

TIFFANY & CO  
Form 10-K  
March 28, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K**

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended January 31, 2011  
OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file no. 1-9494  
(Exact name of registrant as specified in its charter)**

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-3228013**  
(I.R.S. Employer Identification No.)

**727 Fifth Avenue, New York,  
New York**  
(Address of principal executive offices)

**10022**  
(Zip code)

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

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

| <b>Title of each class</b>              | <b>Name of each exchange on which registered</b> |
|---|--|
| 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  No

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

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  No

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

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 Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting

company in Rule 12b-2 of the Exchange Act.

Large Accelerated filer

Accelerated filer

Non-Accelerated filer

Smaller reporting  
company

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
As of July 30, 2010, the aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant was approximately \$4,949,879,464 using the closing sales price on this day of \$42.07. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. As of March 22, 2011, the registrant had outstanding 127,484,760 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 8, 2011 (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, 2011, 2010 and 2009 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 derived from 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, could 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**

Effective with the first quarter of 2010, management changed the Company's segment reporting in order to align with a change in its organizational and management reporting structure. Specifically, the Company is now reporting results in Japan separately from the rest of the Asia-Pacific region, and results for certain emerging market countries that were previously included in the Europe and Asia-Pacific segments are now included in the Other non-reportable segment. Prior year results have been revised to reflect this change.

**Americas**

In 2010, sales in the Americas were 51% of consolidated worldwide net sales, while sales in the U.S. represented 90% of net sales in the Americas.

*Retail Sales.* Retail sales are transacted in Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2011 included in parentheses): the U.S. (84), Mexico (7), Canada (3) and Brazil (2).

*Internet and Catalog Sales.* Tiffany and its subsidiaries distribute a selection of their products in the U.S. and Canada through the websites at [www.tiffany.com](http://www.tiffany.com) and [www.tiffany.ca](http://www.tiffany.ca). Tiffany also distributes catalogs of selected merchandise to its proprietary list of customers in the U.S. and Canada and to mailing lists rented from third parties. SELECTIONS® catalogs are published four times per year, supplemented by other targeted catalogs. In 2010, the Company mailed approximately 14 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 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 purchases through the Company's website at [www.tiffany.com/business](http://www.tiffany.com/business).

*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 2010, 2009 and 2008.

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Asia-Pacific

In 2010, sales in Asia-Pacific represented 18% of consolidated worldwide net sales.

*Retail Sales.* Retail sales are transacted in Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2011 included in parentheses): China (14), Korea (11), Hong Kong (8), Taiwan (6), Australia (5), Singapore (4), Macau (2) and Malaysia (2).

*Internet Sales.* The Company offers a selection of TIFFANY & CO. merchandise for purchase in Australia through its website at [www.tiffany.com/au](http://www.tiffany.com/au).

*Wholesale Distribution.* Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in Asia-Pacific markets. Such sales represented less than 1% of the Registrant's net sales in 2010, 2009 and 2008.

Japan

In 2010, sales in Japan represented 18% of consolidated worldwide net sales.

*Retail Sales.* The Registrant does business in Japan through its wholly-owned subsidiary, Tiffany & Co. Japan, Inc. (Tiffany-Japan), in 56 stores, comprised of 52 stores operating in Japanese department stores and four freestanding stores. In 2010, 79% of Tiffany-Japan's net sales were transacted in boutiques within Japanese department stores. There are four large department store groups in Japan. Tiffany-Japan operates TIFFANY & CO. boutiques in locations controlled by these groups as follows (number of locations at January 31, 2011 included in parentheses): Isetan Mitsukoshi (15), J. Front Retailing Co. (Daimaru and Matsuzakaya department stores) (10), Takashimaya (9) and Millennium Retailing Co. (Sogo and Seibu department stores) (3). Tiffany-Japan also operates 15 boutiques in department 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 (3 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 16%.

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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 through its website at [www.tiffany.co.jp](http://www.tiffany.co.jp).

*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 Japan. Such sales represented less than 1% of the Registrant's net sales in 2010, 2009 and 2008.

Europe

In 2010, sales in Europe represented 12% of consolidated worldwide net sales, while sales in the United Kingdom represented approximately half of European net sales.

*Retail Sales.* Retail sales are transacted in Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2011 included in parentheses): the United Kingdom (10), Germany (5), Italy (4), France (3), Spain (2), Austria (1), Belgium (1), Ireland (1), the Netherlands (1) and Switzerland (1).

*Internet Sales.* The Company offers a selection of TIFFANY & CO. merchandise for purchase in the United Kingdom, Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain through its websites which are accessible through [www.tiffany.com](http://www.tiffany.com).

*Wholesale Distribution.* Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in Europe. Such sales represented less than 1% of the Registrant's net sales in 2010, 2009 and 2008.

Other

Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and wholesale sales of diamonds. In addition, Other also includes earnings received from licensing agreements with Luxottica Group for the distribution of TIFFANY & CO. brand eyewear and with The Swatch Group Ltd. (the Swatch Group) for TIFFANY & CO. brand watches. The earnings received from these licensing agreements represented less than 1% of the Registrant's net sales in 2010, 2009 and 2008.

*Wholesale Sales of Diamonds.* 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, diamonds polished by the Company are suitable for Tiffany jewelry. The Company sells to third parties those diamonds 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.

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## 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 brands and existing TIFFANY & CO. locations. Management recognizes that oversaturation 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.

The following chart details the number of TIFFANY & CO. retail locations operated by the Registrant's subsidiary companies since 2000:

| Year: | Americas |                              | Japan | Asia-Pacific | Europe | Total |
|-------|----------|------------------------------|-------|--------------|--------|-------|
|       | U.S.     | Canada, Latin/South Americas |       |              |        |       |
| 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   |
| 2010  | 84       | 12                           | 56    | 52           | 29     | 233   |

In 2011, management plans to open 21 Company-operated stores (eight in the Americas, eight in Asia-Pacific and five in Europe). Management also plans to expand the Company's wholesale distribution.

## Products

The Company's principal product category is jewelry, which represented 91%, 90% and 87% of the Registrant's net sales in 2010, 2009 and 2008. 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).

The Company also sells timepieces, sterling silver goods (other than jewelry), china, crystal, stationery, fragrances, personal accessories and leather goods, which represented in total 8%, 9% and 11% of the Registrant's net sales in 2010, 2009 and 2008. The Registrant's remaining net sales were attributable to wholesale sales of diamonds and earnings received from third-party licensing agreements.

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## Sales by Reportable Segment of TIFFANY &amp; CO. Jewelry by Category

|  | % to total<br>Americas<br>Sales | % to total<br>Asia-<br>Pacific<br>Sales | % to total<br>Japan<br>Sales | % to total<br>Europe<br>Sales | % to total<br>Reportable<br>Segment<br>Sales |
|--|---------------------------------|---|------------------------------|-------------------------------|--|
| 2010   |                                 |   |                              |                               |  |
| Statement, fine & solitaire jewelry <sup>a</sup> | 15%                             | 23%                                     | 13%                          | 13%                           | 16%  |
| Engagement jewelry & wedding bands <sup>b</sup>  | 21%                             | 35%                                     | 42%                          | 25%                           | 28%  |
| Silver & gold jewelry <sup>c</sup>               | 35%                             | 28%                                     | 17%                          | 45%                           | 32%  |
| Designer jewelry <sup>d</sup>                    | 17%                             | 12%                                     | 21%                          | 13%                           | 16%  |
| 2009   |                                 |   |                              |                               |  |
| Statement, fine & solitaire jewelry <sup>a</sup> | 14%                             | 21%                                     | 11%                          | 13%                           | 14%  |
| Engagement jewelry & wedding bands <sup>b</sup>  | 21%                             | 34%                                     | 43%                          | 23%                           | 27%  |
| Silver & gold jewelry <sup>c</sup>               | 38%                             | 30%                                     | 19%                          | 47%                           | 34%  |
| Designer jewelry <sup>d</sup>                    | 16%                             | 12%                                     | 20%                          | 14%                           | 16%  |
| 2008   |                                 |   |                              |                               |  |
| Statement, fine & solitaire jewelry <sup>a</sup> | 15%                             | 22%                                     | 10%                          | 16%                           | 15%  |
| Engagement jewelry & wedding bands <sup>b</sup>  | 21%                             | 32%                                     | 42%                          | 23%                           | 27%  |
| Silver & gold jewelry <sup>c</sup>               | 33%                             | 28%                                     | 19%                          | 43%                           | 31%  |
| Designer jewelry <sup>d</sup>                    | 17%                             | 14%                                     | 21%                          | 16%                           | 17%  |

- a) This category includes statement, fine and solitaire jewelry (other than engagement jewelry). Most jewelry in this category is constructed of platinum, although gold was used as the primary metal in approximately 5% of sales. Most items in this category contain diamonds, other gemstones or both. The average price of merchandise sold in 2010, 2009 and 2008 in this category was approximately \$4,400, \$4,200 and \$4,700 for total reportable segments.
- b) This category includes diamond engagement 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 2010, 2009 and 2008 in this category was approximately \$3,400, \$3,200 and \$3,100 for total reportable segments.
- c) This category generally consists of non-gemstone, sterling silver (approximately 70% of the category in 2010) or gold jewelry, although small gemstones are used as accents in some pieces. This category does not include jewelry that bears a designer's name. The average price of merchandise sold in 2010, 2009 and 2008 in this category was approximately \$230, \$210 and \$230 for total reportable segments.
- d) This category generally consists of platinum, gold and sterling silver jewelry, some of which contains diamonds, other gemstones or a combination of both diamonds and other gemstones. This category includes only jewelry that bears the name of and is attributed to one of the Company's named designers: Elsa Peretti, Paloma Picasso,

Frank Gehry and Jean Schlumberger (refer to MATERIAL DESIGNER LICENSE below). The average price of TIFFANY & CO.

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merchandise sold in 2010, 2009 and 2008 in this category was approximately \$450, \$420 and \$410 for total reportable segments.

Certain reclassifications within the jewelry categories have been made to the prior years' amounts to conform to the current year category presentation.

No category of non-jewelry merchandise individually represents 10% or more of net sales.

**ADVERTISING AND PROMOTION**

The Registrant regularly advertises, primarily in newspapers and magazines, and also increasingly through digital media, and periodically conducts product promotional events. In 2010, 2009 and 2008, the Registrant spent \$197,597,000 (6.4% of net sales), \$159,891,000 (5.9% of net sales) and \$204,250,000 (7.2% of net sales) on worldwide advertising, which include costs for media, production, catalogs, Internet, visual merchandising (in-store and window displays), promotional events and other related items.

**PUBLIC AND MEDIA RELATIONS**

Public and media relations activities are significant to the Registrant's business and are important in maintaining the Brand. The Company engages in a program of media activities and retail promotions to maintain consumer awareness of the Brand and TIFFANY & CO. products. Each year, Tiffany publishes its well-known *Blue Book* which showcases jewelry and other merchandise.

Management believes that the Brand is also enhanced by a program of charity sponsorships, grants and merchandise donations. In addition, the Company makes donations to The Tiffany & Co. Foundation, a private foundation organized to support 501(c)(3) charitable organizations. The efforts of this Foundation are concentrated in environmental conservation, urban parks and support for the decorative arts.

**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.

Tiffany has been generally successful in such actions and management considers that its worldwide 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.

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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 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, which largely affirmed the lower Court's decision. Tiffany further appealed to the U.S. Supreme Court, which subsequently declined to hear the appeal. Tiffany has exhausted its judicial remedies in this case.

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 and bearing her trademark since 1974. The designs of Ms. Peretti accounted for 10% of the Company's net sales in both 2010 and 2009 and 11% in 2008. Ms. Peretti, age 70, 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 United Kingdom, Switzerland and Germany. The Registrant's operating results would be adversely affected were it to cease to be a licensee of Ms. Peretti or should its degree of exclusivity in respect of her designs be diminished.

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**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 New York, Rhode Island and Kentucky 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.

The Company purchases silver, gold and platinum for use in its U.S. internal manufacturing operations and for use in the manufacture of Tiffany merchandise by certain third-party vendors. While Tiffany may supply precious metals to those vendors, the finished goods made by such vendors may not exclusively contain Tiffany-purchased precious metals. Additionally, not all precious metals used by third-party vendors or in Tiffany's own manufacturing operations are sourced from a single mine or refinery. In recent years, the costs of these precious metals have risen substantially, despite some short-term declines at the end of 2008 and in early 2009.

Products containing one or more diamonds of varying sizes, including diamonds used as accents, side-stones and center-stones, accounted for approximately 52%, 48% and 46% of Tiffany's net sales in 2010, 2009 and 2008.

Products containing one or more diamonds of one carat or larger accounted for 12%, 11% and 10% of net sales in each of those years.

Tiffany purchases polished diamonds principally from five 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. In the second half of 2009 and throughout 2010, a resumption of growth in industry-wide demand for rough and polished wholesale diamonds resulted in prices rising accordingly.

Some, but not all, of Tiffany's suppliers are Diamond Trading Company (DTC) shareholders (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 shareholder for rough diamonds through its Antwerp operations and joint ventures (see below).

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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.* Of the world's largest diamond producing countries, the vast majority of diamonds purchased by Tiffany originate from Botswana, Canada, Namibia, South Africa, Sierra Leone, Russia and Australia. The Company has established diamond processing operations that purchase, sort, cut and/or polish rough diamonds for use by Tiffany. The Company has such operations in Belgium, South Africa, Botswana, Namibia, Mauritius and Vietnam. Operations in South Africa, Botswana and Namibia are conducted through joint venture companies in which third parties own minority interests. Tiffany maintains a relationship and has an arrangement with a single mine operator in each of these three southern African countries, although the Company may choose to supplement its current operations with alternative mine operators from time to time.

The Company 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 other opportunities that will potentially lead to additional sources of such diamonds. Tiffany's purchases of conflict-free rough and polished fine white diamonds, in the color ranges D through I and in sizes above .18 carats represent a significant portion of the world's supply of fine white diamonds in those color and size ranges. Management does not foresee a shortage of diamonds in those color and size ranges in the short term but believes that rising demand will eventually create such a shortage unless new mines are developed.

In 2010, approximately 60% of the polished diamonds acquired by Tiffany for use in jewelry were produced from rough diamonds purchased by the Company. The balance of Tiffany's needs for polished diamonds were purchased from third parties (see above). 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 at the current market prices. Under such arrangements, management anticipates that it will purchase approximately \$90,000,000 of rough diamonds in 2011. 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 its lower levels of production, changing policies in diamond-producing countries and revised contractual arrangements with third-party mine operators.

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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 and Price of Diamonds.* The availability and price of diamonds to the DTC, Tiffany and Tiffany s suppliers is dependent on a number of factors, including global consumer demand, 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 due to economic conditions, diamond prices decreased but began to rise again in the latter part of 2009 and throughout 2010.

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 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. Therefore, 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, concerns over human rights abuses in Zimbabwe underscore that the aforementioned system does not control diamonds produced in state-sanctioned mines under poor working conditions. Tiffany has informed its vendors that the Company will not procure 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 70 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 any potential disruptions in supply. 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.

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*Watches.* Prior to 2007, the Company acquired TIFFANY & CO. brand watches from various Swiss manufacturers. 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. This watchmaking company is wholly-owned and controlled by The Swatch Group but is authorized by Tiffany to use certain trademarks owned by Tiffany and operate under the TIFFANY & CO. name as Tiffany Watch Co., Ltd. The distribution of TIFFANY & CO. watches is made through the Swatch Group distribution network via Swatch Group affiliates, Swatch Group retail facilities and third-party distributors and resulted in royalty revenue that was less than 1% of net sales in 2010. Watches sold in TIFFANY & CO. stores constituted 1% of net sales in both 2010 and 2009 and 2% in 2008.

**COMPETITION**

The global jewelry industry is competitively fragmented. The Company encounters significant competition in all product lines. Some competitors specialize in just one area in which the Company is active. Many competitors have established worldwide, national or local reputations for style, quality, expertise and customer service similar to the Company and compete on the basis of that reputation. Other jewelers and retailers compete primarily through advertised price promotion. The Company competes on the basis of the Brand's reputation for high-quality products, customer service and distinctive value-priced merchandise and does not engage in price promotional advertising. Competition for engagement jewelry sales is particularly and increasingly intense. The Company's retail price for diamond jewelry reflects the rarity of the stones it offers and the rigid parameters it exercises with respect to the cut, clarity and other diamond quality factors which increase the beauty of the diamonds, but which also increase the Company's cost. The Company 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, 2011, the Registrant's subsidiary corporations employed an aggregate of approximately 9,200 full-time and part-time persons. Of those employees, approximately 5,200 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,

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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](http://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. Copies of the Company's annual reports on Form 10-K, Forms 10-Q and Forms 8-K, may be obtained, 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 following risk factors are specific to the Registrant; these risk factors affect the likelihood that the Registrant will achieve the financial objectives and expectations communicated by management:

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

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

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

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

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

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

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

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

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

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

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

The Registrant operates retail stores and boutiques in various countries outside of the U.S. and, as a result, is exposed to market risk from fluctuations in foreign currency exchange rates. In 2010, countries outside of the U.S. in aggregate represented approximately half of the Registrant's net sales and more than half of its earnings from continuing operations, of which Japan represented 18% of the Registrant's net sales and 27% of the Registrant's earnings from continuing operations. In order to maintain its worldwide relative pricing structure, a substantial weakening of foreign currencies against the U.S. dollar would require the Registrant to raise its retail prices or reduce its profit margins in various locations outside of the U.S. Consumers in those markets may not accept significant price increases on the Registrant's goods; thus, there is a risk that a substantial weakening of foreign currencies will result in reduced sales and profitability.

