, these provisional estimates could be affected, which could have a material impact on the Company's future financial results, including its fiscal 2018 results (see "Item 7. Management's Discussion and Analysis - 2018 Outlook"). Additionally, further regulatory or GAAP accounting guidance regarding the 2017 Tax Act could also materially affect the Company's future financial results.

For additional information, see "Item 8. Financial Statements and Supplementary Data - Note O. Income Taxes".

Employee benefit plans. The Company maintains several pension and retirement plans, as well as provides certain postretirement health-care and life insurance benefits for retired employees. The Company makes certain assumptions that affect the underlying estimates related to pension and other postretirement costs. Significant changes in interest rates, the market value of securities and projected health-care costs would require the Company to revise key assumptions and could result in a higher or lower charge to earnings.

The Company used a discount rate of 4.25% to determine 2017 expense for its U.S. Qualified Plan, its postretirement plans and its Excess Plan/SRIP. Holding all other assumptions constant, a 0.5% increase in the discount rates would

have decreased 2017 pension and postretirement expenses by \$5.8 million and \$0.5 million. A decrease of 0.5% in the discount rates would have increased the 2017 pension and postretirement expenses by \$6.5 million and \$0.3 million. The discount rate is subject to change each year, consistent with changes in the yield on applicable high-quality, long-term corporate bonds. Management selects a discount rate at which pension and postretirement benefits could be effectively settled based on (i) an analysis of expected benefit payments attributable to current employment service and (ii) appropriate yields related to such cash flows.

TIFFANY & CO.

K-47

---

## Table of Contents

The Company used an expected long-term rate of return on pension plan assets of 7.00% to determine its 2017 pension expense. Holding all other assumptions constant, a 0.5% change in the long-term rate of return would have changed the 2017 pension expense by approximately \$2.4 million. The expected long-term rate of return on pension 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 the 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 7.00% annual rate of increase in the per capita cost of covered health care was assumed for 2018. The rate was assumed to decrease gradually to 4.75% by 2023 and remain at that level thereafter. A one-percentage-point change in the assumed health-care cost trend rate would not have a significant effect on the Company's accumulated postretirement benefit obligation for the year ended January 31, 2018 or aggregate service and interest cost components of the 2017 postretirement expense.

## 2018 Outlook

For the fiscal year ending January 31, 2019 ("fiscal 2018"), management's guidance includes: (i) worldwide net sales increasing by a mid-single-digit percentage over the prior year both as reported and on a constant-exchange-rate basis; (ii) earnings before income taxes equal to or slightly below the prior year; (iii) net earnings increasing to a range of \$4.25 – \$4.45 per diluted share and (iv) net earnings and EPS increasing in the first quarter with subsequent quarters' earnings over the balance of the year affected by the amount and timing of anticipated higher investment spending. These expectations are approximations and are based on the Company's plans and assumptions for the full year, including: (i) low-to-mid-single-digit comparable sales growth (which, beginning in 2018, will include Company-operated stores, e-commerce and catalog sales for the periods that are presented), with varying degrees of growth in all regions; (ii) worldwide gross retail square footage increasing 2%, net through nine store openings, two closings and at least 15 relocations; (iii) operating margin below the prior year as a result of SG&A expense growth (affected by higher investment spending in technology, marketing communications, visual merchandising, digital and store presentations) at a higher rate than sales growth, partly offset by a higher gross margin; (iv) interest and other expenses, net in line with the prior year; (v) an effective income tax rate in the high 20's; (vi) no meaningful effect in fiscal 2018 from the U.S. dollar versus foreign currencies on a year-over-year basis; and (vii) minimal benefit to net earnings per diluted share from share repurchases.

Management also expects: (i) net cash provided by operating activities of \$660 million and (ii) free cash flow (see "Non-GAAP Measures") of \$380 million. These expectations are approximations and are based on the Company's plans and assumptions for the full year, including: (i) net inventories increasing approximately in line with sales growth, (ii) capital expenditures of \$280 million and (iii) net earnings in line with management's expectations, as described above.

## NEW ACCOUNTING STANDARDS

See "Item 8. Financial Statements and Supplementary Data - Note B. Summary of Significant Accounting Policies."

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TIFFANY & CO.  
K-48

---



Table of Contents

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from fluctuations in foreign currency exchange rates, precious metal prices and interest rates, which could affect its consolidated financial position, earnings and cash flows. The Company manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading or speculative purposes.

## Foreign Currency Risk

The Company uses foreign exchange forward contracts or put option 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 maximum term of the Company's outstanding foreign exchange forward contracts as of January 31, 2018 is 12 months. At January 31, 2018 and 2017, the aggregate fair value of the Company's outstanding foreign exchange forwards was a net liability of \$5.1 million and a net asset of \$7.1 million, respectively.

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, 2018, 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 billions)
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

At January 31, 2018, the aggregate fair value of the Company's outstanding cross-currency swaps was a net liability of \$20.2 million.

At January 31, 2018, for all of the contracts and swaps noted above, a 10% decrease in the hedged foreign currency exchange rates from the prevailing market rates would have resulted in a liability with a fair value of approximately \$90.0 million.

## Precious Metal Price Risk

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 a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. 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 would expire at no cost to the Company. The maximum term of the Company's outstanding precious metal forward contracts and collars as of January 31, 2018 is 17 months. At January 31, 2018 and 2017, the aggregate fair value of the Company's outstanding precious metal derivative instruments was a net asset of \$1.7 million and a net liability of \$1.7 million, respectively. At January 31, 2018, a 10% decrease in precious metal prices from the prevailing market rates would have resulted in a liability with a fair value of approximately \$9.0 million.

TIFFANY & CO.  
K-49

---

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Tiffany & Co.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Tiffany & Co. and its subsidiaries as of January 31, 2018 and 2017, and the related consolidated statements of earnings, of comprehensive earnings, of stockholders' equity, and of cash flows for each of the three years in the period ended January 31, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 31, 2018 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide

a reasonable basis for our opinions.

#### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that

TIFFANY & CO.

K-50

---

Table of Contents

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

/s/ PricewaterhouseCoopers LLP  
New York, New York  
March 16, 2018

We have served as the Company's auditor since 1984.

TIFFANY & CO.  
K-51

---

Table of Contents

## CONSOLIDATED BALANCE SHEETS

	January 31,	
(in millions, except per share amounts)	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$970.7	\$928.0
Short-term investments	320.5	57.8
Accounts receivable, less allowances of \$17.2 and \$11.5	231.2	226.8
Inventories, net	2,253.5	2,157.6
Prepaid expenses and other current assets	207.4	203.4
Total current assets	3,983.3	3,573.6
Property, plant and equipment, net	990.5	931.8
Deferred income taxes	188.2	301.8
Other assets, net	306.1	290.4
	\$5,468.1	\$5,097.6
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$120.6	\$228.7
Accounts payable and accrued liabilities	437.4	312.8
Income taxes payable	89.4	22.1
Merchandise credits and deferred revenue	77.4	69.2
Total current liabilities	724.8	632.8
Long-term debt	882.9	878.4
Pension/postretirement benefit obligations	287.4	318.6
Deferred gains on sale-leasebacks	40.5	45.9
Other long-term liabilities	284.3	193.5
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, \$0.01 par value; authorized 2.0 shares, none issued and outstanding	—	—
Common Stock, \$0.01 par value; authorized 240.0 shares, issued and outstanding 124.5 and 124.5	1.2	1.2
Additional paid-in capital	1,256.0	1,190.2
Retained earnings	2,114.2	2,078.3
Accumulated other comprehensive loss, net of tax	(138.0 )	(256.2 )
Total Tiffany & Co. stockholders' equity	3,233.4	3,013.5
Non-controlling interests	14.8	14.9
Total stockholders' equity	3,248.2	3,028.4
	\$5,468.1	\$5,097.6

See notes to consolidated financial statements.

TIFFANY & CO.

K-52

Table of Contents

## CONSOLIDATED STATEMENTS OF EARNINGS

(in millions, except per share amounts)	Years Ended January 31,		
	2018	2017	2016
Net sales	\$4,169.8	\$4,001.8	\$4,104.9
Cost of sales	1,565.1	1,511.5	1,613.6
Gross profit	2,604.7	2,490.3	2,491.3
Selling, general and administrative expenses	1,810.2	1,769.1	1,731.2
Earnings from operations	794.5	721.2	760.1
Interest expense and financing costs	42.0	46.0	49.0
Other (income) expense, net	(8.0)	(1.4)	1.2
Earnings from operations before income taxes	760.5	676.6	709.9
Provision for income taxes	390.4	230.5	246.0
Net earnings	\$370.1	\$446.1	\$463.9
Net earnings per share:			
Basic	\$2.97	\$3.57	\$3.61
Diluted	\$2.96	\$3.55	\$3.59
Weighted-average number of common shares:			
Basic	124.5	125.1	128.6
Diluted	125.1	125.5	129.1

See notes to consolidated financial statements.

TIFFANY & CO.

K-53

---

Table of Contents

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in millions)	Years Ended January 31,		
	2018	2017	2016
Net earnings	\$370.1	\$446.1	\$463.9
Other comprehensive earnings (loss), net of tax			
Foreign currency translation adjustments	95.7	(8.4	)(59.0 )
Unrealized (loss) gain on marketable securities	(2.6	)1.8	(2.9 )
Unrealized (loss) gain on hedging instruments	(6.8	)10.7	(21.4 )
Unrealized gain on benefit plans	31.9	17.8	95.7
Total other comprehensive earnings, net of tax	118.2	21.9	12.4
Comprehensive earnings	\$488.3	\$468.0	\$476.3

See notes to consolidated financial statements.

TIFFANY & CO.

K-54

---



Table of Contents

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions)	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Non- Controlling Interests
Balance at January 31, 2015	\$ 2,850.7	\$ 1,950.7	\$ (290.5 )	129.3	\$ 1.3	\$ 1,173.6	\$ 15.6
Exercise of stock options and vesting of restricted stock units ("RSUs")	0.3	—	—	0.3	—	0.3	—
Tax effect of exercise of stock options and vesting of RSUs	2.1	—	—	—	—	2.1	—
Share-based compensation expense	24.8	—	—	—	—	24.8	—
Purchase and retirement of Common Stock	(220.4 )	(198.7 )	—	(2.8 )	—	(21.7 )	—
Cash dividends on Common Stock	(203.4 )	(203.4 )	—	—	—	—	—
Other comprehensive earnings, net of tax	12.4	—	12.4	—	—	—	—
Net earnings	463.9	463.9	—	—	—	—	—
Redemption of non-controlling interest	(2.2 )	—	—	—	—	(3.4 )	1.2
Non-controlling interests	1.3	—	—	—	—	—	1.3
Balance at January 31, 2016	2,929.5	2,012.5	(278.1 )	126.8	1.3	1,175.7	18.1
Exercise of stock options and vesting of RSUs	12.5	—	—	0.5	—	12.5	—
Tax effect of exercise of stock options and vesting of RSUs	(0.5 )	—	—	—	—	(0.5 )	—
Share-based compensation expense	24.5	—	—	—	—	24.5	—
Purchase and retirement of Common Stock	(183.6 )	(161.5 )	—	(2.8 )	(0.1 )	(22.0 )	—
Cash dividends on Common Stock	(218.8 )	(218.8 )	—	—	—	—	—
Other comprehensive earnings, net of tax	21.9	—	21.9	—	—	—	—
Net earnings	446.1	446.1	—	—	—	—	—
Non-controlling interests	(3.2 )	—	—	—	—	—	(3.2 )
Balance at January 31, 2017	3,028.4	2,078.3	(256.2 )	124.5	1.2	1,190.2	14.9
Exercise of stock options and vesting of RSUs	54.6	—	—	1.1	—	54.6	—
Shares withheld related to net share settlement of share-based compensation	(8.6 )	—	—	(0.1 )	—	(8.6 )	—
Share-based compensation expense	28.2	—	—	—	—	28.2	—
Purchase and retirement of Common Stock	(99.2 )	(90.8 )	—	(1.0 )	—	(8.4 )	—
Cash dividends on Common Stock	(242.6 )	(242.6 )	—	—	—	—	—
Accrued dividends on share-based awards	(0.8 )	(0.8 )	—	—	—	—	—
Other comprehensive earnings, net of tax	118.2	—	118.2	—	—	—	—
Net earnings	370.1	370.1	—	—	—	—	—
Non-controlling interests	(0.1 )	—	—	—	—	—	(0.1 )
Balance at January 31, 2018	\$ 3,248.2	\$ 2,114.2	\$ (138.0 )	124.5	\$ 1.2	\$ 1,256.0	\$ 14.8

See notes to consolidated financial statements.

