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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2020

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

TIFFANY & CO.

(Exact name of registrant as specified in its charter)

Delaware	**13-3228013**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

200 Fifth Avenue, New York, NY 10010
(Address of principal executive offices and zip code)

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

Former name, former address and former fiscal year, if changed since last report __________

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

Title of each class	**Trading symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	TIF	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 par value, 121,368,585 shares outstanding at the close of business on July 31, 2020.

TIFFANY & CO. AND SUBSIDIARIES
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FOR THE QUARTER ENDED July 31, 2020

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PART I. Financial Information

Item 1. Financial Statements

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(*in millions, except per share amounts*)

	July 31, 2020	January 31, 2020	July 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,043.7	$ 874.7	$ 641.0
Short-term investments	—	22.7	39.6
Accounts receivable, net	196.6	240.0	241.0
Inventories, net	2,510.4	2,463.9	2,487.7
Prepaid expenses and other current assets	314.4	274.2	264.4
Total current assets	4,065.1	3,875.5	3,673.7
Operating lease right-of-use assets	1,120.6	1,102.7	1,073.4
Property, plant and equipment, net	1,090.7	1,098.8	1,021.2
Deferred income taxes	226.9	225.2	209.7
Other assets, net	353.0	357.9	337.9
	$ 6,856.3	$ 6,660.1	$ 6,315.9
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	$ 591.3	$ 147.9	$ 135.2
Accounts payable and accrued liabilities	394.0	541.5	430.3
Current portion of operating lease liabilities	209.6	202.8	217.1
Income taxes payable	19.5	16.4	17.1
Merchandise credits and deferred revenue	63.2	61.8	71.4
Total current liabilities	1,277.6	970.4	871.1
Long-term debt	887.7	884.1	884.0
Pension/postretirement benefit obligations	379.1	374.5	287.7
Long-term portion of operating lease liabilities	1,024.0	1,008.4	969.6
Other long-term liabilities	80.2	87.3	110.4
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 121.4, 121.2, 120.8	1.2	1.2	1.2
Additional paid-in capital	1,396.1	1,387.3	1,276.5
Retained earnings	2,030.7	2,207.6	2,139.4
Accumulated other comprehensive loss, net of tax	(232.2)	(273.2)	(237.0)
Total Tiffany & Co. stockholders' equity	3,195.8	3,322.9	3,180.1
Non-controlling interests	11.9	12.5	13.0
Total stockholders' equity	3,207.7	3,335.4	3,193.1
	$ 6,856.3	$ 6,660.1	$ 6,315.9

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2019	2020	2019
Net sales	$ 747.1	$ 1,048.5	$ 1,302.6	$ 2,051.6
Cost of sales	285.5	390.8	532.0	774.7
Gross profit	461.6	657.7	770.6	1,276.9
Selling, general and administrative expenses	401.9	473.4	816.3	931.7
Earnings (loss) from operations	59.7	184.3	(45.7)	345.2
Interest expense and financing costs	11.1	9.8	20.9	20.2
Other income, net	(0.8)	(0.9)	(26.2)	(1.9)
Earnings (loss) from operations before income taxes	49.4	175.4	(40.4)	326.9
Provision (benefit) for income taxes	17.5	39.1	(7.7)	65.4
Net earnings (loss)	$ 31.9	$ 136.3	$ (32.7)	$ 261.5
Net earnings (loss) per share:				
Basic	$ 0.26	$ 1.13	$ (0.27)	$ 2.16
Diluted	$ 0.26	$ 1.12	$ (0.27)	$ 2.15
Weighted-average number of common shares:				
Basic	121.4	121.1	121.3	121.3
Diluted	121.7	121.4	121.3	121.6

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)
(in millions)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2019	2020	2019
Net earnings (loss)	$ 31.9	$ 136.3	$ (32.7)	$ 261.5
Other comprehensive earnings (loss), net of tax				
Foreign currency translation adjustments	49.0	(2.7)	20.9	(26.9)
Unrealized gain on hedging instruments	6.4	7.6	11.7	16.4
Unrealized gain on benefit plans	4.1	2.1	8.4	4.3
Total other comprehensive earnings (loss), net of tax	59.5	7.0	41.0	(6.2)
Comprehensive earnings	$ 91.4	$ 143.3	$ 8.3	$ 255.3

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(*in millions*)

	Three Months Ended July 31, 2020						
	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Non-Controlling Interests
Balance at April 30, 2020	$ 3,181.0	$ 2,069.7	$ (291.7)	121.3	$ 1.2	$ 1,389.7	$ 12.1
Exercise of stock options and vesting of restricted stock units	0.3	—	—	0.1	—	0.3	—
Shares withheld related to net share settlement of share-based compensation	(0.4)	—	—	—	—	(0.4)	—
Share-based compensation expense	6.4	—	—	—	—	6.4	—
Cash dividends on Common Stock ($0.58 per share)	(70.4)	(70.4)	—	—	—	—	—
Accrued dividends on share-based awards	(0.4)	(0.5)	—	—	—	0.1	—
Other comprehensive earnings, net of tax	59.5	—	59.5	—	—	—	—
Net earnings	31.9	31.9	—	—	—	—	—
Non-controlling interests	(0.2)	—	—	—	—	—	(0.2)
Balance at July 31, 2020	$ 3,207.7	$ 2,030.7	$ (232.2)	121.4	$ 1.2	$ 1,396.1	$ 11.9

	Three Months Ended July 31, 2019						
	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Non-Controlling Interests
Balance at April 30, 2019	$ 3,172.0	$ 2,128.3	$ (244.0)	121.4	$ 1.2	$ 1,273.1	$ 13.4
Exercise of stock options and vesting of restricted stock units	0.6	—	—	—	—	0.6	—
Shares withheld related to net share settlement of share-based compensation	(1.0)	—	—	—	—	(1.0)	—
Share-based compensation expense	9.3	—	—	—	—	9.3	—
Purchase and retirement of Common Stock	(60.0)	(54.5)	—	(0.6)	—	(5.5)	—
Cash dividends on Common Stock ($0.58 per share)	(70.2)	(70.2)	—	—	—	—	—
Accrued dividends on share-based awards	(0.5)	(0.5)	—	—	—	—	—
Other comprehensive earnings, net of tax	7.0	—	7.0	—	—	—	—
Net earnings	136.3	136.3	—	—	—	—	—
Non-controlling interests	(0.4)	—	—	—	—	—	(0.4)
Balance at July 31, 2019	$ 3,193.1	$ 2,139.4	$ (237.0)	120.8	$ 1.2	$ 1,276.5	$ 13.0

	Six Months Ended July 31, 2020						
	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock		Additional Paid-In Capital	Non-Controlling Interests
				Shares	Amount		
Balance at January 31, 2020	$ 3,335.4	$ 2,207.6	$ (273.2)	121.2	$ 1.2	$ 1,387.3	$ 12.5
Exercise of stock options and vesting of restricted stock units	4.0	—	—	0.3	—	4.0	—
Shares withheld related to net share settlement of share-based compensation	(10.3)	—	—	(0.1)	—	(10.3)	—
Share-based compensation expense	14.0	—	—	—	—	14.0	—
Purchase and retirement of Common Stock	—	—	—	—	—	—	—
Cash dividends on Common Stock ($1.16 per share)	(140.7)	(140.7)	—	—	—	—	—
Accrued dividends on share-based awards	0.1	(1.0)	—	—	—	1.1	—
Other comprehensive earnings, net of tax	41.0	—	41.0	—	—	—	—
Cumulative effect adjustment from adoption of new accounting standards	(2.5)	(2.5)	—	—	—	—	—
Net loss	(32.7)	(32.7)	—	—	—	—	—
Non-controlling interests	(0.6)	—	—	—	—	—	(0.6)
Balance at July 31, 2020	$ 3,207.7	$ 2,030.7	$ (232.2)	121.4	$ 1.2	$ 1,396.1	$ 11.9

	Six Months Ended July 31, 2019						
	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock		Additional Paid-In Capital	Non-Controlling Interests
				Shares	Amount		
Balance at January 31, 2019	$ 3,130.9	$ 2,045.6	$ (204.8)	121.5	$ 1.2	$ 1,275.4	$ 13.5
Exercise of stock options and vesting of restricted stock units	2.6	—	—	0.3	—	2.6	—
Shares withheld related to net share settlement of share-based compensation	(9.1)	—	—	(0.1)	—	(9.1)	—
Share-based compensation expense	15.2	—	—	—	—	15.2	—
Purchase and retirement of Common Stock	(85.4)	(77.6)	—	(0.9)	—	(7.8)	—
Cash dividends on Common Stock ($1.13 per share)	(137.0)	(137.0)	—	—	—	—	—
Accrued dividends on share-based awards	(0.7)	(0.9)	—	—	—	0.2	—
Other comprehensive loss, net of tax	(6.2)	—	(6.2)	—	—	—	—
Cumulative effect adjustment from adoption of new accounting standards	21.8	47.8	(26.0)	—	—	—	—
Net earnings	261.5	261.5	—	—	—	—	—
Non-controlling interests	(0.5)	—	—	—	—	—	(0.5)
Balance at July 31, 2019	$ 3,193.1	$ 2,139.4	$ (237.0)	120.8	$ 1.2	$ 1,276.5	$ 13.0

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Six Months Ended July 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) earnings	$ (32.7)	$ 261.5
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	133.0	125.6
Provision for inventories	18.5	11.1
Deferred income taxes	(1.0)	(9.6)
Provision for pension/postretirement benefits	19.0	14.7
Share-based compensation expense	13.9	15.1
Changes in assets and liabilities:		
Accounts receivable	39.1	3.0
Inventories	(45.0)	(91.4)
Prepaid expenses and other current assets	5.6	(36.4)
Accounts payable and accrued liabilities	(135.4)	(78.3)
Income taxes payable	(30.3)	(28.9)
Merchandise credits and deferred revenue	1.1	2.0
Other, net	0.9	(34.5)
Net cash (used in) provided by operating activities	(13.3)	153.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and short-term investments	(0.1)	(39.8)
Proceeds from sales of marketable securities and short-term investments	22.4	59.8
Capital expenditures	(132.1)	(121.9)
Other, net	1.2	—
Net cash used in investing activities	(108.6)	(101.9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit facility borrowings, net	501.2	11.5
Proceeds from other credit facility borrowings	23.5	48.9
Repayment of other credit facility borrowings	(76.6)	(34.9)
Repurchase of Common Stock	—	(85.4)
Proceeds from exercised stock options	4.0	2.6
Payments related to tax withholding for share-based payment arrangements	(10.3)	(8.8)
Cash dividends on Common Stock	(140.7)	(137.0)
Financing fees	(0.9)	—
Net cash provided by (used in) financing activities	300.2	(203.1)
Effect of exchange rate changes on cash and cash equivalents	(9.3)	(0.5)
Net increase (decrease) in cash and cash equivalents	169.0	(151.6)
Cash and cash equivalents at beginning of year	874.7	792.6
Cash and cash equivalents at end of six months	$ 1,043.7	$ 641.0

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements include the accounts of Tiffany & Co. (also referred to as the "Registrant") and its subsidiaries (the "Company") 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 interim financial statements are unaudited and, in the opinion of management, include all adjustments (which represent normal recurring adjustments) necessary to fairly state the Company's financial position as of July 31, 2020 and 2019 and the results of its operations and cash flows for the interim periods presented. The condensed consolidated balance sheet data for January 31, 2020 are derived from the audited financial statements, which are included in the Company's Annual Report on Form 10-K and should be read in connection with these financial statements. As permitted by the rules of the Securities and Exchange Commission, these financial statements do not include all disclosures required by generally accepted accounting principles.

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. Therefore, the results of its operations for the three and six months ended July 31, 2020 and 2019 are not necessarily indicative of the results of the entire fiscal year.

An outbreak of a novel strain of the coronavirus, COVID-19, was identified in China in December 2019 and was subsequently recognized as a pandemic by the World Health Organization on March 11, 2020. This COVID-19 outbreak has severely restricted the level of economic activity around the world. In response to COVID-19, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego time outside of their homes. In addition to travel restrictions put in place in early 2020 in response to COVID-19, governments have closed borders, imposed prolonged quarantines and may continue or reinstate those measures or implement other restrictions and requirements in light of the continuing or renewed spread of COVID-19 and concern of additional waves of outbreaks. Such actions, together with changes in consumers' willingness to congregate in populated areas and lower levels of disposable income due to elevated unemployment rates, have resulted in significant business disruptions across a wide array of industries and an overall decline of the global economy. These factors, among others, have resulted in a significant decline in customer traffic, consumer confidence and local and tourist spending on discretionary items around the world.

As a result of the COVID-19 outbreak, a substantial number of the Company's retail stores was closed for some portion of time in the three and six months ended July 31, 2020. Company retail store closures peaked at approximately 75% to 80% of the Company's retail stores worldwide during the month of April. However, the Company gradually reopened many of its stores throughout the three months ended July 31, 2020, in accordance with applicable guidelines established by local governments. As of July 31, 2020, virtually all of the Company's retail stores worldwide were fully or partially open, in accordance with such guidelines. The Company's e-commerce sales in the three and six months ended July 31, 2020 increased 123% and 73%, respectively, worldwide, with key markets such as the United States having increased 122% and 67%, respectively, and the United Kingdom having increased 93% and 53%, respectively, compared to the prior year periods.

In light of the impact of COVID-19, the Company continues to review and carefully manage its operating expenses and eliminate certain non-essential spending. As part of these efforts, the Company has negotiated, and continues to negotiate, with its landlords for rent concessions principally under leases for retail stores. As a result of COVID-19, governments in many markets in which the Company operates have also implemented programs to encourage companies to retain and pay employees who are unable to work, or who are limited in the work that they can perform due to limitations resulting from travel bans, work-from-

home policies and shelter-in-place orders, among others. These programs generally provide credits for retaining and continuing to pay employees. To date, the Company has continued to pay its employees, although at a reduced level after a period of time for certain employees in locations impacted by COVID-19 who cannot work from home, and has not taken action to reduce its workforce in connection with COVID-19.

The Company's liquidity needs have been, and are expected to remain, primarily a function of its ongoing, seasonal and expansion-related working capital requirements and capital expenditure needs. Over the long term, the Company manages its cash and capital structure to maintain a strong financial position that provides flexibility to pursue strategic priorities. Management regularly assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. In response to the COVID-19 outbreak, the Company has taken steps to further strengthen its financial position and balance sheet, and to maintain financial liquidity and flexibility, which included drawing down $500.0 million on its Credit Facility (as defined in "Note 8. Debt") during the three months ended April 30, 2020, as a precautionary measure in order to increase its cash position and maintain financial flexibility in light of the uncertainty in the global markets resulting from COVID-19. This drawdown was permitted under the Merger Agreement (as defined in "Note 2. Merger Agreement").

The agreements governing certain of the Company's material debt instruments include covenants that incorporate a (i) debt incurrence test premised on a fixed charge coverage ratio, which is the ratio of the Company's EBIT (earnings before interest and taxes) plus rent expense to its interest expense plus rent expense, and (ii) leverage ratio, which is the ratio of the Company's total adjusted debt to its consolidated EBITDAR (earnings before interest, taxes, depreciation, amortization and rent expenses). Specifically, under the terms of the Company's Senior Notes due 2026 and 2042, the Company was, prior to the amendments described below, restricted from incurring, or permitting its subsidiaries to incur, indebtedness if, among other conditions, the Company's fixed charge coverage ratio was less than 2.0 to 1.0. Under the terms of the Credit Facility, the Shanghai Guaranty (as defined in "Note 8. Debt") and the Company's Senior Notes due 2026 and 2042, the Company was, prior to the amendments described below, required to maintain a maximum leverage ratio of 3.50 to 1.00 for the four quarter period ending as of the end of each fiscal quarter.

