

Edgar Filing: TIFFANY & CO - Form 10-Q

TIFFANY & CO  
Form 10-Q  
December 02, 2009

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

FORM 10-Q  
-----

(Mark One)

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

For the quarterly period ended October 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-9494

TIFFANY & CO.

(Exact name of registrant as specified in its charter)

Delaware                                      13-3228013  
(State of incorporation)                      (I.R.S. Employer Identification No.)  
  
727 Fifth Ave. New York, NY                      10022  
(Address of principal executive offices)      (Zip Code)

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

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

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 (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes    \_\_\_\_\_    No    \_\_\_\_\_

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

Edgar Filing: TIFFANY & CO - Form 10-Q

Large accelerated filer    
-----

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No    
-----

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common Stock, \$.01 par value, 124,450,850 shares outstanding at the close of business on November 30, 2009.

TIFFANY & CO. AND SUBSIDIARIES  
INDEX TO FORM 10-Q  
FOR THE QUARTER ENDED OCTOBER 31, 2009

PART I - FINANCIAL INFORMATION

- Item 1. Financial Statements
- Condensed Consolidated Balance Sheets - October 31, 2009, January 31, 2009 and October 31, 2008 (Unaudited)
  - Condensed Consolidated Statements of Earnings - for the three and nine months ended October 31, 2009 and 2008 (Unaudited)
  - Condensed Consolidated Statements of Stockholders' Equity - for the nine months ended October 31, 2009 and Comprehensive Earnings - for the three and nine months ended October 31, 2009 and 2008 (Unaudited)
  - Condensed Consolidated Statements of Cash Flows - for the nine months ended October 31, 2009 and 2008 (Unaudited)
  - Notes to Condensed Consolidated Financial Statements (Unaudited)
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk

## Edgar Filing: TIFFANY & CO - Form 10-Q

Item 4. Controls and Procedures

### PART II - OTHER INFORMATION

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 6. Exhibits

(a) Exhibits

2

PART I. Financial Information

Item 1. Financial Statements

#### TIFFANY & CO. AND SUBSIDIARIES

#### ----- CONDENSED CONSOLIDATED BALANCE SHEETS -----

(Unaudited)

-----  
(in thousands, except per share amounts)

	October 31, 2009	January 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 374,871	\$ 160,445
Accounts receivable, less allowances of \$10,204, \$9,934 and \$7,403	150,895	164,447
Inventories, net	1,541,888	1,601,236
Deferred income taxes	12,521	13,640
Prepaid expenses and other current assets	126,400	108,966
	2,206,575	2,048,734
Total current assets		
Property, plant and equipment, net	694,063	741,048
Deferred income taxes	157,680	166,517
Other assets, net	160,911	145,984
	\$ 3,219,229	\$ 3,102,283

Edgar Filing: TIFFANY & CO - Form 10-Q

	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 30,906	\$ 242,966
Current portion of long-term debt	163,890	40,426
Accounts payable and accrued liabilities	222,313	223,566
Income taxes payable	15,412	27,653
Merchandise and other customer credits	66,287	67,311
	-----	-----
Total current liabilities	498,808	601,922
Long-term debt	558,207	425,412
Pension/postretirement benefit obligations	187,872	200,603
Deferred gains on sale-leasebacks	130,861	133,641
Other long-term liabilities	132,837	152,334
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, \$0.01 par value; authorized 2,000 shares, none issued and outstanding	--	--
Common Stock, \$0.01 par value; authorized 240,000 shares, issued and outstanding 124,304, 123,844 and 123,095	1,243	1,238
Additional paid-in capital	690,675	687,267
Retained earnings	1,032,371	971,299
Accumulated other comprehensive (loss) gain, net of tax:		
Foreign currency translation adjustments	22,125	(26,238)
Deferred hedging loss	(3,352)	(8,984)
Unrealized loss on marketable securities	(2,325)	(6,140)
Net unrealized (loss) gain on benefit plans	(30,093)	(30,071)
	-----	-----
Total stockholders' equity	1,710,644	1,588,371
	-----	-----
	\$ 3,219,229	\$ 3,102,283
	=====	=====

See notes to condensed consolidated financial statements.

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

Edgar Filing: TIFFANY & CO - Form 10-Q

	Three Months Ended October 31,		Nine
	2009	2008	2009
Net sales	\$ 598,212	\$ 616,152	\$ 1,728,
Cost of sales	270,409	269,027	773,
Gross profit	327,803	347,125	954,
Selling, general and administrative expenses	260,986	265,622	738,
Earnings from continuing operations	66,817	81,503	215,
Interest and other expenses, net	11,326	14,449	35,
Earnings from continuing operations before income taxes	55,491	67,054	179,
Provision for income taxes	12,182	21,498	52,
Net earnings from continuing operations	43,309	45,556	127,
Net earnings (loss) from discontinued operations	30	(1,779)	(3,
Net earnings	\$ 43,339	\$ 43,777	\$ 124,
Earnings per share:			
Basic			
Net earnings from continuing operations	\$ 0.35	\$ 0.37	\$ 1
Net loss from discontinued operations	--	(0.02)	(0
Net earnings	\$ 0.35	\$ 0.35	\$ 1
Diluted			
Net earnings from continuing operations	\$ 0.34	\$ 0.36	\$ 1
Net earnings (loss) from discontinued operations	--	(0.01)	(0
Net earnings	\$ 0.35	\$ 0.35	\$ 1
Weighted-average number of common shares:			
Basic	124,202	123,399	124,
Diluted	125,582	124,899	124,

See notes to condensed consolidated financial statements.

Edgar Filing: TIFFANY & CO - Form 10-Q

(Unaudited)

(in thousands)

	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive (Loss) Gain	Common Shares
Balances, January 31, 2009	\$ 1,588,371	\$ 971,299	\$ (71,433)	123,844
Exercise of stock options and vesting of restricted stock units ("RSUs")	6,347	--	--	460
Tax effect of exercise of stock options and vesting of RSUs	(881)	--	--	--
Share-based compensation expense	18,407	--	--	--
Purchase of noncontrolling interests	(20,460)	--	--	--
Cash dividends on Common Stock	(63,384)	(63,384)	--	--
Deferred hedging gain, net of tax	5,632	--	5,632	--
Unrealized gain on marketable securities, net of tax	3,815	--	3,815	--
Foreign currency translation adjustments, net of tax	48,363	--	48,363	--
Net unrealized loss on benefit plans, net of tax	(22)	--	(22)	--
Net earnings	124,456	124,456	--	--
Balances, October 31, 2009	\$ 1,710,644	\$ 1,032,371	\$ (13,645)	124,304

	Three Months Ended October 31,		Nine O
	2009	2008	2009
Comprehensive earnings are as follows:			
Net earnings	\$ 43,339	\$ 43,777	\$124,4
Other comprehensive gain (loss), net of tax:			
Deferred hedging gain (loss)	1,808	(9,450)	5,6
Foreign currency translation adjustments	20,645	(39,469)	48,3
Unrealized gain (loss) on marketable securities	915	(4,633)	3,8
Net unrealized (loss) gain on benefit plans	(40)	34	(
Comprehensive earnings	\$ 66,667	\$ (9,741)	\$182,2

See notes to condensed consolidated financial statements.

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

		Nine Months En October 31,	
		2009	
		-----	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$	124,456	\$
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization		103,591	
Amortization of gain on sale-leaseback		(7,264)	
Excess tax benefits from share-based payment arrangements		(141)	
Provision for inventories		23,796	
Deferred income taxes		11,097	
Provision for pension/postretirement benefits		18,010	
Share-based compensation expense		18,069	
Derivative impairment charges		--	
Changes in assets and liabilities:			
Accounts receivable		20,464	
Inventories		63,819	
Prepaid expenses and other current assets		12,384	
Accounts payable and accrued liabilities		(9,913)	
Income taxes payable		(55,680)	
Merchandise and other customer credits		(1,952)	
Other, net		(45,731)	
		-----	
Net cash provided by (used in) operating activities		275,005	
		-----	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		(46,888)	
Other		971	
		-----	
Net cash used in investing activities		(45,917)	
		-----	
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayment of) proceeds from credit facility borrowings, net		(124,992)	
(Repayment of) proceeds from other short-term borrowings		(93,000)	
Repayment of long-term debt		(40,000)	
Proceeds from issuance of long-term debt		300,000	
Repurchase of Common Stock		--	
Proceeds from exercise of stock options		6,347	
Excess tax benefits from share-based payment arrangements		141	
Cash dividends on Common Stock		(63,384)	
Purchase of noncontrolling interests		(11,000)	

## Edgar Filing: TIFFANY & CO - Form 10-Q

Financing fees		(6,255)
Net cash (used in) provided by financing activities		(32,143)
Effect of exchange rate changes on cash and cash equivalents		17,481
Net increase (decrease) in cash and cash equivalents		214,426
Cash and cash equivalents at beginning of year		160,445
Cash and cash equivalents at end of nine months	\$	374,871

See notes to condensed consolidated financial statements.

