TIFFANY & CO
Form 10-Q
September 03, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2008.

OR

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

For the transition period from ________ to _____________.

Commission file number: 1-9494

TIFFANY & CO.
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One).

Large Accelerated filer X Accelerated filer ___ Non-Accelerated filer ___

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common Stock, $.01 par value, 124,008,292 shares outstanding at the close of business on August 31, 2008.

TIFFANY & CO. AND SUBSIDIARIES
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED JULY 31, 2008

PART I. Financial Information
Item 1. Financial Statements

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)

	July 31, 2008	January 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 152,156	$ 246,654
Accounts receivable, less allowances of $7,766, $9,712 and $6,133	181,109	193,974
Inventories, net	1,511,921	1,372,397
Deferred income taxes	30,774	20,218
Prepaid expenses and other current assets	69,484	89,072
Assets held for sale	-	-
Total current assets	1,945,444	1,922,315
Property, plant and equipment, net	745,304	748,210
Deferred income taxes	168,909	158,579
Other assets, net	173,019	171,800
	$ 3,032,676	$ 3,000,904
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 240,535	$ 44,032
Current portion of long-term debt	104,560	65,640
Accounts payable and accrued liabilities	189,714	203,622
Income taxes payable	14,956	203,611
Merchandise and other customer credits	67,816	67,956
Liabilities held for sale	-	-
Total current liabilities	617,581	584,861
Long-term debt	294,096	343,465
Pension/postretirement benefit obligations	83,390	79,254
Deferred gains on sale-leasebacks	139,438	145,599
Other long-term liabilities	142,063	131,610
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 125,180, 126,753 and 136,722	1,252	1,268
Additional paid-in capital	681,260	632,671
Retained earnings	1,022,737	1,037,663
Accumulated other comprehensive gain (loss), net of tax:		
Foreign currency translation adjustments	48,783	42,117
Deferred hedging gain	1,464	889
Unrealized (loss) gain on marketable securities	(1,689)	(621)
Net unrealized gain (loss) on benefit plans	2,301	2,128
Total stockholders' equity	1,756,108	1,716,115
	$ 3,032,676	$ 3,000,904

See notes to condensed consolidated financial statements.

3

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(in thousands except per share amounts)

	Three Months Ended July 31,		Six
	2008	2007	2008
Net sales	$ 732,403	$ 662,562	$ 1,400,
Cost of sales	309,201	290,656	596,
Gross profit	423,202	371,906	804,
Selling, general and administrative expenses	291,707	259,119	569,
Earnings from continuing operations	131,495	112,787	234,
Other expenses, net	3,344	2,748	4,
Earnings from continuing operations before income taxes	128,151	110,039	229,
Provision for income taxes	47,381	43,330	84,
Net earnings from continuing operations	80,770	66,709	145,
Loss from discontinued operations, net of tax	-	(26,246)	
Net earnings	$ 80,770	$ 40,463	$ 145,
Earnings per share:			
Basic			

Net earnings from continuing operations	$ 0.64	$ 0.49	$ 1
Net loss from discontinued operations	-	(0.19)	
Net earnings	$ 0.64	$ 0.30	$ 1
Diluted			
Net earnings from continuing operations	$ 0.63	$ 0.48	$ 1
Net loss from discontinued operations	-	(0.19)	
Net earnings	$ 0.63	$ 0.29	$ 1
Weighted-average number of common shares:			
Basic	125,714	136,743	126,
Diluted	128,177	140,325	128,

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

AND COMPREHENSIVE EARNINGS

(Unaudited)

(in thousands)

	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Commo Shares
Balances, January 31, 2008	$ 1,716,115	$ 1,037,663	$ 44,513	126,753
Exercise of stock options and vesting of restricted stock units ("RSUs")	21,571	-	-	1,409
Tax benefit from exercise of stock options and vesting of RSUs	8,879	-	-	-
Share-based compensation expense	22,112	-	-	-
Issuance of Common Stock under Employee Profit Sharing and Retirement Savings Plan	4,750	-	-	124
Purchase and retirement of Common Stock	(128,501)	(119,762)	-	(3,106)
Cash dividends on Common Stock	(40,324)	(40,324)	-	-
Deferred hedging gain, net of tax	575	-	575	-
Unrealized loss on marketable securities,				

net of tax	(1,068)	-	(1,068)	-
Foreign currency translation adjustments,				
net of tax	6,666	-	6,666	-
Net unrealized gain on benefit plans,				
net of tax	173	-	173	-
Net earnings	145,160	145,160	-	-
Balances, July 31, 2008	$ 1,756,108	$ 1,022,737	$ 50,859	125,180

	Three Months Ended July 31,		Six
	2008	2007	2008
Comprehensive earnings are as follows:			
Net earnings	$ 80,770	$ 40,463	$145,1
Other comprehensive gain (loss), net of tax:			
Deferred hedging (loss) gain	(1,652)	(850)	5
Foreign currency translation adjustments	176	3,441	6,6
Unrealized loss on marketable securities	(1,160)	(283)	(1,0
Net unrealized gain on benefit plans	107	335	1
Comprehensive earnings	$ 78,241	$ 43,106	$151,5

See notes to condensed consolidated financial statements.

