

TIFFANY REPORTS ITS THIRD QUARTER RESULTS; SALES AND EARNINGS EXCEED EXPECTATIONS

New York, N.Y., November 25, 2009 - Tiffany & Co. (NYSE: TIF) reported higher-than-expected net sales of \$598 million and net earnings from continuing operations of \$0.34 per diluted share in its third quarter that ended October 31, 2009. Management raised its sales and earnings outlook for the full year.

Net sales of \$598.2 million in the third quarter were 3% below the prior year. On a constant-exchange-rate basis, which excludes the effect of translating foreign-currency-denominated sales into U.S. dollars, worldwide net sales declined 5% and comparable store sales declined 6% (see attached "Non-GAAP Measures" schedule).

In the nine months (year-to-date) ended October 31, 2009, net sales of \$1.728 billion were 14% below the prior year. On a constant-exchange-rate basis, net sales and comparable store sales declined 13% and 15%.

Michael J. Kowalski, chairman and chief executive officer, said, "We were pleased to see that the rate of sales declines in the U.S. lessened as the quarter progressed. At the same time, many countries in Asia-Pacific and Europe achieved considerably better-than-expected sales. These results, combined with ongoing expense restraint, contributed to earnings above our prior expectation."

Net earnings from continuing operations in the third quarter were \$43.3 million, or \$0.34 per diluted share. This includes a \$4.0 million charge related to a diamond sourcing agreement and a \$5.6 million tax benefit which, together, were a benefit to net earnings from continuing operations of \$0.01 per diluted share. Net earnings were \$43.3 million, or \$0.35 per diluted share.

In the prior year's third quarter, net earnings from continuing operations were \$45.6 million, or \$0.36 per diluted share. This included a \$4.3 million pre-tax charge, or \$0.03 per diluted share, related to a write-off (see Interest and Other expenses, net). Net earnings were \$43.8 million, or \$0.35 per diluted share.

In the 2009 year-to-date, net earnings from continuing operations were \$127.5 million, or \$1.02 per diluted share. This included \$11.2 million of tax benefits; non-recurring income of \$4.4 million related to a loan recovery; and a \$4.0 million charge related to a diamond sourcing agreement; these three items together were a benefit of \$0.08 per diluted share. Net earnings were \$124.5 million, or \$1.00 per diluted share.

In the first nine months of 2008, net earnings from continuing operations were \$194.7 million, or \$1.53 per diluted share, and net earnings were \$188.9 million, or \$1.49 per diluted share. This included the above-mentioned \$4.3 million pre-tax charge related to a write-off.

Financial results for the Iridesse subsidiary are classified as discontinued operations in the statement of earnings for the current and prior year periods. This change in classification began in the second quarter of 2009.

Net sales by segment were as follows:

- In the Americas, sales of \$303.5 million in the third quarter and \$887.4 million in the year-to-date were 9% and 21% below prior year levels. Comparable U.S. store sales declined 10% in the third quarter (declined 5% in the month of October) and 25% in the year-to-date. Sales in the New York flagship store declined 8% and 27% while comparable U.S. branch store sales declined 11% and 24%. During the quarter, the Company opened stores in Roseville, CA and Seattle, WA. Combined Internet and catalog sales in the U.S. declined 9% and 11% in the quarter and year-to-date.
- In the Asia-Pacific region, sales increased 10% to \$225.8 million in the third quarter due to improved results in most countries. Sales of \$639.2 million in the year-to-date were equal to last year. On a constant-exchange-rate basis, sales rose 2% in the third quarter and declined 3% in the year-to-date, and comparable store sales declined 3% and 6%. During the quarter, the Company opened a boutique in Seoul, Korea.
- In Europe, sales increased 12% to \$65.0 million in the third quarter and sales of \$188.9 million in the year-to-date were equal to the prior year. On a constant-exchange-rate basis, sales rose 16% in the third quarter and 15% in the year-to-date, and comparable store sales increased 9% and 6% due to growth in most countries. During the quarter, the Company opened a boutique in Manchester, England.
- The Company operated 215 TIFFANY & CO. stores and boutiques at October 31, 2009 (90 in the Americas, 100 in Asia-Pacific and 25 in Europe), versus 204 locations a year ago (85 in the Americas, 96 in Asia-Pacific and 23 in Europe).

