

TIFFANY & CO
 Form 10-K
 April 01, 2014
Table of Contents

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 Form 10-K

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

For the fiscal year ended January 31, 2014

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

(Exact name of registrant as specified in its charter)

Delaware

13-3228013

(State or other jurisdiction of incorporation or
 organization)

(I.R.S. Employer Identification No.)

727 Fifth Avenue, New York, NY

10022

(Address of principal executive offices)

(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
---------------------	--

Common Stock, \$.01 par value per
 share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ..

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes .. No x

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ..

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	..
Non-accelerated filer	..	(Do not check if a smaller reporting company)	Smaller reporting company ..

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
As of July 31, 2013, the aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant was approximately \$10,091,092,432 using the closing sales price on this day of \$79.51. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
As of March 24, 2014, the registrant had outstanding 128,845,017 shares of its common stock, \$.01 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE.

The following documents are incorporated by reference into this Annual Report on Form 10-K: Registrant's Proxy Statement Dated April 10, 2014 (Part III).

Table of Contents

Tiffany & Co.

Table of Contents

Form 10-K for the fiscal year ended January 31, 2014

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	K- <u>3</u>
Item 1A. <u>Risk Factors</u>	K- <u>13</u>
Item 1B. <u>Unresolved Staff Comments</u>	K- <u>18</u>
Item 2. <u>Properties</u>	K- <u>19</u>
Item 3. <u>Legal Proceedings</u>	K- <u>20</u>
Item 4. <u>Mine Safety Disclosures</u>	K- <u>22</u>
 <u>PART II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	K- <u>22</u>
Item 6. <u>Selected Financial Data</u>	K- <u>24</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	K- <u>26</u>
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	K- <u>44</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	K- <u>45</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	K- <u>90</u>
Item 9A. <u>Controls and Procedures</u>	K- <u>90</u>
Item 9B. <u>Other Information</u>	K- <u>91</u>
 <u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	K- <u>92</u>
Item 11. <u>Executive Compensation</u>	K- <u>92</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	K- <u>92</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	K- <u>92</u>
Item 14. <u>Principal Accounting Fees and Services</u>	K- <u>92</u>
 <u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	K- <u>93</u>

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including documents incorporated herein by reference, contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 concerning the Company's goals, plans and projections with respect to store openings and closings, product introductions, sales, retail prices, gross margin, expenses, operating margin, effective income tax rate, net earnings and net earnings per share, inventories, capital expenditures, cash flow and liquidity. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. One can identify these forward-looking statements by the fact that they use words such as "believes," "intends," "plans" and "expects" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. One can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on management's current plans and involve inherent risks, uncertainties and assumptions that could cause actual outcomes to differ materially from current goals, plans and projections. The Company has included important factors in the cautionary statements included in this Annual Report, particularly under "Item 1A. Risk Factors," that the Company believes could cause actual results to differ materially from any forward-looking statement.

Although the Company believes it has been prudent in developing its plans and the underlying assumptions, no assurance can be given that any goal or plan set forth in forward-looking statements can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date this Annual Report on Form 10-K was first filed with the Securities and Exchange Commission. The 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.

TIFFANY & CO.

K-2

Table of Contents

PART I

Item 1. Business.

GENERAL HISTORY OF BUSINESS

Tiffany & Co. (the "Registrant") is a holding company that operates through its subsidiary companies (collectively, the "Company"). The Registrant's principal subsidiary is Tiffany and Company ("Tiffany"). Charles Lewis Tiffany founded Tiffany's business in 1837. He incorporated Tiffany in New York in 1868. The Registrant acquired Tiffany in 1984 and completed the initial public offering of the Registrant's Common Stock in 1987. The Registrant, through its subsidiaries, sells jewelry and other items that it manufactures or has made by others to its specifications.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company's segment information for the fiscal years ended January 31, 2014, 2013 and 2012 is reported in "Item 8. Financial Statements and Supplementary Data - Note Q - Segment Information."

NARRATIVE DESCRIPTION OF BUSINESS

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

MAINTENANCE OF THE TIFFANY & CO. BRAND

The TIFFANY & CO. brand (the "Brand") is the single most important asset of Tiffany and, indirectly, of the Company. The strength of the Brand goes beyond trademark rights (see "TRADEMARKS" below) and is derived from consumer perceptions of the Brand. Management monitors the strength of the Brand through focus groups and survey research.