5

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Six Months End July 31,
	2008
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings	$ 145,160
Loss from discontinued operations, net of tax	-

Net earnings from continuing operations		145,160
Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization		67,170
Amortization of gain on sale-leasebacks		(4,986)
Excess tax benefits from share-based payment arrangements		(8,945)
Provision for inventories		7,327
Deferred income taxes		(17,153)
Provision for pension/postretirement benefits		12,332
Share-based compensation expense		21,781
Changes in assets and liabilities:		
Accounts receivable		16,695
Inventories		(143,786)
Prepaid expenses and other current assets		20,574
Accounts payable and accrued liabilities		(11,290)
Income taxes payable		(180,463)
Merchandise and other customer credits		(219)
Other, net		(1,950)
Net cash (used in) provided by operating activities		(77,753)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and short-term investments		(464)
Proceeds from sales of marketable securities and short-term investments		-
Capital expenditures		(67,952)
Notes receivable funded		(2,500)
Acquisitions, net of cash acquired		-
Other		(940)
Net cash used in investing activities		(71,856)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt		(4,191)
Proceeds from short-term borrowings, net		194,706
Repurchase of Common Stock		(128,501)
Proceeds from exercise of stock options		21,571
Excess tax benefits from share-based payment arrangements		8,945
Cash dividends on Common Stock		(40,324)
Net cash provided by (used in) financing activities		52,206
Effect of exchange rate changes on cash and cash equivalents		2,905
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Operating activities		-
Investing activities		-
Net cash used in discontinued operations		-
Net decrease in cash and cash equivalents		(94,498)
Cash and cash equivalents at beginning of year		246,654
Decrease in cash and cash equivalents of discontinued operations		-
Cash and cash equivalents at end of six months	$	152,156

See notes to condensed consolidated financial statements.

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements include the accounts of Tiffany & Co. and all majority-owned domestic and foreign subsidiaries (the "Company"). Intercompany accounts, transactions and profits have been eliminated in consolidation. The interim statements are unaudited and, in the opinion of management, include all adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position as of July 31, 2008 and 2007 and the results of its operations and cash flows for the interim periods presented. The condensed consolidated balance sheet data for January 31, 2008 is derived from the audited financial statements (except as noted in Note 2), which are included in the Company's Report on Form 10-K and should be read in connection with these financial statements. In accordance with the rules of the Securities and Exchange Commission, these financial statements do not include all disclosures required by generally accepted accounting principles.

The Company's business is seasonal in nature, with the fourth quarter typically representing at least one-third of annual net sales and approximately one-half of annual net earnings. Therefore, the results of its operations for the three and six months ended July 31, 2008 and 2007 are not necessarily indicative of the results of the entire fiscal year.

2. CHANGE IN ACCOUNTING FOR INVENTORIES

In March 2008, the Company's Board of Directors approved a plan to change the Company's method of accounting for inventories held by its U.S. subsidiaries and foreign branches from the last-in, first-out ("LIFO") method to the average cost method. The Company has traditionally used the average cost method to value inventories held by its Japan subsidiary and its other foreign subsidiaries. The Company believes that the average cost method is preferable on the basis that it conforms to the manner in which the Company operationally manages its inventories and evaluates retail pricing and it makes the Company's inventory reporting consistent with many peer retailers. This change was effective in the first fiscal quarter of 2008 and prior periods have been revised. Accounts affected by this change are: cost of sales; provision for income taxes; inventories, net; deferred income taxes; and retained earnings.

Components of the Company's condensed consolidated statements of earnings adjusted for the effect of changing from LIFO to average cost are as follows:

	Three Months Ended		
(in thousands, except per share data)	As Reported	Adjustment	As
Cost of sales	$ 296,449	$ (5,793)	$
Provision for income taxes	41,027	2,303	

Net earnings from continuing operations	63,219	3,490	
Net earnings	36,973	3,490	
Net earnings from continuing operations per share:			
Basic	$ 0.46	$ 0.03	$
Diluted	$ 0.45	$ 0.02	$
Net earnings per share:			
Basic	$ 0.27	$ 0.03	$
Diluted	$ 0.26	$ 0.02	$

7

	Six Months Ended J		
(in thousands, except per share data)	As Reported	Adjustment	As
Cost of sales	$ 564,850	$ (12,423)	$
Provision for income taxes	69,824	4,511	
Net earnings from continuing operations	112,624	7,912	
Net earnings	86,632	7,912	
Net earnings from continuing operations per share:			
Basic	$ 0.82	$ 0.06	$
Diluted	$ 0.80	$ 0.06	$
Net earnings per share:			
Basic	$ 0.63	$ 0.06	$
Diluted	$ 0.62	$ 0.06	$

Components of the Company's condensed consolidated balance sheets adjusted for the effec from LIFO to average cost are as follows:

	Janu		
(in thousands)	As Reported	Adjustment	As
Assets:			
Inventories, net	$ 1,242,465	$ 129,932	$
Deferred income taxes - current	71,402	(51,184)	
Total Assets	2,922,156	78,748	
Liabilities and Stockholders' Equity			
Retained Earnings	958,915	78,748	
Total Liabilities and Stockholders' Equity	2,922,156	78,748	

	J		
(in thousands)	As Reported	Adjustment	As
Assets:			
Inventories, net	$ 1,253,657	$ 115,362	$
Deferred income taxes - current	104,185	(48,407)	
Total Assets	2,932,498	66,955	
Liabilities and Stockholders' Equity			
Retained Earnings	1,265,992	66,955	
Total Liabilities and Stockholders' Equity	2,932,498	66,955	

Components of the Company's condensed consolidated statement of cash flow adjusted for the e
from LIFO to average cost are as follows:

	Six Months Ended J		
(in thousands)	As Reported	Adjustment	As
Cash Flows from Operating Activities:			
Net earnings	$ 86,632	$ 7,912	$
Provision for inventories	7,195	15	
Deferred income taxes	(706)	4,510	
Inventories	(100,911)	(12,437)	
Net cash provided by operating activities	50,759	-	

The cumulative effect on retained earnings at January 31, 2007 is an increase of $59,04

3. NEW ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" 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 SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the implementation of the provisions of SFAS No. 157 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) to fiscal years beginning after November 15, 2008. The adoption of SFAS No. 157 for financial assets that are recognized at fair value on a recurring basis in the first quarter of 2008 did not have a material impact on the Company's financial position or earnings (see Note 8). Management anticipates adopting the remaining provisions of SFAS No. 157 on February 1, 2009. This adoption will impact 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; however, management expects that this will not have a material effect on the Company's financial position or earnings.

