TIFFANY & CO
Form 10-Q
December 02, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2008.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _____________.

Commission file number: 1-9494

TIFFANY & CO.
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	13-3228013 (I.R.S. Employer Identification No.)
727 Fifth Ave. New York, NY (Address of principal executive offices)	10022 (Zip Code)

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

Former name, former address and former fiscal year, if changed since last report _________.

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 X . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One).

Large Accelerated filer X Accelerated filer ___ Non-Accelerated filer ___

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common Stock, $.01 par value, 123,108,737 shares outstanding at the close of business on November 30, 2008.

TIFFANY & CO. AND SUBSIDIARIES
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED OCTOBER 31, 2008

PART I. Financial Information
Item 1. Financial Statements

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)

	October 31, 2008	January 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 160,376	$ 246,654
Short-term investments	-	-
Accounts receivable, less allowances of $7,403, $9,712 and $7,480	164,269	193,974
Inventories, net	1,638,479	1,372,397
Deferred income taxes	33,069	20,218
Prepaid expenses and other current assets	70,375	89,072
Total current assets	2,066,568	1,922,315
Property, plant and equipment, net	738,287	748,210
Deferred income taxes	172,283	158,579
Other assets, net	162,437	171,800
	$ 3,139,575	$ 3,000,904
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 414,364	$ 44,032
Current portion of long-term debt	100,682	65,640
Accounts payable and accrued liabilities	236,191	203,622
Income taxes payable	6,930	203,611
Merchandise and other customer credits	67,924	67,956
Total current liabilities	826,091	584,861
Long-term debt	306,226	343,465
Pension/postretirement benefit obligations	86,355	79,254
Deferred gains on sale-leasebacks	134,444	145,599
Other long-term liabilities	140,704	131,610
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 123,095, 126,753 and 135,642	1,231	1,268
Additional paid-in capital	684,883	632,671

Retained earnings	962,300	1,037,663
Accumulated other comprehensive gain (loss), net of tax:		
Foreign currency translation adjustments	9,314	42,117
Deferred hedging (loss) gain	(7,986)	889
Unrealized (loss) gain on marketable securities	(6,322)	(621)
Net unrealized gain (loss) on benefit plans	2,335	2,128
Total stockholders' equity	1,645,755	1,716,115
	$ 3,139,575	$ 3,000,904

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(in thousands except per share amounts)

	Three Months Ended October 31,		Nine
	2008	2007	2008
Net sales	$ 618,230	$ 627,323	$ 2,018,
Cost of sales	270,210	285,776	866,
Gross profit	348,020	341,547	1,152,
Other operating income	-	105,051	
Selling, general and administrative expenses	269,499	288,403	839,
Earnings from continuing operations	78,521	158,195	313,
Other expenses, net	14,453	2,306	19,
Earnings from continuing operations before income taxes	64,068	155,889	294,
Provision for income taxes	20,291	52,787	105,
Net earnings from continuing operations	43,777	103,102	188,
Loss from discontinued operations, net of tax	-	(1,555)	
Net earnings	$ 43,777	$ 101,547	$ 188,

Earnings per share:

Basic

Net earnings from continuing operations	$ 0.35	$ 0.76	$ 1
Net loss from discontinued operations	-	(0.01)	
Net earnings	$ 0.35	$ 0.75	$ 1
Diluted			
Net earnings from continuing operations	$ 0.35	$ 0.74	$ 1
Net loss from discontinued operations	-	(0.01)	
Net earnings	$ 0.35	$ 0.73	$ 1
Weighted-average number of common shares:			
Basic	123,399	136,124	125,
Diluted	124,899	139,487	127,

See notes to condensed consolidated financial statements.

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TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

AND COMPREHENSIVE EARNINGS

(Unaudited)

(in thousands)

	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Common Shares	S
Balances, January 31, 2008	$ 1,716,115	$ 1,037,663	$ 44,513	126,753	$
Exercise of stock options and vesting of restricted stock units ("RSUs")	25,747	-	-	1,593	
Tax benefit from exercise of stock options and vesting of RSUs	11,627	-	-	-	
Share-based compensation expense	25,416	-	-	-	
Issuance of Common Stock under Employee Profit Sharing and Retirement Savings Plan	4,750	-	-	124	
Purchase and retirement of Common Stock	(218,379)	(203,014)	-	(5,375)	
Cash dividends on Common Stock	(61,286)	(61,286)	-	-	
Deferred hedging loss, net of tax	(8,875)	-	(8,875)	-	
Unrealized loss on marketable securities, net of tax	(5,701)	-	(5,701)	-	
Foreign currency translation adjustments, net of tax	(32,803)	-	(32,803)	-	

Net unrealized gain on benefit plans, net of tax	207	-	207	-	
Net earnings	188,937	188,937	-	-	
Balances, October 31, 2008	$ 1,645,755	$ 962,300	$ (2,659)	123,095	$

	Three Months Ended October 31,		Nine
	2008	2007	2008
Comprehensive earnings are as follows:			
Net earnings	$ 43,777	$101,547	$188,937
Other comprehensive gain (loss), net of tax:			
Deferred hedging loss	(9,450)	(672)	(8,875
Foreign currency translation adjustments	(39,469)	15,443	(32,803
Unrealized (loss) gain on marketable securities	(4,633)	743	(5,701
Net unrealized gain on benefit plans	34	400	207
Comprehensive (loss) earnings	$ (9,741)	$117,461	$141,765

See notes to condensed consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Nine Months En October 31,
	2008
CASH FLOWS FROM OPERATING ACTIVITIES:	

Net earnings	$	188,937
Loss from discontinued operations, net of tax		-
Net earnings from continuing operations		188,937
Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities:		
Gain on sale-leaseback		-
Depreciation and amortization		99,671
Amortization of gain on sale-leaseback		(7,376)
Excess tax benefits from share-based payment arrangements		(9,801)
Provision for inventories		10,456
Deferred income taxes		(10,849)
Provision for pension/postretirement benefits		17,342
Share-based compensation expense		24,939
Derivative impairment charges		4,300
Changes in assets and liabilities:		
Accounts receivable		32,822
Inventories		(287,678)
Prepaid expenses and other current assets		7,277
Accounts payable and accrued liabilities		38,679
Income taxes payable		(183,551)
Merchandise and other customer credits		892
Other, net		(2,703)
Net cash (used in) provided by operating activities		(76,643)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and short-term investments		(763)
Proceeds from sales of marketable securities and short-term investments		-
Proceeds from sale of assets, net		-
Capital expenditures		(108,515)
Notes receivable funded		(3,500)
Other		(839)
Net cash (used in) provided by investing activities		(113,617)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) credit facility borrowings, net		305,972
Proceeds from other short-term borrowings		66,001
Repayment of long-term debt		(11,131)
Repurchase of Common Stock		(218,379)
Proceeds from exercise of stock options		25,747
Excess tax benefits from share-based payment arrangements		9,801
Cash dividends on Common Stock		(61,286)
Net cash provided by (used in) financing activities		116,725
Effect of exchange rate changes on cash and cash equivalents		(12,743)
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Operating activities		-
Investing activities		-
Net cash used in discontinued operations		-
Net (decrease) increase in cash and cash equivalents		(86,278)
Cash and cash equivalents at beginning of year		246,654
Decrease in cash and cash equivalents of discontinued operations		-
Cash and cash equivalents at end of nine months	$	160,376

See notes to condensed consolidated financial statements.

