



TIFFANY & CO. AND SUBSIDIARIES  
INDEX TO FORM 10-Q  
FOR THE QUARTER ENDED OCTOBER 31, 1994

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PART I. FINANCIAL INFORMATION  
 ITEM I. FINANCIAL STATEMENTS

TIFFANY & CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

|  | October 31,<br>1994  | January 31,<br>1994 |
|--|----------------------|---------------------|
|  | -----<br>(Unaudited) | -----               |
| ASSETS   |                      |                     |
| Current assets;  |                      |                     |
| Cash and short-term investments  | \$ 4,573             | \$ 4,994            |
| Accounts receivable, less allowances of<br>\$4,666 and \$4,170                       | 61,230               | 67,330              |
| Income taxes receivable  | 7,925                | 12,517              |
| Inventories  | 305,699              | 262,282             |
| Prepaid expenses   | 23,449               | 17,718              |
|  | -----                | -----               |
| Total current assets   | 402,876              | 364,841             |
| Property and equipment, net  | 101,306              | 97,365              |
| Deferred income taxes  | 16,285               | 15,404              |
| Other assets, net  | 30,742               | 26,799              |
|  | -----                | -----               |
|  | \$551,209            | \$504,409           |
|  | =====                | =====               |
| LIABILITIES AND STOCKHOLDERS' EQUITY   |                      |                     |
| Current liabilities:   |                      |                     |
| Short-term borrowings  | \$ 82,184            | \$ 59,289           |
| Accounts payable and accrued liabilities   | 89,989               | 79,980              |
| Income taxes payable   | 0                    | 6,359               |
| Merchandise and other customer credits   | 7,397                | 6,947               |
|  | -----                | -----               |
| Total current liabilities  | 179,570              | 152,575             |
| Long-term trade payable  | 28,380               | 25,394              |
| Reserve for product return   | 13,236               | 13,663              |
| Long-term debt   | 101,500              | 101,500             |
| Deferred income taxes  | 6,178                | 6,758               |
| Postretirement benefit obligation  | 16,202               | 14,320              |
| Other long-term liabilities  | 874                  | 1,118               |
| Commitments and contingencies  |                      |                     |
| Stockholders' equity:  |                      |                     |
| Common stock, \$.01 par value; authorized<br>30,000 shares, issued 15,681 and 15,660 | 157                  | 157                 |
| Additional paid-in capital   | 71,091               | 70,498              |
| Retained earnings  | 132,836              | 126,082             |
| Foreign currency translation adjustments   | 1,185                | (7,656)             |
|  | -----                | -----               |
| Total stockholders' equity   | 205,269              | 189,081             |
|  | -----                | -----               |
|  | \$551,209            | \$504,409           |
|  | =====                | =====               |

See notes to consolidated financial statements

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

|   | For the<br>Three Months Ended<br>October 31, |                 | For the<br>Nine Months Ended<br>October 31, |                   |
|---|--|-----------------|---|-------------------|
|   | 1994<br>----                                 | 1993<br>----    | 1994<br>----                                | 1993<br>----      |
| Net sales   | \$160,091                                    | \$134,750       | \$443,555                                   | \$358,464         |
| Product return for Japan realignment                    | 0  | 0               | 0   | (115,000)         |
|   | -----  | -----           | -----                                       | -----             |
|   | 160,091                                      | 134,750         | 443,555                                     | 243,464           |
| Cost of goods sold                                      | 75,674                                       | 62,918          | 213,017                                     | 180,404           |
| Cost related to product return<br>for Japan realignment | 0  | 0               | 0   | (57,500)          |
|   | -----  | -----           | -----                                       | -----             |
| Gross profit  | 84,417                                       | 71,832          | 230,538                                     | 120,560           |
| Selling, general and administrative<br>expenses         | 72,176                                       | 63,392          | 202,436                                     | 163,184           |
| Provision for uncollectible accounts                    | 414  | 524             | 1,143                                       | 1,430             |
|   | -----  | -----           | -----                                       | -----             |
| Income/(loss) from operations                           | 11,827                                       | 7,916           | 26,959                                      | (44,054)          |
| Other expenses, net                                     | 3,533  | 2,201           | 9,305                                       | 5,611             |
|   | -----  | -----           | -----                                       | -----             |
| Income/(loss) before income taxes                       | 8,294  | 5,715           | 17,654                                      | (49,665)          |
| Provision/(benefit) for income taxes                    | 3,574  | 2,460           | 7,608                                       | (21,407)          |
|   | -----  | -----           | -----                                       | -----             |
| Net income/(loss)                                       | <u>\$ 4,720</u>                              | <u>\$ 3,255</u> | <u>\$ 10,046</u>                            | <u>\$(28,258)</u> |
| Net income/(loss) per share:                            |  |                 |   |                   |
| Primary   | <u>\$ 0.30</u>                               | <u>\$ 0.21</u>  | <u>\$ 0.63</u>                              | <u>\$ (1.79)</u>  |
| Fully diluted   | <u>\$ 0.30</u>                               | <u>\$ 0.21</u>  | <u>\$ 0.63</u>                              | <u>\$ (1.79)</u>  |
| Weighted average number of common shares:               |  |                 |   |                   |
| Primary   | 15,962                                       | 15,797          | 15,876                                      | 15,775            |
| Fully diluted   | 16,884                                       | 16,701          | 16,873                                      | 16,689            |