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 SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)." The Company has elected to use a "13-month" approach to proportionally allocate the transition adjustment required under SFAS No. 158. The Company anticipates recording a charge of approximately $2,000,000 to retained earnings in the fourth quarter of fiscal year 2008.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 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 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. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Management has evaluated the provisions of SFAS No. 160 and determined that its adoption will not have a material effect on the Company's financial position or earnings.

4. DISCONTINUED OPERATIONS

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 which excludes payments for existing trade payables owed to the Company by Little Switzerland. The purchase price remains subject to customary post-closing adjustments. The Company has agreed to continue to distribute TIFFANY & CO. merchandise through TIFFANY & CO. boutiques maintained in certain LITTLE SWITZERLAND stores. In addition, the Company has agreed to provide warehousing services to Little Switzerland for a transition period.

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 condensed consolidated financial statements for all periods presented. Prior to the reclassification, Little Switzerland's results had been included within the non-reportable segment Other.

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

(in thousands)	Three Months Ended July 31, 2007
Net revenues	$ 18,294
Loss from operations	(58,404)
Income tax benefit	(32,158)
Loss from discontinued operations	$ (26,246)

Summarized balance sheet data for Little Switzerland is as follows:

(in thousands)	
Assets held for sale	
Inventories, net	
Other current assets	
Property, plant and equipment, net	
Other assets	
Impairment charge	
Total assets held for sale	
Liabilities held for sale	
Current liabilities	
Other liabilities	
Total liabilities held for sale	

5. INVENTORIES

(in thousands)	July 31, 2008	January 31, 2008	
Finished goods	$ 1,020,716	$ 942,860	$
Raw materials	384,668	352,211	
Work-in-process	106,537	77,326	
Inventories, net	$ 1,511,921	$ 1,372,397	$

6. INCOME TAXES

During the six months ended July 31, 2008, the gross amount of unrecognized tax benefits increased $8,240,000 to $41,942,000. As of that date, the changes in the unrecognized tax benefits that if recognized would affect the effective tax rate and accrued interest and penalties was not material.

The Company files income tax returns in the U.S. federal jurisdiction as well as various state and foreign locations. 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 U.S. Federal tax year 2006, Japan (tax years 2003-2005, 2007) and New York City (tax years 2002-2004). Tax years from 2003-present are open to examination in various other state and foreign taxing 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. 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 management's assessment.

7. EARNINGS PER SHARE

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

The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted earnings per share ("EPS") computations:

	Three Months Ended July 31,		Six Mo Ju
(in thousands)	2008	2007	200
Net earnings for basic and diluted EPS	$ 80,770	$ 40,463	$ 145,16
Weighted average shares for basic EPS	125,714	136,743	126,08
Incremental shares based upon the assumed exercise of stock options and restricted stock units	2,463	3,582	2,36
Weighted average shares for diluted EPS	128,177	140,325	128,45

For the three months ended July 31, 2008 and 2007, there were 848,000 and 388,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect. For the six months ended July 31, 2008 and 2007, there were 1,708,000 and 388,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

8. FAIR VALUE MEASUREMENTS

The Company adopted SFAS No. 157, "Fair Value Measurements," effective February 1, 2008, with respect to fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually).

SFAS No. 157 defines fair value 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. SFAS No. 157 also 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. The standard describes 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 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.

The Company uses the market approach to measure fair value for its mutual funds, yen put options and platinum and silver collars and the income approach to value its interest-rate swap agreements. The following table provides information by level for assets that are measured at fair value on a recurring basis:

		Fair Value Measurem Using Inputs Conside	
(in thousands)	Fair Value at July 31, 2008	Level 1	Level 2
Mutual funds	$ 26,922	$ 26,922	$
Yen put options	3,093	-	3,09
Platinum and silver collars	327	-	32
Interest-rate swap agreements	2,975	-	2,97

In Japan, the Company uses yen put options to minimize the potential effect of a weakening yen on U.S. dollar-denominated transactions over a maximum term of 12 months. The Company uses a combination of call and put option contracts in a net-zero cost collar arrangement ("collars") as hedges of a portion of forecasted purchases of platinum and silver for internal manufacturing. The Company uses interest-rate swap contracts related to certain debt arrangements to manage its net exposure to interest rate changes. The interest-rate swap contracts effectively convert fixed-rate obligations to floating-rate instruments.

9. EMPLOYEE BENEFIT PLANS

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

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

	Three Months Ended July 31,		
	Pension Benefits		Postret
(in thousands)	2008	2007	200
Service cost	$ 4,393	$ 4,613	$ 41
Interest cost	4,397	4,014	47
Expected return on plan assets	(3,915)	(3,429)	
Amortization of prior service cost	320	320	(19
Amortization of net loss	216	729	
Net expense	$ 5,411	$ 6,247	$ 69

	Six Months Ended July 31,		
	Pension Benefits		Postret
(in thousands)	2008	2007	200
Service cost	$ 8,963	$ 9,160	$ 83
Interest cost	8,794	7,942	95
Expected return on plan assets	(7,829)	(6,858)	
Amortization of prior service cost	641	641	(39
Amortization of net loss	369	1,369	
Net expense	$ 10,938	$ 12,254	$ 1,39

10. SEGMENT INFORMATION

Effective with the first quarter of 2008, management has changed segment reporting to reflect operating results for the following regions: the Americas, Asia-Pacific and Europe. Prior year results have been revised to reflect this change. The Company has expanded its global reach and management has determined it is more meaningful to assess performance on a region-by-region basis, rather than on a channel of distribution basis. The Company's reportable segments are as follows:

- "Americas" includes sales in TIFFANY & CO. stores in the U.S., Canada and Latin/South America, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet, catalog and wholesale operations.
- "Asia-Pacific" includes sales in TIFFANY & CO. stores in the Asia-Pacific region (which includes sales in Japan, in Asia-Pacific countries outside Japan, and in the Middle East), as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

o "Europe" includes sales in TIFFANY & CO. stores in Europe, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

The "Other" channel of distribution includes all non-reportable segments. Sales in the Other channel of distribution primarily consist of wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes worldwide sales made by businesses operated under trademarks or tradenames other than TIFFANY & CO. and earnings received from third party licensing agreements.

