

Tiffany Reports First Quarter Results

NEW YORK, May 29, 2009 (BUSINESS WIRE) -- Tiffany & Co. (NYSE: TIF) reported lower sales, operating margin and net earnings for its first quarter ended April 30, 2009. These financial results were consistent with management's expectations for the quarter and the Company reaffirmed its outlook for the full year.

Net sales in the first quarter declined 22% to \$523.1 million. On a constant-exchange-rate basis, which excludes the effect of translating foreign-currency-denominated sales into U.S. dollars (see attached "Non-GAAP Measures" schedule), worldwide net sales declined 18%, with a 21% decline in comparable store sales.

Net earnings in the first quarter were \$24.3 million, or \$0.20 per diluted share, compared with \$64.4 million, or \$0.50 per diluted share, in the prior year.

Michael J. Kowalski, chairman and chief executive officer, said, "Despite reduced consumer demand in the luxury sector, Tiffany is, and is projected to remain, solidly profitable and will generate substantial cash from operations. We remain confident about the continued effectiveness of our fundamental growth strategies, and in their ability to generate superior financial returns when economic conditions improve."

Net sales by segment were as follows:

- In the Americas, first quarter sales declined 31% to \$259.0 million. Comparable U.S. store sales declined 34%, which included a 32% decline in comparable branch store sales and a 42% decline in New York flagship store sales. Tiffany opened stores in Toronto (its second) and Guadalajara. Combined Internet and catalog sales in the U.S. declined 17%.
- In the Asia-Pacific region, first quarter sales declined 9% to \$201.4 million. Results varied by country. On a constant-exchange-rate basis, sales declined 7% and comparable store sales declined 9%. The Company opened stores in Hangzhou, China and Busan, Korea, and closed one in Ikebukuro, Japan.
- In Europe, sales of \$55.6 million were 8% below the prior year. On a constant-exchange-rate basis, sales increased 18% largely due to incremental sales from new stores opened in the prior year, and comparable store sales rose 3%.
- The Company operated 209 TIFFANY & CO. stores and boutiques at April 30, 2009 (88 in the Americas, 97 in Asia-Pacific and 24 in Europe), versus 192 locations a year ago (81 in the Americas, 93 in Asia-Pacific and 18 in Europe).
- Other sales declined 43% to \$7.0 million in the first quarter due to reduced wholesale sales of diamonds partly offset by higher sales in soon-to-be-closed IRIDESSE stores.

Other financial highlights were:

- Gross margin (gross profit as a percentage of net sales) was 55.6% in the first quarter, compared with 57.1% in the prior year, primarily due to higher product costs.
- Selling, general and administrative (SG&A) expenses declined 15% in the first quarter, reflecting reduced staff and marketing costs, as well as variable cost savings tied to lower sales levels.
- Interest and other expenses, net in the first quarter were higher than the prior year primarily due to increased interest expense related to recent issuances of long-term debt.
- The effective tax rate was 42.0% in the first quarter compared with 36.7% in the prior year, due to a shift in the geographical mix of earnings, but the Company continues to expect an effective tax rate of approximately 37% for the full year.
- Accounts receivable at April 30, 2009 were 30% lower than the prior year as a result of the sales decline.
- Net inventories at April 30, 2009 were 6% above the prior year due to the opening of new stores and lower sales. Consistent with the Company's objective, net inventories have declined 3% since the beginning of the fiscal year and are projected to decline by a single-digit percentage for the full year.
- The Company's balance sheet liquidity at April 30, 2009 included: cash and cash equivalents of \$303.7 million (versus \$159.6 million a year ago) and total short-term borrowings and long-term debt of \$821.8 million (versus \$611.2 million a year ago). The increase in debt included \$400 million of new long-term debt issuances which have been and will be applied to retire existing debt and for general corporate purposes.

