TIFFANY & CO
Form 10-Q
May 26, 2011

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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended April 30, 2011**

**OR**

o **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 þ No o

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

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

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, 127,713,112 shares outstanding at the close of business on April 29, 2011.

**TIFFANY & CO. AND SUBSIDIARIES**
**INDEX TO FORM 10-Q**
**FOR THE QUARTER ENDED APRIL 30, 2011**


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**PART I. Financial Information**
**Item 1. Financial Statements**

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

| | April 30, 2011 | January 31, 2011 | April 30, 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 604,419 | $ 681,591 | $ 673,750 |
| Short-term investments | 17,901 | 59,280 | |
| Accounts receivable, less allowances of $12,450, $11,783 and $11,482 | 175,926 | 185,969 | 139,879 |
| Inventories, net | 1,720,895 | 1,625,302 | 1,473,730 |
| Deferred income taxes | 49,118 | 41,826 | 6,514 |
| Prepaid expenses and other current assets | 122,694 | 90,577 | 87,586 |
| Total current assets | 2,690,953 | 2,684,545 | 2,381,459 |
| Property, plant and equipment, net | 685,457 | 665,588 | 673,786 |
| Deferred income taxes | 187,518 | 202,902 | 185,952 |
| Other assets, net | 194,204 | 182,634 | 177,510 |
| | $ 3,758,132 | $ 3,735,669 | $ 3,418,707 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | | |
| Current liabilities: | | | |
| Short-term borrowings | $ 97,632 | $ 38,891 | $ 42,865 |
| Current portion of long-term debt | | 60,855 | 252,720 |
| Accounts payable and accrued liabilities | 216,788 | 258,611 | 164,665 |
| Income taxes payable | 14,600 | 55,691 | 29,256 |
| Merchandise and other customer credits | 67,259 | 65,865 | 64,486 |
| Total current liabilities | 396,279 | 479,913 | 553,992 |
| Long-term debt | 589,255 | 588,494 | 464,170 |
| Pension/postretirement benefit obligations | 198,315 | 217,435 | 184,427 |
| Deferred gains on sale-leasebacks | 124,809 | 124,980 | 120,554 |
| Other long-term liabilities | 171,226 | 147,372 | 139,162 |
| 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 127,713, 126,969 and | 1,277 | 1,269 | 1,272 |

| | | | |
|---|---|---|---|
| 127,208 | | | |
| Additional paid-in capital | 909,357 | 863,967 | 808,189 |
| Retained earnings | 1,347,691 | 1,324,804 | 1,177,027 |
| Accumulated other comprehensive gain (loss), net of tax | 19,923 | (12,565) | (30,086) |
| Total stockholders equity | 2,278,248 | 2,177,475 | 1,956,402 |
| | $ 3,758,132 | $ 3,735,669 | $ 3,418,707 |

*See notes to condensed consolidated financial statements.*

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

| | Three Months Ended April 30, 2011 | Three Months Ended April 30, 2010 |
|---|---|---|
| Net sales | $ 761,018 | $ 633,586 |
| Cost of sales | 317,325 | 267,608 |
| Gross profit | 443,693 | 365,978 |
| Selling, general and administrative expenses | 307,727 | 260,561 |
| Earnings from operations | 135,966 | 105,417 |
| Interest and other expenses, net | 10,147 | 12,138 |
| Earnings from operations before income taxes | 125,819 | 93,279 |
| Provision for income taxes | 44,756 | 28,854 |
| Net earnings | $ 81,063 | $ 64,425 |
| Net earnings per share: | | |
| Basic | $ 0.64 | $ 0.51 |
| Diluted | $ 0.63 | $ 0.50 |
| Weighted-average number of common shares: | | |
| Basic | 127,601 | 126,699 |
| Diluted | 129,381 | 128,543 |

*See notes to condensed consolidated financial statements.*

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**TIFFANY & CO. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE EARNINGS**
**(Unaudited)**
**(*in thousands*)**

| | Total Stockholders Equity | Retained Earnings | Accumulated Other Comprehensive (Loss) Gain | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital |
|---|---|---|---|---|---|---|
| Balances, January 31, 2011 | $ 2,177,475 | $ 1,324,804 | $ (12,565) | 126,969 | $ 1,269 | $ 863,967 |
| Exercise of stock options and vesting of restricted stock units ( RSUs ) | 32,106 | | | 1,197 | 12 | 32,094 |
| Tax effect of exercise of stock options and vesting of RSUs | 8,224 | | | | | 8,224 |
| Share-based compensation expense | 6,758 | | | | | 6,758 |
| Purchase and retirement of Common Stock | (27,939) | (26,249) | | (453) | (4) | (1,686) |
| Cash dividends on Common Stock | (31,927) | (31,927) | | | | |
| Deferred hedging gain, net of tax | 990 | | 990 | | | |
| Unrealized gain on marketable securities, net of tax | 939 | | 939 | | | |
| Foreign currency translation adjustments, net of tax | 29,696 | | 29,696 | | | |
| Net unrealized gain on benefit plans, net of tax | 863 | | 863 | | | |
| Net earnings | 81,063 | 81,063 | | | | |
| Balances, April 30, 2011 | $ 2,278,248 | $ 1,347,691 | $ 19,923 | 127,713 | $ 1,277 | $ 909,357 |

| | Three Months Ended April 30, 2011 | 2010 |
|---|---|---|
| Comprehensive earnings are as follows: | | |
| Net earnings | $ 81,063 | $ 64,425 |
| Other comprehensive gain (loss), net of tax: | | |
| Deferred hedging gain | 990 | 4,808 |
| Foreign currency translation adjustments | 29,696 | (3,260) |
| Unrealized gain on marketable securities | 939 | 1,083 |

| | | |
|---|---|---|
| Net unrealized gain on benefit plans | 863 | 548 |
| Comprehensive earnings | $ 113,551 | $ 67,604 |