TIFFANY & CO.

K-55

---

Table of Contents

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended January 31,		
	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings	\$370.1	\$446.1	\$463.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	206.9	208.5	202.5
Amortization of gain on sale-leasebacks	(8.2)	(8.5)	(8.3)
Provision for inventories	28.9	19.2	25.4
Deferred income taxes	96.8	46.1	(1.9)
Provision for pension/postretirement benefits	35.0	45.4	65.8
Share-based compensation expense	28.0	24.3	24.5
Loan impairment charges	3.0	12.6	37.9
Asset impairment charges	10.0	25.4	—
Gains on sales of marketable securities	(3.5)	—	—
Changes in assets and liabilities:			
Accounts receivable	7.0	(19.2)	(16.7)
Inventories	(52.9)	54.8	63.7
Prepaid expenses and other current assets	(28.8)	33.6	1.1
Other assets, net	(3.7)	0.8	(17.5)
Accounts payable and accrued liabilities	98.8	(21.7)	(13.7)
Income taxes payable	149.7	(39.3)	3.1
Merchandise credits and deferred revenue	6.2	1.5	3.0
Other long-term liabilities	(11.1)	(123.9)	(15.4)
Net cash provided by operating activities	932.2	705.7	817.4
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of marketable securities and short-term investments	(598.0)	(125.5)	(100.0)
Proceeds from sales of marketable securities and short-term investments	351.4	109.8	73.6
Capital expenditures	(239.3)	(222.8)	(252.7)
Other, net	4.8	1.7	0.9
Net cash used in investing activities	(481.1)	(236.8)	(278.2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
(Repayment of) proceeds from credit facility borrowings, net	(67.8)	14.2	(11.3)
Proceeds from other credit facility borrowings	39.2	76.8	24.8
Repayment of other credit facility borrowings	(96.1)	(83.1)	(16.0)
Proceeds from the issuance of long-term debt	—	98.1	—
Repayment of long-term debt	—	(97.1)	—
Repurchase of Common Stock	(99.2)	(183.6)	(220.4)
Proceeds from exercised stock options	54.6	15.3	2.0
Payments related to tax withholding for share-based payment arrangements	(8.7)	(2.9)	(1.6)
Cash dividends on Common Stock	(242.6)	(218.8)	(203.4)
Distribution to non-controlling interest	(0.5)	(3.8)	—
Financing fees	—	(1.5)	(0.2)
Net cash used in financing activities	(421.1)	(386.4)	(426.1)
Effect of exchange rate changes on cash and cash equivalents	12.7	1.9	0.5
Net increase in cash and cash equivalents	42.7	84.4	113.6
Cash and cash equivalents at beginning of year	928.0	843.6	730.0
Cash and cash equivalents at end of year	\$970.7	\$928.0	\$843.6
See notes to consolidated financial statements.			

TIFFANY & CO.  
K-56

---

Table of Contents

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 91% of worldwide net sales in 2017); it also sells timepieces, leather goods, sterling silver goods (other than jewelry), china, crystal, stationery, eyewear, fragrances and other accessories.

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 received 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 No. 2016-09 – Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting, certain items have been reclassified on the consolidated statement of cash flows for the years ended January 31, 2017 and 2016. See "Recently Adopted Accounting Standards" below for additional information.

TIFFANY & CO.

K-57

---

## Table of Contents

### 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

Short-term investments are classified as available-for-sale and are carried at fair value. At January 31, 2018 and 2017, the Company's short-term available-for-sale investments consisted entirely of time deposits. 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, 2018 and 2017, the carrying amount of the Credit Receivables (recorded in Accounts receivable, net) was \$67.1 million and \$71.9 million, of which 95% and 97% were considered current, respectively. The allowance for doubtful accounts for estimated losses associated with the Credit Receivables (\$1.3 million at January 31, 2018 and \$1.1 million at January 31, 2017) was determined based on the factors discussed above. Finance charges earned on Credit Receivables accounts were not significant.

Financing Arrangements. The Company provided financing to diamond mining and exploration companies in order to obtain rights to purchase the mine's output. Management evaluates these financing arrangements for potential impairment by reviewing the parties' financial statements along with projections and business, operational and other economic factors on a periodic basis.

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 recorded impairment charges totaling \$4.2 million and \$37.9 million during the fiscal years ended January 31, 2017 and 2016, respectively, related to the Loan and ceased accruing interest income on the loan as of July 2015, resulting in a net carrying amount of \$1.7

TIFFANY & CO.

K-58

---



## Table of Contents

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, pursuant to which Laurelton Diamonds, Inc., a wholly owned subsidiary of the Company, had previously been required to purchase at fair market value certain diamonds recovered from the mine operated by Koidu that met Laurelton's quality standards.

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, 2017, the current portion of the carrying amount of financing arrangements including accrued interest was \$4.6 million and was recorded in Prepaid expenses and other current assets. At January 31, 2017, the non-current portion of the carrying amount of all such financing arrangements including accrued interest was \$4.4 million and was included in Other assets, net. At January 31, 2018, the carrying amount of financing arrangements was not significant. Impairment charges recorded on such arrangements were not significant during 2017.

### 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 (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 2017, 2016 or 2015.

### 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, 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.

TIFFANY & CO.  
K-59

---

Table of Contents

## 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.

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

(in millions)	January 31, 2018		January 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Product rights	\$48.9	\$(13.5)	\$48.9	\$(11.0)
Key money	36.8	(5.5)	31.9	(4.1)
Trademarks	2.5	(2.5)	2.5	(2.5)
	\$88.2	\$(21.5)	\$83.3	\$(17.6)

Amortization of intangible assets and key money for the years ended January 31, 2018, 2017 and 2016 was \$3.4 million, \$3.4 million and \$3.7 million, respectively. Amortization expense is estimated to be approximately \$3.6 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, 2018 and 2017, goodwill, included in Other assets, net, consisted of the following by reportable segment:

(in millions)	Americas	Asia-Pacific	Japan	Europe	Other	Total
January 31, 2016	\$ 12.2	\$ 0.3	\$ 1.1	\$ 1.0	\$ 23.9	\$ 38.5
Translation	(0.1)	—	(0.1)	0.1	—	(0.1)
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

The Company recorded no impairment charges related to goodwill in 2017, 2016 or 2015.

## 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 asset is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the

TIFFANY & CO.  
K-60

---

## Table of Contents

asset and the loss is recognized during that period. 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 costs capitalized in connection with the development of a new finished goods inventory management and merchandising information system (see "Note E. Property, Plant and Equipment" for additional information). The Company recorded no significant impairment charges related to long-lived assets in 2015.

## 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 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, recorded within Other assets, net, are classified as available-for-sale and are recorded at fair value with unrealized gains and losses reported as a separate component of stockholders' equity. Realized gains and losses are recorded in Other (income) expense, net. The 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 the marketable securities is determined based on prevailing market prices. Gross unrealized gains and gross unrealized losses recorded within Accumulated other comprehensive loss, net of tax as of January 31, 2018 and 2017 were not significant.

Realized gains or losses reclassified from other comprehensive earnings are determined on the basis of specific identification.

The Company's marketable securities primarily consist of investments in mutual funds. When evaluating marketable securities for other-than-temporary impairment, the Company reviews factors such as the length of time and the extent to which fair value has been below cost basis, the financial condition of the issuer, and the Company's ability and intent to hold the investments for a period of time which may be sufficient for anticipated recovery in market value. Based on the Company's evaluations, it determined that any unrealized losses on its outstanding mutual funds were temporary in nature and, therefore, did not record any impairment charges during 2017, 2016 or 2015.

## 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. The liabilities are relieved and revenue is recognized when merchandise is purchased and delivered to the customer and the 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 of the merchandise credits or gift cards is generally remitted to the applicable jurisdiction in accordance with unclaimed property laws.

## Revenue Recognition

Edgar Filing: TIFFANY & CO - Form 10-K

Sales are recognized at the "point of sale," 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. Revenue associated with gift cards and merchandise credits is recognized upon redemption. Sales are reported net of returns, sales tax and other similar taxes. Shipping and handling fees billed to customers are included in net sales. The Company maintains a reserve for potential product returns and it records, as a reduction to sales and cost of sales, its provision for estimated product returns, which is determined based on historical experience.

TIFFANY & CO.

K-61

---

## Table of Contents

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 at the "point of sale." 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 metal, 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 2017, 2016 and 2015, these costs totaled \$314.9 million, \$299.0 million and \$302.0 million, respectively, representing 7.6%, 7.5% and 7.4% 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.

### 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, \$4.8 million and \$9.8 million within Other (income) expense, net in 2017, 2016 and 2015, respectively.

TIFFANY & CO.

K-62

---



Table of Contents

## 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 addresses the application of U.S. GAAP in situations in which a registrant does 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 has accounted for the 2017 Tax Act in accordance with the provisions of SAB 118. See "Note O. Income Taxes" for additional information on the provisions and impacts of the 2017 Tax Act and 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.

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

(in millions)	Years Ended January 31,		
	2018	2017	2016
Net earnings for basic and diluted EPS	\$370.1	\$446.1	\$463.9
Weighted-average shares for basic EPS	124.5	125.1	128.6
Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units	0.6	0.4	0.5
Weighted-average shares for diluted EPS	125.1	125.5	129.1

Edgar Filing: TIFFANY & CO - Form 10-K

For the years ended January 31, 2018, 2017 and 2016, there were 0.6 million, 1.3 million and 0.8 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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 – Revenue From Contracts with Customers, to clarify the principles of recognizing revenue and create

TIFFANY & CO.

K-63

---

## Table of Contents

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 will need to use more judgment and make more estimates than under ASC 605 – Revenue Recognition. 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 is permitted. Subsequently, the FASB has issued a number of ASU's amending ASU 2014-09 and providing further guidance related to revenue recognition, which management continues to evaluate. The effective date and transition requirements for these amendments are the same as ASU 2014-09, as amended by ASU 2015-14. Management expects the impact of the adoption of ASU 2014-09 on the Company's consolidated financial statements will be 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, will remain substantially unchanged following the adoption of this ASU.

• The Company will now recognize gift card breakage income based on the historical pattern of gift card redemptions.

