TJX COMPANIES INC /DE/
Form 10-K
April 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended February 2, 2013

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 1-4908

The TJX Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	04-2207613
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
770 Cochituate Road	
Framingham, Massachusetts	01701
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (508) 390-1000

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [x] NO [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [x]

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

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

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

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

Large Accelerated Filer [x]   Accelerated Filer [ ]   Non-Accelerated Filer [ ]   Smaller Reporting Company [ ]
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES [ ] NO [x]

The aggregate market value of the voting common stock held by non-affiliates of the registrant on July 28, 2012 was $32,702,582,804 based on the closing sale price as reported on the New York Stock Exchange.

There were 723,902,001 shares of the registrant s common stock, $1.00 par value, outstanding as of February 2, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held on June 11, 2013 (Part III).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K and our 2012 Annual Report to Shareholders contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including some of the statements in this Form 10-K under Item 1, Business, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data, and in our 2012 Annual Report to Shareholders under our letter to shareholders and our performance graphs. Forward-looking statements are inherently subject to risks, uncertainties and potentially inaccurate assumptions. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have generally identified such statements by using words indicative of the future such as anticipate, believe, could, estimate, expect, forecast, intend, looking forwa plan, potential, project, should, target, will and would or any variations of these words or other words with similar meanings. All state address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. These forward-looking statements may relate to such matters as our future actions, future performance or results of current and anticipated sales, expenses, interest rates, foreign exchange rates and results and the outcome of contingencies such as legal proceedings.

We cannot guarantee that the results and other expectations expressed, anticipated or implied in any forward-looking statement will be realized. The risks set forth under Item 1A of this Form 10-K describe major risks to our business. A variety of factors including these risks could cause our actual results and other expectations to differ materially from the anticipated results or other expectations expressed, anticipated or implied in our forward-looking statements. Should known or unknown risks materialize, or should our underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected in the forward-looking statements. You should bear this in mind as you consider forward-looking statements.

Our forward-looking statements speak only as of the dates on which they are made, and we do not undertake any obligation to update any forward-looking statement, whether to reflect new information, future events or otherwise. You are advised, however, to consult any further disclosures we may make in our future reports to the Securities and Exchange Commission (SEC), on our website, or otherwise.

PART I

ITEM 1. Business

BUSINESS OVERVIEW

The TJX Companies, Inc. (TJX) is the leading off-price apparel and home fashions retailer in the United States and worldwide. Our over 3,000 stores offer a rapidly changing assortment of quality, fashionable, brand-name and designer merchandise at prices generally 20% to 60% below department and specialty store regular prices, every day.

Our stores are known for our value proposition of brand, fashion, quality and price and offer a treasure hunt shopping experience through the rapid turn of inventories relative to traditional retailers. Our goal is to create a sense of excitement and urgency for our customers and encourage frequent customer visits. We reach a broad range of customers across many income levels and other demographic groups with our value proposition. Our strategies and operating platforms are synergistic across all of our retail chains. As a result, we are able to leverage our expertise throughout our business, sharing information, best practices, initiatives and new ideas, and developing talent across our Company. We also leverage the substantial buying power of our businesses in our global relationships with vendors.

Our Businesses. We operate our business in four major divisions: Marmaxx and HomeGoods, both in the U.S., TJX Canada and TJX Europe.

MARMAXX:

Our T.J. Maxx and Marshalls chains in the United States (referred to together as The Marmaxx Group or Marmaxx) are collectively the largest off-price retailer in the United States with a total of 1,940 stores. We founded T.J. Maxx in 1976 and acquired Marshalls in 1995. Both chains sell family apparel (including footwear and accessories), home fashions (including home basics, accent furniture, lamps, rugs, wall décor, decorative accessories and giftware) and other merchandise. We primarily differentiate T.J. Maxx and Marshalls through different product assortment (including an expanded assortment of fine jewelry and accessories and a designer section called The Runway at T.J. Maxx and a full line of footwear, a broader men s offering and a juniors department called The Cube at Marshalls) and in-store initiatives. This differentiated shopping experience at T.J. Maxx and Marshalls encourages our customers to shop both chains. We intend to launch, in a small, controlled mode, a T.J. Maxx website in fiscal 2014.

HOMEGOODS:

Our HomeGoods chain, introduced in 1992, is the leading off-price retailer of home fashions in the U.S. Through its 415 stores, HomeGoods offers a broad array of home basics, giftware, accent furniture, lamps, rugs, wall décor, decorative accessories from around the world, seasonal and other merchandise.

TJX CANADA:

Our TJX Canada division operates the Winners, Marshalls and HomeSense chains in Canada. Acquired in 1990, Winners is the leading off-price apparel and home fashions retailer in Canada. The merchandise offering at its 222 stores across Canada is comparable to T.J. Maxx. We opened our HomeSense chain in 2001, bringing the home fashions off-price concept to Canada. HomeSense has 88 stores with a merchandise mix of home fashions similar to HomeGoods. We brought Marshalls to Canada in fiscal 2012 and operate 14 Marshalls stores in Canada. Like Marshalls in the U.S., our Canadian Marshalls stores offer an expanded footwear department and The Cube juniors department, differentiating them from Winners stores.

TJX EUROPE:

Our TJX Europe division operates the T.K. Maxx and HomeSense chains in Europe. Launched in 1994, T.K. Maxx introduced off-price to Europe and remains Europe s only major off-price retailer of apparel and home fashions. With 343 stores, T.K. Maxx operates in the U.K., Ireland, Germany and Poland. Through its stores and, for the U.K, an online website, T.K. Maxx offers a merchandise mix similar to T.J. Maxx, Marshalls and Winners. We brought the off-price home fashions concept to Europe, opening HomeSense in the U.K. in 2008. Its 24 stores in the U.K. offer a merchandise mix of home fashions similar to that of HomeGoods in the U.S. and HomeSense in Canada.

In December 2012, we acquired Sierra Trading Post, an off-price on-line retailer of apparel and home fashions, which we are maintaining as a separate banner.

Flexible Business Model. Our flexible off-price business model, including our opportunistic buying, inventory management, logistics and store layouts, is designed to deliver our customers a compelling value proposition of fashionable quality brand-name and designer merchandise at excellent values. Our buying and inventory management strategies give us flexibility to adjust our merchandise assortments more frequently than traditional retailers, and the design and operation of our stores and distribution centers support this flexibility. Our merchants have more visibility into consumer, fashion and market trends and pricing when we buy closer to need, which can help us buy smarter and reduce our markdown exposure. Our selling floor space is flexible, without walls between departments and largely free of permanent fixtures, so we can easily expand and contract departments to accommodate the merchandise we purchase. Our logistics and distribution operations are designed to support our buying strategies and to facilitate quick, efficient and differentiated delivery of merchandise to our stores, with a goal of getting the right merchandise to the right stores at the right times.

Opportunistic Buying. As an off-price retailer, our buying practices, which we refer to as opportunistic buying, differentiate us from traditional retailers. Our overall opportunistic buying strategy is to acquire merchandise on an ongoing basis that will enable us to offer a desirable and rapidly changing mix of branded, designer and other quality merchandise in our stores at prices below regular prices for comparable merchandise at department and specialty stores. We seek out and select from the broad range of opportunities in the marketplace to achieve this end. Our buying organization, which numbers over 800 individuals in 13 buying offices in ten countries, executes this opportunistic buying strategy in a variety of ways, depending on market conditions and other factors.

We take advantage of opportunities to acquire merchandise at substantial discounts that regularly arise from the production and flow of inventory in the apparel and home fashions marketplace, which include, among others, order cancellations, manufacturer overruns, closeouts and special production. Our buying strategies are intentionally flexible to allow us to react to frequently changing opportunities and trends in the market and to adjust how and what we source as well as when we source it. Our goal is to operate with lean inventory levels compared to conventional retailers to give us the flexibility to seek out and to take advantage of these opportunities as they arise. In contrast to traditional retailers, which typically order goods far in advance of the time the product appears on the selling floor, our merchants are in the marketplace frequently looking for opportunities to buy merchandise. We buy much of our merchandise for the current or immediately upcoming selling season. We also buy some merchandise, which we refer to as packaway, with the intention of storing it for sale in future selling seasons. We generally make these packaway purchases in response to opportunities in the marketplace to buy merchandise that we believe has the right combination of brand, fashion, quality and price to supplement the product we expect to be available to purchase later for those future seasons. We also develop some merchandise, which we refer to as private label, that is produced for us under in-house and licensed brands. We generally acquire this type of merchandise to supplement the depth of or fill gaps in our expected merchandise assortment.

Our expansive vendor universe is in excess of 16,000, consists primarily of manufacturers along with retailers and others, and provides us substantial and diversified access to merchandise. We have not experienced difficulty in obtaining sufficient quality merchandise for our business in either favorable or difficult retail environments and expect this will continue as we continue to grow. We believe a number of factors make us an attractive outlet for the vendor community and provide us excellent access on an ongoing basis to leading branded merchandise. We are typically willing to purchase less-than-full assortments of items, styles and sizes as well as quantities ranging from small to very large; we are able to disperse merchandise across our geographically diverse network of stores and to target specific markets; we pay promptly; and we generally do not ask for typical retail concessions (such as advertising, promotional and markdown allowances), delivery concessions (such as drop shipments to stores or delayed deliveries) or return privileges. We provide vendors an outlet with financial strength and an excellent credit rating.

Inventory Management. We offer our customers a rapidly changing selection of merchandise to create a treasure hunt experience in our stores and spur customer visits. To achieve this, we seek to turn the inventory in our stores rapidly, regularly offering fresh selections of apparel and home fashions at excellent values. Our specialized inventory planning, purchasing, monitoring and markdown systems, coupled with distribution center storage, processing, handling and shipping systems, enable us to tailor the merchandise in our stores to local preferences and demographics, achieve rapid in-store inventory turnover on a vast array of products and generally sell within the period we planned. We make pricing and markdown decisions and store inventory replenishment determinations centrally, using information provided by specialized computer systems designed to move inventory through our stores in a timely and disciplined manner. Over the past several years, we have been investing in our supply chain with the goal of continuing to operate with low inventory levels, to ship more efficiently and quickly and to more precisely and effectively allocate merchandise to each store.

Pricing. Our mission is to offer quality, fashionable, brand-name and designer merchandise in our stores with retail prices that are generally 20% to 60% below department and specialty store regular retail prices, every day. We do not generally engage in promotional pricing activity such as sales or coupons. We have generally been able to react to price fluctuations in the wholesale market to maintain our pricing gap relative to prices offered by traditional retailers as well as our merchandise margins through various economic cycles.

Low Cost Operations. We operate with a low cost structure compared to many traditional retailers. We focus aggressively on expenses throughout our business. Our advertising is generally focused on our banners rather than individual products, including at times promoting all banners in each division together, which contributes to our advertising budget as a percentage of sales remaining low compared to many traditional retailers. We design our stores to provide a pleasant, convenient shopping environment but, relative to other retailers, do not spend heavily on store fixtures. Additionally, our distribution network is designed to run cost effectively.

Customer Service/Shopping Experience. We are in the process of renovating and upgrading stores across our banners to enhance our customers shopping experience and help drive sales. Although we offer a self-service format, we train our store associates to provide friendly and helpful customer service and seek to staff our stores to deliver a positive shopping experience. We typically offer customer-friendly return policies. We accept a variety of payment methods including cash, credit cards and debit cards, and offer TJX-branded credit cards in the U.S. through a bank, but do not own the customer receivables.

Distribution. We operate distribution centers encompassing approximately 11 million square feet in five countries. These centers are large, highly automated and built to suit our specific, off-price business model. We ship substantially all of our merchandise to our stores through these distribution centers as well as warehouses and shipping centers operated by third parties. We shipped approximately 2.0 billion units to our stores during fiscal 2013.

Store Growth. Expansion of our business through the addition of new stores continues to be an important part of our growth strategy. The following table provides information on the store growth of our four divisions in the last two fiscal years, our growth estimates for fiscal 2014 and our estimates of the store growth potential of the current chains in these divisions in their current geographies:

	Approximate Average Store Size (square feet)	Number of Stores at Year End Fiscal 2012	Fiscal 2013	Fiscal 2014 (estimated)	Estimated Store Growth Potential
Marmaxx					
T.J. Maxx	29,000	983	1,036		
Marshalls	31,000	884	904		
		1,867	1,940	2,015	2,400-2,600
HomeGoods	25,000	374	415	445	750-825
TJX Canada					
Winners	29,000	216	222		240
HomeSense	24,000	86	88		90
Marshalls	32,000	6	14		90-100
		308	324	344	420-430
TJX Europe					
T.K. Maxx	32,000	332	343		650-725 (1)
HomeSense	21,000	24	24		100-150 (2)
		356	367	392	750-875
TJX Total		2,905	3,050 (3)	3,200 (3)	4,320-4,730

(1) Includes U.K., Ireland, Germany and Poland only
(2) Includes U.K. and Ireland only
(3) Included in the fiscal 2013 and estimated fiscal 2014 TJX Total are four Sierra Trading Post stores.

Some of our HomeGoods and Canadian HomeSense stores are co-located with one of our apparel stores in a superstore format. We count each of the stores in the superstore format as a separate store.

Revenue Information. The percentages of our consolidated revenues by geography for the last three fiscal years are as follows:

	Fiscal 2011	Fiscal 2012	**Fiscal 2013**
United States			
Northeast	26%	24%	**24%**
Midwest	14	13	**13**
South (including Puerto Rico)	24	25	**25**
West	13	14	**14**
	77%	76%	**76%**
Canada	12%	12%	**11%**
Europe	11%	12%	**13%**
Total	100%	100%	**100%**

The percentages of our consolidated revenues by major product category for the last three fiscal years are as follows:

	Fiscal 2011	Fiscal 2012	**Fiscal 2013**
Clothing including footwear	61%	60%	**59%**
Home fashions	26%	27%	**28%**
Jewelry and accessories	13%	13%	**13%**
Total	100%	100%	**100%**

A.J. Wright Consolidation. In the first quarter of fiscal 2012, we completed the consolidation of A.J. Wright, our former off-price chain targeting lower middle income customers, converting 90 of the A.J. Wright stores to

T.J. Maxx, Marshalls or HomeGoods banners and closing A.J.Wright s remaining 72 stores, two distribution centers and home office. We continue to serve the customer demographic previously targeted by A.J. Wright through our other U.S. banners.

Segment Overview. We operate four main business segments: Marmaxx, HomeGoods, TJX Canada and TJX Europe. Marmaxx operates our T.J. Maxx and Marshalls chains in the United States. HomeGoods operates our HomeGoods chain in the U.S. TJX Canada operates our Winners, HomeSense and Marshalls chains in Canada. TJX Europe operates our T.K. Maxx and HomeSense chains in Europe. A.J. Wright ceased to be a segment following its consolidation. Sierra Trading Post is reported as part of the Marmaxx segment. Each of our segments has its own management, administrative, buying and merchandising organization and distribution network. More detailed information about our segments, including financial information for each of the last three fiscal years, can be found in Note G to the consolidated financial statements.

Store Locations. Our major chains operated stores in the following locations at the end of fiscal 2013:

United States:

	T.J. Maxx	Marshalls	HomeGoods
Alabama	20	4	3
Arizona	11	14	9
Arkansas	10	1	2
California	98	126	45
Colorado	15	7	5
Connecticut	26	24	11
Delaware	3	3	2
District of Columbia	3	1	
Florida	73	79	39
Georgia	45	30	12
Hawaii	3		
Idaho	6	1	1
Illinois	44	45	21
Indiana	21	11	4
Iowa	8	2	
Kansas	6	4	1
Kentucky	14	4	4
Louisiana	10	10	
Maine	9	4	3
Maryland	16	27	10
Massachusetts	52	53	25
Michigan	38	22	12
Minnesota	12	12	9
Mississippi	10	3	1
Missouri	16	13	8
Montana	4		
Nebraska	4	2	1
Nevada	8	8	4
New Hampshire	14	9	6
New Jersey	33	45	25
New Mexico	3	3	1
New York	63	71	35
North Carolina	33	21	13
North Dakota	3		
Ohio	42	24	10
Oklahoma	6	5	
Oregon	9	6	3
Pennsylvania	43	35	18
Puerto Rico	7	19	6
Rhode Island	6	6	4
South Carolina	20	10	5
South Dakota	2		
Tennessee	25	14	8
Texas	51	73	26
Utah	10	2	4
Vermont	5	1	1
Virginia	32	27	11
Washington	17	13	2
West Virginia	6	3	1
Wisconsin	20	7	4
Wyoming	1		
Total Stores	1,036	904	415

Store counts above include the T.J. Maxx, Marshalls or HomeGoods portion of a superstore. Additionally, TJX operates four Sierra Trading Post stores, 1 in Idaho, 1 in Nevada and 2 in Wyoming.

Canada:

	Winners	HomeSense	Marshalls
Alberta	28	10	
British Columbia	29	16	
Manitoba	6	1	
New Brunswick	3	2	
Newfoundland	2	1	
Nova Scotia	8	2	
Ontario	101	41	14
Prince Edward Island	1		
Quebec	40	13	
Saskatchewan	4	2	
Total Stores	222	88	14

Store counts above include the Winners or HomeSense portion of a superstore.

Europe:

	T.K. Maxx	HomeSense
United Kingdom	252	24
Republic of Ireland	16	
Germany	57	
Poland	18	
Total Stores	343	24

Competition. The retail apparel and home fashion business is highly competitive. We compete on the basis of factors including merchandise fashion, quality, brand-name, price, selection and freshness; in-store service and shopping experience; reputation and store location. We compete with local, regional, national and international department, specialty, off-price, discount, warehouse and outlet stores as well as other retailers that sell apparel, home fashions and other merchandise that we sell, whether in stores, through catalogues, on-line or other media.

Employees. At February 2, 2013, we had approximately 179,000 employees, many of whom work less than 40 hours per week. In addition, we hire temporary employees, particularly during the peak back-to-school and holiday seasons.

Trademarks. We have the right to use our principal trademarks and service marks, which are T.J. Maxx, Marshalls, HomeGoods, Winners, HomeSense, T.K. Maxx and Sierra Trading Post, in relevant countries. Our rights in these trademarks and service marks endure for as long as they are used.

Seasonality. Our business is subject to seasonal influences. In the second half of the year, which includes the back-to-school and year-end holiday seasons, we generally realize higher levels of sales and income.

SEC Filings and Certifications. Copies of our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q and current reports on Form 8-K filed with or furnished to the SEC, and any amendments to those documents, are available free of charge on our website, www.tjx.com, under SEC Filings, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. They are also available free of charge from TJX Global Communications, 770 Cochituate Road, Framingham, Massachusetts 01701. The public can read and copy materials at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549 and obtain information on the operation of the reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website containing all reports, proxies, information statements, and all other information regarding issuers that file electronically (http://www.sec.gov).

Information appearing on www.tjx.com is not a part of, and is not incorporated by reference in, this Form 10-K.

Fiscal 2011 means the fiscal year ended January 29, 2011, fiscal 2012 means the fiscal year ended January 28, 2012, fiscal 2013 means the fiscal year ended February 2, 2013 and fiscal 2014 means the fiscal year ending February 1, 2014. Unless otherwise indicated, all store information in this Item 1 is as of February 2, 2013, and references to store square footage are to gross square feet. Unless otherwise stated or the context otherwise requires, references in this Form 10-K to TJX and we, refer to The TJX Companies, Inc. and its subsidiaries.

ITEM 1A. Risk Factors

The statements in this section describe the major risks to our business and should be considered carefully, in connection with all of the other information set forth in this annual report on Form 10-K. The risks that follow, individually or in the aggregate, are those that we think could cause our actual results to differ materially from those stated or implied in forward-looking statements.

Failure to execute our opportunistic buying strategy and inventory management could adversely affect our business.

While our opportunistic buying strategy and our goals of operating with lean inventory levels and frequent inventory turns are key elements of our off-price business, they subject us to risks related to the pricing, quantity, nature and timing of inventory flowing to our stores. Our merchants are in the marketplace frequently, as much of our merchandise is purchased for the current or immediately upcoming season. Our opportunistic buying places considerable discretion in our merchants. They react to frequently changing opportunities and trends in the market, assess the desirability and value of merchandise and generally make determinations of how and what we source as well as when we source it. If we do not obtain the right fresh, desirable merchandise at the right times, quantities and prices, it could adversely affect traffic to our stores as well as our sales and margins.

We base our purchases of inventory, in part, on our sales forecasts. If our sales forecasts do not match customer demand, we may experience higher inventory levels and need to take markdowns on excess or slow-moving inventory, leading to decreased profit margins, or we may have insufficient inventory to meet customer demand, leading to lost sales, either of which could adversely affect our financial performance.

If we are unable to generally purchase inventory at prices sufficiently below prices paid by conventional retailers to allow us to maintain our overall pricing differential to regular department and specialty stores, our ability to attract customers and sustain our margins may be adversely affected. We may not achieve this at various times or in some divisions or geographies, which could adversely affect our results or those of one of our segments.

We must also properly execute our inventory management strategy of delivering the right product to the right stores at the right time. We need to appropriately allocate merchandise among our stores, timely and efficiently distribute inventory to stores, maintain an appropriate mix and level of inventory in each store, appropriately change the allocation of floor space of stores among product categories to respond to customer demand and effectively manage pricing and markdowns. There is no assurance we will be able to do so.

In addition to our own execution, we may need to react to factors affecting inventory flow that are outside our control, such as extreme weather and natural disasters or other changes in conditions affecting our vendors and others in our supply chain, such as political instability, labor issues, including strikes or threats of strikes, or increasing cost of regulations. If we are not able to adjust appropriately to such factors, our merchandise distribution may be affected. Failure to execute our opportunistic inventory buying and inventory management well could adversely affect our performance and our relationship with our customers.

Failure to continue to expand our operations successfully or to manage our substantial size and scale effectively could adversely affect our financial results.

