TIFFANY & CO.

Tiffany's First Quarter Sales up 12% and E.P.S. up 28%

NEW YORK, May 30, 2008 (BUSINESS WIRE) -- Tiffany & Co. (NYSE: TIF) today reported results for the three months (first quarter) ended April 30, 2008. Sales results benefited from strong growth in Asia-Pacific and Europe. Net earnings per diluted share surpassed management's expectation due to higher-than-expected sales and operating margin.

Worldwide first quarter net sales increased 12% to $668.1 million, versus $595.7 million in the prior year. On a constant-exchange-rate basis which excludes the effect of translating foreign-currency-denominated sales into U.S. dollars (see attached "Non-GAAP Measures" schedule), net sales and comparable store sales rose 8% and 3%, respectively.

Net earnings from continuing operations rose 20% to $64.4 million in the first quarter, versus $53.8 million in the prior year. Net earnings from continuing operations per diluted share increased 28% to $0.50, versus $0.39 a year ago.

Segment reporting changed:

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

First quarter sales by region were as follows:

-- Total sales in the Americas region (consisting of sales in the U.S., Canada and Latin/South America) increased 6% to $373.6 million, versus $353.3 million in the prior year, due to incremental sales from new stores. Comparable store sales in the U.S. were equal to the prior year, consisting of a 16% increase in Tiffany's New York flagship store (due to increased foreign tourist spending) and a 4% decline in branch store sales. Combined catalog and Internet sales in the U.S. increased 1%.

-- Sales in the Asia-Pacific region (which includes sales in Japan, in Asia-Pacific countries outside Japan, and in the Middle East) increased 21% to $222.0 million from $183.1 million. On a constant-exchange-rate basis, sales rose 10% and comparable store sales increased 4% reflecting strong growth in all Asia-Pacific countries other than Japan.

-- Sales in Europe increased 38% to $60.1 million, versus $43.5 million. On a constant-exchange-rate basis, a 30% increase in sales was due to 12% comparable store sales growth and incremental sales from four new stores.

-- The Company operated 192 TIFFANY & CO. stores and boutiques at April 30, 2008 (81 in the Americas, 93 in the Asia-Pacific region and 18 in Europe), compared with 171 (74, 83 and 14 in those respective regions) a year ago.

-- Other sales declined 21% to $12.4 million, from $15.7 million a year ago, due to reduced wholesale sales of diamonds made in connection with the Company's diamond sourcing program.

Michael J. Kowalski, chairman and chief executive officer, said, "We are pleased to start the year with sales and earnings growth above our expectations. A 12% increase in worldwide sales, despite only modest growth in the U.S. due to challenging conditions, reflects the benefit of globally-diversified distribution."

Other financial highlights were:

-- Gross margin (gross profit as a percentage of net sales) was 57.1% versus 56.1% in the prior year. The increase was due to sales leverage on fixed costs and a decline in wholesale sales of diamonds. As previously disclosed, effective with this first quarter the Company changed from the LIFO method to the average cost method of inventory accounting, and all prior-year results have been revised for the change.

-- Selling, general and administrative ("SG&A") expenses increased 13% due to higher labor and occupancy costs (related to new and existing stores) and increased marketing expenses, as well as the translation effect of stronger foreign currencies. The ratio of SG&A expenses to net sales was 41.6% versus 41.3% in the prior year.

-- The Company's effective tax rate was 36.7% compared with 36.5% a year ago.

-- The Company repurchased and retired 1,382,600 shares of its Common Stock in the first quarter at a total cost of $54.8 million, or $39.66 per share. Under the current program, the Company had $566 million available at April 30th for future repurchases through January 2011.

-- Net inventories of $1.47 billion were 10% higher than a year ago, partly due to increases in raw material and work-in-process inventories for internal jewelry manufacturing. In addition, almost half of the increase was due to the translation effect of stronger foreign currencies.

-- Total debt as a percentage of stockholders' equity was 35% at April 30, 2008, compared with 27% a year ago.

Mr. Kowalski continued, "We are continuing to pursue important expansion opportunities in 2008 and expect to open approximately 24 stores across the U.S., Asia-Pacific and Europe. And we will introduce a new, smaller store format in the U.S. later this year. We believe Tiffany is well-positioned to gain market share in this competitively-demanding environment."