6

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements include the accounts of Tiffany & Co. (the "Company") and its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities, by majority exposure to expected losses, residual returns or both. Intercompany accounts, transactions and profits have been eliminated in consolidation. Subsequent events have been evaluated through the date and time the financial statements were issued on December 2, 2009. The interim statements are unaudited and, in the opinion of management, include all adjustments (which include only normal recurring adjustments) necessary to fairly state the Company's financial position as of October 31, 2009 and 2008 and the results of its operations and cash flows for the interim periods presented. The condensed consolidated balance sheet data for January 31, 2009 is derived from the audited financial statements, which are included in the Company's Annual Report on Form 10-K and should be read in connection with these financial statements. As permitted by the rules of the Securities and Exchange Commission, these financial statements do not include all disclosures required by generally accepted accounting principles.

The Company's business is seasonal in nature, with the fourth quarter typically representing at least one-third of annual net sales and approximately one-half of annual net earnings. Therefore, the results of its operations for the three and nine months ended October 31, 2009 and 2008 are not necessarily indicative of the results of the entire fiscal year.

2. NEW ACCOUNTING STANDARDS

In December 2007, new accounting guidance was issued by the Financial Accounting Standards Board ("FASB") which requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the



## Edgar Filing: TIFFANY & CO - Form 10-Q

equity section but separate from the company's equity. It also requires the amount of consolidated net earnings attributable to the parent and to the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of earnings; changes in ownership interest to be accounted for similarly, as equity transactions; and, when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. The new requirements did not have a material effect on the Company's financial position or earnings.

In September 2006, new accounting guidance was issued by the FASB which establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The changes to current practice resulting from the application of the new guidance relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. The guidance is effective for fiscal years beginning after November 15, 2007. In February 2008, the implementation of the provisions relating to nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), was deferred to fiscal years beginning after November 15, 2008. Management adopted the remaining provisions on February 1, 2009. This adoption impacts the way in which the Company calculates fair value for its annual impairment review of goodwill and when conditions exist that require the Company to calculate the fair value of long-lived assets; management has determined that this did not have a material effect on the Company's financial position or earnings.

7

### 3. RESTRUCTURING CHARGES

In the fourth quarter of 2008, the Company's New York subsidiary offered a voluntary retirement incentive to approximately 800 U.S. employees who met certain age and service eligibility requirements. Approximately 600 employees accepted the early retirement incentive and retired from the Company effective February 1, 2009. In addition, to further align the Company's ongoing cost structure with the anticipated retail environment for luxury goods, management approved a plan in January 2009 to involuntarily terminate additional manufacturing, selling and administrative employees, primarily in the U.S. The employment of most of these employees ended in February 2009. In total, these actions resulted in a reduction of approximately 10% of worldwide staffing.

Cash expenditures related to the restructuring charges are expected to total \$33,361,000. Most of this amount will be paid in 2009. The following table presents the reconciliation of the cash-related restructuring liabilities and spending against those liabilities:

(in thousands)	Restructuring Liability
Liability as of February 1, 2009	\$ 33,361
Payments	(31,642)

## Edgar Filing: TIFFANY & CO - Form 10-Q

Liability as of October 31, 2009 \$ 1,719  
=====

### 4. ACQUISITIONS & DISPOSITIONS

On October 26, 2009, the Company acquired all noncontrolling interests in two majority-owned entities that indirectly engage through majority-owned subsidiaries in diamond sourcing and polishing operations in South Africa and Botswana, respectively, for total consideration of \$18,000,000, of which \$11,000,000 was paid upon closing of the transaction and the remaining \$7,000,000 will be paid on or before August 1, 2010. This acquisition is accounted for as an equity transaction since the Company maintained control of the two entities prior to the acquisition. Therefore, the Company recorded a decrease to additional paid-in capital of \$20,460,000 in the third quarter of 2009 related to this transaction. In addition, the Company paid \$4,000,000, to terminate a third party management agreement. Management determined that this transaction was separate from the acquisition of the remaining noncontrolling interests; accordingly, the termination fee was recorded within selling, general and administrative expenses.

In the fourth quarter of 2008, management concluded that it would no longer invest in its IRIDESSE business due to its ongoing operating losses and insufficient near-term growth prospects, especially in the current economic environment. Therefore, management committed to a plan to close IRIDESSE locations in 2009 as the Company reached agreements with landlords and sold its inventory. All IRIDESSE stores have been closed.

The results of IRIDESSE are presented as a discontinued operation in the condensed consolidated statements of earnings for all periods presented. Prior to the reclassification, IRIDESSE results had been included within the Other non-reportable segment.

Summarized statements of earnings data for IRIDESSE are as follows:

	Three Months Ended October 31,		Nine Months E	
(in thousands)	2009	2008	2009	
Net sales	\$ 1,044	\$ 2,078	\$	13,231
Earnings (loss) before income taxes	13	(2,986)		(5,894)
Benefit from income taxes	17	1,207		2,881
Net earnings (loss) from discontinued operations	\$ 30	\$ (1,779)	\$	(3,013)

## Edgar Filing: TIFFANY & CO - Form 10-Q

### 5. INVENTORIES

(in thousands)	October 31, 2009	January 31, 2009
Finished goods	\$ 1,046,648	\$ 1,115,333
Raw materials	438,360	416,805
Work-in-process	56,880	69,098
Inventories, net	\$ 1,541,888	\$ 1,601,236

### 6. INCOME TAXES

The effective income tax rate for the third quarter of 2009 was 22.0% versus 32.1% in the prior year. The effective income tax rate for the nine months ended October 31, 2009 was 29.2% versus 35.8% in the prior year. The decrease in the effective income tax rates in 2009 were due to favorable reserve adjustments of approximately \$5,600,000 and \$11,200,000 in the third quarter and nine months ended October 31, 2009, respectively, associated with the settlement of certain tax audits and the expiration of statutory periods. Accordingly, during the nine months ended October 31, 2009, the gross amount of unrecognized tax benefits decreased \$25,589,000 to \$28,892,000. There were no material changes to accrued interest and penalties as of that date.

As a matter of course, various taxing authorities regularly audit the Company. The Company's tax filings are currently being examined by tax authorities in jurisdictions where its subsidiaries have a material presence, including New York state (tax years 2004-2007) and Japan (tax years 2004-2007). Tax years from 2003-present are open to examination in U.S. Federal, various state and other foreign jurisdictions. The Company believes that its tax positions comply with applicable tax laws and that it has adequately provided for these matters. However, the audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. The Company does not anticipate any material changes to the total gross amount of unrecognized tax benefits over the next 12 months. Future developments may result in a change in this assessment.

### 7. EARNINGS PER SHARE

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

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

(in thousands)	Three Months Ended October 31,	Nine Oc
	2009	2008

Edgar Filing: TIFFANY & CO - Form 10-Q

Net earnings for basic and diluted EPS	\$	43,339	\$	43,777	\$	124,
Weighted-average shares for basic EPS		124,202		123,399		124,
Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units		1,380		1,500		
Weighted-average shares for diluted EPS		125,582		124,899		124,

For the three months ended October 31, 2009 and 2008, there were 3,528,000 and 3,665,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect. For the nine months ended October 31, 2009 and 2008, there were 6,380,000 and

9

3,108,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

8. DEBT

In July 2009, the Company entered into a new \$400,000,000 multi-bank, multi-currency, committed unsecured revolving credit facility ("Credit Facility") and has the option to increase the committed amount to \$500,000,000, subject to bank approval. The Credit Facility replaces the Company's previous \$450,000,000 revolving credit facility. The Credit Facility is intended for working capital and other corporate purposes and includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings. Borrowings are at nine participating banks and are at interest rates based upon local currency borrowing rates plus a margin based on the Company's leverage ratio. There was \$30,906,000 outstanding (with a weighted average interest rate of 2.9%) and \$369,094,000 available to be borrowed under the Credit Facility at October 31, 2009. The Credit Facility will expire in July 2012.

In April 2009, the Company, in a private transaction with various institutional lenders, issued, at par, \$50,000,000 of 10% Series A Senior Notes due April 2018. The proceeds are available for general corporate purposes. The agreement requires lump sum repayments upon maturity and includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings. The note purchase agreement contains provisions for an uncommitted shelf facility by which the Company may issue, over the next three years, up to an additional \$100,000,000 of Senior Notes for up to a 12-year term at a fixed interest rate based on the U.S. Treasury rates at the time of borrowing plus an applicable credit spread.