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

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

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

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

Any significant deterioration in the stock market could negatively affect the valuation of pension plan assets and result in increased minimum funding requirements.

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

Merchandise designed by Ms. Peretti accounted for 10% of 2010 net sales. Tiffany has an exclusive long-standing license arrangement with Ms. Peretti to sell her designs and use her trademarks; this arrangement is subject to royalty payments as well as other requirements. This

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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 70 years of age. Loss of this license would have a material adverse affect on the Registrant's business through lost sales and profits.

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

Most of the Registrant's jewelry and non-jewelry offerings are made with diamonds, gemstones and/or precious metals. Presently, the Company purchases a significant portion of the world's rough and polished white diamonds in color grades D through I and in sizes above .18 carats. Acquiring diamonds for the engagement jewelry business has, at times, been difficult because of supply limitations; at such times, Tiffany may not be able to maintain a comprehensive selection of diamonds in each retail location due to the broad assortment of sizes, colors, clarity grades and cuts demanded by customers. A significant change in the costs or supply of these commodities could adversely affect the Registrant's business, which is vulnerable to the risks inherent in the trade for such commodities. A substantial increase or decrease in the cost or supply of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could affect, negatively or positively, customer demand, sales and gross profit margins.

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

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

The Registrant, positioned as a luxury goods retailer, has established its retail presence in choice store locations. If the Registrant cannot secure and retain locations on suitable terms in prime and desired luxury shopping locations, its expansion plans, sales and profits will be jeopardized.

In Japan, many of the retail locations are within department stores. TIFFANY & CO. boutiques located in department stores in Japan represented 79% of net sales in Japan and 14% of consolidated net sales in 2010. In recent years, the Japanese department store industry has, in general, suffered declining sales and there is a risk that such financial difficulties will force further consolidations or store closings. Should one or more Japanese department store operators elect or be required to close one or more stores now housing a TIFFANY & CO. boutique, the Registrant's sales and profits would be reduced while alternative premises were being obtained. The Registrant's commercial relationships with department stores in Japan, and their abilities to continue as leading department store operators, have been and will continue to be substantial factors affecting the Registrant's business in Japan.

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

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

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

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

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

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

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

NONE

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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, 2011:

|                        | Total<br>Stores | Total Gross<br>Retail<br>Square<br>Footage | Gross<br>Retail<br>Square<br>Footage<br>Range | Average<br>Gross Retail<br>Square<br>Footage |
|------------------------|-----------------|--|---|--|
| Americas:              |                 |  |   |  |
| New York Flagship      | 1               | 45,500                                     | 45,500  | 45,500                                       |
| Other stores           | 95              | 598,100                                    | 1,000 17,600                                  | 6,300  |
| Asia-Pacific           | 52              | 128,700                                    | 700 7,700                                     | 2,500  |
| Japan:                 |                 |  |   |  |
| Tokyo Ginza            | 1               | 12,000                                     | 12,000  | 12,000                                       |
| Other stores           | 55              | 134,900                                    | 600 7,500                                     | 2,500  |
| Europe:                |                 |  |   |  |
| London Old Bond Street | 1               | 22,400                                     | 22,400  | 22,400                                       |
| Other stores           | 28              | 85,500                                     | 600 7,100                                     | 3,100  |
| Total                  | 233             | 1,027,100                                  | 600 45,500                                    | 4,400  |

In the Americas, Tiffany's U.S. stores over the years have evolved toward smaller-sized formats, as a result of more effective product category space utilization, visual merchandising, improved inventory replenishment to the stores and reduced non-selling office space. New stores opened in 2010 ranged from 3,500 4,000 gross square feet, and management currently expects that new U.S. stores to be opened in 2011 and beyond will likely be in that approximate size range. In addition, management currently does not anticipate any meaningful change in future store sizes or formats for locations outside the U.S.

**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 45,500 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 is the focal point for marketing and public relations efforts. Retail sales in the New York Flagship store represented 8%, 9% and 10% of total Company net sales in 2010, 2009 and 2008.

**TOKYO GINZA STORE**

The Company leases 12,000 gross square feet of a multi-tenant building housing the TIFFANY & CO. store in Tokyo's Ginza shopping district. The 25-year 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 leases a 22,400 gross square foot store on London's Old Bond Street. The 15-year lease expires in 2022, and has 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. Tiffany has a 20-year 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. In the fourth quarter of 2010, Tiffany began construction of a 25,000 square foot manufacturing facility in Lexington, Kentucky. The Company expects that the owned facility will be operational in 2011 and will replace a temporary leased facility currently being used.

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

The Company leases facilities in Belgium, South Africa, Botswana, Namibia 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 116,000 square feet and the lease expiration dates range from 2011 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 patents and other 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 business employing significant numbers of employees, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages

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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.

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

**Item 4. (Removed and 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 2010 were:

|                | High     | Low      |
|----------------|----------|----------|
| First Quarter  | \$ 52.19 | \$ 38.89 |
| Second Quarter | \$ 49.74 | \$ 35.81 |
| Third Quarter  | \$ 53.00 | \$ 39.43 |
| Fourth Quarter | \$ 65.76 | \$ 52.96 |

On March 22, 2011, the high and low selling prices quoted on such exchange were \$60.22 and \$59.24. On March 22, 2011, there were 14,764 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 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 |

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.

On January 21, 2010, the Registrant announced an 18% increase in its regular quarterly dividend rate to a new rate of \$0.20 per share of Common Stock which was paid on April 12, 2010. On May 20, 2010, the Registrant announced a 25% increase in its regular quarterly dividend rate to a new rate of \$0.25 per share of Common Stock which was paid on July 12, 2010, October 11, 2010 and January 10, 2011.

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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, 8,905,196 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 2010:

Issuer Purchases of Equity Securities

| Period                                | (a) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased | (b)<br>Average<br>Price<br>Paid per<br>Share<br>(or<br>Unit) | (c) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | (d) Maximum<br>Number (or<br>Approximate<br>Dollar Value)<br>of Shares (or<br>Units) that May<br>Yet Be<br>Purchased<br>Under the Plans<br>or Programs |
|---------------------------------------|---|--|--|--|
| November 1, 2010 to November 30, 2010 |   |  |  | \$ 329,154,000   |
| December 1, 2010 to December 31, 2010 |   |  |  | \$ 329,154,000   |
| January 1, 2011 to January 31, 2011   | 137,000   | \$ 58.26   | 137,000  | \$ 392,019,000   |
| <b>TOTAL</b>                          | <b>137,000</b>  | <b>\$ 58.26</b>  | <b>137,000</b>   | <b>\$ 392,019,000</b>  |

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.

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

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The following table sets forth selected financial data, certain of which have been derived from the Company's consolidated financial statements for fiscal years 2006-2010:

*(in thousands, except per share amounts, percentages, ratios, retail locations and employees)*

|  | 2010         | 2009         | 2008         | 2007         | 2006         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>EARNINGS DATA</b>   |              |              |              |              |              |
| Net sales  | \$ 3,085,290 | \$ 2,709,704 | \$ 2,848,859 | \$ 2,927,751 | \$ 2,552,414 |
| Gross profit   | 1,822,278    | 1,530,219    | 1,646,442    | 1,651,501    | 1,468,990    |
| Selling, general & administrative expenses                           | 1,227,497    | 1,089,727    | 1,153,944    | 1,169,108    | 996,090      |
| Net earnings from continuing operations                              | 368,403      | 265,676      | 232,155      | 369,999      | 294,615      |
| Net earnings   | 368,403      | 264,823      | 220,022      | 323,478      | 272,897      |
| Net earnings from continuing operations per diluted share            | 2.87         | 2.12         | 1.84         | 2.68         | 2.09         |
| Net earnings per diluted share                                       | 2.87         | 2.11         | 1.74         | 2.34         | 1.94         |
| Weighted-average number of diluted common shares                     | 128,406      | 125,383      | 126,410      | 138,140      | 140,841      |
| <b>BALANCE SHEET AND CASH FLOW DATA</b>                              |              |              |              |              |              |
| Total assets   | \$ 3,735,669 | \$ 3,488,360 | \$ 3,102,283 | \$ 3,000,904 | \$ 2,904,552 |
| Cash and cash equivalents  | 681,591      | 785,702      | 160,445      | 246,654      | 175,008      |
| Inventories, net   | 1,625,302    | 1,427,855    | 1,601,236    | 1,372,397    | 1,249,613    |
| Short-term borrowings and long-term debt (including current portion) | 688,240      | 754,049      | 708,804      | 453,137      | 518,462      |
| Stockholders' equity   | 2,177,475    | 1,883,239    | 1,588,371    | 1,716,115    | 1,863,937    |
| Working capital  | 2,204,632    | 1,845,393    | 1,446,812    | 1,337,454    | 1,313,015    |
| Cash flows from operating activities                                 | 298,925      | 687,199      | 142,270      | 406,055      | 255,060      |
| Capital expenditures   | 127,002      | 75,403       | 154,409      | 184,266      | 165,419      |
| Stockholders' equity per share                                       | 17.15        | 14.91        | 12.83        | 13.54        | 13.72        |
| Cash dividends paid per share  | 0.95         | 0.68         | 0.66         | 0.52         | 0.38         |
| <b>RATIO ANALYSIS AND OTHER DATA</b>                                 |              |              |              |              |              |
| As a percentage of net sales:  |              |              |              |              |              |
| Gross profit   | 59.1%        | 56.5%        | 57.8%        | 56.4%        | 57.6%        |
| Selling, general & administrative expenses                           | 39.8%        | 40.2%        | 40.5%        | 39.9%        | 39.0%        |
| Net earnings from continuing operations                              | 11.9%        | 9.8%         | 8.1%         | 12.6%        | 11.5%        |
| Net earnings   | 11.9%        | 9.8%         | 7.7%         | 11.0%        | 10.7%        |
| Capital expenditures   | 4.1%         | 2.8%         | 5.4%         | 6.3%         | 6.5%         |
| Return on average assets   | 10.2%        | 8.0%         | 7.2%         | 11.0%        | 9.5%         |
| Return on average stockholders' equity                               | 18.1%        | 15.3%        | 13.3%        | 18.1%        | 14.6%        |
| Total debt-to-equity ratio   | 31.6%        | 40.0%        | 44.6%        | 26.4%        | 27.8%        |
| Dividends as a percentage of net earnings                            | 32.7%        | 31.9%        | 37.4%        | 21.6%        | 19.3%        |
| Company-operated TIFFANY & CO. stores and boutiques                  | 233          | 220          | 206          | 184          | 167          |
| Number of employees  | 9,200        | 8,400        | 9,000        | 8,800        | 8,700        |

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

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**NOTES TO SELECTED FINANCIAL DATA**

Financial information for 2010 includes the following amounts, totaling \$17,635,000 of net pre-tax expense (\$7,672,000 net after-tax expense, or \$0.06 per diluted share after tax):

\$17,635,000 pre-tax expense associated with the plan to consolidate the New York headquarters staff to a single location. This expense is primarily related to the acceleration of the useful lives of certain property and equipment and incremental rent during the transition period; and  
\$3,096,000 net income tax benefit primarily due to a change in the tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations.

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;  
\$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 entering into an 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.

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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.

Effective with the first quarter of 2010, management changed the Company's segment reporting in order to align with a change in its organizational and management reporting structure. Specifically, the Company is now reporting results in Japan separately from the rest of the Asia-Pacific region, and results for certain emerging market countries that were previously included in the Europe and Asia-Pacific segments are now included in the Other non-reportable segment. Prior year results have been revised to reflect this change.

**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 employs a multi-channel distribution strategy. Management intends to expand distribution by adding stores in both new and existing markets, and by launching e-commerce websites in new 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 potential worldwide locations remaining that meet the requirements of the Brand.

To enhance customer awareness.

The Brand is the single most important asset of the Company. Management will continue to invest in marketing and public relations programs designed to increase new and existing customer awareness of the Brand and its message, and will continue to monitor the strength of the Brand through market research.

To increase store productivity.

Over the years, the Company has opened smaller size stores (especially in the United States) which have contributed to higher store productivity. In addition, the Company is committed to growing sales per square foot by increasing consumer traffic and the conversion rate (the percentage of store visitors who make a 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 efficiencies in product sourcing, manufacturing and distribution. 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.

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To maintain an active product development program.

The Company continues to invest in product development in order to introduce new design collections and expand existing lines.

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 enhancing ongoing training programs.

**2010 SUMMARY**

Worldwide net sales increased 14% to \$3,085,290,000, due to growth in all reportable segments.

On a constant-exchange-rate basis (see Non-GAAP Measures below), worldwide net sales increased 12% and comparable store sales increased 8%.

The Company added a net of 13 TIFFANY & CO. stores (five in the Americas, seven in Asia-Pacific, two in Europe and a net reduction of one in Japan).

The Company launched e-commerce websites in eight European countries.

Operating margin increased 3.0 percentage points due to a higher gross margin and the leverage effect of increased sales compared with the growth in selling, general and administrative expenses.

Net earnings from continuing operations increased 39% to \$368,403,000, or \$2.87 per diluted share. Net earnings from continuing operations in 2010 and 2009 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, net earnings from continuing operations would have increased 47% to \$376,075,000, or \$2.93 per diluted share from \$255,220,000, or \$2.04 per diluted share, in 2009.

The Company issued, at par, ¥10,000,000,000 (\$118,430,000 at issuance) of 1.72% Senior Notes due September 2016. The proceeds were used to repay a portion of ¥15,000,000,000 (\$178,845,000 upon payment) of debt that came due in September. The Company also repaid \$40,000,000 of debt that came due in December.

The Board of Directors approved two increases, totaling 47%, in the dividend on the Company's Common Stock increasing the annual dividend rate to \$1.00 per share.

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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:

|                                | 2010             |                       |   | 2009             |                       |   |
|--------------------------------|------------------|-----------------------|---|------------------|-----------------------|---|
|                                | GAAP<br>Reported | Translation<br>Effect | Constant-<br>Exchange-<br>Rate<br>Basis | GAAP<br>Reported | Translation<br>Effect | Constant-<br>Exchange-<br>Rate<br>Basis |
| <b>Net Sales:</b>              |                  |                       |   |                  |                       |   |
| Worldwide                      | 14%              | 2%                    | 12%                                     | (5)%             | %                     | (5)%                                    |
| Americas                       | 12               | 1                     | 11                                      | (11)             |                       | (11)                                    |
| Asia-Pacific                   | 29               | 6                     | 23                                      | 17               | (2)                   | 19                                      |
| Japan                          | 7                | 8                     | (1)                                     | (4)              | 7                     | (11)                                    |
| Europe                         | 18               | (5)                   | 23                                      | 12               | (7)                   | 19                                      |
| <b>Comparable Store Sales:</b> |                  |                       |   |                  |                       |   |
| Worldwide                      | 10%              | 2%                    | 8%                                      | (7)%             | 1%                    | (8)%                                    |
| Americas                       | 9                | 1                     | 8                                       | (14)             |                       | (14)                                    |
| Asia-Pacific                   | 19               | 5                     | 14                                      | 8                |                       | 8                                       |
| Japan                          | 4                | 8                     | (4)                                     | (4)              | 7                     | (11)                                    |
| Europe                         | 13               | (5)                   | 18                                      | 3                | (6)                   | 9                                       |

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## RESULTS OF OPERATIONS

## Net Sales

Net sales by segment were as follows:

| <i>(in thousands)</i> | 2010         | 2009         | 2008         | 2010 vs.<br>2009<br>% Change | 2009 vs.<br>2008<br>% Change |
|-----------------------|--------------|--------------|--------------|------------------------------|------------------------------|
| Americas              | \$ 1,574,571 | \$ 1,410,845 | \$ 1,586,636 | 12%                          | (11)%                        |
| Asia-Pacific          | 549,197      | 426,296      | 363,095      | 29                           | 17                           |
| Japan                 | 546,537      | 512,989      | 533,474      | 7                            | (4)                          |
| Europe                | 360,831      | 306,321      | 273,093      | 18                           | 12                           |
| Other                 | 54,154       | 53,253       | 92,561       | 2                            | (42)                         |
|                       | \$ 3,085,290 | \$ 2,709,704 | \$ 2,848,859 | 14%                          | (5)%                         |

*Comparable Store Sales.* Reference will be made to comparable store sales below. Comparable store sales include only sales transacted in Company-operated stores and boutiques. A store's sales are included in comparable store sales when the store has been open for more than 12 months. In markets other than Japan, sales for relocated stores are included in comparable store sales if the relocation occurs within the same geographical market. In Japan, sales for a 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 United States, Canada and Latin/South America, as well as sales of TIFFANY & CO. products in certain of those markets through business-to-business, Internet, catalog and wholesale operations. Americas represented 51%, 52% and 56% of worldwide net sales in 2010, 2009 and 2008, of which the New York Flagship store represented 8%, 9% and 10% of worldwide net sales.

In 2010, total sales in the Americas increased \$163,726,000, or 12%, primarily due to an increase in the average price per unit sold. Comparable store sales increased \$102,802,000, or 9%, consisting of increases in both comparable branch store sales of 9% and New York Flagship store sales of 6%. Non-comparable store sales grew \$32,800,000. On a constant-exchange-rate basis, sales in the Americas increased 11%, and comparable store sales increased 8%. Combined Internet and catalog sales in the Americas increased \$14,142,000, or 8%, due to an increase in the average sales per order.