*See notes to condensed consolidated financial statements.*

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

| | Three Months Ended April 30, 2011 | 2010 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net earnings | $ 81,063 | $ 64,425 |
| Adjustments to reconcile net earnings to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 36,631 | 34,091 |
| Amortization of gain on sale-leasebacks | (2,682) | (2,464) |
| Excess tax benefits from share-based payment arrangements | (8,862) | (3,452) |
| Provision for inventories | 8,181 | 6,454 |
| Deferred income taxes | 7,205 | (7,720) |
| Provision for pension/postretirement benefits | 7,631 | 6,718 |
| Share-based compensation expense | 6,690 | 6,002 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 12,276 | 19,213 |
| Inventories | (83,119) | (61,698) |
| Prepaid expenses and other current assets | (6,702) | (14,660) |
| Accounts payable and accrued liabilities | (45,668) | (61,561) |
| Income taxes payable | (32,148) | (35,055) |
| Merchandise and other customer credits | 574 | (1,960) |
| Other, net | (25,315) | (40,349) |
| Net cash used in operating activities | (44,245) | (92,016) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of marketable securities and short-term investments | (3,297) | (248) |
| Proceeds from sale of marketable securities and short-term investments | 45,124 | |
| Capital expenditures | (51,628) | (25,513) |
| Notes receivable funded | (6,609) | |
| Net cash used in investing activities | (16,410) | (25,761) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from credit facility borrowings, net | 55,097 | 15,291 |
| Repayment of long-term debt | (58,915) | |
| Repurchase of Common Stock | (27,939) | (14,257) |
| Proceeds from exercise of stock options | 32,106 | 30,196 |
| Excess tax benefits from share-based payment arrangements | 8,862 | 3,452 |
| Cash dividends on Common Stock | (31,927) | (25,320) |
| Net cash (used in) provided by financing activities | (22,716) | 9,362 |
| Effect of exchange rate changes on cash and cash equivalents | 6,199 | (3,537) |

| | | |
|---|---|---|
| Net decrease in cash and cash equivalents | (77,172) | (111,952) |
| Cash and cash equivalents at beginning of year | 681,591 | 785,702 |
| Cash and cash equivalents at end of three months | $ 604,419 | $ 673,750 |

*See notes to condensed consolidated financial statements.*

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

## 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements include the accounts of Tiffany & Co. (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 ( VIE s), if the Company has the power to significantly direct the activities of a VIE, as well as the obligation to absorb significant losses of or the right to receive significant benefits from the VIE. Intercompany accounts, transactions and profits have been eliminated in consolidation. The interim statements are unaudited and, in the opinion of management, include all adjustments (which represent normal recurring adjustments) necessary to fairly state the Company s financial position as of April 30, 2011 and 2010 and the results of its operations and cash flows for the interim periods presented. The condensed consolidated balance sheet data for January 31, 2011 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 months ended April 30, 2011 and 2010 are not necessarily indicative of the results of the entire fiscal year.

## 2. RECEIVABLES AND FINANCE CHARGES

The Company maintains an allowance for doubtful accounts for estimated losses associated with the accounts receivable recorded on the balance sheet. The allowance is determined based on a combination of factors including, but not limited to, the length of time that the receivables are past due, the Company s knowledge of the customer, economic and market conditions and historical write-off experiences.

For the receivables associated with Tiffany & Co. credit cards ( Credit Card Receivables ), the Company uses various indicators to determine whether to extend credit to customers and the amount of credit. Such indicators include reviewing prior experience with the customer, including sales and collection history, and using applicants credit reports and scores provided by credit rating agencies. Credit Card Receivables require minimum balance payments. The Company classifies a Credit Card account as overdue if a minimum balance payment has not been received within the allotted timeframe (generally 30 days), after which internal collection efforts commence. For all accounts receivable recorded on the balance sheet, once all internal collection efforts have been exhausted and management has reviewed the account, the account balance is written off and may be sent for external collection or legal action. At April 30, 2011, the carrying amount of the Credit Card Receivables (recorded in accounts receivable, net in the Company s condensed consolidated balance sheet) was $52,446,000, of which 97% was considered current. The allowance for doubtful accounts for estimated losses associated with the Credit Card Receivables (approximately $2,000,000 at April 30, 2011) was determined based on the factors discussed above, and did not change significantly from January 31, 2011. Finance charges on Credit Card accounts are not significant.

The Company may, from time to time, extend loans to diamond mining and exploration companies in order to obtain rights to purchase the mine s output. Management evaluates these and any other loans that may arise for potential impairment by reviewing the parties financial statements and projections and other economic factors on a periodic basis. The carrying amount of loans receivable outstanding including accrued interest (primarily included within other assets, net on the Company s condensed consolidated balance sheet) was $6,843,000 as of April 30, 2011. The Company has not recorded any impairment charges on such loans as of April 30, 2011.

## 3. INVENTORIES

| *(in thousands)* | April 30, 2011 | January 31, 2011 | April 30, 2010 |
|---|---|---|---|
| Finished goods | $ 1,035,988 | $ 988,085 | $ 943,527 |
| Raw materials | 565,724 | 534,879 | 435,456 |
| Work-in-process | 119,183 | 102,338 | 94,747 |
| Inventories, net | $ 1,720,895 | $ 1,625,302 | $ 1,473,730 |

## 4. INCOME TAXES

The effective income tax rate for the three months ended April 30, 2011 was 35.6% versus 30.9% in the prior year. In the three months ended April 30, 2010, the Company recorded a net income tax benefit of $3,096,000 primarily due to a change in the tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations.

During the three months ended April 30, 2011, the change in the gross amount of unrecognized tax benefits and accrued interest and penalties was not significant.

The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. 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), New York City (tax years 2006-2008) and by the Internal Revenue Service (tax years 2007-2009). Tax years from 2004-present are open to examination in U.S. Federal and various state, local and 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.

## 5. 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 April 30, 2011 | 2010 |
|---|---|---|
| Net earnings for basic and diluted EPS | $ 81,063 | $ 64,425 |
| Weighted-average shares for basic EPS | 127,601 | 126,699 |
| Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units | 1,780 | 1,844 |
| Weighted-average shares for diluted EPS | 129,381 | 128,543 |

For the three months ended April 30, 2011 and 2010, there were 313,000 and 431,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

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## 6. HEDGING INSTRUMENTS

Background Information

The Company uses 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:

Fair Value Hedge A hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment. For fair value hedge transactions, both the effective and ineffective portions of the changes in the fair value of the derivative and changes in the fair value of the item being hedged are recorded in current earnings.

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

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 probable that the forecasted transaction would not occur, the gain or loss on the derivative financial instrument would be recognized in current earnings. Derivative financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedge instrument and the item being hedged, both at inception and throughout the hedged period.