## Edgar Filing: TIFFANY & CO - Form 10-Q

In February 2009, the Company, in a private transaction, issued, at par, \$125,000,000 of 10% Series A-2009 Senior Notes due February 2017 and \$125,000,000 of 10% Series B-2009 Senior Notes due February 2019. The proceeds are available to refinance existing indebtedness and for general corporate purposes. The agreement requires lump sum repayments upon maturity and includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

### 9. HEDGING INSTRUMENTS

#### Background Information

The Company uses a limited number of derivative financial instruments, including interest rate swap agreements, forward contracts, put option contracts and net-zero-cost collar arrangements (combination of call and put option contracts) to mitigate its exposures to changes in interest rates, foreign currency and precious metal prices. Derivative instruments are recorded on the consolidated balance sheet at their fair values, as either assets or liabilities, with an offset to current or comprehensive earnings, depending on whether the derivative is designated as part of an effective hedge transaction and, if it is, the type of hedge transaction. If a derivative instrument meets certain hedge accounting criteria, the derivative instrument is designated as one of the following on the date the derivative is entered into:

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

The Company formally documents the nature and relationships between the hedging instruments and hedged

items for a derivative to qualify as a hedge at inception and throughout the hedged period. The Company also documents its risk management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it were deemed no longer probable that the forecasted transaction would occur, the gain or loss on the derivative financial instrument would be recognized in current earnings. Derivative financial instruments qualifying for hedge accounting

## Edgar Filing: TIFFANY & CO - Form 10-Q

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

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

### Types of Derivative Instruments

**Interest Rate Swap Agreements** - In the second quarter of 2009, the Company entered into interest rate swap agreements to effectively convert its fixed rate 2002 Series D and 2008 Series A obligations to floating rate obligations. Additionally, since the fair value of the Company's fixed rate long-term debt is sensitive to interest rate changes, the interest rate swap agreements serve as a hedge to changes in the fair value of these debt instruments. The Company is hedging its exposure to changes in interest rates over the remaining maturities of the debt agreements being hedged. The Company accounts for the interest rate swaps as fair value hedges. As of October 31, 2009, the notional amount of interest rate swap agreements outstanding was \$160,000,000.

**Foreign Exchange Forward Contracts** - The Company uses foreign exchange forward contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities and intercompany transactions between entities with differing functional currencies. These foreign exchange forward contracts are designated and accounted for as either cash flow hedges or economic hedges that are not designated as hedging instruments. As of October 31, 2009, the notional amount of foreign exchange forward contracts accounted for as cash flow hedges was approximately \$107,729,000 and the notional amount of foreign exchange forward contracts accounted for as undesignated hedges was approximately \$45,815,000. The term of all outstanding foreign exchange forward contracts as of October 31, 2009 ranged from one to ten months.

**Put Option Contracts** - The Company's wholly-owned subsidiary in Japan satisfies nearly all of its inventory requirements by purchasing merchandise, payable in U.S. dollars, from the Company's principal subsidiary. To minimize the potentially negative effect of a significant strengthening of the U.S. dollar against the Japanese yen, the Company purchases put option contracts as hedges of forecasted purchases of merchandise over a maximum term of 12 months. If the market yen exchange rate at the time of the put option contract's expiration is stronger than the contracted exchange rate, the Company allows the put option to expire, limiting its loss to the cost of the put option contract. The Company accounts for its put option contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the put option contracts' cash flows. As of October 31, 2009, the notional amount of put option contracts accounted for as cash flow hedges was \$10,000,000. During October 2009, the Company de-designated several of its outstanding put option contracts (notional amount of \$107,729,000) and entered into offsetting call option contracts. These put and call option contracts are accounted for as undesignated hedges. Any gains or losses on these put option contracts are substantially offset by losses or gains on the call option contracts.

**Precious Metal Collars & Forward Contracts** - The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to minimize the effect of volatility in precious metal prices. The Company may use a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration

## Edgar Filing: TIFFANY & CO - Form 10-Q

of the precious metal collar is within the call and put price, the precious metal collar would expire at no cost to the Company. The Company accounts for its precious metal collars and forward contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the precious metal collars' cash flows. The maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 12 months. As of October 31, 2009, there were 3,500 ounces of platinum and 103,000 ounces of silver precious metal collars and forward contracts outstanding.

11

Information on the location and amounts of derivative gains and losses in the Condensed Consolidated Statements of Earnings is as follows:

		Three Months Ended Oct
(in thousands)		Pre-Tax Gain or (Loss) Recognized in Earnings on Derivatives
Derivatives in Fair Value Hedging Relationships:		
Interest rate swap agreements a	\$	1,953

		Nine Months Ended Octob
(in thousands)		Pre-Tax Gain or (Loss) Recognized in Earnings on Derivatives
Derivatives in Fair Value Hedging Relationships:		
Interest rate swap agreements a	\$	1,330

		Three Months Ended Octo
(in thousands)		Pre-Tax Gain or (Loss) Recognized in OCI (Effective Portion)
Derivatives in Cash Flow Hedging Relationships:		

Edgar Filing: TIFFANY & CO - Form 10-Q

Foreign exchange forward contracts a	\$	1,078
Put option contracts b		(1,420)
Precious metal collars b		550
Precious metal forward contracts b		527
	\$	735

Nine Months Ended October 31, 2009

(in thousands)

Pre-Tax Gain or (Loss) Recognized in OCI (Effective Portion)

Derivatives in Cash Flow Hedging Relationships:

Foreign exchange forward contracts a	\$	561
Put option contracts b		(1,525)
Precious metal collars b		2,909
Precious metal forward contracts b		527
	\$	2,472

12

Pre-Tax Gain or (Loss) Recognized on Derivative

(in thousands)

Three Months Ended October 31, 2009

Derivatives Not Designated as Hedging Instruments:

Foreign exchange forward contracts a	\$	(225) c	\$
Call option contracts b		(121)	
Put option contracts b		121	
	\$	(225)	\$

a The gain or loss recognized in earnings is included within Interest



## Edgar Filing: TIFFANY & CO - Form 10-Q

- and other expenses, net on the Company's Condensed Consolidated Statement of Earnings.
- b The gain or loss recognized in earnings is included within Cost of Sales on the Company's Condensed Consolidated Statement of Earnings.
  - c Gains or losses on the undesignated foreign exchange forward contracts substantially offset foreign exchange losses or gains on the liabilities and transactions being hedged.

There was no material ineffectiveness related to the Company's hedging instruments for the period ended October 31, 2009. The Company expects that approximately \$4,292,000 of net pre-tax derivative losses included in accumulated other comprehensive income at October 31, 2009 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in foreign currency exchange rates and precious metal prices.

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

### Concentration of Credit Risk

A number of major international financial institutions are counterparties to the Company's derivative financial instruments. The Company enters into derivative financial instrument agreements only with counterparties meeting certain credit standards (a credit rating of A/A2 or better at the time of the agreement), limiting the amount of agreements or contracts it enters into with any one party. The Company may be exposed to credit losses in the event of nonperformance by individual counterparties or the entire group of counterparties. The Company has not recognized any losses due to counterparty non-performance for the nine months ended October 31, 2009.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 inputs are considered to carry the most weight within the fair value hierarchy due to the low levels of judgment required in determining fair values.

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

Level 3 - Unobservable inputs reflecting the reporting entity's own assumptions. Level 3 inputs are considered to carry the least weight within the fair value hierarchy due to substantial levels of judgment required in determining fair values.

## Edgar Filing: TIFFANY & CO - Form 10-Q

The Company uses the market approach to measure fair value for its mutual funds, interest rate swap agreements, put and call option contracts, precious metal collars and forward contracts. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Financial assets and liabilities carried at fair value at October 31, 2009 are classified in the table below in one of the three categories described above:

Financial Assets	Estimated Fair Value			
(in thousands)	Carrying Value	Level 1	Level 2	
Mutual funds a	\$ 28,515	\$ 28,515	\$ --	\$
Derivatives designated as hedging instruments:				
Interest rate swap agreements a	1,330	--	1,330	
Put option contracts b	270	--	270	
Precious metal collars b	299	--	299	
Precious metal forward contracts b	531	--	531	
Foreign exchange forward contracts b	1,078	--	1,078	
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts b	61	--	61	
Put option contracts b	717	--	717	
<b>Total assets</b>	<b>\$ 32,801</b>	<b>\$ 28,515</b>	<b>\$ 4,286</b>	<b>\$</b>

Financial Liabilities	Estimated Fair Value			
(in thousands)	Carrying Value	Level 1	Level 2	Level 3
Derivatives designated as hedging instruments:				
Precious metal forward contracts c	\$ 3	\$ --	\$ 3	\$ --
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts c	1,445	--	1,445	--

Edgar Filing: TIFFANY & CO - Form 10-Q

Call option contracts c	639	--	639	--
-----				
Total liabilities	\$ 2,087	\$ --	\$ 2,087	\$ --
=====				

- a This amount is included within Other assets, net on the Company's Condensed Consolidated Balance Sheet.
- b This amount is included within Prepaid expenses and other current assets on the Company's Condensed Consolidated Balance Sheet.
- c This amount is included within Accounts payable and accrued liabilities on the Company's Condensed Consolidated Balance Sheet.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates carrying value due to the short-term maturities of these assets and liabilities. The fair value of debt with variable interest rates approximates carrying value. The fair value of debt with fixed interest rates

14

was determined using the quoted market prices of debt instruments with similar terms and maturities. The total carrying value of short-term borrowings and long-term debt was \$753,003,000 and the corresponding fair value was approximately \$800,000,000 at October 31, 2009.