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. Comparable store sales decreased \$192,484,000, or 14%, consisting of decreases of 15% in New York Flagship store sales and 14% in comparable branch store sales. Non-comparable store sales grew \$32,204,000. On a constant-exchange-rate basis, sales in the Americas decreased 11% and comparable store sales decreased 14%. Combined Internet and catalog sales in the Americas decreased \$711,000.

*Asia-Pacific.* Asia-Pacific includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations. Asia-Pacific represented 18%, 16% and 13% of worldwide net sales in 2010, 2009 and 2008.

In 2010, total sales in Asia-Pacific increased \$122,901,000, or 29%, primarily due to an increase in the average price per unit sold. This increase included a comparable store sales increase of

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\$77,353,000, or 19%, and non-comparable store sales growth of \$40,722,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 23% and comparable store sales increased 14% due to geographically broad-based sales growth in most markets, especially in the Greater China region.

In 2009, total sales in Asia-Pacific increased \$63,201,000, or 17%, due to an increase in the number of units sold. This increase included non-comparable store sales growth of \$33,800,000, and a comparable store sales increase of \$26,262,000, or 8%. On a constant-exchange-rate basis, Asia-Pacific sales in 2009 increased 19% and comparable store sales increased 8% due to increases in most markets.

*Japan.* Japan includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations. Japan represented 18% of worldwide net sales in 2010, and 19% in both 2009 and 2008.

In 2010, total sales in Japan increased \$33,548,000, or 7%, due to an increase in the average price per unit sold which was partly offset by a decline in the number of units sold. Comparable store sales increased \$17,913,000, or 4%, and other non-retail store sales increased \$11,599,000. On a constant-exchange-rate basis, Japan sales decreased 1%, and comparable store sales decreased 4%.

In 2009, total sales in Japan decreased \$20,485,000, or 4%, due to a decrease in the average price per unit sold. Comparable store sales decreased \$20,440,000, or 4%. On a constant-exchange-rate basis, Japan sales and comparable store sales both declined 11%.

*Europe.* Europe includes sales in TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations. Europe represented 12%, 11% and 10% of worldwide net sales in 2010, 2009 and 2008. The United Kingdom ( U.K. ) represents approximately half of European sales.

In 2010, total sales in Europe increased \$54,510,000, or 18%, primarily due to an increase in the number of units sold. This included increased comparable store sales of \$34,581,000, or 13%, and non-comparable store sales growth of \$19,779,000. On a constant-exchange-rate basis, sales increased 23% and comparable store sales increased 18% due to geographically broad-based sales growth.

In 2009, total sales in Europe increased \$33,228,000, or 12%, due to an increase in the number of units sold. This included non-comparable store sales growth of \$28,029,000. On a constant-exchange-rate basis, sales in Europe increased 19% and comparable store sales rose 9%, reflecting growth in all countries.

*Store Data.* In 2010, the Company added a net of 13 stores: five in the Americas (all in the U.S.), seven in Asia-Pacific (four in China and one each in Korea, Singapore and Taiwan), two in Europe (Spain and the U.K.) and a net reduction of one in Japan.

In 2009, the Company added a net of 14 stores: five in the Americas (three in the U.S. and one each in Canada and Mexico), six in Asia-Pacific (two in both China and Korea and one each in Hong Kong and Australia) and three in Europe (two in the U.K. and one in the Netherlands). Additionally, the Company opened two locations and closed two locations in Japan.

Sales per gross square foot generated by all stores were approximately \$2,600 in 2010, \$2,400 in 2009 and \$2,600 in 2008.

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*Other.* Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes earnings received from third-party licensing agreements.

In 2010, Other sales increased \$901,000, or 2%, as increased wholesale sales of TIFFANY & CO. merchandise to independent distributors was mostly offset by lower wholesale sales of diamonds. In 2009, Other sales declined \$39,308,000, or 42%, due to lower wholesale sales of diamonds and decreased wholesale sales of TIFFANY & CO. merchandise to independent distributors.

## Gross Margin

|   | 2010  | 2009  | 2008  |
|---|-------|-------|-------|
| Gross profit as a percentage of net sales | 59.1% | 56.5% | 57.8% |

Gross margin (gross profit as a percentage of net sales) increased by 2.6 percentage points in 2010 driven primarily by the recapture of higher product costs through retail price increases, as well as manufacturing efficiencies. The 1.3 percentage point decrease in 2009 was primarily due to higher product costs.

Management periodically reviews and adjusts its retail prices when appropriate, as it did by increasing prices in 2010, to address specific market conditions, product cost increases 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).

## 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 base, made primarily in the U.S., to more closely align staffing with anticipated sales levels at the time the decision was made. 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&amp;A) Expenses

|  | 2010  | 2009  | 2008  |
|--|-------|-------|-------|
| SG&A expenses as a percentage of net sales | 39.8% | 40.2% | 40.5% |

SG&A expenses increased \$137,770,000, or 13%, in 2010 and declined \$64,217,000, or 6%, in 2009. SG&A expenses in those years are not comparable due to several nonrecurring charges recorded in those periods.

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SG&A expenses in 2010 included \$16,625,000 of expense associated with Tiffany and Company's (Tiffany) plan to consolidate its New York headquarters staff to a single location (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies).

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 and 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 and Dispositions).

Excluding the nonrecurring items noted above, SG&A expenses in 2010, 2009 and 2008 would have been \$1,210,872,000, \$1,090,169,000 and \$1,139,500,000. The increase of \$120,703,000, or 11%, in 2010 was largely due to increased marketing expenses of \$37,706,000, increased labor and benefits costs of \$30,323,000 and increased depreciation and store occupancy expenses of \$28,704,000 due to new and existing stores. The 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 above, SG&A expenses as a percentage of net sales would have been 39.2%, 40.2% and 40.0% in 2010, 2009 and 2008.

The Company's SG&A expenses are largely fixed in nature. The improvement in SG&A expenses as a percentage of net sales in 2010 reflected the leverage effect from increased sales. 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.

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## Earnings from Continuing Operations

| <i>(in thousands)</i>                         | 2010       | % of<br>Sales* | 2009       | % of<br>Sales* | 2008       | % of<br>Sales* |
|---|------------|----------------|------------|----------------|------------|----------------|
| Earnings (losses) from continuing operations: |            |                |            |                |            |                |
| Americas                                      | \$ 340,331 | 21.6%          | \$ 263,470 | 18.7%          | \$ 317,964 | 20.0%          |
| Asia-Pacific                                  | 133,448    | 24.3           | 100,690    | 23.6           | 88,724     | 24.4           |
| Japan   | 162,800    | 29.8           | 139,519    | 27.2           | 141,802    | 26.6           |
| Europe  | 88,309     | 24.5           | 60,102     | 19.6           | 52,021     | 19.0           |
| Other   | 3,358      | 6.2            | (8,767)    | (16.5)         | 4,938      | 5.3            |
|   | 728,246    |                | 555,014    |                | 605,449    |                |
| Unallocated corporate expenses                | (115,830)  | (3.8)%         | (114,964)  | (4.2)%         | (101,889)  | (3.6)%         |
| Restructuring charges                         |            |                |            |                | (97,839)   |                |
| Other operating income                        |            |                | 4,442      |                |            |                |
| Other operating expense                       | (17,635)   |                | (4,000)    |                | (11,062)   |                |
| Earnings from continuing operations           | \$ 594,781 | 19.3%          | \$ 440,492 | 16.3%          | \$ 394,659 | 13.9%          |

\* Percentages represent earnings (losses) from continuing operations as a percentage of each segment's net sales. Certain reclassifications have been made to the prior years' amounts to conform to the current year presentation. Earnings from continuing operations increased 35% in 2010. On a segment basis, the ratio of earnings (losses) from continuing operations to each segment's net sales in 2010 compared with 2009 was as follows:

Americas the ratio increased 2.9 percentage points primarily due to an increase in gross margin, as well as the leveraging of operating expenses;

Asia-Pacific the ratio increased 0.7 percentage point due to an increase in gross margin, which was partly offset by an increase in marketing expenses associated with a major marketing and public relations event held in Beijing, China;

Japan the ratio increased 2.6 percentage points primarily due to an increase in gross margin, which was partly offset by an increase in marketing expenses;

Europe the ratio increased 4.9 percentage points primarily due to the leveraging of operating expenses, as well as an increase in gross margin; and

Other the ratio increased 22.7 percentage points. The prior period operating loss included a valuation adjustment related to the write-down of wholesale diamond inventory deemed not suitable for the Company's needs.

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 1.3 percentage points primarily due to a decline in gross margin due to higher product costs;

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Asia-Pacific the ratio decreased 0.8 percentage point due to a decline in gross margin due to higher product costs, partly offset by the leveraging of operating expenses;

Japan the ratio increased 0.6 percentage point due to decreased operating expenses attributed to the cost savings initiatives, partly offset by a decline in gross margin due to higher product costs;

Europe the ratio increased 0.6 percentage point due to operating expense leverage, partly offset by a decline in gross margin due to higher product costs; and

Other the ratio decreased 21.8 percentage points due to lower wholesale sales of diamonds and the write-down of wholesale diamond inventory.

Unallocated corporate expenses include costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for centralized information technology, finance, legal and human resources departments. Unallocated corporate expenses increased in 2010 but decreased as a percentage of sales. In 2009, unallocated corporate expenses increased primarily due to changes in management incentive and stock-based compensation.

Restructuring charges in 2008 represent 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 expense in 2010 represents \$17,635,000 in accelerated depreciation and incremental rent expense associated with Tiffany's plan to consolidate and relocate its New York headquarters staff to a single location (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies ). Other operating expense 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 and Dispositions ). Other operating expense 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 ).

**Interest Expense and Financing Costs**

Interest expense and financing costs decreased \$706,000 in 2010. Interest expense and financing costs increased \$26,064,000 in 2009 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 \$2,465,000 in 2010 primarily due to a change in foreign currency gains/losses. Other income, net increased \$4,446,000 in 2009 because 2008 included a \$4,300,000 charge related to the impairment of unrealized gains and the interest receivable associated with interest rate swaps as the recovery of the amounts due from the counterparty, Lehman Brothers Special Financing Inc., was no longer probable.

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Provision for Income Taxes

The effective income tax rate was 32.7% in 2010, compared with 31.9% in 2009 and 36.5% in 2008. The effective income tax rate for 2010 included a net income tax benefit of \$3,096,000 primarily due to a change in the tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations. 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 that business was \$6,103,000 in 2009 and \$19,683,000 in 2008 (see Item 8.

Financial Statements and Supplementary Data Note C. Acquisitions and Dispositions ).

The Company sold Little Switzerland, Inc. in 2007. 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 and Dispositions ).

2011 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-15:

A worldwide net sales increase of 12%-14%. Sales assumptions by region (in U.S. dollars) include a low-double-digit percentage increase in the Americas, at least a 20% increase in Asia-Pacific, a mid-single-digit percentage decline in Japan and more than a 20% increase in Europe. Other sales are expected to increase by more than 30%.

Included in the above outlook for Japan, management has assumed some periodic store closings or limited store hours in Japan only through the end of the first quarter as a result of the earthquake-related events that occurred in March 2011. Management expects first quarter worldwide sales growth of 11%, with total Japan sales declining 15%.

The opening of 21 Company-operated stores (eight in the Americas, eight in Asia-Pacific and five in Europe).

An increase in operating margin of approximately one-half point due to both a higher gross margin reflecting a price increase taken in January 2011 to offset product cost increases and an improved ratio of SG&A expenses to net sales.

Interest and other expenses, net of \$46,000,000.

An effective income tax rate of 34%.

Net earnings per diluted share increasing 14% 18% to \$3.35 \$3.45.

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An increase in net inventories of more than 15%.

Capital expenditures of \$250,000,000 \$275,000,000.

The above assumptions for operating margin and net earnings per diluted share exclude expenses of approximately \$40,000,000 primarily related to the fair value of the remaining non-cancelable lease obligations (reduced by the estimated sublease rental income), as well as the acceleration of the useful lives of certain property and equipment and incremental rent during the transition period associated with Tiffany's plan to consolidate and relocate its New York headquarters staff to a single location (see Item 8. Financial Statements and Supplementary Data Note L. Commitments and Contingencies). Most of these expenses are expected to be recorded during the second quarter of 2011. Tiffany expects overall savings of more than \$100,000,000 over the 15-year lease term of the new location as a result of an overall reduction in rent expense; these estimated savings are based on current rental costs and assumptions made regarding future potential rent increases at the existing locations. Changes in market conditions may affect the total expenses ultimately recorded.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its ongoing, seasonal and expansion-related working capital requirements and capital expenditures needs. Over the long term, the Company manages its cash and capital structure to maintain a strong financial position that provides flexibility to pursue strategic initiatives. Management regularly assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. Management believes that cash on hand, internally-generated cash flows and the funds available under its revolving Credit Facility are sufficient to support the Company's liquidity and capital requirements for the foreseeable future. Within the next 12 months, \$60,855,000 of the Company's long-term debt will reach maturity and the Company intends to repay that debt with cash on hand. The following table summarizes cash flows from operating, investing and financing activities:

| <i>(in thousands)</i>                                 | 2010         | 2009       | 2008        |
|---|--------------|------------|-------------|
| Net cash provided by (used in):                       |              |            |             |
| Operating activities                                  | \$ 298,925   | \$ 687,199 | \$ 142,270  |
| Investing activities                                  | (186,612)    | (80,893)   | (161,690)   |
| Financing activities                                  | (224,799)    | 10,538     | (39,708)    |
| Effect of exchange rates on cash and cash equivalents | 8,375        | 14,300     | (18,035)    |
| Net cash used in discontinued operations              |              | (5,887)    | (9,046)     |
| Net (decrease) increase in cash and cash equivalents  | \$ (104,111) | \$ 625,257 | \$ (86,209) |

#### Operating Activities

The Company had net cash inflows from operating activities of \$298,925,000 in 2010, \$687,199,000 in 2009 and \$142,270,000 in 2008. The decrease in 2010 from 2009 primarily

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resulted from an increase in inventories. The increase in 2009 from 2008 primarily resulted from decreases in inventories and, to a lesser extent, lower income tax payments.

*Working Capital.* Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were \$2,204,632,000 and 5.6 at January 31, 2011, compared with \$1,845,393,000 and 4.1 at January 31, 2010. The increase in working capital and the current ratio is primarily due to an increase in inventories and a decrease in the current portion of long-term debt.

Accounts receivable, less allowances, at January 31, 2011 were 17% higher than January 31, 2010, reflecting sales growth. Changes in foreign currency exchange rates increased accounts receivable balances by 5% compared to January 31, 2010. On a 12-month rolling basis, accounts receivable turnover was 18 times in 2010 and 2009.

Inventories, net at January 31, 2011 were 14% higher than January 31, 2010. Finished goods inventories rose 9% and combined raw material and work-in-process inventories rose 22%, all to support sales growth, new store openings and new product launches, as well as reflecting higher acquisition costs. Changes in foreign currency exchange rates increased inventories, net by 2% compared to January 31, 2010. In addition, inventory levels had been reduced in 2009 due to economic conditions and, further, inventories also finished 2009 lower than initially planned because of stronger-than-expected sales in the fourth quarter.

#### Investing Activities

The Company had net cash outflows from investing activities of \$186,612,000 in 2010, \$80,893,000 in 2009 and \$161,690,000 in 2008. The increased outflow in 2010 was primarily due to higher capital expenditures and purchases of marketable securities and short-term investments. The decreased outflow in 2009 was primarily due to a decline in capital expenditures.

*Capital Expenditures.* Capital expenditures were \$127,002,000 in 2010, \$75,403,000 in 2009 and \$154,409,000 in 2008, representing 4%, 3% and 5% of net sales in those respective years. The increase in 2010 largely reflected a moderated rate of store openings and other cost containment in 2009. 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 and Short-Term Investments.* The Company invests a portion of its cash in marketable securities and short-term investments. The Company had net purchases of investments in marketable securities and short-term investments of \$59,610,000, \$13,433,000 and \$1,543,000 during 2010, 2009 and 2008.

#### Financing Activities

The Company had a net cash outflow from financing activities of \$224,799,000 in 2010, a net cash inflow of \$10,538,000 in 2009 and a net cash outflow of \$39,708,000 in 2008. Year-over-year changes in cash flows from financing activities are largely driven by borrowings and share repurchase activity.

*Dividends.* The cash dividend on the Company's Common Stock was increased twice in 2010, following no change in 2009 and one increase in 2008. The Company's Board of Directors declared quarterly dividends which, on an annual basis, totaled \$0.95, \$0.68 and \$0.66 per common share in 2010, 2009 and 2008. Cash dividends paid were \$120,390,000 in 2010, \$84,579,000 in 2009 and \$82,258,000 in 2008. The dividend payout ratio (dividends as a percentage of net earnings) was 33% in 2010, 32% in 2009 and 37% in 2008.

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*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. In January 2011, the Company's Board of Directors approved a new stock repurchase program ( 2011 Program ) and terminated the previously existing program. The 2011 Program authorizes the Company to repurchase up to \$400,000,000 of its Common Stock through open market or private transactions. The 2011 Program expires on January 31, 2013. The timing of repurchases and the actual number of shares to be repurchased depend on a variety of discretionary factors such as stock price, cash-flow forecasts and other market conditions.

The Company's share repurchase activity was as follows:

| <i>(in thousands, except per share amounts)</i> | 2010      | 2009     | 2008       |
|---|-----------|----------|------------|
| Cost of repurchases                             | \$ 80,786 | \$ 467   | \$ 218,379 |
| Shares repurchased and retired                  | 1,843     | 11       | 5,375      |
| Average cost per share                          | \$ 43.83  | \$ 41.72 | \$ 40.63   |

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, 2011, there remained \$392,019,000 of authorization for future repurchases under the 2011 Program. 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.