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements include the accounts of Tiffany & Co. and all majority-owned domestic and foreign subsidiaries (the "Company"). Intercompany accounts, transactions and profits have been eliminated in consolidation. The interim statements are unaudited and, in the opinion of management, include all adjustments (which include only normal recurring adjustments) necessary to fairly state the Company's financial position as of October 31, 2008 and 2007 and the results of its operations and cash flows for the interim periods presented. The condensed consolidated balance sheet data for January 31, 2008 is derived from the audited financial statements (except as noted in Note 2), which are included in the Company's Report on Form 10-K and should be read in connection with these financial statements. In accordance with the rules of the Securities and Exchange Commission, these financial statements do not include all disclosures required by generally accepted accounting principles.

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. Therefore, the results of its operations for the three and nine months ended October 31, 2008 and 2007 are not necessarily indicative of the results of the entire fiscal year.

2. CHANGE IN ACCOUNTING FOR INVENTORIES

In March 2008, the Audit Committee of the Company's Board of Directors approved a plan to change the Company's method of accounting for inventories held by its U.S. subsidiaries and foreign branches from the last-in, first-out ("LIFO") method to the average cost method. The Company has traditionally used the average cost method to value inventories held by its Japan subsidiary and its other foreign subsidiaries. The Company believes that the average cost method is preferable on the basis that it conforms to the manner in which the Company operationally manages its inventories and evaluates retail pricing and it makes the Company's inventory reporting consistent with many peer retailers. This change was effective in the first fiscal quarter of 2008 and prior periods have been revised. Accounts affected by this change are: cost of sales; provision for income taxes; inventories, net; deferred income taxes; and retained earnings.

Components of the Company's condensed consolidated statements of earnings adjusted for the effect of changing from LIFO to average cost are as follows:

Three Months Ende

(in thousands, except per share data)	As Reported	Adjustment
Cost of sales	$ 290,186	$ (4,410)
Provision for income taxes	51,034	1,753
Net earnings from continuing operations	100,445	2,657
Net earnings	98,890	2,657
Net earnings from continuing operations per share:		
Basic	$ 0.74	$ 0.02
Diluted	$ 0.72	$ 0.02
Net earnings per share:		
Basic	$ 0.73	$ 0.02
Diluted	$ 0.71	$ 0.02

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	Nine Months Ende	
(in thousands, except per share data)	As Reported	Adjustment
Cost of sales	$ 855,036	$ (16,833)
Provision for income taxes	120,858	6,264
Net earnings from continuing operations	213,069	10,569
Net earnings	185,522	10,569
Net earnings from continuing operations per share:		
Basic	$ 1.56	$ 0.08
Diluted	$ 1.52	$ 0.08
Net earnings per share:		
Basic	$ 1.36	$ 0.08
Diluted	$ 1.33	$ 0.08

Components of the Company's condensed consolidated balance sheets adjusted for the effect of changing from LIFO to average cost are as follows:

(in thousands)	As Reported	Adjustment
Assets:		
Inventories, net	$ 1,242,465	$ 129,932

Deferred income taxes - current	71,402	(51,184)
Total Assets	2,922,156	78,748
Liabilities and Stockholders' Equity		
Retained Earnings	958,915	78,748
Total Liabilities and Stockholders' Equity	2,922,156	78,748

(in thousands)	As Reported	Adjustment
Assets:		
Inventories, net	$ 1,345,730	$ 119,772
Deferred income taxes - current	65,377	(50,161)
Total Assets	3,133,098	69,611
Liabilities and Stockholders' Equity		
Retained Earnings	1,252,525	69,611
Total Liabilities and Stockholders' Equity	3,133,098	69,611

Components of the Company's condensed consolidated statement of cash flow adjusted for the effect of changing from LIFO to average cost are as follows:

	Nine Months Ende	
(in thousands)	As Reported	Adjustment
Cash Flows from Operating Activities:		
Net earnings	$ 185,522	$ 10,569
Provision for inventories	10,639	1,869
Deferred income taxes	(62,950)	6,263
Inventories	(178,579)	(18,701)
Net cash provided by operating activities	36,849	-

The cumulative effect on retained earnings at January 31, 2007 is an increase of $59,042,000.

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3. NEW ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" which establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the implementation of the provisions of SFAS No. 157 relating to nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The adoption of SFAS No. 157 for financial assets that are recognized at fair value on a recurring basis in the first quarter of 2008 did not have a material impact on the Company's financial position or earnings (see Note 9). Management anticipates adopting the remaining provisions of SFAS No. 157 on February 1, 2009. This adoption will impact the way in which the Company calculates fair value for its annual impairment review of goodwill and when conditions exist that require the Company to calculate the fair value of long-lived assets; however, management expects that this will not have a material effect on the Company's financial position or earnings.

Effective with the first quarter of 2008, the Company changed the measurement date for its U.S. employee benefit plans from December 31 to January 31 in accordance with the measurement date provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)." The Company has elected to use a "13-month" approach to proportionally allocate the transition adjustment required under SFAS No. 158. The Company anticipates recording a charge of approximately $2,000,000 to retained earnings in the fourth quarter of fiscal year 2008.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net earnings attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; changes in ownership interest to be accounted for similarly, as equity transactions; and, when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Management has evaluated the provisions of SFAS No. 160 and determined that its adoption will not have a material effect on the Company's financial position or earnings.

4. DISCONTINUED OPERATIONS

During the second quarter of 2007, the Company's Board of Directors authorized the sale of Little Switzerland, Inc. ("Little Switzerland"), based on management's conclusion that Little Switzerland's operations did not demonstrate the potential to generate a return on investment consistent with management's objectives. On July 31, 2007, the Company entered into an agreement with NXP Corporation ("NXP") by which NXP would purchase 100% of the stock of Little Switzerland. The transaction closed on September 18, 2007 for net proceeds of $32,870,000 which excludes payments for existing trade payables owed to the Company by Little Switzerland. The purchase price remains subject to customary post-closing adjustments. The Company has agreed to continue to distribute TIFFANY & CO. merchandise through TIFFANY & CO. boutiques maintained in certain LITTLE SWITZERLAND stores. In addition, the Company has agreed to provide warehousing services to Little Switzerland for a transition period. The Company ceased providing these services in the third quarter of 2008.