As a precautionary measure in order to maintain flexibility with respect to its liquidity sources and provide additional financial maintenance covenant headroom, the Company entered into amendments to its Credit Facility, the Shanghai Guaranty, and its Senior Notes due 2026 and 2042, in order to modify the leverage ratio financial maintenance covenant and, in the case of the Senior Notes due 2026 and 2042, the fixed charge coverage ratio test for debt incurrence, through and including the Company's fiscal quarter ending April 30, 2021. These amendments are permitted under the Merger Agreement (as defined in "Note 2. Merger Agreement").

These amendments were executed on June 8, 2020 and effect changes to certain provisions and covenants during the period beginning with the fiscal quarter ended July 31, 2020 and continuing through the fiscal quarter ending April 30, 2021 (such period of time, the "Covenant Relief Period"), including, among others: (a) an increase in the maximum leverage ratio under the Credit Facility, the Shanghai Guaranty, and the 2026 and 2042 Senior Notes, to 4.50 to 1.00; and (b) a reduction of the fixed charge coverage ratio in the 2026 and 2042 Senior Notes to 0.75 to 1.00.

During the Covenant Relief Period, the facility fee under the Credit Facility is increased by 5 basis points at all pricing levels, and the applicable margin is increased by (i) 10 basis points at all pricing levels through the quarter ended July 31, 2020, (ii) 20 basis points at all pricing levels from August 1, 2020 until November 1, 2020 and (iii) 30 basis points at all pricing levels from November 1, 2020 through April 30, 2021. The coupon rate under the 2026 and 2042 Senior Notes is increased by 25 basis points during the Covenant Relief Period. The Company has the right to terminate the Covenant Relief Period under the Credit Facility, Shanghai Guaranty and the 2026 and 2042 Senior Notes, including the attendant covenant and pricing modifications referenced above, prior to April 30, 2021, subject to the Company's certification that its leverage ratio does not exceed 3.50 to 1.00 at such time. Management believes that cash on hand, internally generated cash flows and the funds available under its revolving credit facilities are sufficient to support the Company's liquidity and capital requirements for the foreseeable future, including the next 12 months.

The extent to which the COVID-19 outbreak will continue to impact the Company's business operations, financial results, and liquidity will depend on numerous factors that the Company may not be able to accurately predict or assess due to their dynamic and evolving nature, including the duration and scope of the COVID-19 outbreak (including whether there are additional waves caused by additional periods of increases or spikes in the number of COVID-19 cases); the possibility of future mutations or outbreaks of related strains of the virus in areas in which the Company operates; whether a vaccine or cure that mitigates the effect of the virus will be synthesized, and, if so, when such vaccine or cure will be ready to be used; the extent of the protective and preventative measures that have been or will be put in place by both governmental entities and other businesses; whether the virus's impact will be seasonal; the negative impact the outbreak has on global and regional economies and economic activity, including the duration and magnitude of its impact on consumer discretionary spending and levels of consumer confidence; and how quickly economies recover after the COVID-19 outbreak subsides. Accordingly, management cannot predict with certainty for how long and to what extent the COVID-19 outbreak will impact its business operations or the global economy as a whole. The Company will continue to take steps to mitigate the potential risks posed by the spread and related circumstances and impacts of COVID-19. The Company's management also remains focused on addressing these recent challenges presented by COVID-19 by preserving the Company's liquidity and managing its cash flows with preemptive actions such as those described above.

2. MERGER AGREEMENT

On November 24, 2019, the Registrant entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Registrant, LVMH Moët Hennessy - Louis Vuitton SE, a *societas Europaea* (European company) organized under the laws of France ("Parent"), Breakfast Holdings Acquisition Corp., a Delaware corporation and an indirect wholly owned subsidiary of Parent ("Holding"), and Breakfast Acquisition Corp., a Delaware corporation and a direct wholly owned subsidiary of Holding ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Registrant (the "Merger"), with the Registrant continuing as the surviving company in the Merger and a wholly owned indirect subsidiary of Parent.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Common Stock owned by the Registrant, Parent or any of their respective wholly owned subsidiaries, and shares of Common Stock owned by stockholders of the Registrant who have properly demanded and not withdrawn a demand for appraisal rights under Delaware law) will be converted into the right to receive $135.00 in cash, without interest and less any required tax withholding.

The consummation of the pending Merger is subject to various conditions, including, among others, customary conditions relating to (a) the adoption of the Merger Agreement by holders of a majority of the outstanding shares of the Registrant's Common Stock entitled to vote on such matter at the meeting of stockholders of the Registrant (the "Special Meeting") held to vote on the adoption of the Merger Agreement and (b) the expiration or earlier termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended, and all rules and regulations promulgated thereunder, collectively, the "HSR Act"). As previously announced: on February 3, 2020, the waiting period under the HSR Act in connection with the pending Merger expired; on February 4, 2020, the Registrant held the Special Meeting, at which the holders of shares of Common Stock issued and outstanding as of the close of business on the record date for the Special Meeting considered and voted to approve (i) the adoption of the Merger Agreement and (ii) by non-binding, advisory vote, certain compensation arrangements for the Registrant's named executive officers in connection with the pending Merger; on March 26, 2020, the Committee on Foreign Investment in the United States cleared the pending Merger, informing the Registrant that its review of the pending Merger had concluded and that there are no unresolved national security concerns with respect to the transaction; on March 30, 2020, the Australian Competition and Consumer Commission issued a no-action letter clearing the transaction; on April 7, 2020, the parties received a no-action letter from the Canadian Competition Bureau indicating that it does not intend to challenge the pending Merger and thereby clearing the transaction; on June 4, 2020, the Federal Antimonopoly Service of Russia formally cleared the pending Merger; on June 12, 2020, the Korea Fair Trade Commission of South Korea formally cleared the pending Merger; on July 3, 2020, the Australian Foreign Investment Review Board issued a notification indicating that it has no objection to the pending Merger; and on July 25, 2020, the State Administration for Market Regulation of China decided that it will not prohibit the pending Merger.

The pending Merger remains subject to regulatory clearance by the European Commission, the Japan Fair Trade Commission, the Mexican competition authority (Comisión Federal de Competencia Económica) and the Taiwan Fair Trade Commission.

The pending Merger remains subject to satisfaction or waiver of the remaining customary closing conditions, including, among others, (A) certain remaining regulatory approvals, as outlined above, (B) the absence of a law or order in effect that enjoins, prevents or otherwise prohibits the consummation of the pending Merger or any other transactions contemplated under the Merger Agreement issued by a governmental entity; (C) the absence of any legal proceeding seeking to enjoin, prevent or otherwise prohibit the consummation of the pending Merger or any other transactions contemplated under the Merger Agreement instituted by a governmental entity of competent jurisdiction; and (D) the absence of a Material Adverse Effect (as defined under the Merger Agreement). The obligation of each party to consummate the pending Merger is also conditioned on the accuracy of the other party's representations and warranties (subject to certain materiality exceptions) and the other party's compliance, in all material respects, with its covenants and agreements under the Merger Agreement.

The Merger Agreement provides for certain customary termination rights of the Registrant and Parent. As previously announced, on August 24, 2020, Registrant delivered to Parent a notice that Registrant thereby extended the Outside Date (as defined under the Merger Agreement) to November 24, 2020, in accordance with the terms of the Merger Agreement, and Parent notified Registrant that it reserved the right to challenge the validity of the extension of the Outside Date under the Merger Agreement.

During the three and six months ended July 31, 2020, the Company incurred expenses of $7.8 million and $24.5 million, respectively, related to the pending Merger for incentive compensation costs and professional fees.

3. NEW ACCOUNTING STANDARDS

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU 2019-12 – *Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes*. This guidance simplifies the approach for intraperiod tax allocations, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses. The new standard applies to financial assets measured at amortized cost basis, including receivables that result from revenue transactions and held-to-maturity debt securities. The Company adopted this ASU on February 1, 2020 by applying its provisions prospectively and recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of February 1, 2020. The adoption of this ASU did not have a significant impact on the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 – *Intangibles – Goodwill and Other – Internal-Use Software*: *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs in such cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and early adoption is permitted. The Company elected to adopt this guidance on a prospective basis. The adoption of this ASU did not have a significant impact on the Company's condensed consolidated financial statements.

4. RECEIVABLES AND REVENUE RECOGNITION

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

For the receivables associated with Tiffany & Co. credit cards ("Credit Card Receivables"), management uses various indicators to determine whether to extend credit to customers and the amount of credit. Such indicators include reviewing prior experience with the customer, including sales and collection history, and using applicants' credit reports and scores provided by credit rating agencies. Certain customers may be granted payment terms which permit purchases above a minimum amount to be paid for in equal monthly installments over a period not to exceed 12 months (together with Credit Card Receivables, "Credit Receivables"). Credit Receivables require minimum balance payments. An account is classified as overdue if a minimum balance payment has not been received within the allotted time frame (generally 30 days), after which internal collection efforts commence. In order for the account to return to current status, full payment on all past due amounts must be received by the Company. For all Credit Receivables, once all internal collection efforts have been exhausted and management has reviewed the account, the account balance is written off and may be sent for external collection or legal action. At July 31, 2020 and 2019, the carrying amount of the Credit Receivables (recorded in Accounts receivable, net) was $59.8 million and $98.1 million, respectively, of which 96% was considered current at July 31, 2020 and 98% was considered current at July 31, 2019. Finance charges earned on Credit Receivables accounts were not significant.

At July 31, 2020, accounts receivable allowances totaled $38.4 million, compared to $33.0 million at January 31, 2020 and $30.9 million at July 31, 2019.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
(in millions)	2020	2019	2020	2019
Net sales*:				
Jewelry collections	$ 428.9	$ 570.6	$ 725.6	$ 1,102.9
Engagement jewelry	200.6	276.4	343.1	556.8
Designer jewelry	85.1	114.9	152.7	225.8
All other	32.5	86.6	81.2	166.1
	$ 747.1	$ 1,048.5	$ 1,302.6	$ 2,051.6

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

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

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

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

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

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

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

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

In the six months ended July 31, 2020, the Company recognized net sales of approximately $17.0 million related to the Merchandise credits and deferred revenue balance that existed at January 31, 2020.

5. INVENTORIES

(in millions)	July 31, 2020	January 31, 2020	July 31, 2019
Finished goods	$ 1,586.8	$ 1,532.5	$ 1,535.1
Raw materials	796.2	776.8	832.2
Work-in-process	127.4	154.6	120.4
Inventories, net	$ 2,510.4	$ 2,463.9	$ 2,487.7

6. INCOME TAXES

The effective income tax rate for the three months ended July 31, 2020 was 35.4% versus 22.3% in the prior year. The effective income tax rate for the six months ended July 31, 2020 was 19.0% versus 20.0% in the prior year. The increase in the effective income tax rate for the three months ended July 31, 2020 was primarily due to the application of an updated estimated annual effective income tax rate, which is influenced by the jurisdictional mix of earnings taxed at the statutory tax rates applicable to each jurisdiction and an estimated increase in the Global Intangible Low-Taxed Income ("GILTI") tax, each of which reflect the

impact of COVID-19 on the Company's results of operations. The effective income tax rate for the six months ended July 31, 2020 reflected the impact of certain discrete items recognized in the period. The Company's effective income tax rate could be negatively impacted to the extent earnings are lower than anticipated in countries that have lower statutory tax rates and higher than anticipated in countries that have higher statutory tax rates. The effective income tax rate for the six months ended July 31, 2019 included the recognition of an income tax benefit of $7.5 million, or 230 basis points, related to an increase in the estimated 2018 Foreign Derived Intangible Income ("FDII") benefit as a result of U.S. Treasury guidance issued during the three months ended April 30, 2019.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted. The Company has analyzed the provisions of the CARES Act, which provide for the full expensing of qualified leasehold improvements, modifications to charitable contribution and net operating loss limitations, modifications to the deductibility of business interest expense, as well as Alternative Minimum Tax ("AMT") credit acceleration. The enactment of this legislation did not have a significant impact on the effective income tax rate in the six months ended July 31, 2020.

During the three and six months ended July 31, 2020, the change in the gross amount of unrecognized tax benefits and accrued interest and penalties was not significant.

The Company conducts business globally and, as a result, is subject to taxation in the U.S. and various state and foreign jurisdictions. As a matter of course, tax authorities regularly audit the Company. The Company's tax filings are currently being examined by a number of tax authorities, both in the U.S. and in foreign jurisdictions. Ongoing audits where subsidiaries have a material presence include New York City (tax years 2011–2015) and New York State (tax years 2012–2018). Tax years from 2013–present are open to examination in the U.S. Federal jurisdiction and 2006–present are open in various state, local and foreign jurisdictions. As part of these audits, the Company engages in discussions with taxing authorities regarding tax positions. As of July 31, 2020, unrecognized tax benefits are not expected to change materially in the next 12 months. Future developments may result in a change in this assessment.

7. EARNINGS PER SHARE

Basic earnings per share ("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:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in millions)	2020	2019	2020	2019
Net earnings (loss) for basic and diluted EPS	$ 31.9	$ 136.3	$ (32.7)	$ 261.5
Weighted-average shares for basic EPS	121.4	121.1	121.3	121.3
Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units	0.3	0.3	—	0.3
Weighted-average shares for diluted EPS	121.7	121.4	121.3	121.6

For the three months ended July 31, 2020, there were 0.1 million stock options and restricted stock units that were excluded from the computation of earnings per diluted share due to their antidilutive effect. For the six months ended July 31, 2020, stock options and restricted stock units were excluded from the computation of diluted earnings per share due to the net loss incurred during the period. For the three and six months ended July 31, 2019, there were 1.7 million stock options and restricted stock units that were excluded from the computation of earnings per diluted share due to their antidilutive effect.

8. DEBT

(in millions)	July 31, 2020	January 31, 2020	July 31, 2019
Short-term borrowings:			
Credit Facilities	$ 516.1	$ 13.8	$ 23.1
Other credit facilities	75.2	134.1	112.1
	$ 591.3	$ 147.9	$ 135.2
Long-term debt:			
Unsecured Senior Notes:			
2012 4.40% Series B Senior Notes, due July 2042 [a]	$ 250.0	$ 250.0	$ 250.0
2014 3.80% Senior Notes, due October 2024 [b, c]	250.0	250.0	250.0
2014 4.90% Senior Notes, due October 2044 [b, c]	300.0	300.0	300.0
2016 0.78% Senior Notes, due August 2026 [b, d]	95.4	91.9	92.1
	895.4	891.9	892.1
Less: unamortized discounts and debt issuance costs	(7.7)	(7.8)	(8.1)
	$ 887.7	$ 884.1	$ 884.0

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

b These agreements require lump sum repayments upon maturity.

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

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

On October 25, 2018, Registrant, along with certain of its subsidiaries designated as borrowers thereunder, entered into a five-year multi-bank, multi-currency committed unsecured revolving credit facility, including a letter of credit subfacility, consisting of basic commitments in an amount up to $750.0 million (which commitments may be increased, subject to certain conditions and limitations, at the request of Registrant) (the "Credit Facility"). During the three months ended April 30, 2020, the Company drew down $500.0 million on its Credit Facility as a precautionary measure in order to increase its cash position and maintain financial flexibility in light of uncertainty in the global markets resulting from COVID-19. This drawdown was permitted under the Merger Agreement.

At July 31, 2020, the Company was in compliance with all debt covenants.