Management believes that consumers associate the Brand with high-quality gemstone jewelry, particularly diamond jewelry; excellent customer service; an elegant store and online environment; upscale store locations; "classic" product positioning; distinctive and high-quality packaging materials (most significantly, the TIFFANY & CO. blue box); and sophisticated style and romance. Tiffany's business plan includes expenses to maintain the strength of the Brand, such as the following:

Maintaining its position within the high-end of the jewelry market requires Tiffany to invest significantly in diamond and gemstone inventory and to accept reduced overall gross margins; it also causes some consumers to view Tiffany as beyond their price range;

• To provide excellent service, stores must be well staffed with knowledgeable professionals;

• Elegant stores in the best "high street" and luxury mall locations are more expensive and difficult to secure and maintain, but reinforce the Brand's luxury connotations through association with other luxury brands;

• In-store display practices enable Tiffany to showcase fine jewelry in a manner consistent with the Brand's positioning but require sufficient space;

• The classic positioning of much of Tiffany's product line supports the Brand, but limits the display space that can be allocated to new product introductions;

• Tiffany's packaging supports consumer expectations with respect to the Brand but is expensive; and

TIFFANY & CO.

Table of Contents

A significant amount of advertising is required to both reinforce the Brand's association with luxury, sophistication, style and romance, as well as to market specific products.

All of the foregoing require that management make tradeoffs between business initiatives that might generate incremental sales and earnings and Brand maintenance objectives. This is a dynamic process. To the extent that management deems that product, advertising or distribution initiatives will unduly and negatively affect the strength of the Brand, such initiatives have been and will be curtailed or modified appropriately. At the same time, Brand maintenance suppositions are regularly questioned by management to determine if the tradeoff between sales and earnings is truly worth the positive effect on the Brand. At times, management has determined, and may in the future determine, that the strength of the Brand warranted, or that it will permit, more aggressive and profitable distribution and marketing initiatives.

REPORTABLE SEGMENTS

Americas

Sales in the Americas were 48% of worldwide net sales in 2013, while sales in the U.S. represented 88% of net sales in the Americas.

Retail Sales. Retail sales in the Americas are transacted in 121 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2014 included in parentheses): the U.S. (94), Canada (12), Mexico (10) and Brazil (5). Included within these totals are 12 Company-operated stores located within various department stores in Canada and Mexico.

Internet and Catalog Sales. The Company distributes a selection of its products in the U.S. and Canada through the websites at www.tiffany.com and www.tiffany.ca. To a lesser extent, sales are also generated through catalogs that the Company distributes to its proprietary list of customers in the U.S. and Canada.

Business-to-Business Sales. Sales executives call on business clients, primarily in the U.S., selling products drawn from the retail product line and items specially developed for the business market, including trophies and items designed for the particular customer. Purchases may also be made through the Company's website at www.tiffany.com/business. Price allowances are given to business account holders for certain purchases.

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in markets in the Central/South American and Caribbean regions. Such sales represent less than 1% of worldwide net sales.

Asia-Pacific

Sales in Asia-Pacific represented 23% of worldwide net sales in 2013, while sales in Greater China represented more than half of Asia-Pacific's net sales.

Retail Sales. Retail sales in Asia-Pacific are transacted in 72 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2014 included in parentheses): China (26), Korea (14), Hong Kong (9), Taiwan (8), Australia (6), Singapore (5), Macau (2) and Malaysia (2). Included within these totals are 24 Company-operated stores located within various department stores.

Internet Sales. The Company offers a selection of TIFFANY & CO. merchandise for purchase in Australia through its website at www.tiffany.com.au.

TIFFANY & CO.

K-4

Table of Contents

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in certain markets. Such sales represent less than 1% of worldwide net sales.

Japan

Sales in Japan represented 14% of worldwide net sales in 2013.

Retail Sales. Retail sales in Japan are transacted in 54 Company-operated TIFFANY & CO. stores. Included within this total are 50 stores located within department stores, generating 77% of Japan's net sales. There are four large department store groups in Japan. The Company operates TIFFANY & CO. stores in locations controlled by these groups as follows (number of locations at January 31, 2014 included in parentheses): Isetan Mitsukoshi (14), J. Front Retailing Co. (Daimaru and Matsuzakaya department stores) (9), Takashimaya (9) and Millennium Retailing Co. (Sogo and Seibu department stores) (4). The Company also operates 14 stores in other department stores.

Internet Sales. The Company offers a selection of TIFFANY & CO. merchandise for purchase in Japan through its website at www.tiffany.co.jp.

