SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
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FILER

TIFFANY & CO

CIK:**98246**| IRS No.: **133228013** | State of Incorp.:**DE** | Fiscal Year End: **0131**
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SIC: **5944** Jewelry stores

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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 QUARTER ENDED JULY 31, 1999. OR

---- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION FROM ________ TO _____________.

Commission file number: 1-9494

TIFFANY & CO.

(Exact name of registrant as specified in its charter)

Delaware	13-3228013
(State of incorporation)	(I.R.S. Employer Identification No.)

727 Fifth Ave. New York, NY	10022
(Address of principal executive offices)	(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 ____ .

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, 72,123,612 shares outstanding at the close of business on July 31, 1999.

TIFFANY & CO. AND SUBSIDIARIES
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FOR THE QUARTER ENDED JULY 31, 1999

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PART I. Financial Information
Item 1. Financial Statements

TIFFANY & CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	July 31, 1999 (Unaudited)	January 31, 1999	July 31, 1998 (Unaudited)
ASSETS			
Current assets:			
<S>	<C>	<C>	<C>
Cash and cash equivalents	$ 151,044	$ 188,593	$ 53,326
Accounts receivable, less allowances of $9,167, $8,106 and $7,622	93,229	108,381	72,053
Inventories	536,603	481,439	430,886
Deferred income taxes	27,214	18,061	21,633
Prepaid expenses and other current assets	32,246	19,170	32,681
Total current assets	840,336	815,644	610,579
Property and equipment, net	205,526	189,795	173,100
Deferred income taxes	8,620	9,032	7,108
Other assets, net	132,320	42,552	39,107
	$ 1,186,802	$ 1,057,023	$ 829,894
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	$ 98,295	$ 97,370	$ 93,622
Accounts payable and accrued liabilities	150,474	140,660	118,794
Income taxes payable	18,119	32,485	8,113
Merchandise and other customer credits	24,174	22,202	18,808

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Total current liabilities	291,062	292,717	239,337
Long-term debt	194,845	194,420	86,305
Postretirement/employment benefit obligations	22,435	21,539	20,811
Other long-term liabilities	33,822	31,894	24,603
Commitments and contingencies			
Stockholders' equity:			
Common Stock, $.01 par value; authorized 120,000 shares, issued and outstanding 72,124, 69,466 and 70,154	721	695	702
Additional paid-in capital	281,559	184,890	181,743
Retained earnings	375,964	344,223	299,898
Accumulated other comprehensive loss - Foreign currency translation adjustments	(13,606)	(13,355)	(23,505)
Total stockholders' equity	644,638	516,453	458,838
	$ 1,186,802	$ 1,057,023	$ 829,894

</TABLE>

See notes to consolidated financial statements

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

<TABLE>
<CAPTION>

<S>	For the Three Months Ended July 31, 1999 <C>	1998 <C>	For the Six Months Ended July 31, 1999 <C>	1998 <C>
Net sales	$ 307,067	$ 247,722	$ 579,344	$ 473,881
Cost of sales	132,030	112,036	256,011	217,187
Gross profit	175,037	135,686	323,333	256,694
Selling, general and administrative expenses	133,084	110,706	251,941	211,248
Earnings from operations	41,953	24,980	71,392	45,446
Other expenses, net	2,331	1,458	3,913	2,587
Earnings before income taxes	39,622	23,522	67,479	42,859
Provision for income taxes	16,641	9,997	28,341	18,214
Net earnings	$ 22,981	$ 13,525	$ 39,138	$ 24,645
Net earnings per share:				
Basic	$ 0.32	$ 0.19	$ 0.55	$ 0.35
Diluted	$ 0.31	$ 0.19	$ 0.53	$ 0.34
Weighted average number of common shares:				
Basic	71,090	70,338	70,585	70,342
Diluted	74,046	72,536	73,374	72,612

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</TABLE>

See notes to consolidated financial statements.

