TIFFANY & CO
Form 10-K
March 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2016
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 x 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 x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark 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 Form10-K or any amendment to this Form10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x		Accelerated filer	¨
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x
As of July 31, 2015, the aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant was approximately $12,261,388,517 using the closing sales price on this day of $95.70. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
As of March 23, 2016, the registrant had outstanding 126,039,812 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 8, 2016 (Part III).

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements in this Annual Report on Form 10-K, including documents incorporated herein by reference, that refer to plans and expectations for future periods are forward-looking statements that involve a number of risks and uncertainties. Words such as 'expects,' 'intends,' 'anticipates,' 'forecasts,' 'plans,' 'believes,' 'continues,' 'may,' 'will,' and variations of such words and similar expressions are intended to identify such forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding the Company's objectives, expectations and beliefs with respect to store openings and closings, product introductions, sales, sales growth, retail prices, gross margin, expenses, operating margin, interest expense and financing costs, effective income tax rate, net earnings and net earnings per share, inventories, capital expenditures, cash flow, liquidity, currency translation and growth opportunities. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, which could cause the Company's actual results to differ materially from those indicated in these forward-looking statements. Such factors include, but are not limited to, risks from global economic conditions, decreases in consumer confidence, the Company's significant operations outside of the United States, regional instability and conflict that could disrupt tourist travel and local consumer spending, weakening foreign currencies, changes in the Company's product or geographic sales mix and changes in costs or reduced supply availability of diamonds and precious metals. Please also see the Company's risk factors, as they may be amended from time to time, set forth in the Company's filings with the Securities and Exchange Commission, including in this Annual Report, particularly under "Item 1A. Risk Factors" for a discussion of these and other factors that could cause actual results to differ materially. 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.

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PART I

Item 1. Business.

GENERAL HISTORY OF BUSINESS

Tiffany & Co. (the "Registrant") is a holding company that operates through its subsidiary companies (collectively, the "Company"). The Registrant's principal subsidiary is Tiffany and Company ("Tiffany"). 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.

FINANCIAL INFORMATION ABOUT REPORTABLE SEGMENTS

The Company's segment information for the fiscal years ended January 31, 2016, 2015 and 2014 is reported in "Item 8. Financial Statements and Supplementary Data - Note P - Segment Information."

NARRATIVE DESCRIPTION OF BUSINESS

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 and to accept reduced overall gross margins; 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;
- In-store display practices enable Tiffany to showcase fine jewelry in a manner consistent with the Brand's positioning but require sufficient space;
- The classic positioning of much of Tiffany's product line supports the Brand, but limits the display space that can be allocated to new product introductions;
- Tiffany's packaging supports consumer expectations with respect to the Brand but is expensive; and

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- 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.

REPORTABLE SEGMENTS

Americas

Sales in the Americas were 47% of worldwide net sales in 2015, while sales in the U.S. represented 88% of net sales in the Americas.

Retail Sales. Retail sales in the Americas are transacted in 124 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2016 included in parentheses): the U.S. (95), Canada (12), Mexico (11), Brazil (5) and Chile (1). Included within these totals are 12 Company-operated stores located within various department stores in Canada and Mexico.

Internet and Catalog Sales. The Company distributes a selection of its products in the U.S. and Canada through the websites at www.tiffany.com and www.tiffany.ca. To a lesser extent, sales are also generated through catalogs that the Company distributes to its proprietary list of customers in the U.S. and Canada.

Business-to-Business Sales. Sales executives call on business clients, primarily in the U.S., selling products drawn from the retail product line and items specially developed for the business market, including trophies and items designed for the particular customer. Such sales represent approximately 1% of worldwide net sales.

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in markets in the Central/South American and Caribbean regions. Such sales represent less than 1% of worldwide net sales.

Asia-Pacific

Sales in Asia-Pacific represented 24% of worldwide net sales in 2015, while sales in Greater China represented more than half of Asia-Pacific's net sales.

Retail Sales. Retail sales in Asia-Pacific are transacted in 81 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2016 included in parentheses): China (30), Korea (14), Hong Kong (9), Taiwan (8), Australia (7), Singapore (6), Macau (4), Malaysia (2) and Thailand (1). Included within these totals are 29 Company-operated stores located within various department stores.

Internet Sales. The Company offers a selection of TIFFANY & CO. merchandise for purchase in Australia through its website at www.tiffany.com.au.

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in certain markets. Such sales represent approximately 2% of worldwide net sales.

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Japan

Sales in Japan represented 13% of worldwide net sales in 2015.

Retail Sales. Retail sales in Japan are transacted in 56 Company-operated TIFFANY & CO. stores. Included within this total are 51 stores located within department stores, generating approximately 70% 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, 2016 included in parentheses): Isetan Mitsukoshi Ltd. (13), J. Front Retailing Co., Ltd. (Daimaru and Matsuzakaya department stores) (9), Takashimaya Co., Ltd. (9) and Seven & i Holding Co., Ltd. (Sogo and Seibu department stores) (5). The Company also operates 15 stores in other department stores.

Internet Sales. The Company offers a selection of TIFFANY & CO. merchandise for purchase in Japan through its website at www.tiffany.co.jp.

Business-to-Business Sales. Products drawn from the retail product line and items specially developed are sold to business customers. Such sales represent less than 1% of worldwide net sales.

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in Japan. Such sales represent less than 1% of worldwide net sales.

Europe

Sales in Europe represented 12% of worldwide net sales in 2015, while sales in the United Kingdom ("U.K.") represented approximately 40% of European net sales.

Retail Sales. Retail sales in Europe are transacted in 41 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2016 included in parentheses): the U.K. (10), Germany (7), Italy (7), France (5), Spain (3), Switzerland (3), Austria (1), Belgium (1), the Czech Republic (1), Ireland (1), the Netherlands (1) and Russia (1). Included within these totals are seven Company-operated stores located within various department stores.

Internet Sales. The Company offers a selection of TIFFANY & CO. merchandise for purchase in the U.K., Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain through its websites, which are accessible through www.tiffany.com.

Other

Other consists of all non-reportable segments, including: (i) retail sales and wholesale distribution in the Emerging Markets region (which represented approximately 75% of Other net sales in 2015); (ii) wholesale sales of diamonds; and (iii) licensing agreements.

Emerging Markets region. Retail sales are transacted in five Company-operated TIFFANY & CO. stores in the United Arab Emirates ("U.A.E."). Additionally, selected TIFFANY & CO. merchandise is sold to independent distributors for resale in certain emerging markets (primarily in the Middle East). Such wholesale sales represent less than 1% of worldwide net sales.

Wholesale Sales of Diamonds. The Company regularly purchases parcels of rough diamonds for polishing and further processing. Some rough diamonds so purchased, and a small percentage of diamonds so polished, are found not to be suitable for the Company's needs; those diamonds are sold to third parties. Management's objective from such sales is to recoup its original costs, thereby earning minimal, if any, gross margin on those transactions.

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Licensing Agreement. The Company receives earnings from a licensing agreement with Luxottica Group for the distribution of TIFFANY & CO. brand eyewear. The earnings received from this licensing agreement represented less than 1% of worldwide net sales in 2015.

In 2015, the Company entered into a licensing agreement with Coty Inc. regarding the development, production and distribution of a new line of TIFFANY & CO. brand fragrances. The Company did not receive any earnings from this agreement in 2015, and does not expect to receive any such earnings in 2016.

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, in certain instances, closure 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 2005:

	Americas						
Year:	U.S.	Canada & Latin America	Asia-Pacific	Japan	Europe	Emerging Markets	Total
2005	59	7	25	50	13	—	154
2006	64	9	28	52	14	—	167
2007	70	10	34	53	17	—	184
2008	76	10	39	57	24	—	206
2009	79	12	45	57	27	—	220
2010	84	12	52	56	29	—	233
2011	87	15	58	55	32	—	247
2012	91	24	66	55	34	5	275
2013	94	27	72	54	37	5	289
2014	95	27	73	56	39	5	295
2015	95	29	81	56	41	5	307

As part of the Company's real estate strategy, management plans to increase gross retail square footage by approximately 2%, net through the addition of new stores, relocations, renovations and closings in 2016. For a summary of the Company's existing retail square footage, see "Item 2. Properties".

As noted above, the Company currently operates e-commerce enabled websites in 13 countries as well as informational websites in several additional countries. Sales transacted on those websites accounted for 6% of worldwide net sales in 2015, 2014 and 2013. The Company invests in ongoing website enhancements and is evaluating opportunities to expand its e-commerce sites to additional countries in the future. In addition, management believes that these websites serve a role as marketing tools to attract customers to the Company's stores.

Products

The Company's principal product category is jewelry, which represented 93%, 92%, and 92% of worldwide net sales in 2015, 2014 and 2013. The Company offers an extensive selection of TIFFANY &

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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, fragrances and accessories, which represented, in total, 7% of worldwide net sales in 2015, 2014 and 2013. The remaining approximately 1% of worldwide net sales were attributable to wholesale sales of diamonds and earnings received from a third-party licensing agreement.

Sales by Reportable Segment of TIFFANY & CO. Jewelry by Category

2015	% of total Americas Sales	% of total Asia-Pacific Sales	% of total Japan Sales	% of total Europe Sales	% of total Reportable Segment Sales
Statement, fine & solitaire jewelry [a]	23%	25%	19%	17%	22%
Engagement jewelry & wedding bands [b]	23%	35%	43%	25%	29%
Fashion jewelry [c]	43%	38%	31%	54%	42%
2014					
Statement, fine & solitaire jewelry [a]	23%	24%	20%	17%	22%
Engagement jewelry & wedding bands [b]	23%	38%	46%	24%	30%
Fashion jewelry [c]	44%	37%	27%	56%	41%
2013					
Statement, fine & solitaire jewelry [a]	23%	27%	20%	19%	23%
Engagement jewelry & wedding bands [b]	23%	36%	47%	25%	30%
Fashion jewelry [c]	44%	36%	26%	53%	40%

a) This category includes statement, fine and solitaire jewelry (other than engagement jewelry). Most sales in this category are of items containing diamonds, other gemstones or both. Most jewelry in this category is constructed of platinum, although gold was used as the primary metal in approximately 15% of sales in 2015. The average price of merchandise sold in 2015, 2014 and 2013 in this category was approximately $5,700, $5,400 and $5,300 for total reportable segments.

b) This category includes engagement rings (approximately 60% of the category) and wedding bands. Most sales in this category are of items containing diamonds. Most jewelry in this category is constructed of platinum, although gold was used as the primary metal in approximately 9% of sales in 2015. The average price of merchandise sold in 2015, 2014 and 2013 in this category was approximately $3,300, $3,600 and $3,600 for total reportable segments.

c) This category generally consists of non-gemstone jewelry, divided approximately equally between sterling silver and gold jewelry, although small gemstones are used as accents in some pieces. The average price of merchandise sold in 2015, 2014 and 2013 in this category was approximately $355, $335 and $300 for total reportable segments.

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ADVERTISING, MARKETING, PUBLIC AND MEDIA RELATIONS

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 2015, 2014 and 2013, the Company spent \$302.0 million, \$284.0 million and \$253.2 million, representing 7.4%, 6.7% and 6.3% 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 foundation organized to support 501(c)(3) charitable organizations. The efforts of this Foundation are primarily focused on environmental conservation and urban parks.

TRADEMARKS

The designations TIFFANY ® and TIFFANY & CO.® 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 ®, the TIFFANY BLUE BOX design, TIFFANY BLUE® 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

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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 8%, 8% and 9% of the Company's worldwide net sales in 2015, 2014 and 2013.

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 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 manufactures jewelry in New York, Rhode Island, Kentucky and Thailand, polishes jewelry in the Dominican Republic and crafts silver hollowware in Rhode Island. The Company processes, cuts and polishes diamonds at other facilities outside the U.S. In total, these internal manufacturing facilities produce approximately 60% of the merchandise sold by the Company. The balance, including 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 product quality, product cost, access to or mastery of various jewelry-making skills and technology, support for alternative capacity and the cost of capital investments. To supply its internal manufacturing facilities, the Company sources precious metals, rough diamonds (which it processes in its own facilities), polished diamonds and other gemstones.

Supply of Diamonds. The vast majority of diamonds acquired by the Company originate from Botswana, Canada, Namibia, Russia, Sierra Leone and South Africa. The Company regularly purchases parcels of rough diamonds for polishing and further processing. The Company has diamond processing operations in Belgium, Botswana, Cambodia, Mauritius and Vietnam that prepare, cut and/or polish rough diamonds for its use. The Company's operation in

Botswana allows it to access rough diamond allocations reserved for local manufacturers. The Company conducts that operation through a subsidiary in which local third-parties own minority, non-controlling interests. 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, from time to time, secures supplies of rough diamonds by agreeing to purchase a defined portion of a mine's output at the market price prevailing at the time of production. Under such agreements, management anticipates that it will purchase approximately $100.0 million of rough diamonds in 2016. However, the Company will also purchase rough diamonds from other suppliers, although it has no contractual obligations to do so. In certain instances, the Company has provided loans to, or made equity investments in, mining projects in order to secure diamond supplies.

It is occasionally necessary to knowingly purchase mixed assortments of rough diamonds that contain a limited quantity of rough diamonds that cannot be cut and polished to meet the Company's quality standards or assortment needs. Rough diamonds so purchased, as well as a small percentage of such diamonds that have been polished, are sold to third parties when they are found not to be suitable for the Company's needs. Management's objective from such sales, included in the Other non-reportable segment, is to recoup its original costs, thereby earning minimal, if any, gross margin on those transactions. As a result, these sales have had, and are expected to continue to have, the effect of modestly reducing the Company's overall gross margins.

In recent years, approximately 70% - 80% (by dollar value) of the polished diamonds used in 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.

Products containing one or more diamonds of varying sizes, including diamonds used as accents, side-stones and center-stones, accounted for 59%, 58% and 58% of worldwide net sales in 2015, 2014 and 2013. Products containing one or more diamonds of one carat or larger accounted for 14%, 14% and 15% of worldwide net sales in each of those years.

Conflict Diamonds. Media attention has been drawn to the issue of "conflict" or "blood" diamonds. These terms are 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" or "blood" 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 and Angola underscore that the aforementioned system does not control diamonds produced in state-sanctioned mines under poor working conditions. The Company has informed its vendors that it does not intend to purchase Zimbabwean or Angolan-produced diamonds. Accordingly, the Company has implemented the Diamond Source Warranty Protocol, which requires vendors to provide a warranty that loose polished diamonds were not obtained from Zimbabwean or Angolan mines.

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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 2015 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 Other Polished Gemstones and Precious Metals. Other polished gemstones and precious metals used in making jewelry are purchased from a variety of sources. Most purchases are from suppliers with which Tiffany has maintained long-standing relationships.

The Company generally enters into purchase orders for fixed quantities with other polished gemstone and precious metals 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 the termination.

The Company purchases precious metals from several suppliers for use in its internal manufacturing operations and for use by third-party manufacturers contracted to supply Tiffany merchandise. The silver, gold and platinum sourced directly by the Company principally comes from two sources: in-ground, large-scale deposits of metals, primarily in the U.S., that meet the Company's standards for responsible mining and metals from recycled sources. While the Company may supply precious metals to a manufacturer, it cannot determine, in all circumstances, whether the finished goods provided by such manufacturer were actually produced with Tiffany-supplied precious metals.

In recent years, there has been substantial volatility in the prices of precious metals.

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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 55 manufacturers, most of which have long-standing relationships with the Company. 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. For many years prior to 2007, the Company had arranged for the production of TIFFANY & CO. brand watches with various third-party Swiss component manufacturers and assemblers. In 2007, the Company entered into a 20-year license and distribution agreement (the "Agreement") with the Swatch Group for the manufacture and distribution of TIFFANY & CO. brand watches. In December 2013, an arbitral panel deemed the Agreement terminated at the request of the parties. The arbitration award stated that the effective date of termination was March 1, 2013. See "Item 3. Legal Proceedings" for additional information regarding the arbitration proceeding and the subsequent annulment action. Royalties payable to the Company under the Agreement were not significant in any year, and watches manufactured under the Agreement and sold in TIFFANY & CO. stores constituted 1% of worldwide net sales in 2013.

In April 2015, management introduced new TIFFANY & CO. brand watches, which have been designed, produced, marketed and distributed through certain of the Company's Swiss subsidiaries. In support of this introduction, 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 new TIFFANY & CO. brand watches represented approximately 1% of worldwide net sales in 2015. While management anticipates an increase in these sales in 2016, it does not expect this new watch business to increase the Company's profitability in 2016, as the Company expects to continue to invest significant resources in marketing to continue to build customer awareness and further establish product differentiation.

The effective development and growth of this watch business involves risks and uncertainties. Under the Agreement, the Swatch Group retained the right to sell watches marked with the TIFFANY & CO. trademark for a period of time subsequent to the termination of the Agreement and had no obligation to reacquire any inventory sold to retailers during this period. As such, the continued presence in the retail market of those TIFFANY & CO. brand watches produced under the Agreement may negatively impact the Company’s sales and marketing efforts for its new collection of watches.

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

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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, 2016, the Company employed an aggregate of approximately 12,200 full-time and part-time persons. Of those employees, approximately 5,400 are employed in the United States.

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 SEC's 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 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, Forms 10-Q and Forms 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; changes in the market value of securities and real estate; inflation; interest rates and the availability of consumer credit; tax rates; and expectations of future economic conditions and employment prospects.

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

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 would result in higher inventories in the short-term.

(iii) The Company conducts significant operations outside the United States, and the risks of doing business internationally could increase its costs, reduce its profits or disrupt its business.

The Company generates a majority of its worldwide net sales outside the United States. It also has foreign manufacturing operations, and relies on certain 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 outside the United States, including:

- the laws, regulations and policies of foreign 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;
- potential negative consequences from changes in taxation policies or currency restructurings;
- import and export licensing requirements and regulations, as well as unforeseen changes in regulatory requirements;
- economic instability in foreign countries;
- challenges inherent in oversight of foreign operations, systems and controls; for example, in the fourth quarter of 2015, management identified inaccuracies in our Japan segment relating to the timing of recognizing sales and related costs, as well as inventory, at period-ends. Management determined these inaccuracies did not materially affect our annual or quarterly financial statements, including the reported financial information for our Japan segment. Management is continuing to review the processes and personnel involved and related remediation;
- uncertainties as to enforcement of certain contract and other rights;
- the potential for rapid and unexpected changes in government, economic and political policies, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation; and

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- inventory risk exposures.

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) Weakening 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 and British Pound. In 2015, sales in countries outside of the U.S. in aggregate represented more than half of the Company's net sales and earnings from operations. A continued weakening of foreign currencies against the U.S. dollar would require the Company to raise its retail prices in order to maintain its worldwide relative pricing structure, or reduce its profit margins in various locations outside of the U.S. Consumers in those markets may not accept significant price increases on the Company's goods; thus, there is a risk that a continued weakening of foreign currencies would result in reduced sales and profitability. In addition, a continued weakening in foreign currency exchange rates 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 continues to strengthen 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.

(v) Regional instability and conflict could disrupt tourist travel and local consumer spending.

Unsettled regional and global conflicts or crises such as military actions, terrorist activities, natural disasters, government regulations or other conditions may negatively affect spending by foreign tourists and local consumers in the various regions where the Company operates retail stores which would adversely affect its sales and earnings. For example, management believes that a significant reduction in tourist travel and spending in France and other markets within Europe in the fourth quarter of 2015 were a result of the tragic terrorist attacks that occurred in Paris, France during that quarter.