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

| <i>(in thousands)</i>  | 2010        | 2009         | 2008       |
|--|-------------|--------------|------------|
| Short-term borrowings:                                       |             |              |            |
| Proceeds from (repayment of) credit facility borrowings, net | \$ 9,170    | \$ (126,811) | \$ 103,976 |
| Proceeds from issuance of other short-term borrowings        |             |              | 116,001    |
| Repayments of other short-term borrowings                    |             | (93,000)     | (25,473)   |
| Net proceeds from (repayments of) short-term borrowings      | 9,170       | (219,811)    | 194,504    |
| Long-term borrowings:  |             |              |            |
| Proceeds from issuance                                       | 118,430     | 300,000      | 100,000    |
| Repayments   | (218,845)   | (40,000)     | (73,483)   |
| Net (repayments of) proceeds from long-term borrowings       | (100,415)   | 260,000      | 26,517     |
| Net (repayments of) proceeds from total borrowings           | \$ (91,245) | \$ 40,189    | \$ 221,021 |

In July 2009, the Company entered into a \$400,000,000 revolving Credit Facility ( 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. The Credit Facility matures in July 2012. There was \$38,891,000 outstanding and \$407,109,000

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available under the Credit Facility and other revolving credit facilities at January 31, 2011. The weighted-average interest rate for the outstanding amount at January 31, 2011 was 3.06%.

Proceeds from the issuances of long-term debt and other short-term borrowings were used to refinance existing indebtedness and for general corporate purposes. The long-term debt issued during 2010 has a maturity date of 2016 with an interest rate of 1.72%. The long-term debt issued during 2009 has maturity dates that range from 2017 to 2019 with interest rates of 10.00%. The long-term debt issued 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 32% and 40% at January 31, 2011 and 2010.

At January 31, 2011, the Company was in compliance with all debt covenants.

*Purchase of Non-controlling Interests.* In October 2009, the Company acquired all non-controlling interests in two majority-owned entities that indirectly engage through majority-owned subsidiaries in diamond sourcing and polishing operations in South Africa and Botswana, respectively, for total consideration of \$18,000,000, of which \$11,000,000 was paid in 2009 and the remaining \$7,000,000 was paid during 2010.

#### Contractual Cash Obligations and Commercial Commitments

The following is a summary of the Company's contractual cash obligations at January 31, 2011:

| <i>(in thousands)</i>                       | Total        | 2011       | 2012-<br>2013 | 2014-<br>2015 | Thereafter   |
|---|--------------|------------|---------------|---------------|--------------|
| Unrecorded contractual obligations:         |              |            |               |               |              |
| Operating leases                            | \$ 1,273,066 | \$ 151,742 | \$ 267,513    | \$ 213,661    | \$ 640,150   |
| Inventory purchase obligations <sup>a</sup> | 305,442      | 193,442    | 112,000       |               |              |
| Interest on debt <sup>b</sup>               | 274,056      | 45,559     | 84,099        | 81,332        | 63,066       |
| Other contractual obligations <sup>c</sup>  | 36,815       | 32,594     | 2,221         | 2,000         |              |
| Recorded contractual obligations:           |              |            |               |               |              |
| Short-term borrowings                       | 38,891       | 38,891     |               |               |              |
| Long-term debt                              | 649,349      | 60,855     | 62,531        | 104,252       | 421,711      |
|   | \$ 2,577,619 | \$ 523,083 | \$ 528,364    | \$ 401,245    | \$ 1,124,927 |

- 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 2011 and included in this table. Purchases beyond 2011 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, 2011. Actual payments will differ based on changes in interest rates.
- c) Other contractual obligations consist primarily of royalty commitments, construction-in-progress and packaging supplies.

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 \$25,000,000 to the pension plan in 2011. However, this expectation is subject to change if actual asset

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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 \$2,649,000 in 2011.

Unrecognized tax benefits at January 31, 2011 of \$32,273,000 and accrued interest and penalties of \$4,189,000. 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.

The following is a summary of the Company's outstanding borrowings and available capacity under the Credit Facility and other revolving credit facilities at January 31, 2011:

| <i>(in thousands)</i>             | Total<br>Capacity | Borrowings<br>Outstanding | Available<br>Capacity |
|-----------------------------------|-------------------|---------------------------|-----------------------|
| Credit Facility*                  | \$ 400,000        | \$ 14,888                 | \$ 385,112            |
| Other revolving credit facilities | 46,000            | 24,003                    | 21,997                |
|                                   | \$ 446,000        | \$ 38,891                 | \$ 407,109            |

\* This facility matures in July 2012. The Company can request to increase the capacity up to \$500,000,000. In addition, the Company had letters of credit and financial guarantees of \$25,281,000 at January 31, 2011, of which \$22,032,000 expire 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

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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, 2011, a 10% change in the reserve for discontinued and slow-moving products would have resulted in a change of \$4,843,000 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 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 did not record any material impairment charges in 2010, 2009 or 2008.

*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 2010, 2009 and 2008 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 reflect 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

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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 6.50% and 6.75% to determine its 2010 pension expense for all U.S. plans and 6.75% to determine its 2010 postretirement expense. Holding all other assumptions constant, a 0.5% increase in the discount rate would have decreased 2010 pension and postretirement expenses by \$2,826,000 and \$226,000. A decrease of 0.5% in the discount rate would have increased the 2010 pension and postretirement expenses by \$3,640,000 and \$294,000. 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 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 2010 pension expense. Holding all other assumptions constant, a 0.5% change in the long-term rate of return would have changed the 2010 pension expense by \$1,171,000. 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, 9.00% (for pre-age 65 retirees) and 7.50% (for post-age 65 retirees) annual rates of increase in the per capita cost of covered health care were assumed for 2011. The rates were assumed to decrease gradually to 5.00% by 2019 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 2010 postretirement expense.

**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 uses foreign exchange forward contracts or put option contracts to offset the foreign currency exchange risks associated with foreign currency-denominated liabilities, intercompany transactions and forecasted purchases of merchandise between entities with differing functional currencies. The fair value of foreign exchange forward contracts and put option contracts is sensitive to changes in foreign exchange rates. Gains or losses on foreign exchange forward contracts substantially offset losses or gains on the liabilities and transactions being hedged. For put option contracts, if the market exchange rate at the time of the put option contract's expiration is stronger than the contracted exchange rate, the Company allows the put option contract to expire, limiting its loss to the cost of the put option contract. There were no outstanding put option contracts as of January 31, 2011. The term of all outstanding foreign exchange forward contracts as of January 31, 2011 ranged from less than one month to 16 months. At January 31, 2011 and 2010, the fair value of the Company's outstanding foreign exchange forward contracts was a net liability of \$1,626,000 and \$781,000. At January 31, 2011, a 10% depreciation in the hedged foreign exchange rates from the prevailing market rates would have resulted in a fair value of approximately (\$20,000,000).

**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 either a combination of call and put option contracts in net-zero-cost collar arrangements ( precious metal collars ) or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar expires at no cost to the Company. The maximum term over which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is 12 months. The fair value of the outstanding precious metal derivative instruments was an asset of \$753,000 and \$1,720,000 at January 31, 2011 and 2010. At January 31, 2011, a 10% depreciation in precious metal prices from the prevailing market rates would have resulted in a fair value of approximately \$300,000.

**Interest Rate Risk**

The Company uses interest rate swap agreements to convert certain fixed rate debt obligations to floating rate obligations. Additionally, since the fair value of the Company's fixed rate long-term debt is sensitive to interest rate changes, the interest rate swap agreements serve as hedges to changes in the fair value of these debt instruments. The Company hedges its exposure to changes in interest rates over the remaining maturities of the debt agreements being hedged. The fair value of the outstanding interest rate swap agreements was an asset of \$6,155,000 and \$1,996,000 at January 31, 2011 and 2010. A 100 basis point increase in interest rates at January 31, 2011 would have resulted in a fair value of the interest rate swap agreements of approximately \$1,200,000.

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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, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2011 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, 2011, 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, appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP  
New York, New York  
March 28, 2011

TIFFANY & CO.



**Table of Contents****CONSOLIDATED BALANCE SHEETS**

|   | January 31,         |                     |
|---|---------------------|---------------------|
| <i>(in thousands, except per share amounts)</i>   | 2011                | 2010                |
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 681,591          | \$ 785,702          |
| Short-term investments  | 59,280              |                     |
| Accounts receivable, less allowances of \$11,783 and \$12,892   | 185,969             | 158,706             |
| Inventories, net  | 1,625,302           | 1,427,855           |
| Deferred income taxes   | 41,826              | 6,651               |
| Prepaid expenses and other current assets   | 90,577              | 66,752              |
| <b>Total current assets</b>   | <b>2,684,545</b>    | <b>2,445,666</b>    |
| Property, plant and equipment, net  | 665,588             | 685,101             |
| Deferred income taxes   | 202,902             | 183,825             |
| Other assets, net   | 182,634             | 173,768             |
|   | <b>\$ 3,735,669</b> | <b>\$ 3,488,360</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                     |                     |
| Current liabilities:  |                     |                     |
| Short-term borrowings   | \$ 38,891           | \$ 27,642           |
| Current portion of long-term debt   | 60,855              | 206,815             |
| Accounts payable and accrued liabilities  | 258,611             | 231,913             |
| Income taxes payable  | 55,691              | 67,513              |
| Merchandise and other customer credits  | 65,865              | 66,390              |
| <b>Total current liabilities</b>  | <b>479,913</b>      | <b>600,273</b>      |
| Long-term debt  | 588,494             | 519,592             |
| Pension/postretirement benefit obligations  | 217,435             | 219,276             |
| Deferred gains on sale-leasebacks   | 124,980             | 128,649             |
| Other long-term liabilities   | 147,372             | 137,331             |
| 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 126,969 and 126,326 | 1,269               | 1,263               |
| Additional paid-in capital  | 863,967             | 764,132             |
| Retained earnings   | 1,324,804           | 1,151,109           |
| Accumulated other comprehensive loss, net of tax  | (12,565)            | (33,265)            |
| <b>Total stockholders equity</b>  | <b>2,177,475</b>    | <b>1,883,239</b>    |

\$ 3,735,669      \$ 3,488,360

*See notes to consolidated financial statements.*

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**Table of Contents****CONSOLIDATED STATEMENTS OF EARNINGS**

| <i>(in thousands, except per share amounts)</i>         | Years Ended January 31, |              |              |
|---|-------------------------|--------------|--------------|
|   | 2011                    | 2010         | 2009         |
| Net sales   | \$ 3,085,290            | \$ 2,709,704 | \$ 2,848,859 |
| Cost of sales   | 1,263,012               | 1,179,485    | 1,202,417    |
| Gross profit  | 1,822,278               | 1,530,219    | 1,646,442    |
| Restructuring charges                                   |                         |              | 97,839       |
| Selling, general and administrative expenses            | 1,227,497               | 1,089,727    | 1,153,944    |
| Earnings from continuing operations                     | 594,781                 | 440,492      | 394,659      |
| Interest expense and financing costs                    | 54,335                  | 55,041       | 28,977       |
| Other income, net                                       | 6,988                   | 4,523        | 77           |
| Earnings from continuing operations before income taxes | 547,434                 | 389,974      | 365,759      |
| Provision for income taxes                              | 179,031                 | 124,298      | 133,604      |
| Net earnings from continuing operations                 | 368,403                 | 265,676      | 232,155      |
| Net loss from discontinued operations                   |                         | (853)        | (12,133)     |
| Net earnings  | \$ 368,403              | \$ 264,823   | \$ 220,022   |
| Earnings per share:                                     |                         |              |              |
| Basic   |                         |              |              |
| Net earnings from continuing operations                 | \$ 2.91                 | \$ 2.14      | \$ 1.86      |
| Net loss from discontinued operations                   |                         | (0.01)       | (0.10)       |
| Net earnings  | \$ 2.91                 | \$ 2.13      | \$ 1.76      |
| Diluted   |                         |              |              |
| Net earnings from continuing operations                 | \$ 2.87                 | \$ 2.12      | \$ 1.84      |
| Net loss from discontinued operations                   |                         | (0.01)       | (0.10)       |
| Net earnings  | \$ 2.87                 | \$ 2.11      | \$ 1.74      |
| Weighted-average number of common shares:               |                         |              |              |
| Basic   | 126,600                 | 124,345      | 124,734      |
| Diluted   | 128,406                 | 125,383      | 126,410      |

*See notes to consolidated financial statements.*

TIFFANY & CO.

**Table of Contents****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE EARNINGS**

|  | Total<br>Stockholders<br>Equity | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Gain<br>(Loss) | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>Paid-In<br>Capital |
|--|---------------------------------|----------------------|---|------------------------|------------------------|----------------------------------|
| <i>(in thousands)</i>  |                                 |                      |   |                        |                        |                                  |
| Balances January 31, 2008  | \$ 1,716,115                    | \$ 1,037,663         | \$ 44,513   | 126,753                | \$ 1,268               | \$ 632,671                       |
| Implementation effect of change in<br>employee benefit plans measurement<br>date, net of tax       | (1,073)                         | (1,114)              | 41  |                        |                        |                                  |
| Exercise of stock options and vesting<br>of restricted stock units ( RSUs )                        | 30,357                          |                      |   | 2,342                  | 23                     | 30,334                           |
| Tax effect of exercise of stock options<br>and vesting of RSUs                                     | 10,317                          |                      |   |                        |                        | 10,317                           |
| Share-based compensation expense   | 24,507                          |                      |   |                        |                        | 24,507                           |
| Issuance of Common Stock under<br>Employee Profit Sharing and<br>Retirement Savings ( EPSRS ) Plan | 4,750                           |                      |   | 124                    | 1                      | 4,749                            |
| Purchase and retirement of Common<br>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<br>securities, net of tax  | (5,519)                         |                      | (5,519)   |                        |                        |                                  |
| Foreign currency translation<br>adjustments, net of tax  | (68,355)                        |                      | (68,355)  |                        |                        |                                  |
| Net unrealized loss on benefit plans,<br>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<br>of RSUs   | 71,485                          |                      |   | 2,493                  | 25                     | 71,460                           |
| Tax effect of exercise of stock options<br>and vesting of RSUs                                     | 1,896                           |                      |   |                        |                        | 1,896                            |
| Share-based compensation expense   | 23,995                          |                      |   |                        |                        | 23,995                           |
| Purchase and retirement of Common<br>Stock   | (467)                           | (434)                |   | (11)                   |                        | (33)                             |
| Purchase of non-controlling 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<br>securities, net of tax  | 4,241                           |                      | 4,241   |                        |                        |                                  |
| Foreign currency translation<br>adjustments, net of tax  | 42,750                          |                      | 42,750  |                        |                        |                                  |
| Net unrealized loss on benefit plans,<br>net of tax  | (15,200)                        |                      | (15,200)  |                        |                        |                                  |
| Net earnings   | 264,823                         | 264,823              |   |                        |                        |                                  |

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|   |              |              |             |         |          |            |
|---|--------------|--------------|-------------|---------|----------|------------|
| Balances, January 31, 2010                                  | 1,883,239    | 1,151,109    | (33,265)    | 126,326 | 1,263    | 764,132    |
| Exercise of stock options and vesting of RSUs               | 65,683       |              |             | 2,382   | 23       | 65,660     |
| Tax effect of exercise of stock options and vesting of RSUs | 9,811        |              |             |         |          | 9,811      |
| Share-based compensation expense                            | 25,815       |              |             |         |          | 25,815     |
| Issuance of Common Stock under EPSRS Plan                   | 5,000        |              |             | 104     | 1        | 4,999      |
| Purchase and retirement of Common Stock                     | (80,786)     | (74,318)     |             | (1,843) | (18)     | (6,450)    |
| Cash dividends on Common Stock                              | (120,390)    | (120,390)    |             |         |          |            |
| Deferred hedging gain, net of tax                           | 1,415        |              | 1,415       |         |          |            |
| Unrealized gain on marketable securities, net of tax        | 2,041        |              | 2,041       |         |          |            |
| Foreign currency translation adjustments, net of tax        | 24,903       |              | 24,903      |         |          |            |
| Net unrealized loss on benefit plans, net of tax            | (7,659)      |              | (7,659)     |         |          |            |
| Net earnings  | 368,403      | 368,403      |             |         |          |            |
| Balances, January 31, 2011                                  | \$ 2,177,475 | \$ 1,324,804 | \$ (12,565) | 126,969 | \$ 1,269 | \$ 863,967 |

|   | Years Ended January 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2011                    | 2010       | 2009       |
| Comprehensive earnings are as follows:  |                         |            |            |
| Net earnings  | \$ 368,403              | \$ 264,823 | \$ 220,022 |
| Deferred hedging gain (loss), net of tax expense (benefit) of \$1,031, \$3,388, and (\$6,307)                   | 1,415                   | 6,377      | (9,873)    |
| Foreign currency translation adjustments, net of tax expense of \$2,264, \$716, and \$1,015                     | 24,903                  | 42,750     | (68,355)   |
| Unrealized gain (loss) on marketable securities, net of tax expense (benefit) of \$1,094, \$2,302 and (\$3,248) | 2,041                   | 4,241      | (5,519)    |
| Net unrealized loss on benefit plans, net of tax benefit of (\$3,706), (\$10,525) and (\$19,907)                | (7,659)                 | (15,200)   | (32,240)   |
| Comprehensive earnings  | \$ 389,103              | \$ 302,991 | \$ 104,035 |

See notes to consolidated financial statements.

TIFFANY & CO.