The Company determined that the continuing cash flows from Little Switzerland operations were not significant. Therefore, the results of Little Switzerland are presented as a discontinued operation in the condensed consolidated financial statements for all periods presented. Prior to the reclassification, Little Switzerland's results had been included within the non-reportable segment Other.

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Little Switzerland's loss before income taxes in the nine months ended October 31, 2007 includes a $54,260,000 pre-tax charge ($22,602,000 after-tax) due to the sale of Little Switzerland. The tax benefit recorded in connection with the charge included the effect of basis differences in the investment in Little Switzerland.

Summarized statement of earnings data for Little Switzerland is as follows:

(in thousands)	Three Months Ended October 31, 2007	N
Net revenues	$ 9,378	
Gain (loss) on disposal	601	
Loss from operations	(1,893)	
Income tax expense (benefit)	263	
Loss from discontinued operations	$ (1,555)	

5. INVENTORIES

(in thousands)	October 31, 2008	January 31, 2008	
Finished goods	$ 1,142,827	$ 942,860	$
Raw materials	402,824	352,211	
Work-in-process	92,828	77,326	
Inventories, net	$ 1,638,479	$ 1,372,397	$

6. INCOME TAXES

During the nine months ended October 31, 2008, the gross amount of unrecognized tax benefits increased $9,626,000 to $43,327,000. As of that date, the changes in the unrecognized tax benefits that if recognized would affect the effective tax rate and accrued interest and penalties was not material.

The Company files income tax returns in the U.S. federal jurisdiction as well as various state and foreign locations. As a matter of course, various taxing authorities regularly audit the Company. The Company's tax filings are currently being examined by tax authorities in jurisdictions where its subsidiaries have a material presence, including U.S. Federal tax year 2006 and Japan (tax years 2003-2005, 2007). Tax years from 2003-present are open to examination in various other state and foreign taxing jurisdictions. The Company believes that its tax positions comply with applicable tax laws and that it has adequately provided for these matters. However, the audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. 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 management's assessment.

7. EARNINGS PER SHARE

Basic earnings per share is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share includes the dilutive effect of the assumed exercise of stock options and vesting of restricted stock units.

The following table summarizes the reconciliation of the numerators and denominators for the basic and diluted earnings per share ("EPS") computations:

	Three Months Ended October 31,		Nine Mont Octobe
(in thousands)	2008	2007	2008
Net earnings for basic and diluted EPS	$ 43,777	$ 101,547	$ 188,937
Weighted average shares for basic EPS	123,399	136,124	125,190
Incremental shares based upon the assumed exercise of stock options and restricted stock units	1,500	3,363	1,863
Weighted average shares for diluted EPS	124,899	139,487	127,053

For the three months ended October 31, 2008 and 2007, there were 3,665,000 and 342,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect. For the nine months ended October 31, 2008 and 2007, there were 3,108,000 and 392,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

8. DEBT

In October 2008, the Company entered into a short-term unsecured facility agreement for yen 6,500,000,000 ($66,001,000 at October 31, 2008) due March 31, 2009. The entire commitment was drawn and outstanding at October 31, 2008. The facility is available for working capital and other corporate purposes and contains covenants that require maintenance of certain ratios. The weighted-average interest rate at October 31, 2008 was 1.90%.

In October 2008, the Company entered into a short-term uncommitted open line of credit agreement for up to $25,000,000 maturing in December 2008, none of which was outstanding at October 31, 2008. The open line of credit is available for working capital and other corporate purposes. Interest is payable at the end of each calendar month either at a variable rate per annum equal to the greatest of (a) the prime rate in effect on such day; (b) the Federal Funds rate plus 1/2 of 1% and (c) LIBOR adjusted for certain reserve requirements or a fixed rate per annum equal to LIBOR adjusted for certain reserve requirements plus 1%.

9. FAIR VALUE MEASUREMENTS

The Company adopted SFAS No. 157, "Fair Value Measurements," effective February 1, 2008, with respect to fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually).

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs reflecting the reporting entity's own assumptions.

The Company uses the market approach to measure fair value for its mutual funds, yen put options and platinum and silver collars. The following table provides information by level for assets that are measured at fair value on a recurring basis:

(in thousands)	Asset (Liability) Fair Value at October 31, 2008	Fair Value Measure Using Inputs Consid Level 1	Level 2
Mutual funds	$ 21,826	$ 21,826	$ -
Yen put options	1,863	-	1,863
Platinum and silver collars	(11,475)	-	(11,475

In Japan, the Company uses yen put options to minimize the potential effect of a weakening yen on U.S. dollar-denominated transactions over a maximum term of 12 months. The Company uses a combination of call and put option contracts in a net-zero cost collar arrangement ("collars") as hedges of a portion of forecasted purchases of platinum and silver for internal manufacturing.

During the third quarter of 2008, the Company determined that the unrealized gains and interest receivable associated with the interest-rate swaps used to manage its net exposure to interest rate changes on certain debt arrangements were impaired as the recovery of the amounts due from the counterparty, Lehman Brothers Special Financing Inc., was no longer probable. As a result, the Company recorded a pre-tax charge of $4,300,000 in other expenses, net, which represents all amounts due from Lehman Brothers Special Financing Inc.

10. EMPLOYEE BENEFIT PLANS

The Company maintains several pension and retirement plans, as well as provides certain health-care and life insurance benefits.

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

	Three Months Ended October 31		
	Pension Benefits		Postreti
(in thousands)	2008	2007	2008
Service cost	$ 3,528	$ 4,213	$ 41
Interest cost	4,339	4,003	40
Expected return on plan assets	(3,915)	(3,418)	
Amortization of prior service cost	321	321	(19
Amortization of net loss	118	848	

Net expense	$ 4,391	$ 5,967	$ 61

	Nine Months Ended October 31,		
	Pension Benefits		O Postreti
(in thousands)	2008	2007	2008
Service cost	$ 12,491	$ 13,373	$ 1,24
Interest cost	13,133	11,945	1,35
Expected return on plan assets	(11,744)	(10,276)	
Amortization of prior service cost	962	962	(59
Amortization of net loss	487	2,217	
Net expense	$ 15,329	$ 18,221	$ 2,01

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11. SEGMENT INFORMATION

Effective with the first quarter of 2008, management has changed segment reporting to reflect operating results for the following regions: the Americas, Asia-Pacific and Europe. Prior year results have been revised to reflect this change. The Company has expanded its global reach and management has determined it is more meaningful to assess performance on a region-by-region basis, rather than on a channel of distribution basis. The Company's reportable segments are as follows:

- "Americas" includes sales in TIFFANY & CO. stores in the U.S., Canada and Latin/South America, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet, catalog and wholesale operations.
- "Asia-Pacific" includes sales in TIFFANY & CO. stores in the Asia-Pacific region (which includes sales in Japan, in Asia-Pacific countries outside Japan, and in the Middle East), as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.
- "Europe" includes sales in TIFFANY & CO. stores in Europe, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

The "Other" channel of distribution includes all non-reportable segments. Sales in the Other channel of distribution primarily consist of wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes worldwide sales made by businesses operated under trademarks or tradenames other than TIFFANY & CO. and earnings received from third party licensing agreements.