(vi) 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. 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.

(vii) Increases in costs of diamonds 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 and non-jewelry offerings are made with diamonds, 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 decrease in the cost or supply of precious metals and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand 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 and prices for natural diamonds may be affected.

(viii) Volatile global economic conditions may have a material adverse effect on the Company's liquidity and capital resources.

The global economy and the credit and equity markets have undergone significant disruption in recent years. Any prolonged economic weakness could have an adverse effect on the Company's cost of borrowing, could diminish its ability to service or maintain existing financing and could make it more difficult for the Company to obtain additional financing or to refinance existing long-term obligations. In addition, any significant deterioration in the equity markets could negatively affect the valuation of pension plan assets and result in increased minimum funding requirements.

(ix) The Company may be unable to lease sufficient space for its retail stores in prime locations.

The Company, positioned as a luxury goods retailer, has established its retail presence in choice store locations. If the Company cannot secure and retain locations on suitable terms in prime and desired luxury shopping locations, its expansion plans, sales and earnings could be jeopardized.

In Japan, many of the TIFFANY & CO. stores are located in department stores generating approximately 70% of the net sales in Japan, or 9% of worldwide net sales, in 2015. The Company also has TIFFANY & CO. stores located in department stores in other markets. Should one or more department store operators elect or be required to close one or more stores now housing a TIFFANY & CO. store, the Company's sales and earnings would be reduced while alternative premises were being obtained. The Company's commercial relationships with department stores, and their respective abilities to continue as leading department store operators, have been and will continue to affect the Company's business in Japan and the other markets.

(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 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 and 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. products or in respect of the Company's third-party vendors or the diamond or jewelry industry, and any media coverage resulting therefrom, may harm the TIFFANY & CO. brand and reputation, cause a loss of consumer confidence in the TIFFANY & CO. brand and the industry, and negatively affect the Company's results of operations. The considerable expansion in the use of social media over recent years has compounded the potential scope of the negative publicity that could be generated by such incidents.

(xii) A significant data security or privacy breach of the Company's information systems could affect its business.

The protection of customer, employee and Company data is important to the Company, and the Company's customers and employees expect that their personal information will be adequately protected. In addition, the regulatory environment surrounding information security and privacy is becoming increasingly demanding, with evolving requirements in the various jurisdictions in which the Company does business. Although the Company has developed and implemented systems and processes that are designed to protect personal and Company information and prevent data loss and other security breaches, such measures cannot provide absolute security. Additionally, the Company’s 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 information, 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 and Company information may also be adversely impacted by data security or privacy breaches that occur at its third-party vendors. The Company cannot control these vendors and therefore cannot guarantee that a data security or privacy breach of their systems will not occur in the future. A significant breach of customer, employee or Company data could damage the Company's reputation, its relationship with customers and the TIFFANY & CO. brand and could result in lost sales, sizable fines, significant breach-notification 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 those threats or to investigate or address potential or actual data security or privacy breaches.

(xiii) 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, 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 has commenced a 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

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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.

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 and could also affect the Company's reputation, its relationship with customers and the TIFFANY & CO. brand, which could result in reduced sales and profitability.

(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 effectively and successfully develop its new watch business.

In April 2015, management introduced new TIFFANY & CO. brand watches, which have been designed, produced, marketed and distributed through certain of the Company's Swiss subsidiaries. The effective development and growth of a 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) new regulatory requirements; (iv) dependence on relatively small supply partners; (v) production and distribution inefficiencies; and (vi) the need to efficiently integrate operations with the Company’s existing business models. Sales of these new TIFFANY & CO. brand watches represented approximately 1% of worldwide net sales in 2015. While management anticipates an increase in these sales in 2016, it does not expect this new watch business to increase the Company's profitability in 2016. As with any new business, the Company is competing with businesses with stronger market positions and has invested and will continue to invest significant resources in marketing to build customer awareness and to establish product differentiation. Despite the Company's efforts, there is, however, no assurance that the Company will be able to effectively grow its new watch business or that such business will be successful in growing the Company's revenues or enhancing its profitability.

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(xvii) If diamond mining and exploration companies to which the Company or its subsidiaries have provided financing were to experience financial difficulties, those funds might not be recovered, which would reduce the Company's earnings and could result in losing access to the mine's output.

The Company and its subsidiaries may, from time to time, provide financing to diamond mining and exploration companies in order to obtain rights to purchase mining output. Mining operations are inherently risky, and often occur in regions subject to additional political, social and environmental risks, such as the resurgence of the Ebola virus in 2014 in certain regions of Africa. Given these risks, there is no assurance that the diamond mining and exploration companies subject to these arrangements will be able to meet their obligations to the Company under their financing agreements or related diamond supply agreements. If a diamond mining or exploration company defaults under its financing agreement, the Company would be required to evaluate whether it should take a period charge in respect of all or a portion of the financing, which would affect the Company's earnings. Additionally, the circumstances leading to a default under a diamond financing agreement could also result in the Company losing access to the mine's output under the related supply agreements.

In 2015, the Company recorded $37.9 million of impairment charges, and related valuation allowances, associated with a $43.8 million financing arrangement with Koidu Limited (previously Koidu Holdings S.A.). Management will continue to evaluate the collectability of the financing arrangement, and it is possible that such ongoing evaluation may result in additional changes to management's assessment of collectability. While such changes in management's assessment would not have a material adverse effect on the Company's financial position or cash flows, it is possible that such a change in assessment could affect the Company's earnings in the period in which such a change were to occur.

(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, and not to achieve an earnings target in any particular fiscal period. 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 periodically 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) If the Company is unable to effectively anticipate and respond to changes in consumer preferences and shopping patterns, 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. In addition, 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. If the Company is unable to anticipate and respond in a

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timely and cost-effective manner to changes in consumer preferences and shopping patterns, the Company’s sales and profitability could be adversely impacted.

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, 2016:

	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	674,100	1,000 - 17,600	5,500
Asia-Pacific	81	215,600	400 - 12,800	2,700
Japan:				
Tokyo Ginza	1	12,000	12,000	12,000
Other stores	55	142,400	1,500 - 7,500	2,600
Europe:				
London Old Bond Street	1	22,400	22,400	22,400
Other stores	40	129,400	600 - 9,600	3,200
Emerging Markets	5	7,900	400 - 3,600	1,600
Total	307	1,249,300	400 - 45,500	4,100

NEW YORK FLAGSHIP STORE

The Company owns 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, with the balance 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.

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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 FACILITIES

The Company owns and operates jewelry manufacturing facilities in Cumberland, Rhode Island and Lexington, Kentucky, and leases jewelry manufacturing facilities in Pelham, New York and Bangkok, Thailand as well as a jewelry polishing facility in the Dominican Republic. Lease expiration dates range from 2017 to 2023. The owned and leased facilities total approximately 230,000 square feet.

The Company leases a facility in Belgium and owns facilities in Botswana, Cambodia, Mauritius and Vietnam (although the land in 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 2021 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 $72.0 million at January 31, 2016) (based on its alleged wasted investment) to CHF 3.8 billion (or approximately $3.7 billion at January 31, 2016) (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 $118.0 million at January 31, 2016) (based on its wasted investment) to approximately

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CHF 540.0 million (or approximately $533.0 million at January 31, 2016) (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 is set aside. However, the Swatch Parties have taken action in the Dutch courts to appeal the District Court's decision, and the Arbitration Award may ultimately be upheld by the courts of the Netherlands. Registrant’s management expects that the annulment action will not be ultimately resolved until, at the earliest, Registrant's fiscal year ending January 31, 2017.

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. Management also anticipates that the Tiffany Parties would seek the return of the amounts paid by them under the Arbitration Award in court proceedings.

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 the 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.

Although the District Court has issued a decision in favor of the Tiffany Parties, an amount will only be recorded for any return of amounts paid under the Arbitration Award when the District’s Court decision is final (i.e., after all rights of appeal have been exhausted) and return of these amounts is deemed probable

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and collection is reasonably assured. As such, the Company has not recorded any amounts in its consolidated financial statements related to the District Court’s decision.

Additionally, management has not established any accrual in the Company's consolidated financial statements for the year ended January 31, 2016 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.
Royalties payable to the Tiffany Parties by Watch Company under the Agreements were not significant in any year and watches manufactured by Watch Company and sold in TIFFANY & CO. stores constituted 1% of worldwide net sales in 2013.

In April 2015, management introduced new TIFFANY & CO. brand watches, which have been designed, produced, marketed and distributed through certain of the Company's Swiss subsidiaries. The effective development and growth of this watch business has required and will continue to require additional resources and involves risks and uncertainties.

Other 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 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.

Item 4. Mine Safety Disclosures.

Not Applicable.

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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, 823,651 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.

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 2015 were:

	High	Low
First Quarter	$ 90.83	$ 82.64
Second Quarter	$ 96.33	$ 84.83
Third Quarter	$ 96.43	$ 74.28
Fourth Quarter	$ 84.19	$ 59.73

On March 23, 2016, the high and low selling prices quoted on such exchange were $72.62 and $71.80. On March 23, 2016, there were 14,640 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 2014 were:

	High	Low
First Quarter	$ 94.88	$ 80.38
Second Quarter	$ 103.38	$ 85.75
Third Quarter	$ 105.66	$ 85.69
Fourth Quarter	$ 110.60	$ 85.15

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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 on the New York Stock Exchange, plus the reinvestment of any dividends paid on the stock. The graph assumes an investment of $100 on January 31, 2011 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 be indicative of future performance.

	1/31/11	1/31/12	1/31/13	1/31/14	1/31/15	1/31/16
Tiffany & Co.	$ 100.00	$ 111.62	$ 117.47	$ 151.22	$ 159.91	$ 120.09
S&P 500 Stock Index	100.00	104.22	121.71	147.89	168.93	167.81
S&P 500 Consumer Discretionary Index	100.00	113.15	139.92	178.22	201.41	217.06

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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 2014, a dividend of $0.34 per share of Common Stock was paid on April 10, 2014. On May 22, 2014, the Company announced a 12% increase in its regular quarterly dividend rate to a new rate of $0.38 per share of Common Stock which was paid on July 10, 2014, October 10, 2014 and January 12, 2015.

In 2015, a dividend of $0.38 per share of Common Stock was paid on April 10, 2015. On May 28, 2015, the Company announced a 5% increase in its regular quarterly dividend rate to a new rate of $0.40 per share of Common Stock which was paid on July 10, 2015, October 13, 2015 and January 11, 2016.

Issuer Purchases of Equity Securities

In March 2014, the Company's Board of Directors approved a share repurchase program ("2014 Program") which authorized the Company to repurchase up to $300.0 million of its Common Stock through open market transactions. The 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 ("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. Approximately $494.0 million remained available for repurchase under the 2016 Program at January 31, 2016.

The following table contains the Company's purchases of equity securities in the fourth quarter of 2015:

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, 2015 to November 30, 2015	362,224	$ 77.72	362,224	$ 128.6
December 1, 2015 to December 31, 2015	459,573	$ 76.17	459,573	$ 93.6
January 1, 2016 to January 31, 2016 [a]	605,919	$ 67.68	605,919	$ 494.0
TOTAL	1,427,716	$ 72.96	1,427,716	$ 494.0

[a] Shares were repurchased under the 2014 Program through January 21, 2016. Beginning on January 22, 2016, shares were repurchased under the 2016 Program.

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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 2011-2015, which ended on January 31 of the following calendar year:

(in millions, except per share amounts, percentages, ratios, stores and employees)	2015 [a]	2014 [b]	2013 [c]	2012	2011 [d]
EARNINGS DATA					
Net sales	$4,104.9	$4,249.9	$4,031.1	$3,794.2	$3,642.9
Gross profit	2,491.3	2,537.2	2,340.4	2,163.3	2,151.2
Selling, general & administrative expenses	1,731.2	1,645.8	1,555.9	1,466.1	1,442.7
Net earnings	463.9	484.2	181.4	416.2	439.2
Net earnings per diluted share	3.59	3.73	1.41	3.25	3.40
Weighted-average number of diluted common shares	129.1	129.9	128.9	127.9	129.1
BALANCE SHEET AND CASH FLOW DATA					
Total assets	$5,129.7	$5,180.6	$4,752.4	$4,630.9	$4,159.0
Cash and cash equivalents	843.6	730.0	345.8	504.8	434.0
Inventories, net	2,225.0	2,362.1	2,326.6	2,234.3	2,073.2
Short-term borrowings and long-term debt (including current portion)	1,103.9	1,116.5	1,003.5	959.3	712.1
Stockholders' equity	2,929.5	2,850.7	2,734.0	2,611.3	2,348.9
Working capital *	2,778.6	2,850.8	2,431.1	2,485.5	2,180.0
Cash flows from operating activities	813.6	615.1	154.7	328.3	210.6
Capital expenditures	252.7	247.4	221.4	219.5	239.4
Stockholders' equity per share	23.10	22.04	21.31	20.57	18.54
Cash dividends paid per share	1.58	1.48	1.34	1.25	1.12
RATIO ANALYSIS AND OTHER DATA					
As a percentage of net sales:					
Gross profit	60.7 %	59.7 %	58.1 %	57.0 %	59.0 %
Selling, general & administrative expenses	42.2 %	38.7 %	38.6 %	38.6 %	39.6 %
Earnings from operations	18.5 %	21.0 %	7.5 %	18.4 %	19.4 %
Net earnings	11.3 %	11.4 %	4.5 %	11.0 %	12.1 %
Capital expenditures	6.2 %	5.8 %	5.5 %	5.8 %	6.6 %
Return on average assets	9.0 %	9.7 %	3.9 %	9.5 %	11.1 %
Return on average stockholders' equity	16.1 %	17.3 %	6.8 %	16.8 %	19.4 %
Total debt-to-equity ratio	37.7 %	39.2 %	36.7 %	36.7 %	30.3 %
Dividends as a percentage of net earnings	43.8 %	39.5 %	93.9 %	38.1 %	32.5 %
Company-operated TIFFANY & CO. stores	307	295	289	275	247
Number of employees	12,200	12,000	10,600	9,900	9,800

* The Company adopted ASU No. 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes retrospectively as of January 31, 2016. Accordingly, current deferred taxes were reclassified to noncurrent in each of the years presented. See "Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting Policies" for additional information.

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NOTES TO SELECTED FINANCIAL DATA

a. Financial information and ratios for 2015 include the following amounts, totaling $46.7 million of net pre-tax expense ($29.9 million net after tax expense, or $0.24 per diluted share):
- $37.9 million of net pre-tax expense ($24.3 million net 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 J - Commitments and Contingencies" for additional information; and
- $8.8 million of net pre-tax expense ($5.6 million net 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.

b. 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 of certain senior notes prior to their scheduled maturities. See "Item 8. Financial Statements and Supplementary Data - Note G - Debt" for additional information.

c. Financial information and ratios for 2013 include the following amounts, totaling $482.1 million of net 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.

d. Financial information and ratios for 2011 include $42.7 million of net pre-tax expense ($26.0 million net after-tax expense, or $0.20 per diluted share) associated with the relocation of Tiffany's New York headquarters staff to a single location. This expense is primarily related to the fair value of the remaining non-cancelable lease obligations reduced by the estimated sublease rental income as well as the acceleration of the useful lives of certain property and equipment, incremental rent during the transition period and lease termination payments.

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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 STRATEGIES

The Company's key strategies are:

- To enhance customer awareness of the TIFFANY & CO. trademark (the “Brand”), its heritage, its products and its association with quality and luxury.

The Brand is the single most important asset of Tiffany and, indirectly, of the Company. Management intends to continue 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. Management monitors these efforts and the strength of the Brand through market research.

- To maintain an active product development program.

The Company's product development strategy is to introduce new design collections periodically and expand certain existing collections annually, both of which are intended to appeal to the Company’s existing customer base as well as to new customers. The Company is also investing in the watch category, which it deems appropriate for the Brand and which presents an incremental long-term growth opportunity.

- To enhance the customer experience through engaging service and store environments.

To ensure a superior shopping experience, the Company employs highly-qualified sales and customer service professionals, focuses on enhancing sales and product training programs, and is investing in enhancing its information systems for customer relationship management. The Company also focuses 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.

- To expand and optimize its global distribution base.

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, in certain cases, the closure of existing stores. Management will also continue to evaluate opportunities for the growth of its e-commerce websites. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the Brand, but believes that there are a number of potential worldwide locations remaining that meet financial and Brand requirements.

- To maintain substantial control over product supply through direct diamond sourcing and internal jewelry manufacturing.

The Company has developed substantial product supply infrastructure related to the procurement and processing of diamonds and to the manufacturing of jewelry. This infrastructure is intended to ensure adequate product supply and favorable product costs while maintaining the Company's

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quality standards. The Company will continue to supplement its internal capabilities through its network of external suppliers.

Through the efforts above, management is committed to the following long-term financial objectives:

- To achieve improved operating margins.

Management's long-term objective is to improve operating margin through gross margin improvement, which includes controlling product input costs, realizing greater efficiencies in its product supply chain and adjusting retail prices when appropriate. Additionally, management is focused on enhancing profitability by controlling selling, general and administrative expenses, including by enhancing its global procurement capabilities, thereby generating sales leverage on fixed costs. These efforts are intended to generate a higher rate of operating earnings growth relative to sales growth.

- To increase store productivity.

Management is committed to growing sales per square foot by increasing consumer traffic and by enhancing the store environment and customer experience, increasing the percentage of store visitors who make a purchase.

- To improve 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 flexibility to pursue strategic initiatives and allows for the return of excess capital to shareholders.

2015 SUMMARY

- On a constant-exchange-rate basis (see "Non-GAAP Measures" below), worldwide net sales increased 2% due to growth in Europe, Japan and Asia-Pacific, while sales in the Americas decreased modestly from the prior year; comparable store sales were approximately equal to the prior year. The increase in sales was attributed to price increases and a shift in sales mix toward higher-priced products while there were unit declines across most categories and regions.

- As reported, worldwide net sales decreased 3% to $4.1 billion due to lower sales in all regions and product categories, which management attributed in part to the negative effect of currency translation and, in the Americas, to lower foreign tourist spending.

- The Company added a net of 12 TIFFANY & CO. stores (opening 11 in Asia-Pacific, three in the Americas and two in Europe, while closing three in Asia-Pacific and one in the Americas).

- The Company expanded its offerings within several existing jewelry collections and introduced its new TIFFANY & CO. brand watch collections.

- Excluding certain expenses in 2015 and 2014 (see "Non-GAAP Measures" below), earnings from operations as a percentage of net sales ("operating margin") decreased 1.3 percentage points due to higher SG&A expenses and the resulting sales deleveraging of SG&A expenses, which was only

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partly offset by a higher gross margin. As reported, operating margin decreased 2.5 percentage points.

- Net earnings decreased 9% in 2015 excluding certain expenses recorded in 2015 and 2014 (see "Non-GAAP Measures" below). As reported, net earnings of $463.9 million, or $3.59 per diluted share, were 4% below the prior year.

- Inventories, net decreased 6% as reported, or 4% when excluding the translation effect of the strengthening U.S. dollar.

- Free cash flow (see "Non-GAAP Measures" below) was an inflow of $560.9 million in 2015, compared with $367.7 million in 2014.