**Table of Contents****CONSOLIDATED STATEMENTS OF CASH FLOWS**

| <i>(in thousands)</i>  | Years Ended January 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2011                    | 2010       | 2009       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                         |            |            |
| Net earnings   | \$ 368,403              | \$ 264,823 | \$ 220,022 |
| Loss from discontinued operations, net of tax  |                         | 853        | 12,133     |
| Net earnings from continuing operations  | 368,403                 | 265,676    | 232,155    |
| Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities: |                         |            |            |
| Restructuring charge   |                         |            | 97,839     |
| Depreciation and amortization  | 147,870                 | 139,419    | 135,832    |
| Amortization of gain on sale-leasebacks  | (10,203)                | (9,802)    | (9,793)    |
| Excess tax benefits from share-based payment arrangements  | (9,124)                 | (1,349)    | (10,196)   |
| Provision for inventories  | 25,608                  | 31,599     | 20,996     |
| Deferred income taxes  | (60,332)                | (14,839)   | 14,626     |
| Provision for pension/postretirement benefits  | 26,993                  | 24,088     | 23,179     |
| Share-based compensation expense   | 25,436                  | 23,538     | 22,406     |
| Impairment charges   |                         |            | 21,164     |
| Changes in assets and liabilities:   |                         |            |            |
| Accounts receivable  | (22,563)                | 13,897     | 31,412     |
| Inventories  | (187,773)               | 163,955    | (257,619)  |
| Prepaid expenses and other current assets  | (7,408)                 | 60,323     | (19,283)   |
| Other assets, net  | 4,603                   | (13,557)   | (94)       |
| Accounts payable and accrued liabilities   | 21,439                  | 4,369      | 4,719      |
| Income taxes payable   | 501                     | 29,066     | (161,932)  |
| Merchandise and other customer credits   | (999)                   | (1,713)    | 476        |
| Other long-term liabilities  | (23,526)                | (27,471)   | (3,617)    |
| Net cash provided by operating activities  | 298,925                 | 687,199    | 142,270    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                         |            |            |
| Purchases of marketable securities and short-term investments  | (61,556)                | (14,187)   | (1,543)    |
| Proceeds from sales of marketable securities and short-term investments  | 1,946                   | 754        |            |
| Proceeds from sale of assets, net  |                         | 3,650      |            |
| Capital expenditures   | (127,002)               | (75,403)   | (154,409)  |
| Notes receivable funded  |                         |            | (5,000)    |
| Acquisitions, net of cash acquired   |                         |            | (1,900)    |
| Other  |                         | 4,293      | 1,162      |
| Net cash used in investing activities  | (186,612)               | (80,893)   | (161,690)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                         |            |            |
| Proceeds from (repayment of) credit facility borrowings, net   | 9,170                   | (126,811)  | 103,976    |
| Repayment of long-term debt  | (218,845)               | (40,000)   | (73,483)   |
| Proceeds from issuance of long-term debt   | 118,430                 | 300,000    | 100,000    |
| Repayments of short-term borrowings  |                         | (93,000)   | (25,473)   |



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|  |            |            |            |
|--|------------|------------|------------|
| Proceeds from short-term borrowings                          |            |            | 116,001    |
| Repurchase of Common Stock                                   | (80,786)   | (467)      | (218,379)  |
| Proceeds from exercise of stock options                      | 65,683     | 71,485     | 30,357     |
| Excess tax benefits from share-based payment arrangements    | 9,124      | 1,349      | 10,196     |
| Cash dividends on Common Stock                               | (120,390)  | (84,579)   | (82,258)   |
| Purchase of non-controlling interests                        | (7,000)    | (11,000)   |            |
| Financing fees   | (185)      | (6,439)    | (645)      |
| Net cash (used in) provided by financing activities          | (224,799)  | 10,538     | (39,708)   |
| Effect of exchange rate changes on cash and cash equivalents | 8,375      | 14,300     | (18,035)   |
| <b>CASH FLOWS FROM DISCONTINUED OPERATIONS:</b>              |            |            |            |
| Operating activities   |            | (5,887)    | (9,046)    |
| Net cash used in discontinued operations                     |            | (5,887)    | (9,046)    |
| Net (decrease) increase in cash and cash equivalents         | (104,111)  | 625,257    | (86,209)   |
| Cash and cash equivalents at beginning of year               | 785,702    | 160,445    | 246,654    |
| Cash and cash equivalents at end of year                     | \$ 681,591 | \$ 785,702 | \$ 160,445 |

*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 (Tiffany), is a jeweler and specialty retailer whose principal merchandise offering is fine jewelry. The Company also sells timepieces, sterling silverware, china, crystal, stationery, fragrances and accessories. Through Tiffany and Company and other subsidiaries, the Company is engaged in product design, manufacturing and retailing activities.

Effective with the first quarter of 2010, management has changed the Company's segment reporting in order to align with a change in its organizational and management reporting structure. Specifically, the Company is now reporting results in Japan separately from the rest of the Asia-Pacific region, and results for certain emerging market countries that were previously included in the Europe and Asia-Pacific segments are now included in the Other non-reportable segment. Prior year results have been revised to reflect this change. The Company's reportable segments are as follows:

Americas includes sales in TIFFANY & CO. stores in the United States, Canada and Latin/South America, as well as sales of TIFFANY & CO. products in certain markets through business-to-business, Internet, catalog and wholesale operations;

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

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

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

Other consists of all non-reportable segments. Other consists primarily of wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (such as the Middle East and Russia) and wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes earnings received from third-party licensing agreements.

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

TIFFANY & CO.

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case of variable interest entities ( VIE s), if the Company has the power to significantly direct the activities of a VIE, as well as the obligation to absorb significant losses of or the right to receive significant benefits from the VIE.

Intercompany accounts, transactions and profits have been eliminated in consolidation. The equity method of accounting is used for investments in which the Company has significant influence, but not a controlling interest.

Use of Estimates

These 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 consolidated 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.

Short-term Investments

Short-term investments are classified as available-for-sale and are carried at fair value. At January 31, 2011, the Company s available-for-sale investments consist entirely of time deposits. At the time of purchase, management determines the appropriate classification of these investments and re-evaluates such designation as of each balance sheet date.

Receivables and Finance Charges

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

For the receivables associated with Tiffany & Co. credit cards ( Credit Card Receivables ), the Company uses various indicators to determine whether to extend credit to customers and the amount of credit. Such indicators include reviewing prior experience with the customer, including sales and collection history, and using applicants credit reports and scores provided by credit rating agencies. Credit Card Receivables require minimum balance payments. The Company classifies a Credit Card account as overdue if a minimum balance payment has not been received within the allotted timeframe (generally 30 days), after which internal collection efforts commence. For all accounts receivable recorded on the balance sheet, once all internal collection efforts have been exhausted and management has reviewed the account, the account balance is written off and may be sent for external collection or legal action. At January 31, 2011, the carrying amount of the Credit Card Receivables (recorded in accounts receivable, net in the Company s consolidated

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balance sheet) was \$56,926,000, of which 97% was considered current. The allowance for doubtful accounts for estimated losses associated with the Credit Card Receivables (approximately \$2,000,000 at January 31, 2011) was determined based on the factors discussed above. Finance charges on Credit Card accounts are not significant. The Company may, from time to time, extend loans to diamond mining and exploration companies in order to obtain rights to purchase the mine's output. Management evaluates these and any other loans that may arise for potential impairment by reviewing the parties' financial statements and projections and other economic factors on a periodic basis (see Note L. Commitments and Contingencies).

**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   |
| Building Improvements   | 10 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 2010, 2009 or 2008.

**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 \$8,566,000 and \$9,582,000, net of accumulated amortization of \$7,237,000 and \$6,221,000 at January 31, 2011 and 2010, and consist primarily of product rights and trademarks. Amortization of intangible assets for the years ended January 31, 2011, 2010 and 2009 was \$1,016,000, \$976,000 and \$846,000. Amortization expense in each of the next four years is estimated to be \$1,016,000, and in the fifth year is expected to be \$891,000.

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## 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. At January 31, 2011 and 2010, goodwill was included in other assets, net and consisted of the following by segment:

| <i>(in thousands)</i>     | Americas  | Asia-Pacific | Japan    | Europe   | Total     |
|---------------------------|-----------|--------------|----------|----------|-----------|
| Balance, January 31, 2009 | \$ 12,464 | \$ 293       | \$ 1,156 | \$ 1,121 | \$ 15,034 |
| Translation               | 49        | 7            | 27       | 7        | 90        |
| Balance, January 31, 2010 | 12,513    | 300          | 1,183    | 1,128    | 15,124    |
| Translation               | (31)      | (5)          | (19)     | (5)      | (60)      |
| Balance, January 31, 2011 | \$ 12,482 | \$ 295       | \$ 1,164 | \$ 1,123 | \$ 15,064 |

## Impairment of Long-Lived Assets

The Company reviews its long-lived assets (such as property, plant and equipment) 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 2010, 2009 or 2008.

## 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 hedge transaction and, if it is, the type of hedge transaction.

## 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 \$1,860,000 and \$742,000 of gross unrealized gains and \$1,635,000 and \$3,651,000 of gross unrealized losses within accumulated other comprehensive income as of January 31, 2011 and 2010.

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

| <i>(in thousands)</i>  | January 31, |          |
|--|-------------|----------|
|  | 2011        | 2010     |
| Change in fair value of investments, net of tax                            | \$ 2,054    | \$ 4,314 |
| Adjustment for net gains realized and included in net earnings, net of tax | (13)        | (73)     |
| Change in unrealized gain on marketable securities                         | \$ 2,041    | \$ 4,241 |

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. 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 on its outstanding mutual funds were temporary in nature and, therefore, did not record any impairment charges as of January 31, 2011, 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 ).

#### 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.

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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, visual merchandising costs (in-store and window displays) and other related costs, totaled \$197,597,000, \$159,891,000 and \$204,250,000 in 2010, 2009 and 2008, representing 6.4%, 5.9% and 7.2% of net sales in those periods. Media and production costs for print and digital 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.

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 gain (loss) resulting from foreign currency transactions of \$2,413,000, (\$1,628,000), and (\$3,383,000) in 2010, 2009 and 2008 within other income, net.

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**Table of Contents****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.

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

| <i>(in thousands)</i>   | Years Ended January 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2011                    | 2010       | 2009       |
| Net earnings for basic and diluted EPS  | \$ 368,403              | \$ 264,823 | \$ 220,022 |
| Weighted-average shares for basic EPS   | 126,600                 | 124,345    | 124,734    |
| Incremental shares based upon the assumed exercise of stock options and unvested restricted stock units | 1,806                   | 1,038      | 1,676      |
| Weighted-average shares for diluted EPS   | 128,406                 | 125,383    | 126,410    |

For the years ended January 31, 2011, 2010 and 2009, there were 371,000, 4,844,000 and 3,513,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

**C. ACQUISITIONS AND DISPOSITIONS**

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

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operations in South Africa and Botswana, respectively, for total consideration of \$18,000,000, of which \$11,000,000 was paid in 2009 and the remaining \$7,000,000 was paid in 2010. This acquisition was accounted for as an equity transaction since the Company maintained control of the two entities prior to the acquisition. Therefore, the Company recorded a decrease to additional paid-in capital of \$20,453,000 in 2009 related to this transaction. In addition, the Company paid \$4,000,000 in 2009 to terminate a third-party management agreement. Management determined that this transaction was separate from the acquisition of the remaining non-controlling 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.

Summarized statement of earnings data for IRIDESSE is as follows:

| <i>(in thousands)</i>                 | Years Ended January 31, |             |
|---------------------------------------|-------------------------|-------------|
|                                       | 2010                    | 2009        |
| Net sales                             | \$ 13,232               | \$ 11,138   |
| Loss before income taxes              | \$ (6,103)              | \$ (19,683) |
| Benefit from income taxes             | 3,192                   | 7,550       |
| Net loss from discontinued operations | \$ (2,911)              | \$ (12,133) |

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 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.

The Company sold Little Switzerland, Inc. in 2007. In 2009, the Company received additional proceeds of \$3,650,000 and recorded a pre-tax gain within discontinued operations of \$3,289,000 (\$2,058,000 net of tax) in settlement of post-closing adjustments.

**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.

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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 were expected to total \$33,361,000. There were no significant changes to the liability, other than payments, during 2010 and 2009. There are no restructuring liabilities that remain to be paid as of January 31, 2011.

**E. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid during the year for:

| <i>(in thousands)</i>                    | Years Ended January 31, |           |            |
|--|-------------------------|-----------|------------|
|  | 2011                    | 2010      | 2009       |
| Interest, net of interest capitalization | \$ 47,107               | \$ 35,392 | \$ 23,889  |
| Income taxes                             | \$ 237,829              | \$ 74,690 | \$ 296,864 |

Supplemental noncash investing and financing activities:

| <i>(in thousands)</i>  | Years Ended January 31, |      |          |
|--|-------------------------|------|----------|
|  | 2011                    | 2010 | 2009     |
| Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan | \$ 5,000                | \$   | \$ 4,750 |

**F. INVENTORIES**

| <i>(in thousands)</i> | January 31,  |              |
|-----------------------|--------------|--------------|
|                       | 2011         | 2010         |
| Finished goods        | \$ 988,085   | \$ 904,523   |
| Raw materials         | 534,879      | 450,966      |
| Work-in-process       | 102,338      | 72,366       |
|                       | \$ 1,625,302 | \$ 1,427,855 |

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**Table of Contents****G. PROPERTY, PLANT AND EQUIPMENT**

| <i>(in thousands)</i>                     | January 31, |            |
|---|-------------|------------|
|   | 2011        | 2010       |
| Land                                      | \$ 42,383   | \$ 42,355  |
| Buildings                                 | 104,487     | 104,535    |
| Leasehold and building improvements       | 757,633     | 689,253    |
| Office equipment                          | 388,224     | 365,516    |
| Furniture and fixtures                    | 194,945     | 181,572    |
| Machinery and equipment                   | 110,367     | 108,516    |
| Construction-in-progress                  | 19,603      | 22,112     |
|   | 1,617,642   | 1,513,859  |
| Accumulated depreciation and amortization | (952,054)   | (828,758)  |
|   | \$ 665,588  | \$ 685,101 |

The provision for depreciation and amortization for the years ended January 31, 2011, 2010 and 2009 was \$149,403,000, \$137,705,000 and \$137,331,000.

**H. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

| <i>(in thousands)</i>                      | January 31, |            |
|--|-------------|------------|
|  | 2011        | 2010       |
| Accounts payable trade                     | \$ 91,313   | \$ 80,150  |
| Accrued compensation and commissions       | 60,474      | 57,638     |
| Accrued sales, withholding and other taxes | 15,414      | 21,148     |
| Other                                      | 91,410      | 72,977     |
|  | \$ 258,611  | \$ 231,913 |

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## I. DEBT

| <i>(in thousands)</i>                  | January 31, |            |
|--|-------------|------------|
|  | 2011        | 2010       |
| Short-term borrowings:                 |             |            |
| Credit Facility                        | \$ 14,888   | \$ 22,842  |
| Other revolving credit facilities      | 24,003      | 4,800      |
|  | \$ 38,891   | \$ 27,642  |
| Long-term debt:                        |             |            |
| Senior Notes:                          |             |            |
| 1998 7.05% Series B, due 2010          | \$          | \$ 40,000  |
| 2002 6.56% Series D, due 2012          | 62,531      | 63,005     |
| 2008 9.05% Series A, due 2015          | 104,252     | 100,982    |
| 2009 10.00% Series A, due 2018         | 50,000      | 50,000     |
| 2009 10.00% Series A, due 2017         | 125,000     | 125,000    |
| 2009 10.00% Series B, due 2019         | 125,000     | 125,000    |
| 2010 1.72% Notes, due 2016             | 121,711     |            |
| 4.50% yen loan, due 2011               | 60,855      | 55,605     |
| First Series Yen Bonds, due 2010       |             | 166,815    |
|  | 649,349     | 726,407    |
| Less current portion of long-term debt | 60,855      | 206,815    |
|  | \$ 588,494  | \$ 519,592 |

## Credit Facility

In July 2009, the Company entered into a \$400,000,000 multi-bank, multi-currency, committed unsecured revolving credit facility ( Credit Facility ) and can request to increase the commitments up to \$500,000,000. 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 \$385,112,000 available to be borrowed under the Credit Facility at January 31, 2011. The weighted-average interest rate for the Credit Facility was 2.83% and 2.71% at January 31, 2011 and 2010. The Credit Facility will expire in July 2012.

## Other Revolving Credit Facilities

The Company had various other revolving credit facilities totaling \$46,000,000, of which \$24,003,000 was outstanding at January 31, 2011. The weighted-average interest rate at January 31, 2011 was 3.21%. The Company had various other revolving credit facilities totaling \$20,000,000, of which \$4,800,000 was outstanding at January 31, 2010. The weighted-average interest rate at January 31, 2010 was 2.30%.

## 1998 7.05% Series B Senior Notes

In 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 December 2010. The proceeds of the issuance were used by the Company for working capital purposes and to repay a portion of

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the then outstanding short-term indebtedness. The note purchase agreement was unsecured, required lump sum repayments upon maturity, maintenance of specific financial covenants and ratios and limited certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings. The Company repaid the amount outstanding in December 2010.