See notes to consolidated financial statements

## TIFFANY &amp; CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)  
(in thousands)

|   | Total<br>Stockholders'<br>Equity | Common Stock |        | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Foreign<br>Currency<br>Translation<br>Adjustments |
|---|----------------------------------|--------------|--------|----------------------------------|----------------------|---|
|   |                                  | Shares       | Amount |                                  |                      |   |
| BALANCES, January 31, 1994                    | \$189,081                        | 15,660       | \$157  | \$70,498                         | \$126,082            | \$(7,656)   |
| Exercise of stock options                     | 70                               | 3            | -      | 70                               | -                    | -   |
| Tax benefit from exercise of<br>stock options | 4                                | -            | -      | 4                                | -                    | -   |
| Cash dividends on common stock                | (1,096)                          | -            | -      | -                                | (1,096)              | -   |
| Foreign currency translation<br>adjustments   | 2,698                            | -            | -      | -                                | -                    | 2,698   |
| Net income                                    | 1,876                            | -            | -      | -                                | 1,876                | -   |
|   | -----                            | -----        | ----   | -----                            | -----                | -----   |
| BALANCES, April 30, 1994                      | 192,633                          | 15,663       | 157    | 70,572                           | 126,862              | (4,958)   |
|   | -----                            | -----        | ----   | -----                            | -----                | -----   |
| Exercise of stock options                     | 320                              | 16           | -      | 320                              | -                    | -   |
| Tax benefit from exercise of<br>stock options | 112                              | -            | -      | 112                              | -                    | -   |
| Cash dividends on common stock                | (1,098)                          | -            | -      | -                                | (1,098)              | -   |
| Foreign currency translation<br>adjustments   | 1,892                            | -            | -      | -                                | -                    | 1,892   |
| Net income                                    | 3,450                            | -            | -      | -                                | 3,450                | -   |
|   | -----                            | -----        | ----   | -----                            | -----                | -----   |
| BALANCES, July 31, 1994                       | 197,309                          | 15,679       | 157    | 71,004                           | 129,214              | (3,066)   |
|   | -----                            | -----        | ----   | -----                            | -----                | -----   |
| Exercise of stock options                     | 71                               | 2            | -      | 71                               | -                    | -   |
| Tax benefit from exercise of<br>stock options | 16                               | -            | -      | 16                               | -                    | -   |
| Cash dividends on common stock                | (1,098)                          | -            | -      | -                                | (1,098)              | -   |
| Foreign currency translation<br>adjustments   | 4,251                            | -            | -      | -                                | -                    | 4,251   |
| Net income                                    | 4,720                            | -            | -      | -                                | 4,720                | -   |
|   | -----                            | -----        | ----   | -----                            | -----                | -----   |
| BALANCES, October 31, 1994                    | \$205,269                        | 15,681       | \$157  | \$71,091                         | \$132,836            | \$ 1,185  |
|   | =====                            | =====        | =====  | =====                            | =====                | =====   |