- The Company returned cash to shareholders by continuing to pay regular quarterly dividends (which were increased 5% during the year to $0.40 per quarter, or an annualized rate of $1.60 per share) and spending $220.4 million to repurchase 2.8 million shares of its Common Stock.

RESULTS OF OPERATIONS

Non-GAAP Measures

The Company reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). 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. The Company presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's operating results. These non-GAAP financial measures presented here may not be comparable to similarly-titled measures used by other companies.

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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"). Management believes this constant-exchange-rate basis provides a more representative assessment of sales performance and provides better 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:

	2015			2014		
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis
Net Sales:						
Worldwide	(3)%	(5)%	2%	5%	(2)%	7%
Americas	(4)	(2)	(2)	6	—	6
Asia-Pacific	(2)	(5)	3	9	(1)	10
Japan	(2)	(12)	10	(4)	(8)	4
Europe	(1)	(13)	12	8	—	8
Other	(13)	—	(13)	18	—	18
Comparable Store Sales:						
Worldwide	(6)%	(6)%	—%	2%	(2)%	4%
Americas	(6)	(2)	(4)	5	(1)	6
Asia-Pacific	(5)	(5)	—	3	(1)	4
Japan	(7)	(12)	5	(7)	(8)	1
Europe	(5)	(14)	9	(1)	—	(1)
Other	(15)	—	(15)	8	—	8

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 resulted from a relocation 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.

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Statements of Earnings. Internally, management monitors and measures its earnings performance excluding certain items listed below. Management believes excluding such items presents the Company's results on a more comparable basis to the corresponding period in the prior year, thereby providing investors with an additional perspective to analyze the results of operations of the Company. The following tables reconcile certain GAAP amounts to non-GAAP amounts:

(in millions, except per share amounts)	GAAP		Impairment charges [a]		Specific cost-reduction initiatives [b]		Non-GAAP	
Year Ended January 31, 2016								
Selling, general and administrative expenses	$1,731.2		$(37.9	)	$(8.8	)	$1,684.5	
As a % of sales	42.2	%					41.0	%
Earnings from operations	760.1		37.9		8.8		806.8	
As a % of sales	18.5	%					19.7	%
Net earnings	463.9		24.3		5.6		493.8	
Diluted earnings per share	3.59		0.19		0.05		3.83	

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

b Expenses associated with specific cost-reduction initiatives which 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.

(in millions, except per share amounts)	GAAP	Debt extinguishment [c]		Non-GAAP
Year Ended January 31, 2015				
Loss on extinguishment of debt	$93.8	$(93.8	)	$—
Provision for income taxes	253.4	32.8		286.2
Net earnings	484.2	60.9		545.1
Diluted earnings per share	3.73	0.47		4.20

c Expenses associated with the redemption of $400.0 million in aggregate principal amount of certain senior notes prior to their scheduled maturities (see "Loss on Extinguishment of Debt").

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(in millions, except per share amounts)	GAAP	Arbitration award [d]	Specific cost-reduction initiatives [e]	Non-GAAP
Year Ended January 31, 2014				
Selling, general and administrative expenses	$1,555.9	$—	$(9.4)	$1,546.5
Earnings from operations	304.3	480.2	9.4	793.9
As a % of sales	7.5%			19.7%
Other expense (income), net	(13.2)	7.5	—	(5.7)
Provision for income taxes	73.5	179.3	3.6	256.4
Effective tax rate	28.8%			34.8%
Net earnings	181.4	293.4	5.8	480.6
As a % of sales	4.5%			11.9%
Diluted earnings per share	1.41	2.28	0.04	3.73

[d] Amounts associated with the award issued in arbitration between the Swatch Group Ltd. and the Company. See "Item 8. Financial Statements and Supplementary Data - Note J - Commitments and Contingencies" for further information.

[e] Expenses associated with specific cost-reduction initiatives which 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.

Free Cash Flow. Internally, management monitors its cash flow on a non-GAAP basis. 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 more representative assessment of operating cash flows. The following table reconciles GAAP net cash provided by operating activities to non-GAAP free cash flow:

	Years Ended January 31,	
(in millions)	2016	2015
Net cash provided by operating activities	$813.6	$615.1
Less: Capital expenditures	(252.7)	(247.4)
Free cash inflow	$560.9	$367.7

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Net Sales

Net sales by segment were as follows:

(in millions)	2015	2014	2013	2015 vs 2014 % Change	2014 vs 2013 % Change
Americas	$1,947.0	$2,033.5	$1,926.9	(4)%	6%
Asia-Pacific	1,003.1	1,025.2	944.7	(2)	9
Japan	541.3	554.3	578.6	(2)	(4)
Europe	505.7	513.3	476.2	(1)	8
Other	107.8	123.6	104.7	(13)	18
	$4,104.9	$4,249.9	$4,031.1	(3)%	5%

Americas includes sales in 124 Company-operated TIFFANY & CO. stores in the United States, Canada and Latin America, as well as sales of TIFFANY & CO. products in certain of those markets through business-to-business, Internet, catalog and wholesale operations. Americas represented 47% of worldwide net sales in 2015 and 48% in both 2014 and 2013, while sales in the U.S. represented 88% of net sales in the Americas in 2015, 2014 and 2013.

Asia-Pacific includes sales in 81 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations. Asia-Pacific represented 24%, 24% and 23% of worldwide net sales in 2015, 2014 and 2013. Sales in Greater China represented more than half of Asia-Pacific's net sales in those same periods.

Japan includes sales in 56 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations. Japan represented 13%, 13% and 14% of worldwide net sales in 2015, 2014 and 2013.

Europe includes sales in 41 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through the Internet. Europe represented 12% of worldwide net sales in 2015, 2014 and 2013. Sales in the United Kingdom ("U.K.") represent approximately 40% of European net sales.

Other consists of all non-reportable segments, including the Emerging Markets region, which consists of retail sales in five TIFFANY & CO. stores in the U.A.E. and wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (primarily in the Middle East). In addition, Other includes wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs as well as earnings received from a third-party licensing agreement.

Net Sales — 2015 compared with 2014. In 2015, worldwide net sales decreased $145.0 million, or 3%, due to lower sales in all regions. The strengthening of the U.S. dollar versus other currencies had the translation effect of reducing worldwide net sales growth by 5%, with net sales on a constant-exchange-rate basis increasing 2% (due to growth in Europe, Japan and Asia-Pacific, while sales in the Americas decreased modestly from the prior year).

In 2015, by product category, as reported in U.S. dollars on a GAAP basis, the engagement jewelry & wedding bands category decreased $74.9 million, or 6% (reflecting decreases in both solitaire diamond rings and wedding bands); the fashion jewelry category decreased $39.1 million, or 2% (reflecting a decline in sales of entry-level price point jewelry, largely in silver, partly offset by growth in gold jewelry

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sales); and the statement, fine & solitaire jewelry category decreased $19.4 million, or 2% (reflecting lower sales of fine jewelry partly offset by higher statement jewelry sales).

Changes in net sales by reportable segment were as follows:

(in millions)	Comparable Store Sales	Non-comparable Store Sales	Wholesale/Other	Total
Americas	$(103.5)	$12.9	$4.1	$(86.5)
Asia-Pacific	(46.0)	32.7	(8.8)	(22.1)
Japan	(36.4)	9.6	13.8	(13.0)
Europe	(24.0)	11.7	4.7	(7.6)

Americas. In 2015, total sales decreased $86.5 million, or 4%, while on a constant-exchange-rate basis, total sales decreased 2% and comparable store sales decreased 4%. Management attributed the decrease in total sales and comparable store sales on a constant-exchange-rate basis to lower foreign tourist spending in the U.S. (which management believes was the result of a strong U.S. dollar) as well as to lower sales to U.S. customers. There was strong sales growth in Canada and Latin America.

Changes in jewelry sales (which represent 89% of America's total sales) relative to the prior year were as follows:

	Average Price per Unit Sold, as reported	Currency Translation	Average Price per Unit Sold, constant-exchange-rate basis	Number of Units Sold
Change in Jewelry Sales	6%	(2)%	8%	(11)%

The decrease in the number of jewelry units sold reflected decreases across all categories, especially in entry-level price point silver jewelry. On a constant-exchange-rate basis, management attributed the increase in the average price per jewelry unit sold to price increases and a shift in sales mix toward higher-priced products within the fashion jewelry category and toward statement jewelry.

Asia-Pacific. In 2015, total sales decreased $22.1 million, or 2%, while on a constant-exchange-rate basis, total sales increased 3%. The increase in total sales on a constant-exchange-rate basis was primarily due to sales growth in China and Australia partly offset by declines in Hong Kong; comparable store sales were unchanged.

Changes in jewelry sales (which represent 98% of Asia-Pacific's total sales) relative to the prior year were as follows:

	Average Price per Unit Sold, as reported	Currency Translation	Average Price per Unit Sold, constant-exchange-rate basis	Number of Units Sold
Change in Jewelry Sales	4%	(5)%	9%	(6)%

The decrease in the number of jewelry units sold occurred in entry-level price point silver jewelry and fine jewelry. On a constant-exchange-rate basis, management attributed the increase in the average price per jewelry unit sold to price increases and a shift in sales mix toward higher-priced products within the fashion jewelry category and toward statement jewelry.

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Japan. In 2015, total sales decreased $13.0 million, or 2%, while on a constant-exchange-rate basis, total sales increased 10% and comparable store sales increased 5%. Management attributed the increase in total sales and comparable store sales on a constant-exchange-rate basis primarily to higher spending by foreign tourists.

Changes in jewelry sales (which represent 93% of Japan's total sales) relative to the prior year were as follows:

	Average Price per Unit Sold, as reported	Currency Translation	Average Price per Unit Sold, constant-exchange-rate basis	Number of Units Sold
Change in Jewelry Sales	(2)%	(12)%	10%	—%

On a constant-exchange-rate basis, management attributed the increase in the average price per jewelry unit sold to price increases and a shift in sales mix toward higher-priced products.

Europe. In 2015, total sales decreased $7.6 million, or 1%, while on a constant-exchange-rate basis, total sales increased 12% and comparable store sales increased 9%. The increase in total sales and comparable store sales on a constant-exchange-rate basis was due to growth across the region, which management attributed to higher spending by foreign tourists and, to a lesser extent, higher sales to local customers.

Changes in jewelry sales (which represent 96% of Europe's total sales) relative to the prior year were as follows:

	Average Price per Unit Sold, as reported	Currency Translation	Average Price per Unit Sold, constant-exchange-rate basis	Number of Units Sold
Change in Jewelry Sales	—%	(14)%	14%	(2)%

The decrease in the number of jewelry units sold was attributed to soft demand for silver jewelry. On a constant-exchange-rate basis, management attributed the increase in average price per jewelry unit sold to price increases and a shift in sales mix toward higher-priced products.

Other. In 2015, total sales decreased $15.8 million, or 13%, partly due to a $9.2 million, or 11%, sales decline in the Emerging Markets region that largely reflected lower comparable store sales. The remainder of the decrease was related to lower wholesale sales of diamonds.

Net Sales — 2014 compared with 2013. In 2014, worldwide net sales increased $218.8 million, or 5%, due to growth in most regions. The strengthening of the U.S. dollar versus other currencies had the translation effect of reducing worldwide net sales growth by 2%, with net sales on a constant-exchange-rate basis increasing 7% (due to growth in all regions).

In 2014, by product category, as reported in U.S. dollars on a GAAP basis, the fashion jewelry category increased $137.0 million, or 8% (reflecting growth in gold jewelry); the engagement jewelry & wedding bands category increased $62.9 million, or 5% (reflecting growth in solitaire diamond rings and wedding bands); and the statement, fine & solitaire jewelry category increased $13.4 million, or 1%.

Americas. In 2014, total sales increased $106.6 million, or 6%, due to an 11% increase in the average price per jewelry unit sold, which management attributed to price increases and a shift in sales mix

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toward higher-priced products. A 5% decline in the number of jewelry units sold was entirely due to soft demand for entry-level price point silver jewelry. Included in the $106.6 million increase is an $80.9 million, or 5%, increase in comparable store sales due to geographically broad-based growth across most of the region and a $27.8 million increase in non-comparable store sales. On a constant-exchange-rate basis, both total sales and comparable store sales increased 6%.

Asia-Pacific. In 2014, total sales increased $80.5 million, or 9%, due to a 5% increase in the average price per jewelry unit sold as well as a 4% increase in the number of jewelry units sold. Management attributed the increase in the average price to price increases and a shift in sales mix toward higher-priced products. The increase in the number of jewelry units sold reflected growth in all product categories. The $80.5 million increase reflected a $39.7 million increase in non-comparable store sales, a $24.0 million, or 3%, increase in comparable store sales and a $17.4 million increase in wholesale sales of TIFFANY & CO. merchandise to independent distributors. On a constant-exchange-rate basis, total sales increased 10% and comparable store sales increased 4% due to growth in most markets.

Japan. In 2014, total sales decreased $24.3 million, or 4%, and comparable store sales decreased $35.2 million, or 7%, due to the negative effects of currency translation. On a constant-exchange-rate basis, total sales increased 4% due to a 9% increase in the average price per jewelry unit sold partly offset by a 5% decrease in the number of jewelry units sold across all categories. Management attributed the increase in average price to price increases and a shift in sales mix toward higher-priced products within the fashion jewelry category. Comparable store sales on a constant-exchange-rate basis increased 1%. The overall sales performance reflected significant sales growth in the first quarter prior to an increase in the consumption tax in April 2014, offset by softness in sales in the remaining quarters.

Europe. In 2014, total sales increased $37.1 million, or 8%, due to a 4% increase in both the number of jewelry units sold and in the average price per jewelry unit sold. Management attributed the increase in the number of jewelry units sold to fashion jewelry, and the increase in average price to price increases and a shift in sales mix toward higher-priced products within the fashion jewelry category. The $37.1 million increase was driven by a $43.0 million increase in non-comparable store sales. On a constant-exchange-rate basis, total sales increased 8% due to strength in continental Europe and comparable store sales decreased 1%.

Other. In 2014, total sales increased $18.9 million, or 18%, primarily due to a $10.9 million, or 14%, sales increase in the Emerging Markets region that partly reflected comparable store sales growth. The remainder of the increase was primarily related to higher wholesale sales of diamonds.

Store Data. In 2015, the Company opened 16 stores and closed four: opening three in the Americas (in the U.S., Canada and Chile), 11 in Asia-Pacific (five in China, two in Macau and one each in Korea, Singapore, Taiwan and Thailand) and two in Europe (in Spain and Switzerland) while closing one store in the Americas and three stores in Asia-Pacific. In addition, the Company relocated nine existing stores.

In 2014, the Company added a net of 6 stores: three in the Americas (two in the U.S. and one in Mexico), two in Japan, one in Asia-Pacific (in Australia) and two in Europe (in France and Russia) while closing two stores in the Americas.

Sales per gross square foot generated by all company-operated stores were approximately $2,900 in 2015, $3,100 in 2014 and $3,100 in 2013. The decline in 2015 reflected growth in retail square footage exceeding sales growth (which was negatively affected by currency translation).

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Gross Margin			
(dollars in millions)	2015	2014	2013
Gross profit	$2,491.3	$2,537.2	$2,340.4
Gross profit as a percentage of net sales	60.7 %	59.7 %	58.1 %

Gross margin (gross profit as a percentage of net sales) increased 1.0 percentage point in 2015 reflecting favorable product input costs that were partly offset by a shift in sales mix to higher-priced, lower-margin products. In addition, the benefit from retail price increases was partly offset by the negative effect from the strong U.S. dollar.

Gross margin increased 1.6 percentage points in 2014 largely benefiting from favorable product input costs and price increases, and, to some extent, a shift in sales mix to higher-margin products, especially in the fashion jewelry category.

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 2015 and 2014 across all geographic regions and product categories.

Selling, General and Administrative Expenses			
(dollars in millions)	2015	2014	2013
As reported:			
SG&A expenses	$1,731.2	$1,645.8	$1,555.9
SG&A expenses as a percentage of net sales	42.2 %	38.7 %	38.6 %
Excluding items in "Non-GAAP Measures":			
SG&A expenses	$1,684.5	$1,645.8	$1,546.5
SG&A expenses as a percentage of net sales	41.0 %	38.7 %	38.4 %

SG&A expenses increased $85.4 million, or 5%, in 2015 and $89.8 million, or 6%, in 2014. SG&A expenses in those years are not comparable due to the inclusion of loan impairment charges in 2015 and the inclusion of certain expenses associated with specific cost-reduction initiatives in 2015 and 2013. See "Non-GAAP Measures" for further details.

SG&A expenses in 2015 (excluding the 2015 items noted in "Non-GAAP Measures") increased $38.7 million, or 2%, largely reflecting (i) increased marketing expenses of $18.0 million, (ii) increased store occupancy and depreciation expenses of $16.5 million (related to new and existing stores) and (iii) decreased labor costs of $7.1 million (primarily lower variable labor costs for incentive compensation and sales commissions partly offset by increased costs for U.S. pension and postretirement benefit plans). The strengthening of the U.S. dollar had the effect of decreasing SG&A expense growth by 4%, and therefore, excluding this effect, SG&A expenses would have increased 6%.

SG&A expenses in 2014 (excluding the 2013 items noted in "Non-GAAP Measures") increased $99.2 million, or 6%, largely reflecting (i) increased marketing expenses of $30.5 million, (ii) increased fixed

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labor costs of $26.0 million (primarily increased store-related labor costs) and (iii) increased store occupancy and depreciation expenses of $22.6 million (related to new and existing stores). There was no significant translation effect on expense growth from changes in foreign currencies.

The Company's SG&A expenses are largely fixed in nature. Variable costs (which include items such as variable store rent, sales commissions and fees paid to credit card companies) typically represent approximately 15 - 20% of total SG&A expenses.

Arbitration Award Expense

In the fourth quarter of 2013, the Company recorded a charge of $480.2 million, related to the adverse arbitration ruling between The Swatch Group Ltd. and the Company, which includes the damages, interest and other costs associated with the ruling. See "Item 8. Financial Statements and Supplementary Data - Note J - Commitments and Contingencies" for additional information.

Earnings from Operations			
(dollars in millions)	2015	2014	2013
As reported:			
Earnings from operations	$760.1	$891.4	$304.3
Operating margin	18.5 %	21.0 %	7.5 %
Percentage point change from prior year	(2.5)	13.5	(10.9)
Excluding other operating expenses:			
Earnings from operations	$806.8	$891.4	$793.9
Operating margin	19.7 %	21.0 %	19.7 %
Percentage point change from prior year	(1.3)	1.3	1.3

The change in 2015, excluding other operating expenses in 2015, reflected higher SG&A expenses and the resulting sales deleveraging of SG&A expenses, which was only partly offset by higher gross margin. The change in 2014, excluding other operating expenses in 2013, was due to an increase in gross margin.