2009 Outlook:

Mr. Kowalski added, "We are now almost one month into our second quarter and, although it's still too early to draw any conclusions, we are seeing a lessening in the rate of year-over-year total sales decline, as we expected. The rate of decline has improved slightly in the Americas and to a greater extent in other regions. Therefore, we reaffirm our previously-announced full year expectations (based on assumptions that may or may not prove valid) which continue to call for: (i) a worldwide sales decline of approximately 11% including regional sales declines of: (a) a mid-teens percentage in the Americas (greater in the first half of the year), (b) a mid-single-digit percentage in the Asia-Pacific region, (c) a high-single-digit percentage in Europe, as well as (d) a 20% decline in Other sales; (ii) a decline in the operating margin (when the prior year is adjusted to exclude one-time items) due to a lower gross margin and the anticipated sales de-leverage effect on fixed costs, partly offset by savings tied to staff reductions as well as other cost-related initiatives; and (iii) net earnings from continuing operations of \$1.50 - \$1.60 per diluted share. Our balance sheet provides us with more than ample liquidity to pursue our growth strategies."

Today's Conference Call

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

Next Scheduled Announcement

The Company expects to report its second quarter results on Friday, August 28, 2009 with a conference call at 8:30 a.m. (Eastern Time) that day. To receive notifications of conference calls and news release alerts, please register at <http://investor.tiffany.com> ("E-Mail Alerts").

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

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

TIFFANY & CO. AND SUBSIDIARIES

(Unaudited)

NON-GAAP MEASURES

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

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

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

<u>First Quarter 2009 vs. 2008</u>		
	<u>Constant-</u>	
<u>GAAP</u>	<u>Translation</u>	<u>Exchange-</u>
<u>Reported</u>	<u>Effect</u>	<u>Rate Basis</u>

Net Sales:

Worldwide	(22)%	(4)%	(18)%
Americas	(31)%	(1)%	(30)%
U.S.	(31)%	--	(31)%
Asia-Pacific	(9)%	(2)%	(7)%
Japan	(7)%	6%	(13)%
Other Asia-Pacific	(11)%	(15)%	4%
Europe	(8)%	(26)%	18%

Comparable Store Sales:

Worldwide	(24)%	(3)%	(21)%
Americas	(34)%	(2)%	(32)%
U.S.	(34)%	--	(34)%
Asia-Pacific	(10)%	(1)%	(9)%
Japan	(6)%	7%	(13)%
Other Asia-Pacific	(16)%	(11)%	(5)%
Europe	(19)%	(22)%	3%

**TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

(Unaudited, in thousands, except per share amounts)

	Three Months Ended April 30,	
	2009	2008
Net sales	\$ 523,059	\$ 668,149
Cost of sales	232,032	286,895
Gross profit	291,027	381,254
Selling, general and administrative expenses	236,587	277,945
Earnings from operations	54,440	103,309
Interest and other expenses, net	12,444	1,508
Earnings from operations before income taxes	41,996	101,801
Provision for income taxes	17,655	37,411
Net earnings	\$ 24,341	\$ 64,390
Net earnings per share:		
Basic	\$ 0.20	\$ 0.51
Diluted	\$ 0.20	\$ 0.50
Weighted-average number of common shares:		
Basic	124,001	126,458
Diluted	124,164	128,773

**TIFFANY & CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited, in thousands)

	April 30, 2009	January 31, 2009	April 30, 2008
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 303,729	\$ 160,445	\$ 159,625
Accounts receivable, net	135,437	164,447	193,154
Inventories, net	1,553,717	1,601,236	1,466,166
Deferred income taxes	12,130	13,640	27,388
Prepaid expenses and other current assets	120,772	108,966	86,784
Total current assets	2,125,785	2,048,734	1,933,117
Property, plant and equipment, net	721,452	741,048	742,116
Other assets, net	315,015	312,501	334,618
	\$3,162,252	\$ 3,102,283	\$3,009,851
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	\$ 74,199	\$ 242,966	\$ 199,421
Current portion of long-term debt	40,170	40,426	65,728

Accounts payable and accrued liabilities	163,102	223,566	175,777
Income taxes payable	25,324	27,653	49,979
Merchandise and other customer credits	64,239	67,311	68,573
Total current liabilities	367,034	601,922	559,478
Long-term debt	707,477	425,412	346,010
Pension/postretirement benefit obligations	203,550	200,603	81,836
Other long-term liabilities	151,977	152,334	134,422
Deferred gains on sale-leasebacks	125,555	133,641	144,577
Stockholders' equity	1,606,659	1,588,371	1,743,528
	<u>\$3,162,252</u>	<u>\$ 3,102,283</u>	<u>\$3,009,851</u>

SOURCE: Tiffany & Co.

Tiffany & Co.

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