Our revenue growth is dependent, among other things, on our ability to continue to expand through successfully opening new stores. Successful store growth requires us to lease appropriate real estate on attractive terms in each of the locations where we seek to open stores. Our ability to do so depends, among other things, on availability and selection of appropriate sites in appropriate geographies; competition for sites; factors affecting costs such as real estate, construction and development costs, as well as costs and availability of capital; and variations in or changes to zoning or other land use regulations. If we cannot lease appropriate sites on attractive terms, it could limit our ability to successfully grow in various markets or adversely affect the economics of new stores in various markets. Further, we may encounter difficulties in attracting customers when we enter new markets for a variety of reasons, including customers lack of familiarity with our brands or our lack of familiarity with local customer preferences or cultural differences. New stores may not achieve the same sales or profit levels as our existing stores, and new and existing stores in a market may adversely affect each other s sales and profitability.

Further, our substantial size imposes demands on maintaining appropriate internal resources and third party providers to support our business effectively and expansion places increased demands on management and the administrative, merchandising, store operations, distribution, compliance and other organizations in our businesses, and we may not efficiently manage our business or successfully manage our growth. In addition, under our business model, some aspects of the businesses and operations of our chains in the U.S., Canada and Europe are conducted with relative autonomy. The large size and scale of our operations, our multiple chains in the U.S., Canada and Europe and the autonomy afforded to the chains increase the risk that our systems and practices will not be implemented appropriately throughout our company and that information may not be appropriately shared across our operations, which risks may increase as we continue to grow, particularly in different countries. If business information is not shared effectively, or if we are otherwise unable to manage our growth effectively, we may operate with decreased operational efficiency, may need to reduce our rate of expansion of one or more operations or otherwise curtail growth in one or more markets, which may adversely affect our success in executing our business goals and adversely impact our sales and results.

Failure to identify customer trends and preferences to meet customer demand could negatively impact our performance.

Because our success depends on our ability to meet customer demand, we work to follow customer trends and preferences on an ongoing basis and to offer inventory that meets those trends and preferences. However, identifying consumer trends and preferences and successfully meeting customer demand across our diverse merchandise categories and in the many markets in the United States, Canada and Europe in which we do business on a timely basis is challenging. Although our business model allows us greater flexibility than many traditional retailers to meet consumer preferences and trends and to expand and contract merchandise categories in response to consumers changing tastes, we may not successfully do so, which could adversely affect our results.

Our future performance is dependent upon our ability to continue to expand within our existing markets and to extend our off-price model in new product lines, and geographic regions and businesses.

Our growth strategy is to continue to successfully expand the number of stores in our existing markets, to continue to successfully expand our existing chains to new markets and geographies and, as appropriate, to successfully develop or acquire new businesses, including our planned expansion into e-commerce, all of which entail significant risk. There are significant risks associated with both our ability to continue to successfully extend our current business and to enter new businesses, including managing the implementation of this growth effectively. If any aspect of our expansion strategy does not achieve the success we expect in whole or in part, we may be required to increase our investment, slow our planned growth or close stores or operations and our growth and financial performance could be adversely affected.

If we fail to successfully implement our marketing, advertising and promotional programs, or if our competitors are more effective with their programs than we are, our revenue may be adversely affected.

Although we use marketing, advertising and promotional programs to attract customers to our stores through various media including television, social media, database marketing, print and direct marketing, some of our competitors expend more for their programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Our marketing, advertising and promotional programs may not be effective or could require increased expenditures, which could have a material adverse effect on our revenue and results of operations. We may need to adjust our marketing, advertising and promotional programs effectively as internet-based and other digital or mobile communication channels rapidly evolve, and there is no assurance that we will successfully do so.

We operate in highly competitive markets, and we may not be able to compete effectively.

The retail apparel and home fashion business is highly competitive. We compete with local, regional, national and international retailers that sell apparel, home fashions and other merchandise we sell, including in stores, through catalogues or other media or over the internet. Some of our competitors are larger than we are or have more experience in selling certain product lines than we do. New competitors frequently enter the market, and existing competitors enter or increase their presence in the markets in which we operate, expand their merchandise offerings or change their pricing methods, all of which increase competition for customers. We compete on the basis of fashion, quality, price, value, merchandise selection and freshness, brand-name recognition, service, reputation and store location. Our competitiveness is highly dependent on our effective execution of our off-price model of offering the customer a fresh, rapidly changing and attractive mix of merchandise delivering value. The demand for our merchandise is also influenced by our advertising, marketing and promotional activities, the name recognition and reputation of our chains and the location of and service offered in our stores. If we fail to compete effectively, our sales and results of operations could be adversely affected.

Failure to attract, train and retain quality associates in appropriate numbers, including management, buying, sales, distribution center and other personnel, and increased costs from our existing or expanding labor force, could adversely affect our performance.

Our performance depends on recruiting, developing, training and retaining quality sales, systems, distribution center and other associates in large numbers as well as experienced buying and management personnel.

Many of our associates are in entry level or part-time positions with historically high rates of turnover. Availability and skill of associates may differ across markets in which we do business and in new markets we enter, and our ability to meet our labor needs while controlling labor costs, including costs of retirement, health and other employee benefits, is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, changing demographics, economic conditions, health care legislation, health and other insurance costs and governmental labor and employment and employee benefits requirements. The nature of the workforce in the retail industry also subjects us to the risk of immigration law violations, which risk has increased in recent years. Certain associates in our distribution centers are members of unions and therefore subject us to the risk of labor actions of various kinds as well as risks and potential expenses associated with multiemployer plans, including from potential withdrawal liability and potential insolvency of other participating employers, and other associates are members of works councils, which may subject us to additional actions or expense. In addition, any failure of third-parties that perform services on our behalf to comply with immigration, employment or other laws could damage our reputation or disrupt our ability to obtain needed labor. In the event of increasing wage rates in a market, failure to increase our wages competitively could result in a decline in the quality of our workforce, causing our customer service to suffer, while increasing our wages could cause our earnings to decrease.

Because of the distinctive nature of our off-price model, we must provide significant internal training and development for key associates, including within our buying organization. Similar to other retailers, we face challenges in securing and retaining sufficient talent in management and other key areas for many reasons, including competition in the retail industry generally and for talent in various geographic markets. If we do not continue to attract qualified individuals, train them in our business model, support their development and retain them, our performance could be adversely affected or our growth could be limited.

Global economic conditions may adversely affect our financial performance.

During the economic recession, global financial markets experienced extreme volatility, disruption and credit contraction, which adversely affected global economic conditions. Renewed financial turmoil in the financial and credit markets or other changes in economic conditions could adversely affect sources of liquidity available to us or our costs of capital and could adversely affect plan asset values and investment performance, increasing our pension liabilities, expenses and funding requirements with respect to company-sponsored and multiemployer pension plans. Economic conditions, both on a global level and in particular markets, including unemployment, decreased disposable income and actual and perceived wealth, energy and health care costs, interest and tax rates and policies, weakness in the housing market, volatility in capital markets, decreased credit availability, inflation and deflation, as well as political or other factors beyond our control such as threats or possibilities of war, terrorism, global or national unrest, actual or threatened epidemics, and political instability also have significant effects on consumer confidence and spending. Consumer spending, in turn, affects retail sales. These conditions and factors could adversely affect discretionary consumer spending and, although we believe our flexible off-price model helps us respond, they may adversely affect our sales, cash flows and results of operations and performance.

Compromises of our data security could materially harm our reputation and business.

In the ordinary course of our business, we collect and store certain personal information from individuals, such as our customers and associates, and we process customer payment card and check information.

We suffered an unauthorized intrusion or intrusions (such intrusion or intrusions, collectively, the Computer Intrusion) into portions of our computer system that process and store information related to customer transactions, discovered late in 2006, in which we believe customer data were stolen. We have taken steps designed to further strengthen the security of our computer system and protocols and have instituted an ongoing program with respect to data security, consistent with a consent order with the Federal Trade Commission, to assess the ongoing effectiveness of our information security program and to maintain and enhance our program as appropriate. Nevertheless, there can be no assurance that we will not suffer a future data compromise, that unauthorized parties will not gain access to personal information, or that any such data compromise or access will be discovered in a timely way.

We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential information. Further, the systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are determined and controlled by the payment card industry, not by us. This is also true for check information and approval. Computer hackers may attempt to penetrate our computer system and, if successful, misappropriate personal information, payment card or check information or confidential business information of our company. In addition, our associates, contractors or third parties with whom we do business or to whom we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. Advances in computer and software capabilities and encryption technology, new tools and other developments may increase the risk of such a breach.

Compromise of our data security or of third parties with whom we do business, failure to prevent or mitigate the loss of personal or business information and delays in detecting any such compromise or loss could disrupt our operations, damage our reputation and customers willingness to shop in our stores, violate applicable laws, regulations, orders and agreements, and subject us to additional costs and liabilities which could be material.

Failure to operate information systems and implement new technologies effectively could disrupt our business or reduce our sales or profitability.

We rely extensively on various information systems, data centers and software applications to manage many aspects of our business, including to process and record transactions in our stores, to enable effective communication systems, to plan and track inventory flow, to manage logistics and to generate performance and financial reports. We are dependent on the integrity, security and consistent operations of these systems and related back-up systems. Our computer systems and the third party systems we rely on are subject to damage or interruption from power outages; computer and telecommunications failures; computer viruses; security breaches; cyber-attacks; catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes; acts of war or terrorism and usage errors by our associates or contractors. Although we seek to maintain our systems effectively and to successfully address the risk of compromises of the integrity, security and consistent operations of our systems, we may not be successful in doing so. Compromises, interruptions or shutdowns of our systems, including those managed by third parties, could lead to delays in our business operations and, if significant or extreme, affect our results of operations.

We modify, update, and replace our systems and infrastructure from time to time, including adding new data centers, replacing or updating legacy programs, converting to global systems, integrating new service providers, such as for cloud computing technologies, adding additional functionality, such as for the development of our e-commerce business, and adding new systems when we acquire new businesses. We also modify and change our procedures for, and add and change vendors who assist us with, designing, implementing and maintaining our systems and infrastructure. Although we believe we are diligent in selecting systems, vendors and procedures to enable us to maintain the integrity of our systems and infrastructure when we modify them, there are inherent risks associated with managing and changing systems, infrastructure and relationships and with acquisitions, including accurately capturing and maintaining data, realizing the expected benefit of the change and potentially disrupting the operation of the systems as the changes are implemented. Additionally, potential issues associated with implementing technology initiatives and the time and resources required to optimize the benefits of new systems could reduce the efficiency of our operations in the short term.

The efficient operation and successful growth of our business depends upon these information systems, including our ability to operate and maintain them effectively and to select and implement appropriate new technologies, systems, controls, data centers and adequate disaster recovery systems successfully. The failure of our information systems and the third party systems we rely on to perform as designed, or our failure to implement and operate them effectively, could disrupt our business or subject us to liability and thereby harm our profitability.

As our business is subject to seasonal influences, a decrease in sales or margins during the second half of the year could have a disproportionately adverse affect on our operating results.

Our business is subject to seasonal influences; we generally realize higher levels of sales and income in the second half of the year, which includes the back-to-school and year-end holiday seasons. Any decrease in sales or margins during this period could have a disproportionately adverse effect on our results of operations.

Adverse or unseasonable weather in the markets in which our stores operate or our distribution centers are located could adversely affect our operating results.

Both adverse and unseasonable weather, such as storms, severe cold or heat or unseasonable temperatures, affect customers buying patterns and willingness to shop certain categories or at all, and accordingly, can adversely affect the demand for the merchandise in our stores, particularly in apparel and seasonal merchandise. Weather can also affect our ability to transport merchandise to our stores from our distribution and shipping centers or elsewhere in our supply chain. As a result, adverse or unseasonable weather in our markets could adversely affect our sales, increase markdowns and adversely affect our operating results.

Our results may be adversely affected by serious disruptions or catastrophic events.

Unforeseen public health issues, such as pandemics and epidemics, as well as natural disasters, such as hurricanes, tornadoes, floods, earthquakes and other extreme weather and climate conditions, in any of our markets could disrupt our operations or the operations of one or more of our vendors or of our supply chain or could severely damage or destroy one or more of our stores or distribution facilities located in the affected areas. Day-to-day operations, particularly our ability to receive products from our vendors or transport products to our stores could be adversely affected, or we could be required to close stores or distribution centers in the affected areas or in areas served by affected distribution centers for a short or extended period of time. As a result, our business could be adversely affected.

Damage to our corporate reputation or those of our banners could adversely affect our sales and operating results.

We believe that building the brand reputation of our retail banners is an important part of our marketing efforts, and we expend resources building relationships with our customers through social media and other advertising and promotional activities. Our reputation is based, in part, on perceptions of subjective qualities, so incidents involving us or our merchandise, that erode trust or confidence could adversely affect our reputation and our business, particularly if the incidents result in significant adverse publicity or governmental inquiry. Similarly, information posted about us, our banners and the merchandise we sell, including our private label brands, on social media platforms and similar venues, including blogs, websites, and other forums for internet-based communications that allow individuals access to a broad audience of consumers and other interested persons, may adversely affect our reputation and brand, even if the information is inaccurate. The reputation of our company and our retail banners may be damaged by adverse events at the corporate level or by adverse events at our other banners. Damage to the reputation of our company and our banners could result in declines in customer loyalty and sales, affect our vendor relationships, development opportunities and associate retention and otherwise adversely affect our business.

Issues with merchandise quality or safety could damage our reputation, sales and financial results.

Various governmental authorities in the jurisdictions where we do business regulate the quality and safety of the merchandise we sell to consumers. Regulations and standards in this area, including those related to the U.S. Consumer Product Safety Improvement Act of 2008, state regulations like California s Proposition 65, and similar legislation in other countries in which we operate, impose restrictions and requirements on the merchandise we sell in our stores and through e-commerce and change from time to time. Also, new federal, state, provincial or local regulations in the U.S. and other countries that may affect our business are contemplated and enacted with some regularity. If we are unable to comply with regulatory requirements on a timely basis or at all or to adequately monitor new regulations that may apply to existing or new merchandise categories or in new geographies, significant fines or penalties could be incurred or we could have to curtail some aspects of our sales or operations, which could have a material adverse effect on our financial results. We rely on our vendors to provide quality merchandise that complies with applicable product safety laws and other applicable laws, but they may not comply with their obligations to do so. Although our arrangements with our vendors frequently provide for indemnification for product liabilities, the vendors may fail to honor those obligations to an extent we consider sufficient or at all. Issues with the quality and safety of merchandise, particularly with food, bath and body and children s products, or issues with the genuineness of merchandise, regardless of our fault, or customer concerns about such issues, could cause damage to our reputation and could result in lost sales, uninsured product liability claims or losses, merchandise recalls and increased costs, and regulatory, civil or criminal fines or penalties, any of which could have a material adverse effect on our financial results.

Our expanding international operations may expose us to risks inherent in operating in new countries.

We have a significant retail presence in Canada and Europe and have established buying offices around the world, and our goal is to continue to expand our operations into other international markets in the future. It can be costly and complex to establish, develop and maintain international operations and promote business in new international jurisdictions, which may differ significantly from the U.S. and other countries in which we currently operate. In addition to facing risks similar to our U.S. and current international operations, such as with regulations such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, we face additional risks inherent in operating in new countries, such as understanding the retail climate and trends, local customs and competitive conditions; and complying with new laws, rules and regulations; developing the appropriate infrastructure for local operations; as well as financial risks including currency exchange fluctuations and adverse tax consequences or limitations on the repatriation and investment of funds outside of the country where earned, which could have an adverse impact on our operations or profitability. Complying with applicable laws and our own internal policies may require us to spend additional time and resources to implement new procedures and financial controls, conduct audits, train associates and third parties on our compliance methods or take other actions, which could adversely impact our operations.

We are subject to risks associated with importing merchandise from other countries.

Many of the products sold in our stores are sourced by our vendors and, to a lesser extent, by us, in many countries outside of the country where the stores are located, particularly southeastern Asia. Where we are the importer of record, we may be subject to regulatory or other requirements similar to those imposed upon the manufacturer of such products. We are subject to the various risks of importing merchandise from other countries and purchasing product made in other countries, such as:

- potential disruptions in manufacturing, logistics and supply;
- changes in duties, tariffs, quotas and voluntary export restrictions on imported merchandise;
- strikes, threats of strikes and other events affecting delivery;
- consumer perceptions of the safety of imported merchandise;
- product compliance with laws and regulations of the destination country;
- product liability claims from customers or penalties from government agencies relating to products that are recalled, defective or otherwise noncompliant or alleged to be harmful;
- concerns about human rights, working conditions and other labor rights and conditions in countries where merchandise is produced, and changing labor, environmental and other laws in these countries;
- compliance with laws and regulations concerning ethical business practices, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act;
- exposure for product warranty and intellectual property issues; and
- economic, political or other problems in countries from or through which merchandise is imported.

Political or financial instability, trade restrictions, tariffs, currency exchange rates, labor conditions, transport capacity and costs, systems issues, problems in third party distribution and warehousing and other interruptions of the supply chain, compliance with laws and regulations and other factors relating to international trade and imported merchandise beyond our control could affect the availability and the price of our inventory. Furthermore, although we have implemented policies and procedures designed to facilitate compliance with laws and regulations relating to operating in non-U.S. jurisdictions and importing merchandise, there can be no assurance that contractors, agents, vendors or other third parties with whom we do business will not violate such laws and regulations or our policies, which could subject us to liability and could adversely affect our operations or operating results.

Our results may be adversely affected by reduced availability or increases in the price of oil or other fuels, raw materials and other commodities.

Energy and fuel costs have fluctuated dramatically and had significant cost increases in the past, particularly the price of oil and gasoline. An increase in the price of oil increases our transportation costs for distribution, utility costs for our retail stores and costs to purchase our products from suppliers. Although we have implemented a hedging strategy designed to manage a portion of our transportation costs, that strategy may not be effective or sufficient and increases in oil and gasoline prices could adversely affect consumer spending and demand for our products and increase our operating costs, which could have an adverse effect on our performance. Increased regulation related to environmental costs, including cap and trade or other emissions management systems could also adversely affect our costs of doing business, including utility costs, transportation and logistics.

Similarly, other commodity prices can fluctuate dramatically, such as the cost of cotton and synthetic fabrics, which at times have risen significantly. Such increases can increase the cost of merchandise, which could adversely affect our performance through potentially reduced consumer demand or reduced margins.

Fluctuations in currency exchange rates may lead to lower revenues and earnings.

Sales made by our stores outside the United States are denominated in the currency of the country in which the store is located, and changes in currency exchange rates affect the translation of the sales and earnings of these businesses into U.S. dollars for financial reporting purposes. Because of this, movements in currency exchange rates have had and are expected to continue to have a significant impact on our consolidated and segment results from time to time. Changes in currency exchange rates can also increase the cost of inventory purchases that are denominated in a currency other than the local currency of the business buying the merchandise. When these changes occur suddenly, it can be difficult for us to adjust retail prices accordingly, and gross margin can be adversely affected. A significant amount of merchandise we offer for sale is made in China, and accordingly, a revaluation of the Chinese currency, or increased market flexibility in the exchange rate for that currency, increasing its value relative to the U.S. dollar or currencies in which our stores are located, could be significant.

Additionally, we routinely enter into inventory-related hedging instruments to mitigate the impact of currency exchange rates on merchandise margins of merchandise purchases by our divisions denominated in currencies other than their local currencies. In accordance with GAAP, we evaluate the fair value of these hedging instruments and make mark-to-market adjustments at the end of each accounting period. These adjustments are of a much greater magnitude when there is significant volatility in currency exchange rates and may have a significant impact on our earnings.

Although we implement foreign currency hedging and risk management strategies to reduce our exposure to fluctuations in earnings and cash flows associated with changes in currency exchange rates, we expect that currency exchange rate fluctuations could have a material adverse effect on our sales and results of operations from time to time. In addition, fluctuations in currency exchange rates may have a greater impact on our earnings and operating results if a counterparty to one of our hedging arrangements fails to perform.

Our quarterly operating results fluctuate and may fall short of prior periods, our projections or the expectations of securities analysts or investors, which could adversely affect our stock price.

Our operating results have fluctuated from quarter to quarter at points in the past, and they may continue to do so in the future. If we fail to increase our results over prior periods, to achieve our projected results or goals or to meet the expectations of securities analysts or investors, our share price may decline, and the decrease in the stock price may be disproportionate to the shortfall in our financial performance. Results may be affected by factors we can control, such as the execution of our off-price buying, including selection, pricing and mix of merchandise; inventory management including flow, pricing markon and markdowns; and management of our growth, but also may be affected by some factors that are not within our control, including actions of competitors, weather conditions, economic conditions, consumer confidence, seasonality, and cost increases due, for example, to government regulation and increased healthcare and benefits costs. Most of our operating expenses, such as rent expense and associate salaries, do not vary directly with the amount of our sales and are difficult to adjust in the short term. As a result, if sales in a particular quarter are below our expectations for that quarter, we generally are not able to proportionately reduce operating expenses for that quarter, resulting in a disproportionate effect on our net income for the quarter. We maintain a forecasting process that seeks to project sales and align expenses. If we do not control costs or appropriately adjust costs to actual results, or if actual results differ significantly from our forecast, our financial performance could be adversely affected. In addition, if we do not repurchase the number of shares we contemplated pursuant to our stock repurchase programs, our earnings per share may be adversely affected.

If we engage in mergers or acquisitions or investments in new businesses, or divest, close or consolidate any of our current businesses, our business will be subject to additional risks.

We may acquire new businesses (as in our recent acquisition of Sierra Trading Post), invest in or enter into joint ventures with other businesses, develop new businesses internally and divest, close or consolidate businesses. Acquisition, investment or divestiture activities may divert attention of management from operating the existing businesses, and we may not effectively evaluate target companies or investments or assess the risks, benefits and cost of buying, investing in or closing businesses or of the integration of acquired businesses, all of which can be difficult, time-consuming and dilutive. Acquisitions, investments, closings and divestitures may not meet our performance and other expectations or may expose us to unexpected or greater-than-expected costs, liabilities and risks. Divestitures, closings and consolidations also involve risks, such as significant costs and obligations of closure, including exposure on leases, owned real estate and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law as a result of the disposition or the subsequent failure of an acquirer. Failure to execute on mergers, acquisitions, investments, divestitures, closings and consolidations in a satisfactory manner could adversely affect our future results of operations and financial condition.