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Results by segment are as follows:

(in millions)	2015	% of Net Sales	2014	% of Net Sales	2013	% of Net Sales
Earnings (losses) from operations*:						
Americas	$390.8	20.1 %	$435.5	21.4 %	$374.3	19.4 %
Asia-Pacific	264.4	26.4	281.6	27.5	244.1	25.8
Japan	199.9	36.9	196.0	35.4	215.6	37.3
Europe	97.4	19.3	110.5	21.5	102.4	21.5
Other	6.4	6.0	4.9	4.0	(1.8)	(1.8)
	958.9		1,028.5		934.6	
Unallocated corporate expenses	(152.1)	(3.7)%	(137.1)	(3.2)%	(140.7)	(3.5)%
Earnings from operations before other operating expenses	806.8	19.7 %	891.4	21.0 %	793.9	19.7 %
Other operating expenses	(46.7)		—		(489.6)	
Earnings from operations	$760.1	18.5 %	$891.4	21.0 %	$304.3	7.5 %

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

On a segment basis, the ratio of earnings (losses) from operations to each segment's net sales in 2015 compared with 2014 was as follows:

- Americas – the ratio decreased 1.3 percentage points due to a decrease in net sales resulting in sales deleveraging of operating expenses partly offset by an improvement in gross margin;
- Asia-Pacific – the ratio decreased 1.1 percentage points due to increased store-related operating expenses and marketing spending partly offset by an improvement in gross margin;
- Japan – the ratio increased 1.5 percentage points due to leveraging of operating expenses (as operating expenses decreased at a higher rate than sales) partly offset by a decrease in gross margin attributable to currency translation;
- Europe – the ratio decreased 2.2 percentage points resulting from increased store-related operating expenses and marketing spending, partly offset by an improvement in gross margin; and
- Other – the ratio increased 2.0 percentage points primarily due to an improvement in gross margin offset by the deleveraging of operating expenses both of which were affected by the decrease in wholesale sales of diamonds. To a lesser extent, contributing to the increase is the improvement in the performance of retail operations in the Emerging Markets region.

On a segment basis, the ratio of earnings (losses) from operations to each segment's net sales in 2014 compared with 2013 was as follows:

- Americas – the ratio increased 2.0 percentage points resulting from an improvement in gross margin;
- Asia-Pacific – the ratio increased 1.7 percentage points primarily due to an improvement in gross margin partly offset by increased spending for new and existing stores;

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- Japan – the ratio decreased 1.9 percentage points due to a decrease in gross margin (primarily resulting from a reduced benefit from the Company's ongoing program to utilize Yen forward contracts for a portion of forecasted merchandise purchases);
- Europe – the ratio was unchanged due to an improvement in gross margin offset by increased spending for new and existing stores; and
- Other – the ratio increased 5.8 percentage points due to an improvement in the performance of retail operations in the Emerging Markets region and lower charges associated with the write-down of wholesale diamond inventory deemed not suitable for the Company's needs.

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 $15.0 million in 2015, primarily due to increased costs associated with upgrades to the Company's information technology systems. Unallocated corporate expenses decreased by $3.6 million in 2014.

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 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."

Included in other operating expenses in the table above, the 2013 amount represented $480.2 million of expenses associated with the adverse arbitration ruling between the Swatch Group Ltd. and the Company and $9.4 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 $13.9 million, or 22%, in 2015 as a result of lower interest expense on long-term debt (reflecting the October 2014 redemption of long-term debt using proceeds from the issuance of lower-rate long-term debt in September 2014) as well as lower average credit facility borrowings. Interest expense and financing costs in 2014 were approximately equal to 2013.

Other Expense (Income), Net

Other expense (income), net includes interest income as well as gains/losses on investment activities and foreign currency transactions. Net expense of $1.2 million in 2015 compared with net income of $2.8 million in 2014. The $4.0 million change was primarily due to foreign currency transaction losses. Other expense (income), net in 2014 decreased $10.4 million, or 79%, reflecting $7.5 million of foreign currency transaction gains related to the Arbitration Award expense that had been recorded in 2013, with the remaining $2.9 million primarily due to other foreign currency transaction losses. See "Item 8. Financial Statements and Supplementary Data - Note J - Commitments and Contingencies" and "Non-GAAP Measures" for further information.

Loss on Extinguishment of Debt

In 2014, the Company recorded a loss on extinguishment of debt of $93.8 million associated with the redemption of all of the aggregate principal amount outstanding of the Company's (i) $100.0 million principal amount of 9.05% Series A Senior Notes due December 23, 2015; (ii) $125.0 million principal amount of 10.0% Series A-2009 Senior Notes due February 13, 2017; (iii) $50.0 million principal amount of 10.0% Series A Senior Notes due April 9, 2018; and (iv) $125.0 million principal amount of

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10.0% Series B-2009 Senior Notes due February 13, 2019 (collectively, the "Private Placement Notes") prior to maturity in accordance with the respective note purchase agreements governing each series of Private Placement Notes, which included provisions for make-whole payments in the event of early repayment.

Provision for Income Taxes

The effective income tax rate was 34.7% in 2015 compared with 34.4% in 2014 and 28.8% in 2013. In 2013, the effective income tax rate would have been 34.8% when excluding the effects of certain expenses noted in "Non-GAAP Measures".

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 initiatives. 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.

As of January 31, 2016, the Company’s cash and cash equivalents totaled $843.6 million, of which approximately one-third was held in locations outside the U.S. where the Company has the intention to indefinitely reinvest any undistributed earnings to support its continued expansion and investments outside of the U.S. Such cash balances are not available to fund U.S. cash requirements unless the Company were to decide to repatriate such funds and incur applicable income tax charges. The Company 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.

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

(in millions)	2015	2014	2013
Net cash provided by (used in):			
Operating activities	$813.6	$615.1	$154.7
Investing activities	(278.2)	(217.0)	(246.8)
Financing activities	(422.3)	(23.4)	(65.4)
Effect of exchange rates on cash and cash equivalents	0.5	9.5	(1.5)
Net increase (decrease) in cash and cash equivalents	$113.6	$384.2	$(159.0)

Operating Activities

The Company had a net cash inflow from operating activities of $813.6 million in 2015, $615.1 million in 2014 and $154.7 million in 2013. The year-over-year improvement from 2014 to 2015 was primarily due to reduced inventory purchases. The change from 2013 to 2014 was primarily due to the improvement in operating performance and the timing of income tax payments and other payables.

Working Capital. Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were $2.8 billion and 4.8 at January 31, 2016 compared with $2.9 billion and 5.3 at January 31, 2015.

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Accounts receivable, less allowances at January 31, 2016 were 6% higher than at January 31, 2015. The strengthening of the U.S. dollar had the effect of decreasing accounts receivable, less allowances by 2%. Therefore, excluding that effect, accounts receivable, less allowances would have increased 8% from January 31, 2015 largely reflecting in-house credit tied to strong sales of statement jewelry (see "Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting Policies"). On a 12-month rolling basis, accounts receivable turnover was 21 times in 2015 and 2014.

Inventories, net at January 31, 2016 were 6% lower than at January 31, 2015. Finished goods inventories decreased 7%, while combined raw material and work-in-process inventories decreased 4%. The strengthening of the U.S. dollar had the effect of decreasing inventories by 2%. Therefore, excluding that effect, inventories would have declined 4% from January 31, 2015 due to improved inventory management and reduced inventory purchases.

Investing Activities

The Company had a net cash outflow from investing activities of $278.2 million in 2015, $217.0 million in 2014 and $246.8 million in 2013. The increased outflow in 2015 was primarily due to increased purchases of marketable securities and short-term investments. The decreased outflow in 2014 was due to net proceeds received from the sale of marketable securities and short-term investments partly offset by increased capital expenditures.

Marketable Securities and Short-Term Investments. The Company invests a portion of its cash in marketable securities and short-term investments. The Company had net purchases of marketable securities and short-term investments of $26.4 million during 2015, net proceeds received from the sale of marketable securities and short-term investments of $15.2 million during 2014 and purchases of marketable securities and short-term investments of $23.5 million during 2013.

Capital Expenditures. Capital expenditures are typically related to the opening, renovation and/or relocation of stores (which represented approximately half of capital expenditures in 2015, 2014 and 2013), distribution and manufacturing facilities and ongoing investments in information technology. Capital expenditures were $252.7 million in 2015, $247.4 million in 2014 and $221.4 million in 2013, representing 6%, 6% and 5% of worldwide net sales in those respective years. The increase in 2014 reflected incremental spending for information technology systems and internal manufacturing capacity.

Notes Receivable Funded. The Company has extended loans to diamond mining and exploration companies in order to obtain rights to purchase the mine's output. The Company loaned $3.1 million in 2013.

Proceeds from Notes Receivable Funded. In 2014 and 2013, the Company received $15.2 million and $1.2 million of repayments associated with loans extended to diamond mining and exploration companies discussed in Notes Receivable Funded above. No such proceeds were received in 2015.

Financing Activities

The Company had net cash outflows from financing activities of $422.3 million in 2015, $23.4 million in 2014 and $65.4 million in 2013. Year-over-year changes in cash flows from financing activities are largely driven by borrowings. Additionally, the Company resumed repurchasing its Common Stock in 2014 under a new share repurchase program after it did not repurchase any of its Common Stock in 2013.

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

(in millions)	2015	2014	2013
Short-term borrowings:			
(Repayments of) proceeds from credit facility borrowings, net	$(11.3)	$(12.5)	$49.9
Proceeds from other credit facility borrowings	24.8	19.8	89.8
Repayments of other credit facility borrowings	(16.0)	(3.4)	(69.7)
Net (repayments of) proceeds from short-term borrowings	(2.5)	3.9	70.0
Long-term borrowings:			
Proceeds from issuances	—	548.0	—
Repayments	—	(400.0)	—
Net proceeds from long-term borrowings	—	148.0	—
Net (repayments of) proceeds from total borrowings	(2.5)	151.9	70.0
Payments of debt extinguishment costs (included in operating activities)	—	(93.4)	—
Net (repayments) proceeds	$(2.5)	$58.5	$70.0

Credit Facilities. In 2014, Tiffany & Co. 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 "New Credit Facilities"), resulting in a total borrowing capacity of $750.0 million. The New Credit Facilities replaced the previously existing $275.0 million three-year unsecured revolving credit facility and $275.0 million five-year unsecured revolving credit facility, which were terminated and repaid concurrently with Tiffany & Co.'s entry into the New Credit Facilities. See "Item 8. Financial Statements and Supplementary Data - Note G - Debt" for additional information.

Other Credit Facilities. In 2013, Tiffany & Co.'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 930.0 million ($141.4 million at January 31, 2016). The Tiffany-Shanghai Credit Agreement is available for Tiffany-Shanghai's general working capital requirements, which included repayment of a portion of the indebtedness under Tiffany-Shanghai's existing bank loan facilities. The six lenders that are 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. The Tiffany-Shanghai Credit Agreement matures in July 2016. See "Item 8. Financial Statements and Supplementary Data - Note G - Debt" for additional information.

Under all of the Company's credit facilities, at January 31, 2016, there were $221.6 million of borrowings, $5.6 million of letters of credit issued but not outstanding and $790.8 million available for borrowing. At January 31, 2015, there were $234.0 million of borrowings, $5.7 million of letters of credit issued but not outstanding and $772.2 million available for borrowing. The weighted-average interest rate for borrowings outstanding was 2.90% at January 31, 2016 and 3.28% at January 31, 2015.

Senior Notes. In 2014, Tiffany & Co. issued $250.0 million aggregate principal amount of 3.80% Senior Notes due 2024 (the "2024 Notes") and $300.0 million aggregate principal amount of 4.90% Senior Notes due 2044 (the "2044 Notes" and, together with the 2024 Notes, the "Senior Notes"). The Senior Notes were issued at a discount with aggregate net proceeds of $548.0 million (with an effective yield of 3.836% for the 2024 Notes and an effective yield of 4.926% for the 2044 Notes). Tiffany & Co. used the

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net proceeds from the issuance of the Senior Notes to redeem $400.0 million in aggregate principal amount of long-term debt prior to their scheduled maturities which ranged from 2015 to 2019 and paid $93.4 million of debt extinguishment costs associated with the redemption. The Company used the remaining net proceeds from the sale of the Senior Notes for general corporate purposes. See "Item 8. Financial Statements and Supplementary Data - Note G - Debt" for additional information.

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 38% at January 31, 2016 and 39% at January 31, 2015.

At January 31, 2016, the Company was in compliance with all debt covenants.

Share Repurchases. In January 2011, the Company's Board of Directors approved a stock repurchase program ("2011 Program") and terminated a previously-existing program. The 2011 Program authorized the Company to repurchase up to $400.0 million of its Common Stock through open market or private transactions. The timing of repurchases and the actual number of shares to be repurchased depended on a variety of discretionary factors such as stock price, cash-flow forecasts and other market conditions. The Company suspended share repurchases during the second quarter of 2012 in order to allow for a more effective allocation of resources consistent with the Company's growth strategies. In January 2013, the Board of Directors extended the expiration date of the 2011 Program to January 31, 2014. The 2011 Program expired on January 31, 2014 with $163.8 million of unused capacity.

In March 2014, the Company's Board of Directors approved a share repurchase program ("2014 Program") which authorized the Company to repurchase up to $300.0 million of its Common Stock through open market transactions. The 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 ("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. Approximately $494.0 million remained available for repurchase under the 2016 Program at January 31, 2016.

The Company's share repurchase activity was as follows:

(in millions, except per share amounts)	2015	2014	2013
Cost of repurchases	$220.4	$27.0	$—
Shares repurchased and retired	2.8	0.3	—
Average cost per share	$78.40	$89.91	$—

Dividends. The cash dividend on the Company's Common Stock was increased once in each of 2015, 2014 and 2013. The Company's Board of Directors declared quarterly dividends which totaled $1.58, $1.48 and $1.34 per common share in 2015, 2014 and 2013 with cash dividends paid of $203.4 million, $191.2 million and $170.2 million in those respective years. The dividend payout ratio (dividends as a percentage of net earnings) was 44%, 39% and 94% in 2015, 2014 and 2013. Dividends as a percentage of adjusted net earnings (see "Non-GAAP Measures") were 41% in 2015 and 35% in both 2014 and 2013.

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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 has 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, 2016, there was $43.8 million of principal outstanding under a financing arrangement (the "Loan") with Koidu Limited (previously Koidu Holdings S.A.) ("Koidu"). The Loan, which was entered into between Koidu and Laurelton Diamonds, Inc., a wholly owned subsidiary of the Company, in March 2011, originally provided that repayments of principal would begin in March 2013. However, in March 2013, the Company agreed to Koidu's request to defer the principal and interest payments due in 2013 to subsequent years and, in March 2014, the Company agreed to Koidu's request to provide for monthly rather than semi-annual payments of the principal payments due in 2014. The Company received such scheduled monthly payments from Koidu in 2014. On April 30, 2015, the Company also agreed to defer Koidu's principal payment due on March 30, 2015 ("2015 Amendment"), subject to certain conditions set forth in the 2015 Amendment, which were met in June 2015.

In August 2015, Koidu requested that its interest payment due in July 2015 be deferred until a future date to be determined, and it advised the Company that it was likely to request a deferral of interest payments due in August and September of 2015. Based on these requests and other discussions with Koidu, in which Koidu had informed the Company that it was seeking additional sources of capital to fund ongoing operations of the mine, and with consideration given to the fact that Koidu did not respond to the Company's request for a proposed revised payment schedule for its obligations under the Loan, management believed that it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the Loan, and recorded an impairment charge, and related valuation allowance, of $9.6 million in the second quarter of 2015. Additionally, the Company ceased accruing interest income on the outstanding Loan balance as of July 31, 2015.

As of January 31, 2016, Koidu has not made any of its interest payments due in July 2015 and thereafter, nor its principal payment due in September 2015. The missed payments constitute events of default under the Loan. Koidu has yet to provide a proposed revised payment schedule for its obligations under the Loan. In February 2016, the Company received the results from two separate and independent reviews of Koidu's operational plans, forecasts, and cash flow projections for the mine, which were commissioned by the Company and by Koidu's largest creditor, respectively. Based on these factors, ongoing discussions with Koidu, and consideration of the possible actions that all parties, including the Government of Sierra Leone and Koidu's largest creditor, may take under the circumstances, management believes that it is probable that the portion of the amounts due under the contractual terms of the Loan that the Company will be unable to collect will be greater than originally estimated, and recorded an additional impairment charge, and related valuation allowance, of $28.3 million in the fourth quarter of 2015. The carrying amount of the Company’s loan receivable from Koidu, net of the valuation allowance, is $5.9 million at January 31, 2016.

The Company intends to continue to participate in discussions with Koidu regarding operational plans, forecasts and cash flow projections for the mine, as well as revisions to the payment schedule for the Loan. The Company also intends to continue to participate in discussions with certain of Koidu's stakeholders, including its largest creditor and the Government of Sierra Leone. The outcome of these discussions, as well as any other developments, will inform management's ongoing evaluation of the collectability of the Loan and the accrual of interest income. It is possible that such ongoing evaluation may result in additional changes to management's assessment of collectability. While such changes in management's assessment would not have a material adverse effect on the Company's financial position or cash flows, it is possible that such a change in assessment could affect the Company's earnings in the period in which such a change were to occur. Additionally, future developments may result in Koidu

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defaulting under its diamond supply agreement with the Company, in which case the Company would lose access to the mine's output, although management believes this would not have a material impact on the Company's operations. See "Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting Policies and Note J - Commitments and Contingencies" for additional information on this financing arrangement.

Contractual Cash Obligations and Commercial Commitments

The following is a summary of the Company's contractual cash obligations at January 31, 2016:

(in millions)	Total	2016	2017-2018	2019-2020	Thereafter
Unrecorded contractual obligations:					
Operating leases [a]	$1,585.8	$273.6	$416.8	$297.7	$597.7
Inventory purchase obligations [b]	319.1	319.1			
Interest on debt [c]	729.3	36.0	70.4	70.4	552.5
Other contractual obligations [d]	91.7	68.9	14.2	2.0	6.6
Recorded contractual obligations:					
Short-term borrowings	221.6	221.6	—	—	—
Current portion of long-term debt	84.2	84.2	—	—	—
Long-term debt [e]	800.0	—	—	—	800.0
	$3,831.7	$1,003.4	$501.4	$370.1	$1,956.8

a) 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, 2016 totaled $34.9 million. See "Item 8. Financial Statements and Supplementary Data - Note J - Commitment and Contingencies" for a discussion of the Company’s operating leases.

b) The Company will, from time to time, secure supplies of rough diamonds by agreeing to purchase a defined portion of a mine's output. Inventory purchase obligations associated with these agreements have been estimated at approximately $100.0 million for 2016 and included in this table. Purchases beyond 2016 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.

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.

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 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 2015, and none is required in 2016, to meet the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA"). The Company

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periodically evaluates whether to make discretionary cash contributions to the Qualified Plan, and currently does not anticipate making such contributions in 2016. 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 to be $1.7 million in 2016.

- Unrecognized tax benefits at January 31, 2016 of $10.2 million and accrued interest and penalties of $7.8 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. At January 31, 2016, approximately $9.1 million of total unrecognized tax benefits, if recognized, would affect the effective income tax rate. Management believes it is reasonably possible that a majority of the total gross amount provided for unrecognized tax benefits will decrease in the next 12 months. Future developments may result in a change in this assessment.

The following is a summary of the Company's outstanding borrowings and available capacity under its credit facilities at January 31, 2016:

(in millions)	Total Capacity	Borrowings Outstanding	Letters of Credit Issued	Available Capacity
Four-year revolving credit facility [a]	$375.0	$22.1	$—	$352.9
Five-year revolving credit facility [b]	375.0	54.5	5.6	314.9
Other credit facilities [c]	268.0	145.0	—	123.0
	$1,018.0	$221.6	$5.6	$790.8

[a] Matures in October 2018.
[b] Matures in October 2019.
[c] Maturities throughout 2016.