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

Types of Derivative Instruments

Interest Rate Swap Agreements The Company entered into interest rate swap agreements to convert its fixed rate 2002 Series D and 2008 Series A obligations to floating rate obligations. 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 hedges 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 April 30, 2011, the notional amount of interest rate swap agreements outstanding was $160,000,000.

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Foreign Exchange Forward and Put Option Contracts The Company uses foreign exchange forward contracts or put option contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities, intercompany transactions and forecasted purchases of merchandise between entities with differing functional currencies. For put option contracts, if the market 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 contract to expire, limiting its loss to the cost of the put option contract. The Company assesses hedge effectiveness based on the total changes in the put option contracts cash flows. These foreign exchange forward contracts and put option contracts are designated and accounted for as either cash flow hedges or economic hedges that are not designated as hedging instruments.

In 2010, the Company de-designated all of its outstanding put option contracts (notional amount of $37,000,000 outstanding at April 30, 2011) 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 de-designated put option contracts are substantially offset by losses or gains on the call option contracts.

As of April 30, 2011, the notional amount of foreign exchange forward contracts accounted for as cash flow hedges was $170,200,000 and the notional amount of foreign exchange forward contracts accounted for as undesignated hedges was $22,806,000. The term of all outstanding foreign exchange forward contracts as of April 30, 2011 ranged from less than one month to 16 months.

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 of the precious metal collar is within the call and put price, the precious metal collar expires at no cost to the Company. The Company accounts for its precious metal collars and forward contracts as cash flow hedges. The Company assesses hedge effectiveness based on the total changes in the precious metal collars and forward contracts cash flows. 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 April 30, 2011, there were approximately 10,300 ounces of platinum and 318,000 ounces of silver precious metal derivative instruments outstanding.

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

| | Three Months Ended April 30, | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| *(in thousands)* | Pre-Tax Loss Recognized in Earnings on Derivatives | Pre-Tax Loss Recognized in Earnings on Hedged Item | Pre-Tax Gain Recognized in Earnings on Derivatives | Pre-Tax Loss Recognized in Earnings on Hedged Item |
| **Derivatives in Fair Value Hedging Relationships:** | | | | |
| Interest rate swap agreements [a] | $ (25) | $ (6) | $ 465 | $ (398) |

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| (in thousands) | Three Months Ended April 30, 2011 Pre-Tax (Loss) Gain Recognized in OCI (Effective Portion) | 2011 (Loss) Gain Reclassified from Accumulated OCI to Earnings (Effective Portion) | 2010 Pre-Tax Gain Recognized in OCI (Effective Portion) | 2010 (Loss) Gain Reclassified from Accumulated OCI to Earnings (Effective Portion) |
|---|---|---|---|---|
| **Derivatives in Cash Flow Hedging Relationships:** | | | | |
| Foreign exchange forward contracts [a, b] | $ (1,199) | $ (897) | $ 2,611 | $ (229) |
| Put option contracts [b] | (10) | (638) | 353 | (815) |
| Precious metal collars [b] | | 394 | 277 | (712) |
| Precious metal forward contracts [b] | 2,591 | 905 | 2,805 | 138 |
| | $ 1,382 | $ (236) | $ 6,046 | $ (1,618) |

| (in thousands) | Pre-Tax Gain (Loss) Recognized in Earnings on Derivative: Three Months Ended April 30, 2011 | Three Months Ended April 30, 2010 |
|---|---|---|
| **Derivatives Not Designated as Hedging Instruments:** | | |
| Foreign exchange forward contracts [a] | $ 447[c] | $ (515)[c] |
| Call option contracts [b] | 67 | 66 |
| Put option contracts [b] | (67) | (66) |
| | $ 447 | $ (515) |

[a] The gain or loss recognized in earnings is included within Interest 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 periods ended April 30, 2011 and 2010. The Company expects approximately $622,000 of net pre-tax derivative gains included in accumulated other comprehensive income at April 30, 2011 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 7. Fair Value of Financial Instruments.

Concentration of Credit Risk

A number of major international financial institutions are counterparties to the Company s derivative financial instruments. The Company enters into derivative financial instrument agreements only with counterparties meeting certain credit standards (a credit rating of A/A2 or better at the time of the agreement) and limits the amount of agreements or contracts it enters into with any one party. The Company may be exposed to credit losses in the event of non-performance by individual counterparties or the entire group of counterparties.

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## 7. 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.

The Company uses the market approach to measure fair value for its mutual funds, time deposits and derivative instruments. The Company s interest rate swap agreements are primarily valued using the 3-month LIBOR rate. The Company s put and call option contracts, as well as its foreign exchange forward contracts, are primarily valued using the appropriate foreign exchange spot rates. The Company s precious metal collars and forward contracts are primarily valued using the relevant precious metal spot rate. For further information on the Company s hedging instruments and program, see Note 6. Hedging Instruments.

Financial assets and liabilities carried at fair value at April 30, 2011 are classified in the tables below in one of the three categories described above:

| (in thousands) | Carrying Value | Estimated Fair Value Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|---|
| Mutual funds [a] | $ 45,496 | $ 45,496 | $ | $ | $ 45,496 |
| Time deposits [b] | 17,901 | 17,901 | | | 17,901 |
| **Derivatives designated as hedging instruments:** | | | | | |
| Interest rate swap agreements [a] | 6,130 | | 6,130 | | 6,130 |
| Precious metal forward contracts [c] | 2,794 | | 2,794 | | 2,794 |
| Foreign exchange forward contracts [c] | 469 | | 469 | | 469 |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [c] | 185 | | 185 | | 185 |
| Put option contracts [c] | 25 | | 25 | | 25 |
| Total financial assets | $ 73,000 | $ 63,397 | $ 9,603 | $ | $ 73,000 |

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| *(in thousands)* | Carrying Value | Estimated Fair Value Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|---|
| **Derivatives designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [d] | $ 1,969 | $ | $ 1,969 | $ | $ 1,969 |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Call option contracts [d] | 25 | | 25 | | 25 |
| Foreign exchange forward contracts [d] | 72 | | 72 | | 72 |
| Total financial liabilities | $ 2,066 | $ | $ 2,066 | $ | $ 2,066 |