- Other sales declined 81% to \$3.9 million in the third quarter and 75% to \$12.8 million in the year-to-date. A reduction in the Company's purchases of rough diamonds in response to soft consumer demand for polished diamonds has led to reduced wholesale sales of rough diamonds. The Company sells rough diamonds that do not meet its requirements.

Other financial highlights were:

- Gross margin (gross profit as a percentage of net sales) was 54.8% in the third quarter and 55.2% in the year-to-date, compared with 56.3% and 57.1% in the prior year. The declines were primarily due to higher product costs.
- Selling, general and administrative (SG&A) expenses declined 2% in the third quarter (after a reported decline of 7% in last year's third quarter due to the Company's reduction in then anticipated management incentive compensation) and declined 11% in the year-to-date. Substantial savings were realized from reduced staffing and marketing costs in both periods, as well as lower variable costs in the year-to-date.
- Interest and other expenses, net in the third quarter were below the prior year. The prior year included a \$4.3 million write-off of an interest rate swap that the Company had entered into with Lehman Brothers Special Financing Inc., as well as foreign currency transaction losses. Interest and other expenses, net in the year-to-date were above the prior year primarily due to increased interest expense related to issuances of long-term debt over the past year.
- Effective income tax rates of 22.0% in the third quarter and 29.2% in the year-to-date compared with 32.1% and 35.8% in the prior year. Effective income tax rates in 2009 were affected by the recording of favorable reserve adjustments at the conclusion of certain tax audits and expiration of statutory periods; these adjustments benefited net earnings from continuing operations per diluted share by \$0.04 in the quarter and \$0.09 in the year-to-date.
- Accounts receivable at October 31, 2009 were 8% below the prior year as a result of lower sales.
- Net inventories at October 31, 2009 were 6% below the prior year and have declined 4% since the beginning of the fiscal year. This reduction is consistent with management's objective, which is to reduce inventories by a single-digit percentage in the full year.
- Capital expenditures in the nine-month period were \$46.9 million, compared with \$108.5 million in the prior year. The lower spending reflected fewer store openings and other cost containment, and the Company expects capital expenditures of approximately \$85 million for the full year.
- Balance sheet liquidity at October 31, 2009 included: cash and cash equivalents of \$374.9 million, versus \$160.4 million a year ago, and total short-term borrowings and long-term debt of \$753.0 million, versus \$821.3 million a year ago.

Mr. Kowalski added, "We believe that Tiffany has performed remarkably well despite the dramatic downturn in consumer spending. We have continued to invest in the business and have not compromised any of our brand principles. At the same time, we have taken the steps necessary to ensure healthy levels of profitability and liquidity. Looking forward, we remain confident in the long-term growth potential of Tiffany, driven by new store, market and product opportunities, the ability to realize market share gains in a changed competitive environment, and the growing appeal of our core brand values of genuine luxury and lasting value in a more discerning consumer environment."

2009 Outlook:

Management's outlook for the fourth quarter (based on assumptions that may or may not prove valid) is for a mid-single-digit percentage increase in worldwide sales. Total sales growth in November-to-date is tracking favorably to management's expectation, but results in December are most relevant to the Company's ability to achieve its outlook for the fourth quarter. For the full year, management now expects: (i) a worldwide sales decline of approximately 8%, including: (a) a low-teens percentage decline in the Americas, (b) the Asia-Pacific region equal to the prior year, (c) a low-single-digit percentage increase in Europe, and (d) a 60% decline in Other sales; (ii) a decline in the operating margin (when the prior year is adjusted to exclude one-time items) due to both a lower gross margin and the anticipated sales de-leverage effect on fixed costs, partly offset by savings tied to staff reductions and other cost-related initiatives; (iii) interest and other expenses, net of approximately \$48 million; (iv) an effective income tax rate of approximately 31%; and (v) net earnings from continuing operations of \$1.88 - \$1.98 per diluted share (versus previous guidance of \$1.65 - \$1.75 per diluted share).

Today's Conference Call

The Company will host a conference call today at 8:30 a.m. (Eastern Time) to review these actual results and its outlook. Investors may listen at <http://investor.tiffany.com> ("Events and Presentations").