Business-to-Business Sales. Products drawn from the retail product line and items specially developed are sold to business customers.

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in Japan. Such sales represent less than 1% of worldwide net sales.

Europe

Sales in Europe represented 12% of worldwide net sales in 2013, while sales in the United Kingdom ("U.K.") represented more than 40% of European net sales.

Retail Sales. Retail sales in Europe are transacted in 37 Company-operated TIFFANY & CO. stores in (number of stores at January 31, 2014 included in parentheses): the U.K. (10), Germany (7), Italy (7), France (4), Spain (2), Switzerland (2), Austria (1), Belgium (1), the Czech Republic (1), Ireland (1) and the Netherlands (1). Included within these totals are seven Company-operated stores located within various department stores.

Internet Sales. The Company offers a selection of TIFFANY & CO. merchandise for purchase in the U.K., Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands and Spain through its websites, which are accessible through www.tiffany.com.

Wholesale Distribution. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in Europe. Such sales represent less than 1% of worldwide net sales.

Other

Other consists of all non-reportable segments, including: (i) retail sales and wholesale distribution in the Emerging Markets region; (ii) wholesale sales of diamonds; and (iii) licensing agreements.

Emerging Markets region. Since July 2012, retail sales have been transacted in five Company-operated TIFFANY & CO. stores in the United Arab Emirates ("U.A.E.") and, beginning in February 2014, in one Company-operated store in Russia. Additionally, selected TIFFANY & CO. merchandise is sold to independent distributors for resale in certain markets primarily in the Middle East, and through January 2014 in Russia. Such wholesale sales represent less than

1% of worldwide net sales.

TIFFANY & CO.

K-5

Table of Contents

Wholesale Sales of Diamonds. The Company regularly purchases parcels of rough diamonds for polishing and further processing. Some rough diamonds so purchased, and a small percentage of diamonds so polished, are found not to be suitable for Tiffany jewelry; those diamonds are sold to third parties. Management's objective from such sales is to recoup its original costs, thereby earning minimal, if any, gross margin on those transactions.

Licensing Agreements. The Company receives earnings from a licensing agreement with Luxottica Group for the distribution of TIFFANY & CO. brand eyewear. The licensing agreement with The Swatch Group Ltd. and one of its affiliates (together, the "Swatch Group") for TIFFANY & CO. brand watches was deemed terminated as of March 1, 2013. See "Item 3. Legal Proceedings" for additional information concerning the Swatch Group. The earnings received from licensing agreements represented less than 1% of worldwide net sales in 2013, 2012 and 2011.

Expansion of Operations

Management regularly evaluates potential markets for new TIFFANY & CO. stores with a view to the demographics of the area to be served, consumer demand and the proximity of other luxury brands and existing TIFFANY & CO. locations. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the Brand, but believes that there are a significant number of opportunities remaining in new and existing markets that will meet the requirements for a TIFFANY & CO. location in the future.

The following chart details the number of TIFFANY & CO. retail locations operated by the Company since 2003:

Year:	Americas						Total
	U.S.	Canada & Latin America	Asia-Pacific	Japan	Europe	Emerging Markets	
2003	51	7	22	50	11	—	141
2004	55	7	24	53	12	—	151
2005	59	7	25	50	13	—	154
2006	64	9	28	52	14	—	167
2007	70	10	34	53	17	—	184
2008	76	10	39	57	24	—	206
2009	79	12	45	57	27	—	220
2010	84	12	52	56	29	—	233
2011	87	15	58	55	32	—	247
2012	91	24	66	55	34	5	275
2013	94	27	72	54	37	5	289

As part of its long-term strategy to open additional stores, management plans to add 13 Company-operated stores and close four existing stores in 2014: opening four in the Americas, five in Asia-Pacific, two in Japan, and one each in Europe and Russia, while closing one each in the Americas, Asia-Pacific, Japan and the U.A.E.

As noted above, the Company currently operates e-commerce enabled websites in 13 countries. Sales transacted on those websites accounted for 6% of worldwide net sales in 2013, 2012 and 2011. The Company periodically invests in enhancing these websites and intends to expand its e-commerce sites to additional countries in the future.

TIFFANY & CO.

K-6

Table of Contents

Products

The Company's principal product category is jewelry, which represented 92%, 90% and 91% of worldwide net sales in 2013, 2012 and 2011. The Company offers an extensive selection of TIFFANY & CO. brand jewelry at a wide range of prices. Designs are developed by employees, suppliers, independent designers and independent "named" designers (see "MATERIAL DESIGNER LICENSE" below).