See notes to consolidated financial statements

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

For the  
Nine Months Ended  
October 31,

|  | 1994      | 1993*      |
|--|-----------|------------|
|  | -----     | -----      |
| Cash Flows From Operating Activities:  |           |            |
| Net income/(loss)  | \$ 10,046 | \$(28,258) |
| Adjustments to reconcile net income/(loss) to net cash provided by operating activities: |           |            |
| Depreciation and amortization  | 12,067    | 9,833      |
| Provision for uncollectible accounts   | 1,143     | 1,430      |
| Provision for product returns  | 0         | 57,500     |
| Reduction in reserve for product returns   | (427)     | (34,735)   |
| Provision for inventories  | 1,867     | 782        |
| Deferred income taxes  | (1,365)   | (13,415)   |
| Income taxes receivable  | 4,592     | (17,488)   |
| Loss on sale of fixed assets   | 0         | 271        |
| Postretirement benefit provision   | 1,882     | 1,425      |
| (Increase)/decrease in assets and increase/(decrease) in liabilities                     |           |            |
| Accounts receivable  | 7,634     | (9,753)    |
| Inventories  | (28,556)  | (12,775)   |
| Prepaid expenses   | (4,857)   | (2,199)    |
| Other assets   | (5,124)   | (1,333)    |
| Accounts payable and accrued liabilities   | 8,944     | 30,357     |
| Income taxes payable   | (6,961)   | (3,135)    |
| Merchandise and other customer credits   | 450       | 316        |
| Other long-term liabilities  | (496)     | (1,278)    |
|  | -----     | -----      |
| Net cash provided by/(used)in operating activities                                       | 839       | (22,455)   |
|  | -----     | -----      |
| Cash Flows From Investing Activities:  |           |            |
| Capital expenditures   | (12,581)  | (14,410)   |
| Other  | (133)     | -          |
|  | -----     | -----      |
| Net cash used in investing activities  | (12,714)  | (14,410)   |
|  | -----     | -----      |
| Cash Flows From Financing Activities:  |           |            |
| Increase in short-term borrowings  | 14,153    | 38,619     |
| Proceeds from exercise of stock options  | 461       | 411        |
| Tax benefit from exercise of stock options   | 132       | 336        |
| Cash dividends on common stock   | (3,292)   | (3,286)    |
|  | -----     | -----      |
| Net cash provided by financing activities  | 11,454    | 36,080     |
|  | -----     | -----      |
| Net decrease in cash and short-term investments  | (421)     | (785)      |
| Cash and short-term investments at beginning of year                                     | 4,994     | 6,672      |
|  | -----     | -----      |
| Cash and short-term investments at end of nine months                                    | \$ 4,573  | \$ 5,887   |
|  | -----     | -----      |
| Supplemental Disclosure Of Cash Flow Information:  |           |            |
| Cash paid during the nine months for:  |           |            |
| Interest   | \$ 10,555 | \$ 6,153   |
|  | -----     | -----      |
| Income taxes   | \$ 12,871 | \$ 4,343   |
|  | -----     | -----      |

\* Reclassified for comparative purposes

See notes to consolidated financial statements

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

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of Tiffany & Co. and all majority-owned domestic and foreign subsidiaries (the "Company"). All material intercompany balances and transactions have been eliminated. The statements are without audit and, in the opinion of management, include all adjustments (which include only normal recurring adjustments except for the adjustment necessary as a result of the LIFO method of inventory valuation, which is based on assumptions as to inflation rates and projected fiscal year-end inventory levels) necessary to present fairly the Company's financial position as of October 31, 1994 and the results of operations and cash flows for the interim periods presented. The audited financial statements for January 31, 1994 are presented without accompanying footnotes which are included in the Company's Form 10-K filing.

Since the Company's business is seasonal, with a higher proportion of sales and income generated in the last quarter of the fiscal year, the results of operations for the nine months ended October 31, 1994 and 1993 are not necessarily indicative of the results of the entire fiscal year.