The adoption of this ASU will result in a reclassification within the consolidated balance sheet of the portion of the Company's sales return reserve attributable to cost of sales from Accounts receivable, net to Other current assets beginning with the quarter ending April 30, 2018.

Management will adopt the guidance in this ASU beginning on February 1, 2018 using the modified retrospective transition approach, with the related adjustment to retained earnings reflecting the cumulative impact of applying this guidance as of the adoption date. Under this modified retrospective approach, the prior period financial statements presented are not restated. Management does not believe the adoption of this ASU will have a significant impact to the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 – Leases, which 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 currently must be adopted using a modified retrospective approach. Management continues to evaluate the impact of this ASU on the consolidated financial statements, but expects that adoption will result in a significant increase in the Company's assets and liabilities. The Company's implementation project team has completed the assessment phase of the project, during which the project team compiled information to evaluate the Company's real estate, personal property and other arrangements that may meet the definition of a lease under this ASU and identified areas that may require the development of additional processes and policies. The Company's implementation project team is in the solution development phase of the project, which includes the development and implementation of any such additional processes and policies, collection of key data for each leased asset to be utilized throughout this phase of the project and selection of the practical expedients permitted under the ASU.

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.

TIFFANY & CO.

K-64

---

Table of Contents

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 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption was permitted and the amendments should be applied using a retrospective method. Management will adopt this ASU beginning on February 1, 2018 using the retrospective method. Management does not believe the adoption of this ASU will have a significant impact to 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 the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption was permitted as of the first interim period of 2017 and the amendments should 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 will adopt this ASU beginning on February 1, 2018 using the modified retrospective method. Management does not believe the adoption of this ASU will have a significant 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 will be 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 will be eligible for capitalization in assets. This ASU is effective for interim and annual reporting periods beginning after December 15, 2017. The amendments in this ASU will be 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 will adopt this ASU beginning on February 1, 2018. This ASU will be applied retrospectively using the practical expedient permitted by this ASU and will require the reclassification of the non-service cost components of the net periodic benefit cost from within Earnings from operations to Interest and other expenses, net. This will increase 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 will have 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 is not expected to have a significant impact on the Company's results of operations.

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. The new 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 is effective prospectively for annual periods beginning after December 15, 2017 and early adoption was permitted. Accordingly, management will adopt this ASU beginning on February 1, 2018 and will apply this ASU prospectively to any share-based payment awards modified on or after February 1, 2018.

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 beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The amendments in this ASU should be applied on a modified retrospective basis, while presentation and disclosure requirements set forth under this 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. The simplifications to the application of hedge accounting may result in management's expanding the use of hedge accounting in future periods.

TIFFANY & CO.  
K-65

---

Table of Contents

## Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09 - Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which provides guidance on several aspects of accounting for share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted this ASU beginning on February 1, 2017 as follows:

- As required upon the adoption of this new guidance, on a prospective basis, the Company recognized excess tax benefits of \$6.8 million (resulting from an increase in the fair value of an award from grant date to the vesting or exercise date) in the provision for income taxes as a discrete item during the year ended January 31, 2018. This amount may not be indicative of future amounts that may be recognized, as any excess tax benefits and/or shortfalls recognized in future periods will be dependent on future stock price, employee exercise behavior and applicable tax rates. Prior to February 1, 2017, excess tax benefits were recognized in stockholders' equity.

The ASU also clarified that cash payments made to taxing authorities on the employees' behalf for shares withheld for taxes should be presented as a financing activity. This aspect of the guidance was adopted retrospectively, as required; accordingly, the Company reclassified \$2.9 million and \$1.6 million of such payments from operating activities to financing activities in the consolidated statement of cash flows for the years ended January 31, 2017 and 2016, respectively.

As permitted, the Company elected to classify excess tax benefits as an operating activity in the consolidated statement of cash flows, instead of as a financing activity, and adopted this portion of the ASU retrospectively, reclassifying \$0.7 million and \$2.2 million to operating activities from financing activities for the years ended January 31, 2017 and 2016, respectively.

As permitted, the Company has elected to continue to estimate the impact of forfeitures when determining the amount of compensation cost to be recognized each period, rather than account for such forfeitures as they occur.

## C. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

(in millions)	Years Ended January 31,		
	2018	2017	2016
Interest, net of interest capitalization	\$41.5	\$40.6	\$42.5
Income taxes	\$156.2	\$213.9	\$237.5

Supplemental noncash investing and financing activities:

(in millions)	January 31,		
	2018	2017	2016
Accrued capital expenditures	\$20.1	\$10.7	\$8.2

TIFFANY & CO.

K-66

Table of Contents

## D. INVENTORIES

	January 31,	
(in millions)	2018	2017
Finished goods	\$1,314.6	\$1,249.4
Raw materials	821.4	806.3
Work-in-process	117.5	101.9
Inventories, net	\$2,253.5	\$2,157.6

## E. PROPERTY, PLANT AND EQUIPMENT

	January 31,	
(in millions)	2018	2017
Land	\$41.8	\$41.8
Buildings	123.0	122.5
Leasehold and building improvements	1,328.6	1,195.8
Office equipment	267.4	245.7
Software	353.2	312.4
Furniture and fixtures	311.6	281.2
Machinery and equipment	187.4	177.7
Construction-in-progress	105.1	78.6
	2,718.1	2,455.7
Accumulated depreciation and amortization	(1,727.6)	(1,523.9)
	\$990.5	\$931.8

Depreciation and amortization expense for the years ended January 31, 2018, 2017 and 2016 was \$200.8 million, \$202.5 million and \$196.3 million, respectively.

Information Systems Assessment. The Company is engaged in a multi-year program to evaluate and, where appropriate, upgrade and/or replace certain of its information systems. As part of this program, the Company identified opportunities to enhance its finished goods inventory management and merchandising capabilities, and began development efforts to replace certain of its existing systems and provide these enhanced capabilities. In 2016, the Company completed an assessment of the replacement system that was under development to evaluate whether the continued development of this system would deliver sufficiently improved operating capabilities. Following the completion of this assessment, in the three months ended January 31, 2017, the Company concluded that the development of this system should be modified such that the finished goods inventory management and merchandising capabilities that were intended to be delivered utilizing this new system will instead be delivered through further development of the Company's current Enterprise Resource Planning system and continued implementation of a new order management system. Accordingly, the Company evaluated the costs capitalized for the development of the replacement system for impairment in accordance with its policy on the review of long-lived assets (see "Note B. Summary of Significant Accounting Policies"), and determined, based on specific identification of costs capitalized pertaining to the development of specific capabilities in the new system, that \$25.4 million of such capitalized costs related to software functionality which will not be utilized, and therefore will not have future benefit to the Company. As such, the Company recorded a pre-tax impairment charge of \$25.4 million as a component of SG&A expenses in the three months ended January 31, 2017.

TIFFANY & CO.





Table of Contents

## F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in millions)	January 31,	
	2018	2017
Accounts payable - trade	\$201.5	\$108.6
Accrued compensation and commissions	110.0	96.3
Accrued sales, withholding and other taxes	24.6	26.7
Other	101.3	81.2
	\$437.4	\$312.8

## G. DEBT

(in millions)	2018	January 31,	
		2017	
Short-term borrowings:			
Credit Facilities	\$33.5	\$93.0	
Other credit facilities	87.1	135.7	
	\$120.6	\$228.7	

## Long-term debt:

## Unsecured Senior Notes:

2012 4.40% Series B Notes, due July 2042 <sup>a</sup>	\$250.0	\$250.0
2014 3.80% Senior Notes, due October 2024 <sup>b, c</sup>	250.0	250.0
2014 4.90% Senior Notes, due October 2044 <sup>b, c</sup>	300.0	300.0
2016 0.78% Senior Notes, due August 2026 <sup>b, d</sup>	91.9	88.0
	891.9	888.0
Less unamortized discounts and debt issuance costs	9.0	9.6
	\$882.9	\$878.4

<sup>a</sup> The agreements governing these Senior Notes require repayments of \$50.0 million in aggregate every five years beginning in July 2022.

<sup>b</sup> These agreements require lump sum repayments upon maturity.

<sup>c</sup> These Senior Notes were issued at a discount, which will be amortized until the debt maturity.

<sup>d</sup> These Senior Notes were issued at par, ¥10.0 billion.

## Credit Facilities

In 2014, the Registrant entered into a four-year \$375.0 million and a five-year \$375.0 million multi-bank, multi-currency, committed unsecured revolving credit facility, including letter of credit subfacilities, (collectively, the "Credit Facilities") resulting in a total borrowing capacity of \$750.0 million. The Credit Facilities are available for working capital and other corporate purposes. Borrowings under the Credit Facilities will bear interest at a rate per annum equal to, at the option of the Company, (1) LIBOR (or other applicable reference rate) for the relevant currency plus an applicable margin based upon the Company's leverage ratio as defined under the Credit Facilities, or (2) an alternate base rate equal to the highest of (i) the Federal Funds Rate plus 0.50%, (ii) Bank of America, N.A.'s prime rate and (iii) one-month LIBOR plus 1%, plus an applicable margin based upon the Company's leverage ratio as defined under the Credit Facilities. The Credit Facilities also require payment to the lenders of a facility fee

TIFFANY &amp; CO.



## Table of Contents

on the amount of the lenders' commitments under the credit facilities from time to time at rates based upon the Company's leverage ratio as defined under the Credit Facilities. Voluntary prepayments of the loans and voluntary reductions of the unutilized portion of the commitments under the Credit Facilities are permissible without penalty, subject to certain conditions pertaining to minimum notice and minimum reduction amounts.

In October 2016, the maturity for each of the Credit Facilities was extended for one additional year pursuant to the terms set forth in the respective agreements governing the Credit Facilities. Therefore, the four-year and five-year Credit Facilities will mature in October of 2019 and 2020, respectively.

At January 31, 2018, there were \$33.5 million of borrowings outstanding, \$6.8 million of letters of credit issued but not outstanding and \$709.7 million available for borrowing under the Credit Facilities. At January 31, 2017, there were \$93.0 million of borrowings outstanding, \$4.0 million of letters of credit issued but not outstanding and \$653.0 million available for borrowings. The weighted-average interest rate for borrowings outstanding was 1.10% at January 31, 2018 and 1.72% at January 31, 2017.

### 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 are 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 Credit Facilities 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. At January 31, 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 (\$156.5 million at January 31, 2018). The Tiffany-Shanghai Credit Agreement, which matures in July 2019, was made available to refinance amounts outstanding under Tiffany-Shanghai's previously existing RMB 930.0 million three-year multi-bank revolving credit agreement (the "2013 Agreement"), which expired pursuant to its terms in July 2016, as well as for Tiffany-Shanghai's ongoing general working capital requirements. 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, 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%. At January 31, 2017, there was \$103.6 million available to be borrowed under the Tiffany-Shanghai Credit Agreement and \$40.2 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, 2018, the facilities totaled \$139.0 million and \$43.3 million was outstanding at a weighted-average interest rate of 6.87%. At January 31, 2017, the facilities totaled \$137.3 million and \$95.5 million was outstanding at a weighted-average

interest rate of 2.99%.

#### Senior Notes

2016 Senior Notes. In August 2016, the Registrant issued ¥10.0 billion (\$91.9 million at January 31, 2018) 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. The Yen Notes bear interest at a rate of 0.78% per annum, 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

TIFFANY & CO.