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

	Three Months Ended July 31,		Six Months July 3
(in thousands)	2008	2007	2008
Net sales:			
Americas	$ 422,406	$ 408,941	$ 795,971 $
Asia-Pacific	214,233	182,962	436,270
Europe	71,020	52,559	131,145
Total reportable segments	707,659	644,462	1,363,386
Other	24,744	18,100	37,166
	$ 732,403	$ 662,562	$1,400,552 $
Earnings (losses) from continuing operations*:			
Americas	$ 93,597	$ 87,582	$ 161,888 $
Asia-Pacific	53,895	47,182	110,260
Europe	15,514	10,671	27,088
Total reportable segments	163,006	145,435	299,236
Other	(1,971)	(4,796)	(5,996)
	$ 161,035	$ 140,639	$ 293,240 $

*Represents earnings (losses) from continuing operations before unallocated corp and other expenses, net.

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

(in thousands)	Three Months Ended July 31, 2008	Three Months Ended July 31, 2007	Six Months July 31 2008
Earnings from continuing operations for segments	$ 161,035	$ 140,639	$ 293,240
Unallocated corporate expenses	(29,540)	(27,852)	(58,436)
Other expenses, net	(3,344)	(2,748)	(4,852)
Earnings from continuing operations before income taxes	$ 128,151	$ 110,039	$ 229,952

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

11. SUBSEQUENT EVENT

On August 21, 2008, the Company's Board of Directors declared a quarterly dividend of $0.17 per share. This dividend will be paid on October 10, 2008 to stockholders of record on September 22, 2008.

13

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

OVERVIEW

Tiffany & Co. (the "Company") is a holding company that operates through its subsidiary companies. The Company's principal subsidiary, Tiffany and Company, is a jeweler and specialty retailer whose principal merchandise offering is fine jewelry. It 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.

Effective with the first quarter of 2008, management has changed segment reporting to reflect operating results for the following regions: the Americas, Asia-Pacific and Europe. Prior year results have been revised to reflect this change. The Company has expanded its global reach and management has determined it is more meaningful to assess performance on a region-by-region basis, rather than on a channel of distribution basis. The Company's reportable segments are as follows:

- "Americas" includes sales in TIFFANY & CO. stores in the U.S., Canada and Latin/South America, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet, catalog and wholesale operations.

- "Asia-Pacific" includes sales in TIFFANY & CO. stores in the Asia-Pacific region (which includes sales in Japan, in Asia-Pacific countries outside Japan, and in the Middle East), as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

- "Europe" includes sales in TIFFANY & CO. stores in Europe, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

- The "Other" channel of distribution includes all non-reportable segments. Sales in the Other channel of distribution primarily consist of wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes worldwide sales made by businesses operated under trademarks or tradenames other than TIFFANY & CO. and earnings received from third party licensing agreements.

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

Highlights

- Worldwide net sales increased 11% in both the three months ("second quarter") and in the six months ("first half") ended July 31, 2008. Sales growth was strongest in the Asia-Pacific and Europe segments for both periods.

- Worldwide comparable store sales decreased 1% in the second quarter and increased 1% in the first half on a constant-exchange-rate basis (see Non-GAAP Measures).

- Net earnings from continuing operations rose 21% to $80,770,000 in the second quarter and 20% to $145,160,000 in the first half. Net earnings from continuing operations per diluted share rose 31% in both the second quarter and first half.

- The Company repurchased and retired 1.7 million and 3.1 million shares of its Common Stock during the second quarter and first half of 2008.

- In May 2008, the Board of Directors increased the annual divided rate by 13%, representing the sixth consecutive annual increase.

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 international 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 measure provides a more representative assessment of the sales performance and provides better comparability between reporting periods.

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

	Second Quarter 2008 vs. 2007			First Half 200	
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Trans Ef
Net Sales:					
Worldwide	11%	4%	7%	11%	4%
Americas	3%	-	3%	4%	-
U.S.	2%	-	2%	3%	-
Asia-Pacific	17%	10%	7%	19%	11%
Japan	12%	15%	(3)%	12%	14%
Other Asia-Pacific	23%	5%	18%	30%	5%
Europe	35%	6%	29%	36%	6%
Comparable Store Sales:					
Worldwide	3%	4%	(1)%	5%	4%
Americas	(2)%	1%	(3)%	(1)%	-
U.S.	(4)%	-	(4)%	(2)%	-
Asia-Pacific	11%	10%	1%	13%	11%
Japan	7%	14%	(7)%	7%	14%
Other Asia-Pacific	18%	5%	13%	23%	6%
Europe	19%	8%	11%	20%	8%

RESULTS OF OPERATIONS

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

	Second Quarter		
	2008	2007	2
Net sales	100.0%	100.0%	10
Cost of sales	42.2	43.9	4
Gross profit	57.8	56.1	5
Selling, general and administrative expenses	39.8	39.1	4
Earnings from continuing operations	18.0	17.0	1
Other expenses, net	0.5	0.5	
Earnings from continuing operations before income taxes	17.5	16.5	1
Provision for income taxes	6.5	6.5	
Net earnings from continuing operations	11.0	10.0	1
Loss from discontinued operations, net of tax	-	(3.9)	
Net earnings	11.0%	6.1%	1

Net Sales

Net sales were as follows:

	Second Quarter		
(in thousands)	2008	2007	Incre
Americas	$ 422,406	$ 408,941	$ 13,465
Asia-Pacific	214,233	182,962	31,271
Europe	71,020	52,559	18,461
Other	24,744	18,100	6,644
	$ 732,403	$ 662,562	$ 69,841

	First Half		
(in thousands)	2008	2007	Incre
Americas	$ 795,971	$ 762,289	$ 33,682
Asia-Pacific	436,270	366,056	70,214
Europe	131,145	96,103	35,042
Other	37,166	33,843	3,323
	$ 1,400,552	$ 1,258,291	$ 142,261

Comparable Store Sales. Reference will be made to "comparable store sales" below. 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 boutique was relocated from one department store to another or from a department store to a free-standing location. In all markets, the results of a store in which the square footage has been expanded or reduced remain in the comparable store base.