2. INVENTORIES

Inventories at October 31, 1994 and January 31, 1994 are summarized as follows:

|                 | October 31,<br>1994<br>----- | January 31,<br>1994<br>----- |
|-----------------|------------------------------|------------------------------|
|                 | (in thousands)               |                              |
| Finished goods  | \$257,278                    | \$219,010                    |
| Raw materials   | 43,338                       | 40,210                       |
| Work in process | 7,594                        | 5,097                        |
|                 | -----                        | -----                        |
|                 | 308,210                      | 264,317                      |
| Less: Reserves  | (2,511)                      | (2,035)                      |
|                 | -----                        | -----                        |
|                 | \$305,699                    | \$262,282                    |
|                 | =====                        | =====                        |

At October 31, and January 31, 1994, \$215,727,000 and \$177,379,000, respectively, of inventories were valued using the LIFO method. The excess of such inventories valued at replacement cost over the value based upon the LIFO method was approximately \$9,770,000 and \$8,470,000 at October 31, 1994 and January 31, 1994, respectively. The LIFO valuation method had no effect on net income for the three month periods ended October 31, 1994 and 1993, respectively. The LIFO valuation method had the effect of decreasing net income/(loss) by \$0.05 and \$0.06 per share for the nine month periods ended October 31, 1994 and 1993, respectively.

3. POSTEMPLOYMENT BENEFITS

Effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Accounting for Postemployment Benefits" ("SFAS No. 112"), which requires the accrual of the cost of postemployment benefits rather than expensing the costs when incurred. These benefits include salary continuation, severance benefits, disability benefits and continuation of health care benefits and life insurance coverage for former employees after employment but before retirement. The adoption of this standard did not have a material impact on the Company's reported results of operation or financial condition.

4. FOREIGN CURRENCY HEDGING PROGRAM

During the first quarter of 1994, the Company initiated a foreign currency hedging program intended to reduce the Company's risk on foreign-currency-denominated transactions. In connection with this program, the Company will from time to time enter into forward exchange contracts and foreign-currency-purchased put options which are designated as hedges of commitments to purchase merchandise and settle liabilities in foreign currencies. The market value gains and losses on these foreign exchange contracts are initially deferred and then recognized when the related transactions are settled. At October 31, 1994, the Company had outstanding forward exchange contracts, maturing on November 25, 1994, to sell yen 694,396,000 at predetermined contract exchange rates. At October 31, 1994, the Company had outstanding purchased put options maturing at various dates through October 25, 1995, giving it the right, but not the obligation, to sell yen 5,148,000,000 at the predetermined contract exchange rates. If current market conditions continue under which the market yen exchange rates at maturity are below the contract rates, the Company will allow the options to expire. The Company's pre-tax expense related to its hedging program was \$271,000 for the three month period ended October 31, 1994 and \$637,000 for the nine month period ended October 31, 1994.

5. EARNINGS PER SHARE

Primary earnings per common share data have been computed by dividing net income by the weighted average number of shares outstanding during the period, including dilutive stock options. Fully diluted earnings per common share has been computed by dividing net income, after giving effect to the elimination of interest expense and bond amortization fees, net of income tax effect, applicable to the convertible subordinated debentures, by the weighted average number of shares outstanding including dilutive stock options and shares assumed issued on conversion of the subordinated debentures using the "if converted" method.



## 6. SUBSEQUENT EVENT

On November 17, 1994, Tiffany's Board of Directors declared a regular quarterly dividend of \$0.07 per common share. This dividend will be paid on January 10, 1995 to stockholders of record on December 20, 1994.

RESULTS OF OPERATIONS

The Company operates three channels of distribution: U.S. Retail includes retail sales in Company-operated stores in the U.S. and wholesale sales to independent retailers in North America; Direct Marketing includes corporate (business-to-business) and catalog sales; and International Retail includes retail sales through Company-operated stores and boutiques, corporate sales, and wholesale sales to independent retailers and distributors, primarily in Asia-Pacific, Europe, Canada and the Middle East.