K-69

---

Table of Contents

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 agreements governing the Credit Facilities include specific financial covenants, as well as other covenants that limit the ability of the Registrant to incur certain subsidiary indebtedness, incur liens, impose restrictions on subsidiary distributions and engage in mergers, consolidations and sales of all or substantially all of Registrant and its subsidiaries' assets, in addition to other requirements and "Events of Default" (as defined in the agreements governing the Credit Facilities) 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 and ratios, 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 specific financial covenants and ratios 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, 2018, 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 Facilities, 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.

## Long-Term Debt Maturities

Aggregate maturities of long-term debt as of January 31, 2018 are as follows:

Years Ending January 31,	Amount <sup>a</sup> (in millions)
2019	\$
2020	—
2021	—
2022	—
2023	50.0
Thereafter	841.9
	\$891.9

<sup>a</sup> Amounts exclude any unamortized discount or premium.

TIFFANY & CO.  
K-70

---

## Table of Contents

### Letters of Credit

The Company has available letters of credit and financial guarantees of \$81.2 million, of which \$22.6 million was outstanding at January 31, 2018. Of those available letters of credit and financial guarantees, \$60.1 million expires within one year. These amounts do not include letters of credit issued under the Credit Facilities.

## 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 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 additional 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 swap in 2012 and recorded an unrealized loss within accumulated other comprehensive loss. As of January 31, 2018, \$18.5 million remains recorded as an

TIFFANY & CO.

K-71

---

Table of Contents

unrealized 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 swap in 2014 and recorded an unrealized loss within accumulated other comprehensive loss. As of January 31, 2018, \$3.7 million remains recorded as an unrealized loss and 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, 2018, 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 billions)
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.

As of January 31, 2018, the notional amounts of foreign exchange forward contracts were as follows:  
(in millions)

	Notional Amount	USD Equivalent
Derivatives designated as hedging instruments:		
Japanese yen	¥ 16,996.8	\$ 154.9
British pound	£ 14.4	19.3
Derivatives not designated as hedging instruments:		
U.S. dollar	\$ 39.8	\$39.8
Euro	€ 13.3	15.9
Australian Dollar	AU\$ 16.8	13.3
British pound	£ 5.2	7.0
Czech koruna	CZK 123.7	5.8
Japanese yen	¥ 876.0	8.0
Mexican peso	100.4	5.2
New Zealand dollar	NZ\$ 11.3	8.2
Singapore dollar	S\$ 29.2	21.9
Swiss franc	Fr. 6.2	6.4

The maximum term of the Company's outstanding foreign exchange forward contracts as of January 31, 2018 is 12 months.

TIFFANY & CO.  
K-72

---

Table of Contents

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, 2018, 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, 2018, there were precious metal derivative instruments outstanding for approximately 45,000 ounces of platinum, 900,000 ounces of silver and 37,200 ounces of gold.

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

(in millions)	Years Ended January 31,					
	2018			2017		
	Pre-Tax Gain (Loss)	Pre-Tax Gain (Loss)	Reclassified from Accumulated OCI into Earnings (Effective Portion)	Pre-Tax Gain (Loss)	Pre-Tax Gain (Loss)	Reclassified from Accumulated OCI into Earnings (Effective Portion)
Derivatives in Cash Flow Hedging Relationships:						
Foreign exchange forward contracts <sup>a</sup>	\$(6.3 )	\$ 0.1		\$ (1.5 )	\$ (1.5 )	
Precious metal collars <sup>a</sup>	1.0	0.3		—	—	
Precious metal forward contracts <sup>a</sup>	4.2	(0.9 )	)	14.0	(8.5 )	)
Cross-currency swaps <sup>b</sup>	(19.9 )	(11.1 )	)	(0.4 )	6.6	)
Forward-starting interest rate swaps <sup>c</sup>	—	(1.4 )	)	—	(1.5 )	)
	\$(21.0 )	\$ (13.0 )	)	\$ 12.1	\$ (4.9 )	)

<sup>a</sup> The gain or loss recognized in earnings is included within Cost of sales.

<sup>b</sup> The gain or loss recognized in earnings is included within Other (income) expenses, net.

<sup>c</sup> 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 in the year ended January 31, 2018. The Company had pre-tax losses of \$9.2 million on such instruments in the year ended January 31, 2017 and were included in Other (income) expense, net. There was no material ineffectiveness related to the Company's hedging instruments for the periods ended January 31, 2018 and 2017. The Company expects approximately \$0.5 million of net pre-tax derivative gains included in accumulated other comprehensive loss at January 31, 2018 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.

TIFFANY & CO.  
K-73

---

Table of Contents

## 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 purposes 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, 2018 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				
Marketable securities <sup>a</sup>	\$22.5	\$—	\$—	—\$22.5
Time deposits <sup>b</sup>	320.5	—	—	320.5
Derivatives designated as hedging instruments:				
Precious metal forward contracts <sup>c</sup>	—	3.6	—	3.6
Foreign exchange forward contracts <sup>c</sup>	—	0.1	—	0.1
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts <sup>c</sup>	—	1.0	—	1.0
Total financial assets	\$343.0	\$4.7	\$—	—\$347.7

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

TIFFANY & CO.  
K-74

---

Table of Contents

Financial assets and liabilities carried at fair value at January 31, 2017 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				
Marketable securities <sup>a</sup>	\$36.4	\$—	\$	—\$36.4
Time deposits <sup>b</sup>	57.8	—	—	57.8
Derivatives designated as hedging instruments:				
Precious metal forward contracts <sup>c</sup>	—	3.6	—	3.6
Precious metal collar contracts <sup>c</sup>	—	0.4	—	0.4
Foreign exchange forward contracts <sup>c</sup>	—	9.6	—	9.6
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts <sup>c</sup>	—	0.3	—	0.3
Total financial assets	\$94.2	\$13.9	\$	—\$108.1
	Estimated Fair		Total	
	Value		Fair	
(in millions)	Level 1	Level 3	Value	
Financial liabilities				
Derivatives designated as hedging instruments:				
Precious metal forward contracts <sup>d</sup>	\$—5.4	\$	—\$ 5.4	
Precious metal collars <sup>d</sup>	—0.3	—	0.3	
Foreign exchange forward contracts <sup>d</sup>	—0.6	—	0.6	
Cross-currency swaps <sup>d</sup>	—0.4	—	0.4	
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts <sup>d</sup>	—2.2	—	2.2	
Total financial liabilities	\$—8.9	\$	—\$ 8.9	

<sup>a</sup> Included within Other assets, net.

<sup>b</sup> Included within Short-term investments.

<sup>c</sup> Included within Prepaid expenses and other current assets or Other assets, net based on the maturity of the contract.

<sup>d</sup> 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 \$1.0 billion and \$1.1 billion at January 31, 2018 and 2017 and the corresponding fair value was \$1.0 billion and \$1.1 billion, respectively.

## 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

TIFFANY & CO.

K-75

---

Table of Contents

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 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 are being amortized in SG&A expenses over periods that range from 15 to 20 years. As of January 31, 2018, \$40.5 million of these deferred gains remained to be amortized.

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

(in millions)	Years Ended January		
	31,		
	2018	2017	2016
Minimum rent for retail locations	\$198.7	\$184.1	\$172.2
Contingent rent based on sales	32.7	32.4	34.9
Office, distribution and manufacturing facilities and equipment	40.0	40.0	37.0
	\$271.4	\$256.5	\$244.1

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 \$118.9 million, \$117.9 million and \$109.4 million in 2017, 2016 and 2015, 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 <sup>a</sup> (in millions)
2019	\$313.6
2020	249.4
2021	209.5
2022	185.8
2023	163.6
Thereafter	563.8

<sup>a</sup> 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

\$45.0 million of rough diamonds in 2018. Purchases beyond 2018 that are contingent upon mine production at

TIFFANY & CO.

K-76

---

## Table of Contents

then-prevailing fair market prices cannot be reasonably estimated. In addition, the Company also regularly purchases rough and polished diamonds from other suppliers, although it has no contractual obligations to do so.

### Contractual Cash Obligations and Contingent Funding Commitments

At January 31, 2018, the Company's contractual cash obligations and contingent funding commitments were for inventory purchases of \$268.4 million (which includes the \$45.0 million obligation discussed in Diamond Sourcing Activities above), as well as for other contractual obligations of \$86.6 million (primarily for construction-in-progress, technology licensing and service contracts, advertising and media agreements and fixed royalty commitments).

### Litigation

**Arbitration Award.** On December 21, 2013, an award was issued (the "Arbitration Award") in favor of The Swatch Group Ltd. ("Swatch") and its wholly owned subsidiary Tiffany Watch Co. ("Watch Company"; Swatch and Watch Company, together, the "Swatch Parties") in an arbitration proceeding (the "Arbitration") between the Registrant and its wholly owned subsidiaries, Tiffany and Company and Tiffany (NJ) Inc. (the Registrant and such subsidiaries, together, the "Tiffany Parties") and the Swatch Parties.

The Arbitration was initiated in June 2011 by the Swatch Parties, who sought damages for alleged breach of agreements entered into by and among the Swatch Parties and the Tiffany Parties in December 2007 (the "Agreements"). The Agreements pertained to the development and commercialization of a watch business and, among other things, contained various licensing and governance provisions and approval requirements relating to business, marketing and branding plans and provisions allocating profits relating to sales of the watch business between the Swatch Parties and the Tiffany Parties.

In general terms, the Swatch Parties alleged that the Tiffany Parties breached the Agreements by obstructing and delaying development of Watch Company's business and otherwise failing to proceed in good faith. The Swatch Parties sought damages based on alternate theories ranging from CHF 73.0 million (or approximately \$78.0 million at January 31, 2018) (based on its alleged wasted investment) to CHF 3.8 billion (or approximately \$4.1 billion at January 31, 2018) (calculated based on alleged future lost profits of the Swatch Parties and their affiliates over the entire term of the Agreements).

The Registrant believes that the claims of the Swatch Parties are without merit. In the Arbitration, the Tiffany Parties defended against the Swatch Parties' claims vigorously, disputing both the merits of the claims and the calculation of the alleged damages. The Tiffany Parties also asserted counterclaims for damages attributable to breach by the Swatch Parties, stemming from the Swatch Parties' September 12, 2011 public issuance of a Notice of Termination purporting to terminate the Agreements due to alleged material breach by the Tiffany Parties, and for termination due to such breach. In general terms, the Tiffany Parties alleged that the Swatch Parties did not have grounds for termination, failed to meet the high standard for proving material breach set forth in the Agreements and failed to provide appropriate management, distribution, marketing and other resources for TIFFANY & CO. brand watches and to honor their contractual obligations to the Tiffany Parties regarding brand management. The Tiffany Parties' counterclaims sought damages based on alternate theories ranging from CHF 120.0 million (or approximately \$129.0 million at January 31, 2018) (based on its wasted investment) to approximately CHF 540.0 million (or approximately \$578.0 million at January 31, 2018) (calculated based on alleged future lost profits of the Tiffany Parties).

The Arbitration hearing was held in October 2012 before a three-member arbitral panel convened in the Netherlands pursuant to the Arbitration Rules of the Netherlands Arbitration Institute (the "Rules"), and the Arbitration record was completed in February 2013.