TIFFANY & CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

<TABLE>
<CAPTION>

	For the Six Months Ended July 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net earnings	$ 39,138	$ 24,645
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	17,190	13,959
Provision for uncollectible accounts	640	764
Reduction in reserve for product return	-	(2,580)
Provision for inventories	4,350	2,780
Tax benefit from exercise of stock options	11,986	5,242
Deferred income taxes	(8,678)	(2,977)
Provision for postretirement/employment benefits	896	690
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	12,281	22,906
Inventories	(58,209)	(60,501)
Prepaid expenses	(12,798)	(12,510)
Other assets, net	(15,690)	(2,224)
Accounts payable	(4,415)	3,249
Accrued liabilities	15,881	(4)
Income taxes payable	(14,323)	(14,880)
Merchandise and other customer credits	1,972	816
Other long-term liabilities	2,019	2,466
Net cash used in operating activities	(7,760)	(18,159)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equity investment	(70,146)	-
Capital expenditures	(32,800)	(30,658)
Acquisitions, net of liabilities assumed	(7,031)	(8,150)
Proceeds from lease incentives	3,204	1,150
Net cash used in investing activities	(106,773)	(37,658)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Common Stock	71,273	-
Proceeds from short-term borrowings	1,272	12,959
Repurchase of Common Stock	-	(13,713)
Proceeds from exercise of stock options	11,836	8,279
Cash dividends on Common Stock	(7,397)	(5,634)
Net cash provided by financing activities	76,984	1,891
Net decrease in cash and cash equivalents	(37,549)	(53,926)
Cash and cash equivalents at beginning of year	188,593	107,252
Cash and cash equivalents at end of period	$ 151,044	$ 53,326

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See notes to consolidated financial statements.

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

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of Tiffany & Co. and all majority-owned domestic and foreign subsidiaries (the "Company"). All material intercompany balances and transactions have been eliminated. The interim statements are unaudited and, in the opinion of management, include all adjustments (which include only normal recurring adjustments including the adjustment necessary as a result of the use of the LIFO (last-in, first-out) method of inventory valuation, which is based on assumptions as to inflation rates and projected fiscal year-end inventory levels) necessary to present fairly the Company's financial position as of July 31, 1999 and the results of its operations and cash flows for the interim periods presented. The consolidated balance sheet data for January 31, 1999 is derived from the audited financial statements which are included in the Company's report on Form 10-K, which 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.

Since the Company's business is seasonal, with a higher proportion of sales and earnings generated in the last quarter of the fiscal year, the results of operations for the three and six months ended July 31, 1999 and 1998 are not necessarily indicative of the results of the entire fiscal year.

2. SUPPLEMENTAL CASH FLOW INFORMATION
<TABLE>
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Supplemental cash flow information:

<S> (in thousands)	<C> July 31, 1999	<C> July 31, 1998
Cash paid during the six months for:		
Interest	$ 6,903	$ 3,698
Income taxes	$38,970	$30,488
Details of businesses acquired in purchase transactions:		
Fair value of assets acquired	$ 7,048	$12,302
Less: liabilities assumed	17	4,152
Net cash paid for acquisitions	$ 7,031	$ 8,150
Supplemental Noncash Investing and Financing Activities:		
Issuance of Common Stock for the Employee Profit Sharing and Retirement Savings Plan	$ 1,600	$ 1,400

</TABLE>

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3. INVENTORIES

<TABLE>
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<S> (in thousands)	<C> July 31, 1999	<C> January 31, 1999	<C> July 31, 1998
Finished goods	$453,496	$413,371	$362,253
Raw materials	77,936	66,258	69,188
Work-in-process	8,460	3,599	3,131
	539,892	483,228	434,572
Reserves	(3,289)	(1,789)	(3,686)
	$536,603	$481,439	$430,886

</TABLE>

LIFO-based inventories at July 31, 1999, January 31, 1999 and July 31, 1998 were $423,574,000, $363,322,000 and $341,282,000, with the current cost exceeding the LIFO inventory value by approximately $16,870,000, $15,870,000 and $16,870,000 at the end of each period. The LIFO valuation method had no effect on net earnings for the three month period ended July 31, 1999 and had the effect of decreasing net earnings by $0.01 per diluted share in the three month period ended July 31, 1998. The LIFO valuation method had the effect of decreasing net earnings by $0.01 and $0.02 per diluted share in each of the six month periods ended July 31, 1999 and 1998.

4. FINANCIAL HEDGING INSTRUMENTS

In accordance with the Company's foreign currency hedging program, at July 31, 1999, the Company had outstanding purchased put options maturing at various dates through July 24, 2000, giving it the right, but not the obligation, to sell yen 13,464,000,000 for dollars at predetermined contract-exchange rates. If the market yen-exchange rates at maturity are below the contract rates, the Company will allow the options to expire. At July 31, 1999, there were no deferred unrealized gains on the Company's purchased put options.