In addition, the Company has other available letters of credit and financial guarantees of $75.0 million of which $26.6 million was outstanding at January 31, 2016. Of those available letters of credit and financial guarantees, $60.2 million expires within one year.

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

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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 estimated market value, and is based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs might be required. 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, 2016, a 10% change in the reserve for discontinued and slow-moving products would have resulted in a change of $5.9 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. The Company did not record any material impairment charges in 2015, 2014 or 2013.

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 2015, 2014 and 2013 evaluations resulted in no impairment charges.

Notes receivable and other financing arrangements. The Company has 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 and projections along with business, operational and other economic factors on a periodic basis. If the analyses indicate that the financing receivable is not recoverable, an impairment loss is recognized, in respect to all or a portion of the financing, during that period. In 2015, the Company recorded impairment charges totaling $37.9 million (see "Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting Policies and Note J - Commitments and Contingencies" for additional information). The Company did not record any material impairment charges in 2014 or 2013.

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 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

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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, 2016, total unrecognized tax benefits were $10.2 million of which approximately $9.1 million, if recognized, would affect the effective income tax rate. Management believes it is reasonably possible that a majority of the total gross amount provided for unrecognized tax benefits will decrease 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.

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 discount rates of 3.75% to determine 2015 expense for its U.S. Qualified Plan as well as its Excess Plan/SRIP and 3.50% for its postretirement plans. Holding all other assumptions constant, a 0.5% increase in the discount rates would have decreased 2015 pension and postretirement expenses by $7.9 million and $1.2 million. A decrease of 0.5% in the discount rates would have increased the 2015 pension and postretirement expenses by $8.9 million and $1.4 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.

The Company used an expected long-term rate of return on pension plan assets of 7.50% to determine its 2015 pension expense. Holding all other assumptions constant, a 0.5% change in the long-term rate of return would have changed the 2015 pension expense by approximately $1.6 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, 7.25% annual rate of increase in the per capita cost of covered health care was assumed for 2016. The rate was assumed to decrease gradually to 4.75% by 2023 and remain at that level thereafter. A one-percentage-point increase in the assumed health-care cost trend rate would increase the Company's accumulated postretirement benefit obligation by approximately $3.9 million for the year ended January 31, 2016. Decreasing the assumed health-care cost trend rate by one-percentage point would decrease the Company's accumulated postretirement benefit obligation by approximately $2.8 million for the year ended January 31, 2016. A one-percentage-point change in the assumed health-care cost trend rate would not have a significant effect on the Company's aggregate service and interest cost components of the 2015 postretirement expense.

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2016 Outlook

For the fiscal year ending January 31, 2017, management is forecasting full year earnings per diluted share will range from unchanged to a mid-single-digit decline compared with 2015's $3.83 per diluted share (excluding the loan impairment and staffing and occupancy charges noted in "Non-GAAP Measures"). Based on sales trends in the current quarter-to-date and an assumption of gradual improvement over the course of the year, management expects that earnings per diluted share in the first quarter may decline by 15-20%, followed by a 5-10% decline in the second quarter and a resumption of growth in the second half. This forecast is based on the following assumptions, which are approximate and may or may not prove valid, and which should be read in conjunction with "Item 1A. Risk Factors" on page K-13:

- Worldwide net sales on a constant-exchange-rate basis increasing by a low-single-digit percentage, but approximately equal to the prior year when translated into U.S. dollars.
- Increasing worldwide gross retail square footage by 2%, net through 11 store openings, 6 relocations and 9 closings.
- Operating margin below the prior year's 19.7% (excluding the prior year's charges) due to an expected increase in gross margin but with SG&A expense growth (despite some benefit from lower pension costs) exceeding sales growth.
- Interest and other expenses, net unchanged from 2015.
- An effective income tax rate slightly lower than the prior year.
- Net inventories unchanged from the prior year.
- Capital expenditures of $260.0 million.
- Free cash flow of at least $400.0 million.

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.

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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, 2016 is 12 months. At January 31, 2016 and 2015, the fair value of the Company's outstanding foreign exchange forwards were net liabilities of $0.9 million and net assets of $20.1 million, respectively. At January 31, 2016, a 10% depreciation in the hedged foreign exchange rates from the prevailing market rates would have resulted in a liability with a fair value of approximately $40.0 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 through the use of forward contracts 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. 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 would expire at no cost to the Company. In 2015, the Company increased the term over which it is hedging its exposure to volatility in precious metal prices, as well as the portion of expected future metals purchases hedged, which has increased the number of precious metal derivative instruments outstanding at the end of the period. The maximum term of the Company's outstanding precious metal forward contracts as of January 31, 2016 is 24 months. At January 31, 2016 and 2015, the fair value of the Company's outstanding precious metal derivative instruments were net liabilities of $12.6 million and $2.9 million, respectively. At January 31, 2016, a 10% depreciation in precious metal prices from the prevailing market rates would have resulted in a liability with a fair value of approximately $26.0 million.

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Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of comprehensive earnings, of stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of Tiffany & Co. and its subsidiaries (the "Company") at January 31, 2016 and January 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

As discussed in Note B to the consolidated financial statements, in 2015, the Company changed the manner in which it classifies deferred taxes on the consolidated balance sheets.

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 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 28, 2016

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CONSOLIDATED BALANCE SHEETS

	January 31,	
(in millions, except per share amounts)	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$843.6	$730.0
Short-term investments	43.0	1.5
Accounts receivable, less allowances of $11.5 and $10.6	206.4	195.2
Inventories, net	2,225.0	2,362.1
Prepaid expenses and other current assets	190.4	220.0
Total current assets	3,508.4	3,508.8
Property, plant and equipment, net	935.8	899.5
Deferred income taxes	382.8	426.1
Other assets, net	302.7	346.2
	$5,129.7	$5,180.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$221.6	$234.0
Current portion of long-term debt	84.2	—
Accounts payable and accrued liabilities	329.1	318.0
Income taxes payable	27.1	39.9
Merchandise credits and deferred revenue	67.9	66.1
Total current liabilities	729.9	658.0
Long-term debt	798.1	882.5
Pension/postretirement benefit obligations	428.1	524.2
Deferred gains on sale-leasebacks	55.1	64.5
Other long-term liabilities	189.0	200.7
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 126.8 and 129.3	1.3	1.3
Additional paid-in capital	1,175.7	1,173.6
Retained earnings	2,012.5	1,950.7
Accumulated other comprehensive loss, net of tax	(278.1)	(290.5)
Total Tiffany & Co. stockholders' equity	2,911.4	2,835.1
Non-controlling interests	18.1	15.6
Total stockholders' equity	2,929.5	2,850.7
	$5,129.7	$5,180.6

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended January 31,		
(in millions, except per share amounts)	2016	2015	2014
Net sales	$4,104.9	$4,249.9	$4,031.1
Cost of sales	1,613.6	1,712.7	1,690.7
Gross profit	2,491.3	2,537.2	2,340.4
Selling, general and administrative expenses	1,731.2	1,645.8	1,555.9
Arbitration award expense	—	—	480.2
Earnings from operations	760.1	891.4	304.3
Interest expense and financing costs	49.0	62.9	62.6
Other expense (income), net	1.2	(2.8)	(13.2)
Loss on extinguishment of debt	—	93.8	—
Earnings from operations before income taxes	709.9	737.5	254.9
Provision for income taxes	246.0	253.3	73.5
Net earnings	$463.9	$484.2	$181.4
Net earnings per share:			
Basic	$3.61	$3.75	$1.42
Diluted	$3.59	$3.73	$1.41
Weighted-average number of common shares:			
Basic	128.6	129.2	127.8
Diluted	129.1	129.9	128.9

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

	Years Ended January 31,		
(in millions)	2016	2015	2014
Net earnings	$463.9	$484.2	$181.4
Other comprehensive earnings (loss), net of tax			
Foreign currency translation adjustments	(59.0)	(93.1)	(27.2)
Unrealized (loss) gain on marketable securities	(2.9)	(0.8)	0.8
Unrealized (loss) gain on hedging instruments	(21.4)	1.2	(3.4)
Net unrealized gain (loss) on benefit plans	95.7	(139.2)	65.1
Total other comprehensive earnings (loss), net of tax	12.4	(231.9)	35.3
Comprehensive earnings	$476.3	$252.3	$216.7

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in millions)	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock		Additional Paid-In Capital	Non-Controlling Interests
				Shares	Amount		
Balance at January 31, 2013	$ 2,611.3	$ 1,671.3	$ (93.9)	126.9	$ 1.3	$ 1,020.0	$ 12.6
Exercise of stock options and vesting of restricted stock units ("RSUs")	27.9	—	—	1.4	—	27.9	—
Tax effect of exercise of stock options and vesting of RSUs	14.9	—	—	—	—	14.9	—
Share-based compensation expense	32.5	—	—	—	—	32.5	—
Cash dividends on Common Stock	(170.2)	(170.2)	—	—	—	—	—
Other comprehensive earnings, net of tax	35.3	—	35.3	—	—	—	—
Net earnings	181.4	181.4	—	—	—	—	—
Non-controlling interests	0.9	—	—	—	—	—	0.9
Balance at January 31, 2014	2,734.0	1,682.5	(58.6)	128.3	1.3	1,095.3	13.5
Exercise of stock options and vesting of RSUs	36.9	—	—	1.3	—	36.9	—
Tax effect of exercise of stock options and vesting of RSUs	14.1	—	—	—	—	14.1	—
Share-based compensation expense	26.7	—	—	—	—	26.7	—
Issuance of Common Stock under Employee Profit Sharing and Retirement Savings Plan	3.9	—	—	—	—	3.9	—
Purchase and retirement of Common Stock	(27.0)	(24.8)	—	(0.3)	—	(2.2)	—
Cash dividends on Common Stock	(191.2)	(191.2)	—	—	—	—	—
Other comprehensive loss, net of tax	(231.9)	—	(231.9)	—	—	—	—
Net earnings	484.2	484.2	—	—	—	—	—
Redemption of non-controlling interest	—	—	—	—	—	(1.1)	1.1
Non-controlling interests	1.0	—	—	—	—	—	1.0
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 RSUs	0.3	—	—	0.3	—	0.3	—
	2.1	—	—	—	—	2.1	—

Tax effect of exercise of stock options and vesting of RSUs							
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

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended January 31,		
(in millions)	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$463.9	$484.2	$181.4
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	202.5	194.2	180.6
Amortization of gain on sale-leasebacks	(8.3)	(9.2)	(9.5)
Excess tax benefits from share-based payment arrangements	(2.2)	(14.1)	(14.9)
Provision for inventories	25.4	33.6	31.7
Deferred income taxes	(1.9)	37.7	(27.9)
Provision for pension/postretirement benefits	65.8	39.2	49.0
Share-based compensation expense	24.5	26.5	32.2
Loan impairment charges	37.9	—	—
Changes in assets and liabilities:			
Accounts receivable	(16.7)	(17.6)	(23.2)
Inventories	63.7	(167.6)	(168.3)
Prepaid expenses and other current assets	1.1	(20.9)	(14.7)
Other assets, net	(17.5)	(20.2)	(21.3)
Accounts payable and accrued liabilities	(15.3)	(5.9)	45.4
Income taxes payable	3.1	81.9	(70.1)
Merchandise credits and deferred revenue	3.0	(2.7)	4.7
Other long-term liabilities	(15.4)	(24.0)	(20.4)
Net cash provided by operating activities	813.6	615.1	154.7
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities and short-term investments	(100.0)	(40.1)	(23.5)
Proceeds from sales of marketable securities and short-term investments	73.6	55.3	—
Capital expenditures	(252.7)	(247.4)	(221.4)
Proceeds from sale of assets, net	0.9	—	—
Notes receivable funded	—	—	(3.1)
Proceeds from notes receivable	—	15.2	1.2
Net cash used in investing activities	(278.2)	(217.0)	(246.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayment of) proceeds from credit facility borrowings, net	(11.3)	(12.5)	49.9
Proceeds from other credit facility borrowings	24.8	19.8	89.8
Repayment of other credit facility borrowings	(16.0)	(3.4)	(69.7)
Proceeds from the issuance of long-term debt	—	548.0	—
Repayment of long-term debt	—	(400.0)	—
Payment for settlement of interest rate swaps	—	(4.2)	—
Repurchase of Common Stock	(220.4)	(27.0)	—
Proceeds from exercised stock options	2.0	42.9	27.9
Excess tax benefits from share-based payment arrangements	2.2	14.1	14.9
Cash dividends on Common Stock	(203.4)	(191.2)	(170.2)
Distribution to non-controlling interest	—	(1.9)	(0.7)
Financing fees	(0.2)	(8.0)	(7.3)
Net cash used in financing activities	(422.3)	(23.4)	(65.4)
Effect of exchange rate changes on cash and cash equivalents	0.5	9.5	(1.5)
Net increase/(decrease) in cash and cash equivalents	113.6	384.2	(159.0)

Cash and cash equivalents at beginning of year	730.0	345.8	504.8
Cash and cash equivalents at end of year	$843.6	$730.0	$345.8

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. NATURE OF BUSINESS

Tiffany & Co. is a holding company that operates through its subsidiary companies (collectively, the "Company"). Its principal subsidiary, Tiffany and Company ("Tiffany"), is a jeweler and specialty retailer. Through its subsidiaries, the Company designs and manufactures products and operates TIFFANY & CO. retail stores worldwide, and also sells its products through Internet, catalog, business-to-business and wholesale operations. The Company's principal merchandise offering is jewelry (representing 93% of worldwide net sales in 2015); it also sells timepieces, leather goods, sterling silverware, china, crystal, stationery, fragrances and 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 the Internet; and
- Other consists of all non-reportable segments. Other includes the Emerging Markets region, which consists of retail sales in Company-operated TIFFANY & CO. stores in the United Arab Emirates ("U.A.E.") and wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (primarily in the Middle East). In addition, Other includes wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs 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.

Use of Estimates

These 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 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 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, 2016 and 2015, 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 the accounts receivable recorded on the balance sheet. 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. For all Credit Receivables recorded on the balance sheet, 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, 2016 and 2015, the carrying amount of the Credit Receivables (recorded in accounts receivable, net) was $75.2 million and $63.9 million, of which 97% and 98% were considered current, respectively. The allowance for doubtful accounts for estimated losses associated with the Credit Receivables (approximately $1.0 million at January 31, 2016 and 2015) was determined based on the factors discussed above. Finance charges earned on Credit Card accounts are not significant.

Financing Arrangements. The Company has provided financing to diamond mining and exploration companies in order to obtain rights to purchase the mine's output (see "Note J - Commitments and

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Contingencies"). 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. At January 31, 2016 and 2015, the current portion of the carrying amount of financing arrangements including accrued interest was $2.1 million and $18.6 million and was recorded in prepaid expenses and other current assets. At January 31, 2016 and 2015, the non-current portion of the carrying amount of financing arrangements including accrued interest was $18.9 million and $40.7 million and was included in other assets, net.

As of January 31, 2016, the Company had a $43.8 million financing arrangement (the "Loan") with Koidu Limited (previously Koidu Holdings S.A.) ("Koidu"). On April 30, 2015, the Company agreed to defer Koidu's principal payment due on March 30, 2015 ("2015 Amendment"), subject to certain conditions set forth in the 2015 Amendment, which were met in June 2015.

In August 2015, Koidu requested that its interest payment due in July 2015 be deferred until a future date to be determined, and it advised the Company that it was likely to request a deferral of interest payments due in August and September of 2015. Based on these requests and other discussions with Koidu, in which Koidu had informed the Company that it was seeking additional sources of capital to fund ongoing operations of the mine, and with consideration given to the fact that Koidu did not respond to the Company's request for a proposed revised payment schedule for its obligations under the Loan, management believed that it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the Loan, and recorded an impairment charge, and related valuation allowance, of $9.6 million in the second quarter of 2015. Additionally, the Company ceased accruing interest income on the outstanding Loan balance as of July 31, 2015.

As of January 31, 2016, Koidu has not made any of its interest payments due in July 2015 and thereafter, nor its principal payment due in September 2015. The missed payments constitute events of default under the Loan. Koidu has yet to provide a proposed revised payment schedule for its obligations under the Loan. In February 2016, the Company received the results from two separate and independent reviews of Koidu's operational plans, forecasts, and cash flow projections for the mine, which were commissioned by the Company and by Koidu's largest creditor, respectively. Based on these factors, ongoing discussions with Koidu, and consideration of the possible actions that all parties, including the Government of Sierra Leone and Koidu's largest creditor, may take under the circumstances, management believes that it is probable that the portion of the amounts due under the contractual terms of the Loan that the Company will be unable to collect will be greater than originally estimated, and recorded an impairment charge, and related valuation allowance, of $28.3 million in the fourth quarter of 2015. The carrying amount of the Company’s loan receivable from Koidu, net of the valuation allowance, is $5.9 million at January 31, 2016. See "Note J. - Commitments and Contingencies" for additional information on this financing arrangement.

The Company recorded no material impairment charges on such loans as of January 31, 2015.

Inventories

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

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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
Furniture and fixtures	2-10 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 2015, 2014 or 2013.

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:

	January 31, 2016		January 31, 2015	
(in millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Product rights	$49.6	$(9.2)	$59.4	$(16.2)
Key money deposits	32.7	(3.3)	33.7	(2.4)
Trademarks	2.5	(2.5)	2.5	(2.5)
	$84.8	$(15.0)	$95.6	$(21.1)

Amortization of intangible assets and key money for the years ended January 31, 2016, 2015 and 2014 was $3.7 million, $7.8 million and $4.2 million. Amortization expense is estimated to be approximately $3.5 million in each of the next five years.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired in a business combination. Goodwill is evaluated for impairment annually in the fourth quarter or when events or changes in circumstances indicate that the value of goodwill may be impaired. A qualitative assessment is first

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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, 2016 and 2015, goodwill, included in other assets, net, consisted of the following by segment:

(in millions)	Americas	Asia-Pacific	Japan	Europe	Other	Total
January 31, 2014	$12.4	$0.3	$1.1	$1.1	$24.8	$39.7
Translation	(0.1)	—	—	—	(0.8)	(0.9)
January 31, 2015	12.3	0.3	1.1	1.1	24.0	38.8
Translation	(0.1)	—	—	(0.1)	(0.1)	(0.3)
January 31, 2016	$12.2	$0.3	$1.1	$1.0	$23.9	$38.5

The Company recorded no impairment charges in 2015, 2014 or 2013.

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 the 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 asset and the loss is recognized during that period. The Company recorded no material impairment charges in 2015, 2014 or 2013.

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 expense (income), 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. The Company recorded $0.9 million and $5.1 million of gross unrealized gains and $1.8 million and $1.9 million of gross unrealized losses within accumulated other comprehensive loss as of January 31, 2016 and 2015.

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 the 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

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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 as of January 31, 2016, 2015 or 2014.

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

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.

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.

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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 2015, 2014 and 2013, these costs totaled $302.0 million, $284.0 million and $253.2 million, representing 7.4%, 6.7% and 6.3% of worldwide net sales in each of those periods. 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, are measured at fair value and recognized as compensation expense over the requisite service period.