The agreements governing certain of the Company's material debt instruments include covenants that incorporate a (i) debt incurrence test premised on a fixed charge coverage ratio, which is the ratio of the Company's EBIT (earnings before interest and taxes) plus rent expense to its interest expense plus rent expense, and (ii) leverage ratio, which is the ratio of the Company's total adjusted debt to its consolidated EBITDAR (earnings before interest, taxes, depreciation, amortization and rent expenses). Specifically, under the terms of the Company's Senior Notes due 2026 and 2042, the Company was, prior to the amendments described below, restricted from incurring, or permitting its subsidiaries to incur, indebtedness if, among other conditions, the Company's fixed charge coverage ratio was less than 2.0 to 1.0. Under the terms of the Credit Facility, the Guaranty in respect of the three-year, multi-bank revolving credit agreement entered into by the Company's wholly owned subsidiary, Tiffany & Co. (Shanghai) Commercial Company Limited (the "Shanghai Guaranty"), and the Company's Senior Notes due 2026 and 2042, the Company was, prior to the amendments described below, required to maintain a maximum leverage ratio of 3.50 to 1.00 for the four quarter period ending as of the end of each fiscal quarter.

As a precautionary measure in order to maintain flexibility with respect to its liquidity sources and provide additional financial maintenance covenant headroom, the Company entered into amendments to its Credit Facility, the Shanghai Guaranty, and its Senior Notes due 2026 and 2042, in order to modify the leverage ratio financial maintenance covenant and, in the case of the Senior Notes due 2026 and 2042, the fixed charge coverage ratio test for debt incurrence, through and including the Company's fiscal quarter ending April 30, 2021. These amendments are permitted under the Merger Agreement.

These amendments were executed on June 8, 2020 and effect changes to certain provisions and covenants during the period beginning with the fiscal quarter ended July 31, 2020 and continuing through the fiscal quarter ending April 30, 2021 (such period of time, the "Covenant Relief Period"), including, among others: (a) an increase in the maximum leverage ratio under the Credit Facility, the Shanghai Guaranty, and the 2026 and 2042 Senior Notes, to 4.50 to 1.00; and (b) a reduction of the fixed charge coverage ratio in the 2026 and 2042 Senior Notes to 0.75 to 1.00.

During the Covenant Relief Period, the facility fee under the Credit Facility is increased by 5 basis points at all pricing levels, and the applicable margin is increased by (i) 10 basis points at all pricing levels through the quarter ended July 31, 2020, (ii) 20 basis points at all pricing levels from August 1, 2020 until November 1, 2020 and (iii) 30 basis points at all pricing levels from November 1, 2020 through April 30, 2021. The coupon rate under the 2026 and 2042 Senior Notes is increased by 25 basis points during the Covenant Relief Period. The Company has the right to terminate the Covenant Relief Period under the Credit Facility, Shanghai Guaranty and the 2026 and 2042 Senior Notes, including the attendant covenant and pricing modifications referenced above, prior to April 30, 2021, subject to the Company's certification that its leverage ratio does not exceed 3.50 to 1.00 at such time.

9. HEDGING INSTRUMENTS

Background Information

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

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

- Fair Value Hedge – A hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. For fair value hedge transactions, 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 changes in fair value of derivatives is reported as other comprehensive income ("OCI") and is recognized in current earnings in the period or periods during which the hedged transaction affects current earnings.

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. 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 Condensed Consolidated Balance Sheet at their

fair values, as either assets or liabilities, with an offset to current earnings. The gains or losses on undesignated foreign exchange and precious metals forward contracts substantially offset foreign exchange and commodity losses or gains on the underlying liabilities or transactions being hedged.

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

Types of Derivative Instruments

Interest Rate Swaps – In 2012, the Company entered into forward-starting interest rate swaps to hedge the impact of interest rate volatility on future interest payments associated with the anticipated incurrence of $250.0 million of debt which was incurred in July 2012. The Company accounted for the forward-starting interest rate swaps as cash flow hedges. The Company settled the interest rate swaps in 2012 and recorded a loss within accumulated other comprehensive loss. As of July 31, 2020, $15.5 million remains recorded as a loss in accumulated other comprehensive loss, which is being amortized over the term of the 2042 Notes to which the interest rate swaps related.

In 2014, the Company entered into forward-starting interest rate swaps to hedge the impact of interest rate volatility on future interest payments associated with the anticipated incurrence of long-term debt which was incurred in September 2014. The Company accounted for the forward-starting interest rate swaps as cash flow hedges. The Company settled the interest rate swaps in 2014 and recorded a loss within accumulated other comprehensive loss. As of July 31, 2020, $3.2 million remains recorded as a loss in accumulated other comprehensive loss, which is being amortized over the terms of the respective 2024 Notes or 2044 Notes to which the interest rate swaps related.

Cross-currency Swaps – In 2016, 2017 and 2019 the Company entered into cross-currency swaps to hedge the foreign currency exchange risk associated with Japanese yen-denominated and Euro-denominated intercompany loans. These cross-currency swaps are designated and accounted for as cash flow hedges. As of July 31, 2020, the notional amounts of cross-currency swaps accounted for as cash flow hedges and the respective maturity dates were as follows:

Cross-Currency Swap		Notional Amount			
Effective Date	Maturity Date		*(in millions)*		*(in millions)*
July 2016	October 2024	¥	10,620.0	$	100.0
March 2017	April 2027	¥	11,000.0	$	96.1
May 2017	April 2027	¥	5,634.5	$	50.0
August 2019	August 2026	€	21.1	$	23.6

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

As of July 31, 2020, the notional amounts of foreign exchange forward contracts were as follows:

(in millions)		Notional Amount	USD Equivalent
Derivatives designated as hedging instruments:			
Japanese yen	¥	19,115.1	179.7
British pound	£	10.4	13.2
Derivatives not designated as hedging instruments:			
U.S. dollar	$	126.5	126.5
Euro	€	14.2	16.6
Australian dollar	AU$	29.2	18.8
Czech koruna	CZK	154.3	6.3
Japanese yen	¥	132.2	1.3
Korean won	KRW	20,897.9	17.8
New Zealand dollar	NZ$	8.7	5.2
Chinese renminbi	CNY	361.2	51.6
Singapore dollar	S$	25.3	17.9
Danish kroner	DKK	49.6	7.6
British pound	GBP	13.9	18.0
Hong Kong dollar	HKD	404.4	52.0

The maximum term of the Company's outstanding foreign exchange forward contracts as of July 31, 2020 is 12 months.

Precious Metal Collars and Forward Contracts – The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to manage the effect of volatility in precious metal prices. The Company may use either a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar expires at no cost to the Company. The Company accounts for its precious metal collars and forward contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the precious metal collars and forward contracts' cash flows. As of July 31, 2020, the maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted precious metals transaction is 18 months. As of July 31, 2020, there were precious metal forward contracts outstanding for approximately 24,900 ounces of platinum, 422,000 ounces of silver and 74,500 ounces of gold.

As a result of increases in inventory resulting from decreased sales, as well as the full or partial temporary closure of certain of the Company's manufacturing facilities due to COVID-19 during the three months ended April 30, 2020, the Company revised its projections for purchases of precious metals. Accordingly, certain hedged transactions that were previously considered to be probable were deemed improbable and the Company discontinued cash flow hedge accounting for the related precious metal forward contracts and reclassified net deferred hedging gains of $4.2 million from Accumulated OCI to Cost of sales on the Condensed Consolidated Statement of Earnings during the six months ended July 31, 2020. As of July 31, 2020, there were precious metal forward contracts outstanding for purchases not designated as hedging instruments for approximately 5,400 ounces of gold and 24,500 ounces of silver (included within the notional amounts disclosed above).

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

	Three Months Ended July 31, 2020			
(in millions)	Cost of sales	Interest expense and financing costs	Other income, net	Other comprehensive loss, net of tax
Reported amounts of financial statement line items in which effects of cash flow hedges are recorded	$ 285.5	$ 11.1	$ (0.8)	$ 59.5
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts				
Pre-tax loss recognized in OCI	—	—	—	(3.2)
Pre-tax gain reclassified from accumulated OCI into earnings	(0.7)	—	—	0.7
Precious metal forward contracts				
Pre-tax gain recognized in OCI	—	—	—	9.1
Pre-tax gain reclassified from accumulated OCI into earnings	(0.9)	—	—	0.9
Cross-currency swaps				
Pre-tax loss recognized in OCI	—	—	—	(1.1)
Pre-tax loss reclassified from accumulated OCI into earnings	—	(1.5)	6.4	(4.9)
Forward-starting interest rate swaps				
Pre-tax loss reclassified from accumulated OCI into earnings	—	0.3	—	(0.3)

(in millions)	Six Months Ended July 31, 2020 Cost of sales	Interest expense and financing costs	Other income, net	Other comprehensive loss, net of tax
Reported amounts of financial statement line items in which effects of cash flow hedges are recorded	$ 532.0	$ 20.9	$ (26.2)	$ 41.0
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts				
Pre-tax loss recognized in OCI	—	—	—	(4.3)
Pre-tax gain reclassified from accumulated OCI into earnings	(1.1)	—	—	1.1
Precious metal forward contracts				
Pre-tax gain recognized in OCI	—	—	—	9.7
Pre-tax gain reclassified from accumulated OCI into earnings [a]	(5.5)	—	—	5.5
Cross-currency swaps				
Pre-tax gain recognized in OCI	—	—	—	7.7
Pre-tax loss reclassified from accumulated OCI into earnings	—	(3.1)	11.2	(8.1)
Forward-starting interest rate swaps				
Pre-tax loss reclassified from accumulated OCI into earnings	—	0.7	—	(0.7)

a Includes net gains of $4.2 million in the six months ended July 31, 2020 reclassified from Accumulated OCI into Cost of sales on the Condensed Consolidated Statement of Earnings as a result of the discontinuation of hedge accounting on certain precious metal forward contracts.

(in millions)	Three Months Ended July 31, 2019			
	Cost of sales	Interest expense and financing costs	Other income, net	Other comprehensive earnings, net of tax
Reported amounts of financial statement line items in which effects of cash flow hedges are recorded	$ 390.8	$ 9.8	$ (0.9)	$ 7.0
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts				
Pre-tax loss recognized in OCI	—	—	—	(2.6)
Pre-tax gain reclassified from accumulated OCI into earnings	(1.4)	—	—	1.4
Precious metal collars				
Pre-tax gain reclassified from accumulated OCI into earnings	(0.1)	—	—	0.1
Precious metal forward contracts				
Pre-tax gain recognized in OCI	—	—	—	8.0
Pre-tax loss reclassified from accumulated OCI into earnings	1.1	—	—	(1.1)
Cross-currency swaps				
Pre-tax loss recognized in OCI	—	—	—	(0.9)
Pre-tax loss reclassified from accumulated OCI into earnings	—	—	5.5	(5.5)
Forward-starting interest rate swaps				
Pre-tax loss reclassified from accumulated OCI into earnings	—	0.3	—	(0.3)

(in millions)	Six Months Ended July 31, 2019 Cost of sales	Interest expense and financing costs	Other income, net	Other comprehensive loss, net of tax
Reported amounts of financial statement line items in which effects of cash flow hedges are recorded	$ 774.7	$ 20.2	$ (1.9)	$ (6.2)
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange forward contracts				
Pre-tax gain recognized in OCI	—	—	—	3.1
Pre-tax gain reclassified from accumulated OCI into earnings	(2.5)	—	—	2.5
Precious metal collars				
Pre-tax gain reclassified from accumulated OCI into earnings	(0.2)	—	—	0.2
Precious metal forward contracts				
Pre-tax gain recognized in OCI	—	—	—	6.6
Pre-tax loss reclassified from accumulated OCI into earnings	2.2	—	—	(2.2)
Cross-currency swaps				
Pre-tax gain recognized in OCI	—	—	—	12.5
Pre-tax gain reclassified from accumulated OCI into earnings	—	—	(2.3)	2.3
Forward-starting interest rate swaps				
Pre-tax loss reclassified from accumulated OCI into earnings	—	0.6	—	(0.6)

The pre-tax losses on derivatives not designated as hedging instruments were $8.3 million for the three months ended July 31, 2020 and were included in Other income, net. Such gains or losses were not significant in the six months ended July 31, 2020 and the three and six months ended July 31, 2019. The Company expects approximately $7.9 million of net pre-tax derivative gains included in accumulated other comprehensive loss at July 31, 2020 will be reclassified into earnings within the next 12 months. The actual amount reclassified will vary due to fluctuations in foreign currency exchange rates and precious metal prices.

For information regarding the location and amount of the derivative instruments in the Condensed Consolidated Balance Sheet, see "Note 10. Fair Value of Financial Instruments."

Concentration of Credit Risk

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

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Company's derivative instruments are considered Level 2 instruments for the purpose of determining fair value. The Company's foreign exchange forward contracts, as well as its put option contracts and cross-currency swaps, are primarily valued using the appropriate foreign exchange spot rates. The Company's precious metal forward contracts and collars are primarily valued using the relevant precious metal spot rate. For further information on the Company's hedging instruments and program, see "Note 9. Hedging Instruments."

Financial assets and liabilities carried at fair value at July 31, 2020 are classified in the table below in one of the three categories described above:

	Estimated Fair Value			Total Fair Value
(in millions)	Level 1	Level 2	Level 3	
Financial assets				
Marketable securities [a]	$ 38.9	$ —	$ —	$ 38.9
Derivatives designated as hedging instruments:				
Precious metal forward contracts [b]	—	14.8	—	14.8
Foreign exchange forward contracts [b]	—	0.4	—	0.4
Cross-currency swaps [b]	—	5.7	—	5.7
Derivatives not designated as hedging instruments:				
Precious metal forward contracts [b]	—	1.5	—	1.5
Foreign exchange forward contracts [b]	—	2.3	—	2.3
Total financial assets	$ 38.9	$ 24.7	$ —	$ 63.6

(in millions)	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities				
Derivatives designated as hedging instruments:				
Precious metal forward contracts [c]	$ —	$ 2.1	$ —	$ 2.1
Foreign exchange forward contracts [c]	—	3.7	—	3.7
Cross-currency swaps [c]	—	0.2	—	0.2
Derivatives not designated as hedging instruments:				
Precious metal forward contracts [c]	—	0.7	—	0.7
Foreign exchange forward contracts [c]	—	10.8	—	10.8
Total financial liabilities	$ —	$ 17.5	$ —	$ 17.5

Financial assets and liabilities carried at fair value at January 31, 2020 are classified in the table below in one of the three categories described above:

(in millions)	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Financial assets				
Time deposits [d]	$ 22.7	$ —	$ —	$ 22.7
Marketable securities [a]	39.3	—	—	39.3
Derivatives designated as hedging instruments:				
Precious metal forward contracts [b]	—	13.0	—	13.0
Foreign exchange forward contracts [b]	—	2.7	—	2.7
Cross-currency swaps [b]	—	2.9	—	2.9
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [b]	—	2.1	—	2.1
Total financial assets	$ 62.0	$ 20.7	$ —	$ 82.7

(in millions)	Estimated Fair Value Level 1	Level 2	Level 3	Total Fair Value
Financial liabilities				
Derivatives designated as hedging instruments:				
Precious metal forward contracts [c]	$ —	$ 0.2	$ —	$ 0.2
Foreign exchange forward contracts [c]	—	0.5	—	0.5
Cross-currency swaps [c]	—	1.9	—	1.9
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [c]	—	2.9	—	2.9
Total financial liabilities	$ —	$ 5.5	$ —	$ 5.5

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

(in millions)	Estimated Fair Value Level 1	Estimated Fair Value Level 2	Estimated Fair Value Level 3	Total Fair Value
Financial assets				
Time deposits [d]	$ 39.6	$ —	$ —	$ 39.6
Marketable securities [a]	37.6	—	—	37.6
Derivatives designated as hedging instruments:				
Precious metal forward contracts [b]	—	9.4	—	9.4
Foreign exchange forward contracts [b]	—	1.5	—	1.5
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [b]	—	2.8	—	2.8
Total financial assets	$ 77.2	$ 13.7	$ —	$ 90.9

(in millions)	Estimated Fair Value Level 1	Estimated Fair Value Level 2	Estimated Fair Value Level 3	Total Fair Value
Financial liabilities				
Derivatives designated as hedging instruments:				
Precious metal forward contracts [c]	$ —	$ 0.1	$ —	$ 0.1
Foreign exchange forward contracts [c]	—	1.4	—	1.4
Cross-currency swaps [c]	—	10.5	—	10.5
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts [c]	—	2.0	—	2.0
Total financial liabilities	$ —	$ 14.0	$ —	$ 14.0

a Included within Other assets, net.
b Included within Prepaid expenses and other current assets or Other assets, net based on the maturity of the contract.
c Included within Accounts payable and accrued liabilities or Other long-term liabilities based on the maturity of the contract.
d Included within Short-term investments.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these assets and liabilities and as such are measured using Level 1 inputs. The fair value of debt with variable interest rates approximates carrying value and is measured using Level 2 inputs. The fair value of debt with fixed interest rates was determined using the quoted market prices of debt instruments with similar terms and maturities, which are considered Level 2 inputs. The total carrying value of short-term borrowings and long-term debt was approximately $1.5 billion and $1.0 billion at July 31, 2020 and 2019, respectively, and the corresponding fair value was approximately $1.7 billion and $1.1 billion at July 31, 2020 and 2019, respectively.