2008 Outlook

He added, "We are maintaining a cautious outlook for U.S. sales and do not expect an improvement until later this year. Worldwide sales performance in May-to-date is meeting our expectation which, consistent with the first quarter pattern, reflects strength in markets throughout Asia-Pacific (other than Japan) and Europe more than offsetting softness in U.S. sales. We remain on track to achieve our full year growth expectations. Specifically, we are looking for worldwide net sales growth of approximately 10% in 2008 and now expect net earnings per diluted share to increase to $2.80 - $2.90."

Today's Conference Call

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

Next Scheduled Announcement

The Company expects to report its second quarter results on Thursday August 28, 2008 with a conference call at 8:30 a.m. (Eastern Time) that day. To receive notifications of conference calls and news release alerts, please register at http://investor.tiffany.com ("E-Mail Alerts").

Company Description

Tiffany & Co. operates jewelry and specialty retail 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. Other operations include consolidated results from ventures operated under trademarks or tradenames other than TIFFANY & CO. 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 and earnings per share. 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 2007 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.

TIFFANY & CO. AND SUBSIDIARIES
(Unaudited)

NON-GAAP MEASURES

The Company's reported sales reflect either a translation-related benefit from strengthening foreign currencies or a detriment from a strengthening U.S. dollar.

The Company reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Internally, management monitors its international sales performance on a non-GAAP basis that eliminates the positive or negative effects that result from translating international sales into U.S. dollars ("constant-exchange-rate basis"). Management believes this constant-exchange-rate measure provides a more representative assessment of the sales performance and provides better comparability between reporting periods.

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

	Three Months Ended April 30, 2008		
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis
Net Sales:			
Worldwide	12%	4%	8%
Americas	6%	1%	5%
U.S.	5%	-	5%
Asia-Pacific	21%	11%	10%
Japan	13%	15%	(2)%
Other Asia-Pacific	39%	7%	32%
Europe	38%	8%	30%
Comparable Store Sales:			
Worldwide	7%	4%	3%
Americas	1%	-	1%
U.S.	-	-	-
Asia-Pacific	15%	11%	4%
Japan	7%	14%	(7)%
Other Asia-Pacific	28%	6%	22%
Europe	21%	9%	12%

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

	Three Months Ended April 30,	
	2008	2007
Net sales	$ 668,149	$ 595,729
Cost of sales	286,895	261,771
Gross profit	381,254	333,958
Selling, general and administrative expenses	277,945	246,041
Earnings from continuing operations	103,309	87,917

Other expenses, net	1,508	3,085
Earnings from continuing operations before income taxes	101,801	84,832
Provision for income taxes	37,411	31,005
Net earnings from continuing operations	64,390	53,827
Earnings from discontinued operations, net of tax	-	254
Net earnings	$ 64,390	$ 54,081
Net earnings from continuing operations per share:		
Basic	$ 0.51	$ 0.39
Diluted	$ 0.50	$ 0.39
Net earnings per share:		
Basic	$ 0.51	$ 0.40
Diluted	$ 0.50	$ 0.39
Weighted-average number of common shares:		
Basic	126,458	136,488
Diluted	128,773	139,724

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

	April 30, 2008	January 31, 2008	April 30, 2007
ASSETS			
Current assets:			
Cash and cash equivalents and short-term investments	$ 159,625	$ 246,654	$ 125,782
Accounts receivable, net	193,154	193,974	159,648
Inventories, net	1,466,166	1,372,397	1,335,729
Deferred income taxes	27,388	20,218	25,070
Prepaid expenses and other current assets	86,784	89,072	72,663
Assets held for sale	-	-	74,783

Total current assets	1,933,117	1,922,315	1,793,675
Property, plant and equipment, net	742,116	748,210	918,873
Other assets, net	334,618	330,379	217,012
Assets held for sale - noncurrent	-	-	32,551
	$3,009,851	$3,000,904	$2,962,111

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Short-term borrowings	$ 199,421	$ 44,032	$ 115,811
Current portion of long-term debt	65,728	65,640	5,451
Accounts payable and accrued liabilities	175,777	203,622	163,047
Income taxes payable	49,979	203,611	36,345
Merchandise and other customer credits	68,573	67,956	62,332
Liabilities held for sale	-	-	14,975
Total current liabilities	559,478	584,861	397,961
Long-term debt	346,010	343,465	401,716
Pension/postretirement benefit obligations	81,836	79,254	89,937
Other long-term liabilities	134,422	131,610	129,396
Deferred gains on sale-leasebacks	144,577	145,599	4,878
Liabilities held for sale - noncurrent	-	-	4,440
Stockholders' equity	1,743,528	1,716,115	1,933,783
	$3,009,851	$3,000,904	$2,962,111

SOURCE: Tiffany & Co.

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