Financial assets and liabilities carried at fair value at April 30, 2010 are classified in the tables below in one of the three categories described above:

| *(in thousands)* | Carrying Value | Estimated Fair Value Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|---|
| Mutual funds [a] | $ 41,823 | $ 41,823 | $ | $ | $ 41,823 |
| **Derivatives designated as hedging instruments:** | | | | | |
| Interest rate swap agreements [a] | 2,461 | | 2,461 | | 2,461 |
| Put option contracts [c] | 1,815 | | 1,815 | | 1,815 |
| Precious metal forward contracts [c] | 3,602 | | 3,602 | | 3,602 |
| Precious metal collars [c] | 277 | | 277 | | 277 |
| Foreign exchange forward contracts [c] | 1,683 | | 1,683 | | 1,683 |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [c] | 24 | | 24 | | 24 |
| Put option contracts [c] | 80 | | 80 | | 80 |
| Total financial assets | $ 51,765 | $ 41,823 | $ 9,942 | $ | $ 51,765 |

| *(in thousands)* | Carrying Value | Estimated Fair Value Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Derivatives not designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [d] | $ 86 | $ | $ 86 | $ | $ 86 |
| Call option contracts [d] | 80 | | 80 | | 80 |
| Total financial liabilities | $ 166 | $ | $ 166 | $ | $ 166 |

a Included within Other assets, net on the Company s Condensed Consolidated Balance Sheet.

b Included within Short-term investments on the Company s Condensed Consolidated Balance Sheet.

[c] Included within Prepaid expenses and other current assets on the Company s Condensed Consolidated Balance Sheet.

[d] 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 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 $686,887,000 and $759,755,000 and the corresponding fair value was approximately $750,000,000 and $800,000,000 at April 30, 2011 and 2010.

**8. COMMITMENTS AND CONTINGENCIES**

In March 2011, Laurelton Diamonds, Inc., a direct, wholly-owned subsidiary of the Company ( Laurelton ), as lender, entered into a $50,000,000 amortizing term loan facility agreement (the Loan ) with Koidu Holdings S.A. ( Koidu ), as borrower, and BSG Resources Limited, as a limited guarantor. Koidu operates a kimberlite diamond mine in Sierra Leone (the Mine ) from which Laurelton now acquires diamonds. Koidu is required under the terms of the Loan to apply the proceeds of the Loan to capital expenditures necessary to expand the Mine, among other purposes. The Loan is required to be repaid in full by March 2017 through semi-annual payments scheduled to begin in March 2013. Interest accrues at a rate per annum that is the greater of (i) LIBOR plus 3.5% or (ii) 4%. In consideration of the Loan, Laurelton was granted the right to purchase at fair market value diamonds recovered from the Mine that meet Laurelton s quality standards. The Loan may be drawn in multiple installments subject to certain contingencies; as of April 30, 2011, no installment had been drawn. The assets of Koidu, including all equipment and rights in respect of the Mine, are subject to the security interest of a lender that is not affiliated with the Company. The Loan will be partially secured by diamonds that have been extracted from the Mine and that have not been sold to third parties. The Company has evaluated the variable interest entity consolidation requirements with respect to this transaction and has determined that it is not the primary beneficiary, as it does not have the power to direct any of the activities that most significantly impact Koidu s economic performance.

In April 2010, Tiffany and Company, the Company s principal operating subsidiary ( Tiffany ) committed to a plan to consolidate and relocate its New York headquarters staff to a single location in New York City from three separate locations currently leased in midtown Manhattan. The move is expected to occur in mid-2011 and generate occupancy savings over the term of the 15-year lease. Tiffany intends to sublease its existing properties through the end of their lease terms which run through 2015, but expects to recover only a portion of its rent obligations due to current market conditions. Accordingly, Tiffany anticipates recording expenses of approximately $40,000,000 (of which $8,221,000 was recorded during the three months ended April 30, 2011) primarily within selling, general and administrative ( SG&A ) expenses in the consolidated statement of earnings in the fiscal year ending January 31, 2012; this expense is primarily related to the fair value of the remaining non-cancelable lease obligations reduced by the estimated sublease rental income as well as the acceleration of the useful lives of certain property and equipment, incremental rent expense during the transition period and lease termination payments. Changes in market conditions may affect the total expenses ultimately recorded.

**9. STOCKHOLDERS EQUITY**

Accumulated Other Comprehensive Gain (Loss)

| *(in thousands)* | April 30, 2011 | January 31, 2011 | April 30, 2010 |
|---|---|---|---|
| Accumulated other comprehensive gain (loss), net of tax: | | | |
| Foreign currency translation adjustments | $ 71,111 | $ 41,415 | $ 13,252 |
| Deferred hedging (loss) gain | (202) | (1,192) | 2,201 |
| Unrealized gain (loss) on marketable securities | 1,081 | 142 | (816) |
| Net unrealized loss on benefit plans | (52,067) | (52,930) | (44,723) |

| | | | |
|---|---|---|---|
| | $ 19,923 | $ (12,565) | $ (30,086) |

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## 10. EMPLOYEE BENEFIT PLANS

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

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

| | Three Months Ended April 30, | | | |
|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | |
| (*in thousands*) | 2011 | 2010 | 2011 | 2010 |
| Net Periodic Benefit Cost: | | | | |
| Service cost | $ 3,590 | $ 3,269 | $ 503 | $ 347 |
| Interest cost | 6,207 | 5,997 | 752 | 696 |
| Expected return on plan assets | (4,848) | (4,455) | | |
| Amortization of prior service cost | 266 | 269 | (165) | (165) |
| Amortization of net loss | 1,323 | 760 | 3 | |
| Net expense | $ 6,538 | $ 5,840 | $ 1,093 | $ 878 |

## 11. SEGMENT INFORMATION

The Company s reportable segments are as follows:

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 markets through business-to-business, Internet, catalog and wholesale operations;

Asia-Pacific includes sales in TIFFANY & CO. stores in Asia-Pacific markets, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations;

Japan includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations;

Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and

Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and 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 third-party licensing agreements.

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

| | Three Months Ended April 30, | |
|---|---|---|
| *(in thousands)* | 2011 | 2010 |
| Net sales: | | |
| Americas | $ 374,652 | $ 315,258 |
| Asia-Pacific | 167,247 | 122,336 |
| Japan | 123,358 | 115,049 |
| Europe | 85,626 | 68,628 |
| Total reportable segments | 750,883 | 621,271 |
| Other | 10,135 | 12,315 |
| | $ 761,018 | $ 633,586 |

| | Three Months Ended April 30, | |
|---|---|---|
| *(in thousands)* | 2011 | 2010 |
| Earnings from operations*: | | |
| Americas | $ 74,413 | $ 54,922 |
| Asia-Pacific | 48,634 | 32,174 |
| Japan | 31,691 | 30,996 |
| Europe | 19,768 | 14,628 |
| Total reportable segments | 174,506 | 132,720 |
| Other | 178 | 248 |
| | $ 174,684 | $ 132,968 |

* Represents earnings from operations before unallocated corporate expenses, interest and other expenses, net and other expense.