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

	Three Months Ended October 31,		Nine Mont Octobe
(in thousands)	2008	2007	2008
Net sales:			
Americas	$ 331,783	$ 355,346	$ 1,127,75
Asia-Pacific	205,992	199,470	642,26
Europe	58,157	50,075	189,30
Total reportable segments	595,932	604,891	1,959,31
Other	22,298	22,432	59,46
	$ 618,230	$ 627,323	$ 2,018,78
Earnings (losses) from continuing operations*:			
Americas	$ 48,369	$ 48,749	$ 210,25
Asia-Pacific	49,010	44,246	159,27
Europe	7,843	6,914	34,93
Total reportable segments	105,222	99,909	404,45
Other	(3,433)	(6,964)	(9,42
	$ 101,789	$ 92,945	$ 395,02

*Represents earnings (losses) from continuing operations before unallocated corporate expenses, other operating income and other expenses, net.

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The following table sets forth a reconciliation of the segments' earnings from continuing operations to the Company's consolidated earnings from continuing operations before income taxes:

	Three Months Ended October 31,		Nine Mo Octo
(in thousands)	2008	2007	2008

Earnings from continuing operations for segments	$ 101,789	$ 92,945	$ 395,029
Unallocated corporate expenses	(23,268)	(39,801)	(81,704)
Other operating income	-	105,051	-
Other expenses, net	(14,453)	(2,306)	(19,305)
Earnings from continuing operations before income taxes	$ 64,068	$ 155,889	$ 294,020

Unallocated corporate expenses include certain costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for information technology, finance, legal and human resources. Unallocated corporate expenses in the third quarter and year-to-date 2007 include the $10,000,000 contribution to The Tiffany & Co. Foundation, a private charitable foundation established by the Company. Other operating income includes the $105,051,000 gain from the sale-leaseback of the land and building housing the TIFFANY & CO. Flagship store in Tokyo's Ginza shopping district in 2007.

12. SUBSEQUENT EVENTS

On November 20, 2008, the Company's Board of Directors declared a quarterly dividend of $0.17 per common share. This dividend will be paid on January 12, 2009 to stockholders of record on December 22, 2008.

In November 2008, the Company entered into a short-term note agreement for $50,000,000 due March 31, 2009, bearing interest at a rate of 4.50% payable upon maturity. These funds are available for working capital and other corporate purposes.

In light of the recent economic downturn, management is now making plans to adjust staffing levels. In connection with this planning initiative, on November 25, 2008, the Company's New York subsidiary offered a voluntary retirement incentive to approximately 800 U.S. employees who meet certain age and service eligibility requirements. This incentive includes increased age and service credit for pension purposes, severance payments, enhanced retirement health care benefits and accelerated vesting and extended exercise rights for equity grants now outstanding. The election period for this incentive will end on January 12, 2009. The executive officers of the Company are not eligible to participate in this incentive. The Company expects to record in the fourth-quarter of 2008 a non-recurring pre-tax charge in the range of $50,000,000 to $65,000,000 in connection with the incentive. The ultimate charge will depend upon the number of eligible employees who accept the incentive. By the end of the fourth quarter of fiscal 2008, management expects to have finalized plans to further adjust staffing levels; such plans could result in additional charges for fiscal 2008.

PART I. Financial Information
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Tiffany & Co. (the "Company") is a holding company that operates through its subsidiary companies. The Company's principal subsidiary, Tiffany and Company, is a jeweler and specialty retailer whose principal merchandise offering is fine jewelry. It also sells timepieces, sterling silverware, china, crystal, stationery, fragrances and accessories. Through Tiffany and Company and other subsidiaries, the Company is engaged in product design, manufacturing and retailing activities.

Effective with the first quarter of 2008, management has changed segment reporting to reflect operating results for the following regions: the Americas, Asia-Pacific and Europe. Prior year results have been revised to reflect this change. The Company has expanded its global reach and management has determined it is more meaningful to assess performance on a region-by-region basis, rather than on a channel of distribution basis. The Company's reportable segments are as follows:

- "Americas" includes sales in TIFFANY & CO. stores in the U.S., Canada and Latin/South America, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet, catalog and wholesale operations.

- "Asia-Pacific" includes sales in TIFFANY & CO. stores in the Asia-Pacific region (which includes sales in Japan, in Asia-Pacific countries outside Japan, and in the Middle East), as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

- "Europe" includes sales in TIFFANY & CO. stores in Europe, as well as sales in those markets of TIFFANY & CO. products through business-to-business, Internet and wholesale operations.

- The "Other" channel of distribution includes all non-reportable segments. Sales in the Other channel of distribution primarily consist of wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs. In addition, Other includes worldwide sales made by businesses operated under trademarks or tradenames other than TIFFANY & CO. and earnings received from third party licensing agreements.

All references to years relate to fiscal years ended or ending on January 31 of the following calendar year.

Highlights

- Worldwide net sales decreased 1% in the three months ("third quarter") and increased 7% in the nine months ("year-to-date") ended October 31, 2008.

- Worldwide comparable store sales decreased 7% in the third quarter and decreased 2% in the year-to-date on a constant-exchange-rate basis (see Non-GAAP Measures).

- Net earnings from continuing operations decreased 58% to $43,777,000 in the third quarter and 16% to $188,937,000 in the year-to-date. Net earnings from continuing operations per diluted share decreased 53% in the third quarter and 7% in the year-to-date. Prior year third quarter and year-to-date net earnings and earnings per diluted share included the following:

- o $105,051,000 pre-tax gain (recorded as other operating income), or $0.48 per diluted share after tax, from the sale-leaseback of the land and building housing the TIFFANY & CO. Flagship store in Tokyo's Ginza shopping district.

- o The Company contributed $10,000,000, or $0.04 per diluted share after tax, recorded within selling, general and administrative expenses, to The Tiffany & Co. Foundation, funded with the proceeds from the immediately preceding transaction.

- o The Company repurchased and retired 2.3 million and 5.4 million shares of its Common Stock during the third quarter and year-to-date of 2008.