Failure to comply with existing laws, regulations and orders or changes in existing laws and regulations could negatively affect our business operations and financial performance.

We are subject to federal, state, provincial and local laws, rules and regulations in the United States and other countries, any of which may change from time to time, as well as orders and assurances. These legal, regulatory and administrative requirements collectively affect multiple aspects of our business, from cost of health care and retirement benefits, workforce management, logistics, marketing, import/export, sourcing and manufacturing, data protection and others. If we fail to comply with these laws, rules, regulations and orders, we may be subject to fines or other penalties, which could materially adversely affect our operations and our financial results and condition. Further, applicable accounting principles and interpretations may change from time to time, and the changes could have material effects on our reported financial results and condition.

We must also comply with new and changing laws and regulations. New legislative and regulatory initiatives and reforms in jurisdictions where we do business could increase our costs of compliance or of doing business and could adversely affect our operating results, including those involving:

- labor and employment and employment benefits, including regarding labor unions and works councils;
- consumer protection and financial regulations;
- data protection and privacy;
- climate change, energy and waste;
- internet, including e-commerce, electronic communications and privacy; and
- protection of third party intellectual property rights.

Our results may be materially adversely affected by the outcomes of litigation, legal proceedings and other legal matters.

We are involved, or may in the future become involved, in legal proceedings, regulatory reviews and audits. These may involve inquiries, investigations, law suits and other proceedings by local, provincial, state and federal governmental entities (in the United States and other countries) and private plaintiffs, including with respect to tax, escheat, whistleblower claims, employment and employee benefits including classification, employment rights, discrimination, wage and hour and retaliation, securities, disclosure, real estate, tort, consumer protection, product safety, advertising, and intellectual property. There continue to be a number of employment-related lawsuits, including class actions, in the United States, and we are subject to these types of suits. We cannot predict the results of legal and regulatory proceedings with certainty, and actual results may differ from any reserves we establish estimating the probable outcome. Regardless of merit or outcome, litigation can be both time-consuming and disruptive to our operations and may cause significant expense and diversion of management attention. Legal and regulatory proceedings and investigations could expose us to significant defense costs, fines, penalties and liability to private parties and governmental entities for monetary recoveries and other amounts and attorneys fees and/or require us to change aspects of our operations, any of which could have a material adverse effect on our business and results of operations.

Tax matters could adversely affect our results of operations and financial condition.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate and future tax liability could be adversely affected by numerous factors including the results of tax audits and examinations, income before taxes being lower than anticipated in countries with lower statutory income tax rates and higher than anticipated in countries with higher statutory income tax rates, changes in income tax rates, changes in transfer pricing, changes in the valuation of deferred tax assets and liabilities, changes in applicable tax legislation, regulations and treaties, exposure to additional tax liabilities, including interest and penalties, and changes in accounting principles and interpretations relating to tax matters, any of which could adversely impact our results of operations and financial condition in future periods. Significant judgment is required in evaluating and estimating our worldwide provision and accruals for taxes, and actual results may differ from our estimations.

We are subject to the continuous examination of our tax returns and reports by federal, state, provincial and local tax authorities in the U.S. and foreign countries, and the examining authorities may challenge positions we take. We are engaged in various proceedings with such authorities and in court with respect to assessments, claims, deficiencies and refunds. We regularly assess the likely outcomes of these proceedings to determine the adequacy and appropriateness of our provision for income taxes, and increase and decrease our provision as a result of these assessments. However, the developments in and actual results of proceedings or the result of rulings by or settlements with tax authorities and courts or due to changes in facts, law or legal interpretations, expiration of applicable statutes of limitations or other resolutions of tax positions could differ from the amounts we have accrued for such proceedings in either a positive or a negative manner, which could materially affect our effective income tax rate in a given financial period, the amount of taxes we are required to pay and our results of operations.

In addition, we are subject to tax audits and examinations for payroll, value added, sales-based and other taxes relating to our businesses.

Our real estate leases generally obligate us for long periods, which subjects us to financial risks.

We lease virtually all of our store locations, generally for an initial terms of ten years, with options to renew the term, and either own or lease for long periods our primary distribution centers and administrative offices. Accordingly, we are subject to the risks associated with leasing and owning real estate, which can adversely affect our results as, for example, was the case in the closure of various of our former operations. While we have the right to terminate some of our leases under specified conditions, including by making specified payments, we may not be able to terminate a particular lease if or when we would like to do so. If we decide to close stores, we are generally required to continue to perform obligations under the applicable leases, which generally includes, among other things, paying rent and operating expenses for the balance of the lease term, or paying to exercise rights to terminate, and the performance of any of these obligations may be expensive. When we assign leases or sublease space to third parties, we can remain liable on the lease obligations if the assignee or sublessee does not perform. In addition, when the lease term for the stores in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores or to relocate stores within a market on less favorable terms.

We depend upon strong cash flows from our operations to supply capital to fund our operations, growth, stock repurchases and dividends and interest and debt repayment.

Our business depends upon our operations to continue to generate strong cash flow to supply capital to support our general operating activities, to fund our growth and our return to stockholders through our stock repurchase programs and dividends, and to pay our interest and debt repayments. Our inability to continue to generate sufficient cash flows to support these activities, to repatriate cash from our international operations in a manner that is cost effective could adversely affect our growth plans and financial performance including our earnings per share. We borrow on occasion to finance our activities and if financing were not available to us in adequate amounts and on appropriate terms when needed, it could also adversely affect our financial performance.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We lease virtually all of our over 3,000 store locations, generally for 10-year terms with options to extend the lease term for one or more 5-year periods. We have the right to terminate some of these leases before the expiration date under specified circumstances and some with specified payments.

The following is a summary of our primary owned and leased distribution centers and primary administrative office locations as of February 2, 2013. Square footage information for the distribution centers represents total ground cover of the facility. Square footage information for office space represents total space occupied.

Distribution Centers

Marmaxx		
T.J. Maxx	Worcester, Massachusetts	494,000 s.f. owned
	Evansville, Indiana	989,000 s.f. owned
	Las Vegas, Nevada	713,000 s.f. shared with Marshalls owned
	Charlotte, North Carolina	595,000 s.f. owned
	Pittston Township, Pennsylvania	1,017,000 s.f. owned
Marshalls	Tolleson, Arizona	303,000 s.f. leased
	Decatur, Georgia	780,000 s.f. owned
	Woburn, Massachusetts	472,000 s.f. leased
	Bridgewater, Virginia	562,000 s.f. leased
	Philadelphia, Pennsylvania	1,001,000 s.f. leased
HomeGoods	Brownsburg, Indiana	805,000 s.f. owned
	Bloomfield, Connecticut	803,000 s.f. owned
TJX Canada	Brampton, Ontario	506,000 s.f. leased
	Mississauga, Ontario	679,000 s.f. leased
TJX Europe	Wakefield, England	176,000 s.f. leased
	Stoke, England	261,000 s.f. leased
	Walsall, England	277,000 s.f. leased
	Bergheim, Germany	322,000 s.f. leased
	Wroclaw, Poland	303,000 s.f. leased

Office Space

Corporate, Marmaxx, HomeGoods	Framingham and Westboro, Massachusetts	1,290,000 s.f. leased/owned in several buildings
TJX Canada	Mississauga, Ontario	198,000 s.f. leased
TJX Europe	Watford, England	81,000 s.f. leased
	Dusseldorf, Germany	21,000 s.f. leased

In addition to the office space listed above, TJX acquired approximately 700,000 square feet of office space in Marlborough, Massachusetts during fiscal 2013, which when ready for use is expected to replace some of the leased space in Framingham and Westboro, Massachusetts.

Sierra Trading Post, acquired in December 2012, is located in Cheyenne, Wyoming and owns a 60,000 square foot home office facility and a 223,000 square foot fulfillment center.

ITEM 3. Legal Proceedings

TJX is subject to certain legal proceedings and claims that arise from time to time in the ordinary course of our business. In addition, TJX is a defendant in several lawsuits filed in federal and state courts brought as putative class or collective actions on behalf of various groups of current and former salaried and hourly associates in the U.S. The lawsuits allege violations of the Fair Labor Standards Act and of state wage and hour and other labor statutes, including alleged misclassification of positions as exempt from overtime, alleged entitlement to additional wages for alleged off-the-clock work by hourly employees and alleged failure to pay all wages due upon termination. The lawsuits seek unspecified monetary damages, injunctive relief and attorneys fees. TJX is vigorously defending these claims. These lawsuits include *Ebo v. The TJX Companies, et al*., Superior Court of CA, Los Angeles County Superior Court, BC380575, November 13, 2007 and *Ahmed v. T.J. Maxx Corp. et al*., U.S. District Court, Eastern District of New York, 10-CV-03609, August 5, 2010. Case No 4:12 cv 558, May 17, 2012.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for the Registrant s Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities

On February 2, 2012, we effected a two-for-one stock split in the form of a stock dividend to shareholders of record as of January 17, 2012. All share and per share information has been retroactively adjusted to reflect the stock split.

Price Range of Common Stock

Our common stock is listed on the New York Stock Exchange (Symbol: TJX). The quarterly high and low sale prices for our common stock for fiscal 2013 and fiscal 2012 are as follows:

	Fiscal 2013		Fiscal 2012	
Quarter	**High**	**Low**	High	Low
First	**$ 42.56**	**$ 33.41**	$ 27.00	$ 23.48
Second	**$ 45.39**	**$ 39.46**	$ 28.39	$ 24.60
Third	**$ 46.67**	**$ 40.38**	$ 30.64	$ 25.07
Fourth	**$ 45.64**	**$ 40.08**	$ 34.22	$ 28.60

The approximate number of common shareholders at February 2, 2013 was 107,800.

Our Board of Directors declared four quarterly dividends of $0.115 per share for fiscal 2013 and $0.095 per share for fiscal 2012. While our dividend policy is subject to periodic review by our Board of Directors, we are currently planning to pay a $0.145 per share quarterly dividend in fiscal 2014, subject to declaration and approval by our Board of Directors, and currently intend to continue to pay comparable dividends in the future.

Information on Share Repurchases

The number of shares of common stock repurchased by TJX during the fourth quarter of fiscal 2013 and the average price paid per share are as follows:

	Total Number of Shares Repurchased(1)	Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program(3)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
	(a)	(b)	(c)	(d)
October 28, 2012 through November 24, 2012	2,239,417	$ 41.98	2,239,417	$ 1,180,719,276
November 25, 2012 through December 29, 2012	2,974,339	$ 43.03	2,974,339	$ 1,052,719,350
December 30, 2012 through February 2, 2013	2,885,100	$ 44.37	2,885,100	$ 924,719,463
Total:	8,098,856		8,098,856	

(1) Repurchased under publicly announced stock repurchase programs.

(2) Includes commissions for the shares repurchased under stock repurchase programs.

(3) During the first quarter of fiscal 2013, we completed a $1 billion stock repurchase program announced in February 2011 and initiated a $2 billion stock repurchase program announced in February 2012. Under this new program, we repurchased a total of 24.7 million shares of common stock (including 8.1 million in shares in the fourth quarter) at a cost of $1.1 billion in fiscal 2013. Additionally, in February 2013, we announced our 14th stock repurchase program for an additional $1.5 billion.

ITEM 6. Selected Financial Data

Dollars in millions except per share amounts	Fiscal Year Ended January **2013** **(53 Weeks)**	2012	2011	2010	2009 (53 Weeks)
Income statement and per share data:					
Net sales	**$ 25,878**	$ 23,191	$ 21,942	$ 20,288	$ 19,000
Income from continuing operations	**$ 1,907**	$ 1,496	$ 1,340	$ 1,214	$ 915
Weighted average common shares for diluted earnings per share calculation (in thousands)(1)	**747,555**	773,772	812,826	855,239	884,510
Diluted earnings per share from continuing operations(1)	**$ 2.55**	$ 1.93	$ 1.65	$ 1.42	$ 1.04
Cash dividends declared per share(1)	**$ 0.46**	$ 0.38	$ 0.30	$ 0.24	$ 0.22
Balance sheet data:					
Cash and cash equivalents	**$ 1,812**	$ 1,507	$ 1,742	$ 1,615	$ 454
Working capital	**$ 1,951**	$ 2,069	$ 1,966	$ 1,909	$ 858
Total assets	**$ 9,512**	$ 8,282	$ 7,972	$ 7,464	$ 6,178
Capital expenditures	**$ 978**	$ 803	$ 707	$ 429	$ 583
Long-term obligations(2)	**$ 775**	$ 785	$ 788	$ 790	$ 384
Shareholders equity	**$ 3,666**	$ 3,209	$ 3,100	$ 2,889	$ 2,135
Other financial data:					
After-tax return (continuing operations) on average shareholders equity	**55.5%**	47.4%	44.7%	48.3%	42.9%
Total debt as a percentage of total capitalization(3)	**17.4%**	19.7%	20.3%	21.5%	26.7%
Stores in operation:					
In the United States:					
T.J. Maxx	**1,036**	983	923	890	874
Marshalls	**904**	884	830	813	806
Sierra Trading Post	**4**				
HomeGoods	**415**	374	336	323	318
A.J. Wright(4)			142	150	135
In Canada:					
Winners	**222**	216	215	211	202
HomeSense	**88**	86	82	79	75
Marshalls	**14**	6			
In Europe:					
T.K. Maxx	**343**	332	307	263	235
HomeSense	**24**	24	24	14	7
Total	**3,050**	2,905	2,859	2,743	2,652
Selling square footage (in thousands):					
In the United States:					
T.J. Maxx	**23,894**	22,894	21,611	20,890	20,543
Marshalls	**22,380**	22,042	20,912	20,513	20,388
Sierra Trading Post	**83**				
HomeGoods	**8,210**	7,391	6,619	6,354	6,248
A.J. Wright(4)			2,874	3,012	2,680
In Canada:					
Winners	**5,115**	5,008	4,966	4,847	4,647
HomeSense	**1,698**	1,670	1,594	1,527	1,437
Marshalls	**363**	162			
In Europe:					
T.K. Maxx	**7,830**	7,588	7,052	6,106	5,404
HomeSense	**411**	402	402	222	107
Total	**69,984**	67,157	66,030	63,471	61,454

(1) Fiscal 2011, fiscal 2010 and fiscal 2009 have been restated to reflect the two-for-one stock split effected in February 2012.

(2) Includes long-term debt, exclusive of current installments and capital lease obligation, less portion due within one year.

(3) Total capitalization includes shareholders equity, short-term debt, long-term debt and capital lease obligation, including current maturities.

(4) As a result of the consolidation of the A.J. Wright chain, all A.J. Wright stores ceased operations by the end of February 2011.

ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The discussion that follows relates to our 53-week fiscal year ended February 2, 2013 (fiscal 2013) and our 52-week fiscal years ended January 28, 2012 (fiscal 2012) and January 29, 2011 (fiscal 2011).

<u>OVERVIEW</u>

The TJX Companies, Inc. is the largest off-price retailer of apparel and home fashions in the U.S. and worldwide. Our over 3,000 stores offer a rapidly changing assortment of quality, fashionable, brand-name and designer apparel, home fashions and other merchandise at prices generally 20% to 60% below department and specialty store regular prices, every day. We operate our business in four divisions: Marmaxx (which operates T.J. Maxx and Marshalls) and HomeGoods, both in the United States; TJX Canada (which operates Winners, HomeSense and Marshalls in Canada); and TJX Europe (which operates T.K. Maxx and HomeSense in Europe).

Fiscal 2013 was another record year for us. Highlights of our financial performance for fiscal 2013 include the following:

- In fiscal 2013, we posted strong gains in same store sales, net sales and earnings per share on top of significant increases in the last two fiscal years.
  - Net sales increased to \$25.9 billion for fiscal 2013, up 12% over fiscal 2012. The 53rd week in fiscal 2013 increased net sales by 2%.
  - Same store sales, on a 52-week basis, increased 7% in fiscal 2013 over increases of 4% in each of the previous two years. The fiscal 2013 increase was driven by an increase in customer traffic as we continued to grow our customer base.
  - Earnings per share for fiscal 2013 were \$2.55 per diluted share, up 32% compared to \$1.93 per diluted share in fiscal 2012, or up 28% compared to fiscal 2012 adjusted* diluted earnings per share of \$1.99. The 53rd week added approximately \$0.08 per share to fiscal 2013 earnings.
  - All of our divisions exceeded our expectations in fiscal 2013, posting strong same store sales increases and increases in segment profits.

* Adjusted measures exclude certain items affecting comparability. See Adjusted Financial Measures below.

- In fiscal 2013, we continued to drive the growth of our divisions.
  - At February 2, 2013, the number of stores in operation was up 5% and selling square footage was up 4% over the end of fiscal 2012. We expect to end fiscal 2014 with 3,200 stores, which would represent a 5% increase in our consolidated store base and a 4% increase in our selling square footage.
  - All of our divisions posted strong same store sales increases, driven by increases in customer traffic. New T.J. Maxx and Marshalls stores performed well as we expanded into more rural markets as well as major cities. The Marshalls chain in Canada also has performed well and TJX Europe regained its momentum with a very strong 10% same store sales increase.

We invested in e-commerce. In December, 2012, we purchased Sierra Trading Post, an off-price internet retailer. We expect to launch our T.J. Maxx website in a small, controlled mode in the second half of fiscal 2014.

We continued our focus on operating with lean inventories, driving rapid merchandise turns and controlling expenses.

Our fiscal 2013 pre-tax margin (the ratio of pre-tax income to net sales) was 11.9%, a 1.5 percentage point increase compared to fiscal 2012, and a 1.2 percentage point increase from an adjusted 10.7% for fiscal 2012. The 53rd week benefited the fiscal 2013 pre-tax margin by approximately 0.2 percentage points.

Our cost of sales ratio for fiscal 2013 improved 1.1 percentage points to 71.6% compared to fiscal 2012 and improved 1.0 percentage points compared to an adjusted basis for fiscal 2012. The improvements over last year were primarily due to improved merchandise margins and buying and occupancy expense leverage.

Our selling, general and administrative expense ratio for fiscal 2013 decreased 0.4 percentage points from 16.8% in fiscal 2012 to 16.4%. On an adjusted basis, this ratio decreased 0.1 percentage points from an adjusted16.5% in fiscal 2012.

Our consolidated average per store inventories, including inventory on hand at our distribution centers, but excluding our internet based business Sierra Trading Post, were down 6% at the end of fiscal 2013.

We continued to use cash to return value to our shareholders.

During fiscal 2013, we repurchased 30.6 million shares of our common stock for $1.3 billion. Earnings per share reflect the benefit of the stock repurchase program. In February 2013, our Board of Directors authorized our 14th stock repurchase program for an additional $1.5 billion. We expect to repurchase approximately $1.3 to $1.4 billion of our stock in fiscal 2014.

We paid quarterly dividends of $0.115 per share for fiscal 2013. We expect to pay quarterly dividends for fiscal 2014 of $0.145 per share, or an annual dividend of $0.58 per share, which would represent a 26% increase over the prior year, subject to the declaration and approval of our Board of Directors.

The following is a discussion of our consolidated operating results, followed by a discussion of our segment operating results.

Net sales: Consolidated net sales for fiscal 2013 totaled $25.9 billion, a 12% increase over $23.2 billion in fiscal 2012. The increase reflected a 7% increase from same store sales, a 3% increase from new stores and a 2% increase from the impact of the 53rd week in the fiscal 2013 calendar. Foreign currency exchange rates had an immaterial impact on fiscal 2013 net sales. Consolidated net sales for fiscal 2012 totaled $23.2 billion, a 6% increase over $21.9 billion in fiscal 2011. The increase reflected a 5% increase from new stores, a 4% increase from same store sales and a 1% increase from foreign currency exchange rates, offset in part by a 4% decrease due to the elimination of sales from stores operating under the A.J. Wright banner. (The fiscal 2012 sales from the converted A.J. Wright stores are included in new store sales.)

Same store sales increases in the U.S. for fiscal 2013 were driven by an increase in customer traffic, and to a lesser extent an increase in the value of the average transaction. Sales of both apparel and home fashions were equally strong. Geographically, same store sales increases in the U.S. were strong throughout most regions with Florida and the Southwest performing above the consolidated average and virtually all other regions close to the consolidated average. Our foreign segments both posted same store sales increases, with TJX Europe above the consolidated average and TJX Canada below the consolidated average.

Same store sales increases in the U.S. for fiscal 2012 reflected an increase in both the value of the average transaction and an increase in customer traffic. Same store sales of our home, dresses, men s, shoes and accessories categories were particularly strong. Geographically, same store sales increases in the U.S. were strong throughout most regions, with Florida and the Southwest performing above the consolidated average and the Midwest trailing the consolidated average. For the full fiscal year 2012, the same store sales increase for TJX Europe was well below the consolidated average, and same store sales at TJX Canada decreased from the prior year, but both Europe and Canada posted strong same store sales gains in the fourth quarter of fiscal 2012.

We define same store sales to be sales of those stores that have been in operation for all or a portion of two consecutive fiscal years, or in other words, stores that are starting their third fiscal year of operation. We classify a store as a new store until it meets the same store sales criteria. We determine which stores are included in the same store sales calculation at the beginning of a fiscal year and the classification remains constant throughout that year, unless a store is closed. We calculate same store sales results by comparing the current and prior year weekly periods that are most closely aligned. Relocated stores and stores that have increased in size are generally classified in the same way as the original store, and we believe that the impact of these stores on the consolidated same store percentage is immaterial. Same store sales of our foreign segments are calculated on a constant currency basis, meaning we translate the current year s same store sales of our foreign segments at the same exchange rates used in the prior year. This removes the effect of changes in currency exchange rates, which we believe is a more accurate measure of segment operating performance. We define customer traffic to be the number of transactions in stores included in the same store sales calculation.