Under the terms of the Arbitration Award, and at the request of the Swatch Parties and the Tiffany Parties, the Agreements were deemed terminated. The Arbitration Award stated that the effective date of termination was March 1, 2013. Pursuant to the Arbitration Award, the Tiffany Parties were ordered to pay the Swatch Parties damages of CHF 402.7 million (the "Arbitration Damages"), as well as interest from June 30, 2012 to the date of payment, two-thirds of the cost of the Arbitration and two-thirds of the Swatch Parties' legal fees, expenses and costs. These amounts were paid in full in January 2014.

TIFFANY & CO.

K-77

---

Table of Contents

Prior to the ruling of the arbitral panel, no accrual was established in the Company's consolidated financial statements because management did not believe the likelihood of an award of damages to the Swatch Parties was probable. As a result of the ruling, in the fourth quarter of 2013, the Company recorded a charge of \$480.2 million, which included the damages, interest, and other costs associated with the ruling and which was classified as Arbitration award expense in the consolidated statement of earnings.

On March 31, 2014, the Tiffany Parties took action in the District Court of Amsterdam to annul the Arbitration Award. Generally, arbitration awards are final; however, Dutch law does provide for limited grounds on which arbitral awards may be set aside. The Tiffany Parties petitioned to annul the Arbitration Award on these statutory grounds. These grounds include, for example, that the arbitral tribunal violated its mandate by changing the express terms of the Agreements.

A three-judge panel presided over the annulment hearing on January 19, 2015, and, on March 4, 2015, issued a decision in favor of the Tiffany Parties. Under this decision, the Arbitration Award was set aside. However, the Swatch Parties took action in the Dutch courts to appeal the District Court's decision, and a three-judge panel of the Appellate Court of Amsterdam presided over an appellate hearing in respect of the annulment, and the related claim by the Tiffany Parties for the return of the Arbitration Damages and related costs, on June 29, 2016. The Appellate Court issued its decision on April 25, 2017, finding in favor of the Swatch Parties and ordering the Tiffany Parties to reimburse the Swatch Parties EUR 6,340 in legal costs. The Tiffany Parties have taken action to appeal the decision of the Appellate Court to the Supreme Court of the Netherlands. As such, the Arbitration Award may ultimately be set aside by the Supreme Court. Registrant's management believes it is likely that the Supreme Court will issue its decision during Registrant's fiscal year ending January 31, 2019. However, it is possible that such decision could be later issued or that such decision could require the Appellate Court to reconsider certain elements of the dispute and, as such, the annulment action may not be ultimately resolved until, at the earliest, Registrant's fiscal year ending January 31, 2020.

If the Arbitration Award is finally annulled, management anticipates that the claims and counterclaims that formed the basis of the Arbitration, and potentially additional claims and counterclaims, will be litigated in court proceedings between and among the Swatch Parties and the Tiffany Parties. The identity and location of the courts that would hear such actions have not been determined at this time.

In any litigation regarding the claims and counterclaims that formed the basis of the arbitration, issues of liability and damages will be pled and determined without regard to the findings of the arbitral panel. As such, it is possible that a court could find that the Swatch Parties were in material breach of their obligations under the Agreements, that the Tiffany Parties were in material breach of their obligations under the Agreements or that neither the Swatch Parties nor the Tiffany Parties were in material breach. If the Swatch Parties' claims of liability were accepted by the court, the damages award cannot be reasonably estimated at this time, but could exceed the Arbitration Damages and could have a material adverse effect on the Registrant's consolidated financial statements or liquidity.

Management has not established any accrual in the Company's consolidated financial statements for the year ended January 31, 2018 related to the annulment process or any potential subsequent litigation because it does not believe that the final annulment of the Arbitration Award and a subsequent award of damages exceeding the Arbitration Damages is probable.

Other 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

TIFFANY & CO.

K-78

---

Table of Contents

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 (which will be determined at a later date), 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). Costco has filed an appeal from the judgment, as well as a motion in the Court for a new trial. The appeal has been automatically stayed pending determination of the Court motion. Costco has also filed an appeal bond to secure the amount of the judgment entered by the Court pending appeal, so the Tiffany plaintiffs will be unable to enforce the judgment while the motion for a new trial and the appeal are pending. As such, the Company has not recorded any amount in its consolidated financial statements related to this gain contingency as of January 31, 2018, and expects that this matter will not ultimately be resolved until, at the earliest, the Company's fiscal year ending January 31, 2019.

## 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.

TIFFANY & CO.

K-79

---

## Table of Contents

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.

Unrelated to the settlement option, the EPA also announced, in October 2016, that it entered into a legal agreement with one of the notified companies, pursuant to which such company 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"). That company has waived any rights to collect contribution for those costs from the Company.

In the absence of a viable settlement option, the Company is unable to determine its participation in the overall RoD Remediation (of which the RoD Design Phase is only a part), 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 overall RoD Remediation (or pursues legal or administrative action to require any potentially responsible party or parties to perform, or pay for, the overall 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.

As such, 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 Regulatory Matters

The Company is subject to regulations in various jurisdictions in which the Company operates, including those related to the sale of consumer products. During the Company's regular internal quality testing in 2016, the Company identified a potential breach of its sourcing and quality standards applicable to third party vendors. The Company assessed the composition of certain of its gold products manufactured primarily by certain U.S. third-party vendors, which contained gold solder manufactured by other U.S. vendors, to determine whether such products were in compliance with applicable consumer products requirements and regulations. Following this assessment, management determined that no liability was required to be recorded.

TIFFANY & CO.  
K-80

---

Table of Contents

## Other

In the fourth quarter of 2015, the Company implemented specific cost-reduction initiatives and recorded \$8.8 million of expense within SG&A expenses. These unrelated cost-reduction initiatives included severance related to staffing reductions and subleasing of certain office space for which only a portion of the Company's future rent obligations will be recovered.

## K. RELATED PARTIES

A director of the Company who previously served as Chief Executive Officer until April 1, 2015, was a member of the Board of Directors of The Bank of New York Mellon through April 14, 2015. The Bank of New York Mellon serves as the Company's trustee for its Senior Notes due in 2024 and 2044, participates as a co-syndication agent and lender for its Credit Facilities, provides other general banking services and serves as the trustee for the Company's pension plan. Fees paid to the bank for services rendered and interest on debt amounted to \$0.7 million in 2015.

## L. STOCKHOLDERS' EQUITY

## Accumulated Other Comprehensive Loss

(in millions)	January 31,	
	2018	2017
Accumulated other comprehensive (loss) earnings, net of tax:		
Foreign currency translation adjustments	\$(48.0 )	\$(143.7)
Unrealized (loss) gain on marketable securities	(1.8 )	0.8
Deferred hedging loss	(22.9 )	(16.1 )
Net unrealized loss on benefit plans	(65.3 )	(97.2 )
	\$(138.0)	\$(256.2)

TIFFANY &amp; CO.

K-81

Table of Contents

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

(in millions)	Years Ended January		
	31, 2018	2017	2016
Foreign currency translation adjustments	\$97.9	\$8.3	\$(59.9)
Income tax (expense) benefit	(2.2)	(16.7)	0.9
Foreign currency translation adjustments, net of tax	95.7	(8.4)	(59.0)
Unrealized gain (loss) on marketable securities	0.2	2.7	(4.1)
Reclassification for gain included in net earnings <sup>a</sup>	(3.5)	—	(0.4)
Income tax benefit (expense)	0.7	(0.9)	1.6
Unrealized (loss) gain on marketable securities, net of tax	(2.6)	1.8	(2.9)
Unrealized (loss) gain on hedging instruments	(21.0)	12.1	(22.2)
Reclassification adjustment for loss (gain) included in net earnings <sup>b</sup>	13.0	4.9	(11.7)
Income tax benefit (expense)	1.2	(6.3)	12.5
Unrealized (loss) gain on hedging instruments, net of tax	(6.8)	10.7	(21.4)
Net actuarial gain	30.6	14.1	122.5
Amortization of net loss included in net earnings <sup>c</sup>	13.3	14.7	30.4
Amortization of prior service credit included in net earnings <sup>c</sup>	(0.5)	(0.7)	(0.6)
Income tax expense	(11.5)	(10.3)	(56.6)
Net unrealized gain on benefit plans, net of tax	31.9	17.8	95.7
Total other comprehensive earnings, net of tax	\$118.2	\$21.9	\$12.4

<sup>a</sup>These gains are reclassified into Other (income) expense, net.

<sup>b</sup>These losses (gains) are reclassified into Interest expense and financing costs and Cost of sales (see "Note H.

<sup>b</sup>Hedging Instruments" for additional details).

<sup>c</sup>These losses (gains) are included in the computation of net periodic pension costs (see "Note N. Employee Benefit Plans" for additional details).

### Stock Repurchase Program

In January 2016, the Registrant's Board of Directors approved a new share repurchase program (the "2016 Program") and terminated the Company's then-existing share repurchase program, which was approved in March 2014 and had authorized the Company to repurchase up to \$300.0 million of its Common Stock through open market transactions (the "2014 Program"). The 2016 Program, which will expire on January 31, 2019, authorizes the Company to repurchase up to \$500.0 million of its Common Stock through open market transactions, block trades or privately negotiated transactions. Purchases under the 2014 Program were, and purchases under the 2016 Program have been, executed under a written plan for trading securities as specified under Rule 10b5-1 promulgated under the Securities and Exchange Act of 1934, as amended, the terms of which are within the Company's discretion, subject to applicable securities laws, and are based on market conditions and the Company's liquidity needs. As of January 31, 2018, \$211.2 million remained available for repurchase under the 2016 Program.

TIFFANY & CO.

K-82

Table of Contents

The Company's share repurchase activity was as follows:

	Years Ended January 31,		
(in millions, except per share amounts)	2018	2017	2016
Cost of repurchases	\$99.2	\$183.6	\$220.4
Shares repurchased and retired	1.0	2.8	2.8
Average cost per share	\$94.86	\$65.24	\$78.40

## Cash Dividends

The Company's Board of Directors declared quarterly dividends which, on an annual basis, totaled \$1.95, \$1.75 and \$1.58 per share of Common Stock in 2017, 2016 and 2015, respectively.

On February 15, 2018, the Company's Board of Directors declared a quarterly dividend of \$0.50 per share of Common Stock. This dividend will be paid on April 10, 2018 to stockholders of record on March 20, 2018.

## M. 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 vest primarily 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 will be 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.

TIFFANY & CO.

K-83

---

Table of Contents

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,			
	2018	2017	2016	
Dividend yield	1.8 %	2.0 %	1.9 %	%
Expected volatility	22.0 %	23.8 %	28.1 %	%
Risk-free interest rate	2.2 %	1.8 %	1.5 %	%
Expected term in years	5	5	5	

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, 2017	2.3	\$ 70.72	7.50	\$ 23.8
Granted	0.7	100.25		
Exercised	(0.8)	)65.72		
Forfeited/canceled	(0.5)	)74.15		
Outstanding at January 31, 2018	1.7	\$ 84.25	7.87	\$ 41.1
Exercisable at January 31, 2018	0.7	\$ 73.46	5.99	\$ 23.6

The weighted-average grant-date fair value of options granted for the years ended January 31, 2018, 2017 and 2016 was \$18.33, \$14.36 and \$14.42, respectively. The total intrinsic value (market value on date of exercise less grant price) of options exercised during the years ended January 31, 2018, 2017 and 2016 was \$31.2 million, \$4.5 million and \$2.4 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, 2017	0.6	\$ 73.33
Granted	0.3	91.69
Vested	(0.2)	) 92.95
Forfeited	(0.1)	) 78.58
Non-vested at January 31, 2018	0.6	\$ 81.12

TIFFANY & CO.