The Company also sells timepieces, leather goods, sterling silver goods (other than jewelry), china, crystal, stationery, fragrances and accessories, which represented, in total, 7%, 8% and 8% of worldwide net sales in 2013, 2012 and 2011. The remaining 1% - 2% of worldwide net sales were attributable to wholesale sales of diamonds and earnings received from third-party licensing agreements.

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

	% of total Americas Sales	% of total Asia-Pacific Sales	% of total Japan Sales	% of total Europe Sales	% of total Reportable Segment Sales	
2013						
Statement, fine & solitaire jewelry ^a	23	%27	%20	%19	%23	%
Engagement jewelry & wedding bands ^b	23	%36	%47	%25	%30	%
Fashion jewelry ^c	43	%35	%26	%53	%40	%
2012						
Statement, fine & solitaire jewelry ^a	20	%24	%17	%16	%20	%
Engagement jewelry & wedding bands ^b	23	%37	%48	%26	%30	%
Fashion jewelry ^c	45	%37	%28	%54	%41	%
2011						
Statement, fine & solitaire jewelry ^a	19	%25	%15	%16	%19	%
Engagement jewelry & wedding bands ^b	24	%37	%47	%24	%31	%
Fashion jewelry ^c	45	%35	%29	%55	%41	%

a) This category includes statement, fine and solitaire jewelry (other than engagement jewelry). Most sales in this category are of items containing diamonds, other gemstones or both. Most jewelry in this category is constructed of platinum, although gold was used as the primary metal in approximately 12% of sales in 2013. The average price of merchandise sold in 2013, 2012 and 2011 in this category was approximately \$4,600, \$4,300 and \$4,300 for total reportable segments.

b) This category includes engagement rings and wedding bands marketed to brides and grooms. Most sales in this category are of items containing diamonds. Most jewelry in this category is constructed of platinum, although gold was used as the primary metal in approximately 7% of sales in 2013. The average price of merchandise sold in 2013, 2012 and 2011 in this category was approximately \$3,600, \$3,500 and \$3,600 for total reportable segments.

TIFFANY & CO.

K-7

Table of Contents

c) This category generally consists of non-gemstone, sterling silver (approximately 60% of the category in 2013), gold or RUBEDO® metal (beginning in 2012) jewelry, although small gemstones are used as accents in some pieces. RUBEDO® metal is an alloy composed of copper, gold and silver which was developed by the Company. The average price of merchandise sold in 2013, 2012 and 2011 in this category was approximately \$300, \$295 and \$280 for total reportable segments.

The previously disclosed designer jewelry category, of items bearing the name of and attributed to one of the Company's "named" designers: Elsa Peretti, Paloma Picasso and Frank Gehry, has been reclassified into the three remaining categories to conform with management's current internal analysis of product sales.

ADVERTISING, MARKETING, PUBLIC AND MEDIA RELATIONS

The Company regularly advertises in newspapers, magazines and through digital media. Public and media relations activities are also significant to the Company's business. The Company engages in a program of media activities and marketing events to maintain consumer awareness of the Brand and TIFFANY & CO. products. It also publishes its well-known Blue Book to showcase its high-end jewelry. In 2013, 2012 and 2011, the Company spent \$247,466,000, \$242,524,000 and \$234,050,000, representing 6.1%, 6.4% and 6.4% of worldwide net sales in those respective years, on advertising, marketing, public and media relations, which include costs for media, production, catalogs, Internet, visual merchandising (in-store and window displays), marketing events and other related items.

In addition, management believes that the Brand is enhanced by a program of charity sponsorships, grants and merchandise donations. The Company also makes donations to The Tiffany & Co. Foundation, a private foundation organized to support 501(c)(3) charitable organizations. The efforts of this Foundation are primarily focused on environmental conservation and urban parks.

TRADEMARKS

The designations TIFFANY® and TIFFANY & CO.® are the principal trademarks of Tiffany, and also serve as tradenames. Tiffany has obtained and is the proprietor of trademark registrations for TIFFANY and TIFFANY & CO., as well as the TIFFANY BLUE BOX® and the color TIFFANY BLUE® for a variety of product categories and services in the U.S. and in other countries.

Tiffany maintains a program to protect its trademarks and institutes legal action where necessary to prevent others either from registering or using marks which are considered to create a likelihood of confusion with the Company or its products.