Americas. Total sales in the Americas region increased in the second quarter and first half primarily due to non-comparable U.S. retail store sales growth ($19,852,000 in the second quarter and $35,367,000 in the first half) and comparable retail store sales growth in Other America regions ($4,655,000 in the second quarter and $8,725,000 in the first half). These increases were partly offset by declines in comparable U.S. retail store sales (4%, or $13,345,000, in the second quarter and 2%, or $12,929,000, in the first half). The U.S. comparable store sales decline in the second quarter and first half was due to a decline in transactions which management attributes to the challenging economic environment in the U.S. However, transactions and sales increased in the New York Flagship store, which benefited from higher levels of sales to foreign tourists. New York Flagship store sales increased 5%

and 10% in the second quarter and first half, compared to a decline in comparable branch stores of 6% and 5% in those same periods.

Asia-Pacific. Total sales in the Asia-Pacific region increased in the second quarter and first half primarily due to comparable store sales growth (11%, or $18,320,000, in the second quarter and 13%, or $43,052,000, in the first half) and non-comparable store sales growth ($9,222,000 in the second quarter and $20,293,000 in the first half). In the second quarter, on a constant-exchange-rate basis, Asia-Pacific region sales increased 7% and comparable store sales increased 1% (consisting of a 13% increase in comparable store sales in countries other than Japan offset by a 7% decline in Japan comparable store sales). In the first half, on a constant-exchange-rate basis, Asia-Pacific region sales increased 8% and comparable store sales increased 2% (consisting of a 17% increase in comparable store sales in countries other than Japan offset by a 7% decline in Japan comparable store sales). The total increase in Asia-Pacific region sales primarily resulted from an increase in the average price per unit sold in both the second quarter and first half.

Europe. Total sales in the Europe region increased in the second quarter and first half primarily due to comparable store sales growth (19%, or $7,765,000, in the second quarter and 20%, or $15,230,000, in the first half) and non-comparable store sales growth ($7,280,000 in the second quarter and $12,920,000 in the first half). On a constant-exchange-rate basis, Europe region sales increased 29% in the second quarter and 30% in the first half and comparable store sales rose 11% and 12% in those periods, reflecting strong growth in the United Kingdom and most Continental European markets. The total increase in Europe region sales resulted from an increase in the number of units sold in both the second quarter and first half.

Other. Other sales increased in the second quarter and first half primarily due to increased wholesale sales of diamonds that were deemed not suitable for the Company's needs. Wholesale diamond sales increased to $20,976,000 in the second quarter from $15,636,000 in prior year and rose to $30,546,000 in the first half from $29,274,000 in the prior year. Other sales also increased in the second quarter and first half due to earnings from licensing agreements and sales growth in IRIDESSE stores.

Store Data. Management expects to open approximately 24 Company-operated TIFFANY & CO. stores and boutiques in 2008, increasing the store-base by approximately 13%. Management's announced openings of TIFFANY & CO. stores are:

Location	Actual Openings 2008	Expec
Americas:		
Los Angeles - Westfield Topanga Center, California	First Quarter	
West Hartford, Connecticut	Second Quarter	
Glendale, California		Th
Pittsburgh, Pennsylvania		Th
Uncasville - Mohegan Sun, Connecticut		Th
Columbus, Ohio		Fo
Asia-Pacific:		
Fukuoka, Japan	First Quarter	
Osaka, Japan	First Quarter	
Shizuoka, Japan	First Quarter	
Tokyo, Japan	First Quarter	
Chengdu, China	First Quarter	
Shenyang, China	First Quarter	
Shandong, China	Second Quarter	
Perth, Australia	Second Quarter	
Seoul - Samsung Plaza, Korea		Th
Europe:		
London - Heathrow Airport, United Kingdom	First Quarter	
Brussels, Belgium	Second Quarter	
London - Westfield, United Kingdom		Th
Madrid, Spain		Th
Dusseldorf, Germany		Th
Dublin, Ireland		Th

17

Gross Margin

Gross margin (gross profit as a percentage of net sales) increased in the second quarter by 1.7 percentage points and in the first half by 1.3 percentage points primarily due to changes in geographic and product sales mix. To a lesser extent, gross margin also improved in the second quarter and first half due to the leverage effect of increased sales applied against fixed product-related costs, which includes costs associated with merchandising and distribution. To address rising product costs, the Company has, in certain instances, increased retail prices.

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

SG&A expenses increased $32,588,000, or 13%, in the second quarter primarily due to increased labor and benefit costs of $10,853,000 and increased depreciation and store occupancy expenses of $10,062,000, (both of which are largely due to new and existing stores), as well as an increase of $5,393,000 in marketing expenses. Changes in foreign currency exchange rates increased SG&A expenses in the second quarter by approximately $8,000,000 compared to the prior year. In the first half, SG&A expenses increased $64,492,000, or 13%, primarily due to increased labor and benefit costs of $21,269,000 and increased depreciation and store occupancy expenses of $18,756,000, (both of which are largely due to new and existing stores), as well as an increase of $10,726,000 in marketing expenses. Changes in foreign currency exchange rates increased SG&A expenses by approximately $18,000,000 compared to the prior year. SG&A expenses as a percentage of net sales increased by 0.7 percentage point in the second quarter and 0.6 percentage point in the first half because sales growth in the U.S. was insufficient to offset increased costs.