The following table sets forth our consolidated operating results from continuing operations as a percentage of net sales on an as reported and as adjusted basis:

	Percentage of Net Sales Fiscal Year	Percentage of Net Sales Fiscal Year		Percentage of Net Sales Fiscal Year	
	2013	2012		2011	
	As reported	As reported	As adjusted*	As reported	As adjusted*
Net sales	**100.0%**	100.0%	100.0%	100.0%	100.0%
Cost of sales, including buying and occupancy costs	**71.6**	72.7	72.6	73.1	72.9
Selling, general and administrative expenses	**16.4**	16.8	16.5	16.9	16.3
Provision (credit) for Computer Intrusion related expenses				(0.1)	
Interest expense, net	**0.1**	0.2	0.2	0.2	0.2
Income from continuing operations before provision for income taxes**	**11.9%**	10.4%	10.7%	9.9%	10.6%
Diluted earnings per share-continuing operations	**$ 2.55**	$ 1.93	$ 1.99	$ 1.65	$ 1.75

* See Adjusted Financial Measures below.

** Figures may not foot due to rounding.

***Impact of foreign currency exchange rates*:** Our operating results are affected by foreign currency exchange rates as a result of changes in the value of the U.S. dollar in relation to other currencies. Two ways in which foreign currency exchange rates affect our reported results are as follows:

Translation of foreign operating results into U.S. dollars: In our financial statements we translate the operations of TJX Canada and TJX Europe from local currencies into U.S. dollars using currency rates in effect at different points in time. Significant changes in foreign exchange rates between comparable prior periods can result in meaningful variations in consolidated net sales, net income and earnings per share growth as well as the net sales and operating results of these segments. Currency translation generally does not affect operating margins, or affects them only slightly, as sales and expenses of the foreign operations are translated at essentially the same rates within a given period.

Inventory hedges: We routinely enter into inventory-related hedging instruments to mitigate the impact of foreign currency exchange rates on merchandise margins when our divisions, principally in Europe and Canada, purchase goods in currencies other than their local currencies. As we have not elected hedge accounting for these instruments as defined by generally accepted accounting principles (GAAP), we record a mark-to-market gain or loss on the hedging instruments in our results of operations at the end of each reporting period. In subsequent periods, the income statement impact of the mark-to-market adjustment is effectively offset when the inventory being hedged is sold. While these effects occur every reporting period, they are of much greater magnitude when there are sudden and significant changes in currency exchange rates during a short period of time. The mark-to-market adjustment on these hedges does not affect net sales, but it does affect the cost of sales, operating margins and earnings we report.

Cost of sales, including buying and occupancy costs: Cost of sales, including buying and occupancy costs, as a percentage of net sales was 71.6% in fiscal 2013, 72.7% in fiscal 2012 and 73.1% in fiscal 2011. The 1.1 percentage point improvement in this ratio for fiscal 2013 was primarily due to improved merchandise margins, driven by lower markdowns, as well as expense leverage on the strong same store sales increase. In addition, the 53rd week in fiscal 2013 benefitted this expense ratio by approximately 0.2 percentage points.

The improvement in this ratio for fiscal 2012 was due to expense leverage on buying and occupancy costs (particularly at Marmaxx and HomeGoods), partially offset by a decrease in merchandise margins at TJX Europe and TJX Canada.

Selling, general and administrative expenses: Selling, general and administrative expenses as a percentage of net sales were 16.4% in fiscal 2013, 16.8% in fiscal 2012 and 16.9% in fiscal 2011. On an adjusted basis, this ratio was 16.5% in fiscal 2012 and 16.3% in fiscal 2011. The improvement in this ratio for fiscal 2013 was primarily due to expense leverage on strong same store sales, partially offset by contributions to the TJX Foundation and by expenses related to two third quarter items: a non-cash charge for the cumulative impact of a correction to our pension accrual for prior years and a non-operating charge due to the adjustment in our reserve for former operations relating to closed stores.

The increase in the adjusted selling, general and administrative expense ratio in fiscal 2012 compared to fiscal 2011 was driven by increased general corporate expenses, primarily investment in new systems, talent and e-commerce, costs associated with a voluntary retirement program and fourth quarter charges and write-offs at TJX Canada and TJX Europe (see segment discussions below), offset in part by expense leverage on strong same store sales, particularly at HomeGoods.

Interest expense, net: The components of interest expense, net for the last three fiscal years are summarized below:

	Fiscal Year Ended		
Dollars in thousands	**February 2, 2013**	January 28, 2012	January 29, 2011
Interest expense	**$ 48,582**	$ 49,276	$ 49,014
Capitalized interest	**(7,750)**	(2,593)	
Interest (income)	**(11,657)**	(11,035)	(9,877)
Interest expense, net	**$ 29,175**	$ 35,648	$ 39,137

Gross interest expense has remained fairly constant over the last three fiscal years. The reduction in our net interest expense position in both fiscal 2013 and in fiscal 2012 was due to capitalized interest on major capital projects that have not yet been placed in service.

Income taxes: Our effective annual income tax rate was 38.0% in fiscal 2013, 38.0% in fiscal 2012 and 38.1% in fiscal 2011. TJX s effective rate remained constant for fiscal 2013 as compared to fiscal 2012. The fiscal 2013 effective tax rate benefitted from an increase in foreign earnings, which are taxed at lower rates, but this benefit was offset by the absence of the benefit in fiscal 2012 due to a net reduction in federal and state tax reserves. The decrease in the effective income tax rate for fiscal 2012 as compared to fiscal 2011 is primarily attributable to a reduction in the fiscal 2012 tax reserves related to the favorable resolution of U.S. Federal tax audits, partially offset by an increase in state and U.S. Federal tax reserves, for a net decrease in the provision.

Income from continuing operations and diluted earnings per share from continuing operations: Income from continuing operations was $1.9 billion in fiscal 2013, a 27% increase over $1.5 billion in fiscal 2012, which in turn was a 12% increase over $1.3 billion in fiscal 2011. Diluted earnings per share were $2.55 in fiscal 2013, $1.93 in fiscal 2012 and $1.65 in fiscal 2011.

Fiscal 2013 diluted earnings per share included an approximate $0.08 per share benefit due to the impact of the 53rd week in the fiscal 2013 calendar. Adjusted diluted earnings per share were $1.99 for fiscal 2012 and $1.75 for fiscal 2011 (see Adjusted Financial Measures).

Foreign currency exchange rates also affected the comparability of our results. Foreign currency exchange rates had an immaterial impact on earnings per share in fiscal 2013 compared to fiscal 2012 but benefitted fiscal 2012 earnings per share by $0.01 per share compared with a $0.01 per share negative impact in fiscal 2011.

In addition, our weighted average diluted shares outstanding affect the comparability of earnings per share. Our stock repurchases benefit our earnings per share. We repurchased 30.6 million shares of our stock at a cost of $1.3 billion in fiscal 2013, 49.7 million shares of our stock at a cost of $1.4 billion in fiscal 2012, and 55.1 million shares at a cost of $1.2 billion in fiscal 2011.

Discontinued operations and net income: In fiscal 2011, we had a net gain from discontinued operations reflecting an after-tax benefit of $3.6 million (which did not impact diluted earnings per share) as a result of a $6 million pre-tax reduction of the estimated cost of settling lease-related obligations of former businesses. Net income, which includes the impact of these discontinued operations, was $1.9 billion, or $2.55 per share, for fiscal 2013, $1.5 billion, or $1.93 per share, for fiscal 2012, and $1.3 billion, or $1.65 per share, for fiscal 2011.

Adjusted Financial Measures: In addition to presenting financial results in conformity with GAAP, we are also presenting certain measures on an adjusted basis. We adjusted them to exclude:

from the fiscal 2012 results, costs related to the A.J. Wright consolidation incurred in fiscal 2012, including closing costs, additional operating losses related to the A.J. Wright stores closed in fiscal 2012 and the costs incurred by the Marmaxx and HomeGoods segments to convert former A.J. Wright stores to their banners and hold grand re-opening events for these stores, and

from the fiscal 2011 results, costs related to the A.J. Wright consolidation incurred in fiscal 2011 (which included a majority of the costs related to closing the A.J. Wright business and the operating loss of the A.J. Wright segment for the fourth quarter of fiscal 2011), and the benefit of a reduction to the provision for the Computer Intrusion which occurred over four years ago.

These adjusted financial results are non-GAAP financial measures. We believe that the presentation of adjusted financial results provides additional information on comparisons between periods including underlying trends of our business by excluding these items that affect overall comparability. We use these adjusted measures in making financial, operating and planning decisions and in evaluating our performance, and our Board of Directors uses them in assessing our business and making compensation decisions. Non-GAAP financial measures should be considered in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Reconciliations of each of the adjusted financial measures to the financial measures in accordance with GAAP for fiscal 2012 and fiscal 2011 are provided below.

Dollars in millions, except per share data	**Fiscal year 2012 As reported U.S.$**	**Fiscal year 2012 As reported % of Net Sales**	Adjustments	**Fiscal year 2012 As adjusted U.S.$***	**Fiscal year 2012 As adjusted % of Net Sales**
Net sales	**$ 23,191**		$ (9)(1)	**$ 23,182**	
Cost of sales, including buying and occupancy costs	**16,854**	**72.7%**	(16)(2)	**16,838**	**72.6%**
Gross profit margin		**27.3%**			**27.4%**
Selling, general and administrative expenses	**3,890**	**16.8%**	(63)(3)	**3,828**	**16.5%**
Income from continuing operations before provision for income taxes	**$ 2,411**	**10.4%**	$ 69	**$ 2,481**	**10.7%**
Diluted earnings per share-continuing operations	**$ 1.93**		$ 0.06(4)	**$ 1.99**	

Dollars in millions, except per share data	Fiscal year 2011 As reported U.S.$	Fiscal year 2011 As reported % of Net Sales	Adjustments	Fiscal year 2011 As adjusted U.S.$*	Fiscal year 2011 As adjusted % of Net Sales
Net sales	$ 21,942		$ (279)(5)	$ 21,663	
Cost of sales, including buying and occupancy costs	16,040	73.1%	(242)(6)	15,798	72.9%
Gross profit margin		26.9%			27.1%
Selling, general and administrative expenses	3,710	16.9%	(177)(7)	3,533	16.3%
Provision (credit) for Computer Intrusion related costs	(12)	(0.1)%	12(8)		
Income from continuing operations before provision for income taxes	$ 2,164	9.9%	$ 129	$ 2,293	10.6%
Diluted earnings per share-continuing operations	$ 1.65		$ 0.10(9)	$ 1.75	

* Figures may not cross-foot due to rounding.

(1) Sales of A.J. Wright stores prior to closing ($9 million).

(2) Cost of sales, including buying and occupancy costs of A.J. Wright prior to closing ($15 million) and applicable conversion costs of A.J. Wright stores converted to Marmaxx and HomeGoods banners ($1 million).

(3) Operating costs of A.J. Wright prior to closing and costs to close A.J. Wright stores not converted to other banners ($44 million) and applicable conversion and grand re-opening costs for A.J. Wright stores converted to Marmaxx and HomeGoods banners ($19 million).

(4) Impact on earnings per share of operating loss and closing costs of A.J. Wright stores ($0.04 per share) and conversion and grand re-opening costs at Marmaxx and HomeGoods ($0.02 per share). 2012 effective tax rate used in computation.

(5) Sales associated with A.J. Wright prior to closing ($279 million).

(6) Cost of sales, including and buying and occupancy costs associated with closing A.J. Wright stores, distribution centers and home office ($242 million).

(7) Operating costs of A.J. Wright prior to closing and costs to close A.J. Wright stores not being converted to other banners ($177 million).

(8) Reduction of the provision for Computer Intrusion related costs, primarily as a result of insurance proceeds and adjustments to our remaining reserve ($12 million).

(9) Impact on earnings per share of operating losses and closing costs of A.J. Wright stores ($0.11 per share) and impact on earnings per share of the reduction to the provision for Computer Intrusion related costs ($0.01 per share). 2011 effective tax rate used in computation.

The costs to convert A.J. Wright stores to other banners and to hold grand re-openings affected our Marmaxx and HomeGoods segments in fiscal 2012. A reconciliation of adjusted segment margin, a non-GAAP financial measure, to segment margin as reported in accordance with GAAP for each of these segments is as follows:

	Fiscal 2012			Fiscal 2012		Fiscal 2011	
		As reported			As adjusted		As reported
	U.S.$ in Millions	% of Net Sales	Adjustments	U.S.$ in Millions*	% of Net Sales	U.S.$ in Millions	% of Net Sales
Marmaxx segment profit	$ 2,073	13.5%	$ 17(1)	$ 2,090	13.6%	$ 1,876	13.3%
HomeGoods segment profit	$ 234	10.4%	$ 3(2)	$ 238	10.6%	$ 187	9.5%

* Figures may not cross-foot due to rounding.

(1) Conversion costs and grand re-opening costs for A.J. Wright stores converted to a T.J. Maxx or Marshalls store.

(2) Conversion costs and grand re-opening costs for A.J. Wright stores converted to a HomeGoods store.

Segment information: We operate four main business segments. Marmaxx (T.J. Maxx and Marshalls) and HomeGoods both operate stores in the United States. Our TJX Canada segment operates our stores in Canada (Winners, HomeSense and Marshalls), and our TJX Europe segment operates our stores in Europe (T.K. Maxx and HomeSense). (A.J. Wright ceased to be a segment following its consolidation.) Late in fiscal 2013 we acquired Sierra Trading Post (STP), an off-price internet retailer. The results of STP are not material and have been included with our Marmaxx segment. We evaluate the performance of our segments based on segment profit or loss, which we define as pre-tax income or loss before general corporate expense and interest expense. Segment profit or loss, as we define the term, may not be comparable to similarly titled measures used by other entities. The terms segment margin or segment profit margin are used to describe segment profit or loss as a percentage of net sales. These measures of performance should not be considered an alternative to net income or cash flows from operating activities as an indicator of our performance or as a measure of liquidity.

Presented below is selected financial information related to our business segments:

U.S. Segments:

Marmaxx

	Fiscal Year Ended		
Dollars in millions	**February 2, 2013**	January 28, 2012	January 29, 2011
Net sales	**$ 17,011.4**	$ 15,367.5	$ 14,092.2
Segment profit	**$ 2,486.3**	$ 2,073.4	$ 1,876.0
Segment profit as a percentage of net sales	**14.6%**	13.5%	13.3%
*Adjusted segment profit as a percentage of net sales**	***n/a***	*13.6%*	*n/a*
Percent increase in same store sales	**6%**	5%	4%
Stores in operation at end of period			
T.J. Maxx	**1,036**	983	923
Marshalls	**904**	884	830
Total Marmaxx	**1,940**	1,867	1,753
Selling square footage at end of period (in thousands)			
T.J. Maxx	**23,894**	22,894	21,611
Marshalls	**22,380**	22,042	20,912
Total Marmaxx	**46,274**	44,936	42,523

* See Adjusted Financial Measures above.
At February 2, 2013, STP operated 4 stores with a selling square footage of 83,000.

Net sales at Marmaxx increased 11% in fiscal 2013 as compared to fiscal 2012. Same store sales for Marmaxx were up 6% in fiscal 2013, on top of a 5% increase in the prior year. Same store sales growth at Marmaxx for fiscal 2013 was driven by an increase in customer traffic, with both apparel and home fashions posting solid same store sales gains. Geographically, same store sales were strong throughout the country.

Same store sales growth at Marmaxx for fiscal 2012 was driven by a balanced increase in the value of the average transaction and an increase in customer traffic. The categories that posted particularly strong same store sales increases in fiscal 2012 were dresses, men s, shoes and accessories. Geographically, same store sales increases were strong throughout the country, with Florida and the Southwest the strongest and the Midwest below the chain average.

Segment margin was up 1.1 percentage points to 14.6% for fiscal 2013 compared to 13.5% for fiscal 2012. This increase was primarily due to a 0.6 percentage point improvement in merchandise margin, largely due to lower markdowns. The fiscal 2013 segment margin also benefitted from expense leverage (particularly occupancy costs, which improved by 0.4 percentage points) on strong same store sales growth and the 53rd week which lifted the fiscal 2013 segment margin by approximately 0.2 percentage points.

Segment margin was up 0.2 percentage points to 13.5% for fiscal 2012 compared to 13.3% for fiscal 2011, primarily due to expense leverage (particularly occupancy costs, which improved by 0.3 percentage points) on strong same store sales growth. This improvement was offset in part by slightly lower merchandise margins and the store conversion and grand re-opening costs of former A.J. Wright stores converted to T.J. Maxx or Marshalls. Adjusted segment profit margin, which excludes the A.J. Wright conversion costs, increased 0.3 percentage points to 13.6% for fiscal 2012.

We believe our ongoing store remodel program has benefited our sales in this segment. As a result of the remodel program and our new store openings, approximately 75% of T.J. Maxx and Marshall s stores were in the new prototype at the end of fiscal 2013.

In fiscal 2014, we expect to open approximately 75 new Marmaxx stores (net of closings) and increase selling square footage by approximately 3%.

HomeGoods

	Fiscal Year Ended		
Dollars in millions	**February 2, 2013**	January 28, 2012	January 29, 2011
Net sales	**$ 2,657.1**	$ 2,244.0	$ 1,958.0
Segment profit	**$ 324.6**	$ 234.4	$ 186.5
Segment profit as a percentage of net sales	**12.2%**	10.4%	9.5%
*Adjusted segment profit as a percentage of net sales**	***n/a***	*10.6%*	*n/a*
Percent increase in same store sales	**7%**	6%	6%
Stores in operation at end of period	**415**	374	336
Selling square footage at end of period (in thousands)	**8,210**	7,391	6,619

* See Adjusted Financial Measures above.

HomeGoods net sales increased 18% in fiscal 2013 compared to fiscal 2012, on top of a 15% increase in fiscal 2012 when compared to fiscal 2011. Same store sales increased 7% in fiscal 2013, on top of a same store sales increase of 6% in fiscal 2012. Same store sales growth was driven by an increase in customer traffic and, to a lesser extent, an increase in the value of the average transaction in both years. Segment profit margin for fiscal 2013 was 12.2%, up from 10.4% for fiscal 2012. The increase was driven by expense leverage on the 7% same store sales increase, particularly occupancy and administrative costs, and an increase in merchandise margins. Segment profit margin for fiscal 2012 was 10.4% up from 9.5% for fiscal 2011. The increase was due to expense leverage on the same store sales increase and an increase in merchandise margins (primarily due to lower markdowns), partially offset by the conversion and grand re-opening costs of former A.J. Wright stores converted to HomeGoods. Adjusted segment profit margin for fiscal 2012 (which excludes the A.J. Wright conversion costs) increased 1.1 percentage points to 10.6%.

In fiscal 2014, we plan a net increase of approximately 30 HomeGoods stores and plan to increase selling square footage by approximately 7%.

A.J. Wright

We completed the consolidation of the A.J. Wright division in the first quarter of fiscal 2012, closing the remaining stores not being converted to other banners. These closing costs (primarily lease-related obligations) and A.J. Wright operating losses totaled $49.3 million and were reported as an A.J. Wright segment loss in the first quarter of fiscal 2012.

In fiscal 2011 A.J. Wright had a segment loss of $130.0 million on net sales of $888.4 million. A majority of the costs related to the closing of A.J. Wright were recorded in the fourth quarter of fiscal 2011. The fiscal 2011 segment loss includes a fourth quarter loss of $140.6 million.

Due to the anticipated migration of A.J. Wright customers to our other U.S. segments, A.J. Wright was not treated as a discontinued operation for financial reporting purposes.

International Segments:

TJX Canada

U.S. Dollars in millions	February 2, 2013	Fiscal Year Ended January 28, 2012	January 29, 2011
Net sales	**$ 2,926.0**	$ 2,680.1	$ 2,510.2
Segment profit	**$ 414.9**	$ 348.0	$ 352.0
Segment profit as a percentage of net sales	**14.2%**	13.0%	14.0%
Percent increase (decrease) in same store sales	**5%**	(1)%	4%
Stores in operation at end of period			
Winners	**222**	216	215
HomeSense	**88**	86	82
Marshalls	**14**	6	
Total	**324**	308	297
Selling square footage at end of period (in thousands)			
Winners	**5,115**	5,008	4,966
HomeSense	**1,698**	1,670	1,594
Marshalls	**363**	162	
Total	**7,176**	6,840	6,560

Net sales for TJX Canada increased 9% in fiscal 2013 as compared to fiscal 2012. Currency translation negatively impacted sales growth by 1 percentage point in fiscal 2013, as compared to the same period last year. Same store sales increased 5% in fiscal 2013 compared to a decrease of 1% in fiscal 2012.

Segment profit for fiscal 2013 increased to $414.9 million, and segment profit margin increased 1.2 percentage points to 14.2%. The improvement in segment margin was driven by increased merchandise margin, largely due to lower markdowns. This increase in segment margin was partially offset by increased incentive compensation accruals in fiscal 2013 as compared to fiscal 2012. Foreign currency translation and the mark-to-market adjustment on inventory related hedges did not have a significant impact on fiscal 2013 segment profit and segment margin.

Net sales for TJX Canada increased 7% in fiscal 2012 as compared to fiscal 2011. Currency translation benefitted fiscal 2012 sales growth by approximately 4 percentage points, as compared to the same period in fiscal 2011. Same store sales decreased 1% in fiscal 2012 compared to an increase of 4% in fiscal 2011 largely due to execution issues in women s and, to a lesser extent, children s categories.

Segment profit for fiscal 2012 decreased to $348.0 million, due to weak sales volume in the first three quarters (mitigated in part by strong inventory and expense management) and, to a lesser extent, a fourth quarter charge of $6 million for the closure of our StyleSense stores. These decreases in segment profit more than offset a $10 million benefit from foreign currency translation and a $4 million benefit from mark-to-market adjustment on inventory-related hedges. The decrease in segment margin for fiscal 2012 as compared to fiscal 2011 was due to expense deleverage and lower merchandise margins, which more than offset the favorable change in the mark-to-market adjustment of our inventory-related hedges.

We expect to add a net of approximately 20 stores in Canada in fiscal 2014 and plan to increase selling square footage by approximately 6%.