Sales by channel of distribution were as follows:

| (in thousands)       | Three months ended<br>October 31, |                  | Nine months ended<br>October 31, |                  |
|----------------------|-----------------------------------|------------------|----------------------------------|------------------|
|                      | 1994                              | 1993             | 1994                             | 1993             |
| U.S. Retail          | \$ 72,256                         | \$ 62,584        | \$197,273                        | \$171,766        |
| Direct Marketing     | 20,796                            | 20,260           | 60,284                           | 57,454           |
| International Retail | 67,039                            | 51,906           | 185,998                          | 129,244          |
| Net sales            | <u>\$160,091</u>                  | <u>\$134,750</u> | <u>\$443,555</u>                 | <u>\$358,464</u> |

In comparison to comparable periods in 1993, net sales in the three months ended October 31, 1994 (third quarter) increased 19%; in the nine months ended October 31, 1994 sales increased 24%.

U.S. Retail sales increased 15% in both the third quarter and nine-month periods. Comparable sales in stores open more than one year rose 12% in both periods. Sales increased in the New York store and in branch stores. Higher sales were generated by increased transactions, primarily to local-market customers.

Direct Marketing sales increased 3% in the third quarter and 5% in the nine-month period due to higher catalog sales.

International Retail sales increased 29% in the third quarter and 44% in the nine-month period. International Retail sales in the nine-month period are not comparable to 1993 due to the realignment of the Company's Japan business in July 1993 (see below). When measured in yen, sales in Company-operated boutiques that were open in Japan more than one year increased 22% in the third quarter and 2% in the nine-month period (the 1993 sales base for comparison purposes includes retail sales made in boutiques which were operated by Mitsukoshi Ltd. in the first half of 1993). Management believes the recent improvement in Japan primarily resulted from the Company's merchandising, marketing and publicity initiatives, as well as from favorable consumer response to recent price reductions. The Company achieved sales growth in Asia-Pacific markets other than Japan. In Europe, comparable retail store sales, when measured in local currencies, increased 26% in the third quarter and 2% in the nine-month period.

In July 1993, the Company effected a realignment of its business in Japan by assuming merchandising and marketing responsibilities for each of the 29 TIFFANY & CO. boutiques previously operated by Mitsukoshi Ltd., an operator of department stores. As part of this transaction, the Company agreed to repurchase

\$115,000,000 of merchandise previously sold to Mitsukoshi. As a consequence, the Company recorded a \$115,000,000 provision for product return in the second quarter of 1993 which reduced gross profit by \$57,500,000 and reduced net income by \$32,700,000 (net of income tax benefit of \$24,800,000), or \$2.07 per share. At October 31, 1994, approximately \$30,000,000 of merchandise remained to be repurchased throughout the period ending February 28, 1998. No further charges or sales reversals are anticipated in connection with this transaction.

Under the new arrangement, Mitsukoshi no longer purchases TIFFANY & CO. merchandise on a wholesale basis for resale in Japan. Instead, Mitsukoshi acts for the Company in the sale of merchandise owned by the Company and the Company recognizes as revenues the retail price charged to the ultimate consumer in Japan (as opposed to the wholesale price previously charged to Mitsukoshi). As a result, the Company's reported sales in the nine-month period showed a significant increase due to the Japan realignment.

The Company now holds inventories for sale, establishes retail prices, bears the risk of currency fluctuations, provides one or more brand managers in each boutique, controls merchandising and display within the boutiques, manages inventory and controls and funds all advertising and publicity programs with respect to TIFFANY & CO. merchandise. Mitsukoshi is paid at the rate of approximately 27% of retail sales in compensation for providing boutique facilities and sales and clerical staff, as well as for the collection of receivables and security of store inventories. The new arrangement entails greater seasonality in sales for the Company than did the prior wholesale arrangement with Mitsukoshi. The Company is experiencing greater expenses in Japan under the new arrangement, but is also recording higher revenues at the retail level. In general, management believes that the Company's increased revenues and corresponding gross profit more than offset the increased expenses.

As a result of the business realignment in Japan, the Company's reported sales and earnings results benefit from a strengthening Japanese yen and are adversely affected by a strengthening U.S. dollar. To minimize the negative impact of changes in the dollar-yen relationship on the Company's financial results, the Company initiated a foreign currency hedging program in early fiscal 1994. The Company's pre-tax expense related to its hedging program was \$271,000 in the third quarter and \$637,000 in the nine-month period.