Earnings from Continuing Operations

(in thousands)	Second Quarter 2008	% of Net Sales*	Second Quarter 2007
Earnings (losses) from continuing operations:			
Americas	$ 93,597	22.2%	$ 87,582
Asia-Pacific	53,895	25.2%	47,182
Europe	15,514	21.8%	10,671
Other	(1,971)	(8.0%)	(4,796)
	161,035		140,639
Unallocated corporate expenses	(29,540)	4.0%	(27,852)
Earnings from continuing operations	$ 131,495	18.0%	$ 112,787

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

Earnings from continuing operations increased 17% in the second quarter. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses, other operating income and other expenses, net) to each segment's net sales in the second quarter of 2008 and 2007 was as follows:

- Americas - the ratio increased 0.8 percentage point primarily due to an increase in gross margin (due to changes in product sales mix and the leverage effect of increased sales applied against fixed product-related costs);

- Asia-Pacific - the ratio decreased 0.6 percentage points partly due to increased operating expenses in Japan (marketing and new store related), partly offset by increased profitability in most markets other than Japan;

- Europe - the ratio increased 1.5 percentage points primarily due to an increase in gross margin (due to changes in product sales mix) and the leveraging of operating expenses; and

- o Other - The operating loss in each year primarily reflects the operating performance of the Company's Iridesse subsidiary. The loss ratio decreased 18.5 percentage points primarily due to lower Iridesse operating losses and earnings from a licensing agreement.

(in thousands)	First Half 2008	% of Net Sales*	First Half 2007
Earnings (losses) from continuing operations:			
Americas	$ 161,888	20.3%	$ 149,684
Asia-Pacific	110,260	25.3%	96,481
Europe	27,088	20.7%	18,291
Other	(5,996)	(16.1%)	(9,292)
	293,240		255,164
Unallocated corporate expenses	(58,436)	4.2%	(54,460)
Earnings from continuing operations	$ 234,804	16.7%	$ 200,704

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

Earnings from continuing operations increased 17% in the first half. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses, other operating income and other expenses, net) to each segment's net sales in the first half of 2008 and 2007 was as follows:

- o Americas - the ratio increased 0.7 percentage point primarily due to an increase in gross margin (due to changes in sales mix and the leverage effect of increased sales applied against fixed product-related costs);

- o Asia-Pacific - the ratio decreased 1.1 percentage points partly due to increased operating expenses in Japan (marketing and new store related), partly offset by increased profitability in most markets other than Japan;

- o Europe - the ratio increased 1.7 percentage points partly due to an increase in gross margin (due to changes in sales mix) and the leveraging of operating expenses; and

- o Other - The operating loss in each year primarily reflects the operating performance of the Company's Iridesse subsidiary. The loss ratio decreased 11.4 percentage points primarily due to lower Iridesse operating losses and earnings from a licensing agreement.

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

Provision for Income Taxes

The effective income tax rates for the second quarter and first half of 2008 were 37.0% and 36.9% versus 39.4% and 38.1% in the prior year.

2008 Outlook

Management's full-year 2008 expectations are currently as follows:

- Net sales growth of 9% in 2008. The net sales objective is composed of (i) an increase in the number of company-operated TIFFANY & CO. locations by approximately 13%; (ii) a mid-single-digit percentage increase in total sales in the Americas region, which includes U.S. comparable store sales and Internet/catalog sales to be approximately unchanged from the prior year; and (iii) a low-double-digit percentage increase in annual sales growth in dollars in the total Asia-Pacific region and more than 25% growth in dollars in Europe, including local-currency comparable store sales increasing by a low-teens percentage in Asia-Pacific outside Japan, a mid-single-digit percentage decline in Japan, and a low-double-digit percentage increase in Europe.

    - Management's outlook for U.S. sales includes improvement later in the year based on easier year-over-year comparisons in the fourth quarter.

- Operating margin to increase slightly over the prior year, when adjusted for the various one-time items recorded in 2007 and the change in the inventory accounting method. The operating margin objective includes an increase in gross margin partly offset by a modest increase in the SG&A expense ratio.

- Other expenses, net of approximately $17 million.

- An effective tax rate of approximately 37%.

- Net earnings per diluted share of $2.82 - $2.92.

New Accounting Standards

See note 3 to condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal and expansion-related working capital requirements and capital expenditures needs. The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 36% at July 31, 2008, 26% at January 31, 2008, and 27% at July 31, 2007.

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

	First Half
(in thousands)	2008
Net cash (used in) provided by:	
Operating activities	$ (77,753)
Investing activities	(71,856)
Financing activities	52,206
Effect of exchange rates on cash and cash equivalents	2,905
Net cash used in discontinued operations	-
Net decrease in cash and cash equivalents	$ (94,498)

Operating Activities

The Company's net cash outflow from operating activities of $77,753,000 in the first half of 2008 compared with an inflow of $50,759,000 in the first half of 2007. The cash outflow in the first half of 2008 resulted primarily from increased income tax payments largely associated with the sale-leasebacks of the TIFFANY & CO. Flagship stores in Tokyo and London.

Working Capital. Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were $1,327,863,000 and 3.2 at July 31, 2008, compared with $1,337,454,000 and 3.3 at January 31, 2008 and $1,426,988,000 and 4.5 at July 31, 2007.

Accounts receivable, less allowances at July 31, 2008 were 7% lower than at January 31, 2008 (which is typically a seasonal highpoint) and were 19% higher than at July 31, 2007 primarily due to sales growth, as well as expanded international wholesale distribution. Changes in foreign currency exchange rates had an insignificant effect on the change in accounts receivable balances at July 31, 2008 versus January 31, 2008 and increased accounts receivable balances by 3% compared to July 31, 2007.