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 other comprehensive earnings within stockholders' equity. The Company also recognizes gains and losses associated with transactions that are denominated in foreign currencies. Within other expense (income), net, the Company recorded net losses resulting from foreign currency transactions of $9.8 million and $3.7 million in 2015 and 2014 and a net gain of $4.7 million in 2013. Included within the amount for 2013 was a $7.5 million transaction gain related to amounts associated with the award issued in the arbitration between the Swatch Group Ltd. and the Company. See "Note J - Commitments and Contingencies."

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 operations. 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

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recorded amount, 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 Company, its U.S. subsidiaries and the foreign branches of its U.S. subsidiaries file a consolidated Federal income tax return.

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:

	Years Ended January 31,		
(in millions)	2016	2015	2014
Net earnings for basic and diluted EPS	$463.9	$484.2	$181.4
Weighted-average shares for basic EPS	128.6	129.2	127.8
Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units	0.5	0.7	1.1
Weighted-average shares for diluted EPS	129.1	129.9	128.9

For the years ended January 31, 2016, 2015 and 2014, there were 0.8 million, 0.3 million and 0.4 million stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

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 common revenue recognition guidance between U.S. Generally Accepted Accounting Principles ("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 current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14 – Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, deferring the effective date for one year to interim and annual periods beginning after December 15, 2017. Early adoption is also permitted as of the original effective date (interim and annual periods beginning after December 15, 2016) and retrospective application is required. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

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In February 2015, the FASB issued ASU No. 2015-02 – Amendments to the Consolidation Analysis, which amends the criteria for determining which entities are considered VIEs, amends the criteria for determining if a service provider possesses a variable interest in a VIE, and ends the deferral granted to investment companies for application of the VIE consolidation model. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2015 and early adoption is permitted. This ASU is not expected to have a material impact on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03 – Simplifying the Presentation of Debt Issuance Costs, which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity will present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. In August 2015, the FASB issued ASU No. 2015-15 – Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which indicates the Securities and Exchange Commission staff would not object to an entity deferring and continuing to present debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective retrospectively for interim and annual periods beginning after December 15, 2015 and early adoption is permitted. The Company expects to adopt ASU 2015-03 beginning on February 1, 2016 and the adoption of the new guidance is not expected to have a material impact on the Company's financial condition and financial statement disclosures.

In April 2015, the FASB issued ASU No. 2015-05 – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement (an update to Subtopic 350-40, Intangibles – Goodwill and Other – Internal-Use Software), which provides guidance on accounting for cloud computing fees. If a cloud computing arrangement includes a software license, then the customer should account for the license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. This ASU is effective for arrangements entered into, or materially modified, in interim and annual periods beginning after December 15, 2015. Retrospective application is permitted but not required. This ASU is not expected to have a material impact on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11 – Inventory (Topic 330): Simplifying the Measurement of Inventory, which states an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This amendment applies to all inventory that is measured using the average costs or first-in first-out (FIFO) methods. This supersedes prior guidance which allowed entities to measure inventory at the lower of cost or market, where market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. This ASU is effective for interim and annual periods beginning after December 15, 2016. The amendments should be applied prospectively and earlier application is permitted. This ASU is not expected to have a material impact on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which states an entity should classify deferred tax liabilities and assets as noncurrent amounts. This supersedes prior guidance under which an entity was required to classify deferred tax liabilities and assets as current or noncurrent based on the classification of the related asset or liability. This ASU is effective for interim and annual periods beginning after December 15, 2016, with earlier adoption permitted. The amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company adopted this ASU retrospectively as of January 31, 2016. Accordingly, current deferred taxes were reclassified to noncurrent on the January 31, 2015 Consolidated Balance Sheet, which increased noncurrent assets by $102.6 million and noncurrent liabilities by $0.1 million.

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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. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and must be adopted using a modified retrospective approach. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

C. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

	Years Ended January 31,		
(in millions)	2016	2015	2014
Interest, net of interest capitalization	$42.5	$59.7	$58.5
Income taxes	$237.5	$133.4	$160.7

Supplemental noncash investing and financing activities:

	Years Ended January 31,		
(in millions)	2016	2015	2014
Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan	$	$3.9	$

D. INVENTORIES

	January 31,	
(in millions)	2016	2015
Finished goods	$1,292.9	$1,386.8
Raw materials	813.7	866.9
Work-in-process	118.4	108.4
Inventories, net	$2,225.0	$2,362.1

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E. PROPERTY, PLANT AND EQUIPMENT

	January 31,	
(in millions)	2016	2015
Land	$45.6	$42.7
Buildings	120.9	125.8
Leasehold and building improvements	1,102.8	1,036.4
Office equipment	554.9	586.2
Furniture and fixtures	265.3	261.1
Machinery and equipment	169.2	155.2
Construction-in-progress	95.7	59.8
	2,354.4	2,267.2
Accumulated depreciation and amortization	(1,418.6)	(1,367.7)
	$935.8	$899.5

The provision for depreciation and amortization for the years ended January 31, 2016, 2015 and 2014 was $196.3 million, $182.8 million and $171.5 million.

F. ACCOUNTS PAYABLE AND ACCRUED LIABILTIES

	January 31,	
(in millions)	2016	2015
Accounts payable - trade	$127.8	$118.0
Accrued compensation and commissions	77.9	83.9
Accrued sales, withholding and other taxes	21.9	21.8
Other	101.5	94.3
	$329.1	$318.0

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G. DEBT

	January 31,	
(in millions)	2016	2015
Short-term borrowings:		
Credit Facilities	$76.6	$92.5
Other credit facilities	145.0	141.5
	$221.6	$234.0
Long-term debt:		
Unsecured Senior Notes:		
2010 1.72% Notes, due September 2016 [a, b]	$84.2	$84.5
2012 4.40% Series B Notes, due July 2042 [c]	250.0	250.0
2014 3.80% Senior Notes, due October 2024 [a, d]	249.3	249.3
2014 4.90% Senior Notes, due October 2044 [a, d]	298.8	298.7
	882.3	882.5
Less current portion of long-term debt	84.2	—
	$798.1	$882.5

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

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

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

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

Credit Facilities

In 2014, Tiffany & Co. 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 "New Credit Facilities") resulting in a total borrowing capacity of $750.0 million. The New Credit Facilities replaced the previously existing $275.0 million three-year unsecured revolving credit facility and $275.0 million five-year unsecured revolving credit facility, which were terminated and repaid concurrently with Tiffany & Co.'s entry into the New Credit Facilities. The New Credit Facilities are available for working capital and other corporate purposes. Borrowings under the New 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 New 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 New Credit Facilities. The New Credit Facilities also require payment to the lenders of a facility fee 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 New Credit Facilities. Voluntary prepayments of the loans and voluntary reductions of the unutilized portion of the commitments under the New Credit Facilities are permissible without penalty, subject to certain conditions pertaining to minimum notice and minimum reduction amounts.

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At January 31, 2016, there were $76.6 million of borrowings outstanding, $5.6 million of letters of credit issued but not outstanding and $667.8 million available for borrowing under the New Credit Facilities. At January 31, 2015, there were $92.5 million of borrowings outstanding, $5.7 million of letters of credit issued but not outstanding and $651.8 million available for borrowings. The weighted-average interest rate for borrowings outstanding was 1.54% at January 31, 2016 and 1.49% at January 31, 2015. The four-year credit facility will expire in October 2018. The five-year credit facility will expire in October 2019.

Other Credit Facilities

Tiffany-Shanghai Credit Agreement. In 2013, Tiffany & Co.'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 930.0 million ($141.4 million at January 31, 2016). The Tiffany-Shanghai Credit Agreement is available for Tiffany-Shanghai's general working capital requirements, which included repayment of a portion of the indebtedness under Tiffany-Shanghai's existing bank loan facilities. The six lenders that are 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. At January 31, 2016, there was $99.3 million available to be borrowed under the Tiffany-Shanghai Credit Agreement, of which $42.1 million was outstanding at a weighted-average interest rate of 4.72%. At January 31, 2015, there was $111.3 million available to be borrowed, of which $37.6 million was outstanding at a weighted-average interest rate of 6.00%. The Tiffany-Shanghai Credit Agreement matures in July 2016. In connection with this agreement, the Company entered into a guaranty agreement by and between the Company and the facility agent under the Tiffany-Shanghai Credit Agreement (the "Guaranty").

Other. The Company has various other revolving credit facilities, primarily in Japan and China. At January 31, 2016, the facilities totaled $126.6 million, of which $102.9 million was outstanding at a weighted-average interest rate of 3.16%. At January 31, 2015, the facilities totaled $113.0 million, of which $103.9 million was outstanding at a weighted-average interest rate of 3.90%.

Senior Notes

In 2014, Tiffany & Co. issued $250.0 million aggregate principal amount of 3.80% Senior Notes due 2024 (the "2024 Notes") and $300.0 million aggregate principal amount of 4.90% Senior Notes due 2044 (the "2044 Notes" and, together with the 2024 Notes, the "Notes"). The Notes were issued at a discount with aggregate net proceeds of $548.0 million (with an effective yield of 3.836% for the 2024 Notes and an effective yield of 4.926% for the 2044 Notes). Tiffany & Co. used the net proceeds from the issuance of the Notes to redeem all of the aggregate principal amount outstanding of its (i) $100.0 million principal amount of 9.05% Series A Senior Notes due December 23, 2015; (ii) $125.0 million principal amount of 10.0% Series A-2009 Senior Notes due February 13, 2017; (iii) $50.0 million principal amount of 10.0% Series A Senior Notes due April 9, 2018; and (iv) $125.0 million principal amount of 10.0% Series B-2009 Senior Notes due February 13, 2019 (collectively, the "Private Placement Notes") prior to maturity in accordance with the respective note purchase agreements governing each series of Private Placement Notes, which included provisions for make-whole payments in the event of early redemption. As a result of the redemptions, the Company recorded a loss on extinguishment of debt of $93.8 million in 2014. The Company used the remaining net proceeds from the sale of the Notes for general corporate purposes. The Notes are Tiffany & Co.’s general unsecured obligations and rank equally in right of payment with all of Tiffany & Co.’s existing and any future unsecured senior debt and rank senior in right of payment to any of Tiffany & Co.’s future subordinated debt.

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The 2024 Notes bear interest at a fixed rate of 3.80% per annum and the 2044 Notes bear interest at a fixed rate of 4.90% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2015. Tiffany & Co. will make each interest payment to the holders of record of the Notes on the immediately preceding March 15 and September 15.

Tiffany & Co. has the option to redeem the Notes, in whole or in part, by providing no 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 Notes to be redeemed, plus (ii) accrued and unpaid interest, if any, on those Notes to the redemption date, plus (iii) a make-whole premium as of the redemption date, as defined in the indenture governing the Notes, as amended and supplemented in respect of each series of Notes (the "Indenture"). In addition, Tiffany & Co. has the option to redeem some or all of the 2024 Notes on or after July 1, 2024, at a redemption price equal to the sum of 100% of the principal amount of the 2024 Notes to be redeemed, together with accrued and unpaid interest, if any, on those 2024 Notes to the redemption date. Tiffany & Co. also has the option to redeem some or all of the 2044 Notes on or after April 1, 2044, at a redemption price equal to the sum of 100% of the principal amount of the 2044 Notes to be redeemed, together with accrued and unpaid interest, if any, on those 2044 Notes to the redemption date.

Upon the occurrence of a change of control triggering event (as defined in the Indenture), unless Tiffany & Co. has exercised its right to redeem the Notes, each holder of Notes will have the right to require Tiffany & Co. to repurchase all or a portion of such holder’s Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase.

Debt Covenants

The agreements governing the New Credit Facilities include specific financial covenants, as well as other covenants that limit the ability of Tiffany & Co. 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 Tiffany & Co. and its subsidiaries’ assets, in addition to other requirements and “Events of Default” (as defined in the agreements governing the New 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 Tiffany & Co. of specific financial covenants and ratios, in addition to other requirements and limitations customary to such borrowings.

The Indenture contains covenants that, among other things, limit the ability of Tiffany & Co. and its subsidiaries under certain circumstances to create liens and impose conditions on Tiffany & Co.’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 2010 1.72% Notes and the 2012 4.40% Series B Notes require maintenance of specific financial covenants and ratios and limit certain changes to indebtedness of Tiffany & Co. and its subsidiaries and the general nature of the business, in addition to other requirements customary to such borrowings.

At January 31, 2016, 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 New Credit Facilities, the Tiffany-Shanghai Credit Agreement, the agreements governing the 2010 1.72% Notes and the 2012 4.40% Series B Notes, and certain other loan agreements contain cross default provisions permitting the

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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, 2016 are as follows:

Years Ending January 31,	Amount [a] (in millions)
2017	$84.2
2018	—
2019	—
2020	—
2021	—
Thereafter	800.0
	$884.2

[a] Amounts exclude any unamortized discount or premium.

Letters of Credit

The Company has available letters of credit and financial guarantees of $75.0 million of which $26.6 million was outstanding at January 31, 2016. Of those available letters of credit and financial guarantees, $60.2 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, forward contracts, put option 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 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 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 are reported as other comprehensive income ("OCI") and are 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.

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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 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. As of January 31, 2016, $21.1 million remains recorded as an 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 (refer to "Note G - Debt"). 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, 2016, $4.0 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.

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

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As of January 31, 2016, the notional amount of foreign exchange forward contracts accounted for as cash flow hedges was as follows:

(in millions)		Notional Amount		USD Equivalent
Derivatives designated as hedging instruments:				
Japanese yen	¥	17,444.7	$	145.5
British pound	£	15.0		23.0
Derivatives not designated as hedging instruments:				
U.S. dollar	$	52.8	$	52.8
Euro	€	15.1		16.5
British pound	£	3.9		5.5
Japanese yen	¥	1,048.5		8.8
Hong Kong dollar	HK$	58.2		7.4
Mexican peso		215.2		12.3
Singapore dollar	S$	28.6		19.9
Swiss franc	Fr.	22.2		22.1

The maximum term of the Company's outstanding foreign exchange forward contracts as of January 31, 2016 is 12 months.

Precious Metal Collars and Forward Contracts – The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to manage the effect of volatility in precious metal prices. The Company may use either a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar expires at no cost to the Company. The Company accounts for its precious metal collars and forward contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the precious metal collars and forward contracts' cash flows. In 2015, the Company increased the term over which it is hedging its exposure to volatility in precious metal prices, as well as the portion of expected future metals purchases hedged, which has increased the number of precious metal derivative instruments outstanding at the end of the period. As of January 31, 2016, the maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 24 months. As of January 31, 2016, there were precious metal derivative instruments outstanding for approximately 72,000 ounces of platinum, 1,440,000 ounces of silver and 50,000 ounces of gold.

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

	Years Ended January 31,			
	2016		2015	
(in millions)	Pre-Tax Gain (Loss) Recognized in OCI (Effective Portion)	Pre-Tax Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Pre-Tax Gain (Loss) Recognized in OCI (Effective Portion)	Pre-Tax Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts [a]	$3.9	$ 20.2	$23.2	$ 18.7
Precious metal collars [a]	0.2	—	—	—
Precious metal forward contracts [a]	(26.3)	(7.0)	(4.4)	(4.2)
Forward-starting interest rate swaps [b]	—	(1.5)	(4.2)	(1.5)
	$(22.2)	$ 11.7	$14.6	$ 13.0

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

The gains and losses on derivatives not designated as hedging instruments were not significant in the year ended January 31, 2016. Such gains were $10.5 million in the year ended January 31, 2015 and were included in other expense (income), net. There was no material ineffectiveness related to the Company's hedging instruments for the periods ended January 31, 2016 and 2015. The Company expects approximately $7.8 million of net pre-tax derivative losses included in accumulated other comprehensive income at January 31, 2016 will be reclassified into earnings within the next 12 months. This amount 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 (a credit rating of A-/A2 or better at the time of the agreement) and limits the amount of agreements or contracts it enters into with any one party. The Company may be exposed to credit losses in the event of nonperformance by individual counterparties or the entire group of counterparties.

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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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 and 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, 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. The Company's interest rate swaps were primarily valued using the 3-month LIBOR 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, 2016 are classified in the table below in one of the three categories described above:

(in millions)	Carrying Value	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Marketable securities [a]	$31.8	$31.8	$—	$—	$31.8
Time deposits [b]	43.0	43.0	—	—	43.0
Derivatives designated as hedging instruments:					
Precious metal forward contracts [c]	0.6	—	0.6	—	0.6
Precious metal collar contracts [c]	0.2	—	0.2	—	0.2
Foreign exchange forward contracts [c]	1.6	—	1.6	—	1.6
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts [c]	1.3	—	1.3	—	1.3
Total financial assets	$78.5	$74.8	$3.7	$—	$78.5

(in millions)	Carrying Value	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Derivatives designated as hedging instruments:					
Precious metal forward contracts [d]	$13.4	$—	$13.4	$—	$13.4
Foreign exchange forward contracts [d]	2.4	—	2.4	—	2.4
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts [d]	1.4	—	1.4	—	1.4
Total financial liabilities	$17.2	$—	$17.2	$—	$17.2

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Financial assets and liabilities carried at fair value at January 31, 2015 are classified in the table below in one of the three categories described above:

(in millions)	Carrying Value	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Marketable securities [a]	$53.5	$53.5	$—	$—	$53.5
Time deposits [b]	1.5	1.5	—	—	1.5
Derivatives designated as hedging instruments:					
Precious metal forward contracts [c]	0.3	—	0.3	—	0.3
Foreign exchange forward contracts [c]	15.1	—	15.1	—	15.1
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts [c]	7.1	—	7.1	—	7.1
Total financial assets	$77.5	$55.0	$22.5	$—	$77.5

(in millions)	Carrying Value	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Derivatives designated as hedging instruments:					
Precious metal forward contracts [d]	$3.2	$—	$3.2	$—	$3.2
Foreign exchange forward contracts [d]	0.1	—	0.1	—	0.1
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts [d]	2.0	—	2.0	—	2.0
Total financial liabilities	$5.3	$—	$5.3	$—	$5.3

[a] Included within Other assets, net.

[b] Included within Short-term investments.

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

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

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates carrying value due to the short-term maturities of these assets and liabilities and as such is 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 $1.1 billion and the corresponding fair value was approximately $1.1 billion and $1.2 billion at January 31, 2016 and 2015.

J. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office, distribution, retail and manufacturing facilities, land and equipment. Retail store leases may require the payment of minimum rentals and contingent rent based on a percentage of sales exceeding a stipulated amount. The lease agreements, which expire at various dates through 2062, are subject, in many cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation 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. 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, 2016, $55.1 million of these deferred gains remained to be amortized.

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

	Years Ended January 31,		
(in millions)	2016	2015	2014
Minimum rent for retail locations	$172.2	$158.2	$146.1
Contingent rent based on sales	34.9	38.6	36.3
Office, distribution and manufacturing facilities and equipment	37.0	35.8	42.5
	$244.1	$232.6	$224.9

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 $109.4 million, $113.7 million and $117.1 million in 2015, 2014 and 2013, and which are not included in the table above.

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

Years Ending January 31,	Annual Minimum Rental Payments [a] (in millions)
2017	$273.6
2018	244.7
2019	172.1
2020	156.3
2021	141.4
Thereafter	597.7

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

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Diamond Sourcing Activities

The Company has agreements with various diamond producers to purchase defined portions of their mines' output at prevailing fair market prices. Under those agreements, management anticipates that it will purchase approximately $100.0 million of rough diamonds in 2016. Purchases beyond 2016 that are contingent upon mine production at 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.