NON-GAAP MEASURES

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

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

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

	Third Quarter 2008 vs. 2007			Year-to-Date 20	
	GAAP Reported	Translation Effect	Constant-Exchange-Rate Basis	GAAP Reported	Transla Effe
Net Sales:					

Worldwide	(1)%	1 %	(2)%	7 %	3 %
Americas	(7)%	(1)%	(6)%	1 %	-
U.S.	(9)%	-	(9)%	(1)%	-
Asia-Pacific	3 %	4 %	(1)%	14 %	9 %
Japan	1 %	9 %	(8)%	8 %	12 %
Other Asia-Pacific	9 %	(3)%	12 %	23 %	3 %
Europe	16 %	(8)%	24 %	30 %	2 %
Comparable Store Sales:					
Worldwide	(6)%	1 %	(7)%	1 %	3 %
Americas	(12)%	-	(12)%	(4)%	1 %
U.S.	(14)%	-	(14)%	(6)%	-
Asia-Pacific	2 %	5 %	(3)%	9 %	8 %
Japan	2 %	9 %	(7)%	5 %	12 %
Other Asia-Pacific	2 %	(2)%	4 %	15 %	3 %
Europe	3 %	(5)%	8 %	14 %	4 %

RESULTS OF OPERATIONS

Certain operating data as a percentage of net sales were as follows:

	Third Quarter		
	2008	2007	2
Net sales	100.0%	100.0%	10
Cost of sales	43.7	45.6	4
Gross profit	56.3	54.4	5
Other operating income	-	16.8	
Selling, general and administrative expenses	43.6	46.0	4
Earnings from continuing operations	12.7	25.2	1
Other expenses, net	2.3	0.4	
Earnings from continuing operations before income taxes	10.4	24.8	1
Provision for income taxes	3.3	8.4	
Net earnings from continuing operations	7.1	16.4	
Loss from discontinued operations, net of tax	-	(0.2)	
Net earnings	7.1%	16.2%	

Net Sales

Net sales were as follows:

	Third Quarter		
(in thousands)	2008	2007	Increase (D
Americas	$ 331,783	$ 355,346	$ (23,563)
Asia-Pacific	205,992	199,470	6,522
Europe	58,157	50,075	8,082
Other	22,298	22,432	(134)
	$ 618,230	$ 627,323	$ (9,093)

	Year-to-Date		
(in thousands)	2008	2007	Increa
Americas	$ 1,127,754	$ 1,117,635	$ 10,119
Asia-Pacific	642,262	565,526	76,736
Europe	189,302	146,178	43,124
Other	59,464	56,275	3,189
	$ 2,018,782	$ 1,885,614	$ 133,168

Comparable Store Sales. Reference will be made to "comparable store sales" below. 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 (included in the Asia-Pacific segment), sales for a new store or boutique are not included if the 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. Total sales in the Americas region decreased in the third quarter and increased in the year-to-date. Non-comparable U.S. retail store sales grew $11,962,000 in the third quarter and $47,329,000 in the year-to-date while comparable U.S. retail store sales declined 14%, or $39,373,000, in the third quarter and 6%, or $52,302,000 in the year-to-date. Comparable retail store sales in Other America regions grew $2,025,000 in the third quarter and $10,750,000 in the year-to-date. The U.S. comparable store sales decline in the third quarter and year-to-date was due to a decline in transactions which more than offset an increase in the average price per transaction. Management

attributes this decline to the challenging economic environment in the U.S. New York Flagship store sales decreased 5% in the third quarter, and increased 5% in the year-to-date, compared to a decline in comparable branch store sales of 16% and 9% in those same periods. Transactions and sales decreased in the New York Flagship store in the quarter and increased in the year-to-date. The New York Flagship store benefited from higher levels of sales to foreign tourists in both periods.

Asia-Pacific. Total sales in the Asia-Pacific region increased in the third quarter and year-to-date primarily due to growth in comparable store sales (2%, or $3,024,000, in the third quarter and 9%, or $46,076,000, in the year-to-date) and non-comparable store sales ($4,265,000 in the third quarter and $24,558,000 in the year-to-date). In the third quarter, on a constant-exchange-rate basis, Asia-Pacific region sales decreased 1% and comparable store sales decreased 3% (consisting of a 7% decline in Japan comparable store sales which more than offset a 4% increase in comparable store sales in countries other than Japan). In the year-to-date, on a constant-exchange-rate basis, Asia-Pacific region sales increased 5% and comparable store sales increased 1% (consisting of a 7% decline in Japan comparable store sales and a 12% increase in comparable store sales in countries other than Japan). The overall increase in Asia-Pacific region sales resulted from an increase in the average price per unit sold in both the third quarter and year-to-date. In both periods, Asia-Pacific region unit growth was hampered by declines in unit volume in Japan.

Europe. Total sales in the Europe region increased in the third quarter and year-to-date primarily due to growth in non-comparable store sales ($6,060,000 in the third quarter and $18,980,000 in the year-to-date) and comparable store sales (3%, or $1,001,000, in the third quarter and 14%, or $16,231,000, in the year-to-date). On a constant-exchange-rate basis, Europe region sales increased 24% in the third quarter and 28% in the year-to-date and comparable store sales rose 8% and 10% in those periods, reflecting growth in London and in most Continental European markets. The total increase in Europe region sales resulted from an increase in the number of units sold in both the third quarter and year-to-date.

Other. Other sales decreased slightly in the third quarter primarily due to decreased sales at Iridesse. Other sales increased in the year-to-date primarily due to increased wholesale sales of diamonds that were deemed not suitable for the Company's needs, earnings from licensing agreements and sales growth in IRIDESSE stores. Wholesale diamond sales increased 1% to $20,220,000 in the third quarter and rose 3% to $50,766,000 in the year-to-date following substantial increases in the prior-year periods.

Store Data. Management expects to open 22 (net) Company-operated TIFFANY & CO. stores and boutiques in 2008, increasing the store-base by 12%. The Company has decided to moderate the rate of new store openings in 2009 to approximately five stores in the Americas and approximately eight locations across Asia-Pacific and Europe. Openings of TIFFANY & CO. stores are:

Location	Actual Openings (Closings) 2008	Expe
Americas:		
Los Angeles - Westfield Topanga Center, California	First Quarter	
West Hartford, Connecticut	Second Quarter	
Glendale, California	Third Quarter	
Pittsburgh, Pennsylvania	Third Quarter	
Uncasville - Mohegan Sun, Connecticut	Third Quarter	
Columbus, Ohio		Fo
Asia-Pacific:		
Fukuoka, Japan	First Quarter	
Osaka, Japan	First Quarter	
Shizuoka, Japan	First Quarter	
Tokyo, Japan	First Quarter	
Chengdu, China	First Quarter	
Shenyang, China	First Quarter	

Shandong, China	Second Quarter
Perth, Australia	Second Quarter
Seoul - Hyundai Department Store, Korea	(First Quarter)
Seoul - Shinsegae Gangnam, Korea	Second Quarter
Seoul - Samsung Plaza, Korea	Third Quarter