Inventories, net at July 31, 2008 were 10% above both January 31, 2008 and July 31, 2007. Combined raw material and work-in-process inventories increased 14% over January 31, 2008 and 19% over July 31, 2007 due to increased precious metal costs and diamond quantities needed to support internal jewelry manufacturing. Finished goods inventories increased 8% over January 31, 2008, and 7% over July 31, 2007 due to new store openings, increased product costs as well as broadened product assortments. Changes in foreign currency exchange rates had an insignificant effect on the change in finished goods inventories at July 31, 2008 versus January 31, 2008 and increased finished goods inventory balances by 3% over July 31, 2007.

Management continues to expect a high-single-digit percentage increase in inventories, net in 2008.

Investing Activities

The Company's net cash outflow from investing activities of $71,856,000 in the first half of 2008 compared with an outflow of $74,494,000 in the first half of 2007.

Capital Expenditures. Capital expenditures were $67,952,000 in the first half of 2008 compared with $87,779,000 in the first half of 2007. Management estimates that capital expenditures will be approximately $190,000,000 in 2008 (compared with approximately $186,000,000 in the prior year) due to costs related to the opening and renovation of stores and to 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 ($464,000) and $14,058,000 in the first half of 2008 and 2007.

Financing Activities

The Company's net cash inflow from financing activities of $52,206,000 in the first half of 2008 compared with an outflow of $18,063,000 in the first half of 2007. The cash inflow was due to higher proceeds from short-term borrowings, partly offset by increased share repurchases and reduced proceeds from the exercise of employees' stock options.

Share Repurchases. The Company's stock repurchase activity was as follows:

	Second Quarte
(in thousands, except per share amounts)	2008
Cost of repurchases	$ 73,664
Shares repurchased and retired	1,723
Average cost per share	$ 42.75

	First Half
(in thousands, except per share amounts)	2008
Cost of repurchases	$ 128,501
Shares repurchased and retired	3,106
Average cost per share	$ 41.37

At July 31, 2008, there remained $492,305,000 of authorization for future repurchases. The Company's stock repurchase program expires in January 2011. The timing of repurchases and the actual number of shares to be repurchased depend on a variety of discretionary factors such as price and other market conditions.

Borrowings. The Company's current sources of working capital are internally-generated cash flows and borrowings available under a revolving credit facility.

At July 31, 2008, the Company was in compliance with all loan covenants.

Contractual Obligations

The Company's contractual cash obligations and commercial commitments at July 31, 2008 and the effects such obligations and commitments are expected to have on the Company's liquidity and cash flows in future periods have not significantly changed since January 31, 2008.

Based on the Company's financial position at July 31, 2008, management anticipates that cash on hand, internally-generated cash flows and the funds available under its revolving credit facility will be sufficient to support the Company's planned worldwide business expansion and working capital increases for the foreseeable future. In addition, the Company is currently evaluating opportunities to issue new debt up to $300,000,000 to repay the

$60,000,000 Series A Senior Note and $40,000,000 Series C Senior Note due within the next 12 months and to fund potential share repurchases.

Seasonality

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

Forward-Looking Statements

This document contains certain "forward-looking statements" concerning the Company's objectives and expectations with respect to store openings, sales, retail prices, gross margin, expenses, earnings per share, inventory performance, capital expenditures and cash flow. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. Statements beginning with such words as "believes", "intends", "plans", and "expects" include forward-looking statements that are based on management's expectations given facts as currently known by management on the date this quarterly report was filed with the Securities and Exchange Commission. All forward-looking statements involve risks, uncertainties and assumptions that, if they never materialize or prove incorrect, could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

The statements in this quarterly report are made as of the date this report was filed with the Securities and Exchange Commission and the Company undertakes no obligation to update any of the forward-looking information included in this document, whether as a result of new information, future events, changes in expectations or otherwise.

PART I. Financial Information
Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from fluctuations in foreign currency exchange rates, interest rates and precious metal prices, 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.

In Japan, the Company uses yen put options to minimize the potential effect of a weakening yen on U.S. dollar-denominated transactions over a maximum term of 12 months. The Company also uses foreign-exchange forward contracts to protect against changes in local currencies. Gains or losses on these instruments substantially offset losses or gains on the assets, liabilities and transactions being hedged.

The Company uses interest-rate swap contracts related to certain debt arrangements to manage its net exposure to interest rate changes. The interest-rate swap contracts effectively convert fixed-rate obligations to floating-rate instruments. Additionally, since the fair value of the Company's fixed-rate long-term debt is sensitive to interest rate changes, the interest-rate swap contracts serve as a hedge to changes in the fair value of these debt instruments.

The Company uses a combination of call and put option contracts in a net-zero cost collar arrangement ("collars"), as hedges of a portion of forecasted purchases of platinum and silver for internal manufacturing. If the price of the precious metal at the time of the expiration of the collar is within the call and put price, the collar would expire at no cost to the Company. The maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 12 months.

Management neither foresees nor expects significant changes in the Company's exposure to fluctuations in foreign currencies, interest rates or precious metal prices, nor in its risk-management practices.

PART I. Financial Information
Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), Registrant's chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, Registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by 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, 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

Registrant maintains an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes.

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

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 Registrant's disclosure controls and procedures are (i) designed to provide such reasonable assurance and (ii) are effective at that reasonable assurance level.

PART II. Other Information

Item 1. Legal Proceedings

In July 2004, Tiffany initiated a civil proceeding against eBay, Inc. in the Federal District Court for the Southern District of New York. Tiffany alleged 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 other jewelry or merchandise which bears the TIFFANY trademark and is dilutive or confusingly similar to the TIFFANY or TIFFANY & CO. trademarks. In November 2007, the case was tried as a bench trial and in July 2008 the District Court issued its opinion denying any relief to Tiffany. In August 2008, Tiffany filed notice of appeal to the U.S. Court of Appeals for the Second Circuit. If the decision of the District Court is upheld after appeal, it will be more difficult for Tiffany to prevent the sale of counterfeit TIFFANY jewelry and other merchandise on internet auction sites. See Risk Factor (vii) below.