To mitigate the exchange rate fluctuations primarily related to intercompany inventory purchases for the Company's business in Japan, the Company enters into forward exchange yen contracts. At July 31, 1999, the Company had $12,642,000 of such contracts outstanding, which will mature on August 26, 1999. At July 31, 1998, the Company had $10,372,000 of such contracts outstanding, which subsequently matured on August 26, 1998.

5. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated to give effect to potentially dilutive stock options that were outstanding during the period.

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

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computations:

(in thousands)	For the Three Months Ended July 31, 1999	For the Three Months Ended July 31, 1998	For the Six Months Ended July 31, 1999	For the Six Months Ended July 31, 1998
Net earnings for basic and diluted EPS	$22,981	$13,525	$39,138	$24,645
Weighted average shares for basic EPS	71,090	70,338	70,585	70,342
Weighted average incremental shares from assumed exercise of stock options:	2,956	2,198	2,789	2,270
Weighted average shares for diluted EPS	74,046	72,536	73,374	72,612

6. COMPREHENSIVE EARNINGS

Comprehensive earnings include all changes in equity during a period except those resulting from investments by and distributions to stockholders. The Company's foreign currency translation adjustments, reported separately in stockholders' equity, are required to be included in the determination of comprehensive earnings.

The components of comprehensive earnings were:

(in thousands)	For the Three Months Ended July 31, 1999	For the Three Months Ended July 31, 1998	For the Six Months Ended July 31, 1999	For the Six Months Ended July 31, 1998
Net earnings	$22,981	$13,525	$39,138	$24,645
Other comprehensive gain(loss):				
Foreign currency translation adjustments	2,905	(4,741)	(251)	(5,106)
Comprehensive earnings	$25,886	$ 8,784	$38,887	$19,539

Foreign currency translation adjustments are not adjusted for income taxes since they relate to investments that are permanent in nature.

7. OPERATING SEGMENTS

The Company operates three reportable business segments: U.S. Retail, International Retail and Direct Marketing (see Management's Discussion and Analysis of Financial Condition and Results of Operations for an overview of the Company's business). The Company's reportable segments represent channels of distribution that offer similar merchandise and service and marketing and distribution strategies. The Company's Executive Officers evaluate the performance of its operating segments on the basis of net sales and earnings from operations after the elimination of intersegment sales and transfers.

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

(in thousands)	For the Three Months Ended July 31, 1999	1998	For the Six Months Ended July 31, 1999	1998
Net sales:				
U.S. Retail	$ 159,512	$ 129,733	$ 291,203	$ 237,757
International Retail	121,574	93,266	239,048	189,738
Direct Marketing	25,981	24,723	49,093	46,386
	$ 307,067	$ 247,722	$ 579,344	$ 473,881
Earnings from operations*:				
U.S. Retail	$ 33,540	$ 25,113	$ 57,162	$ 44,820
International Retail	30,158	19,521	60,428	41,659
Direct Marketing	3,384	1,839	7,788	5,846
	$ 67,082	$ 46,473	$ 125,378	$ 92,325

* Represents earnings from operations before unallocated corporate expenses and interest and other expenses, net.

Executive Officers of the Company evaluate the performance of the Company's assets on a consolidated basis. Therefore, separate financial information for the Company's assets on a segment basis is not available.

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

(in thousands)	For the Three Months Ended July 31, 1999	1998	For the Six Months Ended July 31, 1999	1998
Earnings from operations for reportable segments	$ 67,082	$ 46,473	$ 125,378	$ 92,325
Unallocated corporate expenses	(25,129)	(21,493)	(53,986)	(46,879)
Interest and other expenses, net	(2,331)	(1,458)	(3,913)	(2,587)

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Earnings before income taxes	$ 39,622	$ 23,522	$ 67,479	$ 42,859

</TABLE>

8. COMMON STOCK

On July 23, 1999, the Company issued 1,450,000 shares of its Common Stock at a price of $49.375 per share, resulting in net proceeds of $71,593,750. The net proceeds from the sale were added to the Company's working capital and will be used to support ongoing business expansion.

On May 20, 1999, the stockholders approved an amendment to the Company's Restated Certificate of Incorporation to increase the number of common shares authorized from 60,000,000 shares to 120,000,000 shares.

On May 20, 1999, the Board of Directors declared a two-for-one split of the Company's Common Stock, effected in the form of a share distribution (stock dividend) paid on July 21, 1999 to stockholders of record on June 23, 1999. Stock options and per share data have been retroactively adjusted to reflect the split.