TJX Europe

	Fiscal Year Ended		
U.S. Dollars in millions	**February 2, 2013**	January 28, 2012	January 29, 2011
Net sales	**$ 3,283.9**	$ 2,890.7	$ 2,493.5
Segment profit	**$ 215.7**	$ 68.7	$ 75.8
Segment profit as a percentage of net sales	**6.6%**	2.4%	3.0%
Percent increase (decrease) in same store sales	**10%**	2%	(3)%
Stores in operation at end of period			
T.K. Maxx	**343**	332	307
HomeSense	**24**	24	24
Total	**367**	356	331
Selling square footage at end of period (in thousands)			
T.K. Maxx	**7,830**	7,588	7,052
HomeSense	**411**	402	402
Total	**8,241**	7,990	7,454

Net sales for TJX Europe increased 14% in fiscal 2013 to $3.3 billion compared to $2.9 billion in fiscal 2012. Currency translation negatively impacted fiscal 2013 sales growth by 2 percentage points. Fiscal 2013 same store sales increased 10% compared to an increase of 2% in fiscal 2012.

Segment profit more than tripled to $215.7 million for fiscal 2013, and segment profit margin increased to 6.6%. The improvements we saw in the fourth quarter of fiscal 2012 in this segment s performance as we slowed growth and re-focused on off-price fundamentals continued throughout fiscal 2013. More than half of the improvement in segment margin came from improved merchandise margins, which was virtually all due to lower markdowns. Segment profit and segment margin for fiscal 2013 as compared to 2012, benefitted from the absence of the fiscal 2012 charges for closing an office facility and the write-off of certain technology systems and other adjustments. The impact of foreign currency translation and the mark-to-market adjustment on inventory-related hedges was immaterial for fiscal 2013.

Net sales for TJX Europe increased 16% in fiscal 2012 to $2.9 billion compared to $2.5 billion in fiscal 2011. Currency translation benefited fiscal 2012 sales growth by 4 percentage points. Same store sales were up 2% in fiscal 2012 compared to a decrease of 3% in fiscal 2011. TJX Europe ended fiscal 2012 by posting a fourth quarter same store sales increase of 10%.

Segment profit decreased to $68.7 million for fiscal 2012, and segment profit margin decreased to 2.4%. For fiscal 2012, the impact of foreign currency translation and the mark-to-market adjustment on inventory-related hedges was immaterial. Our fiscal 2012 results reflect aggressive markdowns, primarily taken in the first quarter to clear inventory and adjust our merchandise mix and the charges and write-offs referenced above. Despite these fourth quarter charges, segment profit for the fourth quarter of fiscal 2012 nearly doubled reflecting the effects of the changes we made to address the execution issues that adversely affected fiscal 2011 and earlier parts of fiscal 2012.

We expect to add approximately 25 net stores in Europe in fiscal 2014 and plan to increase selling square footage by approximately 6%.

General Corporate Expense:

	Fiscal Year Ended		
Dollars in millions	**February 2, 2013**	January 28, 2012	January 29, 2011
General corporate expense	**$ 335.0**	$ 228.3	$ 168.7

General corporate expense for segment reporting purposes represents those costs not specifically related to the operations of our business segments and is included in selling, general and administrative expenses. The increase in general corporate expense for fiscal 2013 includes contributions to the TJX Foundation, an adjustment to our reserve for former operations and the acquisition costs of Sierra Trading Post. These items account for $56 million of the increase in general corporate expense. In addition, general corporate expense for fiscal 2013 includes increased incentive compensation accruals under our performance-based plans, additional investments in systems and technology and additional costs related to the expansion of our home office facilities.

The increase in general corporate expense for fiscal 2012 was primarily due to our investments in systems and technology, talent and associate training expenses, costs related to our e-commerce initiative and costs related to a fourth quarter voluntary retirement program and an executive separation agreement. Collectively, these items accounted for approximately $40 million of the increase in general corporate expenses for fiscal 2012.

Liquidity and Capital Resources

Operating activities: Net cash provided by operating activities was $3,046 million in fiscal 2013, $1,916 million in fiscal 2012 and $1,976 million in fiscal 2011. The cash generated from operating activities in each of these fiscal years was largely due to operating earnings.

Operating cash flows for fiscal 2013 increased $1,130 million compared to fiscal 2012. Net income plus the non-cash impact of depreciation and impairment charges provided cash of $2,427 million in fiscal 2013 compared to $1,995 million in fiscal 2012, an increase of $432 million. The change in merchandise inventory, net of the related change in accounts payable, resulted in a source of cash of $239 million in fiscal 2013, compared to a use of cash of $224 million in fiscal 2012. This change was attributable to faster inventory turns and a reduction in consolidated inventories on a per-store basis, including the distribution centers, which was down 6% at the end of fiscal 2013 as compared to fiscal 2012 (excluding Sierra Trading Post). The increase in accrued expenses and other liabilities favorably impacted cash by $269 million in fiscal 2013 versus $14 million in fiscal 2012, which was primarily driven by an increase in accrued incentive compensation and accrued pension. Additionally, operating cash flows increased by $48 million year-over-year due to the change in deferred income tax provision and income taxes payable which was largely offset by a reduction in operating cash flows of $47 million due to an increase in accounts receivable and prepaid expenses. The increase in prepaid expenses was primarily due to the timing of rental payments.

Operating cash flows for fiscal 2012 decreased $60 million compared to fiscal 2011. Net income plus the non-cash impact of depreciation and impairment charges provided cash of $1,995 million in fiscal 2012 compared to $1,897 million in fiscal 2011, an increase of $98 million. The change in merchandise inventory, net of the related change in accounts payable, resulted in a use of cash of $224 million in fiscal 2012, compared to $48 million in fiscal 2011. The increase in inventory was in our distribution centers, primarily due to higher pack-away inventory as we continued to take advantage of market opportunities. The average inventory in our stores at the end of fiscal 2012 was below fiscal 2011 levels. The additional cash outlay for the net change in inventory and accounts payable is due to the timing of payments. The impact of the changes in all other assets and liabilities, which reduced operating cash flows by $77 million year-over-year, was more than offset by the favorable impact on cash flows of $94 million due to a higher deferred income tax provision.

We have a reserve for the remaining future obligations of operations we have closed, sold or otherwise disposed of including, among others, Bob s Stores and A.J. Wright. The majority of these obligations relate to real estate leases associated with these operations. The reserve balance was $45.2 million at February 2, 2013 and $45.4 million at January 28, 2012. The cash flows required to satisfy obligations of former operations are classified as a reduction in cash provided by operating activities. See Note C to the consolidated financial statements for more information.

Investing activities: Our cash flows for investing activities include capital expenditures for the last three fiscal years as set forth in the table below:

		Fiscal Year Ended	
In millions	**February 2, 2013**	January 28, 2012	January 29, 2011
New stores	**$ 170.7**	$ 211.6	$ 196.3
Store renovations and improvements	**282.7**	319.8	301.0
Office and distribution centers	**524.8**	271.9	209.8
Capital expenditures	**$ 978.2**	$ 803.3	$ 707.1

We expect that we will spend approximately $925 million to $950 million on capital expenditures in fiscal 2014, including approximately $444 million for our offices and distribution centers (including buying and merchandising systems and information systems) to support growth, $316 million for store renovations and $190 million for new stores. We plan to fund these expenditures through internally generated funds.

We also purchased short-term investments that had initial maturities in excess of 90 days which, per our policy, are not classified as cash on the balance sheets presented. In fiscal 2013, we purchased $356 million of such short-term investments, compared to $152 million in fiscal 2012. Additionally, $213 million of such short-term investments were sold or matured during fiscal 2013 compared to $133 million last year.

Investing activities for fiscal 2013 also included the net cash paid in December 2012 for the acquisition of STP, an off-price internet retailer. The purchase price, net of cash acquired was $190 million which is subject to customary post-closing adjustments. See Note B to the consolidated financial statements for more information.

Financing activities: Cash flows from financing activities resulted in net cash outflows of $1,476 million in fiscal 2013; $1,336 million in fiscal 2012 and $1,224 million in fiscal 2011.

Under our stock repurchase programs, we spent $1,300 million to repurchase 30.6 million shares of our stock in fiscal 2013, $1,370 million to repurchase 49.7 million shares in fiscal 2012 and $1,201 million to repurchase 55.1 million shares in fiscal 2011. See Note D to the consolidated financial statements for more information. In February 2013, our Board of Directors authorized an additional repurchase program authorizing the repurchase of up to an additional $1.5 billion of TJX stock. We currently plan to repurchase approximately $1.3 billion to $1.4 billion of stock under our stock repurchase programs in fiscal 2014. We determine the timing and amount of repurchases based on our assessment of various factors including excess cash flow, liquidity, economic and market conditions, our assessment of prospects for our business, legal requirements and other factors. The timing and amount of these purchases may change.

We declared quarterly dividends on our common stock which totaled $0.46 per share in fiscal 2013, $0.38 per share in fiscal 2012 and $0.30 per share in fiscal 2011. Cash payments for dividends on our common stock totaled $324 million in fiscal 2013, $275 million in fiscal 2012 and $229 million in fiscal 2011. We also received proceeds from the exercise of employee stock options of $134 million in fiscal 2013, $219 million in fiscal 2012 and $176 million in fiscal 2011.

We traditionally have funded our working capital requirements, including for seasonal merchandise, primarily through cash generated from operations, supplemented, as needed, by short-term bank borrowings and the issuance of commercial paper. We believe our existing cash and cash equivalents, internally generated funds and our credit facilities, described in Note J to the consolidated financial statements, are more than adequate to meet our operating needs over the next fiscal year.

Contractual obligations: As of February 2, 2013, we had known contractual obligations (including current installments) under long-term debt arrangements, operating leases for property and equipment and purchase obligations as follows (in thousands):

		Payments Due by Period			
		Less Than	1-3	3-5	More Than
Tabular Disclosure of Contractual Obligations	Total	1 Year	Years	Years	5 Years
Long-term debt obligations[1]	$ 1,007,838	$ 42,863	$ 485,725	$ 52,125	$ 427,125
Operating lease commitments[2]	6,719,214	1,185,379	2,080,098	1,487,253	1,966,484
Purchase obligations[3]	2,956,330	2,823,533	119,250	13,495	52
Total Obligations	$ 10,683,382	$ 4,051,775	$ 2,685,073	$ 1,552,873	$ 2,393,661

(1) Includes estimated interest costs.

(2) Reflects minimum rent. Does not include costs for insurance, real estate taxes, other operating expenses and, in some cases, rentals based on a percentage of sales; these items totaled approximately one-third of the total minimum rent for fiscal 2013. Does not include leases reflected in our reserve for former operations.

(3) Includes estimated obligations under purchase orders for merchandise and under agreements for capital items, products and services used in our business, including executive employment and other agreements. Excludes agreements that can be cancelled without penalty.

We also have long-term liabilities for which it is not reasonably possible for us to predict when they may be paid which include $395.3 million for employee compensation and benefits and $257.2 million for uncertain tax positions.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP) which require us to make certain estimates and judgments that impact our reported results. These judgments and estimates are based on historical experience and other factors which we continually review and believe are reasonable. We consider our most critical accounting policies, involving management estimates and judgments, to be those relating to the areas described below.

Inventory valuation: We use the retail method for valuing inventory, which results in a weighted average cost. Under the retail method, the cost value of inventory and gross margins are determined by calculating a cost-to-retail ratio and applying it to the retail value of inventory. This method is widely used in the retail industry, and we believe the retail method results in a more conservative inventory valuation than other inventory accounting methods. It involves management estimates with regard to markdowns and inventory shrinkage. Under the retail method, permanent markdowns are reflected in inventory valuation when the price of an item is reduced. Typically, a significant area of judgment in the retail method is the amount and timing of permanent markdowns. However, as a normal business practice, we have a specific policy as to when and how markdowns are to be taken, greatly reducing management s discretion and the need for management estimates as to markdowns. Inventory shrinkage requires estimating a shrinkage rate for interim periods, but we take a full physical inventory near the fiscal year end to determine shrinkage at year end. Thus, actual and estimated amounts of shrinkage may differ in quarterly results, but the difference is typically not a significant factor in full year results. We do not generally enter into arrangements with vendors that provide for rebates and allowances that could ultimately affect the value of inventory.

Impairment of long-lived assets: We evaluate the recoverability of the carrying value of our long-lived assets at least annually and whenever events or circumstances occur that would indicate that the carrying amounts of those assets are not recoverable. Significant judgment is involved in projecting the cash flows of individual stores, as well as of our business units, which involve a number of factors including historical trends, recent performance and general economic assumptions. If we determine that an impairment of long-lived assets has occurred, we record an impairment charge equal to the excess of the carrying value of those assets over the estimated fair value of the assets.

Retirement obligations: Retirement costs are accrued over the service life of an employee and represent, in the aggregate, obligations that will ultimately be settled far in the future and are therefore subject to estimates.

We are required to make assumptions regarding variables, such as the discount rate for valuing pension obligations and the long-term rate of return assumed to be earned on pension assets, both of which impact the net periodic pension cost for the period. The discount rate, which we determine annually based on market interest rates, and our estimated long-term rate of return, which can differ considerably from actual returns, can have a significant impact on the annual cost of retirement benefits and the funded status of our qualified pension plan. When the discount rate, market performance of our plan assets, changes in tax or other benefits laws and regulations, or other factors have a negative impact on the funded status of our plan, our required contributions may increase. We also consider these factors in determining the amount of voluntary contributions we may make to the plan in excess of mandatory funding requirements. In fiscal 2013 we funded our qualified pension plan with a voluntary contribution of $75 million.

Share-based compensation: In accordance with GAAP, we estimate the fair value of stock awards issued to employees and directors under our stock incentive plan. The fair value of the awards is amortized as share-based compensation over the vesting periods during which the recipients are required to provide service. We use the Black-Scholes option pricing model for determining the fair value of stock options granted, which requires management to make significant judgments and estimates such as participant activity and market results. The use of different assumptions and estimates could have a material impact on the estimated fair value of stock option grants and the related compensation cost.

Reserves for uncertain tax positions: Like many large corporations, our income and other tax returns and reports are regularly audited by federal, state and local tax authorities in the United States and in foreign jurisdictions where we operate and such authorities may challenge positions we take. We are engaged in various administrative and judicial proceedings in multiple jurisdictions with respect to assessments, claims, deficiencies and refunds and other tax matters, which proceedings are in various stages of negotiation, assessment, examination, litigation and settlement. The outcomes of these proceedings are uncertain. In accordance with GAAP, we evaluate our uncertain tax positions based on our understanding of the facts, circumstances and information available at the reporting date, and we accrue for exposure when we believe that it is more likely than not, based on the technical merits, that the positions we have taken will not be sustained. However, in the next twelve months and in future periods, the amounts we accrue for uncertain tax positions from time to time or ultimately pay, as the result of the final resolutions of examinations, judicial or administrative proceedings, changes in facts, law, or legal interpretations, expirations of applicable statute of limitations or other resolutions of, or changes in, tax positions may differ either positively or negatively from the amounts we have accrued, and may result in reductions to or additions to accruals, refund claims or payments for periods not currently under examination or for which no claims have been made. Final resolutions of our tax positions or changes in accruals for uncertain tax positions could result in additional tax expense or benefit and could have a material impact on our results of operations of the period in which an examination or proceeding is resolved or in the period in which a changed outcome becomes probable and reasonably estimable.

Reserves for former operations: As discussed in Note C to the consolidated financial statements and elsewhere in the Management s Discussion and Analysis, we have reserves for probable losses arising for future obligations of former operations, primarily real estate leases. We must make estimates and assumptions about the costs and expenses we will incur in connection with the future obligations of our former operations. The leases relating to A.J. Wright and other former operations are long-term obligations, and the estimated cost to us involves numerous estimates and assumptions including when and on what terms we will assign the leases, or sublease the leased properties, whether and for how long we remain obligated with respect to particular leases, the extent to which assignees or subtenants will fulfill our financial and other obligations under the leases, how particular obligations may ultimately be settled and what mitigating factors, including indemnification, may exist to any liability we may have. We develop these assumptions based on past experience and evaluation of various potential outcomes and the circumstances surrounding each situation and location. Actual results may differ from our current estimates, and we may decrease or increase the amount of our reserves to adjust for future developments relating to the underlying assumptions and other factors, although we do not expect any such differences to be material to our results of operations.

Loss contingencies*:* Certain conditions may exist as of the date the financial statements are issued that may result in a loss to us but will not be resolved until one or more future events occur or fail to occur. Our management, with the assistance of our legal counsel, assesses such contingent liabilities. Such assessments inherently involve the exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or claims that may result in such proceedings, our legal counsel assists us in evaluating the perceived merits of any legal proceedings or claims as well as the perceived merits of the relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be reasonably estimated, we will accrue for the estimated liability in the financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be reasonably estimated, we will disclose the nature of the contingent liability, together with an estimate of the range of the possible loss or a statement that such loss is not reasonably estimable.

Recent Accounting Pronouncements

See Note A to our consolidated financial statements included in this annual report for recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

TJX is exposed to market risks in the ordinary course of business, some potential market risks are discussed below:

Foreign Currency Exchange Risk

We are exposed to foreign currency exchange rate risk on the translation of our foreign operations into the U.S. dollar and on purchases of goods in currencies that are not the local currencies of stores where the goods are sold and on intercompany debt and interest payable between our domestic and international operations. As more fully described in Note E to our consolidated financial statements, we use derivative financial instruments to hedge a portion of certain merchandise purchase commitments, primarily at our international operations, and intercompany transactions with our international operations. We enter into derivative contracts only for the purpose of hedging the underlying economic exposure. We utilize currency forward and swap contracts, designed to offset the gains or losses on the underlying exposures. The contracts are executed with banks we believe are creditworthy and are denominated in currencies of major industrial countries. We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to the hedging contracts and the underlying exposures described above as well as the translation of our foreign operations into our reporting currency. As of February 2, 2013, the analysis indicated that such an adverse movement would not have a material effect on our consolidated financial position but could have reduced our pre-tax income for fiscal 2013 by approximately $65 million.

Equity Price Risk

The assets of our qualified pension plan, a large portion of which are equity securities, are subject to the risks and uncertainties of the financial markets. We invest the pension assets in a manner that attempts to minimize and control our exposure to market uncertainties. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. A significant decline in the financial markets could adversely affect the value of our pension plan assets and the funded status of our pension plan, resulting in increased contributions to the plan.

We do not enter into derivatives for speculative or trading purposes.

ITEM 8. Financial Statements and Supplementary Data

The information required by this item may be found on pages F-1 through F-31 of this Annual Report on Form 10-K.

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

Not applicable.

ITEM 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report pursuant to Rules 13a-15 and 15d-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act 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 and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of implementing controls and procedures.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of fiscal 2013 identified in connection with our Chief Executive Officer s and Chief Financial Officer s evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of TJX;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of TJX are being made only in accordance with authorizations of management and directors of TJX; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of TJX s assets that could have a material effect on the financial statements.

Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems designed to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial

reporting as of February 2, 2013 based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that its internal control over financial reporting was effective as of February 2, 2013.

(d) Attestation Report of the Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited and reported on our consolidated financial statements contained herein, has audited the effectiveness of our internal control over financial reporting as of February 2, 2013, and has issued an attestation report on the effectiveness of our internal control over financial reporting included herein.

ITEM 9B. Other Information

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Executive Officers of the Registrant

The following are the executive officers of TJX as of April 2, 2013:

Name	Age	Office and Employment During Last Five Years
Bernard Cammarata	73	Chairman of the Board since 1999. Acting Chief Executive Officer from September 2005 to January 2007 and Chief Executive Officer from 1989 to 2000. Led TJX and its former TJX subsidiary and T.J. Maxx Division from the organization of the business in 1976 until 2000, including serving as Chief Executive Officer and President of TJX, Chairman and President of TJX s T.J. Maxx Division, and Chairman of The Marmaxx Group.
Ernie Herrman	52	President since January 2011. Senior Executive Vice President, Group President from August 2008 to January 2011. Senior Executive Vice President from 2007 to 2008 and President, Marmaxx from 2005 to 2008. Senior Executive Vice President, Chief Operating Officer, Marmaxx from 2004 to 2005. Executive Vice President, Merchandising, Marmaxx from 2001 to 2004. Various merchandising positions with TJX since joining in 1989.
Scott Goldenberg	59	Executive Vice President and Chief Financial Officer since January 2012. Executive Vice President, Finance from June 2009 to January 2012. Senior Vice President, Corporate Controller from 2007 to 2009 and Senior Vice President, Director of Finance, Marmaxx, from 2000 to 2007. Various financial positions with TJX from 1983 to 1988 and 1997 to 2000.
Michael MacMillan	56	Senior Executive Vice President, Group President, TJX Europe since January 2012. Senior Executive Vice President, Group President from 2011 to January 2012. President, Marmaxx from 2008 to 2011. President, Winners Merchants International (WMI) from 2003 to 2008, Executive Vice President, WMI from 2000 to 2003. Previous finance positions from 1985 to 2000.
Carol Meyrowitz	59	Chief Executive Officer since January 2007, Director since 2006 and President from 2005 to January 2011. Consultant to TJX from January 2005 to October 2005. Senior Executive Vice President from March 2004 to January 2005. President, Marmaxx from 2001 to January 2005. Executive Vice President of TJX from 2001 to 2004. Various merchandising positions with TJX since joining in 1987.
Jerome Rossi	69	Senior Executive Vice President, Group President, since January 2007. Senior Executive Vice President, Chief Operating Officer, Marmaxx from 2005 to 2007. President, HomeGoods, from 2000 to 2005. Executive Vice President, Store Operations, Human Resources and Distribution Services, Marmaxx from 1996 to 2000.
Richard Sherr	55	Senior Executive Vice President, Group President, since January 2012. President, HomeGoods from 2010 to 2012. Chief Operating Officer, Marmaxx from 2007 until 2010. Various merchandising positions at TJX from 1992 to 2007.
Nan Stutz	55	Senior Executive Vice President, Group President, since February 2011. Group President from 2010 to 2011. President, HomeGoods from 2007 to 2010, Executive Vice President, Merchandise and Marketing from 2006 to 2007 and Senior Vice President, Merchandise and Marketing from 2005 to 2006. Various merchandising positions with TJX since 1990.

The executive officers hold office until the next annual meeting of the Board in June 2013 and until their successors are elected and qualified.