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

| | Three Months Ended April 30, | |
|---|---|---|
| *(in thousands)* | 2011 | 2010 |
| Earnings from operations for segments | $ 174,684 | $ 132,968 |
| Unallocated corporate expenses | (30,497) | (26,691) |
| Interest and other expenses, net | (10,147) | (12,138) |
| Other expense | (8,221) | (860) |
| Earnings from operations before income taxes | $ 125,819 | $ 93,279 |

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

Other expense in the three months ended April 30, 2011 and 2010 represents accelerated depreciation and incremental rent expense, and the first quarter of 2011 also includes payments to terminate leases associated with Tiffany s plan to consolidate and relocate its New York headquarters staff to a single location. See Note 8. Commitments and Contingencies.

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**12. SUBSEQUENT EVENTS**

In May 2011, the Company entered into a ¥4,000,000,000 ($49,240,000 at issuance) one-year uncommitted credit facility. Borrowings may be made on one-, three- or 12-month terms bearing interest at the LIBOR rate plus 0.25%, subject to bank approval. The Company borrowed the full amount under the facility.

On May 19, 2011, the Company s Board of Directors declared a 16% increase in the quarterly dividend rate on its Common Stock, increasing it from $0.25 per share to $0.29 per share. This dividend will be paid on July 11, 2011 to stockholders of record on June 20, 2011.

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**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 ( Tiffany ), is a jeweler and specialty retailer whose principal merchandise offering is 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:

- 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 markets through business-to-business, Internet, catalog and wholesale operations;

- Asia-Pacific includes sales in TIFFANY & CO. stores in Asia-Pacific markets, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations;

- Japan includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations;

- Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations; and

- Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and 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 third-party licensing agreements.

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

**HIGHLIGHTS**

- Worldwide net sales increased 20% to $761,018,000 in the three months ( first quarter ) ended April 30, 2011. Sales in all reportable segments increased in the first quarter.

- On a constant-exchange-rate basis (see Non-GAAP Measures below), worldwide net sales increased 16% and comparable store sales increased 15% in the first quarter.

- Operating margin increased 1.3 percentage points due to the leverage effect of increased sales compared with smaller growth in selling, general and administrative expenses, as well as a higher gross margin.

- Net earnings and net earnings per diluted share increased 26% to $81,063,000 and $0.63 in the first quarter.

- Consistent with the Company s strategy to maintain substantial control over product supply through direct diamond sourcing, in March 2011 a subsidiary of the Company entered into a $50,000,000 amortizing loan facility agreement with Koidu Holdings, S.A. and in return was granted the right to purchase diamonds meeting the Company s quality standards from a kimberlite diamond mine in Sierra Leone (see Item 1. Notes to Condensed Consolidated Financial Statements Note 8. Commitments and Contingencies ).

- The Company repaid ¥5,000,000,000 ($58,915,000 upon payment) of debt that came due in April.

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## 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 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:

| | First Quarter 2011 vs. 2010 | | |
|---|---|---|---|
| | GAAP Reported | Translation Effect | Constant-Exchange-Rate Basis |
| **Net Sales:** | | | |
| Worldwide | 20% | 4% | 16% |
| Americas | 19% | 1% | 18% |
| Asia-Pacific | 37% | 6% | 31% |
| Japan | 7% | 10% | (3)% |
| Europe | 25% | 6% | 19% |
| **Comparable Store Sales:** | | | |
| Worldwide | 19% | 4% | 15% |
| Americas | 17% | % | 17% |
| Asia-Pacific | 31% | 5% | 26% |
| Japan | 8% | 11% | (3)% |
| Europe | 20% | 5% | 15% |

## RESULTS OF OPERATIONS

### Net Sales

Net sales by segment were as follows:

| | First Quarter | | |
|---|---|---|---|
| (*in thousands*) | 2011 | 2010 | Increase (Decrease) |
| Americas | $ 374,652 | $ 315,258 | 19% |
| Asia-Pacific | 167,247 | 122,336 | 37% |
| Japan | 123,358 | 115,049 | 7% |
| Europe | 85,626 | 68,628 | 25% |
| Other | 10,135 | 12,315 | (18)% |
| | $ 761,018 | $ 633,586 | 20% |

*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, sales for a

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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 increased $59,394,000, or 19%, primarily due to an increase in the average price per unit sold. However, sales in the Americas also benefited from an increase in the number of units sold. Comparable store sales increased $46,506,000, or 17%, consisting of increases in both New York Flagship store sales of 23% and comparable branch store sales of 16%. On a constant-exchange-rate basis, sales in the Americas increased 18% and comparable store sales increased 17%. Combined Internet and catalog sales in the Americas increased $4,984,000, or 14%, equally due to an increase in the number of orders and in the average price per order.

*Asia-Pacific.* Total sales in Asia-Pacific increased $44,911,000, or 37%, primarily due to an increase in the average price per unit sold. Additionally, sales in Asia-Pacific reflected an increase in the number of units sold. Comparable store sales increased $35,719,000, or 31%, and non-comparable store sales grew $7,851,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 31% and comparable store sales increased 26% due to sales growth in most countries, especially in the Greater China region.

*Japan.* Total sales in Japan increased $8,309,000, or 7%, due to an increase in the average price per unit sold, which was partly offset by a decrease in the number of units sold. Comparable store sales increased $7,980,000, or 8%. On a constant-exchange-rate basis, both total sales and comparable store sales decreased 3%. Sales in Japan were affected by earthquake-related events in the first quarter. Stores located in the Kanto and Tohoku regions, which generate approximately half of the sales in Japan, were closed for approximately one week following the earthquake and some operated on reduced hours for a period of time; however, all locations have since re-opened and are operating under regular hours.

*Europe.* Total sales in Europe increased $16,998,000, or 25%, primarily due to an increase in the number of units sold, as well as an increase in the average price per unit sold. Comparable store sales increased $12,505,000, or 20%, and non-comparable store sales grew $2,986,000. On a constant-exchange-rate basis, sales increased 19% while comparable store sales rose 15%, due to strong growth in Continental Europe and modest sales growth in the U.K.