In consideration of its diamond supply agreements, the Company has provided financing to certain suppliers of its rough diamonds. In March 2011, Laurelton Diamonds, Inc. ("Laurelton"), a wholly-owned subsidiary of the Company, as lender, entered into a $50.0 million amortizing term loan facility agreement with Koidu, as borrower, and BSG Resources Limited, as a limited guarantor. Koidu operates a kimberlite diamond mine in Sierra Leone (the "Mine") from which Laurelton acquires diamonds. Koidu was required under the terms of the Loan to apply the proceeds of the Loan to capital expenditures necessary to increase the output of the Mine, among other purposes. As of July 31, 2011, the Loan was fully funded. In consideration of the Loan, Laurelton entered into a supply agreement, pursuant to which Laurelton is required to purchase at fair market value certain diamonds recovered from the Mine that meet Laurelton's quality standards. The assets of Koidu, including all equipment and rights in respect of the Mine, are subject to the security interest of a lender that is not affiliated with the Company. The Loan is partially secured by the diamonds, if any, that have been extracted from the Mine and that have not been sold to third parties. The Company has evaluated the variable interest entity consolidation requirements with respect to this transaction and has determined that it is not the primary beneficiary, as it does not have the power to direct any of the activities that most significantly impact Koidu's economic performance.

On March 29, 2013, the Company entered into an amendment relating to the Loan which deferred principal and interest payments due in 2013 to subsequent years, and, on March 31, 2014, the Company entered into a further amendment providing that the principal payments due in 2014 be paid on a monthly basis rather than on a semi-annual basis. On April 30, 2015, the Company entered into a further amendment (the "2015 Amendment"). Pursuant to the 2015 Amendment, once certain customary conditions relating to the addition of one of Koidu's affiliates as an obligor under the Loan were satisfied, the principal payment due on March 30, 2015 would be deferred until a date to be specified by the Company (which date may be upon at least 30 days' written notice to Koidu, or upon the occurrence of certain specified acceleration conditions). As of June 2015, all of the conditions had been satisfied and the deferral of the principal payment due on March 30, 2015 had become effective, subject to the acceleration conditions set forth in the 2015 Amendment, which include Koidu remaining current on its other payment obligations to the Company. The Loan, as amended, is required to be repaid in full by March 2017 through semi-annual payments. Under the 2015 Amendment, the interest rate on the Loan was increased and, as of April 1, 2015, interest will accrue at a rate per annum that is the greater of (i) LIBOR plus 3.5% or (ii) 6.75%. Koidu also agreed to pay, and subsequently paid, an additional 2% per annum of interest on all deferred principal repayments.

At January 31, 2016, there was $43.8 million of principal outstanding under this Loan (see "Note B - Summary of Significant Accounting Policies"). In August 2015, Koidu requested that its interest payment due in July 2015 be deferred until a future date to be determined, and it advised the Company that it was likely to request a deferral of interest payments due in August and September of 2015. Based on these requests and other discussions with Koidu, in which Koidu had informed the Company that it was seeking additional sources of capital to fund ongoing operations of the mine, and with consideration given to the fact that Koidu did not respond to the Company's request for a proposed revised payment schedule for its obligations under the Loan, management believed that it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the Loan, and recorded an impairment charge, and related valuation allowance, of $9.6 million in the second quarter of 2015. Additionally, the Company ceased accruing interest income on the outstanding Loan balance as of July 31, 2015.

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As of January 31, 2016, Koidu has not made any of its interest payments due in July 2015 and thereafter, nor its principal payment due in September 2015. The missed payments constitute events of default under the Loan. Koidu has yet to provide a proposed revised payment schedule for its obligations under the Loan. In February 2016, the Company received the results from two separate and independent reviews of Koidu's operational plans, forecasts, and cash flow projections for the mine, which were commissioned by the Company and by Koidu's largest creditor, respectively. Based on these factors, ongoing discussions with Koidu, and consideration of the possible actions that all parties, including the Government of Sierra Leone and Koidu's largest creditor, may take under the circumstances, management believes that it is probable that the portion of the amounts due under the contractual terms of the Loan that the Company will be unable to collect will be greater than originally estimated, and recorded an impairment charge, and related valuation allowance, of $28.3 million in the fourth quarter of 2015. The carrying amount of the Company’s loan receivable from Koidu, net of the valuation allowance, is $5.9 million at January 31, 2016.

The Company intends to continue to participate in discussions with Koidu regarding operational plans, forecasts and cash flow projections for the mine, as well as revisions to the payment schedule for the Loan. The Company also intends to continue to participate in discussions with certain of Koidu's stakeholders, including its largest creditor and the Government of Sierra Leone. The outcome of these discussions, as well as any other developments, will inform management's ongoing evaluation of the collectability of the Loan and the accrual of interest income. It is possible that such ongoing evaluation may result in additional changes to management's assessment of collectability. While such changes in management's assessment would not have a material adverse effect on the Company's financial position or cash flows, it is possible that such a change in assessment could affect the Company's earnings in the period in which such a change were to occur.

The Company also provided financing of $3.1 million during the year ended January 31, 2014 to a diamond mining and exploration company.

Contractual Cash Obligations and Contingent Funding Commitments

At January 31, 2016, the Company's contractual cash obligations and contingent funding commitments were for inventory purchases of $319.1 million (which includes the $100.0 million obligation discussed in Diamond Sourcing Activities above), as well as for other contractual obligations of $91.7 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 $72.0 million at January 31, 2016) (based on its alleged wasted investment) to CHF 3.8 billion (or approximately $3.7 billion at January 31, 2016) (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 $118.0 million at January 31, 2016) (based on its wasted investment) to approximately CHF 540.0 million (or approximately $533.0 million at January 31, 2016) (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 is set aside. However, the Swatch Parties have taken action in the Dutch courts to appeal the District Court's decision, and the Arbitration Award may ultimately be upheld by the courts of the Netherlands. Registrant's management expects that the annulment action will not be ultimately resolved until at the earliest, Registrant's fiscal year ending January 31, 2017.

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. Management also anticipates that the Tiffany Parties would seek the return of the amounts paid by them under the Arbitration Award in court proceedings.

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 the 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.

Although the District Court has issued a decision in favor of the Tiffany Parties, an amount will only be recorded for any return of amounts paid under the Arbitration Award when the District’s Court decision is final (i.e., after all rights of appeal have been exhausted) and return of these amounts is deemed probable and collection is reasonably assured. As such, the Company has not recorded any amounts in its consolidated financial statements related to the District Court’s decision.

Additionally, management has not established any accrual in the Company's consolidated financial statements for the year ended January 31, 2016 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.

Royalties payable to the Tiffany Parties by Watch Company under the Agreements were not significant in any year and watches manufactured by Watch Company and sold in TIFFANY & CO. stores constituted 1% of worldwide net sales in 2013. In April 2015, management introduced new TIFFANY & CO. brand watches, which have been designed, produced, marketed and distributed through certain of the Company's Swiss subsidiaries.

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 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.

Environmental Matter

In 2005, the US 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.

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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 has accrued for its financial obligations under both AOCs, which have not been material to its financial position or results of operations in previous financial periods or on a cumulative basis.

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

Separately, on April 11, 2014, the EPA issued a proposed plan for remediating just the lower eight miles of the River, which is supported by a Focused Feasibility Study (the "FFS"). The FFS evaluated three remediation options for the lower eight miles, 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 its decision on a remediation plan for the lower eight miles of the River. The identified remediation plan 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. However, concurrent with issuing its Record of Decision, the EPA noted that it plans to begin discussions with the parties responsible for the contamination to seek their performance of, or payment for, the remediation work for the lower eight miles of the River. The EPA further noted that it expects the design of the necessary remediation activities, which is estimated to take three to four years, to be outlined in a legally binding document. The remediation is expected to follow the design process, and the EPA has estimated that remediation would take another six years to complete.

With respect to remediation of the lower eight miles of the River, until the EPA reaches an agreement, if any, with any potentially responsible party or parties to fund the design and remediation work (or pursues legal or administrative action to require any potentially responsible party or parties to perform, or pay for, the design and remediation work), it cannot be determined which potentially responsible party or parties will be responsible for such design and remediation, or how the estimated $1.38 billion cost identified in the Record of Decision will be allocated among any potentially responsible parties. Further, 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 obligations, if any, beyond those already recorded for the 2007 AOC and the Mile 10.9 AOC cannot be determined at this time, and the Company has therefore not recorded any additional liability related to this matter. 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

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companies in the CPG 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, the Company does not expect that its ultimate liability, if any, related to these matters will be material to its financial position. It is, however, possible that, when the uncertainties discussed above are resolved, any resulting liability could be material to its results of operations or cash flows in the period in which such uncertainties are resolved.

Other

In the fourth quarter of 2015 and the first quarter of 2013, the Company implemented specific cost-reduction initiatives and recorded $8.8 million and $9.4 million, respectively, 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

The Company's Chairman of the Board 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 New Credit Facilities, provides other general banking services and serves as the trustee and an investment manager for the Company's pension plan. Fees paid to the bank for services rendered and interest on debt amounted to $0.7 million, $1.3 million and $1.6 million in 2015, 2014 and 2013.

L. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

(in millions)	January 31, 2016	2015
Accumulated other comprehensive (loss) earnings, net of tax:		
Foreign currency translation adjustments	$(135.3)	$(76.3)
Unrealized (loss) gain on marketable securities	(1.0)	1.9
Deferred hedging loss	(26.8)	(5.4)
Net unrealized loss on benefit plans	(115.0)	(210.7)
	$(278.1)	$(290.5)

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

	Years Ended January 31,		
(in millions)	2016	2015	2014
Foreign currency translation adjustments	$(59.9)	$(101.9)	$(31.7)
Income tax benefit	0.9	8.8	4.5
Foreign currency adjustments, net of tax	(59.0)	(93.1)	(27.2)
Unrealized (loss) gain on marketable securities	(4.1)	(0.9)	1.2
Reclassification for gain included in net earnings [a]	(0.4)	—	—
Income tax benefit (expense)	1.6	0.1	(0.4)
Unrealized (loss) gain on marketable securities, net of tax	(2.9)	(0.8)	0.8
Unrealized (loss) gain on hedging instruments	(22.2)	14.6	8.7
Reclassification adjustment for gain included in net earnings [b]	(11.7)	(13.0)	(14.0)
Income tax benefit (expense)	12.5	(0.4)	1.9
Unrealized (loss) gain on hedging instruments, net of tax	(21.4)	1.2	(3.4)
Prior service cost	—	(0.5)	—
Net actuarial gain (loss)	122.5	(234.6)	86.3
Amortization of net loss included in net earnings [c]	30.4	13.1	19.2
Amortization of prior service (credit) cost included in net earnings [c]	(0.6)	(0.4)	0.3
Income tax (expense) benefit	(56.6)	83.2	(40.7)
Net unrealized gain (loss) on benefit plans, net of tax	95.7	(139.2)	65.1
Total other comprehensive earnings (loss), net of tax	$12.4	$(231.9)	$35.3

[a] These losses are reclassified into Other expense (income), net.

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

[c] These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see "Note N - Employee Benefit Plans" for additional details).

Stock Repurchase Program

In January 2011, the Company's Board of Directors approved a stock repurchase program ("2011 Program") and terminated a previously-existing program. The 2011 Program authorized the Company to repurchase up to $400.0 million of its Common Stock through open market or private transactions. The timing of repurchases and the actual number of shares to be repurchased depended on a variety of discretionary factors such as stock price, cash-flow forecasts and other market conditions. The Company suspended share repurchases during the second quarter of 2012. In January 2013, the Board of Directors extended the expiration date of the 2011 Program to January 31, 2014. The 2011 Program expired on January 31, 2014 with $163.8 million of unused capacity.

In March 2014, the Company's Board of Directors approved a share repurchase program ("2014 Program") which authorized the Company to repurchase up to $300.0 million of its Common Stock through open market transactions. The 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

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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 ("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. Approximately $494.0 million remained available for repurchase under the 2016 Program at January 31, 2016.

The Company's share repurchase activity was as follows:

	Years Ended January 31,		
(in millions, except per share amounts)	2016	2015	2014
Cost of repurchases	$220.4	$27.0	$—
Shares repurchased and retired	2.8	0.3	—
Average cost per share	$78.40	$89.91	$—

Cash Dividends

The Company's Board of Directors declared quarterly dividends which, on an annual basis, totaled $1.58, $1.48 and $1.34 per share of Common Stock in 2015, 2014 and 2013.

On February 18, 2016, the Company's Board of Directors declared a quarterly dividend of $0.40 per share of Common Stock. This dividend will be paid on April 11, 2016 to stockholders of record on March 21, 2016.

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 stockholders. No award may be made under the Employee Incentive Plan after May 22, 2024 or under the Directors Equity Compensation Plan after May 15, 2018.

Under the Employee Incentive Plan, the maximum number of common shares authorized for issuance was 8.7 million. Awards may be made to employees of the Company or its related companies 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 vest primarily in increments of 25% per year over four years. RSUs and PSUs issued to the executive officers vest primarily at the end of a three-year period. RSUs issued to other management employees vest primarily in increments of 25% per year over a four-year period. Vesting of all PSUs is contingent on the Company's performance against pre-set 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

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will be in shares of Company stock at vesting. Compensation expense is recognized using the fair market value 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 pre-set objectives. Award holders are not entitled to receive dividends on unvested stock options, PSUs or RSUs.

Under the Directors Equity Compensation Plan, the maximum number of shares of Common Stock authorized for issuance was 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 25 thousand (subject to adjustment) shares per non-employee director in any fiscal year. Awards of shares (or rights to receive shares) reduce the above authorized amount by 1.58 shares for every share delivered pursuant to such an award. 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 unless the director has agreed to forego all or a portion of his or her annual cash retainer or other fees for service as a director in exchange for below-market exercise price options. Director options vest immediately. Director RSUs vest over a one-year period.

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

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

	Years Ended January 31,		
	2016	2015	2014
Dividend yield	1.9%	1.3%	1.2%
Expected volatility	28.1%	30.2%	39.6%
Risk-free interest rate	1.5%	1.5%	1.4%
Expected term in years	5	5	5

A summary of the option activity for the Company's stock option plans 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, 2015	1.7	$68.76	7.38	$32.3
Granted	0.7	64.58		
Exercised	(0.1)	38.19		
Forfeited/canceled	(0.2)	76.61		
Outstanding at January 31, 2016	2.1	$67.59	7.02	$7.9
Exercisable at January 31, 2016	1.1	$62.78	4.74	$7.3

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The weighted-average grant-date fair value of options granted for the years ended January 31, 2016, 2015 and 2014 was $14.42, $22.25 and $29.11. The total intrinsic value (market value on date of exercise less grant price) of options exercised during the years ended January 31, 2016, 2015 and 2014 was $2.4 million, $44.1 million and $39.5 million.

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

	Number of Shares (in millions)	Weighted-Average Grant-Date Fair Value
Non-vested at January 31, 2015	0.6	$75.46
Granted	0.3	80.44
Vested	(0.3)	84.73
Forfeited	(0.1)	78.44
Non-vested at January 31, 2016	0.5	$79.02

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

	Number of Shares (in millions)	Weighted-Average Grant-Date Fair Value
Non-vested at January 31, 2015	0.7	$70.80
Granted	0.3	58.09
Vested	(0.1)	57.06
Forfeited/canceled	(0.2)	61.96
Non-vested at January 31, 2016	0.7	$70.56

The weighted-average grant-date fair value of RSUs granted for the years ended January 31, 2015 and 2014 was $90.68 and $68.66. The weighted-average grant-date fair value of PSUs granted for the years ended January 31, 2015 and 2014 was $82.88 and $83.73.

As of January 31, 2016, there was $65.6 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 2.6 years. The total fair value of RSUs vested during the years ended January 31, 2016, 2015 and 2014 was $18.0 million, $27.7 million and $26.5 million. The total fair value of PSUs vested during the years ended January 31, 2016, 2015 and 2014 was $4.1 million, $8.1 million and $10.2 million.

Total compensation cost for stock-based compensation awards recognized in income and the related income tax benefit was $24.5 million and $7.9 million for the year ended January 31, 2016, $26.5 million and $8.9 million for the year ended January 31, 2015 and $32.2 million and $11.4 million for the year ended January 31, 2014. 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. Participants with at least 10 years of service who retire after attaining age 55 may receive reduced retirement benefits. Participants who have at least five years of service when their employment with the Company terminates may also receive certain benefits. 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 2015 and none is required in 2016 to meet the minimum funding requirements of the Employee Retirement Income Security Act. The Company periodically evaluates whether to make discretionary cash contributions to the Qualified Plan, did not make such contributions in 2015 and currently does not anticipate making such contributions in 2016. This expectation is subject to change based on management’s assessment of a variety of factors, including, but not limited to, asset performance, interest rates and changes in actuarial assumptions.

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

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

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

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U.S. full-time employees, hired on or before March 31, 2012, may become eligible for these benefits if they reach normal or early retirement age while working for the Company. The cost of providing postretirement health-care benefits is shared by the retiree and the Company, with retiree contributions evaluated annually and adjusted in order to maintain the Company/retiree cost-sharing target ratio. The life insurance benefits are noncontributory. The Company's employee and retiree health-care benefits are administered by an insurance company, and premiums on life insurance are based on prior years' claims experience.

Obligations and Funded Status

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

	January 31,			
	Pension Benefits		Other Postretirement Benefits	
(in millions)	2016	2015	2016	2015
Change in benefit obligation:				
Benefit obligation at beginning of year	$841.7	$615.9	$92.9	$54.7
Service cost	22.6	16.8	4.2	2.4
Interest cost	30.6	28.3	3.2	2.6
Participants' contributions	—	—	1.3	1.5
Amendments	—	0.8	—	—
MMA retiree drug subsidy	—	—	0.2	0.1
Actuarial (gain) loss	(128.8)	202.3	(20.4)	34.9
Benefits paid	(23.1)	(20.2)	(3.0)	(3.3)
Curtailments	(0.2)	—	—	—
Translation	(0.2)	(2.2)	—	—
Benefit obligation at end of year	742.6	841.7	78.4	92.9
Change in plan assets:				
Fair value of plan assets at beginning of year	406.0	397.4	—	—
Actual return on plan assets	(2.2)	26.0	—	—
Employer contribution	5.1	2.8	1.5	1.7
Participants' contributions	—	—	1.3	1.5
MMA retiree drug subsidy	—	—	0.2	0.1
Benefits paid	(23.1)	(20.2)	(3.0)	(3.3)
Fair value of plan assets at end of year	385.8	406.0	—	—
Funded status at end of year	$(356.8)	$(435.7)	$(78.4)	$(92.9)

Actuarial gains in 2015 reflect increases in the discount rates for all plans. Actuarial losses in 2014 reflect decreases in the discount rates for all plans, and for the U.S. plans, also reflect the impact of adopting updated mortality assumptions issued by the Society of Actuaries in October 2014.