K-84



Table of Contents

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, 2017	0.7		\$ 73.52
Granted	0.2	108.99	
Vested	—	83.45	
Forfeited/canceled	(0.4	)72.49	
Non-vested at January 31, 2018	0.5		\$ 84.85

The weighted-average grant-date fair value of RSUs granted for the years ended January 31, 2017 and 2016 was \$67.46 and \$80.44, respectively. The weighted-average grant-date fair value of PSUs granted for the years ended January 31, 2017 and 2016 was \$79.23 and \$58.09, respectively.

As of January 31, 2018, there was \$69.4 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. The total fair value of RSUs vested during the years ended January 31, 2018, 2017 and 2016 was \$22.2 million, \$13.6 million and \$18.0 million, respectively. The total fair value of PSUs vested during the years ended January 31, 2018, 2017 and 2016 was \$3.4 million, \$6.3 million and \$4.1 million, respectively.

Total compensation cost for stock-based compensation awards recognized in income and the related income tax benefit was \$28.0 million and \$8.5 million for the year ended January 31, 2018, \$24.3 million and \$7.7 million for the year ended January 31, 2017 and \$24.5 million and \$7.9 million for the year ended January 31, 2016. Total stock-based compensation cost capitalized in inventory was not significant.

## N. 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 2017 and none is required in 2018 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 \$15.0 million in 2017 and \$120.0 million in 2016, but

currently does not expect to make such contributions in 2018. 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

TIFFANY & CO.

K-85

---

Table of Contents

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.

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.

TIFFANY & CO.  
K-86

---

Table of Contents

## 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:

(in millions)	January 31,		Other	
	Pension Benefits		Postretirement Benefits	
	2018	2017	2018	2017
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$783.7	\$742.6	\$72.5	\$78.4
Service cost	17.3	17.4	2.8	2.8
Interest cost	32.0	31.6	3.0	3.1
Participants' contributions	—	—	1.0	1.2
MMA retiree drug subsidy	—	—	0.2	—
Actuarial loss (gain)	21.1	15.9	1.5	(10.5 )
Benefits paid	(59.4 )	(24.3 )	(2.5 )	(2.5 )
Translation	0.9	0.5	—	—
Projected benefit obligation at end of year	795.6	783.7	78.5	72.5
Change in plan assets:				
Fair value of plan assets at beginning of year	530.1	385.8	—	—
Actual return on plan assets	86.1	42.9	—	—
Employer contribution	21.3	125.7	1.3	1.3
Participants' contributions	—	—	1.0	1.2
MMA retiree drug subsidy	—	—	0.2	—
Benefits paid	(59.4 )	(24.3 )	(2.5 )	(2.5 )
Fair value of plan assets at end of year	578.1	530.1	—	—
Funded status at end of year	\$(217.5)	\$(253.6)	\$(78.5)	\$(72.5)

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:

(in millions)	January 31, 2018			
	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

TIFFANY &amp; CO.

K-87

Table of Contents

(in millions)	January 31, 2017			
	Qualified	Excess/SRIP	Other	Total
Projected benefit obligation	\$661.5	\$ 103.6	\$18.6	\$783.7
Fair value of plan assets	530.1	—	—	530.1
Funded status	\$(131.4)	\$( 103.6 )	\$(18.6)	\$(253.6)
Accumulated benefit obligation	\$599.0	\$ 90.9	\$16.9	\$706.8

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. At January 31, 2017, the Company had a current liability of \$7.5 million and a non-current liability of \$318.6 million for pension and other postretirement benefits.

Amounts recognized in accumulated other comprehensive loss consist of:

(in millions)	January 31,			
	Pension Benefits		Other Postretirement Benefits	
	2018	2017	2018	2017
Net actuarial loss (gain)	\$116.5	\$161.8	\$ 1.3	\$(0.1 )
Prior service cost (credit)	0.6	0.8	(1.7 )	(2.4 )
Total before tax	\$117.1	\$162.6	\$(0.4 )	\$(2.5 )

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	\$13.2	\$0.1	
Prior service cost (credit)	0.1	(0.7 )	
	\$13.3	\$(0.6)	

TIFFANY & CO.  
K-88

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

(in millions)	Years Ended January 31,					
	Pension Benefits			Other Postretirement Benefits		
	2018	2017	2016	2018	2017	2016
Service cost	\$17.3	\$17.4	\$22.6	\$2.8	\$2.8	\$4.2
Interest cost	32.0	31.6	30.6	3.0	3.1	3.2
Expected return on plan assets	(32.9)	(23.5)	(24.7)	—	—	—
Curtailments	—	—	0.2	—	—	—
Amortization of prior service cost	0.2	—	—	(0.7)	(0.7)	(0.7)
Amortization of net loss	13.2	14.7	28.9	0.1	—	1.5
Net periodic benefit cost	29.8	40.2	57.6	5.2	5.2	8.2
Net actuarial (gain) loss	(32.1)	(3.6)	(102.1)	1.5	(10.5)	(20.4)
Recognized actuarial loss	(13.2)	(14.7)	(28.9)	(0.1)	—	(1.5)
Recognized prior service (cost) credit	(0.2)	—	(0.1)	0.7	0.7	0.7
Total recognized in other comprehensive earnings	(45.5)	(18.3)	(131.1)	2.1	(9.8)	(21.2)
Total recognized in net periodic benefit cost and other comprehensive earnings	\$(15.7)	\$21.9	\$(73.5)	\$7.3	\$(4.6)	\$(13.0)

## Assumptions

## Weighted-average assumptions used to determine benefit obligations:

	January 31,	
	2018	2017
Discount rate:		
Qualified Plan	4.00 %	4.25 %
Excess Plan/SRIP	3.75 %	4.25 %
Other Plans	0.83 %	0.81 %
Other Postretirement Benefits	4.00 %	4.25 %
Rate of increase in compensation:		
Qualified Plan	3.00 %	3.00 %
Excess Plan	4.25 %	4.25 %
SRIP	6.50 %	6.50 %
Other Plans	1.13 %	1.12 %

TIFFANY & CO.  
K-89

Table of Contents

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

	Years Ended		
	January 31,		
	2018	2017	2016
Discount rate:			
Qualified Plan	4.25 %	4.50 %	3.75 %
Excess Plan/SRIP	4.25 %	4.25 %	3.75 %
Other Plans	1.49 %	1.40 %	1.71 %
Other Postretirement Benefits	4.25 %	4.50 %	3.50 %
Expected return on plan assets	7.00 %	7.00 %	7.50 %
Rate of increase in compensation:			
Qualified Plan	3.00 %	3.00 %	2.75 %
Excess Plan	4.25 %	4.25 %	4.25 %
SRIP	6.50 %	6.50 %	7.25 %
Other Plans	1.38 %	1.38 %	1.56 %

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 7.00% annual rate of increase in the per capita cost of covered health care was assumed for 2018. 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 a significant effect on the Company's accumulated postretirement benefit obligation for the year ended January 31, 2018 or aggregate service and interest cost components of the 2017 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 allocations based on its funded status as of January 31, 2018 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 asset allocation periodically.

TIFFANY & CO.  
K-90

---

Table of Contents

The fair value of the Qualified Plan's assets at January 31, 2018 and 2017 by asset category is as follows:

(in millions)	Fair Value			
	Fair Value at	Fair Value Measurements Using Inputs Considered as*		
	January 31, 2018	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 <sup>a</sup>	213.0			
Plan assets at fair value	\$ 578.1	\$248.2	\$116.9	\$ —

(in millions)	Fair Value			
	Fair Value at	Fair Value Measurements Using Inputs Considered as*		
	January 31, 2017	Level 1	Level 2	Level 3
Equity securities:				
U.S. equity securities	\$ 56.2	\$56.2	\$—	\$ —
Mutual fund	35.1	35.1	—	—
Fixed income securities:				
Government bonds	78.2	77.8	0.4	—
Corporate bonds	83.8	—	83.8	—
Other types of investments:				
Cash and cash equivalents	7.8	7.8	—	—
Mutual funds	36.7	36.7	—	—
Net assets in fair value hierarchy	297.8	213.6	84.2	—
Investments at NAV practical expedient <sup>a</sup>	232.3			
Plan assets at fair value	\$ 530.1	\$213.6	\$84.2	\$ —

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

In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value <sup>a</sup> ("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.

TIFFANY & CO.

K-91

---

Table of Contents

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 trusts, 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 to be paid:

Years Ending January 31,	Pension Benefits (in millions)	Other Postretirement Benefits (in millions)
2019	\$27.1	\$1.9
2020	27.4	2.0
2021	28.5	2.1
2022	29.8	2.2
2023	30.6	2.4
2024-2028	175.1	14.8

## 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 Company recorded related expense of \$3.9 million in 2017, \$2.3 million in 2016 and no expense in 2015. 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 related expense of \$8.2 million, \$7.5 million and \$7.3 million in 2017, 2016 and 2015, respectively. Contributions to both features of the EPSRS Plan are made in the following year.

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-sharing and retirement savings feature, employees may elect to invest a portion of the contributions to their accounts in Company stock. At January 31, 2018, investments in Company stock represented 20% of total EPSRS Plan assets.

TIFFANY & CO.

K-92

---

## Table of Contents

The EPSRS Plan provides a defined contribution retirement benefit ("DCRB") to eligible employees hired on or after January 1, 2006. 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 related expense of \$5.2 million, \$4.6 million and \$3.2 million in 2017, 2016 and 2015, respectively.

### 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 \$28.9 million and \$26.5 million at January 31, 2018 and 2017, respectively, and are reflected in Other long-term liabilities. The Company does not promise or guarantee any rate of return on amounts deferred.

## O. 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 reflect 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");

• The introduction of a deduction for Foreign Derived Intangible Income ("FDII") for tax years beginning after December 31, 2017;

• The introduction of 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;

• The introduction of 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 introduction of 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 does 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 provides a measurement period for companies to evaluate the impacts of the 2017 Tax Act on their financial statements. This measurement period begins in the reporting period that includes the enactment date and ends when an entity has obtained, prepared and analyzed the information that was needed in order to complete the accounting requirements, and cannot exceed one year. The Company has adopted the provisions of SAB 118 with respect to the impact of the 2017 Tax Act on its consolidated financial statements.

TIFFANY & CO.

K-93

---

Table of Contents

The Company has 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 include:

- 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 tax rate for the month of January 2018 on the Company's annual statutory tax rate for the year ended January 31, 2018. Because the Company's fiscal year ended on January 31, 2018, the Company's statutory tax rate for fiscal 2017 is 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 relates 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, represent provisional amounts for which the Company's analysis is incomplete but a reasonable estimate could be determined and 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 is incomplete as the Company is analyzing the relevant provisions of the 2017 Tax Act and related accounting guidance. Therefore, a provisional estimate has not been recorded or disclosed as it relates to the potential tax consequences of an actual repatriation of unremitted foreign earnings. The Company expects to account for the tax on GILTI as a period cost and thus has not adjusted any of the deferred tax assets and liabilities of its foreign subsidiaries in connection with the 2017 Tax Act. While the Company's provisional estimate for GILTI in 2017 is zero, the Company continues to evaluate this position in accordance with SAB 118 as it awaits further regulatory and accounting guidance. As the Company refines its provisional estimate calculations, further analyzes provisions of the 2017 Tax Act and any subsequent guidance related thereto, these provisional estimates could be affected, which could have a material impact on the Company's future financial results. Additionally, further regulatory or GAAP accounting guidance regarding the 2017 Tax Act could also materially affect the Company's future financial results.