9. EQUITY INVESTMENT

On July 16, 1999, the Company made a strategic investment in Aber Resources Ltd. ("Aber"), a publicly-traded company headquartered in Canada, by purchasing 8 million shares of its common stock at a cost of $70,146,000, representing approximately 14.9% of Aber's outstanding shares. Aber holds a 40% interest in the Diavik Diamonds Project in Canada's Northwest Territories, an operation being developed to mine gem-quality diamond reserves. Production is expected to commence in 2003. The investment is being accounted for under the equity method.

In addition, the Company will form a joint venture and enter into a diamond purchase agreement with Aber. It is expected that this commercial relationship will enable the Company to secure a considerable portion of its future diamond needs.

10. SUBSEQUENT EVENT

On August 19, 1999, the Company's Board of Directors declared a quarterly dividend of $0.06 per common share. This dividend will be paid on October 12, 1999 to stockholders of record on September 20, 1999.

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

RESULTS OF OPERATIONS

Overview

The Company operates three channels of distribution: U.S. Retail includes retail sales in Company-operated stores in the U.S., wholesale sales to independent retailers in the U.S. and wholesale sales of fragrance products to independent retailers in the Americas; International Retail includes retail sales in Company-operated stores and boutiques, corporate sales and wholesale sales to independent retailers and distributors in the Asia-Pacific region, Europe, Canada, the Middle East and Latin America; and Direct Marketing includes corporate (business-to-business) sales and catalog sales in the U.S.

All references to full years relate to the fiscal year that ends on January 31 of the following calendar year.

The Company's net sales increased 24% in the three-month period (second quarter) ended July 31, 1999 and rose 22% in the six-month period (first half) ended July 31, 1999. Sales growth, combined with higher operating margins, resulted in a net earnings increase of 70% in the second quarter and 59% in the first half.

Net sales by channel of distribution were as follows:
<TABLE>
<CAPTION>

	Three months Ended July 31,		Six months Ended July 31,	
(in thousands)	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
U.S. Retail	$159,512	$129,733	$291,203	$237,757
International Retail	121,574	93,266	239,048	189,738
Direct Marketing	25,981	24,723	49,093	46,386
	$307,067	$247,722	$579,344	$473,881

</TABLE>

U.S. Retail sales increased 23% in the second quarter of 1999 and 22% in the first half. This resulted from 12% comparable store sales growth in both periods as well as from sales in new stores opened during the past year. Sales in the Company's flagship New York store rose 9% in the second quarter and 10% in the first half, while comparable branch store sales increased 14% in the second quarter and 13% in the first half. Comparable store sales growth resulted from an increased number of transactions. In addition, purchases by domestic customers continued to account for the largest portion of the sales growth, although there was a modest increase in sales to foreign tourists. The Company opened a second store in Dallas, Texas in May 1999, a second store in Los Angeles, California in June and plans to open a store in Boca Raton, Florida in October, consistent with the Company's strategy to open three to five new U.S. stores each year. Wholesale sales to independent retailers in the U.S., which represented less than 3% of total Company sales, declined in the

second quarter and first half. The Company will discontinue such business effective January 1, 2000, in order to focus on Company-operated store distribution in the U.S. and management does not expect that this decision or

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action will significantly impact the Company's financial position or earnings.

International Retail sales increased 30% in 1999's second quarter and 26% in the first half. In Japan, the Company's largest international market, comparable store sales in local currency increased 13% in both the second quarter and first half due to sales growth both in Tokyo and throughout Japan. The Company's reported sales and earnings reflect either a translation-related benefit from a strengthening Japanese yen or a detriment from a strengthening U.S. dollar. The yen strengthened in 1999's second quarter and first half and, as a result, total Japan retail sales, when translated into U.S. dollars, increased 31% and 28% in the second quarter and first half, respectively. The Company's hedging program utilizes yen put options in order to stabilize product costs over the short-term, despite exchange rate fluctuations. However, as a result of changes in the relationships between the yen and the dollar, the Company adjusts its retail prices when necessary to maintain its gross margin over the longer term.

In the Asia-Pacific region outside Japan, comparable store sales in local currencies rose 24% in the second quarter and 25% in the first half due to improvement in most markets. In Europe, comparable store sales in local currencies rose 21% in the second quarter and 20% in the first half, particularly due to strength in London.