Location	Actual Openings 2008	Expe
Europe:		
London - Heathrow Airport, United Kingdom	First Quarter	
Brussels, Belgium	Second Quarter	
London - Westfield, United Kingdom	Third Quarter	
Madrid, Spain	Third Quarter	
Dusseldorf, Germany	Third Quarter	
Berlin, Germany	Third Quarter	
Dublin, Ireland		Fo

Gross Margin

Gross margin (gross profit as a percentage of net sales) increased in the third quarter by 1.9 percentage points and in the year-to-date by 1.6 percentage points primarily due to favorable changes in product sales mix, the benefit from the Company's precious metal hedging program and a reduction in anticipated management incentive compensation. To a lesser extent, gross margin also improved in the year-to-date due to changes in geographic mix. To address rising product costs, the Company has, in certain instances, increased retail prices.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses decreased $18,904,000, or 7%, in the third quarter. In the prior year, the Company used proceeds from the sale-leaseback of the land and building housing the TIFFANY & CO. Flagship store in Tokyo's Ginza shopping district to contribute $10,000,000 to The Tiffany & Co. Foundation, a private charitable foundation established by the Company. Excluding the contribution, SG&A expenses decreased $8,904,000 or 3% primarily due to decreased labor and benefit costs of $8,108,000 as a result of a reduction in anticipated management incentive compensation which more than offset incremental costs related to new stores. Changes in foreign currency exchange rates increased SG&A expenses in the third quarter by approximately $2,000,000 compared to the prior year. In the year-to-date, SG&A expenses increased $45,588,000, or 6%. Excluding the previously-mentioned contribution, SG&A expenses in the year-to-date increased $55,588,000, or 7%, primarily due to increased labor and benefit costs of $13,163,000 and increased depreciation and store occupancy expenses of $21,715,000, (both of which are largely due to new and existing stores), as well as an increase of $8,678,000 in marketing expenses. Changes in foreign currency exchange rates increased SG&A expenses by approximately $19,000,000 compared to the prior year. SG&A expenses as a percentage of net sales decreased by 2.4 percentage points in the third quarter and 0.5 percentage point in the year-to-date. Excluding the previously-mentioned contribution, SG&A expenses as a percentage of net sales decreased by 0.8 percentage point in the third quarter and in the year-to-date was equal to the prior year.

Earnings from Continuing Operations

(in thousands)	Third Quarter 2008	% of Net Sales*	Third Quarter 2007
Earnings (losses) from continuing operations:			
Americas	$ 48,369	14.6%	$ 48,749
Asia-Pacific	49,010	23.8%	44,246
Europe	7,843	13.5%	6,914
Other	(3,433)	(15.4%)	(6,964)
	101,789		92,945
Unallocated corporate expenses	(23,268)	3.8%	(39,801)
Other operating income	-		105,051
Earnings from continuing operations	$ 78,521	12.7%	$ 158,195

* Percentages represent earnings (losses) from continuing operations as a percentage of each segment's net sales.

Earnings from continuing operations decreased 50% in the third quarter. Other operating income for 2007 includes the $105,051,000 gain from the sale-leaseback of the land and building housing the TIFFANY & CO. Flagship store

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in Tokyo's Ginza shopping district. Excluding other operating income, earnings from continuing operations would have increased 48%. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses, other operating income and other expenses, net) to each segment's net sales in the third quarter of 2008 and 2007 was as follows:

- o Americas - the ratio increased 0.9 percentage point primarily due to an increase in gross margin (due to favorable changes in product sales mix and the benefit from the Company's precious metal hedging program) partly offset by an increase in the operating expense ratio as the sales shortfall was greater than the reduction in operating expenses, as noted in SG&A expenses above;

- o Asia-Pacific - the ratio increased 1.6 percentage points primarily due to reduced operating expenses as noted in SG&A expenses above;

- o Europe - the ratio decreased 0.3 percentage point primarily due to increased operating expenses (related to new stores) partly offset by an increase in gross margin (due to changes in product sales mix); and

o Other - The operating loss in each year primarily reflects the operating performance of the Company's Iridesse subsidiary.

(in thousands)		Year-to-Date 2008	% of Net Sales*		Year-to-Date 2007
Earnings (losses) from continuing operations:					
Americas	$	210,257	18.6%	$	198,433
Asia-Pacific		159,270	24.8%		140,727
Europe		34,931	18.5%		25,205
Other		(9,429)	(15.9%)		(16,256)
		395,029			348,109
Unallocated corporate expenses		(81,704)	4.0%		(94,261)
Other operating income		-			105,051
Earnings from continuing operations	$	313,325	15.5%	$	358,899

* Percentages represent earnings (losses) from continuing operations as a percentage of each segment's net sales.

Earnings from continuing operations decreased 13% in the year-to-date. Excluding other operating income, earnings from continuing operations would have increased 23%. On a segment basis, the ratio of earnings (losses) from continuing operations (before the effect of unallocated corporate expenses, other operating income and other expenses, net) to each segment's net sales in the year-to-date of 2008 and 2007 was as follows:

- Americas - the ratio increased 0.8 percentage point primarily due to an increase in gross margin (due to changes in product sales mix and the benefit from the Company's precious metal hedging program) partly offset by an increase in the operating expense ratio due to insufficient sales growth;

- Asia-Pacific - the ratio decreased 0.1 percentage point due to increased operating expenses in Japan (primarily due to foreign currency translation), mostly offset by increased profitability in most markets other than Japan;

- Europe - the ratio increased 1.3 percentage points primarily due to an increase in gross margin (due to changes in product sales mix); and

- Other - The operating loss in each year primarily reflects the operating performance of the Company's Iridesse subsidiary.

Unallocated corporate expenses include certain costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for information technology, finance, legal and human resources. Unallocated corporate expenses in the third quarter and year-to-date 2007 include the $10,000,000 contribution to The Tiffany & Co. Foundation. Excluding the contribution, unallocated corporate expenses as a percentage of net sales decreased 1.0 percentage point in the third quarter and 0.5 percentage point in the year-to-date due to a reduction in anticipated management incentive compensation.

Other Expenses, net

Other expenses, net increased $12,147,000 in the third quarter and $11,166,000 in the year-to-date primarily due to a $4,300,000 charge related to the unrealized gains and interest receivable associated with interest-rate swaps that the Company determined were impaired (see note 9 to condensed consolidated financial statements) and increased foreign exchange transaction losses of $4,973,000 in the third quarter and $5,126,000 in the year-to-date associated with the settlement of foreign payables.

Provision for Income Taxes

The effective income tax rates for the third quarter and year-to-date of 2008 were 31.7% and 35.7% versus 33.9% and 36.2% in the prior year.

2008 Outlook

Management's full-year 2008 expectations are currently as follows:

- Net sales in 2008 to range from a 2% decline to unchanged from 2007. In the fourth quarter, worldwide net sales are expected to decline 13% - 20%, which includes an expectation of a 25% - 35% decline in U.S. comparable store sales.