11. 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.

The Company determines its lease payments based on predetermined rent escalations (including escalations based on consumer price indices), rent-free periods and other incentives. The Company recognizes rent expense on a straight-line basis over the related terms of such leases, beginning from when the Company takes possession of the leased facility. Variable rents, including contingent rent based on a percentage of sales and adjustments to consumer price indices, are recorded in the period such amounts and adjustments are determined. Lease terms include renewal options when exercise of such options is reasonably certain and within the control of the Company. There is generally no readily determinable discount rate implicit in the Company's leases. Accordingly, the Company uses its incremental borrowing rate for a term that corresponds to the applicable lease term in order to measure its lease liabilities.

The amounts of the Company's right-of-use asset and current and non-current lease liabilities are presented separately on the Condensed Consolidated Balance Sheet. Substantially all of the Company's leases are operating leases as of July 31, 2020 and 2019. The Company records lease expense within Cost of sales for leases of manufacturing facilities and within Selling, general and administrative expenses for all other leases.

Amounts recognized in the Condensed Consolidated Statement of Earnings were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in millions)	2020	2019	2020	2019
Fixed operating lease expense	$ 73.6	$ 77.7	$ 148.6	$ 155.0
Variable operating lease expense [a]	26.8	35.8	37.3	70.4
Sublease income	(1.3)	(1.2)	(2.5)	(2.4)
Net lease expense	$ 99.1	$ 112.3	$ 183.4	$ 223.0

a Includes a credit of $11.1 million and $21.4 million in the three and six months ended July 31, 2020, respectively, related to rent concessions negotiated in connection with retail store closures due to COVID-19.

The weighted average remaining lease term was seven years and the weighted average discount rate was 3.7% for all of the Company's operating leases as of July 31, 2020.

The following table provides supplemental cash flow information related to the Company's operating leases:

	Six Months Ended July 31,	
(in millions)	2020	2019
Cash flows from operating activities attributable to operating leases	$ 146.8	$ 147.8
Right-of-use assets obtained in exchange for operating lease liabilities	127.6	144.9

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five fiscal years and thereafter to the operating lease liability recorded on the Condensed Consolidated Balance Sheet for operating leases existing as of July 31, 2020:

Years ending January 31,	Minimum Lease Payments as of July 31, 2020 *(in millions)*
2021 *	$ 114.5
2022	274.0
2023	233.1
2024	201.8
2025	158.0
Thereafter	443.3
Total minimum lease payments	1,424.7
Less: amount of total minimum lease payments representing interest	(191.1)
Present value of future total minimum lease payments	1,233.6
Less: current portion of lease liabilities	(209.6)
Long-term lease liabilities	$ 1,024.0

* This amount represents minimum lease payments for the six month period from August 1, 2020 to January 31, 2021.

As of July 31, 2020, there were 6 executed agreements in respect of store relocations, new stores, office space and other facilities without commencement dates, which had total commitments of $33.6 million.

12. COMMITMENTS AND CONTINGENCIES

Litigation

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

Costco Matter. On February 14, 2013, Tiffany and Company and Tiffany (NJ) LLC (collectively, the "Tiffany plaintiffs") initiated a lawsuit against Costco Wholesale Corp. ("Costco") for trademark infringement, false designation of origin and unfair competition, trademark dilution and trademark counterfeiting (the "Costco Litigation"). The Tiffany plaintiffs sought injunctive relief, monetary recovery and statutory damages on account of Costco's use of "Tiffany" on signs in the jewelry cases at Costco stores used to describe certain diamond engagement rings that were not manufactured by Tiffany. Costco filed a counterclaim arguing that the TIFFANY trademark was a generic term for multi-pronged ring settings and seeking to have the trademark invalidated, modified or partially canceled in that respect. On September 8, 2015, the U.S. District Court for the Southern District of New York (the "District Court") granted the Tiffany plaintiffs' motion for summary judgment of liability in its entirety, dismissing Costco's genericism counterclaim and finding that Costco was liable for trademark infringement, trademark counterfeiting and unfair competition under New York law in its use of "Tiffany" on the above-referenced signs. On September 29, 2016, a

civil jury rendered its verdict, finding that Costco's profits on the sale of the infringing rings should be awarded at $5.5 million, and further finding that an award of punitive damages was warranted. On October 5, 2016, the jury awarded $8.25 million in punitive damages. The aggregate award of $13.75 million was not final at that time, as it remained subject to post-verdict motion practice and ultimately to adjustment by the District Court. On August 14, 2017, the District Court issued its ruling, finding that the Tiffany plaintiffs were entitled to recover (i) $11.1 million in respect of Costco's profits on the sale of the infringing rings (which amount was three times the amount of such profits, as determined by the District Court); (ii) prejudgment interest on such amount (calculated at the applicable statutory rate) from February 15, 2013 through August 14, 2017; (iii) an additional $8.25 million in punitive damages; and (iv) Tiffany's reasonable attorneys' fees, and, on August 24, 2017, the District Court entered judgment in the amount of $21.0 million in favor of the Tiffany plaintiffs (reflecting items (i) through (iii) above). On February 7, 2019, the District Court awarded the Tiffany plaintiffs $5.9 million in respect of the aforementioned attorneys' fees and costs, bringing the total judgment to $26.9 million. Costco had filed an appeal from the judgment before the Second Circuit Court of Appeals (the "Circuit Court"), which presided over an appellate hearing on January 23, 2020. The Circuit Court issued its ruling on August 17, 2020, finding that the District Court should have allowed the question of Costco’s liability for trademark infringement and trademark counterfeiting to be presented to a jury in the first instance, rather than decided by the District Court judge. The Circuit Court accordingly vacated the judgment of the District Court and remanded the matter for trial by jury on the issues of trademark infringement, trademark counterfeiting and punitive damages. As the judgment originally awarded by the District Court to the Tiffany plaintiffs has been vacated, the Company has not recorded any amount in its consolidated financial statements related to this matter as of July 31, 2020. The Company intends to continue to litigate this matter on remand to the District Court and expects that this matter will not ultimately be resolved until, at the earliest, a future date during the Company's fiscal year ending January 31, 2022.

Environmental Matter

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

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

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

Separately, on April 11, 2014, the EPA issued a proposed plan for remediating the lower eight miles of the River, which is supported by a Focused Feasibility Study (the "FFS"). The FFS evaluated three remediation options, as well as a fourth option of taking no action. Following a public review and comment period and the EPA's review of

comments received, the EPA issued a Record of Decision on March 4, 2016 that set forth a remediation plan for the lower eight miles of the River (the "RoD Remediation"). The RoD Remediation is estimated by the EPA to cost $1.38 billion. The Record of Decision did not identify any party or parties as being responsible for the design of the remediation or for the remediation itself. The EPA did note that it estimates the design of the necessary remediation activities will take three to four years, with the remediation to follow, which is estimated to take an additional six years to complete.

On March 31, 2016, the EPA issued a letter to approximately 100 companies (including the Company) (collectively, the "notified companies") notifying them of potential liability for the RoD Remediation and of the EPA's planned approach to addressing the cost of the RoD Remediation, which included the possibility of a de-minimis cash-out settlement (the "settlement option") for certain parties. In April of 2016, the Company notified the EPA of its interest in pursuing the settlement option, and accordingly recorded an immaterial liability representing its best estimate of its minimum liability for the RoD Remediation, which was based on the amount of a potential de-minimis settlement. On March 30, 2017, the EPA issued offers related to the settlement option to 20 parties; while the Company was not one of the parties receiving such an offer, the EPA indicated at that time that the settlement option might be made available to additional parties beyond those notified on March 30, 2017. On October 24, 2019, the EPA informed certain of the notified parties (including the Company) that the early settlement option would not be made available to them at that time.

In the absence of a viable settlement option with the EPA, the Company is unable to determine its participation in the overall RoD Remediation, if any, relative to the other potentially responsible parties, or the allocation of the estimated cost thereof among the potentially responsible parties, until such time as the EPA reaches an agreement with any potentially responsible party or parties to fund the RoD Remediation (or pursues legal or administrative action to require any potentially responsible party or parties to perform, or pay for, the RoD Remediation). With respect to the RI/FS (which is distinct from the RoD Remediation), until a Record of Decision is issued with respect to the RI/FS, neither the ultimate remedial approach for the remaining upper nine miles of the relevant 17-mile stretch of the River and its cost, nor the Company's participation, if any, relative to the other potentially responsible parties in this approach and cost, can be determined.

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

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

Other

In the normal course of business, the Company entrusts precious scrap metals generated through its internal manufacturing operations to metal refiners. In November 2018, one such refiner filed for relief under chapter 11 of

the U.S. Bankruptcy Code. As a result, the Company recognized a charge of $8.5 million during the three months ended October 31, 2018, which represented the carrying value of such precious scrap metals entrusted to the refiner, net of expected insurance recoveries. During the three months ended April 30, 2020, the Company was notified by its insurers that the Company's insurance claim was denied. Thereafter, the Company recognized a related charge of $12.3 million during the three months ended April 30, 2020 in order to fully reserve for the asset representing the expected insurance recoveries in this matter. The Company believes that the insurers' coverage denial is without merit and that the Company's insurance claim is valid and enforceable. The Company is continuing to pursue collection thereof from its insurers.

During 2018, the Company received an offer of AUD $48.0 million as compensation for the previous acquisition of the premises containing one of its leased retail stores and an administrative office in Sydney, Australia under compulsory acquisition laws in Australia. The Company did not accept the offer of compensation and filed an appeal of the compensation amount with the Land and Environment Court in Australia. In accordance with local law, the Company received an advance payment of 90% ($31.1 million, based on foreign currency exchange rates on the date of receipt) of the offered compensation during the fourth quarter of 2018. The Company did not recognize any gain at that time as the Company could not determine an amount, or any minimum amount, it ultimately expected to realize in connection with the matter during the appeals process. During the three months ended April 30, 2020, the Company accepted a revised offer of compensation of AUD $50.5 million and recognized a related gain of $31.4 million within Other income, net on the Condensed Consolidated Statement of Earnings.

13. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

(in millions)	July 31, 2020	January 31, 2020	July 31, 2019
Accumulated other comprehensive loss, net of tax:			
Foreign currency translation adjustments	$ (109.5)	$ (130.4)	$ (134.9)
Deferred hedging gain (loss)	17.1	5.4	(12.9)
Net unrealized loss on benefit plans	(139.8)	(148.2)	(89.2)
	$ (232.2)	$ (273.2)	$ (237.0)

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

(in millions)	Three Months Ended July 31,		Six Months Ended July 31,	
	2020	2019	2020	2019
Foreign currency translation adjustments	$ 48.2	$ (4.3)	$ 19.0	$ (26.1)
Income tax benefit (expense)	0.8	1.6	1.9	(0.8)
Foreign currency translation adjustments, net of tax	49.0	(2.7)	20.9	(26.9)
Unrealized gain on hedging instruments	4.8	4.5	13.1	22.2
Reclassification adjustment for loss (gain) included in net earnings [a]	3.6	5.4	2.2	(2.2)
Income tax expense	(2.0)	(2.3)	(3.6)	(3.6)
Unrealized gain on hedging instruments, net of tax	6.4	7.6	11.7	16.4
Amortization of net loss included in net earnings [b]	5.4	2.8	11.0	5.6
Amortization of prior service credit included in net earnings [b]	—	(0.1)	(0.1)	(0.3)
Income tax expense	(1.3)	(0.6)	(2.5)	(1.0)
Net unrealized gain on benefit plans, net of tax	4.1	2.1	8.4	4.3
Total other comprehensive earnings (loss), net of tax	$ 59.5	$ 7.0	$ 41.0	$ (6.2)

a These losses (gains) are reclassified into Cost of sales, Interest expense and financing costs and Other income, net (see "Note 9. Hedging Instruments" for additional details).

b These losses (gains) are included in the computation of net periodic benefit cost (see "Note 14. Employee Benefit Plans" for additional details) and are reclassified into Other income, net.

Share Repurchase Program. In May 2018, the Registrant's Board of Directors approved a new share repurchase program (the "2018 Program"). The 2018 Program, which became effective June 1, 2018 and expires on January 31, 2022, authorizes the Company to repurchase up to $1.0 billion of its Common Stock through open market transactions, including through Rule 10b5-1 plans and one or more accelerated share repurchase or other structured repurchase transactions, and/or privately negotiated transactions. As of July 31, 2020, $471.6 million remained available under the 2018 Program; however, pursuant to the terms of the Merger Agreement, and subject to certain limited exceptions, the Company may not repurchase its Common Stock other than in connection with the forfeiture provisions of Company equity awards or the cashless exercise or tax withholding provisions of such Company equity awards, in each case, granted under the Company's stock-based compensation plans. Accordingly, the Company did not repurchase any shares of its Common Stock during the six months ended July 31, 2020 pursuant to the 2018 Program, and does not expect to repurchase any shares of its Common Stock in connection with the 2018 Program prior to the Merger or earlier termination of the Merger Agreement.

The Company's share repurchase activity was as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in millions, except per share amounts)	2020	2019	2020	2019
Cost of repurchases	$ —	$ 60.0	$ —	$ 85.4
Shares repurchased and retired	—	0.6	—	0.9
Average cost per share	$ —	$ 93.82	$ —	$ 93.80

Cash Dividends. The Company's Board of Directors declared quarterly dividends of $0.58 per share of Common Stock in the three months ended July 31, 2020 and 2019 and $1.16 and $1.13 per share of Common Stock in the six months ended July 31, 2020 and 2019, respectively.

Cumulative effect adjustment from adoption of new accounting standards. The amounts presented within this line item on the Condensed Consolidated Statement of Stockholders' Equity represent the effects of the Company's adoption, on a modified retrospective basis, of ASU 2016-13 – *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (as discussed in "Note 3. New Accounting Standards") for the six months ended July 31, 2020, and ASU 2016-02 – *Leases* and ASU 2018-02 – *Income Statement – Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* for the six months ended July 31, 2019.

14. EMPLOYEE BENEFIT PLANS

The Company maintains several pension and retirement plans and provides certain health-care and life insurance benefits.