TJX will file with the Securities and Exchange Commission a definitive proxy statement no later than 120 days after the close of its fiscal year ended February 2, 2013 (Proxy Statement). The information required by this Item and not given in this Item will appear under the headings Election of Directors and Corporate

Governance, including in Board Committees and Meetings , Audit Committee Report and Section 16(a) Beneficial Ownership Reporting Compliance in our Proxy Statement, which sections are incorporated in this item by reference.

TJX has a Code of Ethics for TJX Executives governing its Chairman, Chief Executive Officer, President, Chief Financial Officer, Principal Accounting Officer and other senior operating, financial and legal executives. The Code of Ethics for TJX Executives is designed to ensure integrity in its financial reports and public disclosures. TJX also has a Code of Conduct and Business Ethics for Directors which promotes honest and ethical conduct, compliance with applicable laws, rules and regulations and the avoidance of conflicts of interest. Both of these codes of conduct are published at www.tjx.com. We intend to disclose any future amendments to, or waivers from, the Code of Ethics for TJX Executives or the Code of Business Conduct and Ethics for Directors within four business days of the waiver or amendment through a website posting or by filing a Current Report on Form 8-K with the Securities and Exchange Commission.

ITEM 11. Executive Compensation

The information required by this Item will appear under the headings Executive Compensation and Director Compensation in our Proxy Statement, which sections are incorporated in this item by reference.

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

The information required by this Item will appear under the headings Equity Compensation Plan Information and Beneficial Ownership in our Proxy Statement, which sections are incorporated in this item by reference.

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

The information required by this Item will appear under the heading Corporate Governance, including in Transactions with Related Persons and Board Independence, in our Proxy Statement, which section is incorporated in this item by reference.

ITEM 14. Principal Accountant Fees and Services

The information required by this Item will appear under the heading Audit Committee Report in our Proxy Statement, which section is incorporated in this item by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) Financial Statement Schedules

For a list of the consolidated financial information included herein, see Index to the Consolidated Financial Statements on page F-1.

Schedule II Valuation and Qualifying Accounts

In thousands	Balance Beginning of Period	Amounts Charged to Net Income	Write-Offs Against Reserve	Balance End of Period
Sales Return Reserve:				
Fiscal Year Ended February 2, 2013	**$ 22,348**	**$ 1,603,462**	**$ 1,589,192**	**$ 36,618**
Fiscal Year Ended January 28, 2012	$ 17,151	$ 1,387,956	$ 1,382,759	$ 22,348
Fiscal Year Ended January 29, 2011	$ 16,855	$ 1,051,999	$ 1,051,703	$ 17,151
Reserves Related to Former Operations :				
Fiscal Year Ended February 2, 2013	**$ 45,381**	**$ 16,996**	**$ 17,148**	**$ 45,229**
Fiscal Year Ended January 28, 2012	$ 54,695	$ 33,547	$ 42,861	$ 45,381
Fiscal Year Ended January 29, 2011	$ 35,897	$ 32,575	$ 13,777	$ 54,695
Casualty Insurance Reserve:				
Fiscal Year Ended February 2, 2013	**$ 9,079**	**$ 6,436**	**$ 883**	**$ 14,632**
Fiscal Year Ended January 28, 2012	$ 14,241	$ (3,942)	$ 1,220	$ 9,079
Fiscal Year Ended January 29, 2011	$ 17,116	$ (555)	$ 2,320	$ 14,241
Computer Intrusion Reserve:				
Fiscal Year Ended February 2, 2013	**$ 15,864**	**$**	**$ 97**	**$ 15,767**
Fiscal Year Ended January 28, 2012	$ 17,340	$	$ 1,476	$ 15,864
Fiscal Year Ended January 29, 2011	$ 23,481	$ (1,550)	$ 4,591	$ 17,340

(b) Exhibits

Listed below are all exhibits filed as part of this report. Some exhibits are filed by the Registrant with the Securities and Exchange Commission pursuant to Rule 12b-32 under the Exchange Act.

Exhibit No.	Description of Exhibit
3(i).1	Fourth Restated Certificate of Incorporation is incorporated herein by reference to Exhibit 99.1 to the Form 8-A/A filed September 9, 1999. Certificate of Amendment of Fourth Restated Certificate of Incorporation is incorporated herein by reference to Exhibit 3(i) to the Form 10-Q filed for the quarter ended July 28, 2005.
3(ii).1	By-laws of TJX, as amended, are incorporated herein by reference to Exhibit 3.1 to the Form 8-K filed on September 22, 2009.
4.1	Indenture between TJX and U.S. Bank National Association dated as of April 2, 2009, incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-3 filed on April 2, 2009 (File 333-158360).
4.2	First Supplemental Indenture between TJX and U.S. Bank National Association dated as of April 7, 2009, incorporated by reference to Exhibit 4.1 to the Form 8-K filed on April 7, 2009.
4.3	Second Supplemental Indenture between TJX and U.S. Bank National Association dated as of July 23, 2009, incorporated herein by reference to Exhibit 4.1 to the Form 8-K filed on July 23, 2009.
10.1	The Employment Agreement dated as of June 13, 2012 between Bernard Cammarata and TJX is incorporated herein by reference to Exhibit 10.1 to the Form 10-Q filed for the quarter ended July 28, 2012.*
10.2	The Employment Agreement dated February 1, 2013 between Carol Meyrowitz and TJX is filed herewith.*
10.3	The Employment Agreement dated January 28, 2011 between Jeffrey Naylor and TJX is incorporated herein by reference to Exhibit 10.3 to the Form 10-K filed for the year ended January 29, 2011. The Letter Agreement between Jeffrey Naylor and TJX dated February 1, 2013 is filed herewith.*
10.4	The Employment Agreement dated February 1, 2013 between Ernie Herrman and TJX is filed herewith.*
10.5	The Employment Agreement dated as of January 29, 2012 between Jerome Rossi and TJX is incorporated herein by reference to Exhibit 10.6 to the Form 10-K filed for the year ended January 28, 2012.*
10.6	The Employment Agreement dated January 28, 2011 between Michael MacMillan and TJX is incorporated herein by reference to Exhibit 10.8 to the Form 10-K filed for the year ended January 29, 2011. The Letter Agreement dated January 10, 2012 between and among Michael MacMillan, TJX and NBC Attire, Inc. is incorporated herein by reference to Exhibit 10.10 to the Form 10-K filed for the year ended January 28, 2012.*
10.7	The Employment Agreement dated February 1, 2013 between Nan Stutz and TJX is filed herewith.*
10.8	The Employment Agreement effective as of January 29, 2012 between Richard Sherr and TJX is incorporated herein by reference to Exhibit 10.12 to the Form 10-K filed for the year ended January 28, 2012.*
10.9	The Employment Agreement effective as of January 29, 2012 between Scott Goldenberg and TJX is incorporated herein by reference to Exhibit 10.13 to the Form 10-K filed for the year ended January 28, 2012.*
10.10	The Stock Incentive Plan (2009 Restatement), as amended and restated effective as of February 2, 2012, is incorporated herein by reference to Exhibit 10.15 to the Form 10-K filed for the year ended January 28, 2012.*

10.11	The Stock Incentive Plan Rules for U.K. Employees, as amended April 7, 2009, is incorporated herein by reference to Exhibit 10.3 to the Form 10-Q filed for the quarter ending July 31, 2010.*
10.12	The Form of Non-Qualified Stock Option Certificate granted under the Stock Incentive Plan as amended and restated through June 1, 2004 is incorporated herein by reference to Exhibit 10.2 to the Form 10-Q filed for the quarter ended July 31, 2004.*
10.13	The Form of Non-Qualified Stock Option Certificate granted under the Stock Incentive Plan as of September 17, 2009 is incorporated herein by reference to Exhibit 12.1 to the Form 10-Q filed for the quarter ended October 31, 2009. The Form of Non-Qualified Stock Option Terms and Conditions granted under the Stock Incentive Plan as of September 17, 2009 is incorporated herein by reference to Exhibit 12.2 to the Form 10-Q filed for the quarter ended October 31, 2009.*
10.14	The Form of Non-Qualified Stock Option Certificate granted under the Stock Incentive Plan as of September 9, 2010 is incorporated herein by reference to Exhibit 10.2 to the Form 10-Q filed for the quarter ended October 30, 2010. The Form of Non-Qualified Stock Option Terms and Conditions granted under the Stock Incentive Plan as of September 9, 2010 is incorporated herein by reference to Exhibit 10.19 to the Form 10-K filed for the year ended January 28, 2012.*
10.15	The Form of Non-Qualified Stock Option Certificate granted under the Stock Incentive Plan as of September 20, 2012 is incorporated herein by reference to Exhibit 10.1 to the Form 10-Q filed for the quarter ended October 27, 2012. The Form of Non-Qualified Stock Option Terms and Conditions granted under the Stock Incentive Plan as of September 20, 2012 is incorporated herein by reference to Exhibit 10.2 to the Form 10-Q filed for the quarter ended October 27, 2012.*
10.16	The Form of Performance-Based Restricted Stock Award granted under the Stock Incentive Plan is incorporated herein by reference to Exhibit 10.13 to the Form 10-K filed for the fiscal year ended January 30, 2010. The Form of Performance-Based Restricted Stock Award granted under the Stock Incentive Plan as of April 2, 2012 is incorporated herein by reference to Exhibit 10.3 to the Form 10-Q filed for the quarter ended April 28, 2012. The Form of Performance-Based Restricted Stock Award granted under the Stock Incentive Plan as of February 1, 2013 is filed herewith.*
10.17	The Form of Performance-Based Deferred Stock Award granted under the Stock Incentive Plan is incorporated herein by reference to Exhibit 10.14 to the Form 10-K filed for the fiscal year ended January 30, 2010. The Form of Performance-Based Deferred Stock Award granted under the Stock Incentive Plan as of April 2, 2012 is incorporated herein by reference to Exhibit 10.3 to the Form 10-Q filed for the quarter ended April 28, 2012.*
10.18	The Form of Deferred Stock Award for Directors granted under the Stock Incentive Plan is filed herewith.*
10.19	Description of Director Compensation Arrangements is filed herewith.*
10.20	The Management Incentive Plan, as amended and restated effective as of March 5, 2010, is incorporated herein by reference to Exhibit 10.11 to the Form 10-Q filed for the quarter ended May 1, 2010. The Amendment to the Management Incentive Plan dated April 20, 2012 is incorporated herein by reference to Exhibit 10.1 to the Form 10-Q filed for the quarter ended April 28, 2012.*
10.21	The Long Range Performance Incentive Plan, as amended and restated effective as of March 5, 2010, is incorporated herein by reference to Exhibit 10.17 to the Form 10-K filed for the year ended January 29, 2011. The Amendment to the Long Range Performance Incentive Plan dated April 20, 2012 is incorporated herein by reference to Exhibit 10.2 to the Form 10-Q filed for the quarter ended April 28, 2012.*
10.22	The Management Incentive Plan and Long Range Performance Incentive Plan (2013 Restatement) is filed herewith.*
10.23	The General Deferred Compensation Plan (1998 Restatement) (the GDCP) and First Amendment to the GDCP, effective January 1, 1999, are incorporated herein by reference to Exhibit 10.9 to the Form 10-K for the fiscal year ended January 30, 1999. The Second Amendment to the GDCP, effective January 1, 2000, is incorporated herein by reference to Exhibit 10.10 to the Form 10-K filed for the fiscal year ended January 29, 2000. The Third and Fourth Amendments to the GDCP are incorporated herein by reference to Exhibit 10.17 to the Form 10-K for the fiscal year ended January 28, 2006. The Fifth Amendment to the GDCP, effective January 1, 2008 is incorporated herein by reference to Exhibit 10.17 to the Form 10-K filed the fiscal year ended January 31, 2009.*

10.24	The Supplemental Executive Retirement Plan (2008 Restatement) is incorporated herein by reference to Exhibit 10.18 to the Form 10-K filed for the fiscal year ended January 31, 2009.*
10.25	The Executive Savings Plan (2010 Restatement) is incorporated herein by reference to Exhibit 10.14 to the Form 10-Q filed for the quarter ended May 1, 2010.*
10.26	The Canadian Executive Savings Plan (effective November 1, 1999) of Winners Merchants International, LP (successor to Winners Apparel Ltd.) is filed herewith.*
10.27	The form of TJX Indemnification Agreement for its executive officers and directors is incorporated herein by reference to Exhibit 10(r) to the Form 10-K filed for the fiscal year ended January 27, 1990. *
10.28	The Trust Agreement dated as of April 8, 1988 between TJX and State Street Bank and Trust Company is incorporated herein by reference to Exhibit 10(y) to the Form 10-K filed for the fiscal year ended January 30, 1988.*
10.29	The Trust Agreement dated as of April 8, 1988 between TJX and Fleet Bank (formerly Shawmut Bank of Boston, N.A.) is incorporated herein by reference to Exhibit 10(z) to the Form 10-K filed for the fiscal year ended January 30, 1988.*
10.30	The Trust Agreement for Executive Savings Plan dated as of January 1, 2005 between TJX and Wells Fargo Bank, N.A. is incorporated herein by reference to Exhibit 10.26 to the Form 10-K filed for the fiscal year ended January 29, 2005.*
21	Subsidiaries of TJX, filed herewith.
23	Consent of Independent Registered Public Accounting Firm is filed herewith.
24	Power of Attorney given by the Directors and certain Executive Officers of TJX is filed herewith.
31.1	Certification Statement of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is filed herewith.
31.2	Certification Statement of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is filed herewith.
32.1	Certification Statement of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is filed herewith.
32.2	Certification Statement of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 is filed herewith.
101	The following materials from The TJX Companies, Inc. s Annual Report on Form 10-K for the fiscal year February 2, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Shareholders Equity, and (vi) Notes to Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

Unless otherwise indicated, exhibits incorporated by reference were filed under Commission File Number 001-04908.

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SIGNATURES

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

THE TJX COMPANIES, INC.

By /s/ Scott Goldenberg
Scott Goldenberg, Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: April 2, 2013

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

/s/ Carol Meyrowitz	SCOTT GOLDENBERG*
Carol Meyrowitz, Chief Executive Officer and Director (Principal Executive Officer)	Scott Goldenberg, Chief Financial Officer (Principal Financial and Accounting Officer)
ZEIN ABDALLA*	MICHAEL F. HINES*
Zein Abdalla, Director	Michael F. Hines, Director
JOSE B. ALVAREZ*	AMY B. LANE*
José B. Alvarez, Director	Amy B. Lane, Director
ALAN M. BENNETT*	JOHN F. O BRIEN*
Alan M. Bennett, Director	John F. O Brien, Director
BERNARD CAMMARATA*	WILLOW B. SHIRE*
Bernard Cammarata, Chairman of the Board of Directors	Willow B. Shire, Director
DAVID T. CHING*	
David T. Ching, Director	

*BY /s/ Scott Goldenberg
Scott Goldenberg,
for himself and as attorney-in-fact

Dated: April 2, 2013

The TJX Companies, Inc.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

For Fiscal Years Ended February 2, 2013, January 28, 2012 and January 29, 2011.

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of The TJX Companies, Inc:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The TJX Companies, Inc. and its subsidiaries (the Company) at February 2, 2013 and January 28, 2012, and the results of their operations and their cash flows for each of the three years in the period ended February 2, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

April 2, 2013

The TJX Companies, Inc.

CONSOLIDATED STATEMENTS OF INCOME

Amounts in thousands except per share amounts	Fiscal Year Ended February 2, 2013 (53 weeks)	January 28, 2012	January 29, 2011
Net sales	**$ 25,878,372**	$ 23,191,455	$ 21,942,193
Cost of sales, including buying and occupancy costs	**18,521,400**	16,854,249	16,040,461
Selling, general and administrative expenses	**4,250,446**	3,890,144	3,710,053
Provision (credit) for Computer Intrusion related costs			(11,550)
Interest expense, net	**29,175**	35,648	39,137
Income from continuing operations before provision for income taxes	**3,077,351**	2,411,414	2,164,092
Provision for income taxes	**1,170,664**	915,324	824,562
Income from continuing operations	**1,906,687**	1,496,090	1,339,530
Gain from discontinued operations, net of income taxes			3,611
Net income	**$ 1,906,687**	$ 1,496,090	$ 1,343,141
Basic earnings per share:			
Income from continuing operations	**$ 2.60**	$ 1.97	$ 1.67
Gain from discontinued operations, net of income taxes	**$**	$	$ 0.01
Net income	**$ 2.60**	$ 1.97	$ 1.68
Weighted average common shares basic	**733,588**	761,109	800,291
Diluted earnings per share:			
Income from continuing operations	**$ 2.55**	$ 1.93	$ 1.65
Gain from discontinued operations, net of income taxes	**$**	$	$
Net income	**$ 2.55**	$ 1.93	$ 1.65
Weighted average common shares diluted	**747,555**	773,772	812,826
Cash dividends declared per share	**$ 0.46**	$ 0.38	$ 0.30

The accompanying notes are an integral part of the financial statements.

The TJX Companies, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended		
	February 2,	January 28,	January 29,
Amounts in thousands	**2013**	2012	2011
	(53 weeks)		
Net income	**$ 1,906,687**	$ 1,496,090	$ 1,343,141
Other comprehensive income, net of related tax benefits of $16,727; $54,792 in fiscal 2013 and 2012, respectively and tax provision of $9,132 in fiscal 2011:			
Foreign currency translation adjustments	**6,200**	(14,253)	38,325
Amortization of actuarial losses	**14,026**	4,833	5,219
Recognition of unfunded post retirement obligations	**(41,043)**	(91,400)	(1,175)
Total comprehensive income	**$ 1,885,870**	$ 1,395,270	$ 1,385,510

The accompanying notes are an integral part of the financial statements.

The TJX Companies, Inc.

CONSOLIDATED BALANCE SHEETS

Amounts in thousands except share amounts	Fiscal Year Ended February 2, 2013	January 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,811,957**	$ 1,507,112
Short-term investments	**235,853**	94,691
Accounts receivable, net	**222,788**	204,304
Merchandise inventories	**3,014,214**	2,950,523
Prepaid expenses and other current assets	**330,512**	270,133
Current deferred income taxes, net	**96,219**	105,869
Total current assets	**5,711,543**	5,132,632
Property at cost:		
Land and buildings	**607,759**	349,778
Leasehold costs and improvements	**2,514,998**	2,311,813
Furniture, fixtures and equipment	**3,771,999**	3,426,966
Total property at cost	**6,894,756**	6,088,557
Less accumulated depreciation and amortization	**3,671,514**	3,382,180
Net property at cost	**3,223,242**	2,706,377
Property under capital lease, net of accumulated amortization of $23,824 at January 28, 2012		8,748
Other assets	**260,801**	253,913
Goodwill and tradename, net of amortization	**316,269**	179,935
TOTAL ASSETS	**$ 9,511,855**	$ 8,281,605
LIABILITIES		
Current liabilities:		
Obligation under capital lease due within one year	**$**	$ 2,970
Accounts payable	**1,930,568**	1,645,324
Accrued expenses and other current liabilities	**1,666,216**	1,364,705
Federal, foreign and state income taxes payable	**163,812**	50,424
Total current liabilities	**3,760,596**	3,063,423
Other long-term liabilities	**961,284**	861,768
Non-current deferred income taxes, net	**349,486**	362,501
Obligation under capital lease, less portion due within one year		10,147
Long-term debt, exclusive of current installments	**774,552**	774,476
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Common stock, authorized 1,200,000,000 shares, par value $1, issued and outstanding 723,902,001 and 746,702,028, respectively	**723,902**	746,702
Additional paid-in capital		
Accumulated other comprehensive income (loss)	**(213,392)**	(192,575)
Retained earnings	**3,155,427**	2,655,163
Total shareholders equity	**3,665,937**	3,209,290
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 9,511,855**	$ 8,281,605

The accompanying notes are an integral part of the financial statements.

The TJX Companies, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
Amounts in thousands	**February 2, 2013 (53 weeks)**	January 28, 2012	January 29, 2011
Cash flows from operating activities:			
Net income	**$ 1,906,687**	$ 1,496,090	$ 1,343,141
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**508,929**	485,701	458,052
Loss on property disposals and impairment charges	**11,876**	13,559	96,073
Deferred income tax provision	**13,265**	144,762	50,641
Share-based compensation	**64,416**	64,175	58,804
Excess tax benefits from share-based compensation	**(62,472)**	(46,143)	(28,095)
Changes in assets and liabilities:			
(Increase) in accounts receivable	**(18,418)**	(4,410)	(23,587)
Decrease (increase) in merchandise inventories	**27,186**	(187,157)	(211,823)
Decrease (increase) in prepaid expenses and other current assets	**(53,705)**	(20,709)	495
Increase (decrease) in accounts payable	**211,689**	(36,553)	163,823
Increase in accrued expenses and other liabilities	**268,901**	13,747	77,846
Increase (decrease) in income taxes payable	**176,076**	(3,097)	(11,801)
Other	**(8,816)**	(3,931)	2,912
Net cash provided by operating activities	**3,045,614**	1,916,034	1,976,481
Cash flows from investing activities:			
Property additions	**(978,228)**	(803,330)	(707,134)
Purchase of short-term investments	**(355,736)**	(152,042)	(119,530)
Sales and maturities of short-term investments	**213,000**	132,679	180,116
Cash paid for acquisition of Sierra Trading Post, net of cash received	**(190,374)**		
Other	**34,490**	11,652	(1,065)
Net cash (used in) investing activities	**(1,276,848)**	(811,041)	(647,613)
Cash flows from financing activities:			
Cash payments for debt issuance expenses	**(1,370)**	(2,299)	(3,118)
Payments on capital lease obligation	**(1,456)**	(2,727)	(2,355)
Cash payments for repurchase of common stock	**(1,345,082)**	(1,320,812)	(1,193,380)
Proceeds from issuance of common stock	**133,771**	218,999	176,159
Excess tax benefits from share-based compensation	**62,472**	46,143	28,095
Cash dividends paid	**(323,922)**	(275,016)	(229,329)
Net cash (used in) financing activities	**(1,475,587)**	(1,335,712)	(1,223,928)
Effect of exchange rate changes on cash	**11,666**	(3,920)	22,204
Net increase (decrease) in cash and cash equivalents	**304,845**	(234,639)	127,144
Cash and cash equivalents at beginning of year	**1,507,112**	1,741,751	1,614,607
Cash and cash equivalents at end of year	**$ 1,811,957**	$ 1,507,112	$ 1,741,751

The accompanying notes are an integral part of the financial statements.