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

	January 31, 2016			
(in millions)	Qualified	Excess/SRIP	Other	Total
Projected benefit obligation	$620.8	$105.5	$16.3	$742.6
Fair value of plan assets	385.8	—	—	385.8
Funded status	$(235.0)	$(105.5)	$(16.3)	$(356.8)
Accumulated benefit obligation	$556.8	$92.1	$13.5	$662.4

	January 31, 2015			
(in millions)	Qualified	Excess/SRIP	Other	Total
Projected benefit obligation	$693.3	$133.1	$15.3	$841.7
Fair value of plan assets	406.0	—	—	406.0
Funded status	$(287.3)	$(133.1)	$(15.3)	$(435.7)
Accumulated benefit obligation	$620.6	$97.4	$12.6	$730.6

At January 31, 2016, the Company had a current liability of $7.1 million and a non-current liability of $428.1 million for pension and other postretirement benefits. At January 31, 2015, the Company had a current liability of $4.3 million and a non-current liability of $524.2 million for pension and other postretirement benefits.

Amounts recognized in accumulated other comprehensive loss consist of:

	January 31,			
	Pension Benefits		Other Postretirement Benefits	
(in millions)	2016	2015	2016	2015
Net actuarial loss	$180.1	$311.2	$10.4	$32.4
Prior service cost (credit)	0.8	0.9	(3.0)	(3.7)
Total before tax	$180.9	$312.1	$7.4	$28.7

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	$15.5	$0.2
Prior service credit	—	(0.7)
	$15.5	$(0.5)

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

	Years Ended January 31,					
	Pension Benefits			Other Postretirement Benefits		
(in millions)	2016	2015	2014	2016	2015	2014
Service cost	$22.6	$16.8	$19.1	$4.2	$2.4	$2.8
Interest cost	30.6	28.3	27.0	3.2	2.6	2.8
Expected return on plan assets	(24.7)	(23.6)	(22.2)	—	—	—
Curtailments	0.2	—	—	—	—	—
Amortization of prior service cost	—	0.3	1.0	(0.7)	(0.7)	(0.7)
Amortization of net loss	28.9	13.1	19.0	1.5	—	0.2
Net periodic benefit cost	57.6	34.9	43.9	8.2	4.3	5.1
Net actuarial (gain) loss	(102.1)	199.8	(71.2)	(20.4)	34.8	(15.1)
Recognized actuarial loss	(28.9)	(13.1)	(19.0)	(1.5)	—	(0.2)
Prior service cost	—	0.5	—	—	—	—
Recognized prior service (cost) credit	(0.1)	(0.3)	(1.0)	0.7	0.7	0.7
Total recognized in other comprehensive earnings	(131.1)	186.9	(91.2)	(21.2)	35.5	(14.6)
Total recognized in net periodic benefit cost and other comprehensive earnings	$(73.5)	$221.8	$(47.3)	$(13.0)	$39.8	$(9.5)

Assumptions

Weighted-average assumptions used to determine benefit obligations:

	January 31,	
	2016	2015
Discount rate:		
Qualified Plan	4.50%	3.75%
Excess Plan/SRIP	4.25%	3.75%
Other Plans	1.05%	1.12%
Other Postretirement Benefits	4.50%	3.50%
Rate of increase in compensation:		
Qualified Plan	3.00%	2.75%
Excess Plan	4.25%	4.25%
SRIP	6.50%	7.25%
Other Plans	1.18%	1.22%

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

	Years Ended January 31,					
	2016		2015		2014	
Discount rate:						
Qualified Plan	3.75	%	4.75	%	4.50	%
Excess Plan/SRIP	3.75	%	5.00	%	4.50	%
Other Plans	1.71	%	1.81	%	1.25	%
Other Postretirement Benefits	3.50	%	5.00	%	4.50	%
Expected return on plan assets	7.50	%	7.50	%	7.50	%
Rate of increase in compensation:						
Qualified Plan	2.75	%	2.75	%	2.75	%
Excess Plan	4.25	%	4.25	%	4.25	%
SRIP	7.25	%	7.25	%	7.25	%
Other Plans	1.56	%	1.33	%	1.00	%

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 7.25% annual rate of increase in the per capita cost of covered health care was assumed for 2016. This rate was assumed to decrease gradually to 4.75% by 2023 and remain at that level thereafter.

Assumed health-care cost trend rates affect amounts reported for the Company's postretirement health-care benefits plan. A one-percentage-point increase in the assumed health-care cost trend rate would increase the Company's accumulated postretirement benefit obligation by approximately $3.9 million for the year ended January 31, 2016. Decreasing the assumed health-care cost trend rate by one-percentage point would decrease the Company's accumulated postretirement benefit obligation by approximately $2.8 million for the year ended January 31, 2016. A one-percentage-point change in the assumed health-care cost trend rate would not have a significant effect on the Company's aggregate service and interest cost components of the 2015 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, 2016 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.

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The fair value of the Qualified Plan's assets at January 31, 2016 and 2015 by asset category is as follows:

(in millions)	Fair Value at January 31, 2016	Fair Value Measurements Using Inputs Considered as* Level 1	Level 2	Level 3
Equity securities:				
Common/collective trusts [a]	115.9	—	115.9	—
U.S. equity securities	45.6	45.6	—	—
Mutual fund	27.4	27.4	—	—
Fixed income securities:				
Government bonds	62.3	61.3	1.0	—
Corporate bonds	87.7	—	87.7	—
Other types of investments:				
Cash and cash equivalents	2.5	2.5	—	—
Mutual funds	25.6	25.6	—	—
Limited partnerships	18.8	—	—	18.8
	$385.8	$162.4	$204.6	$18.8

(in millions)	Fair Value at January 31, 2015	Fair Value Measurements Using Inputs Considered as* Level 1	Level 2	Level 3
Equity securities:				
Common/collective trusts [a]	$288.4	$—	$288.4	$—
Fixed income securities:				
Government bonds	27.7	23.6	4.1	—
Corporate bonds	33.9	—	33.9	—
Mortgage obligations	37.0	—	37.0	—
Other types of investments:				
Limited partnerships	19.0	—	—	19.0
	$406.0	$23.6	$363.4	$19.0

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

[a] Common/collective trusts include investments in U.S. and international large, middle and small capitalization equities.

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The changes in fair value of the Qualified Plan's Level 3 assets is as follows:

(in millions)	Limited partnerships
January 31, 2014	$14.4
Unrealized gain, net	1.4
Realized gain, net	0.6
Purchases	5.6
Settlements	(3.0)
January 31, 2015	19.0
Unrealized gain, net	1.2
Realized gain, net	0.1
Purchases	3.7
Settlements	(5.2)
January 31, 2016	$18.8

Valuation Techniques

Investments in common/collective trusts and mutual funds are stated at estimated fair value which represents the net asset value of shares held by the Qualified Plan as reported by the investment advisor. The net asset value 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. Investments in limited partnerships are valued at estimated fair value based on financial information received from the investment advisor and/or general partner.

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

Benefit Payments

The Company expects the following future benefit payments to be paid:

Years Ending January 31,	Pension Benefits (in millions)	Other Postretirement Benefits (in millions)
2017	$24.4	$1.7
2018	24.9	1.8
2019	26.6	1.9
2020	27.3	2.0
2021	28.9	2.1
2022-2026	166.4	12.9

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

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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 no expense in 2015 and recorded expense of $3.1 million in 2014 and $3.9 million in 2013. Under the retirement savings feature of the EPSRS Plan, employees who meet certain eligibility requirements may participate by contributing up to 50% of their annual compensation, not to exceed Internal Revenue Service limits, and the Company may provide a matching cash contribution of 50% of each participant's contributions, with a maximum matching contribution of 3% of each participant's total compensation. The Company recorded expense of $7.3 million, $7.7 million and $7.1 million in 2015, 2014 and 2013. Contributions to both features of the EPSRS Plan are made in the following year.

Under the profit-sharing feature of the EPSRS Plan, for contributions made in the Company's stock, the Company's stock contribution is required to be maintained in such stock until the employee has two or more years of service, at which time the employee may diversify his or her Company stock account into other investment options provided under the plan. For contributions made in cash, the contribution is allocated within the participant's account based on their investment elections 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, the employees have the ability to elect to invest a portion of their contribution and the related matching contribution in Company stock. At January 31, 2016, investments in Company stock represented 21% of total EPSRS Plan assets.

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 retirement savings portion of the EPSRS Plan. The Company recorded expense of $3.2 million, $4.6 million and $3.6 million in 2015, 2014 and 2013.

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 contribution 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 $24.9 million and $27.1 million at January 31, 2016 and 2015, and are reflected in other long-term liabilities. The Company does not promise or guarantee any rate of return on amounts deferred.

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O. INCOME TAXES

Earnings from operations before income taxes consisted of the following:

	Years Ended January 31,		
(in millions)	2016	2015	2014
United States	$502.5	$484.5	$65.2
Foreign	207.4	253.0	189.7
	$709.9	$737.5	$254.9

The settlement of the Arbitration Award, as discussed in "Note J - Commitments and Contingencies", resulted in a significant change in the composition of geographical earnings from operations for the year ended January 31, 2014. This change resulted in a lower effective tax rate for the year ended January 31, 2014 because of lower tax rates on foreign earnings.

Components of the provision for income taxes were as follows:

	Years Ended January 31,		
(in millions)	2016	2015	2014
Current:			
Federal	$175.8	$130.9	$39.0
State	22.3	18.2	9.9
Foreign	49.8	66.5	52.5
	247.9	215.6	101.4
Deferred:			
Federal	(15.4)	25.2	(28.6)
State	3.9	13.2	(2.3)
Foreign	9.6	(0.7)	3.0
	(1.9)	37.7	(27.9)
	$246.0	$253.3	$73.5

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

	Years Ended January 31,		
	2016	2015	2014
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal benefit	2.4	2.8	2.0
Foreign losses with no tax benefit	—	0.7	1.3
Undistributed foreign earnings	(2.5)	(4.2)	(7.8)
Net change in uncertain tax positions	0.5	0.3	0.5
Domestic manufacturing deduction	(1.3)	(1.3)	(2.5)
Other	0.6	1.1	0.3
	34.7%	34.4%	28.8%

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The Company has the intent to indefinitely reinvest any undistributed earnings of all foreign subsidiaries. As of January 31, 2016 and 2015, the Company has not provided deferred taxes on approximately $685.0 million and $612.0 million of undistributed earnings. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. U.S. Federal income taxes of approximately $118.0 million and $107.0 million would be incurred if these earnings were distributed.

Deferred tax assets (liabilities) consisted of the following:

	January 31,	
(in millions)	2016	2015
Deferred tax assets:		
Pension/postretirement benefits	$166.7	$203.0
Accrued expenses	34.3	36.4
Share-based compensation	18.3	17.3
Depreciation	6.6	14.4
Amortization	11.4	11.4
Foreign and state net operating losses	23.5	22.9
Sale-leaseback	30.4	36.3
Inventory	50.9	72.7
Financial hedging instruments	19.7	14.1
Unearned income	11.3	11.2
Other	53.6	37.1
	426.7	476.8
Valuation allowance	(19.5)	(16.2)
	407.2	460.6
Deferred tax liabilities:		
Foreign tax credit	(25.1)	(34.8)
Net deferred tax asset	$382.1	$425.8

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 $84.0 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 2018 through 2026.

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The following table reconciles the unrecognized tax benefits:

(in millions)	2016	2015	January 31, 2014
Unrecognized tax benefits at beginning of year	$8.3	$27.6	$28.2
Gross increases – tax positions in prior period	1.0	1.0	0.3
Gross decreases – tax positions in prior period	(0.4)	(5.4)	(0.4)
Gross increases – tax positions in current period	1.4	0.1	0.1
Settlements	—	(14.8)	(0.3)
Lapse of statute of limitations	(0.1)	(0.2)	(0.3)
Unrecognized tax benefits at end of year	$10.2	$8.3	$27.6

Included in the balance of unrecognized tax benefits at January 31, 2016, 2015 and 2014 are $9.1 million, $5.3 million and $18.7 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. During the years ended January 31, 2016, 2015 and 2014, the Company recognized approximately $1.7 million, $1.8 million and $1.9 million of expense associated with interest and penalties. Accrued interest and penalties are included within accounts payable and accrued liabilities and other long-term liabilities, and were $7.8 million and $6.0 million at January 31, 2016 and 2015.

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), as well as an audit that is being conducted by the IRS (tax years 2010–2012). 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. At January 31, 2016, total unrecognized tax benefits were $10.2 million of which approximately $9.1 million, if recognized, would affect the effective income tax rate. Management believes it is reasonably possible that a majority of the total gross amount provided for unrecognized tax benefits will decrease 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 the summary of significant accounting policies.

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

	Years Ended January 31,		
(in millions)	2016	2015	2014
Net sales:			
Americas	$1,947.0	$2,033.5	$1,926.9
Asia-Pacific	1,003.1	1,025.2	944.7
Japan	541.3	554.3	578.6
Europe	505.7	513.3	476.2
Total reportable segments	3,997.1	4,126.3	3,926.4
Other	107.8	123.6	104.7
	$4,104.9	$4,249.9	$4,031.1
Earnings (losses) from operations*:			
Americas	$390.8	$435.5	$374.3
Asia-Pacific	264.4	281.6	244.1
Japan	199.9	196.0	215.6
Europe	97.4	110.5	102.4
Total reportable segments	952.5	1,023.6	936.4
Other	6.4	4.9	(1.8)
	$958.9	$1,028.5	$934.6

* Represents earnings (losses) from operations before (i) unallocated corporate expenses, (ii) interest expense, financing costs and other expense (income), net, (iii) loss on extinguishment of debt, and (iv) other operating expenses.

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

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

	Years Ended January 31,		
(in millions)	2016	2015	2014
Earnings from operations for segments	$958.9	$1,028.5	$934.6
Unallocated corporate expenses	(152.1)	(137.1)	(140.7)
Interest expense, financing costs and other expense (income), net	(50.2)	(60.1)	(49.4)
Loss on extinguishment of debt	—	(93.8)	—
Other operating expense	(46.7)	—	(489.6)
Earnings from operations before income taxes	$709.9	$737.5	$254.9

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.

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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 J - Commitments and Contingencies" for additional details.

Loss on extinguishment of debt in the year ended January 31, 2015 was related to the redemption of $400.0 million in aggregate principal amount of the Private Placement Notes prior to their scheduled maturities. See "Note G - Debt" for additional details.

Other operating expense in the year ended January 31, 2014 was related to specific cost-reduction initiatives and the Arbitration Award. See "Note J - Commitments and Contingencies" for additional details.

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

	Years Ended January 31,		
(in millions)	2016	2015	2014
Net sales:			
United States	$1,795.5	$1,870.8	$1,770.7
Japan	541.3	554.3	578.6
Other countries	1,768.1	1,824.8	1,681.8
	$4,104.9	$4,249.9	$4,031.1
Long-lived assets:			
United States	$706.9	$680.1	$632.9
Japan	20.6	24.4	21.6
Other countries	256.7	239.2	241.9
	$984.2	$943.7	$896.4

Classes of Similar Products

	Years Ended January 31,		
(in millions)	2016	2015	2014
Net sales:			
Statement, fine & solitaire jewelry	$910.8	$930.2	$916.8
Engagement jewelry & wedding bands	1,170.2	1,245.1	1,182.2
Fashion jewelry	1,716.1	1,755.2	1,618.2
All other	307.8	319.4	313.9
	$4,104.9	$4,249.9	$4,031.1

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Q. QUARTERLY FINANCIAL DATA (UNAUDITED)

	2015 Quarters Ended*			
(in millions, except per share amounts)	April 30	July 31 [a]	October 31	January 31 [b]
Net sales	$962.4	$990.5	$938.2	$1,213.6
Gross profit	569.0	593.0	564.5	764.8
Earnings from operations	170.0	172.8	156.4	260.9
Net earnings	104.9	104.9	91.0	163.2
Net earnings per share:				
Basic	$0.81	$0.81	$0.71	$1.28
Diluted	$0.81	$0.81	$0.70	$1.28

a On a pre-tax basis, includes a charge of $9.6 million for the quarter ended July 31, 2015, which reduced net earnings per diluted share by $0.05, associated with an impairment charge related to a financing arrangement with Koidu Limited (see "Note B - Summary of Significant Accounting Policies" and "Note J - Commitments and Contingencies").

b On a pre-tax basis, includes charges for the quarter ended January 31, 2016 of:

i. $28.3 million, which reduced net earnings per diluted share by $0.14, associated with an impairment charge related to a financing arrangement with Koidu Limited (see "Note B - Summary of Significant Accounting Policies" and "Note J - Commitments and Contingencies"); and

ii. $8.8 million, which reduced net earnings per diluted share by $0.04, 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 (see "Note J - Commitments and Contingencies").

	2014 Quarters Ended*			
(in millions, except per share amounts)	April 30	July 31	October 31 [c]	January 31
Net sales	$1,012.1	$992.9	$959.6	$1,285.3
Gross profit	589.5	595.2	570.9	781.6
Earnings from operations	209.8	208.5	168.5	304.6
Net earnings	125.6	124.1	38.3	196.2
Net earnings per share:				
Basic	$0.97	$0.96	$0.30	$1.52
Diluted	$0.97	$0.96	$0.29	$1.51

c On a pre-tax basis, includes a charge of $93.8 million for the quarter ended October 31, which reduced net earnings per diluted share by $0.47, associated with the redemption of $400.0 million in aggregate principal amount of the Private Placement Notes prior to their scheduled maturities (see "Note G - Debt").

* 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.

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

NONE

Item 9A. Controls and Procedures.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluation of 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 chief executive officer and chief 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 chief executive officer and chief 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 chief executive officer and chief 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 chief executive officer and chief 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 chief executive officer and our chief 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.

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Report of Management

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

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

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their report is shown on page K-54. The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the Company's management and the independent registered public accounting firm to discuss 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. Based on this evaluation, management concluded that internal control over financial reporting was effective as of January 31, 2016 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, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is shown on page K-54.

/s/ Frederic Cumenal
Chief Executive Officer

/s/ Ralph Nicoletti
Executive Vice President and Chief Financial Officer

Item 9B. Other Information.

NONE

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference from the sections titled "Section 16(a) Beneficial Ownership Reporting Compliance," "Executive Officers of the Company," "Item 1. Election of the Board," and "Board of Directors and Corporate Governance" in Registrant's Proxy Statement dated April 8, 2016.

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 8, 2016, for additional information within the section titled "Business Conduct Policy and Code of Ethics."

Item 11. Executive Compensation.

Incorporated by reference from the section titled "Board of Directors and Corporate Governance" and "Compensation of the CEO and Other Executive Officers" in Registrant's Proxy Statement dated April 8, 2016.

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

Incorporated by reference from the section titled "Ownership of the Company" and "Compensation of the CEO and Other Executive Officers" in Registrant's Proxy Statement dated April 8, 2016.

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 8, 2016.

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 8, 2016.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

1. Financial Statements

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of January 31, 2016 and 2015.

Consolidated Statements of Earnings for the years ended January 31, 2016, 2015 and 2014.

Consolidated Statements of Comprehensive Earnings for the years ended January 31, 2016, 2015 and 2014.

Consolidated Statements of Stockholders' Equity for the years ended January 31, 2016, 2015 and 2014.

Consolidated Statements of Cash Flows for the years ended January 31, 2016, 2015 and 2014.

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.

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SIGNATURES

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

Date: March 28, 2016	TIFFANY & CO. (Registrant)
	By: /s/ Frederic Cumenal Frederic Cumenal Chief Executive Officer

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