Net periodic pension and other postretirement benefit expense included the following components:

	Three Months Ended July 31,			
	Pension Benefits		Other Postretirement Benefits	
(in millions)	2020	2019	2020	2019
Net Periodic Benefit Cost:				
Service cost	$ 4.6	$ 4.3	$ 0.8	$ 0.6
Interest cost	7.3	8.2	0.7	0.9
Expected return on plan assets	(9.6)	(9.7)	—	—
Amortization of prior service credit	—	—	—	(0.1)
Amortization of net loss	5.4	3.0	—	(0.2)
Net expense	$ 7.7	$ 5.8	$ 1.5	$ 1.2

	Six Months Ended July 31,			
	Pension Benefits		Other Postretirement Benefits	
(in millions)	2020	2019	2020	2019
Net Periodic Benefit Cost:				
Service cost	$ 9.5	$ 8.5	$ 1.6	$ 1.3
Interest cost	14.7	16.3	1.5	1.7
Expected return on plan assets	(19.2)	(18.4)	—	—
Amortization of prior service credit	—	—	(0.1)	(0.3)
Amortization of net loss	10.9	5.6	0.1	—
Net expense	$ 15.9	$ 12.0	$ 3.1	$ 2.7

The components of net periodic benefit cost other than the service cost component are included in Other income, net on the Condensed Consolidated Statement of Earnings.

15. SEGMENT INFORMATION

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, business-to-business and wholesale operations;
- Japan includes sales in Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through Internet, business-to-business and wholesale operations;
- Europe includes sales in Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and
- Other consists of all non-reportable segments. Other includes the Emerging Markets region, which includes sales in Company-operated TIFFANY & CO. stores and wholesale operations in the Middle East. In addition, Other includes wholesale sales of diamonds as well as earnings received from third-party licensing agreements.

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

	Three Months Ended July 31,		Six Months Ended July 31,	
(in millions)	2020	2019	2020	2019
Net sales:				
Americas	$ 246.7	$ 454.8	$ 471.8	$ 861.1
Asia-Pacific	298.9	297.6	472.6	621.7
Japan	111.1	155.3	197.4	300.0
Europe	83.8	116.3	145.1	218.8
Total reportable segments	740.5	1,024.0	1,286.9	2,001.6
Other	6.6	24.5	15.7	50.0
	$ 747.1	$ 1,048.5	$ 1,302.6	$ 2,051.6
Earnings (loss) from operations*:				
Americas	$ (4.7)	$ 86.9	$ (45.9)	$ 143.8
Asia-Pacific	72.7	73.2	88.6	159.2
Japan	35.4	56.2	51.8	109.6
Europe	12.6	19.7	2.6	31.9
Total reportable segments	116.0	236.0	97.1	444.5
Other	(5.1)	0.2	(10.2)	1.5
	$ 110.9	$ 236.2	$ 86.9	$ 446.0

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

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

	Three Months Ended July 31,		Six Months Ended July 31,	
(in millions)	2020	2019	2020	2019
Earnings from operations for segments	$ 110.9	$ 236.2	$ 86.9	$ 446.0
Unallocated corporate expenses	(43.4)	(51.9)	(96.1)	(100.8)
Interest expense and financing costs	(11.1)	(9.8)	(20.9)	(20.2)
Other income, net	0.8	0.9	26.2	1.9
Other operating expenses	(7.8)	—	(36.5)	—
Earnings (loss) from operations before income taxes	$ 49.4	$ 175.4	$ (40.4)	$ 326.9

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

Other operating expenses for the three months ended July 31, 2020 represent $7.8 million for costs incurred related to the pending Merger (see "Note 2. Merger Agreement"). Other operating expenses for the six months ended July 31, 2020 represent (i) $24.5 million for costs incurred related to the pending Merger (see "Note 2. Merger Agreement") and (ii) $12.0 million of expense for a charitable contribution to The Tiffany & Co. Foundation.

16. SUBSEQUENT EVENT

Dividend declaration. On August 20, 2020, the Company's Board of Directors approved a quarterly dividend of $0.58 per share of Common Stock. This quarterly dividend will be paid on October 13, 2020 to shareholders of record on September 21, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MERGER AGREEMENT

On November 24, 2019, Tiffany & Co. (the "Registrant") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Registrant, LVMH Moët Hennessy - Louis Vuitton SE, a *societas Europaea* (European company) organized under the laws of France ("Parent"), Breakfast Holdings Acquisition Corp., a Delaware corporation and an indirect wholly owned subsidiary of Parent ("Holding"), and Breakfast Acquisition Corp., a Delaware corporation and a direct wholly owned subsidiary of Holding ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Registrant (the "Merger"), with the Registrant continuing as the surviving company in the Merger and a wholly owned indirect subsidiary of Parent.

For additional information related to the Merger Agreement, please refer to the Registrant's Definitive Proxy Statement on Schedule 14A filed with the U.S. Securities and Exchange Commission (the "SEC") on January 6, 2020 and "Item 1. Financial Statements - Note 2. Merger Agreement".

NOVEL CORONAVIRUS

An outbreak of a novel strain of the coronavirus, COVID-19, was identified in China in December 2019 and was subsequently recognized as a pandemic by the World Health Organization on March 11, 2020. This COVID-19 outbreak has severely restricted the level of economic activity around the world. In addition to travel restrictions put in place in early 2020 in response to COVID-19, governments have closed borders, imposed prolonged quarantines and may continue or reinstate those measures or implement other restrictions and requirements in light of the continuing or renewed spread of COVID-19 and concern of additional waves of outbreaks.

As a result of the COVID-19 outbreak, a substantial number of the Company's retail stores was closed for some portion of time in the three and six months ended July 31, 2020. Company retail store closures peaked at approximately 75% to 80% of the Company's retail stores worldwide during the month of April. However, the Company gradually reopened many of its stores throughout the three months ended July 31, 2020, in accordance with applicable guidelines established by local governments. For example, as of May 29, 2020, approximately 80% of the Company's retail stores worldwide were fully or partially open, including approximately 70% of the Company's retail stores in the Americas, approximately 90% of the Company's retail stores in Asia Pacific, approximately 90% of the Company's retail stores in Japan and approximately 65% of the Company's retail stores in Europe. In the U.S., however, in connection with the widespread protests across the country and out of concern for the wellbeing of its customers and employees, the Company once again closed all of its retail locations on May 31, 2020. Following a brief period of closures, the Company began to re-open its U.S. stores, and as of June 19, 2020, approximately 90% of the Company's stores in the U.S. were fully or partially opened. As of July 31, 2020, virtually all of the Company's retail stores worldwide were fully or partially opened, in accordance with applicable guidelines established by local governments.

For the three and six months ended July 31, 2020, the Company's worldwide net sales declined 29% and 37%, respectively, compared to the prior year due to the continuing negative global impact of COVID-19. Although the Company continues to experience decreased customer traffic and retail sales in many of its retail locations as compared to comparable periods in the prior year, the Company has continued to benefit from increased sales both in Mainland China and its global e-commerce business during these periods. For example, retail sales in Mainland China, the first market impacted by COVID-19, increased approximately 90% in May 2020 and 80% for the full three months ended July 31, 2020, in each case as compared to the corresponding periods in the prior year. The Company's e-commerce sales in the three and six months ended July 31, 2020 also increased 123% and 73% worldwide, with key markets such as the United States having increased 122% and 67%, respectively, and the United Kingdom having increased 93% and 53%, respectively, compared to the prior year periods. The Company's worldwide e-commerce sales represented approximately 15% of its total net sales during the six months ended July 31, 2020, versus 6% in each of the last three full fiscal years.

While management expects that customer traffic and worldwide net sales will continue to improve throughout the second half of the Company’s fiscal year ending January 31, 2021 relative to its first half performance, year-to-date sales declines through July 31, 2020, along with the continuing effects of COVID-19, are expected to have a significant negative impact on the Company's sales, earnings and cash flows for the full year as compared to the prior year.

In light of the impact of COVID-19, the Company continues to review and carefully manage its operating expenses and eliminate certain non-essential spending. As part of these efforts, the Company has negotiated, and continues to negotiate, with its landlords for rent concessions principally under leases for retail stores. The Company has also continued to pay its employees, although at a reduced level after a period of time for certain employees in locations impacted by COVID-19 who cannot work from home, and has not taken action to reduce its workforce in connection with COVID-19.

In response to the COVID-19 outbreak, the Company has also taken steps to further strengthen its financial position and balance sheet, and to maintain flexibility with respect to its liquidity sources and provide additional financial maintenance covenant headroom. See "Liquidity and Capital Resources" below for additional information.

The extent to which the COVID-19 outbreak will continue to impact the Company's business operations, financial results, and liquidity will depend on numerous factors that the Company may not be able to accurately predict or assess due to their dynamic and evolving nature (including the duration and scope of the COVID-19 outbreak, including whether there are additional waves caused by additional periods of increases or spikes in the number of COVID-19 cases); the possibility of future mutations or outbreaks of related strains of the virus in areas in which the Company operates; whether a vaccine or cure that mitigates the effect of the virus will be synthesized, and, if so, when such vaccine or cure will be ready to be used; the extent of the protective and preventative measures that have been or will be put in place by both governmental entities and other businesses; whether the virus's impact will be seasonal; the negative impact the outbreak has on global and regional economies and economic activity, including the duration and magnitude of its impact on consumer discretionary spending and levels of consumer confidence; and how quickly economies recover after the COVID-19 outbreak subsides. Accordingly, management cannot predict with certainty for how long and to what extent the COVID-19 outbreak will impact its business operations or the global economy as a whole. See "Part II - Other Information. Item1A. Risk Factors" for additional information. The Company will continue to take steps to mitigate the potential risks posed by the spread and related circumstances and impacts of COVID-19. The Company's management also remains focused on addressing the challenges presented by COVID-19 by preserving the Company's liquidity and managing its cash flows with preemptive actions such as those described above.

Despite the aforementioned challenges, the Company intends to continue to execute on its strategic plans and operational initiatives during this outbreak. However, the uncertainties associated with the protective and preventative measures put in place or recommended by both governmental entities and other businesses, among other uncertainties, will likely result in delays or modifications to these plans and initiatives.

OVERVIEW

The Registrant is a holding company that operates through Tiffany and Company ("Tiffany") and the Registrant's other subsidiary companies (collectively, the "Company"). The Registrant, through its subsidiaries, designs and manufactures products and operates TIFFANY & CO. retail stores worldwide, and also sells its products through Internet, catalog, business-to-business and wholesale operations. The Company's principal merchandise offering is jewelry (representing 92% of worldwide net sales in the fiscal year ended January 31, 2020); it also sells watches, home and accessories products and fragrances.

The Company's reportable segments are as follows:

- Americas includes sales in 123 Company-operated TIFFANY & CO. stores in the United States ("U.S."), 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 88 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet, business-to-business and wholesale operations;

- Japan includes sales in 59 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 47 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and

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

SUMMARY OF SECOND QUARTER AND FIRST HALF RESULTS

- Worldwide net sales decreased 29% to $747.1 million in the three months ("second quarter") and 37% to $1,302.6 million in the six months ("first half") ended July 31, 2020, which management attributed to the effects of COVID-19 and the resulting store closures that began in the three months ended April 30 ("first quarter") of 2020 and continued into the second quarter as described above under "Novel Coronavirus"; comparable sales decreased 24% in the second quarter and 34% in the first half. On a constant-exchange-rate basis (see "Non-GAAP Measures" below), worldwide net sales decreased 28% in the second quarter and 36% in the first half, while comparable sales decreased 23% in the second quarter and 33% in the first half.

- Net earnings of $31.9 million, or $0.26 per diluted share, in the second quarter compared with $136.3 million, or $1.12 per diluted share, in the prior year reflecting the above factors. Net earnings in the second quarter of 2020 also included the impact of costs related to the pending Merger, as described below under "Non-GAAP Measures." Excluding these costs, Net earnings were $38.6 million, or $0.32 per diluted share, in the second quarter of 2020.

- Net loss of $32.7 million, or $0.27 per share, in the first half compared with Net earnings of $261.5 million, or $2.15 per diluted share, in the prior year reflecting the above factors. Net loss in the first half of 2020 also included the impact of costs related to the pending Merger, as well as the compensation received in respect of the previous acquisition of the premises containing one of the Company's leased retail stores and an administrative office in Sydney, Australia under compulsory acquisition laws in Australia, and a charitable contribution to The Tiffany & Co. Foundation, as described below under "Non-GAAP Measures." Excluding these items, Net loss was $25.4 million, or $0.21 per share, in the first half of 2020.

- Inventories, net increased 1% from July 31, 2019.

RESULTS OF OPERATIONS

Non-GAAP Measures

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

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

	Second Quarter 2020 vs. 2019			First Half 2020 vs. 2019		
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis
Net Sales:						
Worldwide	(29)%	(1)%	(28)%	(37)%	(1)%	(36)%
Americas	(46)	(1)	(45)	(45)	—	(45)
Asia-Pacific	—	(2)	2	(24)	(2)	(22)
Japan	(28)	1	(29)	(34)	1	(35)
Europe	(28)	(1)	(27)	(34)	(2)	(32)
Other	(73)	—	(73)	(68)	—	(68)
Comparable Sales:						
Worldwide	(24)%	(1)%	(23)%	(34)%	(1)%	(33)%
Americas	(44)	—	(44)	(44)	—	(44)
Asia-Pacific	17	(2)	19	(16)	(3)	(13)
Japan	(27)	1	(28)	(34)	1	(35)
Europe	(27)	(1)	(26)	(34)	(1)	(33)
Other	(25)	—	(25)	(42)	—	(42)

	Second Quarter 2020 vs. 2019			First Half 2020 vs. 2019		
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis
Jewelry sales by product category:						
Jewelry collections	(25)%	(1)%	(24)%	(34)%	(1)%	(33)%
Engagement jewelry	(27)	—	(27)	(38)	—	(38)
Designer jewelry	(26)	—	(26)	(32)	—	(32)

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

(in millions, except per share amounts)	GAAP	Charges related to the pending Merger [a]	Non-GAAP
Three Months Ended July 31, 2020			
Gross Profit	$ 461.6	$ 0.5	$ 462.1
As a % of sales	61.8%	0.1 %	61.8%
Selling, general & administrative ("SG&A") expenses	401.9	(7.3)	394.6
As a % of sales	53.8%	(1.0)%	52.8%
Earnings from operations	59.7	7.8	67.5
As a % of sales	8.0%	1.0 %	9.0%
Provision for income taxes [b]	17.5	1.1	18.6
Net earnings	31.9	6.7	38.6
Diluted earnings per share	0.26	0.06	0.32

a Costs recorded in the second quarter of 2020 related to the pending Merger. See "Item 1. Financial Statements - Note 2. Merger Agreement" for additional information.

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

(in millions, except per share amounts)	GAAP	Charges related to the pending Merger [c]	Sydney, Australia Recovery and Charitable Contribution [d]	Non-GAAP
Six Months Ended July 31, 2020				
Gross Profit	$ 770.6	$ 0.9	$ —	$ 771.5
As a % of sales	59.2 %	0.1 %	— %	59.2 %
SG&A expenses	816.3	(23.6)	(12.0)	780.7
As a % of sales	62.7 %	(1.8)%	(0.9)%	59.9 %
Loss from operations	(45.7)	24.5	12.0	(9.2)
As a % of sales	(3.5)%	1.9 %	0.9 %	(0.7)%
Other income, net	(26.2)	—	31.4	5.2
Benefit for income taxes [e]	(7.7)	2.3	(4.5)	(9.9)
Net loss	(32.7)	22.2	(14.9)	(25.4)
Earnings per share	(0.27)	0.18	(0.12)	(0.21)

c Costs recorded in the first half of 2020 related to the pending Merger. See "Item 1. Financial Statements - Note 2. Merger Agreement" for additional information.

d Recognition of (i) a pre-tax gain of $31.4 million related to amounts received as compensation for the previous acquisition of the premises containing one of the Company's leased retail stores and an administrative office in Sydney, Australia under compulsory acquisition laws in that country and (ii) a pre-tax expense of $12.0 million for a charitable contribution to The Tiffany & Co. Foundation funded in the first quarter of 2020 in connection with the compensation referenced above. See "Item 1. Financial Statements - Note 12. Commitments and Contingencies" for additional information on the compulsory acquisition matter.