2002 6.56% Series D Senior Notes

In 2002, the Company, in a private transaction with various institutional lenders, issued, at par, \$60,000,000 of 6.56% Series D Senior Notes due July 2012 with lump sum repayments upon maturity. The proceeds of the issuance were used by the Company for general corporate purposes, working capital and to repay previously issued Senior Notes. The note purchase agreement is unsecured, requires maintenance of specific financial covenants and ratios and limits certain changes to indebtedness and the general nature of the business, in addition to other requirements customary to such borrowings. In 2009, the Company entered into an interest rate swap agreement (see Note J. Hedging Instruments ) to effectively convert this fixed rate obligation to a floating rate obligation.

2008 9.05% Series A Senior Notes

In 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 purchase agreement contains provisions for an uncommitted shelf facility by which the Company may issue, through December 2011, 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 2009, the Company entered into an interest rate swap agreement (see Note J. Hedging Instruments ) to effectively convert this fixed rate obligation to a floating rate obligation.

2009 10.00% Series A Senior Notes

In 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, through April 2012, 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 2009, the Company, in a private transaction, issued, at par, \$125,000,000 of 10.00% Series A Senior Notes due February 2017 and \$125,000,000 of 10.00% Series B 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

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includes specific financial covenants and ratios and limits certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

## 2010 1.72% Senior Notes

In 2010, the Company, in a private transaction, issued, at par, ¥10,000,000,000 (\$121,711,000 at January 31, 2011) of 1.72% Senior Notes due September 2016. The proceeds were used to repay a portion of debt that came due in September 2010. 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 (\$60,855,000 at January 31, 2011), 15-year term loan due April 2011, bearing interest at a rate of 4.50%.

## 2003 First Series Yen Bonds

In 2003, the Company issued ¥15,000,000,000 of senior unsecured First Series Yen Bonds ( Bonds ) due in September 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. The Company repaid the amount outstanding (\$178,845,000 at payment date) in September 2010.

## Debt Covenants

As of January 31, 2011, 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 and other loan agreements, such agreements may be terminated or payment of the notes accelerated. Further, each of the Credit Facility, Senior Notes and certain other loan agreements contain cross default provisions permitting the termination of the loans, or acceleration of the 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, 2011 are as follows:

| Years Ending January 31, | Amount<br>(in thousands) |
|--------------------------|--------------------------|
| 2012                     | \$ 60,855                |
| 2013                     | 62,531                   |
| 2014                     |                          |
| 2015                     |                          |
| 2016                     | 104,252                  |
| Thereafter               | 421,711                  |
|                          | \$ 649,349               |

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Letters of Credit

The Company had letters of credit and financial guarantees of \$25,281,000 outstanding at January 31, 2011.

**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 period. The Company also documents its risk management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss on the derivative financial instrument would be recognized in current earnings. Derivative financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedge instrument and the item being hedged, both at inception and throughout the hedged period.

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

Types of Derivative Instruments

**Interest Rate Swap Agreements** The Company entered into interest rate swap agreements to 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

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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, 2011, the notional amount of interest rate swap agreements outstanding was \$160,000,000.

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

As of October 31, 2010, the Company de-designated all of its outstanding put option contracts (notional amount of \$64,100,000 outstanding at January 31, 2011) and entered into offsetting call option contracts. These put and call option contracts are accounted for as undesignated hedges. Any gains or losses on these de-designated put option contracts are substantially offset by losses or gains on the call option contracts.

As of January 31, 2011, the notional amount of foreign exchange forward contracts accounted for as cash flow hedges was \$179,200,000 and the notional amount of foreign exchange forward contracts accounted for as undesignated hedges was \$19,258,000. The term of all outstanding foreign exchange forward contracts as of January 31, 2011 ranged from less than one month to 16 months.

**Precious Metal Collars & Forward Contracts** The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations in order to minimize the effect of volatility in precious metal prices. The Company may use a combination of call and put option contracts in net-zero-cost collar arrangements ( precious metal collars ) or forward contracts. For precious metal collars, if the price of the precious metal at the time of the expiration of the precious metal collar is within the call and put price, the precious metal collar 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 12 months. As of January 31, 2011, there were approximately 2,700 ounces of platinum and no silver precious metal derivative instruments outstanding.

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

|  | Years Ended January 31,   |   |   |   |
|--|---|---|---|---|
|  | 2011  | 2011  | 2010  | 2010  |
|  | Pre-Tax<br>Gain<br>Recognized<br>in Earnings<br>on<br>Derivatives | Pre-Tax<br>Loss<br>Recognized<br>in Earnings<br>on<br>Hedged Item | Pre-Tax<br>Gain<br>Recognized<br>in Earnings<br>on<br>Derivatives | Pre-Tax<br>Loss<br>Recognized<br>in Earnings<br>on<br>Hedged Item |
| <i>(in thousands)</i>                            |   |   |   |   |
| Derivatives in Fair Value Hedging Relationships: |   |   |   |   |
| Interest rate swap agreements <sup>a</sup>       | \$ 4,159  | \$ (3,655)  | \$ 1,996  | \$ (1,913)  |

|   | Years Ended January 31,  |  |  |  |
|---|--|--|--|--|
|   | 2011   | 2011   | 2010   | 2010   |
|   | Pre-Tax<br>(Loss) Gain<br>Recognized<br>in OCI<br>(Effective<br>Portion) | (Loss) Gain<br>Reclassified<br>from<br>Accumulated<br>OCI to<br>Earnings<br>(Effective<br>Portion) | Pre-Tax<br>(Loss) Gain<br>Recognized<br>in OCI<br>(Effective<br>Portion) | (Loss) Gain<br>Reclassified<br>from<br>Accumulated<br>OCI to<br>Earnings<br>(Effective<br>Portion) |
| <i>(in thousands)</i>                           |  |  |  |  |
| Derivatives in Cash Flow Hedging Relationships: |  |  |  |  |
| Foreign exchange forward contracts <sup>c</sup> | \$ (2,596)   | \$ (885)   | \$ (3,029)   | \$ (1,675)   |
| Put option contracts <sup>c</sup>               | (2,236)  | (2,711)  | (754)  | (3,840)  |
| Precious metal collars <sup>c</sup>             | 824  | (1,036)  | 2,996  | (3,126)  |
| Precious metal forward contracts <sup>c</sup>   | 3,550  | 1,728  | 1,937  | 28   |
|   | \$ (458)   | \$ (2,904)   | \$ 1,150   | \$ (8,613)   |

|  | Pre-Tax (Loss) Gain Recognized<br>in Earnings on Derivatives |                                   |
|--|--|-----------------------------------|
|  | Year Ended<br>January 31,<br>2011                            | Year Ended<br>January 31,<br>2010 |
| <i>(in thousands)</i>                              |  |                                   |
| Derivatives Not Designated as Hedging Instruments: |  |                                   |
| Foreign exchange forward contracts <sup>b</sup>    | \$ (918) <sup>d</sup>  | \$ (928) <sup>d</sup>             |
| Call option contracts <sup>c</sup>                 | 413  | 360                               |
| Put option contracts <sup>c</sup>                  | (454)  | (436)                             |
|  | \$ (959)   | \$ (1,004)                        |

a

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

- <sup>b</sup> The gain or loss recognized in earnings is included within Other income, net on the Company's Consolidated Statement of Earnings.

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- 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:

| <i>(in thousands)</i>                      | Years Ended January 31, |            |
|--|-------------------------|------------|
|  | 2011                    | 2010       |
| Balance at beginning of period             | \$ (2,607)              | \$ (8,984) |
| Losses transferred to earnings, net of tax | 1,921                   | 5,511      |
| Change in fair value, net of tax           | (506)                   | 866        |
|  | \$ (1,192)              | \$ (2,607) |

There was no material ineffectiveness related to the Company's hedging instruments for the periods ended January 31, 2011 and 2010. The Company expects approximately \$861,000 of net pre-tax derivative losses included in accumulated other comprehensive income at January 31, 2011 will be reclassified into earnings within the next 12 months. This amount will vary due to fluctuations in foreign currency exchange rates and precious metal prices. For information regarding the location and amount of the derivative instruments in the 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) and limits the amount of agreements or contracts it enters into with any one party. The Company may be exposed to credit losses in the event of non-performance by individual counterparties or the entire group of counterparties.

#### 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.

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

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

Financial assets and liabilities carried at fair value at January 31, 2011 are classified in the table below in one of the three categories described above:

| <i>(in thousands)</i>                                     | Carrying<br>Value | Estimated Fair Value |          |         | Total<br>Fair<br>Value |
|---|-------------------|----------------------|----------|---------|------------------------|
|   |                   | Level 1              | Level 2  | Level 3 |                        |
| Mutual funds <sup>a</sup>                                 | \$ 43,887         | \$ 43,887            | \$       | \$      | \$ 43,887              |
| Time deposits <sup>b</sup>                                | 59,280            | 59,280               |          |         | 59,280                 |
| <b>Derivatives designated as hedging instruments:</b>     |                   |                      |          |         |                        |
| Interest rate swap agreements <sup>a</sup>                | 6,155             |                      | 6,155    |         | 6,155                  |
| Precious metal forward contracts <sup>c</sup>             | 753               |                      | 753      |         | 753                    |
| Foreign exchange forward contracts <sup>c</sup>           | 374               |                      | 374      |         | 374                    |
| <b>Derivatives not designated as hedging instruments:</b> |                   |                      |          |         |                        |
| Put option contracts <sup>c</sup>                         | 93                |                      | 93       |         | 93                     |
| Foreign exchange forward contracts <sup>c</sup>           | 205               |                      | 205      |         | 205                    |
| Total financial assets                                    | \$ 110,747        | \$ 103,167           | \$ 7,580 | \$      | \$ 110,747             |

| <i>(in thousands)</i>                                     | Carrying<br>Value | Estimated Fair Value |          |         | Total<br>Fair<br>Value |
|---|-------------------|----------------------|----------|---------|------------------------|
|   |                   | Level 1              | Level 2  | Level 3 |                        |
| <b>Derivatives designated as hedging instruments:</b>     |                   |                      |          |         |                        |
| Foreign exchange forward contracts <sup>d</sup>           | \$ 2,064          | \$                   | \$ 2,064 | \$      | \$ 2,064               |
| <b>Derivatives not designated as hedging instruments:</b> |                   |                      |          |         |                        |
| Call option contracts <sup>d</sup>                        | 92                |                      | 92       |         | 92                     |
| Foreign exchange forward contracts <sup>d</sup>           | 141               |                      | 141      |         | 141                    |
| Total financial liabilities                               | \$ 2,297          | \$                   | \$ 2,297 | \$      | \$ 2,297               |

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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:

| <i>(in thousands)</i>                                     | Carrying<br>Value | Estimated Fair Value |          |         | Total<br>Fair<br>Value |
|---|-------------------|----------------------|----------|---------|------------------------|
|   |                   | Level 1              | Level 2  | Level 3 |                        |
| Mutual funds <sup>a</sup>                                 | \$ 39,961         | \$ 39,961            | \$       | \$      | \$ 39,961              |
| <b>Derivatives designated as hedging instruments:</b>     |                   |                      |          |         |                        |
| Interest rate swap agreements <sup>a</sup>                | 1,996             |                      | 1,996    |         | 1,996                  |
| Put option contracts <sup>c</sup>                         | 934               |                      | 934      |         | 934                    |
| Precious metal forward contracts <sup>c</sup>             | 1,720             |                      | 1,720    |         | 1,720                  |
| <b>Derivatives not designated as hedging instruments:</b> |                   |                      |          |         |                        |
| Foreign exchange forward contracts <sup>c</sup>           | 161               |                      | 161      |         | 161                    |
| Put option contracts <sup>c</sup>                         | 151               |                      | 151      |         | 151                    |
| Total financial assets                                    | \$ 44,923         | \$ 39,961            | \$ 4,962 | \$      | \$ 44,923              |

| <i>(in thousands)</i>                                     | Carrying<br>Value | Estimated Fair Value |          |         | Total<br>Fair<br>Value |
|---|-------------------|----------------------|----------|---------|------------------------|
|   |                   | Level 1              | Level 2  | Level 3 |                        |
| <b>Derivatives designated as hedging instruments:</b>     |                   |                      |          |         |                        |
| Foreign exchange forward contracts <sup>d</sup>           | \$ 646            | \$                   | \$ 646   | \$      | \$ 646                 |
| <b>Derivatives not designated as hedging instruments:</b> |                   |                      |          |         |                        |
| Foreign exchange forward contracts <sup>d</sup>           | 296               |                      | 296      |         | 296                    |
| Call option contracts <sup>d</sup>                        | 151               |                      | 151      |         | 151                    |
| Total financial liabilities                               | \$ 1,093          | \$                   | \$ 1,093 | \$      | \$ 1,093               |

<sup>a</sup> Included within Other assets, net on the Company's Consolidated Balance Sheet.

<sup>b</sup> Included within Short-term investments on the Company's Consolidated Balance Sheet.

<sup>c</sup> Included within Prepaid expenses and other current assets on the Company's Consolidated Balance Sheet.

<sup>d</sup> Included within Accounts payable and accrued liabilities on the Company's Consolidated Balance Sheet. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates carrying value due to the short-term maturities of these assets and liabilities. The fair value of debt with variable interest rates approximates carrying value. The fair value of debt with fixed interest rates was determined using the quoted market prices of debt instruments with similar terms and maturities. The total carrying value of short-term borrowings and long-term debt was \$688,240,000 and \$754,049,000 and the corresponding fair value was

approximately \$750,000,000 and \$800,000,000 at January 31, 2011 and 2010.  
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## L. COMMITMENTS AND CONTINGENCIES

## Leases

The Company leases certain office, distribution, retail and manufacturing facilities, land 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.

The Company entered into sale-leaseback arrangements for its Retail Service Center, a distribution and administrative office facility, in 2005 and for the TIFFANY & CO. stores in Tokyo's Ginza shopping district and on London's Old Bond Street in 2007. These sale-leaseback arrangements resulted in total deferred gains of \$144,505,000 which will be amortized in SG&A expenses over periods that range from 15 to 20 years. As of January 31, 2011, \$124,980,000 of these deferred gains remained to be amortized.

In April 2010, Tiffany committed to a plan to consolidate and relocate its New York headquarters staff to a single location in New York City from three separate locations currently leased in midtown Manhattan. The move is expected to occur in mid-2011 and generate occupancy savings over the term of the 15-year lease. Tiffany intends to sublease its existing properties through the end of their lease terms which run through 2015, but expects to recover only a portion of its rent obligations due to current market conditions. Accordingly, Tiffany anticipates recording expenses of approximately \$40,000,000 primarily within SG&A in the consolidated statement of earnings in the fiscal year ending January 31, 2012; this expense is primarily related to the fair value of the remaining non-cancelable lease obligations reduced by the estimated sublease rental income as well as the acceleration of the useful lives of certain property and equipment and incremental rent during the transition period. Additionally, Tiffany incurred expenses of \$17,635,000 (primarily in SG&A) during the year ended January 31, 2011 primarily related to the acceleration of the useful lives of certain property and equipment and incremental rent during the transition period. Changes in market conditions may affect the total expenses ultimately recorded.

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

| <i>(in thousands)</i>   | Years Ended January 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2011                    | 2010       | 2009       |
| Minimum rent for retail locations                               | \$ 100,214              | \$ 88,958  | \$ 74,902  |
| Contingent rent based on sales                                  | 52,935                  | 40,498     | 39,002     |
| Office, distribution and manufacturing facilities and equipment | 37,020                  | 28,407     | 31,391     |
|   | \$ 190,169              | \$ 157,863 | \$ 145,295 |

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

| Years Ending January 31, | Annual Minimum Rental<br>Payments<br>(in thousands) |
|--------------------------|---|
| 2012                     | \$ 151,742  |
| 2013                     | 141,701   |
| 2014                     | 125,812   |
| 2015                     | 111,940   |
| 2016                     | 101,721   |
| Thereafter               | 640,150   |

**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 \$90,000,000 of rough diamonds in 2011. Purchases beyond 2011 that are contingent upon mine production cannot be reasonably estimated. The Company will also purchase rough diamonds from other suppliers, although there are no contractual obligations to do so.

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 had 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, that was impaired in 2007 for the full amount of the Commitment including accrued interest. Indebtedness under the Commitment was secured by certain assets of the mine developed and constructed by Tahera in Nunavut, Canada. During 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 2009, the Company received \$4,442,000 from such third party in full settlement under the terms of the assignment agreement.

**Contractual Cash Obligations and Contingent Funding Commitments**

At January 31, 2011, the Company's contractual cash obligations and contingent funding commitments were inventory purchases of \$305,442,000 (which includes the \$90,000,000

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obligation discussed in Diamond Sourcing Activities above) and other contractual obligations (primarily royalty commitments, construction-in-progress and packaging supplies) of \$36,815,000.

**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 14%, 15% and 15% of net sales for the years ended January 31, 2011, 2010 and 2009. 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 \$68,540,000, \$68,175,000 and \$72,012,000 in 2010, 2009 and 2008 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 with parties claiming infringement of patents and other intellectual property rights by the Company, litigation instituted by persons alleged to have been injured upon premises under the Company's control and litigation with present and former employees and customers. Management believes that such pending litigation will not have a significant effect on the Company's financial position, earnings or cash flows.