11. EMPLOYEE BENEFIT PLANS

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

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

(in thousands)	Three Months Ended October 31		
	Pension Benefits		Postreti
	2009	2008	200
-----			
Service cost	\$ 2,774	\$ 3,528	\$ 40
Interest cost	5,748	4,339	68
Expected return on plan assets	(3,491)	(3,915)	-
Amortization of prior service cost	267	321	(16
Amortization of net loss	85	118	
-----			
Net expense	\$ 5,383	\$ 4,391	\$ 93
=====			

Edgar Filing: TIFFANY & CO - Form 10-Q

Nine Months Ended October 31,

(in thousands)	Pension Benefits		Postreti
	2009	2008	200
Service cost	\$ 8,671	\$ 12,491	\$ 94
Interest cost	17,110	13,133	1,98
Expected return on plan assets	(10,943)	(11,744)	-
Amortization of prior service cost	803	962	(49
Amortization of net (gain) loss	(63)	487	-
Net expense	\$ 15,578	\$ 15,329	\$ 2,43

12. SEGMENT INFORMATION

The Company's reportable segments are as follows:

- o Americas includes sales in TIFFANY & CO. stores in the United States, Canada and Latin/South America, as well as sales of TIFFANY & CO. products in certain of those markets through business-to-business, Internet, catalog and wholesale operations;
- o Asia-Pacific includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet and wholesale operations;
- o Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet and wholesale operations; and
- o Other consists of non-reportable segments, primarily wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes earnings received from a third-party licensing agreement.

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

15

(in thousands)	Three Months Ended October 31,		Nine Months October
	2009	2008	2009
Net sales:			
Americas	\$ 303,515	\$ 331,783	\$ 887,371
Asia-Pacific	225,840	205,992	639,190
Europe	64,994	58,157	188,913

## Edgar Filing: TIFFANY & CO - Form 10-Q

Total reportable segments	594,349	595,932	1,715,474
Other	3,863	20,220	12,846
	\$ 598,212	\$ 616,152	\$ 1,728,320

Earnings (losses) from continuing operations*:			
Americas	\$ 39,244	\$ 48,369	\$ 124,451
Asia-Pacific	54,395	49,010	151,610
Europe	9,382	7,843	29,109
	103,021	105,222	305,170
Total reportable segments	(1,863)	(451)	(7,293)
Other	\$ 101,158	\$ 104,771	\$ 297,877

\*Represents earnings (losses) from continuing operations before unallocated corporate expenses, other income and interest and other expenses, net.

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

	Three Months Ended October 31,		Nine Months October
(in thousands)	2009	2008	2009
Earnings from continuing operations for segments	\$ 101,158	\$ 104,771	\$ 297,877
Unallocated corporate expenses	(30,341)	(23,268)	(82,434)
Interest and other expenses, net	(11,326)	(14,449)	(35,898)
Other (expenses) income, net	(4,000)	--	442
Earnings from continuing operations before income taxes	\$ 55,491	\$ 67,054	\$ 179,987

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

Other (expenses) income, net in the third quarter of 2009 represents \$4,000,000 paid to terminate a third party management agreement (see "Note 4. Acquisitions & Dispositions"). Other (expenses) income, net in the nine months ended October 31, 2009 also includes \$4,442,000 of income received in connection with the assignment of the Tahera Diamond Corporation commitments and liens to an unrelated third party, which represents full settlement under the terms of the assignment agreement. The Company had taken an impairment charge of \$47,981,000 in the year ended January 31,

## Edgar Filing: TIFFANY & CO - Form 10-Q

2008 associated with the Commitment.

### 13. SUBSEQUENT EVENT

On November 19, 2009, the Company's Board of Directors declared a quarterly dividend on its Common Stock of \$0.17 per share. This dividend will be paid on January 11, 2010 to stockholders of record on December 21, 2009.

16

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

#### OVERVIEW

-----

Tiffany & Co. (the "Company") is a holding company that operates through its subsidiary companies. The Company's principal subsidiary, Tiffany and Company, is a jeweler and specialty retailer whose principal merchandise offerings are fine jewelry. The Company also sells timepieces, sterling silverware, china, crystal, stationery, fragrances and accessories. Through Tiffany and Company and other subsidiaries, the Company is engaged in product design, manufacturing and retailing activities.

The Company's reportable segments are as follows:

- o Americas includes sales in TIFFANY & CO. stores in the United States, Canada and Latin/South America, as well as sales of TIFFANY & CO. products in certain of those markets through business-to-business, Internet, catalog and wholesale operations;
- o Asia-Pacific includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet and wholesale operations;
- o Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet and wholesale operations; and
- o Other consists of non-reportable segments, primarily wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes earnings received from a third-party licensing agreement.

The results of IRIDESSE are presented as a discontinued operation in the condensed consolidated statements of earnings for all periods presented. Prior to the reclassification, IRIDESSE results had been included within the Other non-reportable segment. Refer to "Item 1. Notes to Condensed Consolidated Financial Statements - Note 4. Acquisitions & Dispositions."

All references to years relate to fiscal years ended or ending on January 31 of the following calendar year.

#### HIGHLIGHTS

-----

## Edgar Filing: TIFFANY & CO - Form 10-Q

- o Worldwide net sales decreased 3% in the three months ("third quarter") and decreased 14% in the nine months ("year-to-date") ended October 31, 2009. U.S. sales declined in both the quarter and year-to-date; however, the rate of the sales decline lessened as the year progressed. Sales in Asia-Pacific and Europe increased in the quarter and were consistent with the prior year on a year-to-date basis.
- o On a constant-exchange-rate basis (see "Non-GAAP Measures" below), worldwide net sales declined 5% in the third quarter and 13% in the year-to-date, and comparable store sales decreased 6% and 15% in those respective periods.
- o The Company opened stores in all three regions in the third quarter. Management's objective is to open 14 stores (net) in 2009, versus 22 stores (net) in 2008.
- o Operating expenses decreased in line with the Company's cost reduction initiatives primarily due to reduced staffing and marketing costs.
- o Net earnings from continuing operations decreased 5% to \$43,309,000 in the third quarter and 35% to \$127,469,000 in the year-to-date. Net earnings from continuing operations per diluted share decreased 6% in the third quarter and 33% in the year-to-date.
- o In the first quarter of 2009, the Company secured \$300,000,000 of additional long-term financing. In the second quarter of 2009, the Company established a new \$400,000,000 multi-bank, multi-currency revolving credit facility ("Credit Facility") to replace an existing facility.

17

### NON-GAAP MEASURES

-----

The Company's reported sales reflect either a translation-related benefit from strengthening foreign currencies or a detriment from a strengthening U.S. dollar.

The Company reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Internally, management monitors its sales performance on a non-GAAP basis that eliminates the positive or negative effects that result from translating international sales into U.S. dollars ("constant-exchange-rate basis"). Management believes this constant-exchange-rate basis provides a more representative assessment of the sales performance and provides better comparability between reporting periods.