Item 1A. Risk Factors

As is the case for any retailer, Registrant's success in achieving its objectives and expectations is dependent upon general economic conditions, competitive conditions and consumer attitudes. However, certain factors are specific to the Registrant and/or the markets in which it operates.

The following "risk factors" are specific to Registrant; these risk factors affect the likelihood that Registrant will achieve the financial objectives and expectations communicated by management:

(i) Risk: that a decline in consumer confidence will adversely affect Registrant's sales.

As a retailer of goods which are discretionary purchases, Registrant's sales results are particularly sensitive to changes in 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 will negatively affect Registrant's earnings because of its cost base and inventory investment.

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

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 Registrant's fourth quarter will have a material adverse effect on Registrant's sales and profits.

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

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

(iv) Risk: that the Japanese yen will weaken against the U.S. dollar and require Registrant to raise prices or shrink profit margins in Japan.

Registrant's sales in Japan represented approximately 17% of Registrant's net sales in Fiscal 2007. A substantial weakening of the Japanese yen against the U.S. dollar would require Registrant to raise its retail prices in Japan or reduce its profit margins. Japanese consumers may not accept significant price increases on Registrant's goods; thus there is a risk that a substantial weakening of the yen will result in reduced sales or profit margins.

(v) Risk: that Registrant will be unable to continue to offer merchandise designed by Elsa Peretti or Paloma Picasso.

Registrant's long-standing right to sell the jewelry designs of Elsa Peretti and Paloma Picasso and use their trademarks is responsible for a substantial portion of Registrant's revenues. Merchandise designed by Elsa Peretti and by Paloma Picasso accounted for 11% and 3% of Fiscal 2007 net sales, respectively. Tiffany has exclusive license arrangements with Elsa Peretti and Paloma Picasso; these arrangements are subject to royalty payments as well as other requirements. Each license may be terminated by Tiffany or the designer on six-months notice, even in the case where no default has occurred. Also, no agreements have been made for the continued sale of the designs or use of the trademarks ELSA PERETTI or PALOMA PICASSO following the death of either designer. Loss of either license would materially adversely affect Registrant's business through lost sales and profits.

(vi) Risk: that increased commodity prices or reduced supply availability will adversely affect Registrant's ability to produce and sell products at historic profit margins.

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

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

The TIFFANY & CO. trademark is an asset which is essential to the competitiveness and success of Registrant's business and Registrant takes appropriate action to protect it. However, Registrant's enforcement actions have not stopped the imitation and counterfeit of Registrant's merchandise or the infringement of the trademark. 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.

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

Registrant, positioned as a luxury goods retailer, has established its retail presence in choice store locations. If 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.

(ix) Risk: that 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 Registrant's business. 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 through market over-saturation may adversely affect the business by diminishing the distinctive appeal of the TIFFANY & CO. brand and tarnishing its image. This will result in lower sales and profits.

PART II. Other Information
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

This table provides information with respect to the Company's purchases of shares of its Common Stock during the second fiscal quarter of 2008:

Period	(a)Total Number of Shares Purchased	(b)Average Price Paid Per Share	(c)Total Number of Shares Purchased Under all Publicly Announced Programs*	(d)Appr Dollar Shares be Pur the Pr

May 1, 2008 through May 31, 2008	462,700	$45.16	462,700	$5
June 1, 2008 through June 30, 2008	447,950	$46.43	447,950	$5
July 1, 2008 through July 31, 2008	812,551	$39.35	812,551	$4
Total	1,723,201	$42.75	1,723,201	$4

* In January 2008, the Company's Board of Directors extended the expiration date of the program to January 2011 and increased by $500,000,000 the amount authorized for repurchase of its Common Stock.

PART II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders

At Registrant's Annual Meeting of Stockholders held on May 15, 2008 each of the nominees listed below was elected a director of Registrant to hold office until the next annual meeting of the stockholders and until his or her successor has been elected and qualified. All directors are elected at each annual meeting. Tabulated with the name of each of the nominees elected is the number of Common shares cast for and against each nominee and the number of Common shares abstaining to vote for each nominee. There were no broker non-votes with respect to the election of directors.

Nominee	Voted For	Voted Against	Numb Sha Absta
Michael J. Kowalski	108,213,399	1,509,676	1,08
Rose Marie Bravo	108,054,097	1,657,632	1,09
Gary E. Costley	108,302,691	1,406,875	1,10
Lawrence K. Fish	108,408,028	1,297,991	1,10
Abby F. Kohnstamm	108,464,636	1,251,353	1,09
Charles K. Marquis	107,999,187	1,706,124	1,10
Peter W. May	108,267,328	1,446,090	1,09
J. Thomas Presby	104,421,514	5,268,376	1,12

William A. Shutzer	108,029,955	1,683,384	1,09

At such meeting, the stockholders approved the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to examine the Company's fiscal 2008 financial statements. With respect to such appointment, 108,084,930 shares were voted to approve, 1,631,127 were voted against, and 1,095,278 shares abstained from voting. There were no broker non-votes with respect to the approval of the appointment of PricewaterhouseCoopers LLP.

Also at such meeting, the stockholders approved the Tiffany & Co. 2008 Directors Equity Compensation Plan. A majority of shares outstanding on March 20, 2008 voted on the proposal. With respect to such approval, 88,296,366 shares voted to approve, 6,238,749 shares voted against, and 2,752,887 shares abstained from voting. There were 13,523,333 broker non-votes that were discarded for purposes of determining the quorum and voting with respect to the approval of the Tiffany & Co. 2008 Directors Equity Compensation Plan.

ITEM 6 Exhibits

(a) Exhibits:

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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

SIGNATURES

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

TIFFANY & CO.
(Registrant)

Date: September 3, 2008 By: /s/ James N. Fernandez

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

Exhibit Index

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