Next Scheduled Announcement

The Company expects to report its sales results for the November-December holiday period on Tuesday, January 12, 2010

before the stock market opens. There will not be a conference call. To receive notifications of news releases, please register at <http://investor.tiffany.com> ("E-Mail Alerts").

Tiffany & Co. operates jewelry stores and manufactures products through its subsidiary corporations. Its principal subsidiary is Tiffany and Company. The Company operates TIFFANY & CO. retail stores and boutiques in the Americas, Asia-Pacific and Europe and engages in direct selling through Internet, catalog and business gift operations. For additional information, please visit www.tiffany.com or call our shareholder information line at 800-TIF-0110.

This document contains certain "forward-looking" statements concerning the Company's objectives and expectations with respect to sales, operating margin, earnings, inventories and capital expenditures. Actual results might differ materially from those projected in the forward-looking statements. Information concerning risk factors that could cause actual results to differ materially is set forth in the Company's 2008 Annual Report on Form 10-K and in other reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

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NON-GAAP MEASURES

Net Sales

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 the sales performance and provides better comparability between reporting periods.

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

	<u>Third Quarter 2009 vs. 2008</u>			<u>Year-to-date 2009 vs. 2008</u>		
	<u>GAAP Reported</u>	<u>Translation Effect</u>	<u>Constant-Exchange-Rate Basis</u>	<u>GAAP Reported</u>	<u>Translation Effect</u>	<u>Constant-Exchange-Rate Basis</u>
<u>Net Sales:</u>						
Worldwide	(3)%	2 %	(5)%	(14)%	(1)%	(13)%
Americas	(9)%	(1)%	(8)%	(21)%	(1)%	(20)%
U.S.	(9)%	-	(9)%	(23)%	-	(23)%
Asia-Pacific	10 %	8 %	2 %	-	3 %	(3)%
Japan	3 %	13 %	(10)%	(3)%	9 %	(12)%
Other Asia-Pacific	20 %	2 %	18 %	5 %	(7)%	12 %
Europe	12 %	(4)%	16 %	-	(15)%	15 %
<u>Comparable Store Sales:</u>						
Worldwide	(3)%	3 %	(6)%	(15)%	-	(15)%
Americas	(10)%	-	(10)%	(24)%	(1)%	(23)%
U.S.	(10)%	-	(10)%	(25)%	-	(25)%
Asia-Pacific	5 %	8 %	(3)%	(3)%	3 %	(6)%
Japan	-	13 %	(13)%	(3)%	9 %	(12)%
Other Asia-Pacific	10 %	1 %	9 %	(3)%	(6)%	3 %
Europe	6 %	(3)%	9 %	(8)%	(14)%	6 %

Net Earnings from Continuing Operations

The accompanying press release presents net earnings from continuing operations and highlights current-year and prior-year

one-time items in the text. Management believes excluding such items presents the Company's third quarter and nine months results on a more comparable basis to the corresponding periods in the prior year, thereby providing investors with an additional perspective to analyze the results of operations of the Company at October 31, 2009. The following table reconciles GAAP net earnings from continuing operations and net earnings from continuing operations per diluted share ("EPS") to the non-GAAP net earnings from continuing operations and net earnings from continuing operations per diluted share, as adjusted:

(in thousands, except per share amounts)	Three Months Ended October 31, 2009		Three Months Ended October 31, 2008	
	\$ (after tax)	Diluted EPS	\$ (after tax)	Diluted EPS
Net earnings from continuing operations, as reported	\$ 43,309	\$ 0.34	\$ 45,556	\$ 0.36
Diamond sourcing agreement ^a	3,440	0.03	–	–
Tax benefit ^b	(5,558)	(0.04)	–	–
Write-off of interest rate swap ^c	–	–	2,727	0.03
Net earnings from continuing operations as adjusted	\$ 41,191	\$ 0.33	\$ 48,283	\$ 0.39

^a On a pre-tax basis includes a \$4,000,000 charge within SG&A for the three months ended October 31, 2009.

^b Includes \$5,558,000 of tax benefits within the provision for income taxes for the three months ended October 31, 2009.

^c On a pre-tax basis includes a \$4,300,000 charge within interest and other expenses, net for the three months ended October 31, 2008.