The Company's management does not, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. The Company presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's operating results. The following table reconciles sales percentage increases (decreases) from the GAAP to the non-GAAP basis versus the previous year:

Third Quarter 2009 vs. 2008

Year-to-date 2009 vs. 2008

Edgar Filing: TIFFANY & CO - Form 10-Q

	GAAP Reported	Translation Effect	Constant- Exchange- Rate Basis	GAAP Reported	Transla Effe
<b>Net Sales:</b>					
-----					
Worldwide	(3)%	2%	(5)%	(14)%	(1)%
Americas	(9)%	(1)%	(8)%	(21)%	(1)%
U.S.	(9)%	--	(9)%	(23)%	--
Asia-Pacific	10%	8%	2%	--	3%
Japan	3%	13%	(10)%	(3)%	9%
Other Asia-Pacific	20%	2%	18%	5%	(7)%
Europe	12%	(4)%	16%	--	(15)%
<b>Comparable Store Sales:</b>					
-----					
Worldwide	(3)%	3%	(6)%	(15)%	--
Americas	(10)%	--	(10)%	(24)%	(1)%
U.S.	(10)%	--	(10)%	(25)%	--
Asia-Pacific	5%	8%	(3)%	(3)%	3%
Japan	--	13%	(13)%	(3)%	9%
Other Asia-Pacific	10%	1%	9%	(3)%	(6)%
Europe	6%	(3)%	9%	(8)%	(14)%

18

RESULTS OF OPERATIONS

Certain operating data as a percentage of net sales were as follows:

	Third Quarter	
	2009	2008
Net sales	100.0%	100.0%
Cost of sales	45.2	43.7
Gross profit	54.8	56.3
Selling, general and administrative expenses	43.6	43.1
Earnings from continuing operations	11.2	13.2
Interest and other expenses, net	1.9	2.3



Edgar Filing: TIFFANY & CO - Form 10-Q

Earnings from continuing operations before income taxes	9.3	10.9
Provision for income taxes	2.1	3.5
Net earnings from continuing operations	7.2	7.4
Net earnings (loss) from discontinued operations	--	(0.3)
Net earnings	7.2%	7.1%

Net Sales

Net sales were as follows:

Third Quarter			
(in thousands)	2009	2008	Increase
Americas	\$ 303,515	\$ 331,783	
Asia-Pacific	225,840	205,992	
Europe	64,994	58,157	
Other	3,863	20,220	
	\$ 598,212	\$ 616,152	

Year-to-date			
(in thousands)	2009	2008	Increase
Americas	\$ 887,371	\$ 1,127,754	
Asia-Pacific	639,190	642,262	
Europe	188,913	189,302	
Other	12,846	51,948	
	\$ 1,728,320	\$ 2,011,266	

Comparable Store Sales. Reference will be made to comparable store sales below. Comparable store sales include only sales transacted in company-operated stores and boutiques. A store's sales are included in comparable store sales when the store has been open for more than 12 months. In markets other than Japan, sales for relocated stores are included in comparable store sales if the relocation occurs within the same geographical market. In Japan (included in the Asia-Pacific segment), sales for a new store or boutique are not included if the store or boutique was relocated from one department store to another or from a department store to a free-standing location. In all markets, the results of a store in which the square footage has been expanded or reduced remain in the comparable store base.

Americas. Total sales in the Americas decreased \$28,268,000, or 9%, in the third quarter due to a decline in the average price per unit sold, and \$240,383,000, or 21%, in the year-to-date equally due to declines in the number of units sold and in the average price per unit sold. Comparable U.S. store sales declined

## Edgar Filing: TIFFANY & CO - Form 10-Q

\$26,954,000, or 10%, in the third quarter and \$222,496,000, or 25%, in the year-to-date, consisting of comparable branch store sales declines of 11% and 24% in the third quarter and year-to-date, and New York Flagship store declines of 8% and 27% in those same periods. Combined Internet and catalog sales in the U.S. declined \$2,500,000, or 9%, in the third quarter and \$11,334,000, or 11%, in the year-to-date.

19

Asia-Pacific. Total sales in Asia-Pacific increased \$19,848,000, or 10%, in the third quarter due to an increase in the number of units sold, and decreased \$3,072,000, or less than 1%, in the year-to-date due to a slight decline in the average price per unit. In the third quarter of 2009, non-comparable store sales increased \$12,493,000 and comparable store sales increased \$8,231,000, or 5%. In the year-to-date 2009, non-comparable store sales increased \$16,525,000, and comparable store sales declined \$16,213,000, or 3%. On a constant-exchange-rate basis, Asia-Pacific sales increased 2% and comparable store sales decreased 3% in the third quarter (resulting from a 13% decline in Japan comparable store sales and a 9% increase in comparable store sales in other countries). On a constant-exchange-rate basis, Asia-Pacific sales decreased 3% and comparable store sales decreased 6% in the year-to-date (resulting from a 12% decline in Japan comparable store sales and a 3% increase in comparable store sales in other countries).

Europe. Total sales in Europe increased \$6,837,000, or 12%, in the third quarter due to an increase in the number of units sold, and decreased \$389,000, or less than 1%, in the year-to-date due to the effect of translating foreign currency-denominated sales into U.S. dollars. The overall sales increase in the third quarter consisted of an increase in non-comparable store sales of \$6,568,000 and a comparable store sales increase of \$2,791,000, or 6%, offset by a decline of \$2,522,000, or 23%, in e-commerce and other sales. In the year-to-date, non-comparable store sales increased \$23,834,000, while e-commerce and other sales declined \$12,188,000, or 33% and comparable store sales declined \$12,035,000, or 8%. On a constant-exchange-rate basis, sales increased 16% in the third quarter and 15% in the year-to-date partly due to incremental sales from new stores opened during the past 12 months, as well as comparable store sales increases of 9% in the third quarter and 6% in the year-to-date, reflecting broad-based geographical growth.

Other. Other sales decreased \$16,357,000, or 81%, in the third quarter and \$39,102,000, or 75%, in the year-to-date primarily due to lower wholesale sales of diamonds that were deemed not suitable for the Company's needs.

Store Data. Management expects to open 14 (net) Company-operated TIFFANY & CO. stores and boutiques in 2009, increasing the store base by approximately 7%.

Management's expected openings and closings of TIFFANY & CO. stores are:

Location	Actual Openings (Closings) 2009	Expec
<b>Americas:</b>		
Toronto - Yorkdale Shopping Centre, Canada	First Quarter	
Guadalajara, Mexico	First Quarter	
Roseville, California	Third Quarter	
Seattle - University Village, Washington	Third Quarter	

## Edgar Filing: TIFFANY & CO - Form 10-Q

Las Vegas - The Crystals at CityCenter, Nevada	
Asia-Pacific:	
Busan - Shinsegae Centum, Korea	First Quarter
Hangzhou, China	First Quarter
Ikebukuro - Mitsukoshi, Japan	(First Quarter)
Kagoshima - Mitsukoshi, Japan	(Second Quarter)
Kagoshima - Yamakataya, Japan	Second Quarter
Ikebukuro - Seibu, Japan	Second Quarter
Canton Road, Hong Kong	Second Quarter
Seoul - Shinsegae Youngdeungpo, Korea	Third Quarter
Melbourne - Chadstone Mall, Australia	
Shenzhen, China	
Europe:	
Manchester - Selfridges, England	Third Quarter
London - Heathrow Airport Terminal 3, England	
Amsterdam, Netherlands	

### Gross Margin

-----  
 Gross margin (gross profit as a percentage of net sales) decreased in the third quarter and year-to-date by 1.5 and 1.9 percentage points primarily due to higher product costs.

20

Management periodically reviews and may adjust its retail prices to address specific market conditions, product cost increases/decreases and longer-term changes in foreign currencies/U.S. dollar relationships. Among the market conditions that the Company addresses is consumer demand for the product category involved, which may be influenced by consumer confidence and competitive pricing conditions. The Company uses a limited number of derivative instruments to mitigate foreign exchange and precious metal price exposures (see "Item 1. Notes to Condensed Consolidated Financial Statements - Note 9. Hedging Instruments").

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

-----  
 SG&A expenses decreased \$4,636,000, or 2%, in the third quarter, primarily due to decreased marketing expenses of \$13,902,000, partly offset by increased depreciation and store occupancy expenses of \$5,747,000 and increased labor and benefit costs of \$3,044,000 as the prior year included a reduction in anticipated management incentive compensation. Additionally, in the third quarter of 2009, the Company paid \$4,000,000 to terminate a third party management agreement (see "Item 1. Notes to Condensed Consolidated Financial Statements - Note 4. Acquisitions & Dispositions"). In the year-to-date, SG&A expenses decreased \$87,912,000, or 11%, primarily due to (i) decreased marketing expenses of \$40,869,000; (ii) decreased labor and benefit costs of \$33,338,000 as a result of the staff reduction initiatives announced during the fourth quarter of 2008 (see "Item 1. Notes to Condensed Consolidated Financial Statements - Note 3. Restructuring Charges"); and (iii) a decline in variable expenses due to lower sales, all of which more than offset incremental costs of new stores opened in the past 12 months. Additionally, in the second quarter, the Company received \$4,442,000 of income in connection with the assignment of the Tahera Diamond Corporation commitments and liens to an unrelated third party, which represented full settlement under the terms of the assignment agreement. The Company had taken an impairment charge of \$47,981,000 in the year ended January 31, 2008 associated with the Commitment. Changes in foreign currency exchange rates had an insignificant effect on overall SG&A expenses in the third quarter and year-to-date compared to the prior year. SG&A expenses as

## Edgar Filing: TIFFANY & CO - Form 10-Q

a percentage of net sales increased by 0.5 percentage point in the third quarter and by 1.6 percentage points in the year-to-date due to the decline in sales and the de-leveraging effect of fixed costs.