The Company's international retail expansion plans for 1999 include: in Japan, opening two new department store boutiques and renovating/expanding five existing boutiques and its Tokyo Ginza flagship store; expanding its Hong Kong-Landmark store; opening a store in Mexico City; and opening a store in Paris.

Direct Marketing sales increased 5% in 1999's second quarter and 6% in the first half. Corporate sales increased 2% and 3% in the second quarter and first half, while catalog sales rose 9% and 11% in the second quarter and first half, due to a higher number of orders in both divisions. The Company anticipates increasing its catalog mailings by approximately 7% in 1999.

Gross Profit

Gross profit as a percentage of net sales was 57.0% in the second quarter and 55.8% in the first half, higher than 54.8% and 54.2% in the respective prior-year periods. Management attributes the increases to favorable shifts in sales mix and leveraging of fixed costs, as well as product manufacturing/sourcing efficiencies and selective price increases. The Company's ongoing gross margin and pricing strategy is to pass product-cost increases on to customers through higher retail selling prices in order to maintain gross margin at, or above, prior-year levels.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 20% in the second quarter and 19% in the first half, primarily due to incremental occupancy, staffing and marketing expenses related to the Company's worldwide expansion program, as well as to sales-related variable expenses. As a percentage of net sales, the operating expense ratios of 43.3% in the second quarter and 43.5% in the first half represented improvements of 1.4 points and 1.1 points versus 1998. Management's ongoing objective is to reduce the expense ratio by leveraging the Company's fixed-expense base.

Other Expenses, net

Other expenses rose in the second quarter and first half primarily due to higher interest expense related to a $100,000,000 long-term financing that the Company completed in December 1998. Based on current plans, management expects interest expense in the remainder of the year to be higher than 1998.

Provision for Income Taxes

The provision for income taxes resulted in an effective tax rate of 42.0% in both the second quarter and first half of 1999, compared with 42.5% in the respective 1998 periods. The lower rate was due to a shift in the geographical business mix toward lower-tax jurisdictions as a result of the Company's ongoing expansion program.

Year 2000

The Company recognizes the need to ensure that its operations will not be adversely impacted by year 2000 computer hardware and software failures (information technology systems) and embedded chip or processor failures (non-information technology systems). Certain systems will, unless modified, be unable to process date-sensitive calculations using the year 2000. Such failures are a known risk to the future integrity of the Company's financial reporting and to virtually all aspects of the Company's operations, including the

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Company's ability to process sales transactions, fulfill customer orders and receive and manage inventories and other assets.

Accordingly, the Company has established a disciplined process to identify, prioritize and evaluate year 2000 problems and to replace or modify and test computer software and operating procedures. The objective of these efforts is to achieve year 2000 compliance with minimal impact on customer service or other disruption to, or loss of integrity in, business or financial operations. Sources of potential failure in internal systems have been identified and conversion efforts are underway. These conversion efforts are scheduled to be completed in the fall of 1999. By that time, the Company will have been required to remediate or replace (i) internally-developed computer code and (ii) code

purchased from third-party software vendors. At July 31, 1999, these efforts were 99% complete in category (i) and 97% complete in category (ii), on schedule with the Company's timetable for completion.

The foregoing conversion efforts address "information technology" systems (i.e., those operated and maintained by the Company's U.S. based Information Technology staff, such as financial, order entry, inventory control and forecasting systems). An analysis has also been completed of all "non-information technology" systems (i.e., those using embedded microprocessor technology such as security systems, safes, telephone systems and warehouse automation equipment) and upgrades or replacements are being deployed as required. Other applications software is maintained on personal computers by end-users in the U.S. and by wholly-owned Company subsidiaries outside the U.S. Typically, such software has been purchased from third-party vendors and specific applications have been developed by the end-user. The Information Technology staff together with end-users has completed the determination of the significance of these applications to the Company and their status regarding year 2000 compliance. As required, remediation and testing plans have been initiated. At July 31, 1999, these efforts were 89% complete, on schedule with the Company's timetable for completion.

The Company has also evaluated year 2000 issues that may be experienced by key merchandise and service vendors in order to assess the potential effect of vendor failure on the Company's operations. The responses from key vendors and suppliers indicate that 99% are year 2000 compliant at this time, will be year 2000 compliant before December 31, 1999, or are not dependent on computer technology to deliver products and services to the Company. To further clarify the extent to which vendors and suppliers have tested and confirmed their year 2000 readiness, a detailed questionnaire has been distributed and responses are being analyzed to further determine risk and potential remedial action.