**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 \$1,067,000, \$2,090,000 and \$1,666,000 in 2010, 2009 and 2008.

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## N. STOCKHOLDERS EQUITY

## Accumulated Other Comprehensive Loss

| <i>(in thousands)</i>                                    | January 31, |             |
|--|-------------|-------------|
|  | 2011        | 2010        |
| Accumulated other comprehensive (loss) gain, net of tax: |             |             |
| Foreign currency translation adjustments                 | \$ 41,415   | \$ 16,512   |
| Deferred hedging loss                                    | (1,192)     | (2,607)     |
| Unrealized gain (loss) on marketable securities          | 142         | (1,899)     |
| Net unrealized loss on benefit plans                     | (52,930)    | (45,271)    |
|  | \$ (12,565) | \$ (33,265) |

## 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. In January 2011, the Company's Board of Directors approved a new stock repurchase program ( 2011 Program ) and terminated the previously existing program. The 2011 Program authorizes the Company to repurchase up to \$400,000,000 of its Common Stock through open market or private transactions. The 2011 Program expires on January 31, 2013. The timing of repurchases and the actual number of shares to be repurchased depend on a variety of discretionary factors such as stock price, cash-flow forecasts and other market conditions. The Company's share repurchase activity was as follows:

| <i>(in thousands, except per share amounts)</i> | Years Ended January 31, |          |            |
|---|-------------------------|----------|------------|
|   | 2011                    | 2010     | 2009       |
| Cost of repurchases                             | \$ 80,786               | \$ 467   | \$ 218,379 |
| Shares repurchased and retired                  | 1,843                   | 11       | 5,375      |
| Average cost per share                          | \$ 43.83                | \$ 41.72 | \$ 40.63   |

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, 2011, there remained \$392,019,000 of authorization for future repurchases under the 2011 Program.

## Cash Dividends

The Company's Board of Directors declared quarterly dividends on the Company's Common Stock which, on an annual basis, totaled \$0.95, \$0.68 and \$0.66 per common share in 2010, 2009 and 2008.

On February 17, 2011, the Company's Board of Directors declared a quarterly dividend of \$0.25 per common share. This dividend will be paid on April 11, 2011 to stockholders of record on March 21, 2011.

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**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 has granted time-vesting restricted stock units ( RSUs ), performance-based restricted stock units ( PSUs ) and stock options under the Employee Incentive Plan. Stock options vest in increments of 25% per year over four years. RSUs and PSUs issued to the executive officers vest at the end of a three-year period. RSUs and 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. 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.

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.

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|                         | Years Ended January 31, |       |       |
|-------------------------|-------------------------|-------|-------|
|                         | 2011                    | 2010  | 2009  |
| Dividend yield          | 1.2%                    | 1.0%  | 0.7%  |
| Expected volatility     | 37.9%                   | 38.4% | 38.3% |
| Risk-free interest rate | 2.8%                    | 3.1%  | 2.6%  |
| Expected term in years  | 7                       | 6     | 7     |

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

|                                 | Number of<br>Shares | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term in<br>Years | Aggregate<br>Intrinsic<br>Value<br><i>(in thousands)</i> |
|---------------------------------|---------------------|---|--|--|
| Outstanding at January 31, 2010 | 6,199,436           | \$ 34.09                                  | 5.01   | \$ 41,933  |
| Granted                         | 316,880             | 56.48                                     |  |  |
| Exercised                       | (1,988,621)         | 33.03                                     |  |  |
| Forfeited/cancelled             | (13,725)            | 36.21                                     |  |  |
| Outstanding at January 31, 2011 | 4,513,970           | \$ 36.12                                  | 5.29   | \$ 99,360  |
| Exercisable at January 31, 2011 | 3,515,970           | \$ 34.91                                  | 4.31   | \$ 81,658  |

The weighted-average grant-date fair value of options granted for the years ended January 31, 2011, 2010 and 2009 was \$21.37, \$16.06 and \$10.18. The total intrinsic value (market value on date of exercise less grant price) of options exercised during the years ended January 31, 2011, 2010 and 2009 was \$38,315,000, \$15,894,000 and \$31,451,000.

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

|                                | Number of<br>Shares | Weighted-Average<br>Grant-Date Fair<br>Value |
|--------------------------------|---------------------|--|
| Non-vested at January 31, 2010 | 1,005,071           | \$ 27.00                                     |
| Granted                        | 403,908             | 46.22  |
| Vested                         | (389,258)           | 30.62  |
| Forfeited                      | (72,018)            | 32.70  |
| Non-vested at January 31, 2011 | 947,703             | \$ 33.27                                     |

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

|                                | Number of<br>Shares | Weighted-Average<br>Grant-Date Fair<br>Value |
|--------------------------------|---------------------|--|
| Non-vested at January 31, 2010 | 1,208,509           | \$ 34.97                                     |
| Granted                        | 216,800             | 55.05  |
| Vested                         | (3,695)             | 36.23  |
| Forfeited/cancelled            | (303,244)           | 40.15  |

|                                |           |    |       |
|--------------------------------|-----------|----|-------|
| Non-vested at January 31, 2011 | 1,118,370 | \$ | 37.46 |
|--------------------------------|-----------|----|-------|

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The weighted-average grant-date fair value of RSUs granted for the years ended January 31, 2010 and 2009 was \$21.05 and \$30.16. The weighted-average grant-date fair value of PSUs granted for the years ended January 31, 2010 and 2009 was \$41.38 and \$21.00.

As of January 31, 2011, there was \$57,380,000 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 2.7 years. The total fair value of RSUs vested during the years ended January 31, 2011, 2010 and 2009 was \$20,524,000, \$15,288,000 and \$11,046,000. The total fair value of PSUs vested during the years ended January 31, 2011, 2010 and 2009 was \$174,000, \$2,572,000 and \$15,215,000.

Total compensation cost for stock-based compensation awards recognized in income and the related income tax benefit was \$25,436,000 and \$9,181,000 for the year ended January 31, 2011, \$23,538,000 and \$8,425,000 for the year ended January 31, 2010 and \$22,406,000 and \$8,032,000 for the year ended January 31, 2009. 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 non-contributory 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. Participants with at least 10 years of service who retire after attaining age 55 may 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 \$40,000,000 cash contribution to the Qualified Plan in 2010 and plans to contribute approximately \$25,000,000 in 2011. 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.

The Qualified Plan excludes 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.

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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. The Excess Plan allows 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, 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 number 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.

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 2008.

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## 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:

| <i>(in thousands)</i>                          | Pension Benefits |              | Other Postretirement Benefits |             |
|--|------------------|--------------|-------------------------------|-------------|
|  | 2011             | 2010         | 2011                          | 2010        |
| Change in benefit obligation:                  |                  |              |                               |             |
| Benefit obligation at beginning of year        | \$ 382,264       | \$ 327,837   | \$ 42,331                     | \$ 36,829   |
| Service cost                                   | 12,741           | 11,444       | 1,711                         | 1,259       |
| Interest cost                                  | 23,860           | 22,810       | 2,943                         | 2,641       |
| Participants contributions                     |                  |              | 1,786                         | 1,812       |
| MMA retiree drug subsidy                       |                  |              | 116                           | 159         |
| Actuarial loss                                 | 30,788           | 39,290       | 3,988                         | 3,021       |
| Benefits paid                                  | (18,148)         | (19,113)     | (3,424)                       | (3,390)     |
| Translation                                    | 1,211            | (4)          |                               |             |
| Benefit obligation at end of year              | 432,716          | 382,264      | 49,451                        | 42,331      |
| Change in plan assets:                         |                  |              |                               |             |
| Fair value of plan assets at beginning of year | 201,564          | 160,314      |                               |             |
| Actual return on plan assets                   | 37,921           | 30,505       |                               |             |
| Employer contribution                          | 41,471           | 29,858       | 1,522                         | 1,419       |
| Participants contributions                     |                  |              | 1,786                         | 1,812       |
| MMA retiree drug subsidy                       |                  |              | 116                           | 159         |
| Benefits paid                                  | (18,148)         | (19,113)     | (3,424)                       | (3,390)     |
| Fair value of plan assets at end of year       | 262,808          | 201,564      |                               |             |
| Funded status at end of year                   | \$ (169,908)     | \$ (180,700) | \$ (49,451)                   | \$ (42,331) |

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:

| <i>(in thousands)</i>          | January 31, 2011 |             |             |              |
|--------------------------------|------------------|-------------|-------------|--------------|
|                                | Qualified        | Excess/SRIP | Japan       | Total        |
| Projected benefit obligation   | \$ 348,724       | \$ 69,560   | \$ 14,432   | \$ 432,716   |
| Fair value of plan assets      | 262,808          |             |             | 262,808      |
| Funded status                  | \$ (85,916)      | \$ (69,560) | \$ (14,432) | \$ (169,908) |
| Accumulated benefit obligation | \$ 312,966       | \$ 40,215   | \$ 11,756   | \$ 364,937   |

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| <i>(in thousands)</i>          | January 31, 2010 |             |             |  | Total        |
|--------------------------------|------------------|-------------|-------------|--|--------------|
|                                | Qualified        | Excess/SRIP | Japan       |  |              |
| 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   |

At January 31, 2011, the Company had a current liability of \$1,924,000 and a non-current liability of \$217,435,000 for pension and other postretirement benefits. 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.

Amounts recognized in accumulated other comprehensive loss consist of:

| <i>(in thousands)</i>                 | January 31,      |           |                               |            |
|---------------------------------------|------------------|-----------|-------------------------------|------------|
|                                       | Pension Benefits |           | Other Postretirement Benefits |            |
|                                       | 2011             | 2010      | 2011                          | 2010       |
| Net actuarial loss (gain)             | \$ 86,934        | \$ 79,137 | \$ 3,360                      | \$ (627)   |
| Prior service cost (credit)           | 3,712            | 4,790     | (6,375)                       | (7,034)    |
| Deferred income tax (benefit) expense | (35,484)         | (33,385)  | 783                           | 2,390      |
|                                       | \$ 55,162        | \$ 50,542 | \$ (2,232)                    | \$ (5,271) |

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:

| <i>(in thousands)</i>       | Pension Benefits |       | Other Postretirement Benefits |       |
|-----------------------------|------------------|-------|-------------------------------|-------|
|                             |                  |       |                               |       |
| Net actuarial loss          | \$               | 5,291 | \$                            | 12    |
| Prior service cost (credit) |                  | 1,065 |                               | (659) |
|                             | \$               | 6,356 | \$                            | (647) |

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## Net Periodic Benefit Cost

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

| <i>(in thousands)</i>              | Years Ended January 31, |           |           |                               |          |          |
|------------------------------------|-------------------------|-----------|-----------|-------------------------------|----------|----------|
|                                    | Pension Benefits        |           |           | Other Postretirement Benefits |          |          |
|                                    | 2011                    | 2010      | 2009      | 2011                          | 2010     | 2009     |
| Net Periodic Benefit Cost:         |                         |           |           |                               |          |          |
| Service cost                       | \$ 12,741               | \$ 11,444 | \$ 16,712 | \$ 1,711                      | \$ 1,259 | \$ 1,663 |
| Interest cost                      | 23,860                  | 22,810    | 17,516    | 2,943                         | 2,641    | 1,811    |
| Expected return on plan assets     | (17,568)                | (14,591)  | (15,660)  |                               |          |          |
| Amortization of prior service cost | 1,078                   | 1,077     | 1,282     | (659)                         | (659)    | (790)    |
| Amortization of net loss (gain)    | 2,886                   | (84)      | 645       | 1                             |          |          |
| Settlement loss                    |                         | 191       |           |                               |          |          |
| Curtailed loss (gain)              |                         |           | 638       |                               |          | (1,511)  |
| Special termination benefits       |                         |           | 56,811    |                               |          | 6,992    |
| Net expense                        | \$ 22,997               | \$ 20,847 | \$ 77,944 | \$ 3,996                      | \$ 3,241 | \$ 8,165 |

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).

## Other Amounts Recognized in Other Comprehensive Earnings

Changes in plan assets and benefit obligations recognized in other comprehensive earnings are as follows:

| <i>(in thousands)</i>  | Year Ended January 31, 2011 |                               |
|--|-----------------------------|-------------------------------|
|  | Pension Benefits            | Other Postretirement Benefits |
| Net expense  | \$ 22,997                   | \$ 3,996                      |
| Net actuarial loss   | \$ 10,583                   | \$ 3,988                      |
| Recognized actuarial loss  | (2,886)                     | (1)                           |
| Recognized prior service (cost) credit   | (1,078)                     | 659                           |
| Translation  | 100                         |                               |
| Total recognized in other comprehensive earnings                               | \$ 6,719                    | \$ 4,646                      |
| Total recognized in net periodic benefit cost and other comprehensive earnings | \$ 29,716                   | \$ 8,642                      |

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| <i>(in thousands)</i>  | Year Ended January 31, 2010 |                               |
|--|-----------------------------|-------------------------------|
|  | 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 earnings                               | \$ 22,047                   | \$ 3,678                      |
| Total recognized in net periodic benefit cost and other comprehensive earnings | \$ 42,894                   | \$ 6,919                      |

## Assumptions

Weighted-average assumptions used to determine benefit obligations:

|                                   | January 31, |       |
|-----------------------------------|-------------|-------|
|                                   | 2011        | 2010  |
| Discount rate:                    |             |       |
| Qualified Plan                    | 6.00%       | 6.50% |
| Excess Plan/SRIP                  | 6.00%       | 6.75% |
| Japan Plan                        | 1.75%       | 3.00% |
| Other Postretirement Benefits     | 6.25%       | 6.75% |
| Rate of increase in compensation: |             |       |
| Qualified Plan                    | 3.50%       | 3.75% |
| Excess Plan                       | 5.00%       | 5.25% |
| SRIP                              | 8.00%       | 8.25% |
| Japan Plan                        | 1.25%       | 2.50% |

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

|                                   | Years Ended January 31, |       |       |
|-----------------------------------|-------------------------|-------|-------|
|                                   | 2011                    | 2010  | 2009  |
| Discount rate:                    |                         |       |       |
| Qualified Plan                    | 6.50%                   | 7.25% | 6.50% |
| Excess Plan/SRIP                  | 6.75%                   | 7.50% | 6.50% |
| Japan Plan                        | 3.00%                   | 2.75% | 2.75% |
| Other Postretirement Benefits     | 6.75%                   | 7.25% | 6.50% |
| Expected return on plan assets    | 7.50%                   | 7.50% | 7.50% |
| Rate of increase in compensation: |                         |       |       |
| Qualified Plan                    | 3.75%                   | 4.00% | 4.00% |
| Excess Plan                       | 5.25%                   | 5.50% | 5.50% |
| SRIP                              | 8.25%                   | 8.50% | 8.50% |
| Japan Plan                        | 2.50%                   | 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, 9.00% (for pre-age 65 retirees) and 7.50% (for post-age 65 retirees) annual rates of increase in the per capita cost of covered health care were assumed for 2011. The rates were assumed to decrease gradually to 5.00% by 2019 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 change in the assumed health-care cost trend rate would not have a significant effect on the Company's accumulated postretirement benefit obligation or the aggregate service and interest cost components of the 2010 postretirement expense.

**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, 2011 and 2010 by asset category is as follows:

| <i>(in thousands)</i>                 | Fair Value<br>at<br>January 31,<br>2011 | Fair Value Measurements<br>Using Inputs Considered as* |            |           |
|---------------------------------------|---|--|------------|-----------|
|                                       |   | Level 1  | Level 2    | Level 3   |
| Equity securities:                    |   |  |            |           |
| Common/collective trusts <sup>a</sup> | \$ 194,708                              | \$   | \$ 194,708 | \$        |
| Fixed income securities:              |   |  |            |           |
| Government bonds                      | 24,045                                  | 18,334   | 5,711      |           |
| Corporate bonds                       | 22,996                                  |  | 22,996     |           |
| Mortgage obligations                  | 7,932                                   |  | 7,932      |           |
| Other types of investments:           |   |  |            |           |
| Limited partnerships                  | 13,059                                  |  |            | 13,059    |
| Multi-strategy hedge fund             | 68                                      |  |            | 68        |
|                                       | \$ 262,808                              | \$ 18,334  | \$ 231,347 | \$ 13,127 |

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| <i>(in thousands)</i>                 | Fair Value<br>at<br>January 31,<br>2010 | Fair Value Measurements<br>Using Inputs Considered as* |            |           |
|---------------------------------------|---|--|------------|-----------|
|                                       |   | Level 1  | Level 2    | Level 3   |
| Equity securities:                    |   |  |            |           |
| Common/collective trusts <sup>a</sup> | \$ 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 |

\* See Note K Fair Value of Financial Instruments for a description of the levels of inputs.

<sup>a</sup> Common/collective trusts include investments in U.S. and international large, middle and small capitalization equities.

| <i>(in thousands)</i>                 | Limited<br>partnerships | Multi-strategy<br>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                          |
| Unrealized gain (loss), net           | 1,234                   | (94)                         |
| Realized gain (loss), net             | 33                      | (197)                        |
| Purchases, sales and settlements, net | 100                     | (232)                        |
| Ending balance at January 31, 2011    | \$ 13,059               | \$ 68                        |

**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. 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, 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





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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        | Other          |
|--------------------------|----------------|----------------|
|                          | Benefits       | Postretirement |
|                          | (in thousands) | (in thousands) |
| 2012                     | \$ 18,647      | \$ 2,649       |
| 2013                     | 18,711         | 2,657          |
| 2014                     | 18,705         | 2,582          |
| 2015                     | 19,110         | 2,589          |
| 2016                     | 19,771         | 2,541          |
| 2017 - 2021              | 120,847        | 12,700         |

**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 \$4,500,000 and \$5,000,000 in 2010 and 2009. 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% of each participant's total compensation. The Company recorded expense of \$6,016,000, \$5,506,000 and \$7,440,000 in 2010, 2009 and 2008. 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, 2011, investments in Company stock represented 29% of total EPSRS Plan assets. The EPSRS Plan provides 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 \$1,866,000, \$1,685,000 and \$1,606,000 in 2010, 2009 and 2008.