Since the realignment, the Company has made a number of changes in its Japan business that have affected sales, gross margins, inventory levels and operating expenses. In June 1994, the Company reduced Japan retail prices by approximately 25% on products that represent approximately 55% of Japan retail sales. This reduction was taken to make pricing for TIFFANY & CO. brand merchandise more competitive with both Japanese and imported brands by reducing the premium to U.S. prices. In the past, typical retail prices of imported luxury goods in Japan reflected a substantial premium to "home market" prices, although a recent trend among retailers in Japan has been to reduce that premium. The premium over U.S. prices for TIFFANY & CO. products is now approximately 50%, based on current exchange rates, and management believes that such pricing is competitive. This June 1994 price reduction, and one for solitaire diamond rings of approximately 20% taken in October 1993, have positively affected sales and earnings in Japan, despite reduced gross margins.

Other changes made since the realignment, some of which are in the process of being implemented, include the establishment of model stock inventories for each boutique, the installation of the Company's merchandise replenishment system which expedites the flow of merchandise to the boutiques in Japan, the introduction of several new jewelry collections in Japan, an increase in advertising expenditures directed to Japan and improved visual merchandising within the boutiques.

Gross margin (gross profit as a percentage of net sales) in the third quarter declined to 52.7% from 53.3% in 1993 primarily due to price reductions implemented in Japan in October 1993 and June 1994. Gross margin in the nine-month period increased to 52.0% from 49.7% in 1993 (excluding the effect of the nonrecurring charge related to the Japan business realignment) primarily due to the effect of recording higher retail sales as part of the Japan business realignment.

Operating expenses (selling, general and administrative expenses and the provision for uncollectible accounts) in the third quarter increased 14% over 1993; this resulted from a combination of increased sales-related variable expenses in Japan (primarily commissions paid to department stores), new store expenses and ongoing operating expenses. In the nine-month period, operating expenses increased 24% over 1993, reflecting the effect of the Japan business realignment, as well as factors applicable to the third quarter. As a percentage of net sales, operating expenses were 45.3% in the third quarter and 45.9% in the nine-month period, compared with 47.4% and 45.9% in the respective 1993 periods.

Other expenses in the third quarter and nine-month period increased over the corresponding 1993 periods, primarily due to interest expense related to higher average short-term borrowings and higher short-term rates.

As a result of the above factors, net income in the third quarter was \$4,720,000, or \$0.30 per share, compared with \$3,255,000, or \$0.21 per share, in the prior year. In the nine-month period, net income was \$10,046,000, or \$0.63 per share, compared with \$4,455,000, or \$0.28 per share, in 1993 (excluding a nonrecurring charge for the Japan business realignment), and a net loss of \$28,258,000, or \$1.79 per share (including such charge).

#### FINANCIAL CONDITION

##### LIQUIDITY AND CAPITAL RESOURCES

Management believes that the Company's financial condition at October 31, 1994 provides sufficient liquidity and resources to support current business activity and planned expansion.

Working capital and the corresponding current ratio were \$223,306,000 and 2.2:1 at October 31, 1994 compared with \$212,266,000 and 2.4:1 at January 31, 1994. Inventories (which represent the largest component of both working capital and current assets) increased 17% over January 31, 1994. The increase was attributable to merchandise purchases to support sales growth, seasonal increases for the Holiday season, the effect of translating foreign inventories into U.S. dollars, new store openings and expanded product offerings. Inventory turnover was 0.9 times at both October 31, 1994 and January 31, 1994. The Company's objective continues to be improvement in comparable store inventory productivity.

Capital expenditures of \$12,581,000 in the nine-month period compared with \$14,410,000 in the comparable 1993 period.

The Company incurred a net cash outflow (change in cash and total debt) in the nine-month period primarily as a result of the above referenced factors. Total debt (short-term borrowings and long-term debt) and its ratio to total capital (total debt and stockholders' equity) were \$183,684,000 and 47%, respectively, at October 31, 1994 compared with \$160,789,000 and 46%, respectively, at January 31, 1994. Inventory and debt levels have been increased to support the Company's long-term, worldwide expansion strategies; however, it is management's goal, subject to achievement of annual sales and earnings growth objectives, to improve inventory turnover, generate excess cash flow and reduce the ratio of total debt to total capital.