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

Comparable Sales

Comparable sales include sales transacted in Company-operated stores open for more than 12 months. Sales from e-commerce sites are included in comparable sales for those sites that have been operating for more than 12 months. Sales for relocated stores are included in comparable sales if the relocation occurs within the same geographical market. In all markets, the results of a store in which the square footage has been expanded or reduced remain in the comparable sales base.

Net Sales

Net sales by segment were as follows:

(in millions)	Second Quarter 2020	Second Quarter 2019	Second Quarter Increase/(Decrease)	First Half 2020	First Half 2019	First Half Increase/(Decrease)
Americas	$ 246.7	$ 454.8	(46)%	$ 471.8	$ 861.1	(45)%
Asia-Pacific	298.9	297.6	—	472.6	621.7	(24)
Japan	111.1	155.3	(28)	197.4	300.0	(34)
Europe	83.8	116.3	(28)	145.1	218.8	(34)
Other	6.6	24.5	(73)	15.7	50.0	(68)
	$ 747.1	$ 1,048.5	(29)%	$ 1,302.6	$ 2,051.6	(37)%

Worldwide net sales decreased $301.4 million, or 29%, in the second quarter of 2020 and decreased $749.0 million, or 37% in the first half, which management attributed to the effects of COVID-19 and the resulting store closures across the markets that began in the first quarter of 2020 and continued into the second quarter. On a constant-exchange-rate basis, worldwide net sales decreased 28% in the second quarter and decreased 36% in the first half compared to the prior year.

Jewelry sales by product category were as follows:

(in millions)	Second Quarter 2020	Second Quarter 2019	$ Change	% Change
Jewelry collections	$ 428.9	$ 570.6	$ (141.7)	(25)%
Engagement jewelry	200.6	276.4	(75.8)	(27)
Designer jewelry	85.1	114.9	(29.8)	(26)

(in millions)	First Half 2020	First Half 2019	$ Change	% Change
Jewelry collections	$ 725.6	$ 1,102.9	$ (377.3)	(34)%
Engagement jewelry	343.1	556.8	(213.7)	(38)
Designer jewelry	152.7	225.8	(73.1)	(32)

Net sales reflected decreases across each of the jewelry categories in both periods.

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

Changes in net sales by reportable segment were as follows:

(in millions)	Comparable Sales	Non-comparable Sales	Wholesale/Other	Total
Second Quarter 2020:				
Americas	$ (192.4)	$ (3.7)	$ (12.0)	$ (208.1)
Asia-Pacific	40.0	2.0	(40.7)	1.3
Japan	(39.4)	1.8	(6.6)	(44.2)
Europe	(30.7)	(0.4)	(1.4)	(32.5)
First Half 2020:				
Americas	$ (364.8)	$ (4.0)	$ (20.5)	$ (389.3)
Asia-Pacific	(77.3)	2.2	(74.0)	(149.1)
Japan	(95.0)	3.2	(10.8)	(102.6)
Europe	(72.8)	(0.4)	(0.5)	(73.7)

Changes in jewelry sales relative to the prior year by reportable segment were as follows:

	Average Price per Unit Sold		
	As Reported	Impact of Currency Translation	Number of Units Sold
Second Quarter 2020:			
Americas	(17)%	(1)%	(28)%
Asia-Pacific	15	(2)	(14)
Japan	(4)	1	(22)
Europe	(10)	(1)	(18)
First Half 2020:			
Americas	(11)%	— %	(34)%
Asia-Pacific	7	(2)	(31)
Japan	(3)	1	(32)
Europe	(5)	(1)	(29)

Americas. In the second quarter, total net sales decreased $208.1 million, or 46%, which included comparable sales decreasing $192.4 million, or 44%. In the first half, total net sales decreased $389.3 million, or 45%, which included comparable sales decreasing $364.8 million, or 44%. In both periods, sales decreased across the region, which management attributed to the effects of COVID-19, and the resulting store closures across the region that began in mid-March 2020 and continued into June, with most stores in the region reopened in mid-June. On a constant-exchange-rate basis, total net sales decreased 45% in the second quarter and first half, while comparable sales decreased 44% in both periods.

The decrease in the number of jewelry units sold in both periods reflected decreases across all jewelry categories, which management attributed to the effects of COVID-19, and the resulting store closures across the region that began in mid-March 2020 and continued into June, with most stores in the region reopened in mid-June. The decrease in the average price per jewelry unit sold in both periods was primarily due to a change in sales mix, which management attributed to the strong growth in e-commerce sales, as well as a decline in sales of High jewelry within the Jewelry collections category.

Asia-Pacific. In the second quarter, total net sales were approximately unchanged from the prior year, which included comparable sales increasing $40.0 million, or 17%. Total sales results reflected strong retail sales growth in Mainland China and Korea largely offset by softness across other markets in the region, and a decline in wholesale

travel retail sales, which management attributed to the effects of COVID-19. In the first half, total net sales decreased $149.1 million, or 24%, which included comparable sales decreasing $77.3 million, or 16%. Total sales results reflected strong retail sales growth in Mainland China and Korea, which was more than offset by softness across other markets in the region, which management attributed to the effects of COVID-19, and the resulting store closures across the region beginning with Mainland China in February and persisting for varying durations through early June, as well as a decline in wholesale travel retail sales. On a constant-exchange-rate basis, total net sales increased 2% in the second quarter and decreased 22% in the first half, while comparable sales increased 19% and decreased 13%, respectively, in those periods.

The decrease in the number of jewelry units sold in both periods reflected decreases across all jewelry categories, which management attributed to the effects of COVID-19, and the resulting store closures across the region beginning with Mainland China in February and persisting for varying durations through early June, as well as the decline in wholesale travel retail sales. The increase in the average price per jewelry unit sold in both periods was primarily due to a shift in sales mix to gold jewelry within the Jewelry collections category.

Japan. In the second quarter, total net sales decreased $44.2 million, or 28%, which included comparable sales decreasing $39.4 million, or 27%. In the first half, total net sales decreased $102.6 million, or 34%, which included comparable sales decreasing $95.0 million, or 34%. Management attributed the decreases in both periods to the effects of COVID-19, including the resulting store closures across the region, which primarily began in early April 2020 and continued through early June, and the decline in tourist traffic beginning early in the first quarter of 2020. On a constant-exchange-rate basis, total net sales decreased 29% and 35% in the second quarter and first half, respectively, while comparable sales decreased 28% and 35%, respectively, in those periods.

The decrease in the number of jewelry units sold in both periods reflected decreases across all jewelry categories, which management attributed to the effects of COVID-19, including the resulting store closures across the region, which primarily began in early April 2020 and continued through early June, and the decline in tourist traffic beginning early in the first quarter of 2020.

Europe. In the second quarter, total net sales decreased $32.5 million, or 28%, which included comparable sales decreasing $30.7 million, or 27%. In the first half, total net sales decreased $73.7 million, or 34%, which included comparable sales decreasing $72.8 million, or 34%. Sales decreased across the region, which management attributed to the effects of COVID-19, and the resulting store closures across the region, which began in mid-March 2020 and continued into June, with the vast majority of the stores in the region reopened by mid-June. On a constant-exchange-rate basis, total net sales decreased 27% and 32% in the second quarter and first half, respectively, while comparable sales decreased 26% and 33%, respectively, in those periods.

The decrease in the number of jewelry units sold in both periods reflected decreases across all jewelry categories, which management attributed to the effects of COVID-19, and the resulting store closures across the region, which began in mid-March 2020 and continued into June, with the vast majority of the stores in the region reopened by mid-June. The decrease in the average price per jewelry unit sold in both periods was primarily due to a change in sales mix, which management attributed to the strong growth in e-commerce sales, as well as a decline in sales of High jewelry within the Jewelry collections category.

Other. Other sales decreased $17.9 million, or 73%, in the second quarter and decreased $34.3 million, or 68%, in the first half due to decreases in sales within the Emerging Markets region and in wholesale sales of diamonds in both periods.

Store Data. In the first half of 2020, the Company opened one Company-operated store in Japan and closed three Company-operated stores in Asia-Pacific, one in the Americas and one in Europe.

Gross Margin

(dollars in millions)	Second Quarter 2020	Second Quarter 2019	First Half 2020	First Half 2019
As reported:				
Gross profit	$ 461.6	$ 657.7	$ 770.6	$ 1,276.9
Gross profit as a percentage of net sales	61.8%	62.7%	59.2%	62.2%
On a Non-GAAP basis*:				
Gross profit	$ 462.1		$ 771.5	
Gross profit as a percentage of net sales	61.8%		59.2%	

* See "Non-GAAP Measures" above for additional information.

Gross margin (gross profit as a percentage of net sales) decreased 90 and 300 basis points in the second quarter and first half of 2020, respectively, largely due to (i) sales deleverage on fixed costs resulting from the effects of COVID-19 on net sales, (ii) certain overhead costs not capitalized in the periods resulting from certain manufacturing locations being closed or operating at reduced capacity during the second quarter and first half due to COVID-19 and (iii) an increase in inventory reserves, partially offset by (i) a change in sales mix to higher margin products and (ii) a decrease in the wholesale sales of diamonds. Additionally, the first half of 2020 included the impact of a $12.3 million charge that was recorded in the three months ended April 30, 2020 to fully reserve the asset related to an expected insurance recovery in respect of the bankruptcy filing of a metal refiner to which the Company entrusted precious scrap metal (see "Item 1. Financial Statements – Note 12. Commitments and Contingencies").

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 1. Financial Statements – Note 9. Hedging Instruments"). Management adjusted retail prices in the second quarter and first half of 2020 and 2019 across most geographic regions and product categories, some of which were intended to mitigate foreign currency fluctuations.

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

(dollars in millions)	Second Quarter 2020	Second Quarter 2019	First Half 2020	First Half 2019
As reported:				
SG&A expenses	$ 401.9	$ 473.4	$ 816.3	$ 931.7
SG&A expenses as a percentage of net sales ("SG&A expense ratio")	53.8%	45.2%	62.7%	45.4%
On a Non-GAAP basis*:				
SG&A expenses	$ 394.6		$ 780.7	
SG&A expense ratio	52.8%		59.9%	

* See "Non-GAAP Measures" above for additional information.

SG&A expenses decreased $71.5 million, or 15%, in the second quarter of 2020, which included $7.3 million in costs related to the pending Merger (see "Non-GAAP Measures" for further details), and decreased $115.4 million, or 12%, in the first half of 2020, which included $23.6 million in costs related to the pending Merger and a $12.0 million charitable contribution to The Tiffany & Co. Foundation (see "Non-GAAP Measures" for further details). These costs were more than offset by decreased marketing spending (although marketing expense as percentage of net

sales in the first half of 2020 was approximately in line with the Company's historical percentage), decreased labor and incentive compensation costs and decreased store occupancy expenses in both periods. Excluding the pending Merger-related costs in both periods and the charitable contribution in the first half noted above, SG&A expenses decreased $78.8 million, or 17%, in the second quarter of 2020 and decreased $151.0 million, or 16%, in the first half of 2020 (see "Non-GAAP Measures"). SG&A expenses as a percentage of net sales increased significantly due to sales deleverage on operating expenses resulting from the effects of COVID-19 on net sales. Changes in foreign currency exchange rates did not have a meaningful effect on SG&A expenses in the second quarter and first half as compared with the prior year.

Earnings (Loss) from Operations

	Second Quarter		First Half	
(in millions)	2020	2019	2020	2019
As reported:				
Earnings (loss) from operations	$ 59.7	$ 184.3	$ (45.7)	$ 345.2
Operating margin	8.0%	17.6%	(3.5)%	16.8%
On a Non-GAAP basis*:				
Earnings (loss) from operations	$ 67.5		$ (9.2)	
Operating margin	9.0%		(0.7)%	

* See "Non-GAAP Measures" above for additional information.

Earnings from operations of $59.7 million in the second quarter of 2020 compared with earnings from operations of $184.3 million in the prior year. Loss from operations of $45.7 million in the first half of 2020 compared with earnings from operations of $345.2 million in the prior year. Excluding the pending Merger-related costs in both periods of 2020 and the charitable contribution in the first half of 2020 described in "Non-GAAP Measures", Earnings from operations was $67.5 million in the second quarter of 2020 and Loss from operations was $9.2 million in the first half of 2020.

Results by segment are as follows:

(in millions)	Second Quarter 2020	% of Net Sales	Second Quarter 2019	% of Net Sales
Earnings (loss) from operations*:				
Americas	$ (4.7)	(1.9)%	$ 86.9	19.1 %
Asia-Pacific	72.7	24.3	73.2	24.6
Japan	35.4	31.8	56.2	36.2
Europe	12.6	15.0	19.7	17.0
Other	(5.1)	(75.5)	0.2	1.0
	110.9		236.2	
Unallocated corporate expenses	(43.4)	(5.8)	(51.9)	(5.0)
Other operating expenses	(7.8)		—	
Earnings from operations	$ 59.7	8.0 %	$ 184.3	17.6 %

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

On a segment basis, the earnings (loss) from operations to each segment's net sales in the second quarter of 2020 compared with 2019 was as follows:

- Americas – The ratio decreased due to sales deleverage on operating expenses, which management attributed to the effects of COVID-19 on net sales, as discussed above, and a decrease in gross margin;

- Asia-Pacific – The ratio decreased due to a decrease in gross margin largely offset by sales leverage on operating expenses;
- Japan – The ratio decreased due to sales deleverage on operating expenses, which management attributed to the effects of COVID-19 on net sales, as discussed above, and a decrease in gross margin; and
- Europe – The ratio decreased primarily due to a decrease in gross margin.

(in millions)	First Half 2020	% of Net Sales	First Half 2019	% of Net Sales
(Loss) earnings from operations*:				
Americas	$ (45.9)	(9.7)%	$ 143.8	16.7 %
Asia-Pacific	88.6	18.8	159.2	25.6
Japan	51.8	26.2	109.6	36.5
Europe	2.6	1.8	31.9	14.6
Other	(10.2)	(64.7)	1.5	3.0
	86.9		446.0	
Unallocated corporate expenses	(96.1)	(7.4)	(100.8)	(4.9)
Other operating expenses	(36.5)		—	
(Loss) earnings from operations	$ (45.7)	(3.5)%	$ 345.2	16.8 %

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

On a segment basis, the (loss) earnings from operations to each segment's net sales in the first half of 2020 compared with 2019 was as follows:

- Americas –The ratio decreased due to sales deleverage on operating expenses, which management attributed to the effects of COVID-19 on net sales, as discussed above, and a decrease in gross margin;
- Asia-Pacific – The ratio decreased due to sales deleverage on operating expenses, which management attributed to the effects of COVID-19 on net sales, as discussed above, and a decrease in gross margin;
- Japan – The ratio decreased due to sales deleverage on operating expenses, which management attributed to the effects of COVID-19 on net sales, as discussed above, and a decrease in gross margin; and
- Europe – The ratio decreased due to sales deleverage on operating expenses, which management attributed to the effects of COVID-19 on net sales, as discussed above, and a decrease in gross margin.

Unallocated corporate expenses include costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for centralized information technology, finance, legal and human resources departments. Unallocated corporate expenses decreased $8.5 million, or 16%, in the second quarter of 2020 and $4.7 million, or 5%, in the first half of 2020 when compared to the prior year. The decrease in both the second quarter and first half was primarily due to a decrease in incentive compensation expense, with the first half decline partly offset by a $12.3 million charge that was recorded to fully reserve the asset related to an expected insurance recovery in respect of the bankruptcy filing of a metal refiner to which the Company entrusted precious scrap metal (see "Item 1. Financial Statements – Note 12. Commitments and Contingencies").