**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

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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 \$21,232,000 and \$18,611,000 at January 31, 2011 and 2010, 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:

| <i>(in thousands)</i> | Years Ended January 31, |            |            |
|-----------------------|-------------------------|------------|------------|
|                       | 2011                    | 2010       | 2009       |
| United States         | \$ 352,126              | \$ 226,347 | \$ 228,303 |
| Foreign               | 195,308                 | 163,627    | 137,456    |
|                       | \$ 547,434              | \$ 389,974 | \$ 365,759 |

Components of the provision for income taxes were as follows:

| <i>(in thousands)</i> | Years Ended January 31, |            |            |
|-----------------------|-------------------------|------------|------------|
|                       | 2011                    | 2010       | 2009       |
| Current:              |                         |            |            |
| Federal               | \$ 149,815              | \$ 73,948  | \$ 58,432  |
| State                 | 36,580                  | 25,927     | 15,650     |
| Foreign               | 52,968                  | 39,262     | 44,896     |
|                       | 239,363                 | 139,137    | 118,978    |
| Deferred:             |                         |            |            |
| Federal               | (52,452)                | (17,711)   | 10,679     |
| State                 | (8,220)                 | (8,931)    | 5,978      |
| Foreign               | 340                     | 11,803     | (2,031)    |
|                       | (60,332)                | (14,839)   | 14,626     |
|                       | \$ 179,031              | \$ 124,298 | \$ 133,604 |

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, |       |       |
|--|-------------------------|-------|-------|
|  | 2011                    | 2010  | 2009  |
| Statutory Federal income tax rate          | 35.0%                   | 35.0% | 35.0% |
| State income taxes, net of Federal benefit | 2.8                     | 2.4   | 3.7   |
| Foreign losses with no tax benefit         | 0.6                     | 1.3   | 2.5   |
| Undistributed foreign earnings             | (4.0)                   | (3.4) | (4.8) |
| Net change in uncertain tax positions      | 0.3                     | (1.7) | 1.2   |
| Domestic manufacturing deduction           | (1.2)                   | (1.0) | (0.9) |
| Other                                      | (0.8)                   | (0.7) | (0.2) |
|  | 32.7%                   | 31.9% | 36.5% |

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The Company has the intent to indefinitely reinvest any undistributed earnings of primarily all foreign subsidiaries. As of January 31, 2011 and 2010, the Company has not provided deferred taxes on approximately \$345,000,000 and \$226,000,000 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 \$67,800,000 and \$40,700,000 would be incurred if these earnings were distributed.

Deferred tax assets (liabilities) consisted of the following:

| <i>(in thousands)</i>                  | January 31, |            |
|--|-------------|------------|
|  | 2011        | 2010       |
| Deferred tax assets:                   |             |            |
| Pension/postretirement benefits        | \$ 85,302   | \$ 76,778  |
| Accrued expenses                       | 29,120      | 23,365     |
| Share-based compensation               | 25,093      | 27,934     |
| Depreciation                           | 27,775      | 20,354     |
| Foreign and state net operating losses | 23,438      | 28,863     |
| Sale-leaseback                         | 80,829      | 81,951     |
| Inventory                              | 3,824       |            |
| Other                                  | 39,407      | 31,524     |
|  | 314,788     | 290,769    |
| Valuation allowance                    | (22,579)    | (24,433)   |
|  | 292,209     | 266,336    |
| Deferred tax liabilities:              |             |            |
| Inventory                              |             | (27,131)   |
| Foreign tax credit                     | (45,704)    | (50,233)   |
| Other                                  | (2,628)     |            |
|  | (48,332)    | (77,364)   |
| Net deferred tax asset                 | \$ 243,877  | \$ 188,972 |

The Company has recorded a valuation allowance against certain deferred tax assets related to state and foreign net operating loss carryforwards where management has determined it is more likely than not that deferred tax assets will not be realized in the future. 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 \$21,000,000 and \$87,000,000 exist in certain state and foreign jurisdictions. Whereas some of these tax loss carryforwards do not have an expiration date, others expire at various times from January 2012 through January 2031.

The Company recognizes interest expense and penalties related to unrecognized tax benefits within the provision for income taxes in the accompanying consolidated statement of earnings. During the years ended January 31, 2011, 2010 and 2009, the Company recognized approximately \$1,184,000, (\$3,112,000) and \$3,497,000 of expense/(income) 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 \$4,189,000 and \$3,305,000 at January 31, 2011 and 2010.

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The following table reconciles the unrecognized tax benefits:

| <i>(in thousands)</i>                          | 2011      | January 31,<br>2010 | 2009      |
|--|-----------|---------------------|-----------|
| Unrecognized tax benefits at beginning of year | \$ 32,226 | \$ 48,016           | \$ 30,306 |
| Gross increases tax positions in prior period  | 2,367     | 5,256               | 10,161    |
| Gross decreases tax positions in prior period  | (2,003)   | (12,478)            | (1,125)   |
| Gross increases current period tax positions   | 3,241     | 6,441               | 8,888     |
| Settlements                                    | (1,394)   | (3,518)             | (214)     |
| Lapse of statute of limitations                | (2,164)   | (11,491)            |           |
| Unrecognized tax benefits at end of year       | \$ 32,273 | \$ 32,226           | \$ 48,016 |

Included in the balance of unrecognized tax benefits at January 31, 2011, 2010 and 2009 are \$11,605,000, \$12,355,000 and \$18,632,000 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), New York City (tax years 2006-2008) and by the Internal Revenue Service (tax years 2007-2009). Tax years from 2004-present are open to examination in U.S. Federal and various state, local and foreign jurisdictions. The Company believes that its tax positions comply with applicable tax laws and that it has adequately provided for these matters. However, the audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. The Company does not anticipate any material changes to the total gross amount of unrecognized 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 continuing 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.

Effective with the first quarter of 2010, management has changed the Company's segment reporting in order to align with a change in its organizational and management reporting structure. Specifically, the Company is now reporting results in Japan separately from the rest of the Asia-Pacific region, and results for certain emerging market countries that were previously included in the Europe and Asia-Pacific segments are now included in the Other non-reportable segment. Prior year results have been revised to reflect this change.

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

| <i>(in thousands)</i>                           | Years Ended January 31, |              |              |
|---|-------------------------|--------------|--------------|
|   | 2011                    | 2010         | 2009         |
| Net sales:                                      |                         |              |              |
| Americas  | \$ 1,574,571            | \$ 1,410,845 | \$ 1,586,636 |
| Asia-Pacific                                    | 549,197                 | 426,296      | 363,095      |
| Japan   | 546,537                 | 512,989      | 533,474      |
| Europe  | 360,831                 | 306,321      | 273,093      |
| Total reportable segments                       | 3,031,136               | 2,656,451    | 2,756,298    |
| Other   | 54,154                  | 53,253       | 92,561       |
|   | \$ 3,085,290            | \$ 2,709,704 | \$ 2,848,859 |
| Earnings (losses) from continuing operations: * |                         |              |              |
| Americas  | \$ 340,331              | \$ 263,470   | \$ 317,964   |
| Asia-Pacific                                    | 133,448                 | 100,690      | 88,724       |
| Japan   | 162,800                 | 139,519      | 141,802      |
| Europe  | 88,309                  | 60,102       | 52,021       |
| Total reportable segments                       | 724,888                 | 563,781      | 600,511      |
| Other   | 3,358                   | (8,767)      | 4,938        |
|   | \$ 728,246              | \$ 555,014   | \$ 605,449   |

\* Represents earnings (losses) from continuing operations before unallocated corporate expenses, other operating income, other operating expense, 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:

| <i>(in thousands)</i>                                   | Years Ended January 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2011                    | 2010       | 2009       |
| Earnings from continuing operations for segments        | \$ 728,246              | \$ 555,014 | \$ 605,449 |
| Unallocated corporate expenses                          | (115,830)               | (114,964)  | (101,889)  |
| Restructuring charges                                   |                         |            | (97,839)   |
| Other operating income                                  |                         | 4,442      |            |
| Other operating expense                                 | (17,635)                | (4,000)    | (11,062)   |
| Interest expense, financing costs and other income, net | (47,347)                | (50,518)   | (28,900)   |
| Earnings from continuing operations before income taxes | \$ 547,434              | \$ 389,974 | \$ 365,759 |

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 centralized information technology, finance, legal and human resources departments.





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

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 expense for the year ended January 31, 2011 represents \$17,635,000 of expense related to Tiffany's plan to consolidate and relocate its New York headquarters staff to a single location (see Note L. Commitments and Contingencies). Other operating expense for the year ended January 31, 2010 represents \$4,000,000 paid to terminate a third-party management agreement (see Note C. Acquisitions and Dispositions). Other operating expense 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).

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

| <i>(in thousands)</i> | Years Ended January 31, |              |              |
|-----------------------|-------------------------|--------------|--------------|
|                       | 2011                    | 2010         | 2009         |
| Net sales:            |                         |              |              |
| United States         | \$ 1,484,505            | \$ 1,338,216 | \$ 1,535,893 |
| Japan                 | 546,537                 | 512,989      | 533,474      |
| Other countries       | 1,054,248               | 858,499      | 779,492      |
|                       | \$ 3,085,290            | \$ 2,709,704 | \$ 2,848,859 |
| Long-lived assets:    |                         |              |              |
| United States         | \$ 529,763              | \$ 560,450   | \$ 626,140   |
| Japan                 | 31,729                  | 34,334       | 39,524       |
| Other countries       | 135,486                 | 121,558      | 106,587      |
|                       | \$ 696,978              | \$ 716,342   | \$ 772,251   |

## Classes of Similar Products

| <i>(in thousands)</i>                 | Years Ended January 31, |              |              |
|---------------------------------------|-------------------------|--------------|--------------|
|                                       | 2011                    | 2010         | 2009         |
| Net sales:                            |                         |              |              |
| Statement, fine and solitaire jewelry | \$ 481,780              | \$ 385,250   | \$ 420,663   |
| Engagement jewelry and wedding bands  | 853,483                 | 730,645      | 740,309      |
| Silver and gold jewelry               | 982,759                 | 912,057      | 851,080      |
| Designer jewelry                      | 489,618                 | 427,139      | 477,296      |
| All other                             | 277,650                 | 254,613      | 359,511      |
|                                       | \$ 3,085,290            | \$ 2,709,704 | \$ 2,848,859 |

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

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| <i>(in thousands, except per share amounts)</i>    | 2010 Quarters Ended      |                      |                         |                         |
|--|--------------------------|----------------------|-------------------------|-------------------------|
|  | April 30 <sup>a, b</sup> | July 31 <sup>b</sup> | October 31 <sup>b</sup> | January 31 <sup>b</sup> |
| Net sales  | \$ 633,586               | \$ 668,760           | \$ 681,729              | \$ 1,101,215            |
| Gross profit                                       | 365,978                  | 386,752              | 398,571                 | 670,977                 |
| Earnings from continuing operations                | 105,417                  | 113,606              | 97,578                  | 278,180                 |
| Net earnings from continuing operations            | 64,425                   | 67,675               | 55,079                  | 181,224                 |
| Net earnings                                       | 64,425                   | 67,675               | 55,079                  | 181,224                 |
| Net earnings from continuing operations per share: |                          |                      |                         |                         |
| Basic  | \$ 0.51                  | \$ 0.53              | \$ 0.44                 | \$ 1.43                 |
| Diluted  | \$ 0.50                  | \$ 0.53              | \$ 0.43                 | \$ 1.41                 |
| Net earnings per share:                            |                          |                      |                         |                         |
| Basic  | \$ 0.51                  | \$ 0.53              | \$ 0.44                 | \$ 1.43                 |
| Diluted  | \$ 0.50                  | \$ 0.53              | \$ 0.43                 | \$ 1.41                 |

<sup>a</sup> Includes a net income tax benefit of \$3,096,000 primarily due to a change in the tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations, which benefited net earnings from continuing operations per diluted share and net earnings per diluted share by \$0.02 in the quarter.

<sup>b</sup> Includes pre-tax charges of \$860,000, \$3,945,000, \$6,421,000 and \$6,409,000, for the quarters ended April 30, July 31, October 31 and January 31, which reduced net earnings from continuing operations per diluted share and net earnings per diluted share by less than \$0.01, \$0.02, \$0.03 and \$0.03 in the respective quarters, associated with Tiffany's plan to consolidate its New York headquarters staff within a single location (see Note L. Commitments and Contingencies).

| <i>(in thousands, except per share amounts)</i>    | 2009 Quarters Ended |                      |                         |            |
|--|---------------------|----------------------|-------------------------|------------|
|  | April 30            | July 31 <sup>a</sup> | October 31 <sup>b</sup> | 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    |

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- <sup>a</sup> 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.
- <sup>b</sup> 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 and Dispositions ), which in total benefited net earnings from continuing operations and net earnings by \$0.01 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.

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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 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-43.

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, 2011 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, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is shown on page K-43.

/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, 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 8, 2011.

**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 the 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 8, 2011, 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 8, 2011.

**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 8, 2011.

**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 8, 2011.

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

Incorporated by reference from the section titled Fees and Services of PricewaterhouseCoopers LLP in Registrant's Proxy Statement dated April 8, 2011.

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**PART IV**

**Item 15. Exhibits, 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, 2011 and 2010.

Consolidated Statements of Earnings for the years ended January 31, 2011, 2010 and 2009.

Consolidated Statements of Stockholders' Equity and Comprehensive Earnings for the years ended January 31, 2011, 2010 and 2009.

Consolidated Statements of Cash Flows for the years ended January 31, 2011, 2010 and 2009.

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 filed with 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.<br>TIFFANY & CO.   |



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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 30, 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. Incorporated by reference from Exhibit 10.122f filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2007.   |
| 10.123  | Agreement made effective as of February 1, 1997 by and between Tiffany and Elsa Peretti. Incorporated by reference from Exhibit 10.123 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 1997.  |
| 10.128  | Agreement and Memorandum of Agreement made the 1 <sup>st</sup> 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.  |
| 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. |

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| Exhibit | Description  |
|---------|--|
| 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.  |
| 10.145  | 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. |
| 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.   |

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| Exhibit | Description   |
|---------|---|
| 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 with 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 with 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 with Registrant's Report on Form 8-K dated April 13, 2009.   |
| 10.159a | Acknowledgement of Amendment to Note Purchase and Private Shelf Agreement referred to in previously filed Exhibit 10.159, dated as of September 30, 2010. Incorporated by reference from Exhibit 10.159a filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended October 31, 2010.   |
| 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 with Registrant's Report on Form 8-K dated April 13, 2009.   |
| 10.161  | Form of Note Purchase Agreement dated as of September 1, 2010 by and between Registrant and various institutional note purchasers with respect to the Registrant's yen 10,000,000,000 principal amount 1.72% Senior Notes due September 1, 2016. Incorporated by reference from Exhibit 10.161 filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended July 31, 2010.  |
| 10.162  | Guaranty Agreement dated September 1, 2010 with respect to the Note Purchase Agreement (see Exhibit 10.161 above) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. Incorporated by reference from Exhibit 10.162 filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended July 31, 2010.  |
| 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.  |
| 21.1    | Subsidiaries of Registrant.   |
| 23.1    | Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.   |



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| Exhibit                                       | Description  |
|---|--|
| 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 and May 20, 2010. Incorporated by reference from Exhibit 10.106 filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended April 30, 2010. |
| 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.  |



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| Exhibit | Description   |
|---------|---|
| 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 2011 Cash Incentive Award Agreement for certain executive officers adopted on March 16, 2011 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 21, 2011.  |
| 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 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.  |





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| Exhibit | Description  |
|---------|--|
| 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 reference from Exhibit 10.150a filed with Registrant's Report on Form 8-K dated February 2, 2009.  |



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| Exhibit | Description  |
|---------|--|
| 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 17, 2010. Incorporated by reference from Exhibit 10.153 filed with Registrant's Report on Form 8-K dated March 21, 2011.   |
| 10.154  | Senior Executive Employment Agreement between Frederic Cumenal and Tiffany and Company, effective as of March 10, 2011. Incorporated by reference from Exhibit 10.154 filed with Registrant's Report on Form 8-K dated March 21, 2011.                           |
| 10.161  | Terms of Time-Vested Restricted Stock Unit Grants to certain Executive Officers under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.161 filed with Registrant's Report on Form 8-K dated March 21, 2011.<br>TIFFANY & CO. |

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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 28, 2011

**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 28, 2011

TIFFANY & CO.

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Schedule

Valuation and Qualifying Accounts and Reserves

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

| Column A   | Column B                       | Column C                      |                           | 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, 2011:                         |                                |                               |                           |                       |                          |
| Reserves deducted from assets:                       |                                |                               |                           |                       |                          |
| Accounts receivable allowances:                      |                                |                               |                           |                       |                          |
| Doubtful accounts                                    | \$ 6,286                       | \$ 2,065                      | \$                        | \$ 3,646 <sup>a</sup> | \$ 4,705                 |
| Sales returns  | 6,606                          | 2,075                         |                           | 1,603 <sup>b</sup>    | 7,078                    |
| Allowance for inventory liquidation and obsolescence | 46,234                         | 25,608                        |                           | 23,414 <sup>c</sup>   | 48,428                   |
| Allowance for inventory shrinkage                    | 954                            | 3,653                         |                           | 3,533 <sup>d</sup>    | 1,074                    |
| Deferred tax valuation allowance                     | 24,433                         | 2,408                         |                           | 4,262 <sup>e</sup>    | 22,579                   |

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) Reversal of deferred tax valuation allowance and utilization of deferred tax loss carryforward.

TIFFANY &amp; CO.

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

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

TIFFANY & CO.



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

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