*Store Data.* Management currently expects to add 18 (net) Company-operated TIFFANY & CO. stores and boutiques in 2011, increasing the store base by 8%, including seven stores in the Americas, four stores in Europe, eight stores in Asia-Pacific and a net reduction of one location in Japan. The following table shows locations which have already been opened or closed, or where plans have been finalized:

| Location | Openings (Closings) as of April 30, 2011 | Remaining Openings 2011 |
|---|---|---|
| Americas: | | |
| Calgary, Canada | | Second Quarter |
| Northbrook, Illinois | | Second Quarter |
| Las Vegas Fashion Show Mall, Nevada | | Third Quarter |
| Richmond, Virginia | | Third Quarter |
| Japan: | | |
| Hakata Hankyu | First Quarter | |
| Kokura Izutsuya | (First Quarter) | |
| Wakayama Kintetsu | (First Quarter) | |
| Europe: | | |
| Frankfurt Frankfurt International Airport, Germany | | Second Quarter |
| Zurich Zurich Airport, Switzerland | | Second Quarter |
| Nice, France | | Third Quarter |

*Other.* Other sales decreased $2,180,000, or 18%, primarily due to lower wholesale sales of diamonds, which more than offset increased sales of TIFFANY & CO. merchandise to independent distributors in emerging markets.

## Gross Margin

| | First Quarter 2011 | First Quarter 2010 |
|---|---|---|
| Gross profit as a percentage of net sales | 58.3% | 57.8% |

Gross margin (gross profit as a percentage of net sales) increased by 0.5 percentage point primarily due to a decline in wholesale sales of diamonds and sales leverage on fixed costs. Changes in product mix and higher product costs had an unfavorable impact on gross margin.

Management periodically reviews and adjusts its retail prices when appropriate to address product cost increases, specific market conditions and longer-term changes in foreign currencies/U.S. dollar relationships. Among the market conditions that the Company addresses are consumer demand for the product category involved, which may be influenced by consumer confidence, and competitive pricing conditions. The Company uses derivative instruments to mitigate foreign exchange and precious metal price exposures (see Item 1. Notes to Condensed Consolidated Financial Statements Note 6. Hedging Instruments ). Due to the recent substantial increases and volatility in precious metal and diamond costs, the Company has increased and plans to continue to increase retail prices in the future to protect against its exposure to these higher product costs.

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

| | First Quarter 2011 | First Quarter 2010 |
|---|---|---|
| SG&A expenses as a percentage of net sales | 40.4% | 41.1% |

SG&A expenses increased $47,166,000, or 18%, primarily due to increased depreciation and store occupancy expenses of $19,497,000 related to new and existing stores, as well as costs associated with Tiffany s plan to consolidate its New York headquarters staff into a single location (see Item 1. Notes to Condensed Consolidated Financial Statements Note 8. Commitments and Contingencies ), increased labor and benefit costs of $10,405,000 and increased marketing expenses of $6,960,000. SG&A expenses as a percentage of net sales decreased by 0.7 percentage point due to the leveraging effect of fixed costs. Changes in foreign currency exchange rates had an insignificant translation effect on overall SG&A expenses.

## Earnings from Operations

| (*in thousands*) | First Quarter 2011 | % of Net Sales* | First Quarter 2010 | % of Net Sales* |
|---|---|---|---|---|
| Earnings from operations: | | | | |
| Americas | $ 74,413 | 19.9% | $ 54,922 | 17.4% |
| Asia-Pacific | 48,634 | 29.1% | 32,174 | 26.3% |
| Japan | 31,691 | 25.7% | 30,996 | 26.9% |
| Europe | 19,768 | 23.1% | 14,628 | 21.3% |
| Other | 178 | 1.8% | 248 | 2.0% |
| | 174,684 | | 132,968 | |
| Unallocated corporate expenses | (30,497) | (4.0)% | (26,691) | (4.2)% |
| Other expense | (8,221) | | (860) | |
| Earnings from operations | $ 135,966 | 17.9% | $ 105,417 | 16.6% |

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

Earnings from operations increased 29% in the first quarter. On a segment basis, the ratio of earnings from operations (before the effect of unallocated corporate expenses and other expense) to each segment s net sales in the first quarter of 2011 and 2010 was as follows:

Americas the ratio increased 2.5 percentage points primarily resulting from the leveraging of operating expenses;

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- Asia-Pacific    the ratio increased 2.8 percentage points primarily due to the leveraging of operating expenses;
- Japan    the ratio decreased 1.2 percentage points primarily due to an increase in operating expenses, which was partly offset by an increase in gross margin;
- Europe    the ratio increased 1.8 percentage points entirely due to the leveraging of operating expenses; and
- Other    the ratio decreased 0.2 percentage point.

Unallocated corporate expenses include costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for centralized information technology, finance, legal and human resources departments. Total unallocated corporate expenses increased versus the comparable period in the prior year but decreased as a percentage of net sales.

Other expense in the first quarter of 2011 and 2010 represents accelerated depreciation and incremental rent expense, and the first quarter of 2011 also includes payments to terminate leases associated with Tiffany s plan to consolidate and relocate its New York headquarters staff to a single location. See Item 1. Notes to Condensed Consolidated Financial Statements Note 8. Commitments and Contingencies.

**Interest and Other Expenses, net**

Interest and other expenses, net decreased $1,991,000 in the first quarter of 2011.

**Provision for Income Taxes**

The effective income tax rate for the first quarter of 2011 was 35.6% versus 30.9% in the prior year. In the first quarter of 2010, the Company recorded a net income tax benefit of $3,096,000 primarily due to a change in the tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations.

**2011 Outlook**

Management s outlook for full year 2011 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 28:

- A mid-teens percentage increase in worldwide net sales. Sales assumptions by region (in U.S. dollars) include a mid-teens percentage increase in the Americas, a mid-twenties percentage increase in both Asia-Pacific and Europe and a modest sales decline in Japan. Other sales are expected to increase approximately 25%.
- The opening of 19 Company-operated stores (seven in the Americas, eight in Asia-Pacific and four in Europe), as well as a net reduction of one location in Japan.
- An increase in operating margin of approximately one-half point due to an improved ratio of SG&A expenses to sales and a higher gross margin.
- Interest and other expenses, net of approximately $45,000,000.
- An effective income tax rate of approximately 34%.
- Net earnings per diluted share increasing 18%    21% to $3.45    $3.55.
- An increase in net inventories of more than 15%.
- Capital expenditures of approximately $250,000,000.