The second quarter of 2020 amount included in other operating expenses in the table above represents $7.8 million for costs incurred related to the pending Merger (see "Item 1. Financial Statements - Note 2. Merger Agreement"). The first half of 2020 amounts included in other operating expenses in the table above represent (i)

$24.5 million for costs incurred related to the pending Merger (see "Item 1. Financial Statements - Note 2. Merger Agreement") and (ii) $12.0 million of expense for a charitable contribution to The Tiffany & Co. Foundation.

Interest Expense and Financing Costs

Interest expense and financing costs were $11.1 million in the second quarter of 2020, compared with $9.8 million in the prior year. Interest expense and financing costs were $20.9 million in the first half of 2020, compared with $20.2 million the prior year.

Other Income, net

Other income, net was $0.8 million in the second quarter of 2020, compared with $0.9 million in the prior year. Other income, net was $26.2 million in the first half of 2020, compared with $1.9 million in the prior year. Other income, net in the first half of 2020 included the recognition of a gain of $31.4 million related to amounts received as compensation for the previous acquisition of the premises containing one of the Company's leased retail stores and an administrative office in Sydney, Australia under compulsory acquisition laws in Australia. See "Item 1. Financial Statements - Note 12. Commitments and Contingencies" for additional information.

Provision (Benefit) for Income Taxes

The effective income tax rate for the second quarter of 2020 was 35.4% versus 22.3% in the prior year. The effective income tax rate for the first half of 2020 was 19.0% versus 20.0% in the prior year. The increase in the effective income tax rate for the second quarter of 2020 was primarily due to the application of an updated estimated annual effective income tax rate, which is influenced by the jurisdictional mix of earnings taxed at the statutory tax rates applicable to each jurisdiction and an estimated increase in the Global Intangible Low-Taxed Income ("GILTI") tax, each of which reflect the impact of COVID-19 on the Company's results of operations. The effective income tax rate for first half of 2020 reflected the impact of certain discrete items recognized in the period. The Company's effective income tax rate could be negatively impacted to the extent earnings are lower than anticipated in countries that have lower statutory tax rates and higher than anticipated in countries that have higher statutory tax rates. The effective income tax rate for the first half of 2019 included the recognition of an income tax benefit of $7.5 million, or 230 basis points or $0.06 per diluted share, related to an increase in the estimated 2018 Foreign Derived Intangible Income ("FDII") benefit as a result of U.S. Treasury guidance issued during the first quarter of 2019.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its ongoing, seasonal and expansion-related working capital requirements and capital expenditure needs. Over the long term, the Company manages its cash and capital structure to maintain a strong financial position that provides flexibility to pursue strategic priorities. Management regularly assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. In response to the COVID-19 outbreak, the Company has taken steps to further strengthen its financial position and balance sheet, and to maintain financial liquidity and flexibility, which included drawing down $500.0 million on its Credit Facility during the first quarter of 2020 as a precautionary measure in order to increase its cash position and maintain financial flexibility in light of the uncertainty in the global markets resulting from COVID-19. This drawdown was permitted under the Merger Agreement.

The Company monitors its covenant compliance carefully. The agreements governing certain of the Company's material debt instruments include covenants that incorporate a (i) debt incurrence test premised on a fixed charge coverage ratio, which is the ratio of the Company's EBIT (earnings before interest and taxes) plus rent expense to its interest expense plus rent expense, and (ii) leverage ratio, which is the ratio of the Company's total adjusted debt to its consolidated EBITDAR (earnings before interest, taxes, depreciation, amortization and rent expenses). Specifically, under the terms of the Company's Senior Notes due 2026 and 2042, the Company was, prior to the amendments described below, restricted from incurring, or permitting its subsidiaries to incur, indebtedness if, among other conditions, the Company's fixed charge coverage ratio was less than 2.0 to 1.0. Under the terms of the Credit Facility, the Guaranty in respect of the three-year, multi-bank revolving credit agreement entered into by the Company's wholly owned subsidiary, Tiffany & Co. (Shanghai) Commercial Company Limited (the "Shanghai Guaranty"), and the Company's Senior Notes due 2026 and 2042, the Company was, prior to the amendments

described below, required to maintain a maximum leverage ratio of 3.50 to 1.00 for the four quarter period ending as of the end of each fiscal quarter.

As a precautionary measure in order to maintain flexibility with respect to its liquidity sources and provide additional financial maintenance covenant headroom, the Company entered into amendments to its Credit Facility, the Shanghai Guaranty, and its Senior Notes due 2026 and 2042, in order to modify the leverage ratio financial maintenance covenant and, in the case of the Senior Notes due 2026 and 2042, the fixed charge coverage ratio test for debt incurrence, through and including the Company's fiscal quarter ending April 30, 2021. These amendments are permitted under the Merger Agreement.

These amendments were executed on June 8, 2020 and effect changes to certain provisions and covenants during the period beginning with the fiscal quarter ended July 31, 2020 and continuing through the fiscal quarter ending April 30, 2021 (such period of time, the "Covenant Relief Period"), including, among others: (a) an increase in the maximum leverage ratio under the Credit Facility, the Shanghai Guaranty, and the 2026 and 2042 Senior Notes, to 4.50 to 1.00; and (b) a reduction of the fixed charge coverage ratio in the 2026 and 2042 Senior Notes to 0.75 to 1.00.

During the Covenant Relief Period, the facility fee under the Credit Facility is increased by 5 basis points at all pricing levels, and the applicable margin is increased by (i) 10 basis points at all pricing levels through the quarter ended July 31, 2020, (ii) 20 basis points at all pricing levels from August 1, 2020 until November 1, 2020 and (iii) 30 basis points at all pricing levels from November 1, 2020 through April 30, 2021. The coupon rate under the 2026 and 2042 Senior Notes is increased by 25 basis points during the Covenant Relief Period. The Company has the right to terminate the Covenant Relief Period under the Credit Facility, Shanghai Guaranty and the 2026 and 2042 Senior Notes, including the attendant covenant and pricing modifications referenced above, prior to April 30, 2021, subject to the Company's certification that its leverage ratio does not exceed 3.50 to 1.00 at such time. Management believes that cash on hand, internally generated cash flows and the funds available under its revolving credit facilities are sufficient to support the Company's liquidity and capital requirements for the foreseeable future, including the next 12 months.

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

	First Half	
(in millions)	2020	2019
Net cash provided by (used in):		
Operating activities	$ (13.3)	$ 153.9
Investing activities	(108.6)	(101.9)
Financing activities	300.2	(203.1)
Effect of exchange rate changes on cash and cash equivalents	(9.3)	(0.5)
Net increase (decrease) in cash and cash equivalents	$ 169.0	$ (151.6)

Operating Activities

The Company had net cash outflows from operating activities of $13.3 million in the first half of 2020 compared with net cash inflows from operating activities of $153.9 million in the first half of 2019. The change in operating cash flows was primarily due to the net loss of $32.7 million incurred in the first half of 2020, which management attributed to the effects of COVID-19, compared to net income of $261.5 million generated in the first half of 2019, partly offset by a decrease in cash outflows attributable to working capital. Additionally, the Company made a $30.0 million voluntary cash contribution to its U.S. pension plan in the first half of 2019.

Working Capital. Working capital (current assets less current liabilities) was $2.8 billion at July 31, 2020, compared with $2.9 billion at January 31, 2020 and $2.8 billion at July 31, 2019.

Accounts receivable, net at July 31, 2020 were 18% lower than at January 31, 2020 and July 31, 2019. The decrease in Accounts receivable, net at July 31, 2020 primarily reflected the decrease in sales in 2020 attributed to

the effects of COVID-19. Currency translation did not have a significant effect on the change compared to January 31, 2020 or July 31, 2019.

Inventories, net at July 31, 2020 were 2% higher than at January 31, 2020 and 1% higher than at July 31, 2019, primarily due to increases in finished goods inventories compared to both periods. Currency translation did not have a significant effect on the change compared to January 31, 2020 or July 31, 2019.

Accounts payable and accrued liabilities at July 31, 2020 were 27% lower than at January 31, 2020 and 8% lower than at July 31, 2019. The decrease compared to January 31, 2020 included (i) declines in trade payables, (ii) a decrease in incentive compensation accruals and (iii) the recognition of a gain previously deferred related to amounts received as compensation for the previous acquisition of the premises containing one of the Company's leased retail stores and an administrative office in Sydney, Australia under compulsory acquisition laws in that country (see "Item 1. Financial Statements - Note 12. Commitments and Contingencies" for additional information). The decrease compared to July 31, 2019 included (i) the recognition of the aforementioned gain and (ii) a decrease in incentive compensation accruals, partly offset by an increase in trade payables.

Investing Activities

The Company had net cash outflows from investing activities of $108.6 million in the first half of 2020 compared with $101.9 million in the first half of 2019. Year-over-year changes in cash flows from investing activities were primarily driven by an increase in 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 proceeds from the sales of marketable securities and short-term investments of $22.3 million during the first half of 2020 compared with $20.0 million during the first half of 2019.

Financing Activities

The Company had net cash inflows from financing activities of $300.2 million in the first half of 2020, compared with net cash outflows of $203.1 million in the first half of 2019. Year-over-year changes in cash flows from financing activities were largely driven by changes in net borrowings and share repurchases.

Recent Borrowings. The Company had net proceeds from borrowings as follows:

	First Half	
(in millions)	2020	2019
Short-term borrowings:		
Proceeds from credit facility borrowings, net	$ 501.2	$ 11.5
Proceeds from other credit facility borrowings	23.5	48.9
Repayment of other credit facility borrowings	(76.6)	(34.9)
Net proceeds from total borrowings	$ 448.1	$ 25.5

As noted above, during the first quarter of 2020, the Company drew down $500.0 million on its Credit Facility as a precautionary measure in order to increase its cash position and maintain financial flexibility in light of current uncertainty in the global markets resulting from COVID-19. This drawdown was permitted under the Merger Agreement. The drawdown proceeds from the Credit Facility can be repaid at any time.

Under all of the Company's credit facilities, at July 31, 2020, there were $591.3 million of borrowings outstanding, $2.1 million of letters of credit issued and $412.1 million available for borrowing. At July 31, 2019, there were $135.2 million of borrowings outstanding, $3.6 million of letters of credit issued and $849.2 million available for borrowing. The weighted-average interest rate for the amounts outstanding at July 31, 2020 and 2019 was 1.7% and 4.0%, respectively.

The ratio of total debt (short-term borrowings and long-term debt) to stockholders' equity was 46% at July 31, 2020, 31% at January 31, 2020 and 32% at July 31, 2019.

At July 31, 2020, the Company was in compliance with all debt covenants.

Shares Repurchases. In May 2018, the Registrant's Board of Directors approved a new share repurchase program (the "2018 Program"). The 2018 Program, which became effective June 1, 2018 and expires on January 31, 2022, authorizes the Company to repurchase up to $1.0 billion of its Common Stock through open market transactions, including through Rule 10b5-1 plans and one or more accelerated share repurchase or other structured repurchase transactions, and/or privately negotiated transactions. As of July 31, 2020, $471.6 million remained available under the 2018 Program; however, pursuant to the terms of the Merger Agreement, and subject to certain limited exceptions, the Company may not repurchase its Common Stock other than in connection with the forfeiture provisions of Company equity awards or the cashless exercise or tax withholding provisions of such Company equity awards, in each case, granted under the Company's stock-based compensation plans. Accordingly, the Company did not repurchase any shares of its Common Stock during the first half of 2020 pursuant to the 2018 Program, and does not expect to repurchase any shares of its Common Stock in connection with the 2018 Program prior to the Merger or earlier termination of the Merger Agreement.

The Company's share repurchase activity was as follows:

	Second Quarter		First Half	
(in millions, except per share amounts)	2020	2019	2020	2019
Cost of repurchases	$ —	$ 60.0	$ —	$ 85.4
Shares repurchased and retired	—	0.6	—	0.9
Average cost per share	$ —	$ 93.82	$ —	$ 93.80

Contractual Obligations

Since January 31, 2020, the Company's contractual obligations as they relate to short-term borrowings have changed as a result of the drawdown of $500.0 million under the Credit Facility described above under "Financing Activities". The Company's remaining contractual cash obligations and commercial commitments at July 31, 2020, and the effects such obligations and commitments are expected to have on the Company's liquidity and cash flows in future periods, have not changed significantly since January 31, 2020.

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.

Forward-Looking Statements

The historical trends and results reported in this quarterly report on Form 10-Q should not be considered an indication of future performance. Further, statements contained in this quarterly report on Form 10-Q that are not statements of historical fact, including those that refer to plans, assumptions and expectations for future periods, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995, each as amended. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the consummation of the pending Merger (as defined under "Item 2. Management's Discussion and Analysis - Merger Agreement") and the anticipated benefits thereof. Forward-looking statements include, but are not limited to, statements that can be identified by the use of words such as 'expects,' 'projects,' 'anticipates,' 'assumes,' 'forecasts,' 'plans,' 'believes,' 'intends,' 'estimates,' 'pursues,' 'scheduled,' 'continues,' 'outlook,' 'may,' 'will,' 'can,' 'should' and variations of such words and similar expressions. Examples of forward-looking statements include, but are not limited to, statements the Company makes regarding its plans, assumptions, expectations, beliefs and objectives with respect to the pending Merger; the Company's assumptions, expectations and beliefs with respect to COVID-19, including the continuing impact thereof on the Company's business, revenues, cash flows and results of operations; store openings and closings; store productivity; the renovation of the Company's New York Flagship store, including the timing and cost thereof, and the temporary relocation of its retail operations to 6 East 57th Street;

product introductions; sales; sales growth; sales trends; store traffic; the Company's strategy and initiatives and the pace of execution thereon; the amount and timing of investment spending; the Company's objectives to compete in the global luxury market and to improve financial performance; retail prices; gross margin; operating margin; expenses; interest expense and financing costs; effective income tax rate; the nature, amount or scope of charges resulting from recent revisions to the U.S. tax code; net earnings and net earnings per share; share count; inventories; capital expenditures; cash flow; liquidity, including the need to incur additional indebtedness; compliance with covenants under the Company's debt instruments, including the financial ratio thresholds set forth therein; currency translation; macroeconomic and geopolitical conditions; growth opportunities; litigation outcomes and recovery related thereto; amounts recovered under Company insurance policies; contributions to Company pension plans; and certain ongoing or planned real estate, product, marketing, retail, customer experience, manufacturing, supply chain, information systems development, upgrades and replacement, and other operational initiatives and strategic priorities.