The TJX Companies, Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Amounts in thousands	Common Stock Shares	Par Value $1	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance, January 30, 2010	818,772	$ 818,772	$	$ (134,124)	$ 2,204,628	$ 2,889,276
Comprehensive income:						
Net income					1,343,141	1,343,141
Foreign currency translation adjustments				38,325		38,325
Recognition of prior service cost and deferred gains/losses				5,219		5,219
Recognition of unfunded post retirement obligations				(1,175)		(1,175)
Total comprehensive income						1,385,510
Cash dividends declared on common stock					(239,003)	(239,003)
Share-based compensation			58,804			58,804
Issuance of common stock under stock incentive plan and related tax effect	15,426	15,426	183,266			198,692
Common stock repurchased	(54,884)	(54,884)	(242,070)		(896,426)	(1,193,380)
Balance, January 29, 2011	779,314	779,314		(91,755)	2,412,340	3,099,899
Comprehensive income:						
Net income					1,496,090	1,496,090
Foreign currency translation adjustments				(14,253)		(14,253)
Recognition of prior service cost and				4,833		4,833

deferred gains/losses						
Recognition of unfunded post retirement obligations				(91,400)		(91,400)
Total comprehensive income						1,395,270
Cash dividends declared on common stock					(288,035)	(288,035)
Share-based compensation			64,175			64,175
Issuance of common stock under stock incentive plan and related tax effect	15,744	15,744	243,049			258,793
Common stock repurchased	(48,356)	(48,356)	(307,224)		(965,232)	(1,320,812)
Balance, January 28, 2012	746,702	746,702		(192,575)	2,655,163	3,209,290
Comprehensive income:						
Net income					1,906,687	1,906,687
Foreign currency translation adjustments				6,200		6,200
Recognition of prior service cost and deferred gains/losses				14,026		14,026
Recognition of unfunded post retirement obligations				(41,043)		(41,043)
Total comprehensive income						1,885,870
Cash dividends declared on common stock					(336,214)	(336,214)
Share-based compensation			64,416			64,416
Issuance of common stock under stock incentive plan and related tax effect	9,159	9,159	178,4988.44			

Potentially dilutive common

stock equivalents:				
Unvested restricted common stock	491,286	264,630	491,286	264,630
Common stock options	775,650	815,650	775,650	815,650
Unvested performance shares	381,823	260,000	381,823	260,000
Warrants	1,448,333	1,485,000	1,448,333	1,485,000
Total potentially dilutive common stock equivalents	3,097,092	2,825,280	3,097,092	2,825,280

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(In millions, except exercise prices)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Average unamortized share-based compensation expense:				
Unvested restricted common stock awards	$3.0	$ 1.6	$2.6	$ 1.3
Unvested performance share awards	$2.1	$ 0.6	$2.0	$ 0.3
Range of exercise prices on common stock options	$3.00 - $10.00	$3.00 - $10.00	$3.00 - $10.00	$3.00 - $10.00
Weighted average exercise price of the Warrants	$5.64	$ 5.64	$5.64	$ 5.81

NOTE 10—DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivatives

Real Alloy may use forward contracts and options, as well as contractual price escalators, to reduce the risks associated with its metal, natural gas, and certain currency exposures. Generally, Real Alloy enters into master netting arrangements with its counterparties and offsets net derivative positions with the same counterparties against amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under those arrangements in our unaudited condensed consolidated balance sheets. For classification purposes, Real Alloy records the net fair value of each type of derivative position expected to settle in less than one year (by counterparty) as a net current asset or liability and each type of long-term position as a net long-term asset or liability.

Metal hedging

Primarily in our RAEU segment, London Metal Exchange ("LME") future swaps or forward contracts are sold as metal is purchased to fill fixed-priced customer sales orders. As sales orders are priced, LME future or forward contracts may be purchased, which generally settle within six months. Real Alloy may also buy put option contracts for managing metal price exposures. Option contracts require the payment of a premium, which is recorded as a realized loss upon settlement or expiration of the option contract. Upon settlement of the put option contracts, Real Alloy receives cash and recognizes a related gain if the LME closing price is less than the strike price of the put option. If the put option strike price is less than the LME closing price, no amount is paid and the option expires. As of June 30, 2016, Real Alloy had 30.0 thousand metric tons of metal buy and sell derivative contracts.

Natural gas hedging

To manage the price exposure for natural gas purchases, Real Alloy may fix the future price of a portion of its natural gas requirements by entering into financial hedge agreements. Under these swap agreements, payments are made or received based on the differential between the monthly closing price on the New York Mercantile Exchange ("NYMEX") and the contractual hedge price. Natural gas cost can also be managed through the use of cost escalators included in some long-term supply contracts with customers, which limits exposure to natural gas price risk. As of June 30, 2016, Real Alloy had 2.5 trillion British thermal unit forward buy contracts.

Currency exchange hedging

From time to time, Real Alloy may enter into currency forwards, futures, call options and similar derivative financial instruments to limit its exposure to fluctuations in currency exchange rates. As of June 30, 2016, no currency derivative contracts were outstanding.

Credit risk

Real Alloy is exposed to losses in the event of nonperformance by the counterparties to the derivative financial instruments discussed above; however, management does not anticipate any nonperformance by the counterparties. The counterparties are evaluated for creditworthiness and risk assessment prior to initiating trading activities with the brokers and periodically throughout each year while actively trading. As of June 30, 2016, no cash collateral was posted or held.

The table below presents gross amounts of recognized assets and liabilities, the amounts offset in the unaudited condensed consolidated balance sheets and the net amounts of assets and liabilities presented therein. As of June 30, 2016, there were no amounts subject to an enforceable master netting arrangement or similar agreement that have not been offset in the unaudited condensed consolidated balance sheets.

	Fair Value of Derivatives as of June 30, 2016		Fair Value of Derivatives as of December 31, 2015	
(In millions)	Asset	Liability	Asset	Liability
Metal	$ 0.3	$ —	$0.2	$ (0.3)
Natural gas	0.5	—	—	(0.6)
Total	0.8	—	0.2	(0.9)
Effect of counterparty netting arrangements	—	—	(0.2)	0.2
Net derivatives assets (liabilities) as classified in the consolidated balance sheets	$ 0.8	$ —	$—	$ (0.7)

The following table presents details of the fair value of Real Alloy's derivative financial instruments as of June 30, 2016 and December 31, 2015, as recorded in the unaudited condensed consolidated balance sheets:

(In millions)	Balance Sheet Location	June 30, 2016	December 31, 2015
Derivative assets:			
Metal	Prepaid expenses, supplies, and other current assets	$0.3	$ —
Natural Gas	Prepaid expenses, supplies, and other current assets	0.3	—
Natural Gas	Other noncurrent assets	0.2	—
Total derivative assets		$0.8	$ —
Derivative liabilities:			
Metal	Accrued liabilities	$—	$ 0.1
Natural Gas	Accrued liabilities	—	0.6
Total derivative liabilities		$—	$ 0.7

Common stock warrant liability

On June 11, 2010, warrants to purchase an aggregate of 1.5 million shares of Real Industry's common stock were issued (the "Warrants"). The aggregate purchase price for the Warrants was $0.3 million, due in equal installments as the Warrants vested, 20% upon issuance and, thereafter, 20% annually on the anniversary of the issuance date and, as of June 30, 2015, the Warrants are 100% vested. The Warrants expire in June 2020 and had an original exercise price of $10.30 per share. The Warrants were issued without registration in reliance on the exemption set forth in Section 4(a)(2) of the Securities Act of 1933, as amended.

The Warrants include customary terms that provide for certain adjustments of the exercise price and the number of shares of common stock to be issued upon the exercise of the Warrants in the event of stock splits, stock dividends, pro rata distributions and certain other fundamental transactions. Additionally, the Warrants are subject to pricing protection provisions. During the term of the Warrants, the pricing protection provisions provide that certain issuances of new shares of common stock at prices below the current exercise price of the Warrants automatically reduce the exercise price of the Warrants to the lowest per share purchase price of common stock issued. In February 2015, the

Company issued shares of common stock in the Rights Offering at $5.64 per share, thereby reducing the exercise price of the Warrants to $5.64 per share. During the six months ended June 30, 2016, 20,000 Warrants were exercised on a cashless basis and, as of June 30, 2016, there were 1,448,333 Warrants outstanding.

The common stock warrant liability is a derivative liability related to the anti-dilution and pricing protection provisions of the Warrants. The fair value of the common stock warrant liability is based on a Monte Carlo simulation that utilizes various assumptions, including estimated volatility of 49.8% and an expected term of 3.9 years as of June 30, 2016, and 49.9% volatility and an expected term of 4.4 years as of December 31, 2015, along with a 60% equity raise probability assumption, and a 15% equity raise price discount assumption in the periods following the measurement date. The most significant input in determining the fair value of the common stock warrant liability is the price of our common stock on the measurement date. Significant decreases in the expected term or the equity raise probability and related assumptions would result in a minor decrease in the estimated fair value of the common stock warrant liability, while significant increases in the expected term or the equity raise probability and related assumptions would result in a minor increase in the estimated fair value of the common stock warrant liability. A 10% increase or decrease in any or all of the unobservable inputs would not have a material impact on the estimated fair value of the common stock warrant liability.

The following table presents changes in the fair value of the common stock warrant liability during the three and six months ended June 30, 2016 and 2015:

(In millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Balance, beginning of period	$7.5	$4.9	$6.9	$5.6
Warrants exercised	(0.1)	(0.1)	(0.1)	(0.1)
Change in fair value of common stock warrant liability	(1.3)	6.3	(0.7)	5.6
Balance, end of period	$6.1	$11.1	$6.1	$11.1

Fair values

Derivative contracts are recorded at fair value using quoted market prices and significant other observable inputs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3—Inputs that are both significant to the fair value measurement and unobservable.

We endeavor to utilize the best available information in measuring fair value. Where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence and unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables set forth financial assets and liabilities and their level in the fair value hierarchy that are accounted for at fair value on a recurring basis as of June 30, 2016 and December 31, 2015:

(In millions)	Fair Value Hierarchy	Estimated Fair Value June 30, 2016	Estimated Fair Value December 31, 2015
Derivative assets	Level 2	$0.8	$ 0.2

Derivative liabilities	Level 2	—		(0.9	)
Net derivative assets (liabilities)		$0.8	$	(0.7	)
Common stock warrant liability	Level 3	$(6.1)	$	(6.9	)

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Both realized and unrealized gains and losses on derivative financial instruments are included within losses (gains) on derivative financial instruments in the unaudited condensed consolidated statements of operations. The following table presents losses (gains) on derivative financial instruments during the three and six months ended June 30, 2016 and 2015:

(In millions)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Realized losses:				
Metal	$0.2	$0.8	$0.4	$0.7
Natural gas	0.2	—	0.8	—
Total realized losses	0.4	0.8	1.2	0.7
Unrealized losses (gains):				
Metal	(0.8)	1.3	(0.4)	1.3
Natural gas	(1.1)	—	(1.1)	—
Total unrealized losses (gains)	(1.9)	1.3	(1.5)	1.3
Losses (gains) on derivative financial instruments	$(1.5)	$2.1	$(0.3)	$2.0

Other Financial Instruments

The following tables present the carrying values and estimated fair values of other financial instruments as of June 30, 2016 and December 31, 2015:

		June 30, 2016	
(In millions)	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value
Assets			
Cash and cash equivalents	Level 1	$40.2	$ 40.2
Financing receivable	Level 2	40.9	40.9
Loans receivable, net (other noncurrent assets)	Level 3	1.0	1.0
Liabilities			
Long-term debt:			
Senior Secured Notes	Level 1	$292.7	$ 305.0
Asset-Based Facility	Level 2	22.1	24.0
Redeemable Preferred Stock	Level 3	$23.3	$ 21.3

		December 31, 2015	
(In millions)	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value

Assets			
Cash and cash equivalents	Level 1	$35.7	$ 35.7
Financing receivable	Level 2	32.7	32.7
Restricted cash held in escrow (other current assets)	Level 1	3.9	3.9
Loans receivable, net (other noncurrent assets)	Level 3	1.1	1.1
Liabilities			
Long-term debt:			
Senior Secured Notes	Level 1	$290.7	$ 310.9
Asset-Based Facility	Level 2	19.6	22.0
Redeemable Preferred Stock	Level 3	$21.9	$ 18.7

The Company used the following methods and assumptions to estimate the fair value of each financial instrument as of June 30, 2016 and December 31, 2015:

Cash and cash equivalents and restricted cash held in escrow

Cash and cash equivalents and restricted cash held in escrow are recorded at historical cost. The carrying value is a reasonable estimate of fair value as these instruments have short-term maturities and market interest rates.

Financing receivable

Financing receivable represents the net amount due from the sale and transfer of trade accounts receivable under a €50 million factoring facility (the "Factoring Facility"). The Factoring Facility provides for the transfer and sale of eligible receivables to a counterparty, the settlement of which generally occurs within thirty days of transfer, which are accounted for as true sales, and are included in operating cash flows. During the three and six months ended June 30, 2016, $83.7 million and $173.5 million, respectively, of receivables were transferred on a nonrecourse basis and proceeds of $81.6 million and $170.0 million, respectively, were received. During the three months ended June 30, 2015, $117.2 million of trade receivables were transferred and $119.0 million of proceeds were received. Administrative fees and expenses associated with the Factoring Facility were $0.2 million in each of the three months ended June 30, 2016 and 2015, and $0.4 million in each of the six months ended June 30, 2016 and 2015.

The transferred receivables are isolated from Real Alloy's accounts. Real Alloy maintains continuing involvement with the transferred receivables through limited servicing obligations, primarily related to recordkeeping. Real Alloy retains no rights to the transferred receivables, or associated collateral, and does not collect a servicing fee. Following transfer, Real Alloy has no further rights to any cash flows or other assets to any party related to the transfer.

The carrying value is a reasonable estimate of fair value as the financing receivable is generally outstanding for no more than thirty days and the counterparty is a large creditworthy financial institution.

Loans receivable, net

Loans receivable, net, consists of commercial real estate loans. The estimated fair value considers the collateral coverage of assets securing the loans and estimated credit losses, as well as variable interest rates, which approximate market interest rates.

Long-term debt – Senior Secured Notes

The estimated fair value of the Senior Secured Notes is based on observable market prices.

Long-term debt – Asset-Based Facility

The estimated fair value of the Asset-Based Facility is based on its market characteristics, including interest rates and maturity dates generally consistent with market terms.

Redeemable Preferred Stock

The estimated fair value of Redeemable Preferred Stock is determined based on a discounted cash flow analysis using the Hull & White model, with a remaining term of fifty months, assuming either the holder will put or the issuer will call at the redemption date. The cash dividend yield and the Redeemable Preferred Stock, including the payment-in-kind Redeemable Preferred Stock, were discounted at the spot rate plus a 17.0% credit spread adjustment to a zero coupon yield curve, based on similar market instruments.

NOTE 11—SEGMENT INFORMATION

Segment information is prepared on the same basis that our chief operating decision-maker ("CODM"), who is our chief executive officer, manages the segments, evaluates financial results, and makes key operating decisions, and for which discrete financial information is available. As of June 30, 2016, the Company had two reportable segments: Real Alloy North America ("RANA") and Real Alloy Europe ("RAEU").

Measurement of segment income or loss and segment assets and liabilities

Our measure of profitability for our reportable segments is earnings before interest, taxes, depreciation and amortization and excludes certain other items (“Adjusted EBITDA”). Certain of the Company’s assets and liabilities have not been allocated to our reportable segments, including corporate cash, the common stock warrant liability, deferred income taxes, and long-term debt, none of which our CODM uses to evaluate the performance of our reportable segments. Additionally, certain of the Company’s corporate administrative expenses are not allocated to the reportable segments.

Reportable segment information

The following tables show segment revenues from external customers (there were no intersegment revenues) and Adjusted EBITDA for the three and six months ended June 30, 2016 and 2015 and reconciliations of Adjusted EBITDA to net loss for each period

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presented. Although the three month periods are comparable, the year-to-date periods are not comparable as the results for 2015 include the results of operations for the period from the Real Alloy acquisition date to June 30, 2015, or approximately four months.

	Three Months Ended June 30, 2016		
(In millions)	RANA	RAEU	Total
Revenues	$212.4	$108.4	$320.8
Adjusted EBITDA	$14.3	$6.6	$20.9

	Three Months Ended June 30, 2015		
(In millions)	RANA	RAEU	Total
Revenues	$231.0	$137.6	$368.6
Adjusted EBITDA	$15.9	$7.0	$22.9

	Six Months Ended June 30, 2016		
(In millions)	RANA	RAEU	Total
Revenues	$413.2	$217.0	$630.2
Adjusted EBITDA	$27.5	$11.7	$39.2

	Six Months Ended June 30, 2015		
(In millions)	RANA	RAEU	Total
Revenues	$316.5	$189.9	$506.4
Adjusted EBITDA	$20.9	$9.5	$30.4

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Adjusted EBITDA	$20.9	$22.9	$39.2	$30.4
Unrealized gains (losses) on derivative financial instruments	1.9	(1.3)	1.5	(1.3)
Segment depreciation and amortization	(10.6)	(10.2)	(25.3)	(13.9)
Amortization of inventories and supplies purchase accounting adjustments	(0.3)	(3.5)	(0.9)	(7.2)
Corporate and Other:				
Operating loss—excludes share-based compensation expense	(3.1)	(3.8)	(5.9)	(6.7)
Share-based compensation expense	(0.5)	(0.3)	(1.0)	(0.6)
Other	(0.2)	(1.0)	(1.6)	(1.1)

Operating profit (loss)	8.1	2.8	6.0	(0.4)
Nonoperating expenses	(9.2)	(16.3)	(16.4)	(38.3)
Income tax benefit (expense)	(0.2)	(0.2)	(0.9)	7.2
Earnings from discontinued operations,				
net of income taxes	0.1	2.9	0.1	27.2
Net loss	$(1.2)	$(10.8)	$(11.2)	$(4.3)

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The following tables present summarized balance sheet information for each of our reportable segments and reconciliations to consolidated assets and liabilities as of June 30, 2016 and December 31, 2015:

	June 30, 2016		December 31, 2015	
(In millions)	RANA	RAEU	RANA	RAEU
Segment Assets				
Current assets:				
Cash and cash equivalents	$16.4	$5.3	$8.1	$7.2
Trade accounts receivable, net	77.6	16.0	63.7	13.5
Financing receivable	—	40.9	—	32.7
Inventories	57.3	31.1	61.7	38.5
Prepaid expenses, supplies, and other current assets	15.7	5.9	12.5	6.8
Total current assets	167.0	99.2	146.0	98.7
Property, plant and equipment, net	193.2	97.2	199.3	102.2
Intangible assets, net	13.8	—	15.0	—
Goodwill	95.4	9.1	95.4	8.9
Other noncurrent assets	5.0	2.0	4.9	1.9
Total segment assets	$474.4	$207.5	$460.6	$211.7
Segment Liabilities				
Current liabilities:				
Trade payables	$70.2	$42.0	$58.1	$42.3
Accrued liabilities	31.3	12.0	34.3	14.6
Total current liabilities	101.5	54.0	92.4	56.9
Accrued pension benefits	—	38.8	—	38.0
Environmental liabilities	11.7	—	11.7	—
Other noncurrent liabilities	4.4	1.8	4.1	1.4
Total segment liabilities	$117.6	$94.6	$108.2	$96.3

(In millions)	June 30, 2016	December 31, 2015
Assets:		
Real Alloy North America	$474.4	$ 460.6
Real Alloy Europe	207.5	211.7
Unallocated	22.2	28.6
Total consolidated assets	$704.1	$ 700.9
Liabilities:		
Real Alloy North America	$117.6	$ 108.2
Real Alloy Europe	94.6	96.3
Unallocated	336.4	332.1
Total consolidated liabilities	$548.6	$ 536.6

NOTE 12—DISCONTINUED OPERATIONS

NABCO

On January 9, 2015, we sold all of our interests in NABCO for $77.9 million, including a final working capital adjustment of $0.1 million, and $3.9 million of proceeds released from escrow in the first quarter of 2016. As a result of the sale, the gain on sale of NABCO, along with the assets, liabilities and results of operations of NABCO are included in discontinued operations for all periods presented.

SGGH

As of June 30, 2016, the largest liability within discontinued operations is a repurchase reserve that represents estimated losses from repurchase claims based on claimed breaches of certain representations and warranties provided by FIL to counterparties that purchased residential real estate loans, predominantly from 2002 through 2007. Management estimates the likely range of the loan repurchase liability based on a number of factors, including, but not limited to, the timing of such claims relative to the loan origination date, the quality of the documentation supporting such claims, the number and involvement of cross-defendants, if any, related to such claims, and a time and expense estimate if a claim were to result in litigation. The estimate is based on currently available information and was subject to known and unknown uncertainties using multiple assumptions requiring significant judgment.

In June 2015, the New York State Court of Appeals affirmed the decision of the New York State Supreme Court, Appellate Division in ACE Securities Corp v. DB Structured Products, Inc. (the "ACE Securities Case"), whereby the New York state six-year statute of limitations on loan repurchase demands begins to run as of the closing date on which the representations were made, which, in the ACE Securities Case, was the date of the mortgage loan purchase agreements. Based on the final decision in the ACE Securities Case, management has reassessed its exposure to losses from repurchase demands and believes a repurchase reserve of $0.7 million is adequate as of June 30, 2016.

The Company did not settle or receive any repurchase claims during the six months ended June 30, 2016 or the year ended December 31, 2015. The repurchase reserve liability was $0.7 million as of June 30, 2016 and December 31, 2015. During the three months ended June 30, 2016 and 2015, the repurchase reserve was reduced by zero and $0.2 million, respectively. During the six months ended June 30, 2016 and 2015, the repurchase reserve was reduced by zero and $4.8 million, respectively.