### Earnings from Continuing Operations

(in thousands)	Third Quarter 2009	% of Net Sales*	Third Quarter 2008
Earnings (losses) from continuing operations:			
Americas	\$ 39,244	12.9%	\$ 48,369
Asia-Pacific	54,395	24.1%	49,010
Europe	9,382	14.4%	7,843
Other	(1,863)	(48.2%)	(451)
	101,158		104,771
Unallocated corporate expenses	(30,341)	5.1%	(23,268)
Other expense	(4,000)		--
Earnings from continuing operations	\$ 66,817	11.2%	\$ 81,503

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

Earnings from continuing operations decreased 18% in the third quarter. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses, other expense and interest and other expenses, net) to each segment's net sales in the third quarter of 2009 and 2008 was as follows:

- o Americas - the ratio decreased 1.7 percentage points primarily resulting from a decrease in gross margin (due to higher product costs) partly offset by reduced operating expenses attributed to cost savings from the initiatives implemented at the end of 2008;
- o Asia-Pacific - the ratio increased 0.3 percentage point primarily due to leveraging of operating expenses, partly offset by a decrease in gross margin (due to higher product costs);
- o Europe - the ratio increased 0.9 percentage point primarily due to the leveraging of operating expenses, partly offset by a decline in gross margin (due to higher product costs); and
- o Other - the operating loss is attributable to lower wholesale sales of diamonds and the write-down of wholesale diamond inventory.

Edgar Filing: TIFFANY & CO - Form 10-Q

(in thousands)	Year-to-date 2009	% of Net Sales*	Year-to-date 2008
Earnings (losses) from continuing operations:			
Americas	\$ 124,451	14.0%	\$ 210,257
Asia-Pacific	151,610	23.7%	159,270
Europe	29,109	15.4%	34,931
Other	(7,293)	(56.8%)	(236)
	297,877		404,222
Unallocated corporate expenses	(82,434)	4.8%	(81,704)
Other income, net	442		--
Earnings from continuing operations	\$ 215,885	12.5%	\$ 322,518

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

Earnings from continuing operations decreased 33% in the year-to-date. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses, other income, net and interest and other expenses, net) to each segment's net sales in the year-to-date 2009 and 2008 was as follows:

- o Americas - the ratio decreased 4.6 percentage points primarily resulting from a decrease in gross margin (due to higher product costs) and a decline in sales which more than offset cost savings from the initiatives implemented at the end of 2008;
- o Asia-Pacific - the ratio decreased 1.1 percentage points primarily due to a decrease in gross margin (due to higher product costs), partly offset by reduced operating expenses attributed to the cost savings initiatives;
- o Europe - the ratio decreased 3.1 percentage points primarily due to a decrease in gross margin (due to higher product costs); and
- o Other - the operating loss is attributable to lower wholesale sales of diamonds and the write-down of wholesale diamond inventory.

Unallocated corporate expenses includes costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for information technology, finance, legal and human resources. Total unallocated corporate expenses increased in the third quarter and year-to-date 2009, as the prior year included a reduction in anticipated management incentive compensation, which more than offset cost savings realized in the current year. As a percentage of net sales, unallocated corporate expenses increased 1.3 percentage points and 0.7 percentage point in the third quarter and year-to-date 2009 due to similar reasons, as well as reduced sales.

Other expense in the third quarter of 2009 represents \$4,000,000 paid to

## Edgar Filing: TIFFANY & CO - Form 10-Q

terminate a third party management agreement (see "Item 1. Notes to Condensed Consolidated Financial Statements - Note 4. Acquisitions & Dispositions").

Other income, net in the year-to-date 2009 also included \$4,442,000 of income received in connection with the assignment of the Tahera Diamond Corporation commitments and liens to an unrelated third party, which represents full settlement under the terms of the assignment agreement.

### Interest and Other Expenses, net

-----

Interest and other expenses, net decreased \$3,123,000 in the third quarter of 2009. In the third quarter of 2008, the Company recorded: (i) a \$4,300,000 charge related to the unrealized gains and interest receivable associated with interest rate swaps that the Company determined were impaired and (ii) foreign exchange transaction losses of \$4,973,000. The favorable absence of such items in the current year more than offset higher interest expense related to

22

new long-term debt issued in the past year. Interest and other expenses, net increased \$16,604,000 in the year-to-date 2009 primarily due to higher interest expense related to new long-term debt issued in the past year.

### Provision for Income Taxes

-----

The effective income tax rate for the third quarter of 2009 was 22.0% versus 32.1% in the prior year and was 29.2% in the year-to-date 2009 versus 35.8% in the prior year comparable period. The lower effective income tax rates in 2009 were due to favorable reserve adjustments of approximately \$5,600,000 and \$11,200,000 in the third quarter and year-to-date associated with the settlement of certain tax audits and the expiration of statutory periods.

### Net Earnings (Loss) from Discontinued Operations

-----

The loss from discontinued operations related to the Company's IRIDESSE business was \$5,894,000 pre-tax (\$3,013,000 after tax) for the year-to-date 2009. The loss from discontinued operations for the same period in 2008 was \$9,204,000 pre-tax (\$5,805,000 after tax). See "Item 1. Notes to Condensed Consolidated Financial Statements - Note 4. Acquisitions & Dispositions."

### 2009 Outlook

-----

Management expects a mid-single-digit sales increase in worldwide sales for the fourth quarter of 2009. Management's financial outlook for full year 2009 is based on the following assumptions, which may or may not prove valid, and should be read in conjunction with "Item 1A. Risk Factors" on page 29:

- o A net sales decline of approximately 8%, composed of (i) a low-teens percentage decrease in the Americas, factoring in a mid-teens percentage U.S. comparable store sales decline; (ii) flat sales in Asia-Pacific, which includes a mid single-digit comparable store sales decline on a constant-exchange-rate basis; (iii) a low single-digit percentage increase in Europe, which includes a high single-digit comparable store sales increase on a constant-exchange-rate basis; and (iv) a 60% decrease in Other sales.
- o The Company's worldwide expansion strategy is to continue to open Company-operated TIFFANY & CO. stores and boutiques. The Company has moderated the rate of anticipated store

## Edgar Filing: TIFFANY & CO - Form 10-Q

openings in 2009 to 5 in the Americas, 6 in Asia-Pacific and 3 in Europe.

- o A decline in operating margin compared against the prior year (when excluding the non-recurring items in 2008 as discussed in the notes to "Item 6. Selected Financial Data" in the Company's Annual Report on Form 10-K) based upon an expected decline in gross margin of more than one point and an increase in the ratio of SG&A expenses to net sales. SG&A expenses are expected to decline by a mid-single-digit percentage for the full year.
  - o This outlook includes (i) savings of \$60,000,000 resulting from the staff reduction initiatives taken at the end of 2008; (ii) reduced marketing spending; and (iii) variable and other fixed cost savings.
- o Interest and other expenses, net of approximately \$48,000,000, which represents an increase from the prior year due to higher interest expense as a result of recent long-term debt issuances.
- o An effective income tax rate of approximately 31%.
- o Net earnings from continuing operations per diluted share of \$1.88 - \$1.98.
- o Net inventories declining by a single-digit percentage.
- o Capital expenditures of approximately \$85,000,000.

### New Accounting Standards

-----  
See "Item 1. Notes to Condensed Consolidated Financial Statements - Note 2. New Accounting Standards".

### LIQUIDITY AND CAPITAL RESOURCES

-----  
The global credit and equity markets have undergone significant disruption since the third quarter of 2008, making it difficult for many businesses to obtain financing or access capital. The Company has taken steps to address these challenges. First, as noted in the 2009 Outlook section above, management has reduced costs to better align the

23

Company's expenses with the expected sales decline. Secondly, the Company secured \$400,000,000 of long-term debt since December 2008 to: (i) refinance debt obligations that have come due during the year; (ii) use the funds for general corporate purposes; and (iii) provide financial flexibility in the event that disruptions in the economy or credit markets continue or worsen.

In July 2009, the Company entered into a new \$400,000,000 multi-bank, multi-currency, committed unsecured revolving credit facility ("Credit Facility"), and has the option to increase the committed amount to \$500,000,000, subject to bank approval. The Credit Facility replaced the Company's previous \$450,000,000 revolving credit facility. The Credit Facility is intended for working capital and other corporate purposes. There was \$30,906,000 outstanding under the Credit Facility at October 31, 2009. The weighted average interest rate at October 31, 2009 was 2.9%. The Credit Facility will expire in July 2012.

