TIFFANY & CO
Form 10-K
March 28, 2011

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	**13-3228013**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
727 Fifth Avenue, New York, New York	**10022**
(Address of principal executive offices)	(Zip code)

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

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

Title of each class	**Name of each exchange on which registered**
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 þ No o

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 o No þ

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 þ No o

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 þ No o

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. o

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 þ	Accelerated filer o	Non-Accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

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 and 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.

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.

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.

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.

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:

	Americas					
Year:	U.S.	Canada, Latin/ South Americas	Japan	Asia- Pacific	Europe	Total
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.

Sales by Reportable Segment of TIFFANY & CO. Jewelry by Category

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

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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) sightholders (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 sightholder 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,

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 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

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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Item 2. Properties.

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 Stores	Total Gross Retail Square Footage	Gross Retail Square Footage Range	Average Gross Retail Square 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 feet 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

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 Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans 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
TOTAL	137,000	$ 58.26	137,000	$ 392,019,000

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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Item 6. Selected Financial Data.

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
EARNINGS DATA					
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
BALANCE SHEET AND CASH FLOW DATA					
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
RATIO ANALYSIS AND OTHER DATA					
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.

TIFFANY & CO.

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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 Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis
Net Sales:						
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
Comparable Store Sales:						
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:

(in thousands)	2010	2009	2008	2010 vs. 2009 % Change	2009 vs. 2008 % 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.

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&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

(in thousands)	2010	% of Sales*	2009	% of Sales*	2008	% of 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;

- 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:

(in thousands)	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

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:

(in thousands, except per share amounts)	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:

(in thousands)	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

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:

(in thousands)	Total	2011	2012-2013	2014-2015	Thereafter
Unrecorded contractual obligations:					
Operating leases	$ 1,273,066	$ 151,742	$ 267,513	$ 213,661	$ 640,150
Inventory purchase obligations[a]	305,442	193,442	112,000		
Interest on debt[b]	274,056	45,559	84,099	81,332	63,066
Other contractual obligations[c]	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

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:

(in thousands)	Total Capacity	Borrowings Outstanding	Available 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

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

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CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	January 31, 2011	January 31, 2010
ASSETS		
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
Total current assets	2,684,545	2,445,666
Property, plant and equipment, net	665,588	685,101
Deferred income taxes	202,902	183,825
Other assets, net	182,634	173,768
	$ 3,735,669	$ 3,488,360
LIABILITIES AND STOCKHOLDERS EQUITY		
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
Total current liabilities	479,913	600,273
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)
Total stockholders equity	2,177,475	1,883,239

	$ 3,735,669	$ 3,488,360

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended January 31,		
(in thousands, except per share amounts)	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.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE EARNINGS

(in thousands)	Total Stockholders Equity	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital
Balances January 31, 2008	$ 1,716,115	$ 1,037,663	$ 44,513	126,753	$ 1,268	$ 632,671
Implementation effect of change in employee benefit plans measurement date, net of tax	(1,073)	(1,114)	41			