- Operating margin in a range of 17% - 18%. The operating margin objective includes an increase in gross margin and an increase in the SG&A expense ratio.

- Other expenses, net of approximately $25 - 27 million.

- An effective tax rate of approximately 36%.

- Net earnings per diluted share of $2.30 - $2.50.

- In light of the recent economic downturn, management is now making plans to adjust staffing levels. In connection with this planning initiative, on November 25, 2008, the Company's New York subsidiary offered a voluntary retirement incentive to approximately 800 U.S. employees who meet certain age and service eligibility requirements. This incentive includes increased age and service credit for pension purposes, severance payments, enhanced retirement health care benefits and accelerated vesting and extended exercise rights for equity grants now outstanding. The election period for this incentive will end on January 12, 2009. The executive officers of the Company are not eligible to participate in this incentive. The Company expects to record in the fourth-quarter of 2008 a non-recurring pre-tax charge in the range of $50,000,000 to $65,000,000 in connection with the incentive. The ultimate charge will depend upon the number of eligible employees who accept the incentive. By the end of the fourth quarter of fiscal 2008 management expects to have finalized plans to further adjust staffing levels; such plans could result in additional charges for fiscal 2008. Neither charge is included in the guidance above.

New Accounting Standards

See note 3 to condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal and expansion-related working capital requirements and capital expenditures needs. The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 50% at October 31, 2008, 26% at January 31, 2008, and 23% at October 31, 2007. The increase in the ratio as of October 31, 2008 (which represents a seasonal high point) largely reflects substantial share repurchase activity over the past 12 months and increased short-term borrowings.

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To address the Company's current and future liquidity requirements, the Company will seek to obtain additional sources of funding of approximately $300,000,000 for general corporate purposes. Due to the current credit market conditions, the Company has entered into various short-term financing arrangements which the Company will, when appropriate, either refinance or replace with long-term debt. In addition, under the $450,000,000 revolving credit multi-bank facility, as of October 31, 2008 there was $339,300,000 outstanding and $110,700,000 available to be borrowed. Based on the Company's financial position at October 31, 2008, management anticipates that cash on hand, internally-generated cash flows, the funds available under its revolving credit facility and the additional sources of funding that the Company has already secured and is currently pursuing will be sufficient to support the Company's planned worldwide business expansion, working capital increases and debt repayments for the foreseeable future.

The following table summarizes cash flows from operating, investing and financing activities:

	Year-to-Date
(in thousands)	2008
Net cash (used in) provided by:	
Operating activities	$ (76,643)
Investing activities	(113,617)
Financing activities	116,725
Effect of exchange rates on cash and cash equivalents	(12,743)
Net cash used in discontinued operations	-
Net decrease in cash and cash equivalents	$ (86,278)

Operating Activities

The Company's net cash outflow from operating activities of $76,643,000 in the year-to-date of 2008 compared with an inflow of $36,849,000 in the year-to-date of 2007. The cash outflow in the year-to-date of 2008 resulted primarily from increased income tax payments largely associated with the sale-leasebacks of the TIFFANY & CO. Flagship stores in Tokyo and London and increased inventory purchases.

Working Capital. Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were $1,240,477,000 and 2.5 at October 31, 2008, compared with $1,337,454,000 and 3.3 at January 31, 2008 and $1,699,316,000 and 4.9 at October 31, 2007.

Accounts receivable, less allowances at October 31, 2008 were 15% lower than at January 31, 2008 (which is typically a seasonal highpoint) and were 3% lower than at October 31, 2007 primarily due to a decrease in sales. Changes in foreign currency exchange rates had an insignificant effect on the change in accounts receivable balances.

Inventories, net at October 31, 2008 were 19% above January 31, 2008 and 12% above October 31, 2007. Combined raw material and work-in-process inventories increased 15% over January 31, 2008 and 19% over October 31, 2007 due to increased precious metal costs and diamond quantities needed to support internal jewelry manufacturing. Finished goods inventories increased 21% over January 31, 2008, and 9% over October 31, 2007 due to new store openings, increased product costs, broadened product assortments as well as weaker sales trends in the latter part of third quarter due to softer consumer spending. Changes in foreign currency exchange rates had an insignificant effect on the change in finished goods inventories.

Management expects a low-double-digit percentage increase in inventories, net in 2008.

Investing Activities

The Company's net cash outflow from investing activities of $113,617,000 in the year-to-date of 2008 compared with an inflow of $315,748,000 in the year-to-date of 2007. The prior-year inflow was primarily due to proceeds from the sale-leaseback arrangements for the TIFFANY & CO. Flagship stores in Tokyo and London and the sale of Little Switzerland.

Capital Expenditures. Capital expenditures were $108,515,000 in the year-to-date of 2008 compared with $149,325,000 in the year-to-date of 2007. Management estimates that capital expenditures will be approximately $150,000,000 in 2008 (compared with approximately $186,000,000 in the prior year).

Marketable Securities. The Company invests excess cash in short-term investments and marketable securities. The Company had net purchases of investments in marketable securities and short-term investments of $763,000 and $42,523,000 in the year-to-date of 2008 and 2007.

Financing Activities

The Company's net cash inflow from financing activities of $116,725,000 in the year-to-date of 2008 compared with an outflow of $202,539,000 in the year-to-date of 2007. The cash inflow was due to higher proceeds from short-term

borrowings, partly offset by increased share repurchases and reduced proceeds from the exercise of employees' stock options.

Share Repurchases. The Company's stock repurchase activity was as follows:

(in thousands, except per share amounts)	Third Quarter 2008	
Cost of repurchases	$ 89,878	$ 9
Shares repurchased and retired	2,269	
Average cost per share	$ 39.61	$

(in thousands, except per share amounts)	Year-to-Date 2008	
Cost of repurchases	$ 218,379	$ 15
Shares repurchased and retired	5,375	
Average cost per share	$ 40.63	$

At October 31, 2008, there remained $402,427,000 of authorization for future repurchases. The Company's stock repurchase program expires in January 2011. The Company suspended share repurchases in the latter part of the third quarter of 2008 to conserve cash.

Recent Borrowings. In October 2008, the Company entered into a short-term facility agreement for yen 6,500,000,000 ($66,001,000 at October 31, 2008) due March 31, 2009. The entire commitment was drawn and outstanding at October 31, 2008. The facility is available for working capital and other corporate purposes and contains covenants that require maintenance of certain ratios. The weighted-average interest rate at October 31, 2008 was 1.90%.

In October 2008, the Company entered into a short-term uncommitted open line of credit agreement for up to $25,000,000 maturing in December 2008, none of which was outstanding at October 31, 2008. The open line of credit is available for working capital and other corporate purposes. Interest is payable at the end of each calendar month either at a variable rate per annum equal to the greatest of (a) the prime rate in effect on such day; (b) the Federal Funds rate plus 1/2 of 1% and (c) LIBOR adjusted for certain reserve requirements or a fixed rate per annum equal to LIBOR adjusted for certain reserve requirements plus 1%.