Management believes that the proceeds from the debt financing that the Company recently issued, other cash on hand, internally-generated cash flows and the

## Edgar Filing: TIFFANY & CO - Form 10-Q

funds available under its revolving Credit Facility are sufficient to support the Company's planned worldwide business expansion, debt service, capital expenditures, working capital needs and dividends for the foreseeable future. The Company's current expectation is to generate in excess of \$450,000,000 of free cash flow (cash flow from operating activities less capital expenditures) in 2009.

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

	Year-to-date
(in thousands)	2009
Net cash provided by (used in):	
Operating activities	\$ 275,005
Investing activities	(45,917)
Financing activities	(32,143)
Effect of exchange rates on cash and cash equivalents	17,481
Net increase (decrease) in cash and cash equivalents	\$ 214,426

### Operating Activities

The Company's net cash inflow from operating activities of \$275,005,000 in the year-to-date 2009 compared with an outflow of \$76,643,000 in the same period in 2008. The cash inflow in the year-to-date 2009 is primarily due to a decrease in inventories and, to a lesser extent, lower income tax payments. In addition, in the third quarter of 2009, the Company contributed \$27,500,000 to its pension plan (reflected in Other, net on the Condensed Consolidated Statements of Cash Flows). The cash outflow in the year-to-date 2008 was primarily due to increased tax payments largely associated with the sale-leasebacks of the TIFFANY & CO. stores in Tokyo's Ginza shopping district and London's Old Bond Street and inventory purchases.

**Working Capital.** Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were \$1,707,767,000 and 4.4 at October 31, 2009, compared with \$1,446,812,000 and 3.4 at January 31, 2009 and \$1,240,477,000 and 2.5 at October 31, 2008. The increases in the ratio from January 31, 2009 and October 31, 2008 were primarily due to a decrease in short-term borrowings as well as higher cash balances.

Accounts receivable, less allowances at October 31, 2009 were 8% lower than at both January 31, 2009 and October 31, 2008 due to sales declines. Changes in foreign currency exchange rates had an insignificant effect on the change in accounts receivable balances.

Inventories, net at October 31, 2009 were 4% lower than January 31, 2009 and were 6% lower than October 31, 2008 due to steps management has taken to reduce internal manufacturing production and purchases from external vendors to address sales weakness. Changes in foreign currency exchange rates had an insignificant effect on the change in inventories, net.



## Edgar Filing: TIFFANY & CO - Form 10-Q

### Investing Activities

-----  
The Company's net cash outflow from investing activities of \$45,917,000 in the year-to-date 2009 compared with an outflow of \$113,617,000 in the year-to-date 2008. The decreased outflow in the current year is primarily due to lower capital expenditures. Capital expenditures were \$46,888,000 in the year-to-date 2009 compared with \$108,515,000 in

24

the year-to-date 2008. The decrease reflected a moderated rate of store openings in the current year and other cost containment.

### Financing Activities

-----  
The Company's net cash outflow from financing activities of \$32,143,000 in the year-to-date 2009 compared with an inflow of \$116,725,000 in the year-to-date 2008. The variance between 2009 and 2008 was primarily due to a decrease in net proceeds received from borrowings.

Share Repurchases. The Company suspended share repurchases during the third quarter of 2008 in order to conserve cash, and such suspension continued at the time of this filing. At October 31, 2009, there remained \$402,427,000 of authorization for future repurchases. The Company's stock repurchase program expires in January 2011. At least annually, the Company's Board of Directors reviews its policies with respect to dividends and share repurchases with a view to actual and projected earnings, cash flow and capital requirements. During the third quarter and year-to-date 2008, the Company paid \$89,878,000 and \$218,379,000 to purchase and retire 2,269,000 and 5,375,000 shares outstanding.

Recent Borrowings. As discussed above, in July 2009, the Company entered into a new \$400,000,000 revolving Credit Facility. Borrowings are at nine participating banks and are at interest rates based upon local currency borrowing rates plus a margin based on the Company's leverage ratio.

In July 2009, the Company repaid \$40,000,000 of indebtedness, which represented the current portion of its long-term borrowings.

In April 2009, the Company, in a private transaction with various institutional lenders, issued, at par, \$50,000,000 10% Series A Senior Notes due April 2018. The proceeds are available for general corporate purposes. The agreement requires lump sum repayments upon maturity and includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

In March 2009, the Company repaid \$93,000,000 of its short-term borrowings.

In February 2009, the Company, in a private transaction, issued, at par, \$125,000,000 of its 10% Series A-2009 Senior Notes due February 2017 and \$125,000,000 of its 10% Series B-2009 Senior Notes due February 2019. The proceeds are available to refinance existing indebtedness and for general corporate purposes. The agreement requires lump sum repayments upon maturity and includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 44% at October 31, 2009, 45% at January 31, 2009 and 50% at October 31, 2008.

At October 31, 2009, the Company was in compliance with all debt covenants.

## Edgar Filing: TIFFANY & CO - Form 10-Q

Purchase of Noncontrolling Interests. On October 26, 2009, the Company acquired all noncontrolling interests in two majority-owned entities that indirectly engage through majority-owned subsidiaries in diamond sourcing and polishing operations in South Africa and Botswana, respectively, for total consideration of \$18,000,000, of which \$11,000,000 was paid upon closing of the transaction and the remaining \$7,000,000 will be paid on or before August 1, 2010.

### Contractual Obligations

-----

The Company's contractual cash obligations and commercial commitments at October 31, 2009 and the effects such obligations and commitments are expected to have on the Company's liquidity and cash flows in future periods have not changed significantly since January 31, 2009. Also see Recent Borrowings above.

### Seasonality

-----

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

25

### Forward-Looking Statements

-----

This quarterly report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 concerning the Company's goals, plans and projections with respect to store openings, sales, retail prices, gross margin, expenses, effective tax rate, net earnings and net earnings per share, inventories, capital expenditures, cash flow and liquidity. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. One can identify these forward-looking statements by the fact that they use words such as "believes," "intends," "plans," and "expects" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on management's current plan and involve inherent risks, uncertainties and assumptions that could cause actual outcomes to differ materially from the current plan. The Company has included important factors in the cautionary statements included in its 2008 Annual Report on Form 10-K and in this quarterly report, particularly under "Item 1A. Risk Factors," that the Company believes could cause actual results to differ materially from any forward-looking statement.

Although the Company believes it has been prudent in its plans and assumptions, no assurance can be given that any goal or plan set forth in forward-looking statements can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date this quarterly report was first filed with the Securities and Exchange Commission. The Company undertakes no obligation to update any of the forward-looking information included in this document, whether as a result of new information, future events, changes in expectations or otherwise.

PART I. Financial Information

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Risk

The Company's Japanese subsidiary satisfies nearly all of its inventory requirements by purchasing merchandise, payable in U.S. dollars, from the Company's principal subsidiary. To minimize the potentially negative effect of a significant strengthening of the U.S. dollar against the Japanese yen, the Company purchases put option contracts as hedges of forecasted purchases of merchandise over a maximum term of 12 months. The fair value of put option contracts is sensitive to changes in yen exchange rates. If the market yen exchange rate at the time of the put option contract's expiration is stronger

## Edgar Filing: TIFFANY & CO - Form 10-Q

than the contracted exchange rate, the Company allows the put option to expire, limiting its loss to the cost of the put option contract.

The Company also uses foreign exchange forward contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities and intercompany transactions between entities with differing functional currencies. Gains or losses on these foreign exchange forward contracts substantially offset losses or gains on the liabilities and transactions being hedged. The term of all outstanding foreign exchange forward contracts as of October 31, 2009 ranged from one to ten months.

### Precious Metal Price Risk

The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to minimize the effect of volatility in precious metals prices. The Company may use a combination of call and put option contracts in net-zero-cost collar arrangements ("precious metal collars") or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar would expire at no cost to the Company. The maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 12 months.

### Interest Rate Risk

In the second quarter of 2009, the Company entered into interest rate swap agreements to effectively convert certain fixed rate debt obligations to floating rate obligations. Additionally, since the fair value of the Company's fixed rate long-term debt is sensitive to interest rate changes, the interest rate swap agreements serve as a hedge to changes in the fair value of these debt instruments. The Company is hedging its exposure to changes in interest rates over the remaining maturities of the debt agreements being hedged.

27

PART I. Financial Information  
Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

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

## Edgar Filing: TIFFANY & CO - Form 10-Q

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

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

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

28

### PART II. Other Information Item 1A. Risk Factors

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

(i) Risk: that a continuation or worsening of challenging global economic conditions and related low levels of consumer confidence over a prolonged period of time could adversely affect the Registrant's sales.