## Income Taxes

Earnings from operations before income taxes consisted of the following:

	Years Ended January 31,		
(in millions)	2018	2017	2016
United States	\$ 597.1	\$ 478.2	\$ 502.5
Foreign	163.4	198.4	207.4
	\$ 760.5	\$ 676.6	\$ 709.9

TIFFANY &amp; CO.

K-94

Table of Contents

Components of the provision for income taxes were as follows:

	Years Ended January 31,		
(in millions)	2018	2017	2016
Current:			
Federal	\$227.9	\$125.5	\$175.8
State	16.7	15.4	22.3
Foreign	49.0	43.5	49.8
	293.6	184.4	247.9
Deferred:			
Federal	94.1	36.7	(15.4 )
State	1.1	7.1	3.9
Foreign	1.6	2.3	9.6
	96.8	46.1	(1.9 )
	\$390.4	\$230.5	\$246.0

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,		
	2018	2017	2016
Statutory Federal income tax rate	33.8 %	35.0 %	35.0 %
State income taxes, net of Federal benefit	1.5	2.2	2.4
Foreign losses with no tax benefit	0.2	0.2	—
Foreign tax rate differences	(1.4 )	(2.3 )	(2.5 )
Net change in uncertain tax positions	0.2	(0.7 )	0.5
Domestic manufacturing deduction	(1.8 )	(0.9 )	(1.3 )
2017 Tax Act	19.8	—	—
Other	(1.0 )	0.6	0.6
	51.3 %	34.1 %	34.7 %

TIFFANY & CO.  
K-95

---

Table of Contents

Deferred tax assets (liabilities) consisted of the following:

(in millions)	January 31,	
	2018	2017
Deferred tax assets:		
Pension/postretirement benefits	\$81.2	\$124.7
Accrued expenses	22.9	36.1
Share-based compensation	7.2	17.3
Depreciation	0.6	6.5
Amortization	6.4	10.8
Foreign and state net operating losses	9.2	25.5
Sale-leaseback	17.2	25.8
Inventory	35.8	57.6
Financial hedging instruments	8.4	11.9
Unearned income	7.7	10.6
Other	25.1	23.0
	221.7	349.8
Valuation allowance	(9.6 )	(24.1 )
	212.1	325.7
Deferred tax liabilities:		
Foreign tax credit	(24.9 )	(25.8 )
Net deferred tax asset	\$187.2	\$299.9

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 approximately \$32.7 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 2025.

The following table reconciles the unrecognized tax benefits:

(in millions)	Years ended		
	January 31,		
	2018	2017	2016
Unrecognized tax benefits at beginning of year	\$7.2	\$14.0	\$12.1
Gross increases – tax positions in prior period	3.2	0.9	1.0
Gross decreases – tax positions in prior period	(0.9 )	(5.0 )	(0.4 )
Gross increases – tax positions in current period	0.6	0.3	1.4
Settlements	—	(3.0 )	—
Lapse of statute of limitations	—	—	(0.1 )
Unrecognized tax benefits at end of year	\$10.1	\$7.2	\$14.0

Included in the balance of unrecognized tax benefits at January 31, 2018, 2017 and 2016 are \$1.1 million, \$1.0 million and \$9.1 million of tax benefits that, if recognized, would affect the effective income tax rate.

The Company recognizes interest expense and penalties related to unrecognized tax benefits within the provision for income taxes. The Company recognized expense of \$2.0 million and \$1.7 million for interest and penalties during

TIFFANY & CO.

K-96





Table of Contents

2017 and 2015, respectively. No expense for interest and penalties was recognized in 2016. Accrued interest and penalties are included within Accounts payable and accrued liabilities and Other long-term liabilities, and were \$10.3 million and \$8.3 million at January 31, 2018 and 2017, respectively.

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 in several jurisdictions, both in the U.S. and in foreign jurisdictions. Ongoing audits where subsidiaries have a material presence include New York City (tax years 2011–2013) and New York State (tax years 2012–2014). 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. As of January 31, 2018, unrecognized tax benefits are not expected to change materially in the next 12 months. Future developments may result in a change in this assessment.

## P. SEGMENT INFORMATION

The Company's products are primarily sold in TIFFANY & CO. retail locations around the world. 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:

(in millions)	Years Ended January 31,		
	2018	2017	2016
Net sales:			
Americas	\$1,870.9	\$1,841.9	\$1,947.0
Asia-Pacific	1,095.0	999.1	1,003.1
Japan	596.3	604.4	541.3
Europe	482.9	457.6	505.7
Total reportable segments	4,045.1	3,903.0	3,997.1
Other	124.7	98.8	107.8
	\$4,169.8	\$4,001.8	\$4,104.9
Earnings from operations*:			
Americas	\$390.3	\$373.0	\$390.8
Asia-Pacific	286.1	256.0	264.4
Japan	207.3	204.6	199.9
Europe	86.3	81.6	97.4
Total reportable segments	970.0	915.2	952.5
Other	6.3	5.9	6.4
	\$976.3	\$921.1	\$958.9

\* Represents earnings from operations before (i) unallocated corporate expenses, (ii) interest expense, financing costs and other (income) 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.

TIFFANY & CO.

K-97

---

Table of Contents

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

(in millions)	Years Ended January 31,		
	2018	2017	2016
Earnings from operations for segments	\$976.3	\$921.1	\$958.9
Unallocated corporate expenses	(181.8 )	(161.9 )	(152.1 )
Interest expense, financing costs and other (income) expense, net	(34.0 )	(44.6 )	(50.2 )
Other operating expenses	—	(38.0 )	(46.7 )
Earnings from operations before income taxes	\$760.5	\$676.6	\$709.9

Unallocated corporate expenses includes 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 represent an impairment charge related to software costs capitalized in connection with the development of a new 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.

Other operating expense in the year ended January 31, 2016 represents impairment charges related to a financing arrangement with Koidu and expenses related to specific cost-reduction initiatives. See "Note B. Summary of Significant Accounting Policies" for additional details on the impairment charges and "Note J. Commitments and Contingencies" for additional details related to the specific cost-reduction initiatives.

Sales to unaffiliated customers and long-lived assets by geographic areas were as follows:

(in millions)	Years Ended January 31,		
	2018	2017	2016
Net sales:			
United States	\$1,739.0	\$1,691.4	\$1,795.5
Japan	596.3	604.4	541.3
Other countries	1,834.5	1,706.0	1,768.1
	\$4,169.8	\$4,001.8	\$4,104.9
Long-lived assets:			
United States	\$724.5	\$691.3	\$706.9
Japan	21.4	21.7	20.6
Other countries	301.4	269.0	256.7
	\$1,047.3	\$982.0	\$984.2

TIFFANY & CO.  
K-98

---

Table of Contents

## Classes of Similar Products

(in millions)	Years Ended January 31,		
	2018	2017	2016
Net sales:			
Jewelry collections	\$2,193.2	\$2,043.9	\$2,129.2
Engagement jewelry	1,065.4	1,122.0	1,142.2
Designer jewelry	551.2	529.1	526.4
All other	360.0	306.8	307.1
	\$4,169.8	\$4,001.8	\$4,104.9

The Jewelry collections category reflects the combination of the previously reported high, fine & solitaire jewelry and fashion jewelry categories. Additionally, jewelry bearing the name of and attributed to Jean Schlumberger, which was previously reported within the high, fine & solitaire jewelry category, has been reclassified into the Designer jewelry category. Such changes or reclassifications have been made to conform with management's current internal analysis of product sales and are reflected for each of the periods presented in the table above.

## Q. QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except per share amounts)	2017 Quarters Ended*			
	April 30	July 31	October 31	January 31 <sup>a</sup>
Net sales	\$899.6	\$959.7	\$976.2	\$1,334.3
Gross profit	557.6	598.2	598.4	850.6
Earnings from operations	145.6	181.3	160.3	307.2
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

<sup>a</sup> For the quarter ended January 31, 2018, includes net tax expense of \$146.2 million, or \$1.17 per diluted share, related to the estimated impact of the 2017 Tax Act (see "Note O. Income Taxes").

(in millions, except per share amounts)	2016 Quarters Ended*			
	April 30	July 31	October 31	January 31 <sup>b</sup>
Net sales	\$891.3	\$931.6	\$949.3	\$1,229.6
Gross profit	545.6	577.1	579.5	788.2
Earnings from operations	134.6	174.9	155.2	256.5
Net earnings	87.5	105.7	95.1	157.8
Net earnings per share:				
Basic	\$0.69	\$0.84	\$0.76	\$1.27
Diluted	\$0.69	\$0.84	\$0.76	\$1.26

<sup>b</sup> On a pre-tax basis, includes charges for the quarter ended January 31, 2017 of:

<sup>i</sup> \$25.4 million, which reduced net earnings per diluted share by \$0.13, associated with an impairment charge related to software costs capitalized in connection with the development of a new finished goods

TIFFANY &amp; CO.

K-99

Table of Contents

inventory management and merchandising information system (see "Note B. Summary of Significant Accounting Policies" and "Note E. Property, Plant and Equipment"); and

\$12.6 million, which reduced net earnings per diluted share by \$0.06, associated with impairment charges related to ii. financing arrangements with diamond mining and exploration companies (see "Note B. Summary of Significant Accounting Policies").

\*The sum of quarterly amounts may not agree with full year amounts due to rounding.

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.

TIFFANY & CO.

K-100

---

Table of Contents

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) are effective at that reasonable assurance level.

TIFFANY & CO.

K-101

---

Table of Contents

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, 2018 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, 2018 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

TIFFANY & CO.  
K-102

---



Table of Contents

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 6, 2018.

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, <http://investor.tiffany.com/governance.cfm>; go to "Code of Conduct." The Registrant will also provide a copy of the Code of Business and Ethical Conduct to stockholders upon request.

See Registrant's Proxy Statement dated April 6, 2018, 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 6, 2018.

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 6, 2018.

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 6, 2018.

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 6, 2018.

TIFFANY & CO.  
K-103

---

Table of Contents

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, 2018 and 2017.

Consolidated Statements of Earnings for the years ended January 31, 2018, 2017 and 2016.

Consolidated Statements of Comprehensive Earnings for the years ended January 31, 2018, 2017 and 2016.

Consolidated Statements of Stockholders' Equity for the years ended January 31, 2018, 2017 and 2016.

Consolidated Statements of Cash Flows for the years ended January 31, 2018, 2017 and 2016.

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.

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.

TIFFANY & CO.  
K-104

---

Table of Contents

EXHIBIT INDEX

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

Exhibit No.	Description
3.1	<u>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.</u>
3.1a	<u>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.</u>
3.2	<u>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.</u>
4.5	<u>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.</u>
4.6	<u>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.</u>
4.7	<u>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.</u>
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	<u>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.</u>
10.2	<u>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.</u>
10.2a	<u>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.</u>
10.3	<u>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.</u>
10.4	

Four Year Credit Agreement dated as of October 7, 2014 by and among Registrant and each other Subsidiary of Registrant that is a Borrower and is a signatory thereto and Bank of America, N.A., as Administrative Agent, and various lenders party thereto. Incorporated by reference from Exhibit 10.37 filed with Registrant's Report on Form 8-K dated October 10, 2014.