(in thousands, except per share amounts)	Nine Months Ended October 31, 2009		Nine Months Ended October 31, 2008	
	\$ (after tax)	Diluted EPS	\$ (after tax)	Diluted EPS
Net earnings from continuing operations, as reported	\$ 127,469	\$ 1.02	\$ 194,742	\$ 1.53
Diamond sourcing agreement ^a	3,440	0.03	–	–
Loan recovery ^a	(2,676)	(0.02)	–	–
Tax benefit ^b	(11,220)	(0.09)	–	–
Write-off of interest rate swap ^c	–	–	2,727	0.02
Net earnings from continuing operations as adjusted	\$ 117,013	\$ 0.94	\$ 197,469	\$ 1.55

^a On a pre-tax basis includes a charge of \$4,000,000 tied to the termination of a diamond sourcing agreement and a benefit of \$4,442,000 from a loan recovery, both within SG&A for the nine months ended October 31, 2009.

^b Includes \$11,220,000 of tax benefits within the provision for income taxes for the nine months ended October 31, 2009.

^c On a pre-tax basis includes a \$4,300,000 charge within interest and other expenses, net for the nine months ended October 31, 2008.

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net sales	\$ 598,212	\$ 616,152	\$ 1,728,320	\$ 2,011,266
Cost of sales	<u>270,409</u>	<u>269,027</u>	<u>773,846</u>	<u>862,247</u>
Gross profit	327,803	347,125	954,474	1,149,019
Selling, general and administrative expenses	<u>260,986</u>	<u>265,622</u>	<u>738,589</u>	<u>826,501</u>
Earnings from continuing operations	66,817	81,503	215,885	322,518
Interest and other expenses, net	<u>11,326</u>	<u>14,449</u>	<u>35,898</u>	<u>19,294</u>
Earnings from continuing operations before income taxes	55,491	67,054	179,987	303,224
Provision for income taxes	<u>12,182</u>	<u>21,498</u>	<u>52,518</u>	<u>108,482</u>
Net earnings from continuing operations	43,309	45,556	127,469	194,742
Net earnings (loss) from discontinued operations	<u>30</u>	<u>(1,779)</u>	<u>(3,013)</u>	<u>(5,805)</u>
Net earnings	<u>\$ 43,339</u>	<u>\$ 43,777</u>	<u>\$ 124,456</u>	<u>\$ 188,937</u>
Net earnings from continuing operations per share:				
Basic	<u>\$ 0.35</u>	<u>\$ 0.37</u>	<u>\$ 1.03</u>	<u>\$ 1.56</u>
Diluted	<u>\$ 0.34</u>	<u>\$ 0.36</u>	<u>\$ 1.02</u>	<u>\$ 1.53</u>
Net earnings per share:				
Basic	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 1.00</u>	<u>\$ 1.51</u>
Diluted	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 1.00</u>	<u>\$ 1.49</u>
Weighted-average number of common shares:				
Basic	124,202	123,399	124,095	125,190
Diluted	125,582	124,899	124,756	127,053

TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	October 31, 2009	January 31, 2009	October 31, 2008
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 374,871	\$ 160,445	\$ 160,376
Accounts receivable, net	150,895	164,447	164,269
Inventories, net	1,541,888	1,601,236	1,638,479
Deferred income taxes	12,521	13,640	33,069
Prepaid expenses and other current assets	126,400	108,966	70,375
Total current assets	2,206,575	2,048,734	2,066,568
Property, plant and equipment, net	694,063	741,048	738,287
Other assets, net	318,591	312,501	334,720
	\$ 3,219,229	\$ 3,102,283	\$ 3,139,575

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	\$ 30,906	\$ 242,966	\$ 414,364
Current portion of long-term debt	163,890	40,426	100,682
Accounts payable and accrued liabilities	222,313	223,566	236,191
Income taxes payable	15,412	27,653	6,930
Merchandise and other customer credits	66,287	67,311	67,924
Total current liabilities	498,808	601,922	826,091
Long-term debt	558,207	425,412	306,226
Pension/postretirement benefit obligations	187,872	200,603	86,355
Other long-term liabilities	132,837	152,334	140,704
Deferred gains on sale-leasebacks	130,861	133,641	134,444
Stockholders' equity	1,710,644	1,588,371	1,645,755
	\$ 3,219,229	\$ 3,102,283	\$ 3,139,575

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