Contingency plans for manual and delayed information processing will be completed by the end of 1999's third quarter. These plans are being developed because of the possibility of year 2000 failures or service interruptions within the domestic and international network communications infrastructure that the Company relies upon for daily operations. These plans and procedures address both proactive and reactive measures that may be deployed to provide merchandise to stores and customers and continue domestic and international operations. Due to the thorough project approach and rigorous testing that the Company has performed and continues to perform on its own information technology systems, the Company believes that any failures should be quickly rectifiable.

In addition to the cost of internal resources, the Company's total cost for achieving year 2000 compliance is estimated to

be $8,500,000 for third-party service providers and will be incurred through the year ending January 31, 2000. Year 2000 costs for such providers are charged to operations as incurred and amounted to $1,317,000 in the first half of 1999 and $8,277,000 on a cumulative basis.

FINANCIAL CONDITION

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal working capital requirements, which have increased due to the Company's expansion. Management believes that the Company's financial condition at July 31, 1999 provides sufficient resources to support current business activities and planned expansion.

The Company incurred net cash outflows from operating activities of $7,760,000 in the six months ended July 31, 1999 and $18,159,000 in the six months ended July 31, 1998. The decreased outflow resulted from increased net earnings partially offset by an increased use of working capital.

Working capital (current assets less current liabilities) and the corresponding

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current ratio (current assets divided by current liabilities) were $549,274,000 and 2.9:1 at July 31, 1999, compared with $522,927,000 and 2.8:1 at January 31, 1999 and $371,242,000 and 2.6:1 at July 31, 1998.

Accounts receivable at July 31, 1999 were 14% lower than at January 31, 1999 (which is a seasonal high-point) but were 29% higher than July 31, 1998 primarily due to sales growth.

Inventories (which represent the largest portion of assets) at July 31, 1999 were 11% higher than at January 31, 1999 and were 25% above the July 31, 1998 level. The increases were due to higher finished goods to support sales growth, new stores and new/expanded product offerings, as well as higher raw materials to support expanded internal manufacturing. In addition, the increase over prior year was also partly due to the translation effect of a stronger Japanese yen. The Company's ongoing objective is to improve inventory performance through: refinement of worldwide replenishment systems; focus on the specialized disciplines of product development, assortment planning and inventory management; improved presentation and management of display inventories in each store; assortment editing by product category; and a time-phased program of improvements in warehouse management and supply-chain logistics. As a result, management expects a decelerating rate of year-over-year inventory growth during the remainder of 1999.

Capital expenditures in the six months ended July 31, 1999 were $32,800,000, compared with $30,658,000 in the prior-year period. Based on current plans, management expects that capital expenditures will be approximately $75-$80 million in 1999.

On July 16, 1999, the Company made a strategic investment in Aber Resources Ltd. ("Aber"), a publicly-traded company

headquartered in Canada, by purchasing 8 million shares of its common stock at a cost of $70,146,000, representing approximately 14.9% of Aber's outstanding shares. Aber holds a 40% interest in the Diavik Diamonds Project in Canada's Northwest Territories, an operation being developed to mine gem-quality diamond reserves. Production is expected to commence in 2003. The investment is being accounted for under the equity method.

In addition, the Company will form a joint venture and enter into a diamond-purchase agreement with Aber. It is expected that this commercial relationship will enable the Company to secure a considerable portion of its future diamond needs.

On July 23, 1999, the Company issued 1,450,000 shares of its Common Stock at a price of $49.375 per share, resulting in net proceeds of $71,593,750. The net proceeds from the sale were added to the Company's working capital and will be used to support ongoing business expansion.

As a result of the above factors, net-debt (short-term borrowings and long-term debt less cash and cash equivalents) and the corresponding ratio of net-debt as a percentage of total capital (net-debt plus stockholders' equity) were $142,096,000 and 18% at July 31, 1999, compared with $103,197,000 and 17% at January 31, 1999 and $126,601,000 and 22% at July 31, 1998.

The Company's sources of working capital are internally-generated cash flows and borrowings available under a five-year, $160,000,000 multicurrency, noncollateralized, five-bank revolving credit facility which expires on June 30, 2002. Management anticipates that internally-generated cash flows and funds available under the revolving credit facility will be sufficient to support the Company's planned worldwide business expansion and the seasonal working capital increases that are typically required during the third and fourth quarters of the year.