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

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

## Edgar Filing: TIFFANY & CO - Form 10-Q

Many of the Registrant's competitors may continue to react to falling consumer confidence by reducing their retail prices; such reductions and/or inventory liquidations can have a short-term adverse effect on the Registrant's sales.

In addition, some observers believe that the short-term attractiveness of "luxury" goods may have waned in certain markets, thus reducing demand. This could adversely affect the Registrant's sales and margins.

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

(ii) Risk: that sales will decline or remain flat in the Registrant's fourth fiscal quarter, which includes the holiday selling season.

The Registrant's business is seasonal in nature, with the fourth quarter typically representing at least one-third of annual net sales and approximately one-half of annual net earnings. Poor sales results during the Registrant's fourth quarter will have a material adverse effect on the Registrant's sales and profits.

(iii) Risk: that regional instability and conflict will disrupt tourist travel.

Unsettled regional and global conflicts or crises which result in military, terrorist or other conditions creating disruptions or disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Registrant operates retail stores could adversely affect the Registrant's sales and profits.

(iv) Risk: that foreign currencies will weaken against the U.S. dollar and require the Registrant to raise prices or shrink profit margins in locations outside of the U.S.

The Registrant operates retail stores and boutiques in various countries outside of the U.S. and, as a result, is exposed to market risk from fluctuations in foreign currency exchange rates. The Registrant's sales in those countries represented 46% of its net sales, of which Japan represented 19% of net sales, in Fiscal 2008. A substantial weakening of foreign currencies against the U.S. dollar would require the Registrant to raise its retail prices or reduce its profit margins in various locations outside of the U.S. Consumers in those markets may not accept significant price increases on the Registrant's goods; thus, there is a risk that a substantial weakening of foreign currencies will result in reduced sales or profit margins.

(v) Risk: that the current volatile global economy may have a material adverse effect on the Company's liquidity and capital resources.

U.S. and global credit and equity markets have recently undergone significant disruption, making it difficult for many businesses to obtain financing on acceptable terms. A prolonged downturn in the economy, extending further than those included in management's projections, could have an effect on the Registrant's cost of borrowing, could diminish its ability to service or

## Edgar Filing: TIFFANY & CO - Form 10-Q

maintain existing financing, and could make it more difficult for the Registrant to obtain additional financing or to refinance existing long-term obligations. In addition, increased disruption in the markets could lead to the failure of financial institutions. If any of the banks participating in the Registrant's revolving credit facility were to declare bankruptcy, the Registrant would no longer have access to those committed funds.

Further deterioration in the stock market could continue to negatively impact the valuation of pension plan assets and result in increased minimum funding requirements.

(vi) Risk: that the Registrant will be unable to continue to offer merchandise designed by Elsa Peretti.

The Registrant's long-standing right to sell the jewelry designs of Elsa Peretti and use her trademark is responsible for a substantial portion of the Registrant's revenues. Merchandise designed by Ms. Peretti accounted for 11% of Fiscal 2008 net sales. Tiffany has an exclusive license arrangement with Ms. Peretti; this arrangement is subject to royalty payments as well as other requirements. This license may be terminated by Tiffany or Ms. Peretti on six months notice, even in the case where no default has occurred. Also, no agreement has been made for the continued sale of the designs or use of the trademarks ELSA PERETTI following the death of Ms. Peretti. Loss of this license would materially adversely affect the Registrant's business through lost sales and profits.

(vii) Risk: that changes in prices of diamonds and precious metals or reduced supply availability might adversely affect the Registrant's ability to produce and sell products at desired profit margins.

Most of the Registrant's jewelry and non-jewelry offerings are made with diamonds, gemstones and/or precious metals. A significant change in the prices of these commodities could adversely affect the Registrant's business, which is vulnerable to the risks inherent in the trade for such commodities. A substantial increase in the price of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could lead to decreased customer demand and lost sales and/or reduced gross profit margins. Conversely, a decrease in the prices of raw materials could have a disruptive effect, negatively or positively, on sales demand and short-term margins.

Acquiring diamonds for the engagement business has, at times, been difficult because of supply limitations; Tiffany may not be able to maintain a comprehensive selection of diamonds in each retail location due to the broad assortment of sizes, colors, clarity grades and cuts demanded by customers. A substantial increase or decrease in the supply of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could lead to decreased customer demand and lost sales and/or reduced gross profit margins.

If trade relationships between the Registrant and one or more of its significant vendors were disrupted, the Registrant's sales could be adversely affected in the short-term until alternative supply arrangements could be established.

(viii) Risk: that the value of the TIFFANY & CO. trademark will decline due to the sale of counterfeit merchandise by infringers.

The TIFFANY & CO. trademark is an asset which is essential to the competitiveness and success of the Registrant's business and the Registrant takes appropriate action to protect it. Tiffany actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and

## Edgar Filing: TIFFANY & CO - Form 10-Q

cooperation with criminal law enforcement agencies. However, the Registrant's enforcement actions have not stopped the imitation and counterfeit of the Registrant's merchandise or the infringement of the trademark, and counterfeit TIFFANY & CO. goods remain available in many markets. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, in various markets by street vendors and small retailers, as well as on the Internet. The continued sale of counterfeit merchandise could have an adverse effect on the TIFFANY & CO. brand by undermining Tiffany's reputation for quality goods and making such goods appear less desirable to consumers of luxury goods. Damage to the brand would result in lost sales and profits.

(ix) Risk: that the Registrant will be unable to lease sufficient space for its retail stores in prime locations.

30

The Registrant, positioned as a luxury goods retailer, has established its retail presence in choice store locations. If the Registrant cannot secure and retain locations on suitable terms in prime and desired luxury shopping locations, its expansion plans, sales and profits will be jeopardized. In addition, if any other high-end retailers were to close locations adjacent to or near the Company's stores, it could affect the appeal of that shopping center and reduce overall customer traffic.

In Japan, many of the retail locations are located in department stores. TIFFANY & CO. boutiques located in department stores in Japan represented 79% of net sales in Japan and 15% of consolidated net sales in Fiscal 2008. In recent years, the Japanese department store industry has, in general, suffered declining sales and there is a risk that such financial difficulties will force further consolidations or store closings. Should one or more Japanese department store operators elect or be required to close one or more stores now housing a TIFFANY & CO. boutique, the Registrant's sales and profits would be reduced while alternative premises were being obtained. The Registrant's commercial relationships with department stores in Japan, and their abilities to continue as leading department store operators, have been and will continue to be substantial factors in the Registrant's continued success in Japan.

(x) Risk: that the Registrant's business is dependent upon the distinctive appeal of the TIFFANY & CO. brand.

The TIFFANY & CO. brand's association with quality, luxury and exclusivity is integral to the success of the Registrant's business. The Registrant's expansion plans for retail and direct selling operations and merchandise development, production and management support the brand's appeal. Consequently, poor maintenance, promotion and positioning of the TIFFANY & CO. brand, as well as market over-saturation, may adversely affect the business by diminishing the distinctive appeal of the TIFFANY & CO. brand and tarnishing its image. This would result in lower sales and profits.



PART II. Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains the Company's stock repurchases of equity securities in the third quarter of Fiscal 2009:

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs
August 1, 2009 to August 31, 2009	--	--	--
September 1, 2009 to September 30, 2009	--	--	--
October 1, 2009 to October 31, 2009	--	--	--
TOTAL	--	--	--

In March 2005, the Company's Board of Directors approved a stock repurchase program ("2005 Program") that authorized the repurchase of up to \$400,000,000 of the Company's Common Stock through March 2007 by means of open market or private transactions. In August 2006, the Company's Board of Directors extended the expiration date of the Company's 2005 Program to December 2009, and authorized the repurchase of up to an additional \$700,000,000 of the Company's Common Stock. In January 2008, the Company's Board of Directors extended the expiration date of the program to January 2011 and authorized the repurchase of up to an additional \$500,000,000 of the Company's Common Stock.

During the third quarter of 2008, the Company announced that its Board of

## Edgar Filing: TIFFANY & CO - Form 10-Q

Directors had suspended share repurchases, and no repurchases were made during the fourth quarter of 2008 or in the year-to-date 2009 in order to preserve cash. Such suspension continued as of the date this quarterly report on Form 10-Q was first filed with the Securities and Exchange Commission. At October 31, 2009, there remained \$402,427,000 of authorization for future repurchases.

32

ITEM 6            Exhibits  
                  (a)            Exhibits:

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350(e) and Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350(e) and Section 906 of the Sarbanes-Oxley Act of 2002.

33

SIGNATURES  
-----

## Edgar Filing: TIFFANY & CO - Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TIFFANY & CO.  
(Registrant)

Date: December 2, 2009

By: /s/ James N. Fernandez  
-----  
James N. Fernandez  
Executive Vice President and  
Chief Financial Officer  
(principal financial officer)

### Exhibit Index

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.