Earnings from discontinued operations for the six months ended June 30, 2016 is primarily related to $0.2 million of restitution received from the U.S. government related to an investigation of various sub-prime mortgage loan brokers. Earnings from discontinued operations, net of income taxes for the six months ended June 30, 2015 is primarily related to the $39.7 million pretax gain on sale of NABCO and a $4.8 million reduction in the repurchase reserve.

NOTE 13—COMMITMENTS AND CONTINGENCIES

Environmental Matters

Real Alloy's operations are subject to environmental laws and regulations governing air emissions, wastewater discharges, the handling, disposal and remediation of hazardous substances and waste, and employee health and safety. These laws and regulations can impose joint and several liabilities for releases or threatened releases of hazardous substances upon statutorily defined parties, including us, regardless of fault or the lawfulness of the original activity or disposal. Given the changing nature of environmental legal requirements, we may be required, from time to time, to take environmental control measures at some of our facilities to meet future requirements. Real Alloy is under regulatory consent orders or directives to perform environmental remediation by agencies in two states, and is working with local authorities to resume the operations of its Norwegian salt slag operations. Based on currently available information, the Company believes that the ultimate outcome of the June 2016 suspension of its salt slag operations will not have a material adverse effect on its financial position, overall trends in results of operations, or cash flows.

Real Alloy’s reserves for environmental remediation liabilities totaled $15.6 million and $16.0 as of June 30, 2016 and December 31, 2015, respectively. Of the total remediation liability as of June 30, 2016 and December 31, 2015, $3.9 million and $4.3 million, respectively, are classified in accrued liabilities in the unaudited condensed consolidated balance sheets, with the remaining portion classified as environmental liabilities.

In addition to environmental liabilities, Real Alloy has asset retirement obligations associated with legal requirements related primarily to the normal operation of its landfills and the retirement of the related assets, which represents the most probable costs of remedial actions. Real Alloy’s total asset retirement obligations were $5.1 million and $5.0 million as of June 30, 2016 and December

31, 2015, respectively, of which $0.8 million and $0.9 million are classified as accrued liabilities, respectively, and $4.3 million and $4.1 million as other noncurrent liabilities, respectively.

Legal Proceedings

Real Industry, Real Alloy and SGGH have been named as a defendant in or as a party to a number of legal actions or proceedings that arose in the ordinary course of business. In some of these actions and proceedings, claims for monetary damages are asserted. In view of the inherent difficulty of predicting the outcome of such legal actions and proceedings, management generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss related to each pending matter may be, if any.

In accordance with applicable accounting guidance, management establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. The estimated loss is based upon currently available information and is subject to significant judgment, a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated loss may change from time to time, and actual results may vary significantly from the current estimate. Therefore, an estimate of loss represents what management believes to be an estimate of loss only for certain matters meeting these criteria. It does not represent the Company’s maximum loss exposure.

Based on management’s current understanding of these pending legal actions and proceedings, it does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company’s control, and the very large or indeterminate damages that may be sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company’s results of operations or cash flows for any particular reporting period.

See Note 23—Commitments and Contingencies in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of the Company’s Annual Report for additional information on certain legal proceedings and other matters involving the Company.

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

This Item 2 contains certain non-GAAP financial information. See "Non-GAAP Financial Measures" below for important information regarding the non-GAAP financial information included in this Item 2 and the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this Report, together with a reconciliation of such non-GAAP financial information presented to the most comparable GAAP financial information.

Certain statements in this Report, including, without limitation, matters discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), should be read in conjunction with the unaudited condensed consolidated financial statements, related notes, and other detailed information included in Part I, Item 1 of this Report, with our audited consolidated financial statements, related notes thereto, and other detailed information included in Part IV, Item 15 of our Annual Report, and "Risk Factors" included in Part I, Item 1A of our Annual Report and Part II, Item 1A in this Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" in this Report and in our Annual Report. We undertake no obligation to update or revise the information contained herein including, without limitation, any forward-looking statements or such risk factors whether as a result of new information, subsequent events or circumstances, or otherwise, unless otherwise required by law.

We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain statements that are not historical fact are forward-looking statements, and include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors, which may be beyond our control, and that could cause actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements are based on our current beliefs, intentions and expectations. These statements are neither guarantees nor indicative of future performance.

Overview

Real Industry is a Delaware holding company that operates through its operating subsidiaries. Our business focus is supporting the performance of Real Alloy, a global leader in aluminum recycling and our single largest operating business today, and to make acquisitions of additional operating companies. We seek to acquire meaningful ownership stakes in businesses with talented and experienced management teams, strong customer relationships, and sustainable competitive advantages. We regularly consider acquisitions of businesses that operate in undervalued industries, as well as businesses that we believe are in transition or are otherwise misunderstood by the marketplace. Post-acquisition, we expect to operate our businesses as autonomous subsidiaries, as we do with Real Alloy. We anticipate that we will continue to use our securities to pursue value-enhancing acquisitions and leverage our considerable tax assets, as well as support the needs of our existing operating segments, as necessary.

A key element to our business strategy is utilizing our considerable U.S. federal NOLs by becoming a significantly profitable enterprise. Our U.S. federal NOLs were predominantly generated by the legacy businesses of Fremont, and as of December 31, 2015, we have U.S. federal NOLs of approximately $871.8 million, which begin to expire if not used before our 2027 tax year. The ultimate realization of our deferred tax assets, including our U.S. federal NOLs, depends on our ability to generate future U.S. federal taxable income through the implementation of our business plan.

Transformation of Real Industry

During the first quarter of 2015, the Company underwent a considerable transformation. On January 9, 2015, we completed the sale of NABCO, previously the primary business within our subsidiary SGGH. On February 27, 2015, we acquired and began operating Real Alloy.

In the second quarter of 2015, our stockholders approved our name change to Real Industry, Inc.; our common stock began trading on the Nasdaq Stock Market (“NASDAQ”) under the symbol “RELY”; and Real Industry became a member of the Russell Global®, Russell 2000® and Russell Microcap® indexes.

As of June 30, 2016, Real Industry had an effective $700.0 million shelf registration statement on Form S-3.

Our Reportable Segments – RANA and RAEU

Real Alloy is a global leader in third-party aluminum recycling, which includes the processing of scrap aluminum and by-products, and the manufacturing of wrought, cast, and specification or foundry alloys. Real Alloy offers a broad range of products and services to wrought alloy processors, automotive original equipment manufacturers, foundries, and casters. Real Alloy serves the automotive, consumer packaging, aerospace, building and construction, steel, and durable goods industries. Real Alloy delivers recycled metal in molten or solid form according to customer specifications. Real Alloy's facilities are capable of processing industrial (new) scrap, post-consumer (old/obsolete) scrap, and various aluminum by-products, giving it a great degree of flexibility in reclaiming high-quality recycled aluminum.

Real AlloyWe have two reportable segments, both related to the Real Alloy Business: Real Alloy North America ("RANA") and Real Alloy Europe ("RAEU"). We are only including the results of operations for these two reportable segments for the period from the acquisition date, February 27, 2015. Accordingly, in any performance metric noted as "for the six months ended June 30, 2015," the results of Real Alloy are only presented for approximately four months. Consequently, management has elected not to provide certain comparisons of year-to-date information, as the amounts are not comparable.

RANA includes aluminum melting, processing, recycling, and alloying activities conducted in eighteen facilities located in the U.S., Canada and Mexico. RANA services customers serving end-uses related to automotive, consumer packaging, construction, transportation, and steel. Approximately 59% and 58% of RANA's invoiced sales volume was used in automotive applications in the three months ended June 30, 2016 and 2015, respectively, and approximately 57% and 54% in the six months ended June 30, 2016 and 2015, respectively. For the three months ended June 30, 2016 and 2015, RANA reported $212.4 million and $231.0 million of revenues, representing 66% and 63% of the Company's consolidated revenues, respectively. For the six months ended June 30, 2016, revenues were $413.2 million, representing 66% of consolidated revenues.

Similar to RANA, RAEU's operations primarily convert aluminum scrap, dross, and other alloying agents, as needed, and deliver the recycled metal in molten or solid form to customers from six facilities located in Germany, Norway and the United Kingdom. RAEU supplies the European automobile industry, which represented approximately 70% and 72% of this segment's invoiced sales volume in the three months ended June 30, 2016 and 2015, respectively, and 71% and 72% in the six months ended June 30, 2016 and 2015, respectively, as well as to other aluminum producers and manufacturers serving other European aluminum industries. For the three months ended June 30, 2016 and 2015, RAEU reported $108.4 million and $137.6 million of revenues, respectively, representing 34% and 37% of the Company's consolidated revenues. For the six months ended June 30, 2016, revenues were $217.0 million, representing 34% of consolidated revenues.

In both RANA and RAEU, Real Alloy conducts business with its customers primarily through tolling arrangements and buy/sell arrangements. Under tolling arrangements, customers pay a fee to convert their own aluminum scrap or by-products into usable recycled metal. Tolling arrangements provide Real Alloy benefits through commodity price risk reduction, earnings stability, and consistent returns on invested capital given the reduced working capital needs associated with tolling arrangements. Under buy/sell arrangements, scrap units are purchased in the open market, including from scrap dealers, customers, and other producers, and processed and sold as wrought or cast alloys to customer specifications. Real Alloy invoiced approximately 98.3 thousand metric tonnes ("kt") in North America and 52.7 kt in Europe through tolling arrangements, which represented 51% of Real Alloy's overall volume for the three months ended June 30, 2016, and invoiced approximately 101.1 kt in North America and 41.9 kt in Europe through buy/sell arrangements, which represented 49% of Real Alloy's overall volume during the same period. For the six months ended June 30, 2016, Real Alloy invoiced approximately 199.8 kt in North America and 104.7 kt in Europe through tolling arrangements, which represented 52% of Real Alloy's overall volume. Buy/sell arrangements for the six months ended June 30, 2016 were 195.9 kt in North America, and 85.8 kt in Europe, which represented 48% of Real Alloy's overall volume. The buy/sell portion of Real Alloy's business has a much more significant impact on reported revenues and cost of sales compared to tolling arrangements, as the cost of metal is included in both figures.

The financial performance of Real Alloy is determined, in part, by the volume of metal processed and invoiced. Increased production volume will normally result in lower per unit costs, while higher invoiced volumes will normally result in additional revenue and associated margins. A significant component of revenue and cost of sales is derived from the price of aluminum scrap, which is a commodity that changes based on both macro and micro economic supply and demand conditions, and which is generally passed through to customers. Revenues and margin percentages are also subject to fluctuation based on the percentage of customer-owned metal tolled or processed. Increased processing under such tolling arrangements results in lower revenues and generally also results in higher gross profit margin and net earnings margin compared to buy/sell arrangements. Tolling arrangements reduce exposure to the risk of changing metal prices and working capital requirements. Although tolling arrangements are beneficial in these ways, the percentage of Real Alloy’s capacity under these agreements is limited by the amount of metal their customers own and the extent to which they are willing to enter into such arrangements.

In addition to focusing on tolling relationships and carefully managing the size of its commercial inventory position related to its buy/sell business, Real Alloy also utilizes various derivative financial instruments designed to reduce the impact of changing aluminum prices on these net physical purchases and sales, particularly in its European operations. A portion of its buy/sell business is executed based on published indices, which often do not correlate with an index and, therefore, are not hedged. Real Alloy's risk management practices reduce, but do not eliminate exposure to changing aluminum prices. While these practices limit exposure to unfavorable aluminum price changes, they also limit Real Alloy's ability to benefit from favorable price changes.

Margins are impacted by the fees charged to customers to process their metal, by "scrap spreads," which represents the difference between the purchase price of the aluminum scrap Real Alloy buys and the selling prices of recycled metal, and by conversion costs. Aluminum scrap prices tend to be determined regionally and are typically impacted by supply and demand dynamics. While aluminum scrap prices may trend in a similar direction as primary aluminum prices, the extent of price movements is not highly correlated and can cause unpredictable movements in metal spreads of aluminum scrap versus primary aluminum. Real Alloy's operations are more significantly impacted by scrap spreads, which they strive to maximize, by utilizing all grades of aluminum scrap and optimizing metal blends and plant loadings. Additionally, recycling operations are labor intensive and require a significant amount of energy (primarily natural gas and electricity) to melt aluminum.

In addition to analyzing our consolidated operating performance based on revenues, our CODM measures the performance of our reportable segments utilizing Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that has limitations as an analytical tool and should be considered in addition to, and not in isolation, or as a substitute for, or as superior to, our measures of financial performance prepared in accordance with GAAP. Management, including our CODM, uses Adjusted EBITDA to manage and assess the performance of our business segments and overall business, and believes that Adjusted EBITDA provides investors and other users of our financial information with additional useful information regarding the ongoing performance of the underlying business activities of our segments, as well as comparisons between our current results and results in prior periods. For additional information regarding non-GAAP financial measures, see "Non-GAAP Financial Measures" in this Item 2.

During the three months ended June 30, 2016, Real Alloy terminated the transition services agreement ("TSA") with Aleris as it successfully completed the transition to a fully stand-alone business.

Other Operating Segments of Corporate and Other

As a holding company, we report the administrative, financial, and human resource activities related to the oversight of our operating segments, implementation of our acquisition strategies, maintenance of our public company status, and management of our discontinued operations as "Corporate and Other." The holding company plans to charge its operating segments management fees for providing oversight and for certain direct and indirect expenses incurred on their behalf. In the case of Real Alloy, for the three months ended June 30, 2016 and 2015, \$0.7 million and \$0.7 million of management fees were charged, respectively, and \$1.5 million and \$1.0 million for the six months ended June 30, 2016 and 2015, respectively, although no cash has been transferred. Such charges are excluded from Real Alloy's Adjusted EBITDA, as management excludes such costs when assessing segment performance.

Corporate and Other also includes the assets, liabilities, and results of operations of operating segments that do not meet the criteria of a reportable segment, generally as a result of the size of the segment, including Cosmedicine, LLC ("Cosmedicine") and Signature Credit Partners, Inc. ("SCP"). Cosmedicine is a 90.0% owned specialty cosmetics company that re-launched a line of prestige skin care products and regimens, including lotions, crèmes and sunscreen in the second half of 2015. Cosmedicine owns the intellectual property and proprietary product formulations of a line of anti-aging skin care and skin protection products. As of June 30, 2016, Cosmedicine had \$1.3 million of assets, of which approximately \$0.9 million was inventory, and reported sales of less than \$0.1 million in the six months ended June 30, 2016. SCP was the primary component of a former reportable segment, Special Situations. As of June 30, 2016, SCP has assets of approximately \$1.7 million.

Discontinued Operations

Discontinued operations presents the financial condition and results of operations of the businesses and operations of SGGH that have been sold, or have been discontinued, including NABCO and certain of Fremont's former operations where SGGH is still engaged in various legal proceedings with homeowners seeking to avoid foreclosure on loans originated by FIL. During the first quarter of 2015, NABCO was sold for a pretax gain of $39.7 million and, as a result of a strategic shift in the Company's operations, its results of operations have been reclassified to discontinued operations.

As of June 30, 2016, discontinued operations had $0.3 million of assets and $0.8 million of liabilities. See Note 12—Discontinued Operations in the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Report for additional information about our discontinued operations.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform to GAAP and are fundamental to understanding our unaudited condensed consolidated financial statements and this MD&A. Several of our policies are critical as they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and affect the reported amount of assets, liabilities, revenues and costs included in the unaudited condensed consolidated financial statements. Circumstances and events that differ significantly from those underlying our estimates, assumptions and judgments could cause the actual amounts reported to differ significantly from these estimates. These policies govern the following areas and are described in Part II, Item 7 of our Annual Report:

i. Business combinations;
ii. Revenue recognition, shipping and handling costs, and advertising costs;
iii. Inventories;
iv. Market risk management using derivative financial instruments;
v. Currency translation;
vi. Impairment of long-lived assets and amortizable intangible assets;
vii. Environmental and asset retirement obligations;
viii. Pension benefits;
ix. Repurchase reserve;
x. Deferred tax asset valuation; and
xi. Goodwill and intangible assets.

On an ongoing basis, we evaluate our estimates and assumptions used in these policies based on historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable under the circumstances; however, actual results may differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of assets and liabilities as of the balance sheet dates and our results of operations for the reporting periods presented.

There were no changes in our critical accounting policies during the six months ended June 30, 2016, from those disclosed in the Annual Report.

Results of Operations

The following table presents selected components of our unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	2016	2015	2016	2015
Revenues	$320.9	$368.7	$630.3	$506.5
Cost of sales	298.6	347.4	591.4	480.3
Gross profit	22.3	21.3	38.9	26.2
Operating costs	14.2	18.5	32.9	26.6
Operating profit (loss)	8.1	2.8	6.0	(0.4)
Nonoperating expense	9.2	16.3	16.4	38.3
Loss from continuing operations before income taxes	(1.1)	(13.5)	(10.4)	(38.7)
Income tax expense (benefit)	0.2	0.2	0.9	(7.2)
Loss from continuing operations	(1.3)	(13.7)	(11.3)	(31.5)
Earnings from discontinued operations, net of income taxes	0.1	2.9	0.1	27.2
Net loss	(1.2)	(10.8)	(11.2)	(4.3)
Earnings from continuing operations attributable to noncontrolling interest	0.3	0.1	0.4	0.2
Net loss attributable to Real Industry, Inc.	$(1.5)	$(10.9)	$(11.6)	$(4.5)
LOSS PER SHARE				
Net loss attributable to Real Industry, Inc.	$(1.5)	$(10.9)	$(11.6)	$(4.5)
Dividends on Redeemable Preferred Stock, in-kind	(0.5)	(0.5)	(0.9)	(0.6)
Accretion of discount on Redeemable Preferred Stock	(0.2)	(0.2)	(0.5)	(0.3)
Net loss available to common stockholders	$(2.2)	$(11.6)	$(13.0)	$(5.4)
Basic and diluted earnings (loss) per share:				
Continuing operations	$(0.08)	$(0.53)	$(0.43)	$(1.32)
Discontinued operations	0.01	0.11	—	1.10
Basic and diluted loss per share	$(0.07)	$(0.42)	$(0.43)	$(0.22)

Consolidated Results of Operations – Comparison of the Three Months Ended June 30, 2016 and 2015

Net loss available to common stockholders for the three months ended June 30, 2016 was $2.2 million, or $0.07 per basic and diluted loss per share, compared to net loss available to common stockholders for the three months ended June 30, 2015 of $11.6 million, or $0.42 per basic and diluted loss per share.

During the three months ended June 30, 2016 and 2015, our consolidated results include a number of one-time expenses or events that may be considered obscuring underlying operating results. The following events are particularly noteworthy for these reporting periods:

- We reported \$0.3 million and \$3.5 million in noncash cost of sales related to the amortization of the fair value adjustment of inventories and supplies under purchase accounting during the three months ended June 30, 2016 and 2015;
- We reported \$1.3 million of noncash nonoperating income and \$6.3 million of noncash nonoperating expense from the change in fair value of common stock warrant liability during the three months ended June 30, 2016 and 2015, respectively;
- We reported \$1.6 million of losses on intercompany loan foreign currency translation adjustments during the three months ended June 30, 2016;
- We incurred \$0.4 million of transaction costs and expenses associated with the Real Alloy Acquisition during the three months ended June 30, 2015; and

- We reported the recovery of $4.6 million related to the repurchase reserve liability maintained in discontinued operations in the three months ended June 30, 2015.

Consolidated Results of Operations – Comparison of the Six Months Ended June 30, 2016 and 2015

Our consolidated results for the six months ended June 30, 2015 only include the results of operations of Real Alloy from the acquisition date through June 30, 2015, or approximately four months.

During the six months ended June 30, 2016 and 2015, our consolidated results include a number of one-time expenses or events that may be considered obscuring underlying operating results. The following events are particularly noteworthy for these reporting periods:

- In the six months ended June 30, 2016 and 2015 we recognized $0.9 million and $7.2 million of amortization of inventories and supplies purchase accounting adjustments, respectively;
- In the six months ended June 30, 2016, we reported the correction of an immaterial error in depreciation expense reported in our December 31, 2015 consolidated financial statements, which resulted in an additional $3.8 million of depreciation expense in 2016;
- There was approximately $4.9 million of interest expense (including amortization of issuance discount and debt issuance costs) associated with the Senior Secured Notes for the fifty days from funding on January 8, 2015 to the closing date of the Real Alloy Acquisition on February 27, 2015, during which we had no offsetting operations from Real Alloy;
- We reported $1.0 million of gains on intercompany loan foreign currency translation adjustments during the six months ended June 30, 2016;
- We recorded a $39.7 million pretax gain on sale of NABCO and a $4.8 million reduction in the repurchase reserve, reported in discontinued operations during the six months ended June 30, 2015;
- We recognized $0.7 million of noncash income from the change in fair value of the warrant liability, and $5.6 million of noncash expense in the six months ended June 30, 2016 and 2015, respectively; and
- In the six months ended June 30, 2015 we recorded $14.8 million of acquisition-related costs and expenses.

Segments' Results of Operations – Comparison of the Three Months Ended June 30, 2016 and 2015

The following tables present our segment results of operations for the three months ended June 30, 2016 and 2015, and a reconciliation of Adjusted EBITDA to net loss for each of the periods presented. See "Non-GAAP Financial Measures" below for more information about Adjusted EBITDA.

(Dollars in millions, except per tonne information, tonnes in thousands)	Three Months Ended June 30, 2016 RANA	RAEU	Total
Tolling metric tonnes invoiced	98.3	52.7	151.0
Buy/sell metric tonnes invoiced	101.1	41.9	143.0
Total metric tonnes invoiced	199.4	94.6	294.0
Revenues	$212.4	$108.4	$320.8
Cost of sales	197.3	101.3	298.6
Gross profit	$15.1	$7.1	$22.2
Selling, general and administrative expenses, excluding depreciation	$7.1	$3.8	$10.9
Operating profit	$8.1	$3.5	$11.6

Adjusted EBITDA	$14.3	$6.6	$20.9
Adjusted EBITDA per metric tonne invoiced	$72	$70	$71

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(Dollars in millions, except per tonne information, tonnes in thousands)	Three Months Ended June 30, 2015		
	RANR	AAEU	Total
Tolling metric tonnes invoiced			