These forward-looking statements are not guarantees of future results and are based upon the current views, assumptions and plans of management, and speak only as of the date on which they are made and are subject to a number of factors, risks and uncertainties, many of which are outside of the Company's control. You should not place undue reliance on such statements. Actual results could therefore differ materially from the planned, assumed or expected results expressed in, or implied by, these forward-looking statements. While the Company cannot predict all of the factors that could form the basis of such differences, key factors, risks and uncertainties include, but are not limited to: the COVID-19 pandemic, including the duration and scope thereof, the availability of a vaccine or cure that mitigates the effect of the virus, the potential for additional waves of outbreaks and changes in financial, business, travel and tourism, consumer discretionary spending and other general consumer behaviors, political, public health and other conditions, circumstances, requirements and practices resulting therefrom; global macroeconomic and geopolitical developments; changes in interest and foreign currency rates; changes in taxation policies and regulations (including changes effected by the recent revisions to the U.S. tax code) or changes in the guidance related to, or interpretation of, such policies and regulations; shifting tourism trends; protest activity in the U.S.; regional instability; violence (including terrorist activities); political activities or events (including the potential for rapid and unexpected changes in government, economic and political policies, the imposition of additional duties, tariffs, taxes and other charges or other barriers to trade, including as a result of changes in diplomatic and trade relations or agreements with other countries); weather conditions that may affect local and tourist consumer spending; changes in consumer confidence, preferences and shopping patterns, as well as the Company's ability to accurately predict and timely respond to such changes; shifts in the Company's product and geographic sales mix; variations in the cost and availability of diamonds, gemstones and precious metals; adverse publicity regarding the Company and its products, the Company's third-party vendors or the diamond or jewelry industry more generally; any non-compliance by third-party vendors and suppliers with the Company's sourcing and quality standards, codes of conduct, or contractual requirements as well as applicable laws and regulations; changes in the Company's competitive landscape; disruptions impacting the Company's business and operations; failure to successfully implement or make changes to the Company's information systems; changes in the cost and timing estimates associated with the renovation of the Company's New York Flagship store; delays caused by third parties involved in the aforementioned renovation; any casualty, damage or destruction to the Company's New York Flagship store or 6 East 57th Street location; the Company's ability to successfully control costs and execute on, and achieve the expected benefits from, the operational initiatives and strategic priorities referenced above; conditions to the completion of the pending Merger may not be satisfied or the regulatory approvals required for the pending Merger may not be obtained, in each case, on the terms expected or on the anticipated schedule; the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement (as defined under "Item 2. Management's Discussion and Analysis – Merger Agreement") or affect the ability of the parties to recognize the benefits of the pending Merger; the effect of the announcement or pendency of the Merger on the Company's business relationships, operating results and business generally; risks that the pending Merger disrupts the Company's current plans and operations and potential difficulties in the Company's employee retention as a result of the pending Merger; potential litigation that may be instituted against the Company or its directors or officers related to the pending Merger or the Merger Agreement and any adverse outcome of any such litigation; the amount of the costs, fees, expenses and other charges related to the pending Merger, including in the event of any unexpected delays; other risks to consummation of the pending Merger, including the risk that the pending Merger will not be consummated within the expected time period, or at all, which may affect the Company's business and the price of its common stock; and any adverse effects on the Company by other general industry, economic, business and/or competitive factors. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks. Developments relating to these and other

factors may also warrant changes to the Company's operating and strategic plans, including with respect to store openings, closings and renovations, capital expenditures, information systems development, inventory management, and continuing execution on, or timing of, the aforementioned initiatives and priorities. Such consequences and changes could also cause actual results to differ materially from the expected results expressed in, or implied by, the forward-looking statements.

Additional information about potential risks and uncertainties that could affect the Company's business and financial results is included under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2020, "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 1A. Risk Factors" in this quarterly report on Form 10-Q, the definitive proxy statement on Schedule 14A that the Company filed on January 6, 2020, and in the Company's other filings made with the SEC from time to time, which are available via the SEC's website at www.sec.gov. Readers of this Quarterly Report on Form 10-Q should consider the risks, uncertainties and factors outlined above and in the aforementioned Form 10-K and in this Form 10-Q in evaluating, and are cautioned not to place undue reliance on, the forward-looking statements contained herein. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by applicable law or regulation.

Item 3. 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 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 July 31, 2020 is 12 months.

The Company entered into cross-currency swaps to hedge the foreign currency exchange risk associated with Japanese yen-denominated and Euro-denominated intercompany loans. These cross-currency swaps are designated and accounted for as cash flow hedges. As of July 31, 2020, the notional amounts of cross-currency swaps accounted for as cash flow hedges and the respective maturity dates were as follows:

Cross-Currency Swap Effective Date	Maturity Date	Notional Amount (in millions)	Notional Amount (in millions)
July 2016	October 2024	¥ 10,620.0	$ 100.0
March 2017	April 2027	¥ 11,000.0	$ 96.1
May 2017	April 2027	¥ 5,634.5	$ 50.0
August 2019	August 2026	€ 21.1	$ 23.6

Precious Metal Price Risk

The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to manage the effect of volatility in precious metal prices. The Company may use a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. If the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar would expire at no cost to the Company. The maximum term of the Company's outstanding precious metal forward contracts as of July 31, 2020 is 18 months.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

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

During the second quarter of 2020, the Registrant implemented new sales audit, order management and inventory management systems for its United States retail and warehouse operations as part of its multi-year effort to upgrade and/or replace certain of its information systems. The implementation resulted in certain changes to the Registrant's processes and procedures related to sales audit, order management and inventory management, that have required the Registrant to effect certain modifications to its internal control over financial reporting. These changes to the Registrant's processes and procedures have been and will continue to be subjected to the Registrant's processes for evaluating the design and operating effectiveness of internal control over financial reporting. Other than the system implementation noted above, the Registrant's principal executive officer and principal financial officer have determined that there have been no other changes in the Registrant's internal control over financial reporting during the most recently completed fiscal quarter covered by this report identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

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

PART II. Other Information

Item 1. Legal Proceedings.

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

Costco Matter. On February 14, 2013, Tiffany and Company and Tiffany (NJ) LLC (collectively, the "Tiffany plaintiffs") initiated a lawsuit against Costco Wholesale Corp. ("Costco") for trademark infringement, false designation of origin and unfair competition, trademark dilution and trademark counterfeiting (the "Costco Litigation"). The Tiffany plaintiffs sought injunctive relief, monetary recovery and statutory damages on account of Costco's use of "Tiffany" on signs in the jewelry cases at Costco stores used to describe certain diamond engagement rings that were not manufactured by Tiffany. Costco filed a counterclaim arguing that the TIFFANY trademark was a generic term for multi-pronged ring settings and seeking to have the trademark invalidated, modified or partially canceled in that respect. On September 8, 2015, the U.S. District Court for the Southern District of New York (the "District Court") granted the Tiffany plaintiffs' motion for summary judgment of liability in its entirety, dismissing Costco's genericism counterclaim and finding that Costco was liable for trademark infringement, trademark counterfeiting and unfair competition under New York law in its use of "Tiffany" on the above-referenced signs. On September 29, 2016, a civil jury rendered its verdict, finding that Costco's profits on the sale of the infringing rings should be awarded at $5.5 million, and further finding that an award of punitive damages was warranted. On October 5, 2016, the jury awarded $8.25 million in punitive damages. The aggregate award of $13.75 million was not final at that time, as it remained subject to post-verdict motion practice and ultimately to adjustment by the District Court. On August 14, 2017, the District Court issued its ruling, finding that the Tiffany plaintiffs were entitled to recover (i) $11.1 million in respect of Costco's profits on the sale of the infringing rings (which amount was three times the amount of such profits, as determined by the District Court), (ii) prejudgment interest on such amount (calculated at the applicable statutory rate) from February 15, 2013 through August 14, 2017, (iii) an additional $8.25 million in punitive damages, and (iv) Tiffany's reasonable attorneys' fees, and, on August 24, 2017, the District Court entered judgment in the amount of $21.0 million in favor of the Tiffany plaintiffs (reflecting items (i) through (iii) above). On February 7, 2019, the District Court awarded the Tiffany plaintiffs $5.9 million in respect of the aforementioned attorneys' fees and costs, bringing the total judgment to $26.9 million. Costco had filed an appeal from the judgment before the Second Circuit Court of Appeals (the "Circuit Court"), which presided over an appellate hearing on January 23, 2020. The Circuit Court issued its ruling on August 17, 2020, finding that the District Court should have allowed the question of Costco’s liability for trademark infringement and trademark counterfeiting to be presented to a jury in the first instance, rather than decided by the District Court judge. The Circuit Court accordingly vacated the judgment of the District Court and remanded the matter for trial by jury on the issues of trademark infringement, trademark counterfeiting and punitive damages. As the judgment originally awarded by the District Court to the Tiffany plaintiffs has been vacated, the Company has not recorded any amount in its consolidated financial statements related to this matter as of July 31, 2020. The Company intends to continue to litigate this matter on remand to the District Court and expects that this matter will not ultimately be resolved until, at the earliest, a future date during the Company's fiscal year ending January 31, 2022.

Item 1A. Risk Factors

The following risk factor should be read in conjunction with the Registrant's risk factors discussed under "Item 1A. Risk Factors" in the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2020 ("10-K Annual Report") and the Registrant's Quarterly Report on Form 10-Q for the three months ended April 30, 2020 ("First Quarter 10-Q Quarterly Report"), which could materially affect its business, financial condition and results of operations. Except as presented below, there have been no material changes to the risk factors disclosed in Part I, Item 1A in the Registrant's 10-K Annual Report and in Part II, Item 1A in the Registrant's First Quarter 10-Q Quarterly Report.

(i) The COVID-19 outbreak and resulting adverse economic conditions have had a significant effect on the Company's sales results in the three and six months ended July 31, 2020, and are expected to continue to have a significant negative impact on the Company's business, revenues, cash flows and results of operations for its fiscal year ending January 31, 2021.

The Company's global operations expose it to risks associated with the COVID-19 outbreak, which has had, and is expected to continue to have, a significant negative impact on the Company, including as a result of impacts associated with preventative and protective actions that the Company, other businesses and governments are taking in response to COVID-19. These actions have led to significant restrictions on, disruptions in, and other related impacts on businesses and personal activities. In addition to travel restrictions put in place in early 2020, governments have closed borders, imposed prolonged quarantines and may continue or reinstate those measures or implement other restrictions and requirements in light of the continuing or renewed spread of COVID-19 and concern of additional waves of outbreaks. Such actions, together with changes in consumers' willingness to congregate in populated areas and lower levels of disposable income due to elevated unemployment rates, have resulted in significant business disruptions across a wide array of industries and an overall decline of the global economy. These factors, among others, have resulted in a significant decline in customer traffic, consumer confidence and local and tourist spending on discretionary items around the world.

The Company expects that these evolving restrictions and requirements will continue to have a significant negative effect on its business. Risks associated with COVID-19 include, but are not limited to, the following:

- The Company's business is particularly sensitive to reductions in discretionary consumer spending. The COVID-19 outbreak has impeded global economic activity and resulted in record levels of unemployment, lower disposable income levels and reduced discretionary spending. The Company cannot predict with certainty the degree to, or the time period over, which its business will be affected by the COVID-19 outbreak. However, ongoing or further declines in discretionary spending by local customers and tourists would continue to have significant effects on the Company's business, revenues, cash flows and results of operations. Further, while the Company intends to continue to execute on its strategic plans and operational initiatives during the COVID-19 outbreak, its ability to do so successfully will be impacted by these uncertainties. The aforementioned uncertainties will likely result in delays or modifications to these plans and initiatives.

- Social distancing measures and general consumer behaviors due to COVID-19 may continue to impact store traffic, which may have a continuing or further negative impact on the Company's business. The Company could also be negatively impacted by the resumption of protests in the U.S., which impacted the Company's operations in the early part of the second quarter of 2020. Declines in traffic beyond the Company's current expectations could result in additional impairment charges if expected future cash flows of the related asset group do not exceed the carrying value. In addition, any belief by the Company's customers or employees that they have contracted COVID-19 in one of its stores, or that the Company has not taken appropriate precautionary measures to prevent the spread of the virus therein, could result in reputational damage and costly and time-consuming legal disputes. See "Part I - Financial Information. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Novel Coronavirus" for additional information.

- The Company faces increased operational challenges as it continues to take measures to support and protect employee health and safety, including through office closures and the implementation of work from home policies. For example, remote working arrangements heighten the Company's risks associated with its information systems, including the risk of a cybersecurity incident and telecommunication failures, both for information systems that the Company controls directly and for those that its employees and third-party

vendors rely on to work remotely. These risks are heightened due to COVID-19 as cybercriminals attempt to profit from the disruptions caused by the uncertain environment. Any failure to prevent or mitigate the aforementioned risks can have an adverse effect on the Company's business and damage its reputation.

- The COVID-19 outbreak has also impacted, and is expected to continue to impact, the operation of the Company's manufacturing and servicing facilities and distribution centers, as well as those of its third party vendors, including through the effects of facility closures, reductions in operating hours, staggered shifts and other social distancing efforts, labor shortages, decreased productivity and unavailability of raw materials or components. COVID-19 may also impact third-party distribution and logistics providers' ability to operate or increase their operating costs. These supply chain effects may negatively affect the Company's ability to meet consumer demand and may increase the Company's costs of production and distribution.

- As described above under "Part I - Financial Information. Item 1. Financial Statements - Note 8. Debt", the Company has also taken steps to further strengthen its financial position and balance sheet, and to maintain flexibility with respect to its liquidity sources and provide additional financial maintenance covenant headroom in light of the uncertainty in the global markets resulting from the COVID-19 outbreak. However, if economic conditions caused by COVID-19 worsen and the Company's revenues and operating cash flows do not recover as quickly as currently estimated by management, this could impact the Company's ability to maintain compliance with its amended financial covenants and require the Company to seek additional amendments to its debt instruments. If the Company is not able to obtain such necessary additional amendments, this could lead to restrictions on the Company's ability to borrow and/or, if sufficient borrowings are not repaid, could also lead to an event of default. If not cured timely, creditors could require the Company to repay its outstanding debt if an event of default occurred. The continued disruption of global financial markets due to COVID-19 could also negatively impact the Company's ability to access the debt or capital markets for any replacement or additional indebtedness, if such indebtedness was necessary to support the Company's liquidity needs in the future.

- While the Company is making significant efforts to review and carefully manage its operating expenses, including, but not limited to, negotiations with landlords for rent concessions, the Company may not be successful in these endeavors and may be subject to continued expenses.

Any of the impacts discussed above could have a significant negative impact on the Company's business, revenues, cash flows and results of operations. To the extent that COVID-19 continues to negatively impact the Company's business, revenues, cash flows or results of operations, it may also heighten other risks described in the "Risk Factors" section in the 10-K Annual Report.

The extent to which the COVID-19 outbreak will continue to impact the Company's business operations, cash flows, and results of operations will depend on numerous factors that the Company may not be able to accurately predict or assess due to their dynamic and evolving nature, including the duration and scope of the COVID-19 outbreak (including whether there are additional waves caused by additional periods of increases or spikes in the number of COVID-19 cases); the possibility of future mutations or outbreaks of related strains of the virus in areas in which we operate; whether a vaccine or cure that mitigates the effect of the virus will be synthesized, and, if so, when such vaccine or cure will be ready to be used; the extent of the protective and preventative measures that have been or will be put in place by both governmental entities and other businesses; whether the virus's impact will be seasonal; the extent of the negative impact the outbreak has on global and regional economies and economic activity, including the duration and magnitude of its impact on consumer discretionary spending and levels of consumer confidence; and how quickly economies recover after the COVID-19 outbreak subsides. Accordingly, management cannot predict with certainty for how long and to what extent the COVID-19 outbreak will impact its business, revenues, cash flows and results of operations or the global economy as a whole; however, such impact could be significantly negative.

Item 6. Exhibits

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

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Tiffany & Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2020, filed with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Earnings; (iii) the Condensed Consolidated Statements of Comprehensive Earnings; (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements 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: August 27, 2020

TIFFANY & CO.
(Registrant)

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

Exhibit 31.1

CERTIFICATION

I, Alessandro Bogliolo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tiffany & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 27, 2020

/s/ Alessandro Bogliolo

Chief Executive Officer

(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Mark J. Erceg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tiffany & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 27, 2020

/s/ Mark J. Erceg
Executive Vice President
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Tiffany & Co. (the “Company”) on Form 10-Q for the period ended July 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alessandro Bogliolo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 27, 2020

/s/ Alessandro Bogliolo
Chief Executive Officer
(principal executive officer)

Exhibit 32.2

CERTIFICATION

Pursuant to 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Tiffany & Co. (the “Company”) on Form 10-Q for the period ended July 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark J. Erceg, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 27, 2020

/s/ Mark J. Erceg
Executive Vice President
Chief Financial Officer
(principal financial officer)