Market Risk

The Company is exposed to market risk from fluctuations in foreign currency exchange rates and interest rates, which could impact its consolidated financial position, results of operations 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 which may expose the Company to significant market risk.

The Company uses foreign currency-purchased put options and, to a lesser extent, foreign-exchange forward contracts to reduce its risk in foreign currency-denominated transactions in order to minimize the impact of a significant strengthening of the U.S. dollar against other foreign

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currencies. Gains and losses on these instruments substantially offset any losses and gains on the assets, liabilities and transactions being hedged. The Company's primary net foreign currency market exposure is the Japanese yen. Management does not foresee nor expect any significant changes in foreign currency exposure in the near future.

The Company manages its portfolio of fixed-rate debt to reduce its exposure to interest rate changes. The fair value of the Company's fixed-rate long-term debt is sensitive to interest rate changes. Interest rate changes would result in gains/losses in the market value of this debt due to differences between market interest rates and rates at the inception of the debt obligation. Management does not foresee nor expect any significant changes in its exposure to interest rate fluctuations, or in how such exposure is managed in the near future.

Seasonality

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing a proportionally greater percentage of annual sales, earnings from operations and cash flow. Management expects such seasonality to continue.

Risk Factors

This document contains certain "forward-looking statements" concerning the Company's objectives and expectations with respect to store openings, catalog mailings, retail prices, gross profit, expenses, inventory performance, capital expenditures, cash flow and year-2000 compliance. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. As a jeweler and specialty retailer, the Company's success in achieving its objectives and expectations is partially dependent upon economic conditions, competitive developments and consumer attitudes. However, certain assumptions are specific to the Company and/or the markets in which it operates. The following assumptions, among others, are "risk factors" which could affect the likelihood that the Company will achieve the objectives and expectations communicated by management: (i) that sales in Japan will not decline substantially; (ii) that there will not be a substantial adverse change in the exchange relationship between the Japanese yen and the U.S. dollar; (iii) that the Company's commercial relationship with Mitsukoshi, Ltd. ("Mitsukoshi") and Mitsukoshi's ability to continue as a leading department store operator in Japan will continue; (iv) that Mitsukoshi and other department store operators in Japan, in the face of declining sales, will not close or consolidate stores in which TIFFANY & CO. boutiques are located; (v) that low or negative growth in the economy or in the financial markets will not occur and reduce discretionary spending on goods that are, or are perceived to be, "luxuries"; (vi) that existing product supply arrangements, including license agreements with third-party designers Elsa Peretti and Paloma Picasso, will continue; (vii) that the wholesale market for

high-quality cut diamonds will provide continuity of supply and pricing; (viii) that new stores and other sales locations can be leased or otherwise obtained on suitable terms in desired markets and that construction can be completed on a timely basis; (ix) that new systems, particularly for inventory management, can be successfully integrated into the Company's operations, and that warehousing and distribution productivity and capacity can be further improved to support the Company's worldwide distribution requirements; and (x) that no downturn in consumer spending will occur during the fourth quarter of any year.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On May 14, 1999, Dallas Galleria Limited ("Galleria") and Tiffany filed a joint stipulation dismissing with prejudice the lawsuit filed by Galleria, Tiffany's landlord at the Dallas Galleria retail branch store, against Tiffany. The lawsuit was filed in the United States District Court for the Southern District of Texas, Houston Division on March 24, 1999. The lawsuit sought to enforce a lease provision which would have prohibited Tiffany from operating a similar or competing store within a six-mile radius of the Galleria; the lawsuit claimed that Tiffany's store at Northpark Center in Dallas, Texas would have violated that provision. The lawsuit sought a declaration that the radius provision was valid and enforceable, a court order restraining Tiffany from operating a store in the Northpark Center, damages and attorneys fees. The lawsuit has been resolved on mutually agreeable terms that allow Tiffany to operate its store in Northpark Center.

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Item 4. Submission of Matters to a Vote of Security-Holders

At Registrant's Annual Meeting of Stockholders held on May 20, 1999 each of the nominees listed below was elected a director of Registrant to hold office until the next annual meeting of the stockholders and until his or her respective successor has been elected and qualified. Tabulated with the name of each of the nominees elected is the number of Common shares cast for each nominee and the number of Common shares withholding authority to vote for each nominee. Shares reported below have not been re-stated to reflect the subsequent stock split. There were no broker non-votes or abstentions with respect to the election of directors.