The Company's sources of working capital are internally-generated funds and funds available under a \$100,000,000 revolving credit facility and a yen 2,500,000,000 (approximately \$25,000,000) line of credit. In the nine-month period, revolving credit facility funds were used to finance the company's operations and expansion program. A cash inflow expected in the three months ending January 31, 1995 will be used to reduce short-term borrowings. Management anticipates that these sources of funds will be sufficient to support planned worldwide business expansion, as well as seasonal working capital increases typically required during the third and fourth quarters of each year. The Company's long-term plan is to minimize debt increases on an annual basis with an objective of reducing debt leverage from its current level.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
  - 11 Statement re Computation of Per Share Earnings.
- (b) Reports on Form 8-K
  - None.

SIGNATURES

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

TIFFANY & CO.  
(Registrant)

Date: December 9, 1994

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

## EXHIBIT INDEX

| Exhibit<br>Number<br>----- | Sequentially<br>Numbered Page<br>-----            |
|----------------------------|---|
| 11                         | Statement Re Computation of<br>Per Share Earnings |
| 27                         | Financial Data Schedule                           |

TIFFANY & CO. AND SUBSIDIARIES  
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS  
(Unaudited)  
(in thousands, except per share data)

|   | Three Months Ended |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | Oct. 31,<br>1994   | Oct. 31,<br>1993 | Oct. 31,<br>1994  | Oct. 31,<br>1993 |
| PRIMARY EARNINGS PER SHARE:   |                    |                  |                   |                  |
| Net income/(loss) on which primary earnings per share are based                               | \$ 4,720           | \$ 3,255         | \$ 10,046         | \$(28,258)       |
| Weighted average number of shares on which primary earnings are based                         | 15,962             | 15,797           | 15,876            | 15,775           |
| Primary net income/(loss) per common share  | \$ 0.30            | \$ 0.21          | \$ 0.63           | \$ (1.79)        |
| FULLY DILUTED EARNINGS PER SHARE:   |                    |                  |                   |                  |
| Net income/(loss) on which primary earnings per share are based                               | \$ 4,720           | \$ 3,255         | \$ 10,046         | \$(28,258)       |
| Add:  |                    |                  |                   |                  |
| Interest and fees on convertible subordinated debt, net of applicable income taxes            | 428                | 461              | 1,416             | 1,383            |
| Net income/(loss) on which fully diluted earnings per share are based                         | \$ 5,148           | \$ 3,716         | \$ 11,462         | \$(26,875)       |
| Weighted average number of common shares used in calculating fully diluted earnings per share | 15,991             | 15,808           | 15,980            | 15,796           |
| Shares assumed issued upon conversion of convertible debt, using "if converted" method        | 893                | 893              | 893               | 893              |
| Weighted average number of shares used in calculating fully diluted earnings per share        | 16,884             | 16,701           | 16,873            | 16,689           |
| Fully diluted net income/(loss) per common share  | \$ 0.30            | \$ 0.21          | \$ 0.63           | \$ (1.79)        |

NOTE: In anticipation of the 6 3/8% Convertible Subordinated Debenture's dilutive effect in the fourth quarter, fully diluted earnings per share reflect the weighted average number of common shares outstanding under the "if converted" method which assumes conversion as of the bond issuance date of the Debentures. Since the "if converted" method had the effect of increasing fully diluted earnings per share (anti-dilutive) for the three and nine months ending October 31, 1994, primary earnings per share was used for financial statement presentation purposes.



QTR-3

|             |          |
|-------------|----------|
| JAN-31-1995 |          |
| AUG-01-1994 |          |
| OCT-31-1994 | 4,573    |
|             | 0        |
|             | 63,136   |
|             | (2,057)  |
|             | 305,699  |
| 402,876     |          |
|             | 146,530  |
|             | (45,224) |
| 551,209     |          |
| 179,570     | 0        |
|             | 157      |
| 0           | 0        |
|             | 205,112  |
| 551,209     |          |
|             | 160,091  |
| 160,091     |          |
|             | 75,674   |
|             | 148,264  |
|             | 3,533    |
|             | 414      |
| 3,241       |          |
|             | 8,294    |
|             | 3,574    |
| 4,720       | 0        |
|             | 0        |
|             | 0        |
|             | 4,720    |
|             | 0.30     |
|             | 0.30     |