The above assumptions for operating margin and net earnings per diluted share do not include expenses of approximately $40,000,000 primarily related to the fair value of the remaining non-cancelable lease obligations (reduced by the estimated sublease rental income), as well as the acceleration of the useful lives of certain property and equipment and incremental rent during the transition period associated with Tiffany s plan to consolidate and relocate its New York headquarters staff to a single location (see Item 1. Notes to Condensed Consolidated Financial

Statements    Note 8. Commitments and Contingencies   ). Most of these expenses are expected to be recorded during the second quarter of 2011. Tiffany expects overall savings of more than $100,000,000 over the 15-year lease term of the new location as a result of an overall reduction in rent expense; these estimated savings are based on current rental costs and assumptions made regarding future potential rent increases at the existing locations. Changes in market conditions may affect the total expenses ultimately recorded.

**LIQUIDITY AND CAPITAL RESOURCES**

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

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

| | First Quarter | |
|---|---|---|
| (*in thousands*) | 2011 | 2010 |
| Net cash (used in) provided by: | | |
| Operating activities | $ (44,245) | $ (92,016) |
| Investing activities | (16,410) | (25,761) |
| Financing activities | (22,716) | 9,362 |
| Effect of exchange rates on cash and cash equivalents | 6,199 | (3,537) |
| Net decrease in cash and cash equivalents | $ (77,172) | $ (111,952) |

**Operating Activities**

The Company had a net cash outflow from operating activities of $44,245,000 in the first quarter of 2011 compared with an outflow of $92,016,000 in the same period in 2010. The variance between 2011 and 2010 is primarily due to increased net earnings as well as adjustments for non-cash items. Additionally, the first quarter of 2011 includes the Company s contribution of $25,000,000 to its pension plan versus a contribution of $40,000,000 in the comparable period in 2010, both of which are reflected in Other, net on the Condensed Consolidated Statements of Cash Flows.

*Working Capital.* Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were $2,294,674,000 and 6.8 at April 30, 2011, compared with $2,204,632,000 and 5.6 at January 31, 2011 and $1,827,467,000 and 4.3 at April 30, 2010.

Accounts receivable, less allowances at April 30, 2011 were 5% lower than January 31, 2011 due to the seasonality of the Company s business. Accounts receivable, less allowances at April 30, 2011 were 26% higher than April 30, 2010, due to sales growth. Foreign currency exchange rates did not have a significant effect on accounts receivable balances compared to January 31, 2011 but strengthening foreign currency exchange rates increased accounts receivable balances by 7% compared to April 30, 2010.

Inventories, net at April 30, 2011 were 6% higher than January 31, 2011 and were 17% higher than April 30, 2010. Finished goods inventories rose 5% and 10% from January 31, 2011 and April 30, 2010 and combined raw material and work-in-process inventories rose 7% and 29% in those same periods, all to support sales growth, new store openings and new product launches, as well as reflecting higher acquisition costs. In addition, foreign currency exchange rates did not have a significant effect on inventory balances compared to January 31, 2011 but strengthening foreign currency exchange rates increased inventory balances by 4% compared to April 30, 2010.

**Investing Activities**

The Company had a net cash outflow from investing activities of $16,410,000 in the first quarter of 2011 compared with an outflow of $25,761,000 in the first quarter of 2010. The decreased outflow in the current year is primarily due to proceeds received from the sale of marketable securities and short-term investments, which was partly offset by higher capital expenditures.

**Financing Activities**

The Company had a net cash outflow from financing activities of $22,716,000 in the first quarter of 2011 compared with an inflow of $9,362,000 in the first quarter of 2010. The variance between 2011 and 2010 was primarily due to a decrease in net proceeds received from total borrowings and share repurchase activity.

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

| | First Quarter | |
|---|---|---|
| *(in thousands)* | 2011 | 2010 |
| Short-term borrowings: | | |
| Proceeds from credit facility borrowings, net | $ 55,097 | $ 15,291 |
| Long-term borrowings: | | |
| Repayments | (58,915) | |
| Net (repayments of) proceeds from total borrowings | $ (3,818) | $ 15,291 |

There was $97,632,000 outstanding and $348,368,000 available under the Credit Facility and other revolving credit facilities at April 30, 2011. The weighted average interest rate for the outstanding amount at April 30, 2011 was 2.70%.

In 1996, the Company issued a ¥5,000,000,000 15-year term loan, bearing interest at a rate of 4.50%. The Company repaid the amount outstanding ($58,915,000 at payment date) in April 2011 with cash on hand and through the use of Credit Facility borrowings.

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders equity was 30% at April 30, 2011, 32% at January 31, 2011 and 39% at April 30, 2010.

At April 30, 2011, the Company was in compliance with all debt covenants.

*Share Repurchases.* The Company s share repurchase activity for the first quarter of 2011 was as follows:

| | First Quarter | |
|---|---|---|
| *(in thousands, except per share amounts)* | 2011 | 2010 |
| Cost of repurchases | $ 27,939 | $ 14,257 |
| Shares repurchased and retired | 453 | 320 |
| Average cost per share | $ 61.68 | $ 44.62 |

In January 2011, the Company s Board of Directors approved a new stock repurchase program ( 2011 Program ) and terminated the previously existing program. The 2011 Program authorizes the Company to repurchase up to $400,000,000 of its Common Stock through open market or private transactions. The 2011 Program expires on January 31, 2013. The timing of repurchases and the actual number of shares to be repurchased depend on a variety of discretionary factors such as stock price, cash-flow forecasts and other market conditions. At least annually, the Company s Board of Directors reviews its policies with respect to dividends and share repurchases with a view to actual and projected earnings, cash flows and capital requirements. At April 30, 2011, there remained $364,080,000 of authorization for future repurchases under the 2011 Program.