Nominee	Voted For	Withholding Authority
William R. Chaney	31,714,529	136,890
Rose Marie Bravo	31,762,395	89,114
Samuel L. Hayes III	31,746,555	104,954
Michael J. Kowalski	31,422,583	120,757
Charles K. Marquis	31,762,720	88,789
James E. Quinn	31,726,971	124,538
William A. Shutze	31,730,029	121,480
Geraldine Stutz	31,736,644	114,865

At such meeting, the stockholders approved an amendment to the Company's Restated Certificate of Incorporation increasing the number of authorized shares of common stock from 60,000,000 to 120,000,000. With respect to such approval, 28,494,635 shares were voted to approve, 2,801,435 were voted against, and 16,540 shares abstained from voting. There were no broker non-votes with respect to the approval of the amendment to the Company's Restated Certificate of Incorporation.

The stockholders also approved the appointment of PricewaterhouseCoopers LLP as independent accountants of the Company's fiscal 1999 financial statements. With respect to such appointment, 31,810,739 shares were voted to approve, 22,810 were voted against, and 17,960 shares abstained from voting. There were no broker non-votes with respect to the approval of the appointment of PricewaterhouseCoopers LLP.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Restated Certificate of Incorporation of Registrant. Incorporated by reference from Exhibit 3.1 to Registrant's Report on Form 8-K dated May 16, 1996, as amended by the Certificate of Amendment of Certificate of Incorporation dated May 20, 1999.

3.2 By-Laws of Registrant (as last amended January 21, 1999.) Incorporated by reference from Exhibit 3.2 to Registrant's Report on Form 10-K for the Fiscal year ended January 31, 1999 and dated April 8, 1999.

4.1 Amended and Restated Rights Agreement Dated as of September 22, 1998 by and between Registrant and ChaseMellon Shareholder Services L.L.C., as Rights Agent. Incorporated by reference from Exhibit 4.1 to Registrant's Report of Form 8-A/A dated September 24, 1998.

27 Financial Data Schedule.

(b) Reports on Form 8-K

On July 20, 1999 Registrant filed a report on Form 8-K reporting that it would make a strategic investment in Aber Resources Ltd. ("Aber") by purchasing 14.9% of Aber's outstanding shares for a cost of approximately $72 million, form a joint venture with Aber and enter into a diamond supply agreement.

On August 5, 1999 Registrant filed a report on Form 8-K reporting that it had entered into a Purchase Agreement with Merrill Lynch with respect to 1,450,000 shares of Registrant's common stock.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TIFFANY & CO.
(Registrant)

Date: September 9, 1999 By: /s/ James N. Fernandez

James N. Fernandez
Executive Vice President and
Chief Financial Officer
(principal financial officer)

EXHIBIT INDEX

Exhibit

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Number

3.1 Certificate of Amendment of Certificate of Incorporation of Registrant dated May 20, 1999

27 Financial Data Schedule (submitted to SEC only)

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Exhibit 3.1
Tiffany & Co.

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION OF TIFFANY & CO.

Pursuant to Section 242 of the
General Corporation Law of the State of Delaware

Tiffany & Co., a corporation of the State of Delaware (the "Corporation"), hereby sets forth an Amendment to its Certificate of Incorporation pursuant to 8 Del. C. ss.242, hereby certifying as follows:

FIRST: The Certificate of Incorporation of the Corporation is amended by striking out the first paragraph of Article FOURTH thereof and by substituting in lieu thereof a new first paragraph of Article FOURTH reading as follows:

> FOURTH: The Corporation shall be authorized to issue two classes of shares of stock to be designated, respectively, "Preferred Stock" and "Common Stock"; the total number of shares which the Corporation shall have authority to issue is One Hundred and Twenty-two Million (122,000,000); the total number of shares of Preferred Stock shall be Two Million (2,000,000) and each such share shall have a par value of $.01; and the total number of shares of Common Stock shall be One Hundred and Twenty Million (120,000,000) and each such share of Common Stock shall have a par value of $.01.

SECOND: Said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by it President and attested by it Secretary this 20th day of May, 1999.

TIFFANY & CO.

Attest:

By: /s/ Michael J. Kowalski

____

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/s/ Partrick B. Dorsey

Patrick B. Dorsey
Secretary

Michael J. Kowalski
President

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