TIFFANY & CO.  
K-105

---

Table of Contents

Exhibit No.	Description
<u>10.5</u>	<u>Five Year Credit Agreement dated as of October 7, 2014 by and among Registrant and each other Subsidiary of Registrant that is a Borrower and is a signatory thereto and Bank of America, N.A., as Administrative Agent, and various lenders party thereto. Incorporated by reference from Exhibit 10.39 filed with Registrant's Report on Form 8-K dated October 10, 2014.</u>
<u>10.6</u>	<u>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.</u>
<u>10.6a</u>	<u>Amendment dated as of January 14, 2014 to the Amended and Restated Note Purchase and Private Shelf Agreement (see Exhibit 10.6 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.</u>
<u>10.7</u>	<u>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.</u>
<u>10.7a</u>	<u>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 10.7 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.</u>
<u>10.8</u>	<u>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.</u>
<u>10.9</u>	<u>Credit Agreement dated as of July 11, 2016 by and among Tiffany &amp; 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.</u>
<u>10.10</u>	<u>Guaranty Agreement dated as of July 11, 2016, with respect to the Credit Agreement (see Exhibit 10.9 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.</u>
<u>10.11</u>	<u>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.</u>
<u>10.12</u>	

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.

12.1 Ratio of Earnings to Fixed Charges.

TIFFANY & CO.  
K-106

---

Table of Contents

Exhibit No. Description

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, 2018, 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

10.13 Form of Indemnity Agreement, approved by the Board of Directors on March 11, 2005 for use with all directors and executive officers (Corrected Version). Incorporated by reference from Exhibit 10.49a filed with Registrant's Report on Form 8-K dated May 23, 2005.

10.14 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.

10.15 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.

10.16 Summary of informal incentive cash bonus plan for managerial employees. Incorporated by reference from Exhibit 10.109 filed with Registrant's Report on Form 8-K dated March 16, 2005.

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.

TIFFANY & CO.  
K-107

---



Table of Contents

Exhibit No.	Description
10.18	<u>Form of 2009 Retention Agreement between and among Registrant and Tiffany and Company and those executive officers indicated within the form and Appendices I and II to such Agreement. Incorporated by reference from Exhibit 10.127c filed with Registrant's Report on Form 8-K dated February 2, 2009.</u>
10.19	<u>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.</u>
10.19a	<u>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.</u>
10.19b	<u>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.</u>
10.19c	<u>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.</u>
10.20	<u>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.</u>
10.21	<u>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.</u>
10.22	<u>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.</u>
10.22a	<u>Form of Fiscal 2014 Cash Incentive Award Agreement for certain executive officers as adopted on March 19, 2014 under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.139d filed with Registrant's Report on Form 8-K dated March 21, 2014.</u>
10.22b	<u>Form of Non-Competition and Confidentiality Covenants for use in connection with Performance-Based Restricted Stock Unit Grants to Registrant's executive officers and Time-Vested Restricted Unit Awards made to other officers of Registrant's affiliated companies pursuant to the Registrant's 2005 Employee Incentive Plan and pursuant to the Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits. Incorporated by reference from Exhibit 10.141a filed with Registrant's Report on Form 8-K dated May 23, 2005.</u>
10.22c	<u>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.</u>

TIFFANY & CO.  
K-108

---

Table of Contents

Exhibit No. Description

- 10.22d Terms of Time-Vested Restricted Stock Unit Grants under Registrant's 2005 Employee Incentive Plan as revised January 14, 2009 (form used for grants made to employees other than executive officers subsequent to that date). Incorporated by reference from Exhibit 10.150a filed with Registrant's Report on Form 8-K dated February 2, 2009.
- 10.22e Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.28n filed with Registrant's Report on Form 8-K dated September 24, 2013.
- 10.22f Terms of Restricted Stock Grant (Non-Transferable) under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.28o filed with Registrant's Report on Form 8-K dated September 24, 2013.
- 10.22g Terms of Time-Vesting Restricted Stock Unit Grant to executive officers as adopted on November 20, 2013 under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.28p filed with Registrant's Report on Form 8-K dated March 21, 2014.
- 10.22h Terms of Performance-Based Restricted Stock Unit Grants to executive officers, effective January 15, 2014, under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.28s filed with Registrant's Report on Form 8-K dated September 19, 2014.
- 10.22i Form of Non-Competition and Confidentiality Covenants for use in connection with Performance-Based Restricted Stock Unit Grants to Registrant's executive officers, and Time-Vesting Restricted Unit Awards and Certain Non-Qualified Retirement Contributions made to other officers of Registrant's affiliated companies pursuant to Registrant's 2005 Employee Incentive Plan and pursuant to the Tiffany and Company Deferral Plan. Incorporated by reference from Exhibit 10.28r filed with Registrant's Report on Form 8-K dated March 21, 2014.
- 10.22j 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.
- 10.22k 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.
- 10.23 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.
- 10.23a 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.
- 10.23b 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.

Terms of Restricted Stock Unit Grant under Registrant's 2008 Directors Equity Compensation Plan, effective 10.23c May 26, 2016. Incorporated by reference from Exhibit 10.28d filed with Registrant's Report on Form 8-K dated June 2, 2016.

TIFFANY & CO.  
K-109

---

Table of Contents

Exhibit No. Description

10.23d 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.

10.23e 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.

10.24 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.

10.24a 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.

10.24b 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.

10.25 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.

10.25a 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.

10.25b Terms of Cliff-Vesting Restricted Stock Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan. Incorporated by reference from Exhibit 10.31b filed with Registrant's Report on Form 8-K dated July 18, 2014.

10.25c Terms of Tranche-Vesting Restricted Stock Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan. Incorporated by reference from Exhibit 10.31c filed with Registrant's Report on Form 8-K dated July 18, 2014.

10.25d 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.

10.25e Amended and Restated Terms of Performance-Based Restricted Stock Unit Grant (Non-Transferable) to executive officers under Registrant's 2014 Employee Incentive Plan, effective January 14, 2015. Incorporated by reference from Exhibit 10.26e filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2017.

10.25f Form of Fiscal 2016 Cash Incentive Award Agreement for certain executive officers as adopted on March 16, 2016 under Registrant's 2014 Employee Incentive Plan. Incorporated by reference from Exhibit 10.29e filed with Registrant's Report on Form 8-K dated March 22, 2016.

Form of Non-Competition and Confidentiality Covenants for use in connection with Performance-Based Restricted Stock Unit Grants to Registrant's executive officers, and Time-Vesting Restricted Unit Awards and Certain Non-Qualified Retirement Contributions made to other officers of Registrant's affiliated companies pursuant to Registrant's 2014 Employee Incentive Plan and pursuant to the Tiffany and Company Executive Deferral Plan. Incorporated by reference from Exhibit 10.29f filed with Registrant's Report on Form 8-K dated March 22, 2016.

10.25g  
TIFFANY & CO.  
K-110

---

Table of Contents

Exhibit No.	Description
<u>10.25h</u>	<u>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.</u>
<u>10.25i</u>	<u>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.</u>
<u>10.25j</u>	<u>Terms of Time-Vesting Restricted Stock Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, as revised March 16, 2016. Incorporated by reference from Exhibit 10.29k filed with Registrant's Report on Form 8-K dated March 22, 2016.</u>
<u>10.25k</u>	<u>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.</u>
<u>10.25l</u>	<u>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.</u>
<u>10.25m</u>	<u>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.</u>
<u>10.25n</u>	<u>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.</u>
<u>10.25o</u>	<u>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.</u>
<u>10.25p</u>	<u>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.</u>
<u>10.25q</u>	<u>Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2014 Employee Incentive Plan, approved March 16, 2017.</u>
<u>10.25r</u>	<u>Terms of Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, approved March 16, 2017.</u>

Terms of Restricted Stock Unit Grant (Non-Transferable) under Registrant's 2014 Employee Incentive Plan, as 10.25s revised January 17, 2018. Incorporated by reference from Exhibit 10.26q filed with Registrant's Report on Form 8-K dated January 19, 2018.

TIFFANY & CO.  
K-111

---



Table of Contents

Exhibit No.	Description
<u>10.25t</u>	<u>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.</u>
<u>10.25u</u>	<u>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.</u>
<u>10.26</u>	<u>Senior Executive Employment Agreement between Frederic Cumenal and Tiffany and Company, effective as of March 10, 2011. Incorporated by reference from Exhibit 10.154 filed with Registrant's Report on Form 8-K dated March 21, 2011.</u>
<u>10.27</u>	<u>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.</u>
<u>10.28</u>	<u>Employment offer letter, dated as of April 18, 2014, between Jean-Marc Bellaiche and Tiffany and Company. Incorporated by reference from Exhibit 10.32 to Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2016.</u>
<u>10.29</u>	<u>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.</u>
<u>10.30</u>	<u>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.</u>
<u>10.31</u>	<u>Form of 2016 Retention Agreement with Registrant and Tiffany and Company. Incorporated by reference from Exhibit 10.34 filed with Registrant's Report on Form 8-K dated March 22, 2016.</u>
<u>10.32</u>	<u>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.</u>
<u>10.33</u>	<u>Separation Agreement and Release, dated as of March 6, 2017, by and among Registrant, Tiffany and Company and Frederic Cumenal. Incorporated by reference from Exhibit 10.41 filed with the Registrant's Report on Form 8-K dated March 6, 2017.</u>
<u>10.34</u>	<u>Form of Retention Agreement with Registrant and Tiffany and Company, adopted March 15, 2017. Incorporated by reference from Exhibit 10.36 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2017.</u>
<u>10.35</u>	<u>Corporate Governance Principles, amended and restated effective October 2, 2017.</u>

TIFFANY & CO.



Table of Contents

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 16, 2018 TIFFANY & CO.  
(Registrant)

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

TIFFANY & CO.  
K-113

---

Table of Contents

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/ Gary E. Costley  
Gary E. Costley  
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/ Michael J. Kowalski  
Michael J. Kowalski  
Director

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

By: /s/ Charles K. Marquis  
Charles K. Marquis  
Director

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

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

By: /s/ Francesco Trapani  
Francesco Trapani  
Director

March 16, 2018

TIFFANY & CO.  
K-114

---

Table of Contents

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

a) Uncollectible accounts written off.

b) Adjustment related to sales returns previously provided for.

c) Liquidation of inventory previously written down to market.

d) Physical inventory losses.

e) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.

TIFFANY & CO.  
 K-115

---

Table of Contents

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 to beginning of period	Additions Charged		Deductions	Balance at end of period
		Balance at to beginning of period	Charged to other accounts and expenses		
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 market.

d) Physical inventory losses.

e) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.

TIFFANY & CO.  
 K-116

---

Table of Contents

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 to beginning of period	Additions Charged		Deductions	Balance at end of period
		beginning costs and expenses	Charged to other accounts		
Year Ended January 31, 2016:					
Reserves deducted from assets:					
Accounts receivable allowances:					
Doubtful accounts	\$ 1.8	\$ 4.4	\$ —	-\$ 3.0	a \$ 3.2
Sales returns	8.8	3.5	—	4.0	b 8.3
Allowance for inventory liquidation and obsolescence	63.2	25.4	—	29.4	c 59.2
Allowance for inventory shrinkage	2.2	0.8	—	1.8	d 1.2
Deferred tax valuation allowance	16.2	5.3	—	2.0	e 19.5

a) Uncollectible accounts written off.

b) Adjustment related to sales returns previously provided for.

c) Liquidation of inventory previously written down to market.

d) Physical inventory losses.

e) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.

TIFFANY & CO.  
 K-117