Tiffany has been generally successful in such actions and management considers that the Company's worldwide trademark rights in TIFFANY and TIFFANY & CO. are strong. However, use of the designation TIFFANY by third parties on related or unrelated goods or services, frequently transient in nature, may not come to the attention of Tiffany or may not rise to a level of concern warranting legal action.

Tiffany actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, counterfeit TIFFANY & CO. goods remain available in many markets because it is not possible or cost-effective to eradicate the problem. The cost of enforcement is expected to continue to rise. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, on the Internet and in various markets by street vendors and small retailers. Tiffany has responded to Internet counterfeiting by engaging investigators and counsel to monitor the Internet and taking various actions to stop infringing activity, including sending cease and desist letters, initiating civil proceedings and

participating in joint actions and anti-counterfeiting programs with other like-minded third party rights holders.

TIFFANY & CO.

K-8

Table of Contents

Despite the general fame of the TIFFANY and TIFFANY & CO. name and mark for the Company's products and services, Tiffany is not the sole person entitled to use the name TIFFANY in every category of use in every country of the world; for example, third parties have registered the name TIFFANY in the U.S. in the food services category, and in a number of foreign countries in respect of certain product categories (including, in a few countries, the categories of food, cosmetics, jewelry, clothing and tobacco products) under circumstances where Tiffany's rights were not sufficiently clear under local law, and/or where management concluded that Tiffany's foreseeable business interests did not warrant the expense of legal action.

MATERIAL DESIGNER LICENSE

Since 1974, Tiffany has been the sole licensee for the intellectual property rights necessary to make and sell jewelry and other products designed by Elsa Peretti and bearing her trademarks. The designs of Ms. Peretti accounted for 9%, 10% and 10% of the Company's worldwide net sales in 2013, 2012 and 2011.

In December 2012, Tiffany entered into an Amended and Restated Agreement (the "Peretti Agreement") with Ms. Peretti. Pursuant to the Peretti Agreement, which largely reflects the long-standing rights and marketing and royalty obligations of the parties, Ms. Peretti granted Tiffany an exclusive license, in all of the countries in which Peretti-designed jewelry and products are currently sold, to make, have made, advertise and sell these items. Ms. Peretti continues to retain ownership of the copyrights for her designs and her trademarks and remains entitled to exercise approval and consultation rights with respect to important aspects of the promotion, display, manufacture and merchandising of the products made in accordance with her designs. Under and in accordance with the terms set forth in the Peretti Agreement, Tiffany is required to display the licensed products in stores, to devote a portion of its advertising budget to the promotion of the licensed products, to pay royalties to Ms. Peretti for the licensed products sold, to maintain total on-hand and on-order inventory of non-jewelry licensed products (such as tabletop products) at approximately \$8,000,000 and to take certain actions to protect the use and registration of Ms. Peretti's copyrights and trademarks.

The Peretti Agreement has a term of 20 years and is binding upon Ms. Peretti, her heirs, estate, trustees and permitted assignees. During the term of the Peretti Agreement, Ms. Peretti may not sell, lease or otherwise dispose of her copyrights and trademarks unless the acquiring party expressly agrees with Tiffany to be bound by the provisions of the Peretti Agreement. The Peretti Agreement is terminable by Ms. Peretti only in the event of a material breach by Tiffany (subject to a cure period) or upon a change of control of Tiffany or the Company. It is terminable by Tiffany only in the event of a material breach by Ms. Peretti or following an attempt by Ms. Peretti to revoke the exclusive license (subject, in each case, to a cure period).

MERCHANDISE PURCHASING, MANUFACTURING AND RAW MATERIALS

The Company produces jewelry in New York, Rhode Island and Kentucky, and silver hollowware in Rhode Island. The Company processes, cuts and polishes diamonds at facilities outside the U.S. In total, those manufacturing facilities produce approximately 60% of merchandise sold by the Company. The balance, including almost all non-jewelry items, is purchased from third-parties. The Company may increase the percentage of internally-manufactured jewelry in the future, but management does not expect that the Company will ever manufacture all of its needs. Factors considered by management in its decision to use third-party manufacturers include product quality, gross margin, access to or mastery of various jewelry-making skills and technology, support for alternative capacity and the cost of capital investments.

Rough and Polished Diamonds. Of the world's largest diamond producing countries, the vast majority of diamonds purchased by the Company originate from Australia, Botswana, Canada, