TIFFANY & CO
Form 10-K
March 30, 2010

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

**Form 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2010
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 no. 1-9494
(Exact name of registrant as specified in its charter)

| **Delaware** | **13-3228013** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **727 Fifth Avenue, New York, New York** | **10022** |
| (Address of principal executive offices) | (Zip code) |

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

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

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $.01 par value per share | New York Stock Exchange |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form10-K or any amendment to this Form10-K. 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large Accelerated filer x | Accelerated filer o |
| Non-Accelerated filer o (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 x

As of July 31, 2009, the aggregate market value of the registrant s voting and non-voting stock held by non-affiliates of the registrant was approximately $3,434,427,681 using the closing sales price on this day of $29.83. See Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of March 23, 2010, the registrant had outstanding 126,379,941 shares of its common stock, $.01 par value per share.

**DOCUMENTS INCORPORATED BY REFERENCE.**

The following documents are incorporated by reference into this Annual Report on Form 10-K: Registrant s Proxy Statement Dated April 9, 2010 (Part III).

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including documents incorporated herein by reference, 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 Registrant 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 Registrant has included important factors in the cautionary statements included in this Annual Report, particularly under Item 1A. Risk Factors, that the Registrant believes could cause actual results to differ materially from any forward-looking statement.

Although the Registrant 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 Annual Report on Form 10-K was first filed with the Securities and Exchange Commission. The Registrant 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**

**Item 1. Business.**

General history of business

The Registrant (also referred to as Tiffany & Co. or the Company ) is the parent corporation of Tiffany and Company ( Tiffany ). Charles Lewis Tiffany founded Tiffany s business in 1837. He incorporated Tiffany in New York in 1868. The Registrant acquired Tiffany in 1984 and completed the initial public offering of the Registrant s Common Stock in 1987. The Registrant is a holding company and conducts all business through its subsidiary corporations. Through those subsidiaries, the Company sells fine jewelry and other items that it manufactures or has made by others to its specifications.

Financial information about industry segments

The Registrant s segment information for the fiscal years ended January 31, 2010, 2009 and 2008 is reported in Item 8. Financial Statements and Supplementary Data Note R. Segment Information.

Narrative description of business

All references to years relate to fiscal years that end on January 31 of the following calendar year.

DISTRIBUTION AND MARKETING

Maintenance of the TIFFANY & CO. Brand

The TIFFANY & CO. brand (the Brand ) is the single most important asset of Tiffany and, indirectly, of the Registrant. The strength of the Brand goes beyond trademark rights (see TRADEMARKS below) and is inherent in consumer perceptions of the Brand. Management monitors the strength of the Brand through focus groups and survey research.

Management believes that consumers associate the Brand with high-quality gemstone jewelry, particularly diamond jewelry; excellent customer service; an elegant store and online environment; upscale store locations; classic product positioning; distinctive and high-quality packaging materials (most significantly, the TIFFANY & CO. blue box); and sophisticated style and romance.

Tiffany s business plan includes many expenses and strategies to maintain the strength of the Brand. Stores must be staffed with knowledgeable professionals to provide excellent service. Elegant store and online environments increase capital and maintenance costs. Display practices require sufficient store footprints and lease budgets to enable Tiffany to showcase fine jewelry in a retail setting consistent with the Brand s positioning. Stores in the best high street and luxury mall locations are more expensive and difficult to secure, but reinforce the Brand s luxury connotations through association with other luxury brands. By the same token, over-proliferation of stores, or stores that are located in second-tier markets, can diminish the strength of the Brand. The classic positioning of Tiffany s product line supports the Brand, but limits the display space that can be afforded to fashion jewelry. Tiffany s packaging practices support consumer expectations with respect to the Brand and are more expensive. Some advertising is done primarily to reinforce the Brand s association with luxury, sophistication, style and romance, while other advertising is primarily intended to increase demand for particular products. Maintaining its position within the high-end of the jewelry market requires Tiffany to invest significantly in diamond

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and gemstone inventory and accept reduced overall gross margins; it also causes some consumers to view Tiffany as beyond their price range.

All of the foregoing require that management make tradeoffs between business initiatives that might generate incremental sales and profits and Brand maintenance objectives. This is a dynamic process. To the extent that management deems that product, advertising or distribution initiatives will unduly and negatively affect the strength of the Brand, such initiatives have been and will be curtailed or modified appropriately. At the same time, Brand maintenance suppositions are regularly questioned by management to determine if the tradeoff between sales and profit is truly worth the positive effect on the Brand. At times, management has determined, and will in the future determine, that the strength of the Brand warranted, or that it will permit, more aggressive and profitable distribution and marketing initiatives.

## REPORTABLE SEGMENTS

### Americas

In 2009, sales in the Americas were 52% of consolidated net sales, while sales in the U.S. represented 91% of net sales in the Americas.

*Retail Sales.* Retail sales are transacted in Company-operated TIFFANY & CO. stores in (number of stores included in parentheses): U.S. (79), Mexico (7), Canada (3) and Brazil (2).

*Internet and Catalog Sales*. Tiffany distributes a selection of its products in the U.S. and Canada through its websites at www.tiffany.com and www.tiffany.ca. Tiffany also distributes catalogs of selected merchandise to its proprietary list of customers in the U.S. and to mailing lists rented from third parties. SELECTIONS® catalogs are published four times per year, supplemented by other targeted catalogs. At the end of 2009, the Company had approximately 4.2 million names on its U.S. Internet and catalog mailing lists and in 2009 mailed approximately 12 million catalogs.

*Business-to-Business Sales.* Business sales executives call on business clients, selling products drawn from the retail product line and items specially developed for the business market, including trophies and items designed for the particular customer. Most of such sales occur in the U.S. Price allowances are given to business account holders for certain purchases. Business customers have typically made purchases for gift giving, employee service and achievement recognition awards, customer incentives and other purposes. Products and services are marketed through a sales organization, through advertising in newspapers, business periodicals and through the publication of special catalogs. Business account holders may make gift purchases through the Company s website at http://business.tiffany.com.

*Wholesale Distribution*. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in markets in the Central/South American, Caribbean and Canadian regions. Such sales represented less than 1% of the Registrant s net sales in 2009, 2008 and 2007.

### Asia-Pacific

In 2009, sales in Asia-Pacific represented 35% of consolidated net sales, while sales in Japan represented 54% of net sales in Asia-Pacific.

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*Retail Sales.* Retail sales are transacted in Company-operated TIFFANY & CO. locations in (number of stores included in parentheses): Japan (57), China (10), Korea (10), Hong Kong (8), Australia (5), Taiwan (5), Singapore (3), Macau (2) and Malaysia (2).

*Business with Department Stores in Japan*. The Registrant does business in Japan through its wholly-owned subsidiary, Tiffany & Co. Japan, Inc. ( Tiffany-Japan ). In 2009, 79% of Tiffany-Japan s net sales were transacted in boutiques within Japanese department stores. Tiffany-Japan also operates four freestanding stores. There are four large department store groups in Japan. At the end of 2009, Tiffany-Japan was operating TIFFANY & CO. boutiques in locations controlled by these groups as follows (number of locations included in parentheses): Isetan Mitsukoshi (16), J. Front Retailing Co. (Daimaru and Matsuzakaya department stores) (10), Takashimaya (9), and Millennium Retailing Co. (Sogo and Seibu department stores) (3). Tiffany-Japan was also operating 15 boutiques in stores controlled by other Japanese companies.

Tiffany-Japan and the department store operators have distinct responsibilities and risks in the operation of TIFFANY & CO. boutiques in Japan.

Tiffany-Japan: (i) has merchandising, marketing and display responsibilities, (ii) owns the merchandise, (iii) establishes retail prices, (iv) bears the risk of currency fluctuation, (v) provides one or more brand managers in each boutique, (vi) manages inventory, (vii) controls and funds all advertising and publicity programs with respect to TIFFANY & CO. merchandise and (viii) recognizes as revenues the retail price charged to the ultimate consumer.

The department store operator: (i) provides and maintains boutique facilities, (ii) assumes retail credit and certain other risks and (iii) acts for Tiffany-Japan in the sale of merchandise.

Tiffany-Japan provides retail staff and bears the risk of inventory loss in concession boutiques (49 locations) and, in limited circumstances, the department store operator provides retail staff and bears the risk of inventory loss in standard boutiques (4 locations).

In return for its services and use of its facilities, the department store operator retains a portion (the basic portion) of net retail sales made in TIFFANY & CO. boutiques. The basic portion varies depending on the type of boutique and the retail price of the merchandise involved, with the fees generally varying from store to store. The highest basic portion available to any department store is 23% and the lowest is 14%.

In recent years, Tiffany-Japan has, with the agreement of the involved department store operators, closed underperforming boutiques and relocated the boutiques to other department store locations in order to improve sales growth and profitability. Management expects to continue to evaluate boutique locations to assess their potential for growth and profitability.

*Internet Sales.* The Company offers a selection of TIFFANY & CO. merchandise for purchase in Japan and Australia through its websites at www.tiffany.co.jp and www.tiffany.com/au.

*Business-to-Business Sales.* Products drawn from the retail product line and items specially developed are sold to business customers.

*Wholesale Distribution*. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in Asia-Pacific and Middle Eastern markets. Such sales represented 1% of the Registrant s net sales in 2009 and 2% in both 2008 and 2007.

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Europe

In 2009, sales in Europe represented 12% of consolidated net sales, while sales in the United Kingdom represented 51% of net sales in Europe.

*Retail Sales.* Retail sales are transacted in Company-operated TIFFANY & CO. stores in (number of stores included in parentheses): United Kingdom (9), Germany (5), Italy (4), France (3), Austria (1), Belgium (1), Ireland (1), the Netherlands (1), Spain (1) and Switzerland (1).

*Internet Sales.* The Company offers a selection of TIFFANY & CO. merchandise for purchase in England, Wales, Northern Ireland and Scotland through its website at www.tiffany.com/uk. In 2010, the Company plans to launch other websites to offer a selection of TIFFANY & CO. merchandise for purchase in Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain.

*Business-to-Business Sales.* Products drawn from the retail product line and items specially developed are sold to business customers.

*Wholesale Distribution*. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale predominantly in Russia. Such sales represented less than 1% of the Registrant s net sales in 2009, 2008 and 2007.

Other

Other sales are those made in all non-reportable segments of the Registrant s business. Sales in Other consist primarily of wholesale sales of diamonds. Other also includes earnings received from a licensing agreement with Luxottica Group for the distribution of TIFFANY & CO. brand eyewear. Fees from a licensing agreement with The Swatch Group Ltd. (the Swatch Group ) for TIFFANY & CO. brand watches will be included in Other when earned.

*Wholesale Diamond Sales.* The Company regularly purchases parcels of rough diamonds for further processing, but not all rough diamonds so purchased are suitable for Tiffany s needs. In addition, most, but not all, polished diamonds are suitable for Tiffany jewelry. The Company sells diamonds to third parties that are found to be unsuitable for Tiffany s needs. The Company s objective from such sales is to recoup its original costs, thereby earning minimal, if any, gross margin on those transactions.

*Iridesse, Inc.* In the fourth quarter of 2008, management committed to a plan to close all IRIDESSE stores. All stores were closed in 2009. The results of IRIDESSE have been reclassified to discontinued operations.

*Little Switzerland, Inc*. In 2007, the Company sold 100% of the stock of Little Switzerland, Inc. ( Little Switzerland ) to an unaffiliated third party for net proceeds of $32,870,000. The Company received an additional $3,650,000 in 2009 in settlement of post-closing adjustments. Little Switzerland s results are presented in discontinued operations. The Company continues to wholesale TIFFANY & CO. merchandise for resale in TIFFANY & CO. boutiques operated by Little Switzerland in certain LITTLE SWITZERLAND stores. In 2007, the Company recorded a $54,260,000 pre-tax charge due to the sale of Little Switzerland.

Expansion of Operations

Management regularly evaluates potential markets for new TIFFANY & CO. stores with a view to the demographics of the area to be served, consumer demand and the proximity of other luxury

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brands and existing TIFFANY & CO. locations. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the Brand, but believes that there are a significant number of locations remaining in the Americas, Asia-Pacific (outside Japan) and Europe that meet the requirements of a TIFFANY & CO. location. Tiffany opened two, smaller-format (approximately 2,500 gross square feet) stores in the U.S., one in 2008 and one in 2009. Such stores offer a selected product assortment. Management s experience with the smaller format will influence the design of new stores which are expected to occupy 3,000 4,000 gross square feet and to combine visual and selling features developed for the smaller-format stores with elements from full assortment stores (5,000 gross square feet). Management believes that this new hybrid format will most effectively serve our broader customers needs. The following chart details the number of TIFFANY & CO. retail locations operated by the Registrant s subsidiary companies since 1994:

| | Americas | | Asia-Pacific | | | |
|---|---|---|---|---|---|---|
| Year: | U.S. | Canada, Latin/ South Americas | Japan | Other Asia-Pacific | Europe | Total |
| 1994 | 18 | 1 | 37 | 7 | 6 | 69 |
| 1995 | 21 | 1 | 38 | 9 | 6 | 75 |
| 1996 | 23 | 1 | 39 | 12 | 6 | 81 |
| 1997 | 28 | 2 | 42 | 17 | 7 | 96 |
| 1998 | 34 | 2 | 44 | 17 | 7 | 104 |
| 1999 | 38 | 3 | 44 | 17 | 8 | 110 |
| 2000 | 42 | 4 | 44 | 21 | 8 | 119 |
| 2001 | 44 | 5 | 47 | 20 | 10 | 126 |
| 2002 | 47 | 5 | 48 | 20 | 11 | 131 |
| 2003 | 51 | 7 | 50 | 22 | 11 | 141 |
| 2004 | 55 | 7 | 53 | 24 | 12 | 151 |
| 2005 | 59 | 7 | 50 | 25 | 13 | 154 |
| 2006 | 64 | 9 | 52 | 28 | 14 | 167 |
| 2007 | 70 | 10 | 53 | 34 | 17 | 184 |
| 2008 | 76 | 10 | 57 | 39 | 24 | 206 |
| 2009 | 79 | 12 | 57 | 45 | 27 | 220 |

In 2010, management plans to open 17 Company-operated stores (six in the Americas, eight in Other Asia-Pacific and three in Europe). Management also plans to expand the Company s Internet and wholesale distribution.

Products

The Company s principal product category is jewelry, which represented 90%, 87% and 86% of the Registrant s net sales in 2009, 2008 and 2007. The Company also sells timepieces, sterling silver goods (other than jewelry), china, crystal, stationery, fragrances and personal accessories, which represented in total 9%, 11% and 12% of the Registrant s net sales in 2009, 2008 and 2007. The Registrant s remaining net sales were attributable to wholesale sales of diamonds and earnings received from a third-party licensing agreement.

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Tiffany offers an extensive selection of TIFFANY & CO. brand jewelry at a wide range of prices. Designs are developed by employees, suppliers, independent designers and independent named designers (see MATERIAL DESIGNER LICENSE below).

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

| 2009 Category | % to total Americas Sales | % to total Asia-Pacific Sales | % to total Europe Sales | % to total Reportable Segment Sales |
|---|---|---|---|---|
| A | 25% | 31% | 23% | 27% |
| B | 16% | 31% | 17% | 21% |
| C | 12% | 12% | 12% | 12% |
| D | 36% | 20% | 43% | 31% |

| 2008 Category | % to total Americas Sales | % to total Asia-Pacific Sales | % to total Europe Sales | % to total Reportable Segment Sales |
|---|---|---|---|---|
| A | 26% | 30% | 25% | 27% |
| B | 15% | 30% | 16% | 20% |
| C | 11% | 12% | 12% | 11% |
| D | 34% | 20% | 40% | 30% |

| 2007 Category | % to total Americas Sales | % to total Asia-Pacific Sales | % to total Europe Sales | % to total Reportable Segment Sales |
|---|---|---|---|---|
| A | 28% | 30% | 27% | 28% |
| B | 14% | 29% | 14% | 18% |
| C | 11% | 13% | 12% | 12% |
| D | 32% | 21% | 37% | 29% |

A) This category includes most gemstone jewelry and gemstone band rings, other than engagement jewelry. Most jewelry in this category is constructed of platinum, although gold or silver was used as the primary metal in approximately 15% of sales. Most items in this category contain diamonds, other gemstones or both. The average price of merchandise sold in 2009, 2008 and 2007 in this category was approximately $2,300, $3,100 and $3,300 for total reportable segments.

B) This category includes diamond rings and wedding bands marketed to brides and grooms. Most jewelry in this category is constructed of platinum, although gold was used as the primary metal in approximately 5% of sales. Most sales in this category are of items containing diamonds. The average price of merchandise sold in 2009, 2008 and 2007 in this category was approximately $3,300, $3,000 and $3,000 for total reportable segments.

C) This category generally consists of non-gemstone, gold or platinum jewelry, although small gemstones are used as accents in some pieces. The average price of merchandise sold in 2009, 2008 and 2007 in this category was approximately $700 for total reportable segments in each year.

D) This category generally consists of non-gemstone, sterling silver jewelry, although small gemstones are used as accents in some pieces. The average price of merchandise sold in

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2009, 2008 and 2007 in this category was approximately $200 for total reportable segments in each year. Certain reclassifications have been made to the prior years amounts to conform to the current year category presentation.

In addition to jewelry, the Company sells TIFFANY & CO. brand merchandise in the following categories: timepieces and clocks; sterling silver merchandise, including flatware, hollowware (tea and coffee services, bowls, cups and trays), trophies, key holders, picture frames and desk accessories; crystal, glassware, china and other tableware; custom engraved stationery; writing instruments; eyewear; leather goods and fashion accessories. Fragrance products are sold under the trademarks TIFFANY, PURE TIFFANY and TIFFANY FOR MEN. Tiffany also sells other brands of timepieces and tableware in its U.S. stores. None of these categories individually represents 10% or more of net sales.

## ADVERTISING AND PROMOTION

The Registrant regularly advertises, primarily in newspapers and magazines, and periodically conducts product promotional events. In 2009, 2008 and 2007, the Registrant spent $159,891,000 (5.9% of net sales), $204,250,000 (7.2% of net sales) and $188,347,000 (6.4% of net sales) on worldwide advertising, which include costs for media, production, catalogs, Internet, promotional events and other related items. In 2009, the Company revised its definition of advertising and promotion to also include visual merchandising (i.e. in-store and window displays) and prior year amounts have been revised to conform to the current presentation.

## PUBLIC AND MEDIA RELATIONS

Public and media relations activity is a significant aspect of the Registrant s business. Management believes that Tiffany s image is enhanced by a program of charity sponsorships, grants and merchandise donations. Donations are also made to The Tiffany & Co. Foundation, a private foundation organized to support 501(c)(3) charitable organizations with efforts concentrated in environmental conservation and support for the decorative arts. Tiffany also engages in a program of retail promotions and media activities to maintain consumer awareness of the Company and its products. Each year, Tiffany publishes its well-known *Blue Book* which showcases jewelry and other merchandise. The Registrant considers these and other promotional efforts important in maintaining Tiffany s image.

## TRADEMARKS

The designations TIFFANY® and TIFFANY & CO.® are the principal trademarks of Tiffany, as well as serving as trade names. Through its subsidiaries, the Company has obtained and is the proprietor of trademark registrations for TIFFANY and TIFFANY & CO., as well as the TIFFANY BLUE BOX® and the color TIFFANY BLUE® for a variety of product categories in the U.S. and in other countries.

Tiffany maintains a program to protect its trademarks and institutes legal action where necessary to prevent others either from registering or using marks which are considered to create a likelihood of confusion with the Company or its products.

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Tiffany has been generally successful in such actions and management considers that its U.S. trademark rights in TIFFANY and TIFFANY & CO. are strong. However, use of the designation TIFFANY by third parties (often small companies) on unrelated goods or services, frequently transient in nature, may not come to the attention of Tiffany or may not rise to a level of concern warranting legal action.

Tiffany actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, counterfeit TIFFANY & CO. goods remain available in many markets because it is not possible or cost-effective to fully address the problem. The cost of enforcement is expected to continue to rise. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, in various markets by street vendors and small retailers and on the Internet. As Internet counterfeiting continues to become increasingly prolific, Tiffany has responded by engaging investigators and outside counsel to monitor the Internet and take various actions, including initiating civil proceedings against infringers and litigating through the Internet s Uniform Dispute Resolution Policy, to stop infringing activity.

In July 2004, Tiffany initiated a civil proceeding against eBay, Inc. in the Federal District Court for the Southern District of New York, alleging direct and contributory trademark infringement, unfair competition, false advertising and trademark dilution. Tiffany sought damages and injunctive relief stemming from eBay s alleged assistance and contribution to the offering for sale, advertising and promotion, in the U.S., of counterfeit TIFFANY jewelry and any other jewelry or merchandise which bears the TIFFANY trademark and is dilutive or confusingly similar to the TIFFANY trademarks. In November 2007, the case was tried as a bench trial and the Court found in favor of eBay. The Company appealed the decision in the Second Circuit and the parties presented their oral arguments to the Court in July 2009. The Company is awaiting the Court s decision.

Despite the general fame of the TIFFANY and TIFFANY & CO. name and mark for the Company s products and services, Tiffany is not the sole person entitled to use the name TIFFANY in every category in every country of the world; third parties have registered the name TIFFANY in the U.S. in the food services category, and in a number of foreign countries in respect of certain product categories (including, in a few countries, the categories of food, cosmetics, jewelry, clothing and tobacco products) under circumstances where Tiffany s rights were not sufficiently clear under local law, and/or where management concluded that Tiffany s foreseeable business interests did not warrant the expense of litigation.

MATERIAL DESIGNER LICENSE

Tiffany has been the sole licensee for jewelry designed by Elsa Peretti since 1974. The designs of Ms. Peretti accounted for 10% of the Company s net sales in 2009 and 11% in both 2008 and 2007. Ms. Peretti, age 69, retains ownership of copyrights for her designs and of her trademarks and exercises approval rights with respect to important aspects of the promotion, display, manufacture and merchandising of her designs. Tiffany is required by contract to devote a portion of its advertising budget to the promotion of her products and she is paid a royalty by Tiffany for jewelry and other items designed by her and sold under her name. A written agreement exists between Ms. Peretti and Tiffany, but it may be terminated by either party following six months notice to the other party. No arrangement is currently in place to continue the sale of designs following the death or disability of Ms. Peretti. Tiffany is the sole retail source for merchandise designed by Ms. Peretti worldwide; however, she has reserved by contract the right to appoint other distributors in markets outside the U.S., Canada, Japan, Singapore, Australia, Italy, the U.K., Switzerland and Germany. The Registrant s operating results could be adversely affected were it to

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cease to be a licensee of Ms. Peretti or should its degree of exclusivity in respect of her designs be diminished.

MERCHANDISE PURCHASING, MANUFACTURING AND RAW MATERIALS

The Company s manufacturing facilities produce approximately 60% of Tiffany merchandise sold. The balance, including almost all non-jewelry items, is purchased from third parties.

Tiffany produces jewelry and silver goods in Rhode Island and New York and silver hollowware in New Jersey. Other subsidiaries of the Company process, cut and polish diamonds at facilities outside the U.S.

The Company may increase the percentage of internally-manufactured jewelry in the future, but it is not expected that Tiffany will ever manufacture all of its needs. Factors considered by management in its decision to outsource manufacturing include product quality, gross margin, access to or mastery of various jewelry-making skills and technology, support for alternative capacity and the cost of capital investments.

*Purchases of Polished Gemstones and Precious Metals*. Gemstones and precious metals used in making Tiffany s jewelry are purchased from a variety of sources. Most purchases are from suppliers with which Tiffany enjoys long-standing relationships.

The Company generally enters into purchase orders for fixed quantities with nearly all of its polished gemstone and precious metals vendors. These relationships may be terminated at any time by the Company without penalty; such termination would not discharge the Company s obligations under unfulfilled purchase orders placed prior to the termination.

Products containing one or more diamonds of varying sizes, including diamonds used as accents, side-stones and center-stones, accounted for approximately 48%, 46% and 47% of Tiffany s net sales in 2009, 2008 and 2007. Products containing one or more diamonds of one carat or larger accounted for 11%, 10% and 11% of net sales in each of those years.

Tiffany purchases polished diamonds principally from nine key vendors. Were trade relations between Tiffany and one or more of these vendors to be disrupted, the Company s sales could be adversely affected in the short term until alternative supply arrangements could be established. In 2008 and early 2009, the economic environment led to a reduction of retail and wholesale demand, and rough diamond prices and wholesale polished prices both declined accordingly. Through the second half of 2009 and into 2010, industry-wide demand for rough and polished wholesale diamonds has increased and prices have risen accordingly.

Some, but not all, of Tiffany s suppliers are Diamond Trading Company ( DTC ) sightholders (see The DTC below), and it is estimated that a significant portion of the diamonds that Tiffany has purchased have had their source with the DTC. The Company is a DTC sightholder for rough diamonds through its joint ventures (see below).

Except as noted above, Tiffany believes that there are numerous alternative sources for gemstones and precious metals and that the loss of any single supplier would not have a material adverse effect on its operations.

*Purchases and Processing of Rough Diamonds*. The Company has established diamond processing operations that purchase, sort, cut and/or polish rough diamonds for use by Tiffany.

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The Company now has such operations in Belgium, South Africa, Botswana, Namibia, China, Mauritius and Vietnam. Operations in South Africa, Botswana and Namibia are conducted through joint venture companies in which third parties own minority interests.

The Company has invested in the operations in South Africa, Botswana and Namibia in order to increase its opportunity to buy rough conflict-free diamonds (see Conflict Diamonds below) and may invest in additional opportunities that will potentially lead to additional sources of such diamonds. However, management does not foresee a shortage of conflict-free diamonds in the short term.

In 2009, approximately 70% of the polished diamonds acquired by Tiffany for use in jewelry were produced from rough diamonds purchased by the Company compared with 40% in both 2008 and 2007. The balance of Tiffany s needs for polished diamonds were purchased from third parties (see above). The increase to 70% in 2009 primarily reflected a significant reduction of purchases of polished diamonds from third parties. Through purchasing rough diamonds, it is the Company s intention to supply Tiffany s needs for diamonds to as great an extent as possible.

In order to acquire rough diamonds, the Company must purchase mixed assortments of rough diamonds. It is thus necessary to purchase some rough diamonds that cannot be cut to meet Tiffany s quality standards and that must be sold to third parties; such sales are reported in the Other non-reportable segment. To make such sales, the Company charges a market price and is, therefore, unable to earn any significant profit above its original cost. Sales of rough diamonds in the Other non-reportable segment have had and will continue to have the effect of reducing the Company s overall gross margins.

The Company will, from time to time, secure supplies of diamonds by agreeing to purchase a defined portion of a mine s output. Under such arrangements, management anticipates that it will purchase approximately $75,000,000 of rough diamonds in 2010. The Company will also purchase rough diamonds from other suppliers, although there are no contractual obligations to do so.

*The DTC.* The supply and price of rough and polished diamonds in the principal world markets have been and continue to be influenced by the DTC, an affiliate of the De Beers Group. Although the market share of the DTC has diminished, the DTC continues to supply a significant portion of the world market for rough, gem-quality diamonds. The DTC s historical ability to control worldwide production has been significantly diminished due to changing policies in diamond-producing countries and revised contractual arrangements with third-party mine operators.

The DTC continues to exert influence on the demand for polished diamonds through advertising and marketing efforts and through the requirements it imposes on those ( sightholders ) who purchase rough diamonds from the DTC.

*Worldwide Availability of Diamonds*. The availability and price of diamonds to the DTC, Tiffany and Tiffany s suppliers is dependent on the political situation in diamond-producing countries, the opening of new mines and the continuance of the prevailing supply and marketing arrangements for rough diamonds. As a consequence of changes in the DTC sightholder system and increased demand in the retail diamond trade, diamond prices increased significantly in the years leading up to 2008. During 2008 and early 2009, as global demand for rough diamonds waned, diamond prices decreased but began to rise again in the latter part of 2009.

Sustained interruption in the supply of rough diamonds, an overabundance of supply or a substantial change in the marketing arrangements described above could adversely affect Tiffany

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and the retail jewelry industry as a whole. Changes in the marketing and advertising policies of the DTC and its direct purchasers could affect consumer demand for diamonds.

*Conflict Diamonds.* Media attention has been drawn to the issue of conflict or blood diamonds. These terms are used to refer to diamonds extracted from war-torn geographic regions and sold by rebel forces to fund insurrection. Allegations have also been made that trading in such diamonds supports terrorist activities. It is not considered possible to distinguish conflict diamonds from diamonds produced in other regions once they have been polished. Concerned participants in the diamond trade, including Tiffany and non-government organizations, such as the Council for Responsible Jewellery Practices, of which Tiffany is a member, seek to exclude such diamonds, which represent a small fraction of the world s supply, from legitimate trade through an international system of certification and legislation. It is expected that such efforts will not substantially affect the supply of diamonds. Recently, events in Zimbabwe underscore that the aforementioned system does not control diamonds produced in state-sanctioned mines under poor working conditions. Tiffany has instructed its vendors to not purchase Zimbabwean-produced diamonds.

*Manufactured Diamonds.* Manufactured diamonds are produced in small quantities. Although significant questions remain as to the ability of producers to produce manufactured diamonds economically within a full range of sizes and natural diamond colors, and as to consumer acceptance of manufactured diamonds, manufactured diamonds may someday become a larger factor in the market. Should manufactured diamonds be offered in significant quantities, the supply of and price for natural diamonds may be affected.

*Finished Jewelry*. Finished jewelry is purchased from approximately 80 manufacturers, most of which have long-standing relationships with Tiffany. However, Tiffany does not enter into long-term supply arrangements with its finished goods vendors. Tiffany does enter into written blanket purchase order agreements with nearly all of its finished goods vendors. These relationships may be terminated at any time by Tiffany without penalty; such termination would not discharge Tiffany s obligations under unfulfilled purchase orders placed prior to termination. The blanket purchase order agreements establish non-price terms by which Tiffany may purchase and by which vendors may sell finished goods to Tiffany. These terms include payment terms, shipping procedures, product quality requirements, merchandise specifications and vendor social responsibility requirements. Tiffany actively seeks alternative sources for its top-selling jewelry items to mitigate potential difficulty in finding readily available alternative suppliers in the short term. However, due to the craftsmanship involved in a small number of designs, Tiffany may have difficulty finding readily available alternative suppliers for those jewelry designs in the short term.

*Watches*. In 2007, the Company entered into a 20-year license and distribution agreement with The Swatch Group for the manufacture and distribution of TIFFANY & CO. brand watches. Under the agreement, the Swatch Group has incorporated a new watchmaking company in Switzerland for the design, engineering, manufacturing, marketing, distribution and service of TIFFANY & CO. brand watches. The new company is authorized to use certain trademarks owned by the Company and operate under the TIFFANY & CO. name. The distribution of TIFFANY & CO. watches will be made through the Swatch Group distribution network via Swatch Group affiliates, Swatch Group retail facilities and third-party distributors, as well as through TIFFANY & CO. stores, all of which commenced in late 2009. Watch sales by the Company constituted 1% of net sales in 2009 and 2% in 2008 and 2007.

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COMPETITION

The global jewelry industry is competitively fragmented. Tiffany & Co. encounters significant competition in all product lines. Some competitors specialize in just one area in which Tiffany is active. Many competitors have established worldwide, national or local reputations for style, quality, expertise and customer service similar to Tiffany and compete on the basis of that reputation. Other jewelers and retailers compete primarily through advertised price promotion, which has increased due to challenging economic conditions and decreased consumer demand. Tiffany competes on the basis of its reputation for high-quality products, brand recognition, customer service and distinctive value-priced merchandise and does not engage in price promotional advertising.

Competition for engagement jewelry sales is particularly and increasingly fierce. Tiffany s price for diamonds reflects the rarity of the stones it offers and the rigid parameters it exercises with respect to the cut, clarity and other quality factors which increase the beauty of Tiffany diamonds, but which also increase Tiffany s cost. Tiffany competes in this market by stressing quality.

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.

EMPLOYEES

As of January 31, 2010, the Registrant s subsidiary corporations employed an aggregate of approximately 8,400 full-time and part-time persons. Of those employees, approximately 4,900 are employed in the United States.

AVAILABLE INFORMATION

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may read and copy these materials at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding Tiffany & Co. and other companies that file materials with the SEC electronically. You may also obtain copies of the Company s annual reports on Form 10-K, Forms 10-Q and Forms 8-K, free of charge, on the Company s website at http://investor.tiffany.com/financials.cfm.

**Item 1A. Risk Factors.**

As is the case for any retailer, the 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

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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.

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, such as Japan, thus reducing demand. This could adversely affect the Registrant s sales and margins.

Registrant has invested in and operates 20 stores in the Hong Kong, Macau and mainland China markets and anticipates significant further expansion. Some observers believe that the high levels of Chinese economic growth may be unsustainable. Should the Chinese economy experience an economic slowdown, the sales and profitability of its 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.

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

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 and local consumer spending where the Registrant operates retail stores could adversely affect the Registrant s sales and profits.

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(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. In 2009, the Registrant s sales in those countries represented approximately half of its net sales, of which Japan represented 19% of net sales. 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 Registrant s liquidity and capital resources.

The global economy and the credit and equity markets have undergone significant disruption in the past two years. A prolonged weakness 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 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.

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.

The Registrant s long-standing right to sell the jewelry designs of Elsa Peretti and use her trademarks is responsible for a substantial portion of the Registrant s revenues. Merchandise designed by Ms. Peretti accounted for 10% of 2009 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 or disability of Ms. Peretti, who is now 69 years of age. 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. 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 significant change in the prices 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 price or supply of raw materials and/or high-quality rough and polished diamonds within the

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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.

(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 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.

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 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 2009. 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.

(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.

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**Item 1B. Unresolved Staff Comments.**

NONE

**Item 2. Properties.**

The Registrant leases its various store premises (other than the New York Flagship store) under arrangements that generally range from three to 10 years. The following table provides information on the number of locations and square footage of Company-operated TIFFANY & CO. stores and boutiques as of January 31, 2010:

| | Total Stores | Total Gross Retail Square Footage | Gross Retail Square Footage Range | Average Gross Retail Square Footage |
|---|---|---|---|---|
| Americas: | | | | |
| New York Flagship | 1 | 42,000 | 42,000 | 42,000 |
| Other stores | 90 | 584,400 | 1,000 17,600 | 6,500 |
| Asia-Pacific: | | | | |
| Tokyo Ginza | 1 | 12,000 | 12,000 | 12,000 |
| Other stores | 101 | 242,800 | 700 7,700 | 2,400 |
| Europe: | | | | |
| London Old Bond Street | 1 | 22,400 | 22,400 | 22,400 |
| Other stores | 26 | 78,400 | 500 7,100 | 3,000 |
| Total | 220 | 982,000 | 500 42,000 | 4,500 |

NEW YORK FLAGSHIP STORE

The Company owns the building housing the New York Flagship store at 727 Fifth Avenue, which was designed to be a retail store for Tiffany and is well located for this function. Currently, approximately 42,000 gross square feet of this 124,000 square foot building are devoted to retail sales, with the balance devoted to administrative offices, certain product services, jewelry manufacturing and storage. Tiffany s New York Flagship store accounts for a significant portion of the Company s net sales and is the focal point for marketing and public relations efforts. Retail sales in the New York Flagship store represented 9%, 10% and 10% of total Company net sales in 2009, 2008 and 2007.

TOKYO GINZA STORE

In August 2007, the Company sold the land and multi-tenant building housing the TIFFANY & CO. store in Tokyo s Ginza shopping district and leased back only 12,000 gross square feet of the property (the portion that was occupied by Tiffany-Japan immediately prior to the transaction). The lease expires in 2032; however, the Company has options to terminate the lease in 2022 and 2027 without penalty.

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LONDON OLD BOND STREET STORE

The Company completed a renovation and reconfiguration of the store on London s Old Bond Street in 2006 which increased its gross square footage from 15,200 to 22,400. In October 2007, the Company sold the land and single-tenant building housing the TIFFANY & CO. store on London s Old Bond Street and simultaneously entered into a 15-year lease expiring in 2022, with two 10-year renewal options.

RETAIL SERVICE CENTER

The Company s Retail Service Center ( RSC ), located in Parsippany, New Jersey, comprises approximately 370,000 square feet. Approximately half of the building is devoted to office and computer operations and half to warehousing, shipping, receiving, light manufacturing, merchandise processing and other distribution functions. The RSC receives merchandise and replenishes retail stores. In September 2005, Tiffany sold the RSC and entered into a long-term lease which expires in 2025, subject to Tiffany s option to renew for two 10-year periods. The Registrant believes that the RSC has been properly designed to handle worldwide distribution functions and that it is suitable for that purpose.

CUSTOMER FULFILLMENT CENTER

Tiffany leases the Company s Customer Fulfillment Center ( CFC ) in Whippany, New Jersey. The CFC is approximately 266,000 square feet and is primarily used for warehousing merchandise and processing direct-to-customer orders. The lease expires in 2032 and the Company has the right to renew the lease for an additional 20-year term.

MANUFACTURING FACILITIES

Tiffany owns and operates manufacturing facilities in Cumberland, Rhode Island and Mount Vernon, New York. The facilities total approximately 122,000 square feet and are used for the manufacture of jewelry.

Tiffany leases an approximately 44,500 square foot manufacturing facility in Pelham, New York. The lease expires June 30, 2013.

The Company leases facilities in Belgium, South Africa, Botswana, Namibia, China and Mauritius, and owns a facility and leases land in Vietnam that sort, cut and/or polish rough diamonds for use by Tiffany. These facilities total approximately 467,000 square feet and the lease expiration dates range from 2010 to 2051.

**Item 3. Legal Proceedings.**

The Registrant and Tiffany are from time to time involved in routine litigation incidental to the conduct of Tiffany s business, including proceedings to protect its trademark rights, litigation with parties claiming infringement of their intellectual property rights by Tiffany, litigation instituted by persons alleged to have been injured upon premises within the Registrant s control and litigation with present and former employees and customers. Although litigation with present and former employees is routine and incidental to the conduct of Tiffany s business, as well as for any

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business employing significant numbers of U.S.-based employees, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages for actions claiming discrimination on the basis of age, gender, race, religion, disability or other legally-protected characteristic or for termination of employment that is wrongful or in violation of implied contracts. However, the Registrant believes that litigation currently pending to which it or Tiffany is a party or to which its properties are subject will be resolved without any material adverse effect on the Registrant s financial position, earnings or cash flows.

In 2004, both Tiffany and the landlord of Tiffany s Customer Fulfillment Center ( River Park ) requested arbitration of a dispute concerning their respective obligations for completion of River Park s site work. The arbitration has been concluded with an award requiring River Park to pay Tiffany damages in an immaterial amount.

See Item 1. Business under TRADEMARKS for disclosure on *Tiffany and Company v. eBay, Inc*.

**Item 4. Reserved.**

**PART II**

**Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The Registrant s Common Stock is traded on the New York Stock Exchange. In consolidated trading, the high and low selling prices per share for shares of such Common Stock for 2009 were:

| | High | Low |
|---|---|---|
| First Quarter | $ 30.17 | $ 16.70 |
| Second Quarter | $ 31.31 | $ 23.85 |
| Third Quarter | $ 42.62 | $ 29.06 |
| Fourth Quarter | $ 47.02 | $ 39.01 |

On March 23, 2010, the high and low selling prices quoted on such exchange were $48.18 and $47.21. On March 23, 2010, there were 14,626 holders of record of the Registrant s Common Stock.

In consolidated trading, the high and low selling prices per share for shares of such Common Stock for 2008 were:

| | High | Low |
|---|---|---|
| First Quarter | $ 45.69 | $ 35.03 |
| Second Quarter | $ 49.98 | $ 35.44 |
| Third Quarter | $ 45.80 | $ 21.68 |
| Fourth Quarter | $ 27.71 | $ 16.75 |

It is the Registrant s policy to pay a quarterly dividend on the Registrant s Common Stock, subject to declaration by the Registrant s Board of Directors. In 2009, a dividend of $0.17 per share of Common Stock was paid on April 10, 2009, July 10, 2009, October 12, 2009 and January 11, 2010. In 2008, a dividend of $0.15 per share of Common Stock was paid on April 10, 2008, and a

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dividend of $0.17 per share of Common Stock was paid on July 10, 2008, October 10, 2008 and January 12, 2009. On January 21, 2010, the Registrant announced an 18% increase in its regular quarterly dividend rate. This action increases the rate from $0.17 per share of Common Stock to a new rate of $0.20 per share of Common Stock, effective with the next payment on April 12, 2010.

In calculating the aggregate market value of the voting stock held by non-affiliates of the Registrant shown on the cover page of this Annual Report on Form 10-K, 9,182,805 shares of the Registrant s Common Stock beneficially owned by the executive officers and directors of the Registrant (exclusive of shares which may be acquired on exercise of employee stock options) were excluded, on the assumption that certain of those persons could be considered affiliates under the provisions of Rule 405 promulgated under the Securities Act of 1933.

The following table contains the Company s repurchases of equity securities in the fourth quarter of 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 | (d) Maximum Number (or Approximate Dollar Value) of Shares, (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| November 1, 2009 to November 30, 2009 | | | | $402,427,000 |
| December 1, 2009 to December 31, 2009 | | | | $402,427,000 |
| January 1, 2010 to January 31, 2010 | 11,200 | $41.72 | 11,200 | $401,960,000 |
| TOTAL | 11,200 | $41.72 | 11,200 | $401,960,000 |

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

2005 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 Directors had suspended share repurchases. In January 2010, the Company resumed repurchasing its shares of Common Stock on the open market.

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**Item 6. Selected Financial Data.**

The following table sets forth selected financial data, certain of which have been derived from the Company s consolidated financial statements for fiscal years 2005-2009:

| *(in thousands, except per share amounts, percentages, ratios, retail locations and employees)* | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| EARNINGS DATA | | | | | |
| Net sales | $ 2,709,704 | $ 2,848,859 | $ 2,927,751 | $ 2,552,414 | $ 2,309,245 |
| Gross profit | 1,530,219 | 1,646,442 | 1,651,501 | 1,468,990 | 1,317,685 |
| Selling, general & administrative expenses | 1,089,727 | 1,153,944 | 1,169,108 | 996,090 | 913,167 |
| Net earnings from continuing operations | 265,676 | 232,155 | 369,999 | 294,615 | 270,593 |
| Net earnings | 264,823 | 220,022 | 323,478 | 272,897 | 261,396 |
| Net earnings from continuing operations per diluted share | 2.12 | 1.84 | 2.68 | 2.09 | 1.86 |
| Net earnings per diluted share | 2.11 | 1.74 | 2.34 | 1.94 | 1.80 |
| Weighted-average number of diluted common shares | 125,383 | 126,410 | 138,140 | 140,841 | 145,578 |
| BALANCE SHEET AND CASH FLOW DATA | | | | | |
| Total assets | $ 3,488,360 | $ 3,102,283 | $ 3,000,904 | $ 2,904,552 | $ 2,817,344 |
| Cash and cash equivalents | 785,702 | 160,445 | 246,654 | 175,008 | 391,594 |
| Inventories, net | 1,427,855 | 1,601,236 | 1,372,397 | 1,249,613 | 1,071,374 |
| Short-term borrowings and long-term debt (including current portion) | 754,049 | 708,804 | 453,137 | 518,462 | 471,676 |
| Stockholders equity | 1,883,239 | 1,588,371 | 1,716,115 | 1,863,937 | 1,870,985 |
| Working capital | 1,845,393 | 1,446,812 | 1,337,454 | 1,313,015 | 1,374,305 |
| Cash flows from operating activities | 687,199 | 142,270 | 406,055 | 255,060 | 275,326 |
| Capital expenditures | 75,403 | 154,409 | 184,266 | 165,419 | 143,436 |

| | | | | | |
|---|---|---|---|---|---|
| Stockholders equity per share | 14.91 | 12.83 | 13.54 | 13.72 | 13.13 |
| Cash dividends paid per share | 0.68 | 0.66 | 0.52 | 0.38 | 0.30 |
| RATIO ANALYSIS AND OTHER DATA | | | | | |
| As a percentage of net sales: | | | | | |
| Gross profit | 56.5% | 57.8% | 56.4% | 57.6% | 57.1% |
| Selling, general & administrative expenses | 40.2% | 40.5% | 39.9% | 39.0% | 39.5% |
| Net earnings from continuing operations | 9.8% | 8.1% | 12.6% | 11.5% | 11.7% |
| Net earnings | 9.8% | 7.7% | 11.0% | 10.7% | 11.3% |
| Capital expenditures | 2.8% | 5.4% | 6.3% | 6.5% | 6.2% |
| Return on average assets | 8.0% | 7.2% | 11.0% | 9.5% | 9.5% |
| Return on average stockholders equity | 15.3% | 13.3% | 18.1% | 14.6% | 14.5% |
| Total debt-to-equity ratio | 40.0% | 44.6% | 26.4% | 27.8% | 25.2% |
| Dividends as a percentage of net earnings | 31.9% | 37.4% | 21.6% | 19.3% | 16.4% |
| Company-operated TIFFANY & CO. stores and boutiques | 220 | 206 | 184 | 167 | 154 |
| Number of employees | 8,400 | 9,000 | 8,800 | 8,700 | 8,100 |

All references to years relate to fiscal years that end on January 31 of the following calendar year. Prior year data has been restated to present IRIDESSE as a discontinued operation (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ).

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**NOTES TO SELECTED FINANCIAL DATA**

Financial information for 2009 includes the following amounts, totaling $442,000 of net pre-tax income ($10,456,000 net after-tax income, or $0.08 per diluted share after tax):

$4,000,000 pre-tax expense related to the termination of a third-party management agreement;

$4,442,000 pre-tax income in connection with the assignment to an unrelated third party of the Tahera Diamond Corporation ( Tahera ) note receivable previously impaired in 2007; and

$11,220,000 income tax benefit associated with the settlement of certain tax audits and the expiration of statutory periods.

Financial information for 2008 includes the following amounts, totaling $121,143,000 of net pre-tax expense ($74,241,000 net after-tax expense, or $0.59 per diluted share after tax):

$97,839,000 pre-tax expense related to staffing reductions. These actions resulted in a reduction of approximately 10% of worldwide staffing;

$12,373,000 pre-tax impairment charge related to an investment in Target Resources plc;

$7,549,000 pre-tax charge due to the closing of IRIDESSE stores, included within discontinued operations; and

$3,382,000 pre-tax charge for the closing of a diamond polishing facility in Yellowknife, Northwest Territories.

Financial information for 2007 includes the following amounts, totaling $41,934,000 of net pre-tax expense ($12,667,000 net after-tax expense, or $0.09 per diluted share after tax):

$105,051,000 pre-tax gain related to the sale of the land and multi-tenant building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district;

$10,000,000 pre-tax contribution to The Tiffany & Co. Foundation funded with the proceeds from the Tokyo store transaction;

$54,260,000 pre-tax expense due to the sale of Little Switzerland, Inc., included within discontinued operations;

$47,981,000 pre-tax impairment charge on the note receivable from Tahera;

$19,212,000 pre-tax charge related to management s decision to discontinue certain watch models as a result of the Company s agreement with The Swatch Group, Ltd.; and

$15,532,000 pre-tax charge due to impairment losses associated with the Company s IRIDESSE stores, included within discontinued operations.

Financial information for 2005 includes a $22,588,000 income tax benefit, or $0.16 per diluted share, related to the American Jobs Creation Act of 2004 which created a temporary incentive for U.S. companies to repatriate accumulated foreign earnings.

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

The following discussion and analysis should be read in conjunction with the Company s consolidated financial statements and related notes. All references to years relate to fiscal years that end on January 31 of the following calendar year.

KEY STRATEGIES

The Company s key strategies are:

To selectively expand its global distribution without compromising the value of the TIFFANY & CO. trademark (the Brand ).

Management intends to expand distribution by adding stores in both new and existing markets. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the Brand, but believes that there are a significant number of locations remaining worldwide that meet the requirements of the Brand.

To increase store productivity.

Over the years, the Company has opened smaller size stores which have contributed to higher store productivity. In addition, the Company is focused on growing sales per square foot by increasing consumer traffic and the conversion rate (the percentage of shoppers who actually purchase) through targeted advertising, ongoing sales training and customer-focused initiatives.

To achieve improved operating margins.

Management s long-term objective is to improve gross margin (gross profit as a percentage of net sales) through greater product manufacturing/sourcing efficiencies and increased use of distribution center capacity. Management also intends to improve the ratio of selling, general and administrative expenses to net sales by controlling expenses and enhancing productivity so that sales growth can generate a higher rate of earnings growth.

To enhance customer awareness.

The Brand is the single most important asset of the Company and is inherent in consumer aspirations for the Brand. Management will continue to invest in marketing and public relations programs designed to increase customer awareness of the Brand and will continue to monitor the strength of the Brand through market research.

To maintain an active product development program.

The Company continues to invest in product development in order to introduce new collections and add new and innovative products to existing lines.

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

The Company s diamond processing operations purchase, sort, cut and/or polish rough diamonds for use in Company merchandise. The Company will continue to seek additional sources of diamonds which, combined with its internal manufacturing operations, are intended to secure adequate product supplies and favorable costs.

To provide superior customer service.

Maintaining the strength of the Brand requires that the Company make superior customer service a top priority, which it achieves by employing highly qualified sales and customer service professionals and maintaining ongoing training programs.

2009 SUMMARY

Worldwide net sales decreased 5% to $2,709,704,000 in 2009. Sales in most markets were affected by the global economic downturn that began in the latter half of 2008. Full year sales in the Americas declined in 2009 but increased in the fourth quarter. Full year sales in both Asia-Pacific and Europe increased in 2009.

Worldwide comparable store sales decreased 8% on a constant-exchange-rate basis (see Non-GAAP Measures below), consisting of a 14% decline in the Americas, a 3% decline in Asia-Pacific (due to a decline in Japan) and a 9% increase in Europe (due to growth in all countries). However, in the fourth quarter, worldwide comparable store sales on a constant-exchange-rate basis increased 8%, including increases of 10% in the Americas, 3% in Asia-Pacific and 14% in Europe.

The Company opened 14 TIFFANY & CO. retail locations, net of two closings, which increased its worldwide store base by 7% and its square footage by 5%.

A decline in operating expenses reflected the Company s cost-saving initiatives announced at the end of 2008 that included significant reductions in staffing and marketing spending.

Net earnings increased 20% to $264,823,000 and net earnings per diluted share increased 21% to $2.11. Net earnings in 2009 and 2008 are not comparable due to several nonrecurring items recorded in those periods (see Item 6. Selected Financial Data Notes to Selected Financial Data for a listing of those items). Excluding those nonrecurring items in both years, 2009 net earnings would have decreased 14% to $254,367,000 from $294,263,000 in 2008, and 2009 net earnings per diluted share would have decreased 13% to $2.03 from $2.33 in 2008.

In the first quarter of 2009, the Company secured $300,000,000 of additional long-term financing in order to refinance certain maturing debt and to provide for the Company s long-term expansion plan. In the second quarter of 2009, the Company established a new $400,000,000 multi-bank, multi-currency revolving credit facility to replace an expiring facility.

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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 years:

| | GAAP Reported | Translation Effect | 2009 Constant-Exchange-Rate Basis | GAAP Reported | Translation Effect | 2008 Constant-Exchange-Rate Basis |
|---|---|---|---|---|---|---|
| **Net Sales:** | | | | | | |
| Worldwide | (5)% | % | (5)% | (3)% | 1% | (4)% |
| Americas | (11) | | (11) | (10) | | (10) |
| U.S. | (12) | | (12) | (11) | | (11) |
| Asia-Pacific | 4 | 4 | | 8 | 7 | 1 |
| Japan | (4) | 7 | (11) | 7 | 14 | (7) |
| Other Asia-Pacific | 18 | (1) | 19 | 10 | (2) | 12 |
| Europe | 10 | (6) | 16 | 17 | (8) | 25 |
| **Comparable Store Sales:** | | | | | | |
| Worldwide | (7)% | 1% | (8)% | (7)% | 2% | (9)% |
| Americas | (14) | | (14) | (14) | | (14) |
| U.S. | (15) | | (15) | (16) | | (16) |
| Asia-Pacific | 1 | 4 | (3) | 4 | 8 | (4) |
| Japan | (4) | 7 | (11) | 4 | 14 | (10) |
| Other Asia-Pacific | 8 | | 8 | 3 | (2) | 5 |
| Europe | 3 | (6) | 9 | 1 | (5) | 6 |

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RESULTS OF OPERATIONS

Net Sales

Net sales were as follows:

| *(in thousands)* | 2009 | 2008 | 2007 | 2009 vs. 2008 % Change | 2008 vs. 2007 % Change |
|---|---|---|---|---|---|
| Americas | $1,410,845 | $ 1,586,636 | $ 1,759,868 | (11)% | (10)% |
| Asia-Pacific | 957,161 | 921,988 | 853,759 | 4 | 8 |
| Europe | 311,800 | 284,630 | 243,579 | 10 | 17 |
| Other | 29,898 | 55,605 | 70,545 | (46) | (21) |
| | $2,709,704 | $ 2,848,859 | $ 2,927,751 | (5)% | (3)% |

*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*. Americas includes sales in TIFFANY & CO. stores in the U.S., 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.

The following table presents the Americas and its components as a percentage of worldwide net sales:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| United States | | | |
| New York Flagship store | 9 % | 10 % | 10 % |
| Branch stores | 32 | 35 | 39 |
| Internet and catalog | 6 | 6 | 6 |
| Business-to-business | 1 | 1 | 2 |
| Total United States | 48 | 52 | 57 |
| Canada and Latin/South America | 4 | 4 | 3 |
| | 52 % | 56 % | 60 % |

In 2009, total sales in the Americas decreased $175,791,000, or 11%, primarily due to a decline in the average price per unit sold. This decrease included a 15%, or $184,439,000, decline in U.S. comparable store sales and an increase of $14,328,000 in U.S. non-comparable stores sales. The U.S. comparable store sales decline consisted of a 15% decrease in both the New York Flagship store and comparable branch store sales. During the year, the sales decline in the New York Flagship store and the entire U.S. reflected a decrease in sales to local customers and tourists. In 2009, the Company opened five stores in the Americas. Internet and catalog sales in the U.S. decreased $1,644,000, or 1%, in 2009, as increased orders were offset by a decrease in the

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average sales per order. The Company reduced its U.S. catalog mailings by approximately 35% in 2009 as the Company shifted resources toward e-mail communications to customers.

In 2008, total sales in the Americas decreased $173,232,000, or 10%, due to a decline in the number of units sold. This decrease included a 16%, or $220,999,000, decline in U.S. comparable store sales, partly offset by $58,065,000 of sales growth in U.S. non-comparable stores. The U.S. comparable store sales decline consisted of a 9% decrease in New York Flagship store sales and a 16% decline in comparable branch store sales. During the year, especially in the first half, the New York Flagship store benefited from increased sales to foreign tourists. In 2008, the Company opened six stores in the Americas. Internet and catalog sales in the U.S. decreased $18,655,000, or 10%, in 2008 due to a decrease in the number of orders shipped.

*Asia-Pacific.* 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.

The following table presents Asia-Pacific and its components as a percentage of worldwide net sales:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Japan | 19% | 19% | 17% |
| Other Asia-Pacific | 16 | 13 | 12 |
| | 35% | 32% | 29% |

In 2009, total sales in Asia-Pacific increased $35,173,000, or 4%, due to an increase in the number of units sold. This increase included non-comparable store sales growth of $40,453,000. On a constant-exchange-rate basis, Asia-Pacific sales in 2009 remained unchanged from 2008, and comparable store sales decreased 3% due to an 11% decline in Japan partly offset by an 8% increase in other countries. In 2009, the Company opened eight stores and closed two stores in Asia-Pacific.

In 2008, total sales in Asia-Pacific increased $68,229,000, or 8%, due to an increase in the average sales amount per unit. This increase included comparable store sales growth of 4%, or $28,485,000, and non-comparable store sales growth of $33,178,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 1% in 2008, while comparable store sales decreased 4% due to a 10% decline in Japan partly offset by a 5% increase in other countries. In 2008, the Company opened 10 stores and closed one in Asia-Pacific.

*Europe.* 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. Europe represented 12%, 10% and 8% of worldwide net sales in 2009, 2008 and 2007. The United Kingdom represents approximately half of European sales.

In 2009, total sales in Europe increased $27,170,000, or 10%, due to an increase in the number of units sold. This included non-comparable store sales growth of $28,029,000, partly offset by a $5,379,000 decline in wholesale distribution. On a constant-exchange-rate basis, sales in Europe increased 16% in 2009 and comparable store sales rose 9%, reflecting growth in all countries. In 2009, the Company opened three stores in Europe.

In 2008, total sales in Europe increased $41,051,000, or 17%, due to an increase in the number of units sold. This included non-comparable store sales growth of $34,910,000. On a constant-exchange-rate basis, sales in Europe increased 25% in 2008 and comparable store sales rose by

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6%, reflecting growth in the United Kingdom and most Continental European countries. In 2008, the Company opened seven stores in Europe.

*Other.* Other consists of all 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.

In 2009, Other sales declined $25,707,000, or 46%. In 2008, Other sales decreased $14,940,000, or 21%. The decrease in sales in 2009 and 2008 was attributed to lower wholesale sales of diamonds that were deemed not suitable for the Company s needs.

*Store Data*. Gross square footage of Company-operated TIFFANY & CO. stores increased 5% to 982,000 in 2009, following a 9% increase to 935,000 in 2008. Sales per gross square foot generated by those stores were $2,404 in 2009, $2,603 in 2008 and $2,890 in 2007.

Gross Margin

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Gross profit as a percentage of net sales | 56.5% | 57.8% | 56.4% |

Gross margin (gross profit as a percentage of net sales) declined 1.3 percentage points in 2009 and improved 1.4 percentage points in 2008. The decrease in 2009 was primarily due to higher product costs. The primary components of the increase in 2008 were: (i) a 0.7 percentage point improvement due to a $19,212,000 pre-tax charge in 2007 related to management s decision to discontinue certain watch models; (ii) a 0.3 percentage point improvement due to decreased wholesale sales of diamonds; and (iii) the benefit from the Company s precious metals hedging program.

Management periodically reviews and may adjust 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 derivative instruments to mitigate foreign exchange and precious metal price exposures (see Item 8. Financial Statements and Supplementary Data Note J. Hedging Instruments ).

Other Operating Income

In 2007, the Company entered into a sale-leaseback arrangement for the land and multi-tenant building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district. The Company secured a long-term lease and is leasing back the portion of the property that it occupied immediately prior to the transaction. The transaction resulted in a pre-tax gain of $105,051,000 and a deferred gain of $75,244,000, which will be amortized in selling, general and administrative expenses over a 15-year period. The pre-tax gain represents the profit on the sale of the property in excess of the present value of the minimum lease payments. The lease is accounted for as an operating lease. The lease expires in 2032; however, the Company has options to terminate the lease in 2022 and 2027 without penalty.

Restructuring Charges

Beginning in the fourth quarter of 2008, management implemented various cost reduction initiatives, one of which was a reduction of approximately 10% of the Company s total employee

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base, primarily in the U.S. Management made these reductions to more closely align staffing with the anticipated sales levels. Accordingly, in 2008, the Company recorded a pre-tax charge of $97,839,000. This charge included $63,005,000 related to pension and postretirement medical benefits, $33,166,000 related to severance costs and $1,668,000 primarily related to stock-based compensation (see Item 8. Financial Statements and Supplementary Data Note D. Restructuring Charges ).

Selling, General and Administrative ( SG&A ) Expenses

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| SG&A expenses as a percentage of net sales | 40.2% | 40.5% | 39.9% |

SG&A expenses decreased $64,217,000, or 6%, in 2009 and $15,164,000, or 1%, in 2008. SG&A expenses in those years are not comparable due to several nonrecurring charges recorded in those periods.

SG&A expenses in 2009 included $442,000 of income from the following nonrecurring items:

- $4,442,000 of income received in connection with the assignment of the Tahera Diamond Corporation ( Tahera ) commitments and liens to an unrelated third party (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ); and

- $4,000,000 charge to terminate a third-party management agreement (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ).

SG&A expenses in 2008 included $14,444,000 of expense from the following nonrecurring items:

- $11,062,000 impairment charge on the investment in Target Resources plc ( Target ) (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ); and

- $3,382,000 charge for the closing of a diamond polishing facility in Yellowknife, Northwest Territories (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ).

SG&A expenses in 2007 included $57,981,000 of expense from the following nonrecurring items:

- $47,981,000 impairment charge on the note receivable from Tahera (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ); and

- $10,000,000 contribution to the Tiffany & Co. Foundation, a private charitable foundation. The contribution was made from proceeds received from the sale-leaseback of the land and multi-tenant building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district.

Excluding the nonrecurring items noted above, SG&A expenses in 2009 and 2008 would have been $1,090,169,000 and $1,139,500,000. This decrease of $49,331,000, or 4%, in 2009 was due to decreased labor and benefits costs of $37,489,000 as a result of staff reductions, and decreased marketing expenses of $44,359,000, partly offset by a $28,716,000 increase in management incentive and stock-based compensation. Excluding the nonrecurring items noted

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above, SG&A expenses as a percentage of net sales would have been 40.2% and 40.0% in 2009 and 2008. Excluding the nonrecurring items noted above, SG&A expenses in 2008 and 2007 would have been $1,139,500,000 and $1,111,127,000. This increase of $28,373,000, or 3%, in 2008 is primarily due to increased depreciation and store occupancy expenses of $25,338,000 and labor and benefit costs of $18,781,000, both of which were largely due to new and existing stores, as well as an increase of $15,903,000 in marketing expenses, partly offset by a $37,056,000 decrease in management incentive and stock-based compensation. Excluding the nonrecurring items noted above, SG&A expenses as a percentage of net sales would have been 40.0% and 38.0% in 2008 and 2007. This 2.0 percentage points increase is due to the decline in sales in 2008 and the related sales de-leveraging effect on fixed costs.

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

Earnings from Continuing Operations

| *(in thousands)* | 2009 | % of Sales* | 2008 | % of Sales* | 2007 | % of Sales* |
|---|---|---|---|---|---|---|
| Earnings (losses) from continuing operations: | | | | | | |
| Americas | $ 273,778 | 19.4% | $ 317,964 | 20.0% | $ 395,011 | 22.4% |
| Asia-Pacific | 242,547 | 25.3 | 233,958 | 25.4 | 227,117 | 26.6 |
| Europe | 64,271 | 20.6 | 58,725 | 20.6 | 57,385 | 23.6 |
| Other | (10,881) | (36.4) | (5,198) | (9.3) | (2,920) | (4.1) |
| | 569,715 | | 605,449 | | 676,593 | |
| Unallocated corporate expenses | (129,665) | (4.8)% | (101,889) | (3.6)% | (127,007) | (4.3)% |
| Restructuring charges | | | (97,839) | | | |
| Other operating income | 4,442 | | | | 105,051 | |
| Other operating expenses | (4,000) | | (11,062) | | (67,193) | |
| Earnings from continuing operations | $ 440,492 | 16.3% | $ 394,659 | 13.9% | $ 587,444 | 20.1% |

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

Earnings from continuing operations increased 12% in 2009. On a segment basis, the ratio of earnings (losses) from continuing operations to each segment s net sales in 2009 compared with 2008 was as follows:

Americas the ratio decreased 0.6 percentage point primarily due to a decline in gross margin due to higher product costs, partly offset by decreased labor and marketing expenses as a result of the cost savings initiatives implemented at the end of 2008;

Asia-Pacific the ratio decreased 0.1 percentage point due to a decline in gross margin due to higher product costs, partly offset by decreased operating expenses attributed to the cost savings initiatives;

Europe the ratio remained unchanged from the prior year due to a decline in gross margin due to higher product costs, offset by operating expense leverage; and

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Other the ratio decreased 27.1 percentage points due to lower wholesale sales of diamonds and the write-down of wholesale diamond inventory.

Earnings from continuing operations decreased 33% in 2008. On a segment basis, the ratio of earnings (losses) from continuing operations to each segment s net sales in 2008 compared with 2007 was as follows:

Americas the ratio decreased 2.4 percentage points. While there was a decline in SG&A expenses tied to reduced management incentive compensation, overall profitability declined due to the sales shortfall;

Asia-Pacific the ratio decreased 1.2 percentage points primarily due to a decline in gross margin due to a shift in product sales mix, and increased operating expenses related to new store openings;

Europe the ratio decreased 3.0 percentage points primarily due to increased operating expenses related to new store openings; and

Other the ratio decreased 5.2 percentage points primarily due to the $3,382,000 charge related to the loss on disposal of fixed assets and severance costs associated with the closing of a diamond polishing facility located in Yellowknife, Northwest Territories (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ).

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 information technology, finance, legal and human resources. Unallocated corporate expenses increased in 2009 and decreased in 2008 primarily due to changes in management incentive and stock-based compensation. In addition, unallocated corporate expenses in 2007 included a $10,000,000 contribution to The Tiffany & Co. Foundation.

Restructuring charges represents a $97,839,000 pre-tax charge associated with the Company s staff reduction initiatives (see Item 8. Financial Statements and Supplementary Data Note D. Restructuring Charges ).

Other operating income in 2009 represents $4,442,000 of income received in connection with the assignment of the Tahera commitments and liens to an unrelated third party (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ). Other operating income in 2007 represents the $105,051,000 pre-tax gain on the sale-leaseback of the land and multi-tenant building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district.

Other operating expenses in 2009 represents $4,000,000 paid to terminate a third-party management agreement (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ). Other operating expenses in 2008 represents an $11,062,000 pre-tax impairment charge related to the Company s investment in Target (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ). Other operating expenses in 2007 include the $47,981,000 pre-tax impairment charge on the note receivable from Tahera (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ) and the $19,212,000 pre-tax charge related to management s decision to discontinue certain watch models.

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Interest Expense and Financing Costs

Interest expense increased $26,064,000 in 2009 and $4,271,000 in 2008 due to increased long-term borrowings.

Other Income, Net

Other income, net includes interest income, gains/losses on investment activities and foreign currency transactions. Other income, net increased $4,446,000 in 2009, as 2008 included a $4,300,000 charge related to the unrealized gains and interest receivable associated with interest rate swaps that the Company determined were impaired (see Item 8. Financial Statements and Supplementary Data Note J. Hedging Instruments ). Other income, net decreased $16,516,000 in 2008 primarily due to (i) a $5,673,000 change in foreign currency gains/losses associated with the settlement of foreign payables, (ii) the above-mentioned $4,300,000 charge and (iii) a decline in interest income.

Provision for Income Taxes

The effective income tax rate was 31.9% in 2009, compared with 36.5% in 2008 and 36.1% in 2007. The lower effective income tax rate in 2009 was primarily due to favorable reserve adjustments of $11,220,000 during the year associated with the settlement of certain tax audits and the expiration of statutory periods.

Net Loss from Discontinued Operations

In the fourth quarter of 2008, management committed to a plan to close all IRIDESSE stores. All stores were closed in 2009. The results of the IRIDESSE business have been recorded in discontinued operations. The pre-tax net loss from discontinued operations related to the Company s IRIDESSE business was $6,103,000 in 2009 and $19,683,000 in 2008 (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ).

The Company sold Little Switzerland, Inc. in 2007 for net proceeds of $32,870,000 and recorded in discontinued operations a $54,260,000 pre-tax impairment charge ($22,602,000 after tax) due to the sale. In 2009, the Company received additional proceeds of $3,650,000 and recorded a pre-tax gain of $3,289,000 in settlement of post-closing adjustments (see Item 8. Financial Statements and Supplementary Data Note C. Acquisitions & Dispositions ).

2010 Outlook

Management s outlook is based on the following assumptions, which may or may not prove valid, and which should be read in conjunction with Item 1A. Risk Factors on page K-14:

A worldwide net sales increase of approximately 11%. By region, sales are expected to increase by a low double-digit percentage in the Americas, a high single-digit percentage in Asia-Pacific (including a low single-digit percentage decline in Japan and at least 20% growth elsewhere) and a mid-teens percentage in Europe. Other sales are expected to decline 5%.

The opening of 17 new Company-operated stores (six in the Americas, eight in Asia-Pacific and three in Europe).

An increase in operating margin primarily due to a higher gross margin as well as a modest improvement in the ratio of SG&A expenses to net sales.

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Interest and other expenses, net of approximately $50,000,000.

An effective income tax rate of approximately 35%.

Net earnings from continuing operations per diluted share of $2.45 $2.50.

A high single-digit percentage increase in net inventories.

Capital expenditures of approximately $200,000,000.

LIQUIDITY AND CAPITAL RESOURCES

Management took the following steps to address the economic downturn in 2008 and 2009. First, management reduced costs to better align expenses with expected sales. Second, the Company secured $400,000,000 of long-term debt since December 2008 to: (i) refinance debt obligations that came 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 were to 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 may request to increase the commitments up to $500,000,000. The Credit Facility replaced the Company s previous $450,000,000 revolving credit facility. The Credit Facility is available for working capital and other corporate purposes. There was $22,842,000 outstanding under the Credit Facility at January 31, 2010. The weighted average interest rate at January 31, 2010 was 2.71%. The Credit Facility will expire in July 2012.

Over the long term, the Company manages its cash and capital structure to maximize shareholder return, maintain a strong financial position and provide flexibility for future strategic initiatives. Management continuously assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. Management believes that the proceeds from the debt financing that the Company recently issued, other 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. Management is currently evaluating whether to refinance some or all of the $206,815,000 of long-term debt coming due in 2010.

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

| *(in thousands)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net cash provided by (used in): | | | |
| Operating activities | $ 687,199 | $ 142,270 | $ 406,055 |
| Investing activities | (80,893) | (161,690) | 336,512 |
| Financing activities | 10,538 | (39,708) | (664,408) |
| Effect of exchange rates on cash and cash equivalents | 14,300 | (18,035) | 15,610 |
| Net cash used in discontinued operations | (5,887) | (9,046) | (23,618) |
| Net increase (decrease) in cash and cash equivalents | $ 625,257 | $ (86,209) | $ 70,151 |

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Operating Activities

The Company had net cash inflows from operating activities of $687,199,000 in 2009, $142,270,000 in 2008 and $406,055,000 in 2007. The increase in 2009 from 2008 primarily resulted from a decrease in inventories and, to a lesser extent, lower income tax payments. The decrease in 2008 from 2007 primarily resulted from increased income tax payments largely associated with the sale-leasebacks of TIFFANY & CO. stores in Tokyo s Ginza shopping district and on London s Old Bond Street and increased inventory purchases.

*Working Capital.* Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were $1,845,393,000 and 4.1 at January 31, 2010, compared with $1,446,812,000 and 3.4 at January 31, 2009.

Accounts receivable, less allowances, at January 31, 2010 were 3% lower than January 31, 2009. Changes in foreign currency exchange rates had an insignificant effect on the change in accounts receivable. On a 12-month rolling basis, accounts receivable turnover was 18 times in 2009 and 17 times in 2008.

Inventories, net at January 31, 2010 were 11% lower than January 31, 2009 due to a reduction in finished goods inventories, consistent with management s objective, as well as higher than expected sales in the fourth quarter. Changes in foreign currency exchange rates had an insignificant effect on the change in inventories, net.

Investing Activities

The Company had net cash outflows from investing activities of $80,893,000 in 2009, and $161,690,000 in 2008 and a net cash inflow of $336,512,000 in 2007. The decreased outflow in 2009 was primarily due to a decline in capital expenditures. Investing activities in 2007 included proceeds from the sale of assets.

*Proceeds from Sale of Assets.* In 2007, the Company received total proceeds of $509,035,000 which consisted of the following transactions:

A sale-leaseback arrangement for the land and multi-tenant building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district. The Company received proceeds of $327,537,000 (¥38,050,000,000) (see Other Operating Income above for more information).

A sale-leaseback arrangement for the building housing a TIFFANY & CO. store on London s Old Bond Street. Following the renovation of the store, the Company secured a long-term lease. The Company sold the building for proceeds of $148,628,000 (£73,000,000) and simultaneously entered into a 15-year lease with two 10-year renewal options. The transaction resulted in a deferred gain of $63,961,000, which will be amortized in SG&A expenses over a 15-year period. The Company continues to occupy the entire building and the lease is accounted for as an operating lease.

Net proceeds of $32,870,000 associated with the sale of Little Switzerland.

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*Capital Expenditures.* Capital expenditures were $75,403,000 in 2009, $154,409,000 in 2008 and $184,266,000 in 2007, representing 3%, 5% and 6% of net sales in those respective years. The decrease in 2009 reflected a moderated rate of store openings and other cost containment. In all three years, expenditures were primarily related to the opening, renovation and expansion of stores and distribution facilities and ongoing investments in new systems.
*Marketable Securities.* The Company invests excess cash in short-term investments and marketable securities. The Company had (net purchases of) or net proceeds from investments in marketable securities and short-term investments of ($13,433,000), ($1,543,000) and $13,182,000 during 2009, 2008 and 2007.

Financing Activities

The Company had a net cash inflow from financing activities of $10,538,000 in 2009 and net cash outflows of $39,708,000 in 2008 and $664,408,000 in 2007. Year-over-year changes in cash flows from financing activities are largely driven by share repurchase activity and borrowings.
*Dividends.* The cash dividend on the Company s Common Stock was maintained in 2009, following an increase in 2008 and two increases in 2007. The Company s Board of Directors declared quarterly dividends which, on an annual basis, totaled $0.68, $0.66 and $0.52 per common share in 2009, 2008 and 2007. Cash dividends paid were $84,579,000 in 2009, $82,258,000 in 2008 and $69,921,000 in 2007. The dividend payout ratio (dividends as a percentage of net earnings) was 32% in 2009, 37% in 2008 and 22% in 2007.
*Share Repurchases.* In January 2008, the Company s Board of Directors amended the existing share repurchase program to extend the expiration date of the program to January 2011 and to authorize the repurchase of up to an additional $500,000,000 of the Company s Common Stock. 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.
The Company s share repurchase activity was as follows:

| *(in thousands, except per share amounts)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Cost of repurchases | $ 467 | $ 218,379 | $ 574,608 |
| Shares repurchased and retired | 11 | 5,375 | 12,374 |
| Average cost per share | $ 41.72 | $ 40.63 | $ 46.44 |

The Company suspended share repurchases during the third quarter of 2008 in order to conserve cash. In January 2010, the Company resumed repurchasing its shares of Common Stock on the open market. At January 31, 2010, there remained $401,960,000 of authorization for future repurchases. 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.

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

| *(in thousands)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| (Repayment of) proceeds from credit facility borrowings, net | $ (126,811) | $ 103,976 | $ (75,147) |
| Short-term borrowings: | | | |
| Proceeds from issuance | | 116,001 | |
| Repayments | (93,000) | (25,473) | |
| Net (repayments of) proceeds from short-term borrowings | (93,000) | 90,528 | |
| Long-term borrowings: | | | |
| Proceeds from issuance | 300,000 | 100,000 | |
| Repayments | (40,000) | (73,483) | (32,301) |
| Net proceeds from (repayments of) long-term borrowings | 260,000 | 26,517 | (32,301) |
| Net (repayments of) proceeds from total borrowings | $ 40,189 | $ 221,021 | $ (107,448) |

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

Proceeds from the issuances of long-term debt and short-term borrowings were used to refinance existing indebtedness and for general corporate purposes. The issuances of long-term borrowings during 2009 have maturity dates that range from 2017 to 2019 with interest rates of 10.00%. The issuance of long-term borrowings during 2008 has a maturity date of 2015 with an interest rate of 9.05% (see Item 8. Financial Statements and Supplementary Data Note I. Debt for additional details regarding recent borrowings).

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders equity was 40% and 45% at January 31, 2010 and 2009.

At January 31, 2010, the Company was in compliance with all debt covenants.

*Purchase of Noncontrolling Interests.* In October 2009, the Company acquired all noncontrolling interests in two majority-owned entities that indirectly engage in diamond sourcing and polishing operations through majority-owned subsidiaries 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.

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Contractual Cash Obligations and Commercial Commitments

The following is a summary of the Company s contractual cash obligations at January 31, 2010:

| *(in thousands)* | Total | 2010 | 2011-2012 | 2013-2014 | Thereafter |
|---|---|---|---|---|---|
| Unrecorded contractual obligations: | | | | | |
| Operating leases | $1,018,226 | $ 133,867 | $ 230,971 | $ 180,433 | $ 472,955 |
| Inventory purchase obligations [a] | 291,322 | 122,322 | 114,000 | 55,000 | |
| Interest on debt [b] | 313,165 | 51,592 | 84,318 | 78,100 | 99,155 |
| Construction-in-progress | 17,857 | 17,857 | | | |
| Non-inventory purchase obligations | 4,552 | 4,552 | | | |
| Other contractual obligations [c] | 29,649 | 24,098 | 2,512 | 2,039 | 1,000 |
| Recorded contractual obligations: | | | | | |
| Short-term borrowings | 27,642 | 27,642 | | | |
| Long-term debt | 726,407 | 206,815 | 118,610 | | 400,982 |
| | $2,428,820 | $ 588,745 | $ 550,411 | $ 315,572 | $ 974,092 |

a) The Company will, from time to time, secure supplies of diamonds by agreeing to purchase a defined portion of a mine s output. Inventory purchase obligations associated with these agreements have been estimated for 2010 and included in this table. Purchases beyond 2010 that are contingent upon mine production have been excluded as they cannot be reasonably estimated.

b) Excludes interest payments on amounts outstanding under available lines of credit, as the outstanding amounts fluctuate based on the Company s working capital needs. Variable-rate interest payments were estimated based on rates at January 31, 2010. Actual payments will differ based on changes in interest rates.

c) Other contractual obligations consist primarily of royalty commitments and the remaining consideration to be paid for the purchase of noncontrolling interests (see Purchase of Noncontrolling Interests above).

The summary above does not include the following items:

Cash contributions to the Company s pension plan and cash payments for other postretirement obligations. The Company plans to contribute approximately $40,000,000 to the pension plan in 2010. However, this expectation is subject to change if actual asset performance is different than the assumed long-term rate of return on pension plan assets. The Company estimates cash payments for postretirement health-care and life insurance benefit obligations to be $2,297,000 in 2010.

Unrecognized tax benefits at January 31, 2010 of $32,226,000 and accrued interest and penalties of $3,305,000. The final outcome of tax uncertainties is dependent upon various matters including tax examinations, interpretation of the applicable tax laws or expiration of statutes of limitations. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters. However, the audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. Ongoing audits are in various stages of completion and, while the Company does not anticipate any material changes in unrecognized income tax benefits over the next

12 months, future developments in the audit process may result in a change in these assessments.

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The following is a summary of the Company s outstanding borrowings and available capacity under the Credit Facility and other lines of credit at January 31, 2010:

| *(in thousands)* | Total Capacity | Borrowings Outstanding | Available Capacity |
|---|---|---|---|
| Credit Facility* | $ 400,000 | $ 22,842 | $ 377,158 |
| Other lines of credit | 20,000 | 4,800 | 15,200 |
| | $ 420,000 | $ 27,642 | $ 392,358 |

*This facility matures in July 2012 and the Company may request to increase the capacity up to $500,000,000.
In addition, the Company had letters of credit and financial guarantees of $19,081,000 at January 31, 2010, of which $16,265,000 expires within one year.

Seasonality

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

CRITICAL ACCOUNTING ESTIMATES

The Company s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates, and the differences could be material. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements and records any necessary adjustments.
The development and selection of critical accounting estimates and the related disclosures below have been reviewed with the Audit Committee of the Company s Board of Directors. The following critical accounting policies that rely on assumptions and estimates were used in the preparation of the Company s consolidated financial statements:
*Inventory.* The Company writes down its inventory for discontinued and slow-moving products. This write-down is equal to the difference between the cost of inventory and its estimated market value, and is based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs might be required. The Company has not made any material changes in the accounting methodology used to establish its reserve for discontinued and slow-moving products during the past three years. At January 31, 2010, a 10% change in the reserve for discontinued and slow-moving products would have resulted in a change of $4,623,000 in inventory and cost of sales. The Company s inventories are valued using the average cost method. Fluctuation in inventory levels, along with the costs of raw materials, could affect the carrying value of the Company s inventory.
*Long-lived assets*. The Company s long-lived assets are primarily property, plant and equipment. The Company reviews its long-lived assets for impairment when management determines that the carrying value of such assets may not be recoverable due to events or changes in circumstances. Recoverability of long-lived assets is evaluated by comparing the carrying value of the asset with estimated future undiscounted cash flows. If the comparisons indicate that the value of the asset

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is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the asset and the loss is recognized during that period. The Company recorded impairment charges of $15,532,000 in 2007, which have been included in discontinued operations. The Company did not record any material impairment charges in 2009 or 2008 (see Item 8. Financial Statements and Supplementary Data Note B. Summary of Significant Accounting Policies and Note C. Acquisitions & Dispositions ).

*Goodwill*. The Company performs its annual impairment evaluation of goodwill during the fourth quarter of its fiscal year or when circumstances otherwise indicate an evaluation should be performed. The evaluation, based upon discounted cash flows, requires management to estimate future cash flows, growth rates and economic and market conditions. The 2009, 2008 and 2007 evaluations resulted in no impairment charges.

*Income taxes*. The Company is subject to income taxes in both the U.S. and foreign jurisdictions. The calculation of the Company s tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company s global operations. Significant judgments and estimates are required in determining the consolidated income tax expense. The Company s income tax expense, deferred tax assets and liabilities and reserves for uncertain tax positions reflects management s best assessment of estimated future taxes to be paid.

Foreign and domestic tax authorities periodically audit the Company s income tax returns. These audits often examine and test the factual and legal basis for positions the Company has taken in its tax filings with respect to its tax liabilities, including the timing and amount of deductions and the allocation of income among various tax jurisdictions ( tax filing positions ). Management believes that its tax filing positions are reasonable and legally supportable. However, in specific cases, various tax authorities may take a contrary position. In evaluating the exposures associated with the Company s various tax filing positions, management records reserves using a more-likely-than-not recognition threshold for income tax positions taken or expected to be taken. Earnings could be affected to the extent the Company prevails in matters for which reserves have been established or is required to pay amounts in excess of established reserves.

In evaluating the Company s ability to recover its deferred tax assets within the jurisdiction from which they arise, management considers all available evidence. The Company records valuation allowances when management determines it is more likely than not that deferred tax assets will not be realized in the future.

*Employee benefit plans*. The Company maintains several pension and retirement plans, as well as provides certain postretirement health-care and life insurance benefits for retired employees. The Company makes certain assumptions that affect the underlying estimates related to pension and other postretirement costs. Significant changes in interest rates, the market value of securities and projected health-care costs would require the Company to revise key assumptions and could result in a higher or lower charge to earnings.

The Company used discount rates of 7.25% and 7.50% to determine its 2009 pension expense for all U.S. plans and 7.25% to determine its 2009 postretirement expense. Holding all other assumptions constant, a 0.5% increase in the discount rate would have decreased 2009 pension and postretirement expenses by $1,454,000 and $180,000. A decrease of 0.5% in the discount rate would have increased the 2009 pension and postretirement expenses by $2,777,000 and $189,000. The discount rate is subject to change each year, consistent with changes in the yield on applicable high-quality, long-term corporate bonds. Management selects a discount rate at which pension and postretirement benefits could be effectively settled based on (i) an analysis of

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expected benefit payments attributable to current employment service and (ii) appropriate yields related to such cash flows.

The Company used an expected long-term rate of return of 7.50% to determine its 2009 pension expense. Holding all other assumptions constant, a 0.5% change in the long-term rate of return would have changed the 2009 pension expense by $973,000. The expected long-term rate of return on pension plan assets is selected by taking into account the average rate of return expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. More specifically, consideration is given to the expected rates of return (including reinvestment asset return rates) based upon the plan s current asset mix, investment strategy and the historical performance of plan assets.

For postretirement benefit measurement purposes, an 8.00% annual rate of increase in the per capita cost of covered health care was assumed for 2010. The rate was assumed to decrease gradually to 5.00% by 2016 and remain at that level thereafter. A one-percentage-point change in the assumed health-care cost trend rate would not have a significant effect on the aggregate service and interest cost components of the 2009 postretirement expense.

NEW ACCOUNTING STANDARDS

See Item 8. Financial Statements and Supplementary Data Note B. Summary of Significant Accounting Policies.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

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**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is exposed to market risk from fluctuations in foreign currency exchange rates, precious metal prices and interest rates, which could affect its consolidated financial position, earnings and cash flows. The Company manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading or speculative purposes, 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 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 cost of outstanding put option contracts at January 31, 2010 and 2009 was $1,184,000 and $3,320,000. At January 31, 2010 and 2009, the fair value of outstanding put option contracts was $934,000 and $920,000. At January 31, 2010, a 10% appreciation in yen exchange rates (i.e. a strengthening yen) from the prevailing market rates would have resulted in a fair value of approximately $200,000. At January 31, 2010, a 10% depreciation in yen exchange rates (i.e. a weakening yen) from the prevailing market rates would have resulted in a fair value of approximately $3,000,000.

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 January 31, 2010 ranged from one to 10 months. At January 31, 2010 and 2009, the fair value of the Company s outstanding foreign exchange forward contracts was ($781,000) and $3,938,000. At January 31, 2010, a 10% appreciation in the hedged foreign exchange rates from the prevailing market rates would have resulted in a fair value of approximately $9,000,000. At January 31, 2010, a 10% depreciation in the hedged foreign exchange rates from the prevailing market rates would have resulted in a fair value of approximately ($11,000,000).

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 13 months. The fair value of the outstanding precious metal derivative instruments was $1,720,000 and ($6,637,000) at January 31, 2010 and 2009. In

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2008, the Company experienced an unrealized loss on its hedging instruments due to sharp declines in the price of precious metals subsequent to the period in which the precious metal collars were entered into. At January 31, 2010, a 10% appreciation in precious metal prices from the prevailing market rates would have resulted in a fair value of approximately $3,000,000. At January 31, 2010, a 10% depreciation in precious metal prices from the prevailing market rates would have resulted in a fair value of approximately $60,000.

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. The fair value of the outstanding interest rate swap agreements was $1,996,000 at January 31, 2010. A 100 basis point increase in interest rates at January 31, 2010 would have resulted in a fair value of approximately ($4,500,000). A 100 basis point decrease in interest rates at January 31, 2010 would have resulted in a fair value of approximately $9,500,000.

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**Item 8. Financial Statements and Supplementary Data.**

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of stockholders equity and comprehensive earnings, and of cash flows present fairly, in all material respects, the financial position of Tiffany & Co. and its subsidiaries (the Company ) at January 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

New York, New York

March 30, 2010

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**CONSOLIDATED BALANCE SHEETS**

| *(in thousands, except per share amounts)* | 2010 | January 31, 2009 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 785,702 | $ 160,445 |
| Accounts receivable, less allowances of $12,892 and $9,934 | 158,706 | 164,447 |
| Inventories, net | 1,427,855 | 1,601,236 |
| Deferred income taxes | 6,651 | 13,640 |
| Prepaid expenses and other current assets | 66,752 | 108,966 |
| Total current assets | 2,445,666 | 2,048,734 |
| Property, plant and equipment, net | 685,101 | 741,048 |
| Deferred income taxes | 183,825 | 166,517 |
| Other assets, net | 173,768 | 145,984 |
| | $ 3,488,360 | $ 3,102,283 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings | $ 27,642 | $ 242,966 |
| Current portion of long-term debt | 206,815 | 40,426 |
| Accounts payable and accrued liabilities | 231,913 | 223,566 |
| Income taxes payable | 67,513 | 27,653 |
| Merchandise and other customer credits | 66,390 | 67,311 |
| Total current liabilities | 600,273 | 601,922 |
| Long-term debt | 519,592 | 425,412 |
| Pension/postretirement benefit obligations | 219,276 | 200,603 |
| Deferred gains on sale-leasebacks | 128,649 | 133,641 |
| Other long-term liabilities | 137,331 | 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 126,326 and 123,844 | 1,263 | 1,238 |
| Additional paid-in capital | 764,132 | 687,267 |
| Retained earnings | 1,151,109 | 971,299 |
| Accumulated other comprehensive loss, net of tax | (33,265) | (71,433) |
| Total stockholders equity | 1,883,239 | 1,588,371 |

| | | |
|---|---|---|
| | $ 3,488,360 | $ 3,102,283 |

*See notes to consolidated financial statements.*

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**CONSOLIDATED STATEMENTS OF EARNINGS**

| *(in thousands, except per share amounts)* | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| Net sales | $2,709,704 | $2,848,859 | $2,927,751 |
| Cost of sales | 1,179,485 | 1,202,417 | 1,276,250 |
| Gross profit | 1,530,219 | 1,646,442 | 1,651,501 |
| Other operating income | | | 105,051 |
| Restructuring charges | | 97,839 | |
| Selling, general and administrative expenses | 1,089,727 | 1,153,944 | 1,169,108 |
| Earnings from continuing operations | 440,492 | 394,659 | 587,444 |
| Interest expense and financing costs | 55,041 | 28,977 | 24,706 |
| Other income, net | 4,523 | 77 | 16,593 |
| Earnings from continuing operations before income taxes | 389,974 | 365,759 | 579,331 |
| Provision for income taxes | 124,298 | 133,604 | 209,332 |
| Net earnings from continuing operations | 265,676 | 232,155 | 369,999 |
| Net loss from discontinued operations | 853 | 12,133 | 46,521 |
| Net earnings | $ 264,823 | $ 220,022 | $ 323,478 |
| Earnings per share: | | | |
| Basic | | | |
| Net earnings from continuing operations | $ 2.14 | $ 1.86 | $ 2.75 |
| Net loss from discontinued operations | 0.01 | 0.10 | 0.35 |
| Net earnings | $ 2.13 | $ 1.76 | $ 2.40 |

| | | | |
|---|---|---|---|
| Diluted | | | |
| Net earnings from continuing operations | $ 2.12 | $ 1.84 | $ 2.68 |
| Net loss from discontinued operations | 0.01 | 0.10 | 0.34 |
| Net earnings | $ 2.11 | $ 1.74 | $ 2.34 |
| Weighted-average number of common shares: | | | |
| Basic | 124,345 | 124,734 | 134,748 |
| Diluted | 125,383 | 126,410 | 138,140 |

*See notes to consolidated financial statements.*

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**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE EARNINGS**

| *(in thousands)* | Total Stockholders Equity | Retained Earnings | Accumulated Other Comprehensive Gain (Loss) | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital |
|---|---|---|---|---|---|---|
| Balances, January 31, 2007 | $1,863,937 | $1,328,982 | $ (2,590) | 135,875 | $ 1,358 | $ 536,187 |
| Implementation effect of uncertain tax positions guidance | (4,299) | (4,299) | | | | |
| Balances, February 1, 2007 | 1,859,638 | 1,324,683 | (2,590) | 135,875 | 1,358 | 536,187 |
| Exercise of stock options and vesting of restricted stock units ( RSUs ) | 68,830 | | | 3,200 | 32 | 68,798 |
| Tax effect of exercise of stock options and vesting of RSUs | 20,802 | | | | | 20,802 |
| Share-based compensation expense | 38,343 | | | | | 38,343 |
| Issuance of Common Stock under Employee Profit Sharing and Retirement Savings ( EPSRS ) Plan | 2,450 | | | 52 | 1 | 2,449 |
| Purchase and retirement of Common Stock | (574,608) | (540,577) | | (12,374) | (123) | (33,908) |
| Cash dividends on Common Stock | (69,921) | (69,921) | | | | |
| Deferred hedging loss, net of tax | (1,157) | | (1,157) | | | |
| Unrealized loss on marketable securities, net of tax | (799) | | (799) | | | |
| Foreign currency translation adjustments, net of tax | 30,271 | | 30,271 | | | |
| Net unrealized gain on benefit plans, net of tax | 18,788 | | 18,788 | | | |
| Net earnings | 323,478 | 323,478 | | | | |
| Balances, January 31, 2008 | 1,716,115 | 1,037,663 | 44,513 | 126,753 | 1,268 | 632,671 |
| Implementation effect of change in employee benefit plans measurement date, net of tax | (1,073) | (1,114) | 41 | | | |
| Exercise of stock options and vesting of RSUs | 30,357 | | | 2,342 | 23 | 30,334 |
| | 10,317 | | | | | 10,317 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Tax effect of exercise of stock options and vesting of RSUs | | | | | | |
| Share-based compensation expense | 24,507 | | | | | 24,507 |
| Issuance of Common Stock under EPSRS Plan | 4,750 | | | 124 | 1 | 4,749 |
| Purchase and retirement of Common Stock | (218,379) | (203,014) | | (5,375) | (54) | (15,311) |
| Cash dividends on Common Stock | (82,258) | (82,258) | | | | |
| Deferred hedging loss, net of tax | (9,873) | | (9,873) | | | |
| Unrealized loss on marketable securities, net of tax | (5,519) | | (5,519) | | | |
| Foreign currency translation adjustments, net of tax | (68,355) | | (68,355) | | | |
| Net unrealized loss on benefit plans, net of tax | (32,240) | | (32,240) | | | |
| Net earnings | 220,022 | 220,022 | | | | |
| Balances, January 31, 2009 | 1,588,371 | 971,299 | (71,433) | 123,844 | 1,238 | 687,267 |
| Exercise of stock options and vesting of RSUs | 71,485 | | | 2,493 | 25 | 71,460 |
| Tax effect of exercise of stock options and vesting of RSUs | 1,896 | | | | | 1,896 |
| Share-based compensation expense | 23,995 | | | | | 23,995 |
| Purchase and retirement of Common Stock | (467) | (434) | | (11) | | (33) |
| Purchase of noncontrolling interests | (20,453) | | | | | (20,453) |
| Cash dividends on Common Stock | (84,579) | (84,579) | | | | |
| Deferred hedging gain, net of tax | 6,377 | | 6,377 | | | |
| Unrealized gain on marketable securities, net of tax | 4,241 | | 4,241 | | | |
| Foreign currency translation adjustments, net of tax | 42,750 | | 42,750 | | | |
| Net unrealized loss on benefit plans, net of tax | (15,200) | | (15,200) | | | |
| Net earnings | 264,823 | 264,823 | | | | |
| Balances, January 31, 2010 | $1,883,239 | $1,151,109 | $ (33,265) | 126,326 | $ 1,263 | $ 764,132 |

Years Ended January 31,

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Comprehensive earnings are as follows: | | | |
| Net earnings | $ 264,823 | $ 220,022 | $ 323,478 |
| Deferred hedging gain (loss), net of tax expense (benefit) of $3,388, ($6,307) and ($110) | 6,377 | (9,873) | (1,157) |
| Foreign currency translation adjustments, net of tax expense of $716, $1,015 and $4,714 | 42,750 | (68,355) | 30,271 |
| Unrealized gain (loss) on marketable securities, net of tax expense (benefit) of $2,302, ($3,248) and ($283) | 4,241 | (5,519) | (799) |
| Net unrealized (loss) gain on benefit plans, net of tax (benefit) expense of ($10,525), ($19,907) and $14,352 | (15,200) | (32,240) | 18,788 |
| Comprehensive earnings | $ 302,991 | $ 104,035 | $ 370,581 |

*See notes to consolidated financial statements.*

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| *(in thousands)* | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net earnings | $ 264,823 | $ 220,022 | $ 323,478 |
| Loss from discontinued operations, net of tax | 853 | 12,133 | 46,521 |
| Net earnings from continuing operations | 265,676 | 232,155 | 369,999 |
| Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities: | | | |
| Gain on sale-leaseback | | | (105,051) |
| Restructuring charge | | 97,839 | |
| Depreciation and amortization | 139,419 | 135,832 | 128,076 |
| Amortization of gain on sale-leasebacks | (9,802) | (9,793) | (3,536) |
| Excess tax benefits from share-based payment arrangements | (1,349) | (10,196) | (18,739) |
| Provision for inventories | 31,599 | 20,996 | 35,357 |
| Deferred income taxes | (14,839) | 14,626 | (70,487) |
| Provision for pension/postretirement benefits | 24,088 | 23,179 | 26,666 |
| Share-based compensation expense | 23,538 | 22,406 | 37,069 |
| Impairment charges | | 21,164 | 47,981 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 13,897 | 31,412 | (9,875) |
| Inventories | 163,955 | (257,619) | (112,965) |
| Prepaid expenses and other current assets | 60,323 | (19,283) | (36,131) |
| Other assets, net | (13,557) | (94) | (15,447) |
| Accounts payable and accrued liabilities | 4,369 | 4,719 | 9,837 |
| Income taxes payable | 29,066 | (161,932) | 151,101 |
| Merchandise and other customer credits | (1,713) | 476 | 5,939 |
| Other long-term liabilities | (27,471) | (3,617) | (33,739) |
| Net cash provided by operating activities | 687,199 | 142,270 | 406,055 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of marketable securities and short-term investments | (14,187) | (1,543) | (870,025) |
| Proceeds from sales of marketable securities and short-term investments | 754 | | 883,207 |
| Proceeds from sale of assets, net | 3,650 | | 509,035 |
| Capital expenditures | (75,403) | (154,409) | (184,266) |
| Notes receivable funded | | (5,000) | (7,172) |
| Acquisitions, net of cash acquired | | (1,900) | (400) |
| Other | 4,293 | 1,162 | 6,133 |
| Net cash (used in) provided by investing activities | (80,893) | (161,690) | 336,512 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| (Repayment of) proceeds from credit facility borrowings, net | (126,811) | 103,976 | (75,147) |

| | | | |
|---|---|---|---|
| Repayment of long-term debt | (40,000) | (73,483) | (32,301) |
| Proceeds from issuance of long-term debt | 300,000 | 100,000 | |
| Repayments of short-term borrowings | (93,000) | (25,473) | |
| Proceeds from short-term borrowings | | 116,001 | |
| Repurchase of Common Stock | (467) | (218,379) | (574,608) |
| Proceeds from exercise of stock options | 71,485 | 30,357 | 68,830 |
| Excess tax benefits from share-based payment arrangements | 1,349 | 10,196 | 18,739 |
| Cash dividends on Common Stock | (84,579) | (82,258) | (69,921) |
| Purchase of noncontrolling interests | (11,000) | | |
| Financing fees | (6,439) | (645) | |
| Net cash provided by (used in) financing activities | 10,538 | (39,708) | (664,408) |
| Effect of exchange rate changes on cash and cash equivalents | 14,300 | (18,035) | 15,610 |
| CASH FLOWS FROM DISCONTINUED OPERATIONS: | | | |
| Operating activities | (5,887) | (9,046) | (21,256) |
| Investing activities | | | (2,362) |
| Net cash used in discontinued operations | (5,887) | (9,046) | (23,618) |
| Net increase (decrease) in cash and cash equivalents | 625,257 | (86,209) | 70,151 |
| Cash and cash equivalents at beginning of year | 160,445 | 246,654 | 175,008 |
| Decrease in cash and cash equivalents of discontinued operations | | | 1,495 |
| Cash and cash equivalents at end of year | $ 785,702 | $ 160,445 | $ 246,654 |

*See notes to consolidated financial statements.*

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. NATURE OF BUSINESS

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 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, as well as sales of TIFFANY & CO. products in certain markets 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 business-to-business, Internet and wholesale operations; and

Other consists of all non-reportable segments. Other consists primarily of 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company s fiscal year ends on January 31 of the following calendar year. All references to years relate to fiscal years rather than calendar years.

Basis of Reporting

The accompanying consolidated financial statements include the accounts of 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. The equity method of accounting is used for investments in which the Company has significant influence, but not a controlling interest.

Use of Estimates

These statements have been prepared in accordance with accounting principles generally accepted in the United States of America; these principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the consolidated

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financial statements and related notes to the consolidated financial statements. The most significant assumptions are employed in estimates used in determining inventory, long-lived assets, goodwill, tax assets and tax liabilities and pension and postretirement benefits (including the actuarial assumptions). Actual results could differ from these estimates and the differences could be material. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements relative to current conditions and records the effect of any necessary adjustments.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents include highly liquid investments with an original maturity of three months or less and consist of time deposits and/or money market fund investments with a number of U.S. and non-U.S. financial institutions with high credit ratings. The Company s policy restricts the amounts invested in any one institution.

Receivables and Finance Charges

The Company s U.S. and international presence and its large, diversified customer base serve to limit overall credit risk. The Company maintains reserves for potential credit losses and, historically, such losses for customer receivables, in the aggregate, have not exceeded expectations.

Finance charges on retail revolving charge accounts are not significant and are accounted for as a reduction of selling, general and administrative expenses.

Inventories

Inventories are valued at the lower of cost or market using the average cost method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Buildings | 39 years |
| Machinery and Equipment | 5-15 years |
| Office Equipment | 3-10 years |
| Furniture and Fixtures | 2-10 years |

Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings while expenditures for major renewals and improvements are capitalized. Upon the disposition of property, plant and equipment, the accumulated depreciation is deducted from the original cost and any gain or loss is reflected in current earnings.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. The Company s capitalized interest costs were not significant in 2009, 2008 or 2007.

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Intangible Assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives which range from six to 15 years. Intangible assets are reviewed for impairment in accordance with the Company s policy for impairment of long-lived assets (see Impairment of Long-Lived Assets below). Intangible assets amounted to $9,582,000 and $9,559,000, net of accumulated amortization of $6,221,000 and $5,244,000 at January 31, 2010 and 2009, and consist primarily of product rights and trademarks. Amortization of intangible assets for the years ended January 31, 2010, 2009 and 2008 was $976,000, $846,000 and $791,000. Amortization expense in each of the next five years is estimated to be $1,018,000.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired. Goodwill is evaluated for impairment annually in the fourth quarter or when events or changes in circumstances indicate that the value of goodwill may be impaired. This evaluation, based on discounted cash flows, requires management to estimate future cash flows, growth rates and economic and market conditions. If the evaluation indicates that goodwill is not recoverable, an impairment loss is calculated and recognized during that period. Goodwill associated with the Company s diamond polishing and cutting facilities has been assigned to the reporting units expected to benefit from the synergies of the operations. At January 31, 2010 and 2009, goodwill was included in other assets, net and consisted of the following by segment:

| *(in thousands)* | Americas | Europe | Asia-Pacific | Total |
|---|---|---|---|---|
| Balance, January 31, 2008 | $ 11,481 | $ 988 | $ 787 | $ 13,256 |
| Goodwill acquired | 1,079 | 145 | 727 | 1,951 |
| Translation | (96) | (12) | (65) | (173) |
| Balance, January 31, 2009 | 12,464 | 1,121 | 1,449 | 15,034 |
| Translation | 49 | 7 | 34 | 90 |
| Balance, January 31, 2010 | $ 12,513 | $ 1,128 | $ 1,483 | $ 15,124 |

Impairment of Long-Lived Assets

The Company reviews its long-lived assets other than goodwill for impairment when management determines that the carrying value of such assets may not be recoverable due to events or changes in circumstances. Recoverability of long-lived assets is evaluated by comparing the carrying value of the asset with the estimated future undiscounted cash flows. If the comparisons indicate that the asset is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the asset and the loss is recognized during that period. The Company recorded no material impairment charges in 2009 and 2008. In 2007, the Company recorded an impairment charge of $15,532,000, included within discontinued operations, associated with the long-lived assets of the IRIDESSE business (see Note C. Acquisitions & Dispositions ).

Hedging Instruments

The Company uses derivative financial instruments to mitigate its interest rate, foreign currency and precious metal price exposures. Derivative instruments are recorded on the consolidated balance sheet at their fair values, as either assets or liabilities, with an offset to current or comprehensive earnings, depending on whether a derivative is designated as part of an effective

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hedge transaction and, if it is, the type of hedge transaction. For fair value hedge transactions, changes in fair value of the derivative and changes in the fair value of the item being hedged are recorded in current earnings. For cash flow hedge transactions, the effective portion of the changes in fair value of derivatives are reported as other comprehensive earnings 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 of a cash flow hedge are recognized in current earnings. The Company does not use derivative financial instruments for trading or speculative purposes.

Marketable Securities

The Company s marketable securities, recorded within other assets, net on the consolidated balance sheet, are classified as available-for-sale and are recorded at fair value with unrealized gains and losses reported as a separate component of stockholders equity. Realized gains and losses are recorded in other income, net. The marketable securities are held for an indefinite period of time, but may be sold in the future as changes in market conditions or economic factors occur. The fair value of the marketable securities is determined based on prevailing market prices. The Company recorded $742,000 and $42,000 of gross unrealized gains and $3,651,000 and $9,376,000 of gross unrealized losses within accumulated other comprehensive income as of January 31, 2010 and 2009.

The following table summarizes activity in other comprehensive income related to marketable securities:

| *(in thousands)* | January 31, 2010 | January 31, 2009 |
|---|---|---|
| Change in fair value of investments, net of tax (expense) benefit of $(2,352) and $3,248 | $ 4,314 | $ (6,830) |
| Adjustment for net (gains) losses realized and included in net earnings, net of tax expense of $50 and $0 | (73) | 1,311 |
| Change in unrealized gain (loss) on marketable securities | $ 4,241 | $ (5,519) |

The amount reclassified from other comprehensive income was determined on the basis of specific identification. The Company s marketable securities consist of investments in mutual funds and an investment in the common stock of Target Resources plc ( Target ), a publicly-traded company. Toward the end of 2008 and in the beginning of 2009, the Company experienced unrealized losses on its investments in mutual funds, which were affected by declines in the overall global equity and debt markets. However, as the global equity and debt markets improved during 2009, the fair value of the marketable securities increased. When evaluating the marketable securities for other-than-temporary impairment, the Company reviews factors such as the length of time and the extent to which fair value has been below cost basis, the financial condition of the issuer, and the Company s ability and intent to hold the investments for a period of time which may be sufficient for anticipated recovery in market value. Based on the Company s evaluations, it determined that any unrealized losses were temporary in nature and, therefore, did not record any impairment charges on its outstanding mutual funds as of January 31, 2010 or 2009. With regards to the Company s investment in common stock of Target, the Company recognized a $1,311,000 other-than-temporary impairment charge in other income, net in the consolidated statement of earnings in 2008 (see Note L. Commitments and Contingencies ).

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Merchandise and Other Customer Credits

Merchandise and other customer credits represent outstanding credits issued to customers for returned merchandise. It also includes outstanding gift cards sold to customers. All such outstanding items may be tendered for future merchandise purchases. A merchandise credit liability is established when a merchandise credit is issued to a customer for a returned item and the original sale is reversed. A gift card liability is established when the gift card is sold. The liabilities are relieved and revenue is recognized when merchandise is purchased and delivered to the customer and the merchandise credit or gift card is used as a form of payment.

If merchandise credits or gift cards are not redeemed over an extended period of time (approximately three to five years), the value of the merchandise credits or gift cards is generally remitted to the applicable jurisdiction in accordance with unclaimed property laws.

Revenue Recognition

Sales are recognized at the point of sale, which occurs when merchandise is taken in an over-the-counter transaction or upon receipt by a customer in a shipped transaction, such as through the Internet and catalog channels. Revenue associated with gift cards and merchandise credits is recognized upon redemption. Sales are reported net of returns, sales tax and other similar taxes. Shipping and handling fees billed to customers are included in net sales. The Company maintains a reserve for potential product returns and it records, as a reduction to sales and cost of sales, its provision for estimated product returns, which is determined based on historical experience.

Cost of Sales

Cost of sales includes costs related to the purchase of merchandise from third parties, the cost to internally manufacture merchandise (metal, gemstones, labor and overhead), inbound freight, purchasing and receiving, inspection, warehousing, internal transfers and other costs associated with distribution and merchandising. Cost of sales also includes royalty fees paid to outside designers and customer shipping and handling charges.

Selling, General and Administrative ( SG&A ) Expenses

SG&A expenses include costs associated with the selling and promotion of products as well as administrative expenses. The types of expenses associated with these functions are store operating expenses (such as labor, rent and utilities), advertising and other corporate level administrative expenses.

Advertising Costs

Advertising costs, which include media, production, catalogs, Internet, promotional events and other related costs, and, in 2009, began to include visual merchandising costs (i.e. in-store and window displays), totaled $159,891,000, $204,250,000 and $188,347,000 in 2009, 2008 and 2007, representing 5.9%, 7.2% and 6.4% of net sales in those periods. Prior year amounts have been revised to conform to the current year presentation. Media and production costs for print and Internet advertising are expensed as incurred, while catalog costs are expensed upon mailing.

Pre-opening Costs

Costs associated with the opening of new retail stores are expensed in the period incurred.

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Stock-Based Compensation

New, modified and unvested share-based payment transactions with employees, such as stock options and restricted stock, are measured at fair value and recognized as compensation expense over the requisite service period.

Merchandise Design Activities

Merchandise design activities consist of conceptual formulation and design of possible products and creation of pre-production prototypes and molds. Costs associated with these activities are expensed as incurred.

Foreign Currency

The functional currency of most of the Company s foreign subsidiaries and branches is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded as a component of other comprehensive earnings within stockholders equity. The Company also recognizes gains and losses associated with transactions that are denominated in foreign currencies. The Company recorded a net (loss) gain resulting from foreign currency transactions of ($1,628,000), ($3,383,000) and $2,290,000 in 2009, 2008 and 2007 within other income, net.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with U.S. GAAP, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are recognized by applying statutory tax rates in effect in the years in which the differences between the financial reporting and tax filing bases of existing assets and liabilities are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent management believes these assets will more likely than not be realized. In making such determination, the Company considers all available evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event management were to determine that the Company would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes. In evaluating the exposures associated with the Company s various tax filing positions, management records reserves using a more-likely-than-not recognition threshold for income tax positions taken or expected to be taken.

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

Earnings Per Share

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.

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

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Net earnings for basic and diluted EPS | $ 264,823 | $ 220,022 | $ 323,478 |
| Weighted-average shares for basic EPS | 124,345 | 124,734 | 134,748 |
| Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units | 1,038 | 1,676 | 3,392 |
| Weighted-average shares for diluted EPS | 125,383 | 126,410 | 138,140 |

For the years ended January 31, 2010, 2009 and 2008, there were 4,844,000, 3,513,000 and 427,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

New Accounting Standards

In September 2006, new accounting guidance was issued by the Financial Accounting Standards Board ( 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 was 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.

In December 2007, new accounting guidance was issued by the 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 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. Management adopted the new requirements on February 1, 2009 and they did not have a material effect on the Company s financial position or earnings.

C. ACQUISITIONS & DISPOSITIONS

In October 2009, the Company acquired all noncontrolling interests in two majority-owned entities that indirectly engage in diamond sourcing and polishing operations through majority-owned subsidiaries 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

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the Company maintained control of the two entities prior to the acquisition. Therefore, the Company recorded a decrease to additional paid-in capital of $20,453,000 in 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 SG&A 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 economic environment at the time the decision was made. 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. These amounts have been reclassified to discontinued operations for all periods presented. Prior to the reclassification, IRIDESSE results had been included within the Other non-reportable segment.

Summarized statement of earnings data for IRIDESSE is as follows:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Net sales | $ 13,232 | $ 11,138 | $ 11,020 |
| Loss before income taxes | $ 6,103 | $ 19,683 | $ 30,136 |
| Benefit from income taxes | (3,192) | (7,550) | (11,162) |
| Net loss from discontinued operations | $ 2,911 | $ 12,133 | $ 18,974 |

In the year ended January 31, 2009, the Company recorded a $7,549,000 pre-tax charge for the write-down of IRIDESSE inventory and severance costs. In the year ended January 31, 2008, the Company recorded a $15,532,000 pre-tax impairment charge associated with the long-lived assets of IRIDESSE as a result of lower-than-expected store performance and a related reduction in future cash flow projections.

In January 2009, the Company ceased operations in a diamond polishing facility located in Yellowknife, Northwest Territories and shifted its operations to other facilities. In 2008, the Company recorded a pre-tax charge of $3,382,000, within SG&A expenses, primarily related to the loss on disposal of fixed assets and severance costs.

During the second quarter of 2007, the Company s Board of Directors authorized the sale of Little Switzerland, Inc. ( Little Switzerland ), based on management s conclusion that Little Switzerland s operations did not demonstrate the potential to generate a return on investment consistent with management s objectives. On July 31, 2007, the Company entered into an agreement with NXP Corporation ( NXP ) by which NXP would purchase 100% of the stock of Little Switzerland. The transaction closed on September 18, 2007 for net proceeds of $32,870,000, excluding payments for existing trade payables owed to the Company by Little Switzerland. The purchase price at the close date remained subject to post-closing adjustments. In 2009, the Company received additional proceeds of $3,650,000 and recorded a pre-tax gain of $3,289,000 in settlement of post-closing adjustments. As part of the agreement, the Company continues to wholesale TIFFANY & CO. merchandise for resale in TIFFANY & CO. boutiques operated by Little Switzerland in certain LITTLE SWITZERLAND stores. In addition, the Company provided warehousing services to Little Switzerland for a transition period. The Company ceased providing these warehousing services in the third quarter of 2008.

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The Company determined that the continuing cash flows from Little Switzerland operations were not significant. Therefore, the results of Little Switzerland are presented as a discontinued operation in the consolidated financial statements for all periods presented.

Summarized statement of earnings data for Little Switzerland is as follows:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Net sales | $ | $ | $ 52,817 |
| (Gain) loss on disposal | $ (3,289) | $ | $ 54,260 |
| Loss before income taxes | | | 5,401 |
| Expense (benefit) from income taxes | 1,231 | | (32,114) |
| Net (gain) loss from discontinued operations | $ (2,058) | $ | $ 27,547 |

Little Switzerland s net loss from discontinued operations for the year ended January 31, 2008 includes a $54,260,000 pre-tax charge ($22,602,000 after tax) due to the sale of Little Switzerland. The tax benefit recorded in connection with the charge included the effect of basis differences in the investment in Little Switzerland.

D. 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.

As a result of this cost reduction initiative, during the fourth quarter of 2008, the Company recorded a pre-tax charge of $97,839,000 classified as restructuring charges in the Company s consolidated statement of earnings. This charge included: (i) $63,005,000 related to pension and postretirement medical benefits; (ii) $33,166,000 related to severance costs; and (iii) $1,668,000 primarily related to stock-based compensation.

Total cash expenditures related to the restructuring charges are expected to total $33,361,000. There were no significant changes to the liability, other than payments, during 2009. There are $681,000 of restructuring liabilities that remain to be paid in 2010.

E. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Interest, net of interest capitalization | $ 35,392 | $ 23,889 | $ 23,543 |
| Income taxes | $ 74,690 | $ 296,864 | $ 142,034 |

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Supplemental noncash investing and financing activities:

| *(in thousands)* | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan | $ | $ 4,750 | $ 2,450 |

F. INVENTORIES

| *(in thousands)* | January 31, 2010 | 2009 |
|---|---|---|
| Finished goods | $ 904,523 | $ 1,115,333 |
| Raw materials | 450,966 | 416,805 |
| Work-in-process | 72,366 | 69,098 |
| | $ 1,427,855 | $ 1,601,236 |

G. PROPERTY, PLANT AND EQUIPMENT

| *(in thousands)* | January 31, 2010 | 2009 |
|---|---|---|
| Land | $ 42,355 | $ 41,713 |
| Buildings | 104,535 | 104,658 |
| Leasehold improvements | 689,253 | 673,559 |
| Office equipment | 365,516 | 355,292 |
| Furniture and fixtures | 181,572 | 180,722 |
| Machinery and equipment | 108,516 | 103,006 |
| Construction-in-progress | 22,112 | 15,638 |
| | 1,513,859 | 1,474,588 |
| Accumulated depreciation and amortization | (828,758) | (733,540) |
| | $ 685,101 | $ 741,048 |

The provision for depreciation and amortization for the years ended January 31, 2010, 2009 and 2008 was $137,705,000, $137,331,000 and $126,807,000.

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H. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| *(in thousands)* | 2010 | January 31, 2009 |
|---|---|---|
| Accounts payable trade | $ 80,150 | $ 80,444 |
| Accrued compensation and commissions | 57,638 | 30,761 |
| Accrued sales, withholding and other taxes | 21,148 | 16,740 |
| Restructuring liability | 681 | 33,361 |
| Other | 72,296 | 62,260 |
| | $ 231,913 | $ 223,566 |

I. DEBT

| *(in thousands)* | 2010 | January 31, 2009 |
|---|---|---|
| Short-term borrowings: | | |
| Credit Facility | $ 22,842 | $ 140,834 |
| Other | 4,800 | 102,132 |
| | $ 27,642 | $ 242,966 |
| Long-term debt: | | |
| Senior Notes: | | |
| 1998 7.05% Series B, due 2010 | $ 40,000 | $ 40,000 |
| 2002 6.15% Series C, due 2009 | | 40,426 |
| 2002 6.56% Series D, due 2012 | 63,005 | 62,932 |
| 2008 9.05% Series A, due 2015 | 100,982 | 100,000 |
| 2009 10.00% Series A, due 2018 | 50,000 | |
| 2009 10.00% Series A, due 2017 | 125,000 | |
| 2009 10.00% Series B, due 2019 | 125,000 | |
| 4.50% yen loan, due 2011 | 55,605 | 55,620 |
| First Series Yen Bonds, due 2010 | 166,815 | 166,860 |
| | 726,407 | 465,838 |

| | | |
|---|---|---|
| Less current portion of long-term debt | 206,815 | 40,426 |
| | $ 519,592 | $ 425,412 |

Credit Facility

In July 2009, the Company entered into a new $400,000,000 multibank, multicurrency, committed unsecured revolving credit facility ( Credit Facility ) and may request to increase the commitments up to $500,000,000. The Credit Facility replaces the Company s previous $450,000,000 revolving credit facility. The Credit Facility is available 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 may currently be made from 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 $377,158,000 available to be borrowed under the Credit Facility at January 31, 2010. The

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weighted-average interest rate for the Credit Facility was 2.71% and 1.11% at January 31, 2010 and 2009. The Credit Facility will expire in July 2012.

Other Short-term Borrowings

In October 2008, the Company entered into a short-term facility agreement for ¥6,500,000,000 ($66,001,000 at issuance) due March 2009. At January 31, 2009, ¥4,200,000,000 ($46,721,000) remained outstanding. In March 2009, the Company repaid the remaining amount outstanding under the facility. The facility was available for working capital and other corporate purposes. The weighted-average interest rate at January 31, 2009 was 1.90%.

In November 2008, the Company entered into a short-term note agreement for $50,000,000 due March 2009, bearing interest at a rate of 4.50%. The Company repaid the amount outstanding in March 2009. These funds were available for working capital and other purposes.

The Company had other lines of credit totaling $20,000,000, of which $4,800,000 was outstanding at January 31, 2010. The Company had other lines of credit totaling $15,499,000, of which $5,411,000 was outstanding at January 31, 2009.

1998 7.05% Series B Senior Notes

In December 1998, the Company, in private transactions with various institutional lenders, issued, at par, $40,000,000 principal amount 7.05% Series B Senior Notes due 2010. The proceeds of the issuance were used by the Company for working capital purposes and to repay a portion of the then outstanding short-term indebtedness. The note purchase agreement is unsecured, requires lump sum repayments upon maturity, maintenance of specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

2002 6.15% Series C Senior Notes and 6.56% Series D Senior Notes

In July 2002, the Company, in a private transaction with various institutional lenders, issued, at par, $40,000,000 of 6.15% Series C Senior Notes due 2009 and $60,000,000 of 6.56% Series D Senior Notes due 2012 with lump sum repayments upon maturities. The proceeds of these issuances were used by the Company for general corporate purposes, working capital and to repay previously issued Senior Notes. The note purchase agreements are unsecured, require maintenance of specific financial covenants and ratios and limit certain changes to indebtedness and the general nature of the business, in addition to other requirements customary to such borrowings. In July 2009, the Company repaid the Series C Senior Notes. In the second quarter of 2009, the Company entered into an interest rate swap agreement (see Note J. Hedging Instruments ) to hedge the change in fair value of its fixed rate Series D Senior Notes. Under the swap agreement, the Company pays variable rate interest and receives fixed interest rate payments over the life of the instrument.

2008 9.05% Series A Senior Notes

In December 2008, the Company, in a private transaction with various institutional lenders, issued, at par, $100,000,000 principal amount 9.05% Series A Senior Notes due December 2015. The proceeds of the issuance were used to refinance existing indebtedness and for general corporate purposes. The note purchase agreement is unsecured, requires lump sum repayments upon maturity, and contains covenants that require maintenance of certain debt/equity and interest-coverage ratios, in addition to other requirements customary to such borrowings. The note

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purchase agreement contains provisions for an uncommitted shelf facility by which the Company may issue, over the next three years, up to an additional $50,000,000 of Senior Notes for up to a 12-year term at a fixed interest rate based on the U.S. Treasury rates available at the time of borrowing plus an applicable credit spread. In the second quarter of 2009, the Company entered into an interest rate swap agreement (see Note J. Hedging Instruments ) to hedge the change in fair value of its fixed rate obligation. Under the swap agreement, the Company pays variable rate interest and receives fixed interest rate payments periodically over the life of the instrument.

2009 10.00% Series A Senior Notes

In April 2009, the Company, in a private transaction with various institutional lenders, issued, at par, $50,000,000 of 10.00% Series A Senior Notes due April 2018. The proceeds from the issuance 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 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.

2009 10.00% Series A Senior Notes and 10.00% Series B Senior Notes

In February 2009, the Company, in a private transaction, issued, at par, $125,000,000 of 10.00% Series A-2009 Senior Notes due February 2017 and $125,000,000 of 10.00% Series B-2009 Senior Notes due February 2019. The proceeds from these issuances 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.

1996 4.50% Yen Loan

The Company has a ¥5,000,000,000 ($55,605,000 at January 31, 2010), 15-year term loan due 2011, bearing interest at a rate of 4.50%.

2003 First Series Yen Bonds

In September 2003, the Company issued ¥15,000,000,000 ($166,815,000 at January 31, 2010) of senior unsecured First Series Yen Bonds ( Bonds ) due in 2010 with principal due upon maturity and a fixed coupon rate of 2.02% payable in semi-annual installments. The Bonds were sold in a private transaction to qualified institutional investors in Japan. The proceeds from the issuance were primarily used by the Company to finance the purchase of the land and building housing its store in Tokyo s Ginza shopping district, which was subsequently sold in 2007 in a sale and partial leaseback transaction.

Debt Covenants

As of January 31, 2010, the Company was in compliance with all debt covenants. In the event of any default of payment or performance obligations extending beyond applicable cure periods under the provisions of any one of the Credit Facility, Senior Notes, the Bonds and other loan agreements, such agreements may be terminated or payment of the notes or bonds accelerated. Further, each of the Credit Facility, Senior Notes, the Bonds and certain other loan agreements contain cross default provisions permitting the termination of the loans, or acceleration of the

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notes, as the case may be, in the event that any of the Company s other debt obligations are terminated or accelerated prior to the expressed maturity.

Long-Term Debt Maturities

Aggregate maturities of long-term debt as of January 31, 2010 are as follows:

| Years Ending January 31, | Amount *(in thousands)* |
|---|---|
| 2011 | $ 206,815 |
| 2012 | 55,605 |
| 2013 | 63,005 |
| 2014 | |
| 2015 | |
| Thereafter | 400,982 |
| | $ 726,407 |

Letters of Credit

The Company had letters of credit and financial guarantees of $19,081,000 outstanding at January 31, 2010.

J. 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

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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 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. 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 January 31, 2010, the notional amount of interest rate swap agreements outstanding was $160,000,000. Additionally, the Company previously used an interest rate swap agreement to effectively convert its Series C and Series D Senior Note fixed rate obligations to floating rate obligations, and during the third quarter of 2008, the Company determined that the unrealized gains and interest receivable associated with these interest rate swaps were impaired, as the recovery of the amounts due from the counterparty, Lehman Brothers Special Financing Inc. ( Lehman ), was no longer probable. As a result, the Company recorded a pre-tax charge of $4,300,000 in other income, net, in the third quarter of 2008 which represented all amounts due from Lehman. The interest rate swap agreements had the effect of decreasing interest expense by $1,948,000, $943,000 and $535,000 for the years ended January 31, 2010, 2009 and 2008.

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 January 31, 2010, the notional amount of foreign exchange forward contracts accounted for as cash flow hedges was $72,937,000 and the notional amount of foreign exchange forward contracts accounted for as undesignated hedges was $20,037,000. The term of all outstanding foreign exchange forward contracts as of January 31, 2010 ranged from one to 10 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 contract 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 January 31, 2010, the notional amount of put option contracts

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accounted for as cash flow hedges was $53,086,000. During October 2009, the Company de-designated several of its outstanding put option contracts (notional amount of $72,937,000 outstanding at January 31, 2010) 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 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 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 13 months. As of January 31, 2010, there were approximately 8,900 ounces of platinum and 75,000 ounces of silver precious metal derivative instruments outstanding.

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

| | Year Ended January 31, 2010 | |
|---|---|---|
| *(in thousands)* | Pre-Tax Gain (Loss) Recognized in Earnings on Derivatives | Pre-Tax Gain (Loss) Recognized in Earnings on Hedged Item |
| **Derivatives in Fair Value Hedging Relationships:** | | |
| Interest rate swap agreements [a] | $ 1,996 | $ (1,913) |

| | Year Ended January 31, 2010 | |
|---|---|---|
| *(in thousands)* | Pre-Tax Gain (Loss) Recognized in OCI (Effective Portion) | Amount of Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) |
| **Derivatives in Cash Flow Hedging Relationships:** | | |
| Foreign exchange forward contracts [b] | $ (3,029) | $ (1,675) |
| Put option contracts [c] | (754) | (3,840) |
| Precious metal collars [c] | 2,996 | (3,126) |
| Precious metal forward contracts [c] | 1,937 | 28 |
| | $ 1,150 | $ (8,613) |

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| *(in thousands)* | Pre-Tax Gain (Loss)Recognized in Earnings on Derivatives Year Ended January 31, 2010 |
|---|---|
| **Derivatives Not Designated as Hedging Instruments:** | |
| Foreign exchange forward contracts [b] | $ (928)[d] |
| Call option contracts [c] | 360 |
| Put option contracts [c] | (436) |
| | $ (1,004) |

[a] The gain or loss recognized in earnings is included within Interest expense and financing costs on the Company s Consolidated Statement of Earnings.

[b] The gain or loss recognized in earnings is included within Other income, net on the Company s Consolidated Statement of Earnings.

[c] The gain or loss recognized in earnings is included within Cost of Sales on the Company s Consolidated

Statement of Earnings.

[d] Gains or losses on the undesignated foreign exchange forward contracts substantially offset foreign exchange losses or gains on the liabilities and transactions being hedged.

Hedging activity affected accumulated other comprehensive loss, net of tax, as follows:

| | Years Ended January 31, | |
|---|---|---|
| *(in thousands)* | 2010 | 2009 |
| Balance at beginning of period | $ (8,984) | $ 889 |
| Losses (gains) transferred to earnings, net of tax (benefit) expense of ($3,102) and $889 | 5,511 | (946) |
| Change in fair value, net of tax expense (benefit) of $286 and ($5,418) | 866 | (8,927) |
| | $ (2,607) | $ (8,984) |

There was no material ineffectiveness related to the Company s hedging instruments for the periods ended January 31, 2010 and 2009. The Company expects approximately $3,120,000 of net pre-tax derivative losses included in accumulated other comprehensive income at January 31, 2010 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in foreign currency exchange rates and precious metal prices. For information regarding the location and amount of the derivative instruments in the Consolidated Balance Sheet, refer to Note K. 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 non-performance by individual counterparties or the entire group of counterparties.

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K. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value

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, 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 January 31, 2010 are classified in the table below in one of the three categories described above:

| | | Estimated Fair Value | | | |
|---|---|---|---|---|---|
| *(in thousands)* | Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Financial Assets** | | | | | |
| Mutual funds [a] | $ 39,961 | $ 39,961 | $ | $ | $ 39,961 |
| **Derivatives designated as hedging instruments:** | | | | | |
| Interest rate swap agreements [a] | 1,996 | | 1,996 | | 1,996 |
| Put option contracts [b] | 934 | | 934 | | 934 |
| Precious metal forward contracts [b] | 1,720 | | 1,720 | | 1,720 |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [b] | 161 | | 161 | | 161 |
| Put option contracts [b] | 151 | | 151 | | 151 |
| Total assets | $ 44,923 | $ 39,961 | $ 4,962 | $ | $ 44,923 |

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| *(in thousands)* | Carrying Value | Estimated Fair Value Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| **Derivatives designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [c] | $ 646 | $ | $ 646 | $ | $ 646 |
| **Derivatives not designated as hedging instruments:** | | | | | |
| Foreign exchange forward contracts [c] | 296 | | 296 | | 296 |
| Call option contracts [c] | 151 | | 151 | | 151 |
| Total liabilities | $ 1,093 | $ | $ 1,093 | $ | $ 1,093 |

Financial assets and liabilities carried at fair value at January 31, 2009 are classified in the table 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 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Mutual funds [a] | $ 20,496 | $ 20,496 | $ | $ | $ 20,496 |
| **Derivatives designated as hedging instruments:** | | | | | |
| Put option contracts [b] | 920 | | 920 | | 920 |
| Precious metal collars [b] | 143 | | 143 | | 143 |
| Foreign exchange forward contracts [b] | 4,696 | | 4,696 | | 4,696 |
| Total assets | $ 26,255 | $ 20,496 | $ 5,759 | $ | $ 26,255 |

| | Carrying | Estimated Fair Value | | | Total Fair |
|---|---|---|---|---|---|

| *(in thousands)* | Value | Level 1 | Level 2 | Level 3 | Value |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| **Derivatives designated as hedging instruments:** | | | | | |
| Precious metal collars [c] | $ 6,780 | $ | $ 6,780 | $ | $ 6,780 |
| Foreign exchange forward contracts [c] | 758 | | 758 | | 758 |
| Total liabilities | $ 7,538 | $ | $ 7,538 | $ | $ 7,538 |

[a] This amount is included within Other assets, net on the Company s Consolidated Balance Sheet.

[b] This amount is included within Prepaid expenses and other current assets on the Company s Consolidated Balance Sheet.

[c] This amount is included within Accounts payable and accrued liabilities on the Company s Consolidated Balance Sheet.

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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 $754,049,000 and $708,804,000 and the corresponding fair value was approximately $800,000,000 and $750,000,000 at January 31, 2010 and 2009.

L. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office, distribution, retail and manufacturing facilities and equipment. Retail store leases may require the payment of minimum rentals and contingent rent based on a percentage of sales exceeding a stipulated amount. The lease agreements, which expire at various dates through 2051, are subject, in many cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices.

Rent-free periods and other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight-line basis over the related terms of such leases. Lease expense includes predetermined rent escalations (including escalations based on the Consumer Price Index or other indices) and is recorded on a straight-line basis over the term of the lease. Adjustments to indices are treated as contingent rent and recorded in the period that such adjustments are determined.

In the third quarter of 2007, the Company entered into a sale-leaseback arrangement for the land and multi-tenant building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district. The Company is leasing back the portion of the property that it occupied immediately prior to the transaction. In the third quarter of 2007, the Company received proceeds of $327,537,000 (¥38,050,000,000). The transaction resulted in a pre-tax gain of $105,051,000, recorded within other operating income, and a deferred gain of $75,244,000, which will be amortized in SG&A expenses over a 15-year period. The pre-tax gain represents the profit on the sale of the property in excess of the present value of the minimum lease payments. The lease is accounted for as an operating lease, and the lease expires in 2032. However, the Company has options to terminate the lease in 2022 and 2027 without penalty.

In the third quarter of 2007, the Company entered into a sale-leaseback arrangement for the building housing a TIFFANY & CO. store on London s Old Bond Street. The Company sold the building for proceeds of $148,628,000 (£73,000,000) and simultaneously entered into a 15-year lease with two 10-year renewal options. The transaction resulted in a deferred gain of $63,961,000, which will be amortized in SG&A expenses over a 15-year period. The Company continues to occupy the entire building and the lease is accounted for as an operating lease.

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

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Minimum rent for retail locations | $ 88,958 | $ 74,902 | $ 70,589 |
| Contingent rent based on sales | 40,498 | 39,002 | 40,694 |
| Office, distribution and manufacturing facilities and equipment | 28,407 | 31,391 | 25,151 |
| | $ 157,863 | $ 145,295 | $ 136,434 |

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

| Years Ending January 31, | Annual Minimum Rental Payments *(in thousands)* |
|---|---|
| 2011 | $ 133,867 |
| 2012 | 121,726 |
| 2013 | 109,245 |
| 2014 | 95,106 |
| 2015 | 85,327 |
| Thereafter | 472,955 |

Diamond Sourcing Activities

The Company will, from time to time, secure supplies of diamonds by agreeing to purchase a defined portion of a mine s output. Under such arrangements, management anticipates that it will purchase approximately $75,000,000 of rough diamonds in 2010. Purchases beyond 2010 that are contingent upon mine production cannot be reasonably estimated.

The Company invested $12,533,000 in Target Resources plc ( Target ), a mining and exploration company operating in Sierra Leone, consisting primarily of common stock, notes receivable and prepaid inventory. In addition, the Company entered into an agreement with Target to purchase, market and sell all diamonds extracted, produced or otherwise recovered from mining operations controlled by Target or its affiliates. As of January 31, 2009, all commitments associated with these investments were fully funded and no further amounts remained available to Target. Target has been experiencing operational and financial difficulties in meeting its forecasts, and the global economic conditions, specifically in the fourth quarter of 2008, caused rough diamond prices to decline sharply which also negatively affected Target s financial results. As a result of those events, management believed there was uncertainty in Target s ability to meet its future financial projections and, therefore, determined that the recoverability of the Company s investments was not probable. During the fourth quarter of 2008, the Company recorded impairment charges of $11,062,000 within SG&A expenses and $1,311,000 in other income, net in the consolidated statement of earnings.

The Company was party to a CDN$35,000,000 ($35,423,000 at January 31, 2008) credit facility and a CDN$8,000,000 ($8,097,000 at January 31, 2008) working capital loan commitment (collectively the Commitment ) to

Tahera Diamond Corporation ( Tahera ), a Canadian diamond mining and exploration company. In consideration of the Commitment, the Company was granted the right to purchase or market all diamonds mined at the Jericho mine. This mine had been developed and constructed by Tahera in Nunavut, Canada (the Project ). Indebtedness under the Commitment was secured by certain assets of the Project. Although the Project had been operational, Tahera continued to experience financial losses as a result of production problems,

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appreciation of the Canadian dollar versus the U.S. dollar, the rise of oil prices and other costs relative to declining diamond prices. Due to the financial difficulties, in January 2008, Tahera filed for protection from creditors pursuant to the provisions of the Companies Creditors Arrangement Act ( CCAA ) in Canada and had to cease operations of the Project. The Company considered the value of the assets of the Project that secured the Commitment and determined that the assets were closely associated with the underlying Project and, therefore, in order to retain their value, the assets must be part of a fully operational mine. As a result, in the fourth quarter of 2007, the Company s management determined that the collection of the outstanding Commitment and realization upon the liens securing the Commitment was not probable. Therefore, in 2007, the Company recorded an impairment charge of $47,981,000, within SG&A expenses, for the full amount outstanding including accrued interest under the Commitment. Further, during the fourth quarter of 2008, the Commitment and the liens were assigned for a nominal value to an unrelated third party in exchange for the right to participate in future profits, if any, derived from the exploitation of the assets. In the second quarter of 2009, the Company received $4,442,000 from such third party in full settlement under the terms of the assignment agreement. These events will not have a material impact on the Company s future operations, as the Tahera mine was never a significant source of rough diamonds for the Company.

Contractual Cash Obligations and Contingent Funding Commitments

At January 31, 2010, the Company s contractual cash obligations and contingent funding commitments were: inventory purchases of $291,322,000 (which includes the $75,000,000 obligation discussed in Diamond Sourcing Activities above); non-inventory purchases of $4,552,000; construction-in-progress of $17,857,000 and other contractual obligations of $29,649,000.

Other

The Company operates boutiques in Japanese department stores. The Company has agreements with various department stores in Japan, including four major department store groups: Isetan Mitsukoshi; J. Front Retailing Co. (Daimaru and Matsuzakaya department stores); Takashimaya; and Millennium Retailing Co. (Sogo and Seibu department stores). Sales within Japanese department store boutiques represented 15%, 15% and 13% of net sales for the years ended January 31, 2010, 2009 and 2008. Sales transacted at these retail locations are recognized at the point of sale. The department store operator (i) provides and maintains boutique facilities; (ii) assumes retail credit and certain other risks; (iii) acts for the Company in the sale of merchandise; and (iv) in certain limited circumstances, provides retail staff and bears the risk of inventory loss. The Company (i) owns and manages the merchandise; (ii) establishes retail prices; and (iii) has merchandising, marketing and display responsibilities. The Company pays the department stores a percentage fee based on sales generated in these locations. Fees paid to Japanese department stores for services and use of facilities totaled $68,175,000, $72,012,000 and $65,513,000 in 2009, 2008 and 2007 and are included in SG&A expenses.

Litigation

The Company is, from time to time, involved in routine litigation incidental to the conduct of its business, including proceedings to protect its trademark rights, litigation instituted by persons injured upon premises under the Company s control, litigation with present and former employees and litigation claiming infringement of the copyrights and patents of others. Management believes that such pending litigation will not have a significant effect on the Company s financial position, earnings or cash flows.

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M. RELATED PARTIES

The Company s Chairman of the Board and Chief Executive Officer is a member of the Board of Directors of The Bank of New York Mellon, which serves as the Company s lead bank for its Credit Facility, provides other general banking services and serves as the trustee and an investment manager for the Company s pension plan. BNY Mellon Shareowner Services serves as the Company s transfer agent and registrar. Fees paid to the bank for services rendered, interest on debt and premiums on derivative contracts amounted to $2,090,000, $1,666,000 and $1,534,000 in 2009, 2008 and 2007.

N. STOCKHOLDERS EQUITY

Accumulated Other Comprehensive Loss

| | January 31, | |
|---|---|---|
| *(in thousands)* | 2010 | 2009 |
| Accumulated other comprehensive (loss) gain, net of tax: | | |
| Foreign currency translation adjustments | $ 16,512 | $ (26,238) |
| Deferred hedging loss | (2,607) | (8,984) |
| Unrealized loss on marketable securities | (1,899) | (6,140) |
| Net unrealized loss on benefit plans | (45,271) | (30,071) |
| | $ (33,265) | $ (71,433) |

Stock Repurchase Program

In January 2008, the Company s Board of Directors amended the existing share repurchase program to extend the expiration date of the program to January 2011 and to authorize the repurchase of up to an additional $500,000,000 of the Company s Common Stock. 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.

The Company s share repurchase activity was as follows:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands, except per share amounts)* | 2010 | 2009 | 2008 |
| Cost of repurchases | $ 467 | $218,379 | $574,608 |
| Shares repurchased and retired | 11 | 5,375 | 12,374 |
| Average cost per share | $41.72 | $ 40.63 | $ 46.44 |

The Company suspended share repurchases during the third quarter of 2008 in order to conserve cash. In January 2010, the Company resumed repurchasing its shares of Common Stock on the open market. At January 31, 2010, there remained $401,960,000 of authorization for future repurchases under the program.

Cash Dividends

The Company s Board of Directors declared quarterly dividends on the Company s Common Stock which, on an annual basis, totaled $0.68, $0.66 and $0.52 per common share in 2009, 2008 and 2007.

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On January 21, 2010, the Company s Board of Directors announced a change in the quarterly dividend to $0.20 per common share. This represents an 18% increase in the dividend rate. This dividend was declared on February 18, 2010 and will be paid on April 12, 2010 to stockholders of record on March 22, 2010.

O. STOCK COMPENSATION PLANS

The Company has two stock compensation plans under which awards may continue to be made: the Employee Incentive Plan and the Directors Option Plan, both of which were approved by the stockholders. No award may be made under the Employee Incentive Plan after April 30, 2015 and under the Directors Option Plan after May 15, 2018.

Under the Employee Incentive Plan, the maximum number of common shares authorized for issuance was 13,500,000, as amended (subject to adjustment). Awards may be made to employees of the Company or its related companies in the form of stock options, stock appreciation rights, shares of stock (or rights to receive shares of stock) and cash. Awards of shares (or rights to receive shares) reduce the above authorized amount by 1.58 shares for every share delivered pursuant to such an award. Awards made in the form of non-qualified stock options, tax-qualified incentive stock options or stock appreciation rights have a maximum term of 10 years from the grant date and may not be granted for an exercise price below fair market value.

The Company grants performance-based restricted stock units ( PSUs ) and stock options to the executive officers of the Company. Other management employees are granted time-vesting restricted stock units ( RSUs ) or a combination of RSUs and PSUs. Stock options vest in increments of 25% per year over four years. PSUs issued to the executive officers vest at the end of a three-year period, while PSUs issued to other management employees vest in increments of 25% per year over a four-year period. Vesting of all PSUs is contingent on the Company s performance against pre-set objectives established by the Compensation Committee of the Company s Board of Directors. RSUs vest in increments of 25% per year over a four-year period. The PSUs and RSUs require no payment from the employee. PSU and RSU payouts will be in shares of Company stock at vesting. Compensation expense is recognized using the fair market value at the date of grant and recorded ratably over the vesting period. However, PSU compensation expense may be adjusted over the vesting period if interim performance objectives are not met. Award holders are not entitled to receive dividends on unvested stock options, PSUs or RSUs.

Under the Directors Option Plan, the maximum number of shares of Common Stock authorized for issuance was 1,000,000 (subject to adjustment); awards may be made to non-employee directors of the Company in the form of stock options or shares of stock but may not exceed 25,000 (subject to adjustment) shares per non-employee director in any fiscal year. Awards of shares (or rights to receive shares) reduce the above authorized amount by 1.58 shares for every share delivered pursuant to such an award. Awards made in the form of stock options may have a maximum term of 10 years from the grant date and may not be granted for an exercise price below fair market value unless the director has agreed to forego all or a portion of his or her annual cash retainer or other fees for service as a director in exchange for below market exercise price options. Director options granted prior to May 15, 2008 vest in increments of 50% per year over a two-year period. Director options granted after May 15, 2008 vest immediately. Director RSUs vest over a one-year period.

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

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

| | Years Ended January 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Dividend yield | 1.0% | 0.7% | 0.7% |
| Expected volatility | 38.4% | 38.3% | 33.5% |
| Risk-free interest rate | 3.1% | 2.6% | 4.0% |
| Expected term in years | 6 | 7 | 7 |

A summary of the option activity for the Company s stock option plans is presented below:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term in Years | Aggregate Intrinsic Value *(in thousands)* |
|---|---|---|---|---|
| Outstanding at January 31, 2009 | 7,892,845 | $ 34.24 | | |
| Granted | 418,736 | 41.81 | | |
| Exercised | (1,982,920) | 36.05 | | |
| Forfeited/cancelled | (129,225) | 38.24 | | |
| Outstanding at January 31, 2010 | 6,199,436 | $ 34.09 | 5.01 | $ 41,933 |
| Exercisable at January 31, 2010 | 5,045,186 | $ 34.21 | 4.10 | $ 32,756 |

The weighted-average grant-date fair value of options granted for the years ended January 31, 2010, 2009 and 2008 was $16.06, $10.18 and $14.81. The total intrinsic value (market value on date of exercise less grant price) of options exercised during the years ended January 31, 2010, 2009 and 2008 was $15,894,000, $31,451,000 and $69,693,000.

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

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at January 31, 2009 | 836,368 | $ 37.62 |

| | | | |
|---|---|---|---|
| Granted | 645,220 | | 21.05 |
| Vested | (397,338) | | 38.25 |
| Forfeited | (79,179) | | 34.24 |
| Non-vested at January 31, 2010 | 1,005,071 | $ | 27.00 |

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

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at January 31, 2009 | 1,358,052 | $ 34.34 |
| Granted | 294,000 | 41.38 |
| Vested | (113,427) | 37.74 |
| Forfeited/cancelled | (330,116) | 37.14 |
| Non-vested at January 31, 2010 | 1,208,509 | $ 34.97 |

The weighted-average grant-date fair value of RSUs granted for the years ended January 31, 2009 and 2008 was $30.16 and $37.57. The weighted-average grant-date fair value of PSUs granted for the years ended January 31, 2009 and 2008 was $21.00 and $36.03.

As of January 31, 2010, there was $51,896,000 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the Employee Incentive Plan and Directors Option Plan. The expense is expected to be recognized over a weighted-average period of 2.6 years. The total fair value of RSUs vested during the years ended January 31, 2010, 2009 and 2008 was $15,288,000, $11,046,000 and $15,183,000. The total fair value of PSUs vested during the years ended January 31, 2010 and 2009 was $2,572,000 and $15,215,000. No PSUs vested during the year ended January 31, 2008. No PSUs were forfeited during the years ended January 31, 2009 and 2008.

Total compensation cost for stock-based compensation awards recognized in income and the related income tax benefit was $23,538,000 and $8,425,000 for the year ended January 31, 2010, $22,406,000 and $8,032,000 for the year ended January 31, 2009 and $37,069,000 and $13,764,000 for the year ended January 31, 2008. Total compensation cost capitalized in inventory was not significant.

P. EMPLOYEE BENEFIT PLANS

Pensions and Other Postretirement Benefits

The Company maintains the following pension plans: a noncontributory defined benefit pension plan qualified in accordance with the Internal Revenue Service Code ( Qualified Plan ) covering substantially all U.S. employees hired before January 1, 2006, a non-qualified unfunded retirement income plan ( Excess Plan ) covering certain employees affected by Internal Revenue Service Code compensation limits, a non-qualified unfunded Supplemental Retirement Income Plan ( SRIP ) that covers executive officers of the Company and a noncontributory defined benefit pension plan ( Japan Plan ) covering substantially all employees of Tiffany and Company Japan Inc.

Qualified Plan benefits are based on (i) average compensation in the highest paid five years of the last 10 years of employment ( average final compensation ) and (ii) the number of years of service. Effective February 1, 2007, the Qualified Plan was amended to allow participants with at least 10 years of service who retire after attaining age 55 to receive reduced retirement benefits. In November 2008, the Qualified Plan was amended to provide for a voluntary enhanced retirement incentive program for those eligible employees who chose to retire on February 1, 2009 (see Note D. Restructuring Charges ). The Company funds the Qualified Plan s trust in accordance with regulatory limits to provide for current service and for the unfunded benefit obligation over a reasonable period and for current service benefit accruals. The Company made a $27,500,000

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cash contribution to the Qualified Plan in 2009 and plans to contribute approximately $40,000,000 in 2010. However, this expectation is subject to change based on asset performance being significantly different than the assumed long-term rate of return on pension assets.

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

The Excess Plan uses the same retirement benefit formula set forth in the Qualified Plan, but includes earnings that are excluded under the Qualified Plan due to Internal Revenue Service Code qualified pension plan limitations. Benefits payable under the Qualified Plan offset benefits payable under the Excess Plan. Employees vested under the Qualified Plan are vested under the Excess Plan; however, benefits under the Excess Plan are subject to forfeiture if employment is terminated for cause and, for those who leave the Company prior to age 65, if they fail to execute and adhere to non-competition and confidentiality covenants. Effective February 1, 2007, the Excess Plan was amended to allow participants with at least 10 years of service who retire after attaining age 55 to receive reduced retirement benefits. In November 2008, the Excess Plan was amended to provide for a voluntary enhanced retirement incentive program for those eligible employees who chose to retire on February 1, 2009 (see Note D. Restructuring Charges ).

The SRIP supplements the Qualified Plan, Excess Plan and Social Security by providing additional payments upon a participant s retirement. SRIP benefits are determined by a percentage of average final compensation; such percentage increases as specified service plateaus are achieved. Benefits payable under the Qualified Plan, Excess Plan and Social Security offset benefits payable under the SRIP. Under the SRIP as amended effective February 1, 2007, benefits vest when a participant both (i) attains age 55 while employed by the Company and (ii) has provided at least 10 years of service. Early vesting can occur on a change in control. In January 2009, the SRIP was amended to limit the circumstances in which early vesting can occur due to a change in control. Benefits under the SRIP are forfeit if benefits under the Excess Plan are forfeit.

Japan Plan benefits are based on monthly compensation and the numbers of years of service. Benefits are payable in a lump sum upon retirement, termination, resignation or death if the participant has completed at least three years of service.

The Company accounts for pension expense using the projected unit credit actuarial method for financial reporting purposes. The actuarial present value of the benefit obligation is calculated based on the expected date of separation or retirement of the Company s eligible employees.

The Company provides certain health-care and life insurance benefits ( Other Postretirement Benefits ) for retired employees and accrues the cost of providing these benefits throughout the employees active service period until they attain full eligibility for those benefits. Substantially all of the Company s U.S. full-time employees may become eligible for these benefits if they reach normal or early retirement age while working for the Company. The cost of providing postretirement health-care benefits is shared by the retiree and the Company, with retiree contributions evaluated annually and adjusted in order to maintain the Company/retiree cost-sharing target ratio. The life insurance benefits are noncontributory. The Company s employee and retiree health-care benefits are administered by an insurance company, and premiums on life insurance are based on prior years claims experience.

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Effective with the first quarter of 2008, the Company changed the measurement date for its U.S. employee benefit plans from December 31 to January 31 in accordance with the measurement date provisions of U.S. GAAP. The Company has elected to use a 13-month approach to proportionally allocate the transition adjustment required. The Company recorded a reduction of $1,114,000 to retained earnings and an increase to accumulated other comprehensive income of $41,000 in the fourth quarter of fiscal year 2008.

During the fourth quarter of 2008, the Company recorded a net curtailment gain of $873,000 and special termination benefits of $63,803,000 on its pension and postretirement plans resulting from the overall reduction in the Company s staffing levels (see Note D. Restructuring Charges for further information).

Obligations and Funded Status

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

| | January 31, | | | |
|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | |
| *(in thousands)* | 2010 | 2009 | 2010 | 2009 |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | $ 327,837 | $ 273,564 | $ 36,829 | $ 29,291 |
| Adjustment due to change in measurement date | | 2,796 | | 291 |
| Service cost | 11,444 | 16,712 | 1,259 | 1,663 |
| Interest cost | 22,810 | 17,516 | 2,641 | 1,811 |
| Participants contributions | | | 1,812 | 423 |
| MMA retiree drug subsidy | | | 159 | 191 |
| Actuarial loss (gain) | 39,290 | (32,756) | 3,021 | (4,867) |
| Benefits paid | (19,113) | (6,372) | (3,390) | (1,400) |
| Curtailments | | (2,289) | | 2,434 |
| Special termination benefits | | 56,811 | | 6,992 |
| Translation | (4) | 1,855 | | |
| Benefit obligation at end of year | 382,264 | 327,837 | 42,331 | 36,829 |
| Change in plan assets: | | | | |

| | | | | |
|---|---|---|---|---|
| Fair value of plan assets at beginning of year | 160,314 | 238,732 | | |
| Actual return on plan assets | 30,505 | (72,721) | | |
| Employer contribution | 29,858 | 675 | 1,419 | 786 |
| Participants contributions | | | 1,812 | 423 |
| MMA retiree drug subsidy | | | 159 | 191 |
| Benefits paid | (19,113) | (6,372) | (3,390) | (1,400) |
| Fair value of plan assets at end of year | 201,564 | 160,314 | | |
| Funded status at end of year | $(180,700) | $(167,523) | $ (42,331) | $ (36,829) |

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

| | | | January 31, 2010 | |
|---|---|---|---|---|
| *(in thousands)* | Qualified | Excess/SRIP | Japan | Total |
| Projected benefit obligation | $ 316,080 | $ 54,012 | $ 12,172 | $ 382,264 |
| Fair value of plan assets | 201,564 | | | 201,564 |
| Funded status | $(114,516) | $(54,012) | $ (12,172) | $ (180,700) |
| Accumulated benefit obligation | $ 282,579 | $ 30,905 | $ 8,859 | $ 322,343 |

| | | | January 31, 2009 | |
|---|---|---|---|---|
| *(in thousands)* | Qualified | Excess/SRIP | Japan | Total |
| Projected benefit obligation | $ 273,998 | $ 41,632 | $ 12,207 | $ 327,837 |
| Fair value of plan assets | 160,314 | | | 160,314 |
| Funded status | $(113,684) | $(41,632) | $ (12,207) | $ (167,523) |
| Accumulated benefit obligation | $ 246,969 | $ 23,923 | $ 9,207 | $ 280,099 |

At January 31, 2010, the Company had a current liability of $3,755,000 and a non-current liability of $219,276,000 for pension and other postretirement benefits. At January 31, 2009, the Company had a current liability of $3,749,000 and a non-current liability of $200,603,000 for pension and other postretirement benefits.

Amounts recognized in accumulated other comprehensive loss consist of:

| | | | January 31, | |
|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | |
| *(in thousands)* | 2010 | 2009 | 2010 | 2009 |
| Net actuarial loss (gain) | $ 79,137 | $ 56,013 | $ (627) | $ (3,646) |
| Prior service cost (credit) | 4,790 | 5,867 | (7,034) | (7,693) |
| Deferred income tax (benefit) expense | (33,385) | (24,537) | 2,390 | 4,067 |
| | $ 50,542 | $ 37,343 | $ (5,271) | $ (7,272) |

The estimated pre-tax amount that will be amortized from accumulated other comprehensive loss into net periodic benefit cost within the next 12 months is as follows:

| *(in thousands)* | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| Net actuarial loss | $ 2,778 | $ |
| Prior service cost (credit) | 1,077 | (659) |
| | $ 3,855 | $ (659) |

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Net Periodic Benefit Cost

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

| | Years Ended January 31, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | Other Postretirement Benefits | | |
| *(in thousands)* | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Net Periodic Benefit Cost: | | | | | | |
| Service cost | $11,444 | $16,712 | $17,796 | $1,259 | $ 1,663 | $1,513 |
| Interest cost | 22,810 | 17,516 | 15,932 | 2,641 | 1,811 | 1,671 |
| Expected return on plan assets | (14,591) | (15,660) | (13,704) | | | |
| Amortization of prior service cost | 1,077 | 1,282 | 1,281 | (659) | (790) | (790) |
| Amortization of net loss | (84) | 645 | 2,957 | | | 10 |
| Settlement loss | 191 | | | | | |
| Curtailment loss (gain) | | 638 | | | (1,511) | |
| Special termination benefits | | 56,811 | | | 6,992 | |
| Net expense | $20,847 | $77,944 | $24,262 | $3,241 | $ 8,165 | $2,404 |

Other Amounts Recognized in Other Comprehensive Loss

Other changes in plan assets and benefit obligations recognized in other comprehensive loss are as follows:

| | Year Ended January 31, 2010 | |
|---|---|---|
| *(in thousands)* | Pension Benefits | Other Postretirement Benefits |
| Net expense | $ 20,847 | $ 3,241 |
| Net actuarial loss | $ 23,044 | $ 3,019 |
| Recognized actuarial gain | 84 | |
| Recognized prior service (cost) credit | (1,077) | 659 |
| Translation | (4) | |
| Total recognized in other comprehensive loss | $ 22,047 | $ 3,678 |
| Total recognized in net periodic benefit cost and other comprehensive loss | $ 42,894 | $ 6,919 |

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| *(in thousands)* | Year Ended January 31, 2009<br>Pension Benefits | <br>Other Postretirement Benefits |
|---|---|---|
| Net expense | $ 77,944 | $ 8,165 |
| Net actuarial loss (gain) | $ 55,376 | $ (2,377) |
| Recognized actuarial loss | (645) | |
| Prior service (credit) cost | (1,373) | 1,456 |
| Recognized prior service (cost) credit | (1,282) | 790 |
| Translation | 202 | |
| Total recognized in other comprehensive loss | $ 52,278 | $ (131) |
| Total recognized in net periodic benefit cost and other comprehensive loss | $ 130,222 | $ 8,034 |

Assumptions

Weighted-average assumptions used to determine benefit obligations:

| | 2010 | January 31, 2009 |
|---|---|---|
| Discount rate: | | |
| Qualified Plan | 6.50% | 7.25% |
| Excess Plan / SRIP | 6.75% | 7.50% |
| Japan Plan | 3.00% | 2.75% |
| Other Postretirement Benefits | 6.75% | 7.25% |
| Rate of increase in compensation: | | |
| Qualified Plan | 3.75% | 4.00% |
| Excess Plan | 5.25% | 5.50% |
| SRIP | 8.25% | 8.50% |
| Japan Plan | 2.50% | 2.25% |

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

| | Years Ended January 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Discount rate: | | | |
| Qualified Plan | 7.25% | 6.50% | 6.00% |
| Excess Plan / SRIP | 7.50% | 6.50% | 6.00% |
| Japan Plan | 2.75% | 2.75% | 2.75% |
| Other Postretirement Benefits | 7.25% | 6.50% | 6.00% |
| Expected return on plan assets | 7.50% | 7.50% | 7.50% |
| Rate of increase in compensation: | | | |
| Qualified Plan | 4.00% | 4.00% | 3.50% |
| Excess Plan | 5.50% | 5.50% | 5.00% |
| SRIP | 8.50% | 8.50% | 8.00% |
| Japan Plan | 2.25% | 2.25% | 2.25% |

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The expected long-term rate of return on Qualified Plan assets is selected by taking into account the average rate of return expected on the funds invested or to be invested to provide for benefits included in the projected benefit obligation. More specifically, consideration is given to the expected rates of return (including reinvestment asset return rates) based upon the plan s current asset mix, investment strategy and the historical performance of plan assets. For postretirement benefit measurement purposes, an 8.00% annual rate of increase in the per capita cost of covered health care was assumed for 2010. The rate was assumed to decrease gradually to 5.00% by 2016 and remain at that level thereafter.

Assumed health-care cost trend rates affect amounts reported for the Company s postretirement health-care benefits plan. A one-percentage-point increase in the assumed health-care cost trend rate would increase the Company s accumulated postretirement benefit obligation by $569,000 and the aggregate service and interest cost components of net periodic postretirement benefits by $58,000 for the year ended January 31, 2010. Decreasing the assumed health-care cost trend rate by one-percentage-point would decrease the Company s accumulated postretirement benefit obligation by $546,000 and the aggregate service and interest cost components of net periodic postretirement benefits by $55,000 for the year ended January 31, 2010.

Plan Assets

The Company s investment objectives, related to Qualified Plan assets, are the preservation of principal and the achievement of a reasonable rate of return over time. The Qualified Plan s assets are allocated based on an expectation that equity securities will outperform debt securities over the long term. The Company s target asset allocations are as follows: 60% - 70% in equity securities; 20% - 30% in debt securities; and 5% - 15% in other securities. The Company attempts to mitigate investment risk by rebalancing asset allocation periodically.

The fair value of the Company s Qualified Plan assets at January 31, 2010, by asset category is as follows:

| | | Fair Value Measurements Using Inputs Considered as | | |
|---|---|---|---|---|
| *(in thousands)* | Fair Value at January 31, 2010 | Level 1 | Level 2 | Level 3 |
| Equity securities: | | | | |
| Common/collective trusts [a] | $ 135,425 | $ | $ 135,425 | $ |
| Fixed income securities: | | | | |
| Government bonds | 27,491 | 18,627 | 8,864 | |
| Corporate bonds | 24,320 | | 24,320 | |
| Mortgage obligations | 2,045 | | 2,045 | |
| Other types of investments: | | | | |
| Limited partnerships | 11,692 | | | 11,692 |
| Multi-strategy hedge fund | 591 | | | 591 |
| | $ 201,564 | $ 18,627 | $ 170,654 | $ 12,283 |

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

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| *(in thousands)* | Limited partnerships | Multi-strategy hedge fund |
|---|---|---|
| Beginning balance at February 1, 2009 | $ 15,774 | $ 1,613 |
| Unrealized (loss) gain, net | (4,716) | 126 |
| Realized loss, net | (85) | (379) |
| Purchases, sales and settlements, net | 719 | (769) |
| Ending balance at January 31, 2010 | $ 11,692 | $ 591 |

Valuation Techniques

Investments in common/collective trusts are stated at estimated fair value which represents the net asset value of shares held by the Qualified Plan as reported by the investment advisor of the common/collective trusts. Investments in limited partnerships are valued at estimated fair value based on financial information received from the investment advisor and/or general partner. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding.

Securities traded on the national securities exchange (certain government bonds) are valued at the last reported sales price or closing price on the last business day of the fiscal year. Investments traded in the over-the-counter market and listed securities for which no sales were reported (certain government bonds and corporate bonds and mortgage obligations) are valued at the last reported bid price.

Investments in multi-strategy hedge funds are valued at fair value, generally at an amount equal to the net asset value of the investment in the underlying funds as determined by the underlying fund s general partner or manager. If no such information is available, a value is determined by the investment manager.

Benefit Payments

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

| Years Ending January 31, | Pension Benefits *(in thousands)* | Other Postretirement Benefits *(in thousands)* |
|---|---|---|
| 2011 | $ 18,191 | $ 2,297 |
| 2012 | 18,416 | 2,422 |
| 2013 | 18,551 | 2,371 |
| 2014 | 18,586 | 2,308 |
| 2015 | 19,026 | 2,314 |
| 2016-2020 | 113,818 | 11,258 |

Employee Profit Sharing and Retirement Savings Plan

The Company maintains an EPSRS Plan that covers substantially all U.S.-based employees. Under the profit-sharing feature of the EPSRS Plan, the Company makes contributions, in the form of newly-issued Company Common Stock, to the employees accounts based on the achievement of certain targeted earnings objectives established by, or as otherwise determined by, the Company s Board of Directors. The Company recorded expense of $5,000,000 and $4,750,000 in 2009 and 2007. The Company did not meet its targeted earnings objectives in 2008 and, therefore, did not record any expense. Under the retirement savings feature of the EPSRS Plan, employees who meet certain eligibility requirements may participate by contributing up to 15% of their annual compensation, and the Company may provide up to a 50% matching cash contribution up to 6%

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of each participant s total compensation. The Company recorded expense of $5,506,000, $7,440,000 and $6,940,000 in 2009, 2008 and 2007. Contributions to both features of the EPSRS Plan are made in the following year.

Under the profit-sharing feature of the EPSRS Plan, the Company s stock contribution is required to be maintained in such stock until the employee has two or more years of service, at which time the employee may diversify his or her Company stock account into other investment options provided under the plan. Under the retirement savings portion of the EPSRS Plan, the employees have the ability to elect to invest their contribution and the matching contribution in Company stock. At January 31, 2010, investments in Company stock represented 26% of total EPSRS Plan assets.

Effective as of February 1, 2006, the EPSRS Plan was amended to provide a defined contribution retirement benefit ( DCRB ) to eligible employees hired on or after January 1, 2006 (see Pensions and Other Postretirement Benefits above). Under the DCRB, the Company makes contributions each year to each employee s account at a rate based upon age and years of service. These contributions are deposited into individual accounts set up in each employee s name to be invested in a manner similar to the retirement savings portion of the EPSRS Plan. The Company recorded expense of $1,685,000, $1,606,000 and $1,032,000 in 2009, 2008 and 2007.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan for directors, executives and certain management employees, whereby eligible participants may defer a portion of their compensation for payment at specified future dates, upon retirement, death or termination of employment. The deferred compensation is adjusted to reflect performance, whether positive or negative, of selected investment options, chosen by each participant, during the deferral period. The amounts accrued under the plans were $18,611,000 and $15,423,000 at January 31, 2010 and 2009, and are reflected in other long-term liabilities. The Company does not promise or guarantee any rate of return on amounts deferred.

Q. INCOME TAXES

Earnings from continuing operations before income taxes consisted of the following:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| United States | $ 226,347 | $ 228,303 | $ 400,568 |
| Foreign | 163,627 | 137,456 | 178,763 |
| | $ 389,974 | $ 365,759 | $ 579,331 |

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Components of the provision for income taxes were as follows:

| *(in thousands)* | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 73,948 | $ 58,432 | $ 150,743 |
| State | 25,927 | 15,650 | 26,744 |
| Foreign | 39,262 | 44,896 | 149,975 |
| | 139,137 | 118,978 | 327,462 |
| Deferred: | | | |
| Federal | (17,711) | 10,679 | (72,647) |
| State | (8,931) | 5,978 | (9,698) |
| Foreign | 11,803 | (2,031) | (35,785) |
| | (14,839) | 14,626 | (118,130) |
| | $ 124,298 | $ 133,604 | $ 209,332 |

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

| | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| Statutory Federal income tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of Federal benefit | 2.4 | 3.7 | 2.7 |
| Foreign losses with no tax benefit | 1.3 | 2.5 | 0.7 |
| Undistributed foreign earnings | (3.4) | (4.8) | (0.8) |
| Net change in uncertain tax positions | (1.7) | 1.2 | (0.7) |
| Domestic manufacturing deduction | (1.0) | (0.9) | (0.7) |
| Other | (0.7) | (0.2) | (0.1) |
| | 31.9% | 36.5% | 36.1% |

The Company has the intent to indefinitely reinvest any undistributed earnings of primarily all foreign subsidiaries. As of January 31, 2010 and 2009, the Company has not provided deferred taxes on approximately $226,000,000 and $153,000,000 of undistributed earnings. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. U.S. Federal income taxes of approximately $40,700,000 and $30,100,000 would be incurred if these earnings were distributed.

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Deferred tax assets (liabilities) consisted of the following:

| *(in thousands)* | 2010 | January 31, 2009 |
|---|---|---|
| Deferred tax assets: | | |
| Pension/postretirement benefits | $ 76,778 | $ 69,821 |
| Accrued expenses | 23,365 | 22,750 |
| Share-based compensation | 27,934 | 30,289 |
| Depreciation | 20,354 | 15,494 |
| Foreign and state net operating losses | 28,863 | 33,957 |
| Notes receivable | 3,675 | 3,675 |
| Sale-leaseback | 81,951 | 84,248 |
| Other | 27,849 | 38,604 |
| | 290,769 | 298,838 |
| Valuation allowance | (24,433) | (27,486) |
| | 266,336 | 271,352 |
| Deferred tax liabilities: | | |
| Inventory | (27,131) | (43,133) |
| Foreign tax credit | (50,233) | (55,298) |
| Other | | |
| | (77,364) | (98,431) |
| Net deferred tax asset | $ 188,972 | $ 172,921 |

The Company has recorded a valuation allowance against certain deferred tax assets related to state and foreign net operating loss carryforwards where recovery is uncertain. The overall valuation allowance relates to tax loss carryforwards and temporary differences for which no benefit is expected to be realized. Tax loss carryforwards of approximately $12,000,000, $21,000,000 and $93,000,000 exist in certain Federal, state and foreign jurisdictions. Whereas some of these tax loss carryforwards do not have an expiration date, others expire at various times from January 2011 through January 2030.

The Company adopted new accounting guidance which clarifies the accounting for uncertainty in income tax positions on February 1, 2007. As a result of the implementation of this new guidance, the Company recorded a non-cash cumulative transition charge of $4,299,000 as a reduction to the February 1, 2007 balance of retained earnings.

The Company recognizes interest expense and penalties related to unrecognized tax benefits within provision for income taxes in the accompanying consolidated statement of earnings. During the years ended January 31, 2010, 2009 and 2008, the Company recognized approximately ($3,112,000), $3,497,000 and ($2,569,000) of (income)/expense associated with interest and penalties. Accrued interest and penalties are included within accounts payable and accrued liabilities and other long-term liabilities in the consolidated balance sheet, and were $3,305,000 and $6,464,000 at January 31, 2010 and 2009.

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The following table reconciles the unrecognized tax benefits from the beginning of the period to the end of the period for the years ended January 31, 2010, 2009 and 2008:

| *(in thousands)* | 2010 | 2009 | January 31, 2008 |
|---|---|---|---|
| Unrecognized tax benefits at beginning of year | $ 48,016 | $ 30,306 | $ 32,118 |
| Gross increases tax positions in prior period | 5,256 | 10,161 | 13,413 |
| Gross decreases tax positions in prior period | (12,478) | (1,125) | (16,030) |
| Gross increases current period tax positions | 6,441 | 8,888 | 6,654 |
| Settlements | (3,518) | (214) | (4,805) |
| Lapse of statute of limitations | (11,491) | | (1,044) |
| Unrecognized tax benefits at end of year | $ 32,226 | $ 48,016 | $ 30,306 |

Included in the balance of unrecognized tax benefits at January 31, 2010, 2009 and 2008 are $12,355,000, $18,632,000 and $14,292,000 of tax benefits that, if recognized, would affect the effective income tax rate.

The Company is subject to taxation in the U.S. and various states 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) and Japan (tax years 2003-2008). Tax years from 2001 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 income tax benefits over the next 12 months. Future developments may result in a change in this assessment.

R. SEGMENT INFORMATION

The Company s products are primarily sold in TIFFANY & CO. retail locations around the world. Net sales by geographic area are presented by attributing revenues from external customers on the basis of the country in which the merchandise is sold.

In deciding how to allocate resources and assess performance, the Company s Chief Operating Decision Maker ( CODM ) regularly evaluates the performance of its reportable segments on the basis of net sales and earnings from operations, after the elimination of inter-segment sales and transfers. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

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

| *(in thousands)* | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| Net sales: | | | |
| Americas | $ 1,410,845 | $ 1,586,636 | $ 1,759,868 |
| Asia-Pacific | 957,161 | 921,988 | 853,759 |
| Europe | 311,800 | 284,630 | 243,579 |
| Total reportable segments | 2,679,806 | 2,793,254 | 2,857,206 |
| Other | 29,898 | 55,605 | 70,545 |
| | $ 2,709,704 | $ 2,848,859 | $ 2,927,751 |
| Earnings (losses) from continuing operations: * | | | |
| Americas | $ 273,778 | $ 317,964 | $ 395,011 |
| Asia-Pacific | 242,547 | 233,958 | 227,117 |
| Europe | 64,271 | 58,725 | 57,385 |
| Total reportable segments | 580,596 | 610,647 | 679,513 |
| Other | (10,881) | (5,198) | (2,920) |
| | $ 569,715 | $ 605,449 | $ 676,593 |

*Represents earnings (losses) from continuing operations before unallocated corporate expenses, other operating income, restructuring charges and interest expense, financing costs and other income, net.

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

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

| *(in thousands)* | Years Ended January 31, 2010 | 2009 | 2008 |
|---|---|---|---|
| Earnings from continuing operations for segments | $ 569,715 | $ 605,449 | $ 676,593 |
| Unallocated corporate expenses | (129,665) | (101,889) | (127,007) |
| Restructuring charges | | (97,839) | |
| Other operating income | 4,442 | | 105,051 |
| Other operating expenses | (4,000) | (11,062) | (67,193) |
| Interest expense, financing costs and other income, net | (50,518) | (28,900) | (8,113) |
| Earnings from continuing operations before income taxes | $ 389,974 | $ 365,759 | $ 579,331 |

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.

Restructuring charges for the year ended January 31, 2009 represents a $97,839,000 pre-tax charge associated with the Company s staffing reduction initiatives (see Note D. Restructuring Charges ).

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Other operating income for the year ended January 31, 2010 represents $4,442,000 of income received in connection with the assignment of the Tahera commitments and liens to an unrelated third party (see Note L. Commitments and Contingencies ). Other operating income for the year ended January 31, 2008 includes the $105,051,000 pre-tax gain on the sale-leaseback of the land and building housing a TIFFANY & CO. store in Tokyo s Ginza shopping district. Other operating expenses for the year ended January 31, 2010 represents $4,000,000 paid to terminate a third-party management agreement (see Note C. Acquisitions & Dispositions ). Other operating expenses for the year ended January 31, 2009 represents the $11,062,000 pre-tax impairment charge related to the Company s investment in Target (see Note L. Commitments and Contingencies ). Other operating expenses for the year ended January 31, 2008 includes the $47,981,000 pre-tax impairment charge on the note receivable from Tahera (see Note L. Commitments and Contingencies ) and the $19,212,000 pre-tax charge related to management s decision to discontinue certain watch models as a result of the Company s agreement by which The Swatch Group Ltd. will design, manufacture, distribute and market TIFFANY & CO. brand watches worldwide.

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

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Net sales: | | | |
| United States | $ 1,338,216 | $ 1,535,893 | $ 1,723,119 |
| Japan | 512,989 | 533,474 | 498,501 |
| Other countries | 858,499 | 779,492 | 706,131 |
| | $ 2,709,704 | $ 2,848,859 | $ 2,927,751 |
| Long-lived assets: | | | |
| United States | $ 560,450 | $ 626,140 | $ 658,141 |
| Japan | 34,334 | 39,524 | 15,427 |
| Other countries | 121,558 | 106,587 | 104,329 |
| | $ 716,342 | $ 772,251 | $ 777,897 |

Classes of Similar Products

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2010 | 2009 | 2008 |
| Net sales: | | | |
| Gemstone jewelry and band rings | $ 715,353 | $ 751,547 | $ 813,173 |
| Diamond rings and wedding bands | 575,267 | 568,350 | 528,512 |
| Non-gemstone gold or platinum jewelry | 329,495 | 316,204 | 332,639 |
| Non-gemstone sterling silver jewelry | 824,598 | 841,887 | 837,532 |
| All other | 264,991 | 370,871 | 415,895 |
| | $ 2,709,704 | $ 2,848,859 | $ 2,927,751 |

Certain reclassifications have been made to the prior years classes of similar products to conform to the current year presentation.

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S. QUARTERLY FINANCIAL DATA (UNAUDITED)

| | 2009 Quarters Ended | | | |
|---|---|---|---|---|
| *(in thousands, except per share amounts)* | April 30 | July 31[a] | October 31[b] | January 31 |
| Net sales | $ 517,615 | $ 612,493 | $ 598,212 | $ 981,384 |
| Gross profit | 289,219 | 337,452 | 327,803 | 575,745 |
| Earnings from continuing operations | 59,514 | 89,554 | 66,817 | 224,607 |
| Net earnings from continuing operations | 27,443 | 56,717 | 43,309 | 138,207 |
| Net earnings | 24,341 | 56,776 | 43,339 | 140,367 |
| Net earnings from continuing operations per share: | | | | |
| Basic | $ 0.22 | $ 0.46 | $ 0.35 | $ 1.10 |
| Diluted | $ 0.22 | $ 0.46 | $ 0.34 | $ 1.09 |
| Net earnings per share: | | | | |
| Basic | $ 0.20 | $ 0.46 | $ 0.35 | $ 1.12 |
| Diluted | $ 0.20 | $ 0.46 | $ 0.35 | $ 1.10 |

[a] Includes (i) $5,662,000 tax benefit associated with favorable reserve adjustments relating to the settlement of certain tax audits and (ii) $4,442,000 pre-tax income in connection with the assignment of the Tahera commitments and liens to an unrelated third party (see Note L. Commitments and Contingencies ), which in total benefited net earnings from continuing

operations and net earnings by $0.07 per diluted share in the quarter.

[b] Includes (i) $5,558,000 tax benefit associated with favorable reserve adjustments relating to the expiration of statutory periods and (ii) $4,000,000 pre-tax expense related to the termination of a third-party management agreement (see Note C. Acquisitions & Dispositions ), which in total benefited net earnings from continuing operations and net earnings by $0.01 per diluted share in the quarter.

| | 2008 Quarters Ended | | | |
|---|---|---|---|---|
| *(in thousands, except per share amounts)* | April 30 | July 31 | October 31 | January 31[a] |
| Net sales | $ 665,480 | $ 729,634 | $ 616,152 | $ 837,593 |
| Gross profit | 380,018 | 421,876 | 347,125 | 497,423 |
| Earnings from continuing operations | 106,686 | 134,329 | 81,503 | 72,141 |
| Net earnings from continuing operations | 66,546 | 82,640 | 45,556 | 37,413 |
| Net earnings | 64,390 | 80,770 | 43,777 | 31,085 |
| Net earnings from continuing operations per share: | | | | |
| Basic | $ 0.53 | $ 0.66 | $ 0.37 | $ 0.30 |
| Diluted | $ 0.52 | $ 0.64 | $ 0.36 | $ 0.30 |

Net earnings per share:

| | | | | |
|---|---|---|---|---|
| Basic | $ 0.51 | $ 0.64 | $ 0.35 | $ 0.25 |
| Diluted | $ 0.50 | $ 0.63 | $ 0.35 | $ 0.25 |

[a] Includes (i) a pre-tax charge of $97,839,000 related to the Company s restructuring actions announced during the fourth quarter of 2008 (see Note D. Restructuring Charges ); (ii) a pre-tax charge of $12,373,000 related to the impairment of the investment in Target (see Note L. Commitments and Contingencies ); (iii) a pre-tax charge of $7,549,000 related to the Company s plans to close its IRIDESSE stores, included within discontinued operations (see Note C. Acquisitions & Dispositions ); and (iv) a pre-tax charge of $3,382,000 for the closing of a diamond polishing facility (see Note C. Acquisitions & Dispositions ). In total, these items

reduced net earnings from continuing operations by $0.56 per diluted share and net earnings by $0.60 per diluted share in the quarter.

The sum of the quarterly net earnings per share amounts in the above tables may not equal the full-year amount since the computations of the weighted-average number of common-equivalent shares outstanding for each quarter and the full year are made independently.

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

NONE

**Item 9A. Controls and Procedures.**

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), 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.

Report of Management

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

Management is further responsible for maintaining a system of internal accounting control designed to provide reasonable assurance that the Company s assets are adequately safeguarded, and that the accounting records reflect transactions executed in accordance with management s authorization. The system of internal control is continually reviewed and is

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augmented by written policies and procedures, the careful selection and training of qualified personnel and a program of internal audit.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their report is shown on page K-44. The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with financial management and the independent registered public accounting firm to discuss specific accounting, financial reporting and internal control matters. Both the independent registered public accounting firm and the internal auditors have full and free access to the Audit Committee. Each year the Audit Committee selects the firm that is to perform audit services for the Company.

*Management s Report on Internal Control over Financial Reporting*. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a 15(f). Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on this evaluation, management concluded that internal control over financial reporting was effective as of January 31, 2010 based on criteria in Internal Control Integrated Framework issued by the COSO. The effectiveness of the Company s internal control over financial reporting as of January 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is shown on page K-44.

/s/ Michael J. Kowalski
Chairman of the Board and Chief Executive Officer

/s/ James N. Fernandez
Executive Vice President and Chief Financial Officer

**Item 9B. Other Information.**

NONE

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**PART III**

**Item 10. Directors and Executive Officers and Corporate Governance.**

Incorporated by reference from the sections titled Ownership by Directors, Director Nominees and Executive Officers, Compliance of Directors, Executive Officers and Greater-Than-Ten-Percent Stockholders with Section 16(a) Beneficial Ownership Reporting Requirements and DISCUSSION OF PROPOSALS PRESENTED BY THE BOARD. Item 1. Election of Directors in Registrant s Proxy Statement dated April 9, 2010.

CODE OF ETHICS AND OTHER CORPORATE GOVERNANCE DISCLOSURES

Registrant has adopted a Code of Business and Ethical Conduct for its Directors, Chief Executive Officer, Chief Financial Officer and all other officers of Registrant. A copy of this Code is posted on the corporate governance section of the Registrant s website, http://investor.tiffany.com/governance.cfm; go to Code of Conduct. The Registrant will also provide a copy of the Code of Business and Ethical Conduct to stockholders upon request.

See Registrant s Proxy Statement dated April 9, 2010, for information within the section titled Business Conduct Policy and Code of Ethics.

**Item 11. Executive Compensation.**

Incorporated by reference from the section titled COMPENSATION OF THE CEO AND OTHER EXECUTIVE OFFICERS in Registrant s Proxy Statement dated April 9, 2010.

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

Incorporated by reference from the section titled OWNERSHIP OF THE COMPANY in Registrant s Proxy Statement dated April 9, 2010.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

See Executive Officers of the Registrant and Board of Directors information incorporated by reference from the sections titled Independent Directors Constitute a Majority of the Board, TRANSACTIONS WITH RELATED PERSONS and EXECUTIVE OFFICERS OF THE COMPANY in Registrant s Proxy Statement dated April 9, 2010.

**Item 14. Principal Accountant Fees and Services.**

Incorporated by reference from the section titled Fees and Services of PricewaterhouseCoopers LLP in Registrant s Proxy Statement dated April 9, 2010.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

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

1. Financial Statements

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of January 31, 2010 and 2009.

Consolidated Statements of Earnings for the years ended January 31, 2010, 2009 and 2008.

Consolidated Statements of Stockholders Equity and Comprehensive Earnings for the years ended January 31, 2010, 2009 and 2008.

Consolidated Statements of Cash Flows for the years ended January 31, 2010, 2009 and 2008.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

The following financial statement schedule should be read in conjunction with the Consolidated Financial Statements:

Schedule II - Valuation and Qualifying Accounts and Reserves.

All other schedules have been omitted since they are neither applicable nor required, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits

The following exhibits have been filed with the Securities and Exchange Commission, but are not attached to copies of this Annual Report on Form 10-K other than complete copies filed with said Commission and the New York Stock Exchange:

| Exhibit | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Registrant. Incorporated by reference from Exhibit 3.1 to Registrant s Report on Form 8-K dated May 16, 1996, as amended by the Certificate of Amendment of Certificate of Incorporation dated May 20, 1999. Incorporated by reference from Exhibit 3.1 to Registrant s Report on Form 10-Q for the Fiscal Quarter ended July 31, 1999. |
| 3.1a | Amendment to Certificate of Incorporation of Registrant dated May 18, 2000. Previously filed as Exhibit 3.1b to Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2001. |
| 3.2 | Restated By-Laws of Registrant, as last amended July 19, 2007. Incorporated by reference from Exhibit 3.2 to Registrant s Report on Form 8-K dated July 20, 2007. |

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| Exhibit | Description |
|---|---|
| 10.122 | Agreement dated as of April 3, 1996 among American Family Life Assurance Company of Columbus, Japan Branch, Tiffany & Co. Japan, Inc., Japan Branch, and Registrant, as Guarantor, for yen 5,000,000,000 Loan Due 2011. Incorporated by reference from Exhibit 10.122 filed with Registrant s Report on Form 10-Q for the Fiscal quarter ended April 30, 1996. |
| 10.122a | Amendment No. 1 to the Agreement referred to in Exhibit 10.122 above dated November 18, 1998. Incorporated by reference from Exhibit 10.122a filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 1999. |
| 10.122b | Guarantee by Tiffany & Co. of the obligations under the Agreement referred to in Exhibit 10.122 above dated April 3, 1996. Incorporated by reference from Exhibit 10.122b filed with Registrant s Report on Form 8-K dated August 2, 2002. |
| 10.122c | Amendment No. 2 to Guarantee referred to in Exhibit 10.122b above, dated October 15, 1999. Incorporated by reference from Exhibit 10.122c filed with Registrant s Report on Form 8-K dated August 2, 2002. |
| 10.122d | Amendment No. 3 to Guarantee referred to in Exhibit 10.122b above, dated July 16, 2002. Incorporated by reference from Exhibit 10.122d filed with Registrant s Report on Form 8-K dated August 2, 2002. |
| 10.122e | Amendment No. 4 to Guarantee referred to in Exhibit 10.122b above, dated December 9, 2005. Incorporated by reference from Exhibit 10.122e filed with Registrant s Report on Form 10-K for the Fiscal Year ended January 31, 2006. |
| 10.122f | Amendment No. 5 to Guarantee referred to in Exhibit 10.122b above, dated May 31, 2006. |
| 10.123 | Agreement made effective as of February 1, 1997 by and between Tiffany and Elsa Peretti. Incorporated by reference from Exhibit 10.123 to Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 1997. |
| 10.126 | Form of Note Purchase Agreement between Registrant and various institutional note purchasers with Schedules B, 5.14 and 5.15 and Exhibits 1A, 1B, and 4.7 thereto, dated as of December 30, 1998 in respect of Registrant s $60 million principal amount 6.90% Series A Senior Notes due December 30, 2008 and $40 million principal amount 7.05% Series B Senior Notes due December 30, 2010. Incorporated by reference from Exhibit 10.126 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 1999. |
| 10.126a | First Amendment and Waiver Agreement to Form of Note Purchase Agreement referred to in previously filed Exhibit 10.126, dated May 16, 2002. Incorporated by reference from Exhibit 10.126a filed with Registrant s Report on Form 8-K dated June 10, 2002. |
| 10.128 | Agreement and Memorandum of Agreement made the 1st day of February 2009 by and between Tiffany & Co. Japan Inc. and Mitsukoshi Ltd. of Japan. Incorporated by reference from Exhibit 10.128 filed with Registrant s Report on Form 8-K dated February 18, 2009. |

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| Exhibit | Description |
|---|---|
| 10.132 | Form of Note Purchase Agreement between Registrant and various institutional note purchasers with Schedules B, 5.14 and 5.15 and Exhibits 1A, 1B and 4.7 thereto, dated as of July 18, 2002 in respect of Registrant s $40,000,000 principal amount 6.15% Series C Notes due July 18, 2009 and $60,000,000 principal amount 6.56% Series D Notes due July 18, 2012. Incorporated by reference from Exhibit 10.132 filed with Registrant s Report on Form 8-K dated August 2, 2002. |
| 10.133 | Guaranty Agreement dated July 18, 2002 with respect to the Note Purchase Agreements (see Exhibit 10.132 above) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. in favor of each of the note purchasers. Incorporated by reference from Exhibit 10.133 filed with Registrant s Report on Form 8-K dated August 2, 2002. |
| 10.134 | Translation of Condition of Bonds applied to Tiffany & Co. Japan Inc. First Series Yen Bonds due 2010 in the aggregate principal amount of 15,000,000,000 yen issued September 30, 2003 (for Qualified Investors Only). Incorporated by reference from Exhibit 10.134 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.135 | Translation of Application of Bonds for Tiffany & Co. Japan Inc. First Series Yen Bonds due 2010 in the aggregate principal amount of 15,000,000,000 yen issued September 30, 2003 (for Qualified Investors Only). Incorporated by reference from Exhibit 10.135 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.135a | Translation of Amendment of Application of Bonds referred to in Exhibit 10.135. Incorporated by reference from Exhibit 10.135a filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.136 | Payment Guarantee dated September 30, 2003 made by Tiffany & Co. for the benefit of the Qualified Investors of the Bonds referred to in Exhibit 10.134. Incorporated by reference from Exhibit 10.136 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.145 | Ground Lease between Tiffany and Company and River Park Business Center, Inc., dated November 29, 2000. Incorporated by reference from Exhibit 10.145 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2005. |
| 10.145a | First Addendum to the Ground Lease between Tiffany and Company and River Park Business Center, Inc., dated November 29, 2000. Incorporated by reference from Exhibit 10.145a filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2005. |
| 10.146 | Credit Agreement dated as of July 31, 2009 by and among Registrant, Tiffany and Company, Tiffany & Co. International, Tiffany & Co. Japan Inc. and each other Subsidiary of Registrant that is a Borrower and is a signatory thereto and The Bank of New York Mellon, as Administrative Agent, and various lenders party thereto. Incorporated by reference from Exhibit 10.146 filed with Registrant s Report on Form 8-K dated August 4, 2009. |

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| Exhibit | Description |
|---|---|
| 10.147 | Guaranty Agreement dated as of July 31, 2009, with respect to the Credit Agreement (see Exhibit 10.146 above) by and among Registrant, Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. and The Bank of New York Mellon, as Administrative Agent. Incorporated by reference from Exhibit 10.147 filed with Registrant s Report on Form 8-K dated August 4, 2009. |
| 10.149 | Lease Agreement made as of September 28, 2005 between CLF Sylvan Way LLC and Tiffany and Company, and form of Registrant s guaranty of such lease. Incorporated by reference from Exhibit 10.149 filed with Registrant s Report on Form 8-K dated September 23, 2005. |
| 10.155 | Form of Note Purchase and Private Shelf Agreement dated as of December 23, 2008 by and between Registrant and various institutional note purchasers with respect to Registrant s $100 million principal amount 9.05% Series A Senior Notes due December 23, 2015 and up to $50 Million Private Shelf Facility. Incorporated by reference from Exhibit 10.155 filed with Registrant s Report on Form 8-K dated February 13, 2009. |
| 10.156 | Guaranty Agreement dated December 23, 2008 with respect to the Note Purchase Agreements (see Exhibit 10.155 above) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. in favor of each of the note purchasers. Incorporated by reference from Exhibit 10.156 filed with Registrant s Report on Form 8-K dated February 13, 2009. |
| 10.157 | Form of Note Purchase Agreement dated as of February 12, 2009 by and between Registrant and certain subsidiaries of Berkshire Hathaway Inc. with respect to Registrant s $125 million principal amount 10% Series A-2009 Senior Notes due February 13, 2017 and $125 million principal amount 10% Series B-2009 Senior Notes due February 13, 2019. Incorporated by reference from Exhibit 10.157 filed on Registrant s Report on Form 8-K dated February 13, 2009. |
| 10.158 | Guaranty Agreement dated February 12, 2009 with respect to the Note Purchase Agreements (see Exhibit 10.157 above) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. in favor of each of the note purchasers. Incorporated by reference from Exhibit 10.158 filed on Registrant s Report on Form 8-K dated February 13, 2009. |
| 10.159 | Form of Note Purchase and Private Shelf Agreement dated as of April 9, 2009 by and between Registrant and various institutional note purchasers with respect to the Registrant s $50 million principal amount 10% Series A Senior Notes due April 9, 2018 and up to $100 million Private Shelf Facility. Incorporated by reference from Exhibit 10.159 filed on Registrant s Report on Form 8-K dated April 13, 2009. |
| 10.160 | Guaranty Agreement dated April 9, 2009 with respect to the Note Purchase and Private Shelf Agreement (see Exhibit 10.159 above) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. Incorporated by reference from Exhibit 10.160 filed on Registrant s Report on Form 8-K dated April 13, 2009. |
| 14.1 | Code of Business and Ethical Conduct and Business Conduct Policy. Incorporated by reference from Exhibit 14.1 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |

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| Exhibit | Description |
|---|---|
| 21.1 | Subsidiaries of Registrant. |
| 23.1 | Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm. |
| 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. |

Executive Compensation Plans and Arrangements

| Exhibit | Description |
|---|---|
| 4.3 | Registrant s 1998 Directors Option Plan. Incorporated by reference from Exhibit 4.3 to Registrant s Registration Statement on Form S-8, file number 333-67725, filed November 23, 1998. |
| 4.3a | Registrant s 2008 Directors Equity Compensation Plan. Incorporated by reference from Exhibit 4.3a filed with Registrant s Report on Form 8-K dated March 23, 2009. |
| 4.4 | Registrant s Amended and Restated 1998 Employee Incentive Plan effective May 19, 2005. Previously filed as Exhibit 4.3 with Registrant s Report on Form 8-K dated May 23, 2005. |
| 10.3 | Registrant s 1986 Stock Option Plan and terms of stock option agreement, as last amended on July 16, 1998. Incorporated by reference from Exhibit 10.3 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 1999. |
| 10.49a | Form of Indemnity Agreement, approved by the Board of Directors on March 11, 2005 for use with all directors and executive officers (Corrected Version). Incorporated by reference from Exhibit 10.49a filed with Registrant s Report on Form 8-K dated May 23, 2005. |
| 10.60 | Registrant s 1988 Director Stock Option Plan and form of stock option agreement, as last amended on November 21, 1996. Incorporated by reference from Exhibit 10.60 to Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 1997. |
| 10.106 | Amended and Restated Tiffany and Company Executive Deferral Plan originally made effective October 1, 1989, as initially amended effective November 23, 2005 and as amended effective July 15, 2009. Incorporated by reference from Exhibit 10.106 filed with Registrant s Report on form 8-K dated March 25, 2010. |

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| Exhibit | Description |
|---|---|
| 10.108 | Registrant s Amended and Restated Retirement Plan for Non-Employee Directors originally made effective January 1, 1989, as amended through January 21, 1999. Incorporated by reference from Exhibit 10.108 filed with Registrant s Annual Report on Form 10-K for the Fiscal Year ended January 31, 1999. |
| 10.109 | Summary of informal incentive cash bonus plan for managerial employees. Incorporated by reference from Exhibit 10.109 filed with Registrant s Report on Form 8-K dated March 16, 2005. |
| 10.114 | 1994 Tiffany and Company Supplemental Retirement Income Plan, Amended and Restated as of January 31, 2009. Incorporated by reference from Exhibit 10.114 filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.127c | Form of 2009 Retention Agreement between and among Registrant and Tiffany and Company ( Tiffany ) and those executive officers indicated within the form and Appendices I and II to such Agreement. Incorporated by reference from Exhibit 10.127c filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.128 | Group Long Term Disability Insurance Policy issued by First Reliance Standard, Policy No. LTD 109406 on April 28, 2009. Incorporated by reference from Exhibit 10.128 filed with Registrant s Report on Form 8-K dated March 25, 2010. |
| 10.137 | Summary of arrangements for the payment of premiums on life insurance policies owned by executive officers. Incorporated by reference from Exhibit 10.137 filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.138 | 2004 Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits, Amended and Restated as of January 12, 2009. Incorporated by reference from Exhibit 10.138 filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.139d | Form of Fiscal 2010 Cash Incentive Award Agreement for certain executive officers adopted on March 17, 2010 under Registrant s 2005 Employee Incentive Plan as Amended and Adopted as of May 18, 2006. Incorporated by reference from Exhibit 10.139d filed with Registrant s Report on Form 8-K dated March 25, 2010. |
| 10.140 | Form of Terms of Performance-Based Restricted Stock Unit Grants to Executive Officers under Registrant s 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.140 filed with Registrant s Report on Form 8-K dated March 16, 2005. |
| 10.140a | Form of Non-Competition and Confidentiality Covenants for use in connection with Performance-Based Restricted Stock Unit Grants to Registrant s Executive Officers and Time-Vested Restricted Unit Awards made to other officers of Registrant s affiliated companies pursuant to the Registrant s 2005 Employee Incentive Plan and pursuant to the Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits. Incorporated by reference from Exhibit 10.140a filed with Registrant s Report on Form 8-K dated May 23, 2005. |

| | | |
|---|---|---|
| 10.140b | Terms of 2009 Performance-Based Restricted Stock Unit Grants to Executive | |
| | TIFFANY & CO. | |
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| Exhibit | Description |
|---|---|
| | Officers under Registrant s 2005 Employee Incentive Plan as adopted on January 28, 2009 for use with grants made that same date. Incorporated by reference from Exhibit 10.140b filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.140c | Terms of 2010 Performance-Based Restricted Stock Unit grants to Executive Officers under Registrant s 2005 Employee Incentive Plan as adopted on January 20, 2010 for use with grants made that same date. Incorporated by reference from Exhibit 10.140c filed with Registrant s Report on Form 8-K dated January 25, 2010. |
| 10.140d | Form of Notice of Grant as referenced in and attached to the Terms of 2010 Performance-Based Restricted Stock Unit grants to Executive Officers under Registrant s 2005 Employee Incentive Plan as adopted on January 20, 2010 (Exhibit 10.140c) and completed on March 17, 2010 for use with the grants made on January 20, 2010. Incorporated by reference from Exhibit 10.140d filed with Registrant s Report on Form 8-K dated March 25, 2010. |
| 10.142 | Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant s 2005 Directors Option Plan as revised March 7, 2005. Incorporated by reference from Exhibit 10.142 filed with Registrant s Report on Form 8-K dated March 16, 2005. |
| 10.143 | Terms of Stock Option Award (Standard Non-Qualified Option) under Registrant s 2005 Employee Incentive Plan as revised March 7, 2005. Incorporated by reference from Exhibit 10.143 filed with Registrant s Report on Form 8-K dated March 16, 2005. |
| 10.143a | Terms of Stock Option Award (Standard Non-Qualified Option) under Registrant s 2005 Employee Incentive Plan as revised May 19, 2005. Incorporated by reference from Exhibit 10.143a filed with Registrant s Report on Form 8-K dated May 23, 2005. |
| 10.144 | Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant s 2005 Employee Incentive Plan as revised March 7, 2005 (form used for Executive Officers). Incorporated by reference from Exhibit 10.144 filed with Registrant s Report on Form 8-K dated March 16, 2005. |
| 10.144a | Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant s 2005 Employee Incentive Plan as revised May 19, 2005 (form used for Executive Officers). Incorporated by reference from Exhibit 10.144a filed with Registrant s Report on Form 8-K dated May 23, 2005. |
| 10.144b | Stock Option Award (Transferable Non-Qualified Option) under Registrant s 2005 Employee Incentive Plan as revised January 14, 2009 (form used for grants made to Executive Officers subsequent to that date). Incorporated by reference from Exhibit 10.144b filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.150 | Form of Terms of Time-Vested Restricted Stock Unit Grants under Registrant s 1998 Employee Incentive Plan and 2005 Employee Incentive Plan. Incorporated by reference as previously filed as Exhibit 10.146 with Registrant s Report on Form 8-K dated May 23, 2005. |
| 10.150a | Terms of Time-Vested Restricted Stock Unit Grants under Registrant s 2005 Employee Incentive Plan as revised January 14, 2009 (form used for grants made to employees other than Executive |

Officers subsequent to that date). Incorporated by

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| Exhibit | Description |
|---|---|
| | reference from Exhibit 10.150a filed with Registrant s Report on Form 8-K dated February 2, 2009. |
| 10.151 | Registrant s 2005 Employee Incentive Plan as adopted May 19, 2005. Incorporated by reference as previously filed as Exhibit 10.145 with Registrant s Report on Form 8-K dated May 23, 2005. |
| 10.151a | Registrant s 2005 Employee Incentive Plan Amended and Adopted as of May 18, 2006. Incorporated by reference from Exhibit 10.151a filed with Registrant s Report on Form 8-K dated March 26, 2007. |
| 10.152 | Share Ownership Policy for Executive Officers and Directors, Amended and Restated as of March 15, 2007. Incorporated by reference from Exhibit 10.152 filed with Registrant s Report on Form 8-K dated March 22, 2007. |
| 10.153 | Corporate Governance Principles, Amended and Restated as of March 15, 2007. Incorporated by reference from Exhibit 10.153 filed with Registrant s Report on Form 8-K dated March 22, 2007. |

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**SIGNATURES**

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

Date: March 30, 2010

**Tiffany & Co.**
(Registrant)

By: /s/ Michael J. Kowalski

Michael J. Kowalski
Chief Executive Officer

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

By: /s/ Michael J. Kowalski

Michael J. Kowalski
Chairman of the Board and Chief Executive Officer
(principal executive officer) (director)

By: /s/ James N. Fernandez

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

By: /s/ Henry Iglesias

Henry Iglesias
Vice President and Controller
(principal accounting officer)

By: /s/ Rose Marie Bravo

Rose Marie Bravo
Director

By: /s/ Gary E. Costley

Gary E. Costley
Director

By: /s/ Lawrence K. Fish

Lawrence K. Fish
Director

By: /s/ Abby F. Kohnstamm

Abby F. Kohnstamm
Director

By: /s/ Charles K. Marquis

Charles K. Marquis
Director

By: /s/ Peter W. May

Peter W. May
Director

By: /s/ J. Thomas Presby

J. Thomas Presby
Director

By: /s/ William A. Shutzer

William A. Shutzer
Director

March 30, 2010

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**Tiffany & Co. and Subsidiaries**
**Schedule II - Valuation and Qualifying Accounts and Reserves**
**(in thousands)**

| Column A | Column B | Column C Additions | | Column D | Column E |
|---|---|---|---|---|---|
| Description | Balance at beginning of period | Charged to costs and expenses | Charged to other accounts | Deductions | Balance at end of period |
| Year Ended January 31, 2010: | | | | | |
| Reserves deducted from assets: | | | | | |
| Accounts receivable allowances: | | | | | |
| Doubtful accounts | $ 4,694 | $ 5,046 | $ | $ 3,454[a] | $ 6,286 |
| Sales returns | 5,240 | 2,034 | | 668[b] | 6,606 |
| Allowance for inventory liquidation and obsolescence | 43,956 | 31,599 | | 29,321[c] | 46,234 |
| Allowance for inventory shrinkage | 922 | 2,377 | | 2,345[d] | 954 |
| Deferred tax valuation allowance | 27,486 | 5,505 | | 8,558[e] | 24,433 |

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to market.
d) Physical inventory losses.
e) Utilization of deferred tax loss carryforwards and the reversal

of deferred tax valuation allowances.

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**Tiffany & Co. and Subsidiaries**
**Schedule II - Valuation and Qualifying Accounts and Reserves**
**(in thousands)**

| Column A | Column B | Column C Additions | | Column D | Column E |
|---|---|---|---|---|---|
| Description | Balance at beginning of period | Charged to costs and expenses | Charged to other accounts | Deductions | Balance at end of period |
| Year Ended January 31, 2009: | | | | | |
| Reserves deducted from assets: | | | | | |
| Accounts receivable allowances: | | | | | |
| Doubtful accounts | $ 3,355 | $ 5,963 | $ | $ 4,624[a] | $ 4,694 |
| Sales returns | 6,357 | 1,611 | | 2,728[b] | 5,240 |
| Allowance for inventory liquidation and obsolescence | 49,226 | 27,296 | | 32,566[c] | 43,956 |
| Allowance for inventory shrinkage | 684 | 3,210 | | 2,972[d] | 922 |
| Deferred tax valuation allowance | 20,726 | 6,760 | | | 27,486 |

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to market.
d) Physical inventory losses.

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**Tiffany & Co. and Subsidiaries**
**Schedule II - Valuation and Qualifying Accounts and Reserves**
**(in thousands)**

| Column A | Column B | Column C Additions | | Column D | Column E |
|---|---|---|---|---|---|
| Description | Balance at beginning of period | Charged to costs and expenses | Charged to other accounts | Deductions | Balance at end of period |
| Year Ended January 31, 2008: | | | | | |
| Reserves deducted from assets: | | | | | |
| Accounts receivable allowances: | | | | | |
| Doubtful accounts | $ 2,445 | $ 3,801 | $ | $ 2,891[a] | $ 3,355 |
| Sales returns | 5,455 | 1,380 | | 478[b] | 6,357 |
| Allowance for inventory liquidation and obsolescence | 26,340 | 35,359 | | 12,473[c] | 49,226 |
| Allowance for inventory shrinkage | 384 | 2,960 | | 2,660[d] | 684 |
| Deferred tax valuation allowance | 19,626 | 1,502 | | 402[e] | 20,726 |

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to market.
d) Physical inventory losses.
e) Utilization of deferred tax loss carryforward.