**Contractual Obligations**

In March 2011, Laurelton Diamonds, Inc., a direct, wholly-owned subsidiary of the Company ( Laurelton ), as lender, entered into a $50,000,000 amortizing term loan facility agreement (the Loan ) with Koidu Holdings S.A. ( Koidu ), as borrower, and BSG Resources Limited, as a limited guarantor. Koidu operates a kimberlite diamond mine in Sierra

Leone (the Mine ) from which Laurelton now acquires diamonds. Koidu is required under the terms of the Loan to apply the proceeds of the Loan to capital expenditures necessary to expand the Mine, among other purposes. The Loan is required to be repaid in full by March 2017 through semi-annual payments scheduled to begin in March 2013. Interest accrues at a rate per annum that is the greater of (i) LIBOR plus 3.5% or (ii) 4%. In consideration of the Loan,

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Laurelton was granted the right to purchase at fair market value diamonds recovered from the Mine that meet Laurelton s quality standards. The Loan may be drawn in multiple installments subject to certain contingencies; as of April 30, 2011 no installment had been drawn. The assets of Koidu, including all equipment and rights in respect of the Mine, are subject to the security interest of a lender that is not affiliated with the Company. The Loan will be partially secured by diamonds that have been extracted from the Mine and that have not been sold to third parties.

The Company s contractual cash obligations and commercial commitments at April 30, 2011 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, 2011, except as noted 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.

**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 2010 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.

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## 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 uses foreign exchange forward contracts or put option contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities, intercompany transactions and forecasted purchases of merchandise between entities with differing functional currencies. The fair value of foreign exchange forward contracts and put option contracts is sensitive to changes in foreign exchange rates. Gains or losses on foreign exchange forward contracts substantially offset losses or gains on the liabilities and transactions being hedged. For put option contracts, if the market 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 contract to expire, limiting its loss to the cost of the put option contract. There were no outstanding put option contracts as of April 30, 2011. The term of all outstanding foreign exchange forward contracts as of April 30, 2011 ranged from less than one month to 16 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 either a combination of call and put option contracts in net-zero-cost collar arrangements ( precious metal collars ) or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar expires at no cost to the Company. The 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

The Company uses interest rate swap agreements to 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 hedges to changes in the fair value of these debt instruments. The Company hedges its exposure to changes in interest rates over the remaining maturities of the debt agreements being hedged.

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**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.

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, the Registrant s internal control over financial reporting.

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

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## 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 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.

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

The Registrant has invested in and operates more than 20 stores in the greater China region and anticipates significant further expansion. Should the Chinese economy experience an economic slowdown, the sales and profitability of those stores in this region could be affected.

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 and will result in higher inventories.

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

Unsettled regional and global conflicts or crises such as military actions, terrorist activities, natural disasters, government regulations or other conditions creating disruptions or disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions and local consumer spending where the Registrant operates retail stores could adversely affect the Registrant s sales and profits.

(iv) Risk: that weakening foreign currencies may negatively affect the Company s sales and profitability.

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. In 2010, sales in countries outside of the U.S. in aggregate represented approximately half of the Registrant s net sales and more than half of its earnings from continuing operations, of which Japan represented 18% of the Registrant s net sales and 27% of the Registrant s earnings from continuing operations. In order to maintain its worldwide relative pricing structure, 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 and profitability.

The results of the operations of the Registrant s international subsidiaries are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into U.S. dollars during the process of financial statement consolidation. If the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will decrease consolidated net sales and profitability.

In addition, a weakening in foreign currency exchange rates may create disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Registrant operates retail stores which could adversely affect the Registrant s net sales and profitability.

(v) Risk: that volatile global economic conditions may have a material adverse effect on the Registrant s liquidity and capital resources.

The global economy and the credit and equity markets have undergone significant disruption in recent years. A prolonged weakness in the economy, extending further than those included in management s projections, could have an adverse effect on the Registrant s cost of borrowing, could diminish its ability to service or maintain existing financing and could make it more difficult for the Registrant to obtain additional financing or to refinance existing long-term obligations.

Any significant deterioration in the stock market could negatively affect 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.

Merchandise designed by Ms. Peretti accounted for 10% of 2010 net sales. Tiffany has an exclusive long-standing license arrangement with Ms. Peretti to sell her designs and use her trademarks; 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 or disability of Ms. Peretti, who is now 71 years of age. Loss of this license would have a material adverse effect on the Registrant s business through lost sales and profits.

(vii) Risk: that changes in costs 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. Presently, the Company purchases a significant portion of the world s rough and polished white diamonds in color grades D through I and in sizes above .18 carats. Acquiring diamonds for the engagement jewelry business has, at times, been difficult because of supply limitations; at such times, 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 significant change in the costs or supply 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 or decrease in the cost or supply of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could affect, negatively or positively, customer demand, sales and gross profit margins.

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.

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

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 Japan, many of the retail locations are within department stores. TIFFANY & CO. boutiques located in department stores in Japan represented 79% of net sales in Japan and 14% of consolidated net sales in 2010. 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 affecting the Registrant s business in Japan.

(ix) 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 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.

(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.

(xi) Risk: that the earthquake-related events that have occurred in Japan in March of 2011 will have a significant effect on the Registrant s sales and profits in the fiscal year ending January 31, 2012 and beyond.

In 2010, Japan represented 18% of the Registrant s consolidated worldwide net sales and 27% of the Registrant s earnings from continuing operations. The effect of earthquake-related events, including the availability of electric power, public transportation, personal income tax rates, currency conversion rates and consumer confidence, could have an adverse effect on the Registrant s sales and profits for some period of time.

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## 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 first quarter of 2011:

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 | (d) Maximum Number (or Approximate Dollar Value) of Shares, (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| February 1, 2011 to February 28, 2011 | 161,596 | $ 61.60 | 161,596 | $ 382,064,000 |
| March 1, 2011 to March 31, 2011 | 148,505 | $ 60.39 | 148,505 | $ 373,095,000 |
| April 1, 2011 to April 30, 2011 | 142,875 | $ 63.10 | 142,875 | $ 364,080,000 |
| TOTAL | 452,976 | $ 61.68 | 452,976 | $ 364,080,000 |

In January 2011, the Company s Board of Directors approved a new stock repurchase program ( 2011 Program ) and terminated the previously existing program. The 2011 Program authorizes the Company to repurchase up to $400,000,000 of its Common Stock through open market or private transactions. The 2011 Program expires on January 31, 2013.

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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 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial information from Tiffany & Co. s Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2011, furnished with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Earnings; (iii) the Condensed Consolidated Statements of Stockholders Equity and Comprehensive Earnings; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text. |

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## SIGNATURES

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

**TIFFANY & CO.**
(Registrant)

Date: May 26, 2011

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