At October 31, 2008, the Company was in compliance with all loan covenants.

Contractual Obligations

The Company's contractual cash obligations and commercial commitments at October 31, 2008 and the effects such obligations and commitments are expected to have on the Company's liquidity and cash flows in future periods have not significantly changed since January 31, 2008. Also see Recent Borrowings above.

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.

Forward-Looking Statements

This document contains certain "forward-looking statements" concerning the Company's objectives and expectations with respect to store openings, sales, retail prices, gross margin, expenses, earnings per share, inventory performance, capital expenditures and cash flow. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. Statements beginning with such words as "believes", "intends", "plans", and "expects" include forward-looking statements that are based on management's expectations given facts as currently known by management on the date this quarterly report was filed with the Securities and Exchange Commission. All forward-looking statements involve risks, uncertainties and assumptions that, if they never materialize or prove incorrect, could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

The statements in this quarterly report are made as of the date this report was filed with the Securities and Exchange Commission and the Company 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.

PART I. Financial Information
Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from fluctuations in foreign currency exchange rates, interest rates and precious metal prices, 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.

In Japan, the Company uses yen put options to minimize the potential effect of a weakening yen on U.S. dollar-denominated transactions over a maximum term of 12 months. The Company also uses foreign-exchange forward contracts to protect against changes in local currencies. Gains or losses on these instruments substantially offset losses or gains on the assets, liabilities and transactions being hedged. The fair value of the outstanding yen put options has not changed significantly since January 31, 2008.

The Company uses interest-rate swap contracts related to certain debt arrangements to manage its net exposure to interest rate changes. The interest-rate swap contracts effectively convert fixed-rate obligations to floating-rate instruments. Additionally, since the fair value of the Company's fixed-rate long-term debt is sensitive to interest rate changes, the interest-rate swap contracts serve as a hedge to changes in the fair value of these debt instruments. During the third quarter of 2008, the Company determined that the unrealized gains and interest receivable associated with the interest-rate swaps used to manage its net exposure to interest rate changes on certain debt arrangements were impaired as the recovery of the amounts due from the counterparty, Lehman Brothers Special Financing Inc., was no longer probable. As a result, the Company recorded a pre-tax charge of $4,300,000 in other expenses, net, which represents all amounts due from Lehman Brothers Special Financing Inc.

The Company uses a combination of call and put option contracts in a net-zero cost collar arrangement ("collars"), as hedges of a portion of forecasted purchases of platinum and silver for internal manufacturing. If the price of the precious metal at the time of the expiration of the collar is within the call and put price, the collar would expire 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 collars declined from an unrealized gain of $6,435,000 at January 31, 2008 to an unrealized loss of $11,475,000 at October 31, 2008 due to declines in commodity prices.

PART I. Financial Information
Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), Registrant's chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, Registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by Registrant in the reports that it files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

In the ordinary course of business, Registrant reviews its system of internal control over financial reporting and makes changes to its systems and processes to improve controls and increase efficiency, while ensuring that Registrant maintains an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes.

Registrant's chief executive officer and chief financial officer have determined that there have been no changes in Registrant's internal control over financial reporting during the period covered by this report identified in connection with the evaluation described above that have materially affected, or are reasonably likely to materially affect, Registrant's internal control over financial reporting.

Registrant's management, including its chief executive officer and chief financial officer, necessarily applied their judgment in assessing the costs and benefits of such controls and procedures. By their nature, such controls and procedures cannot provide absolute certainty, but can provide reasonable assurance regarding management's control objectives. Our chief executive officer and our chief financial officer have concluded that Registrant's disclosure controls and procedures are (i) designed to provide such reasonable assurance and (ii) are effective at that reasonable assurance level.

PART II. Other Information

Item 1A. Risk Factors

As is the case for any retailer, 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 Registrant; these risk factors affect the likelihood that Registrant will achieve the financial objectives and expectations communicated by management:

(i) Risk: that low levels of consumer confidence continue or worsen over a prolonged period of time and adversely affect Registrant's sales.

As a retailer of goods which are discretionary purchases, Registrant's sales results are particularly sensitive to changes in 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 Registrant's earnings because of its cost base and inventory investment.

Registrant's competitors may react to falling consumer confidence by reducing their retail prices; such reductions and/or inventory liquidations can have a short-term adverse effect on Registrant's sales.

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

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 Registrant's fourth quarter will have a material adverse effect on Registrant's sales and profits.

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

Unsettled regional and global conflicts or crises which result in military, terrorist or other conditions creating disruptions or disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Registrant operates retail stores could adversely affect the Registrant's sales and profits.

(iv) Risk: that the Japanese yen will weaken against the U.S. dollar and require

Registrant to raise prices or shrink profit margins in Japan.

Registrant's sales in Japan represented approximately 17% of Registrant's net sales in Fiscal 2007. A substantial weakening of the Japanese yen against the U.S. dollar would require Registrant to raise its retail prices in Japan or reduce its profit margins. Japanese consumers may not accept significant price increases on Registrant's goods; thus there is a risk that a substantial weakening of the yen will result in reduced sales or profit margins.

(v) Risk: that Registrant will be unable to continue to offer merchandise designed by Elsa Peretti or Paloma Picasso.

Registrant's long-standing right to sell the jewelry designs of Elsa Peretti and Paloma Picasso and use their trademarks is responsible for a substantial portion of Registrant's revenues. Merchandise designed by Elsa Peretti and by Paloma Picasso accounted for 11% and 3% of Fiscal 2007 net sales, respectively. Tiffany has exclusive license arrangements with Elsa Peretti and Paloma Picasso; these arrangements are subject to royalty payments as well as other requirements. Each license may be terminated by Tiffany or the designer on six-months notice, even in the case where no default has occurred. Also, no agreements have been made for the continued sale of the designs or use of the trademarks ELSA PERETTI or PALOMA PICASSO following the death of either designer. Loss of either license would materially adversely affect Registrant's business through lost sales and profits.

(vi) Risk: that changes in commodity prices or reduced supply availability might adversely affect Registrant's ability to produce and sell products at historic profit margins.

Most of Registrant's jewelry and non-jewelry offerings are made with diamonds, gemstones and/or precious metals. A significant change in the prices of these commodities could adversely affect Registrant's business, which is vulnerable to the risks inherent in the trade for such commodities. A substantial decrease in the supply or an increase in the price of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could lead to decreased customer demand and lost sales and/or reduced gross profit margins. Conversely, a decrease in the prices of raw materials could have a disruptive effect, negatively or positively, on sales demand and short-term margins.

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

The TIFFANY & CO. trademark is an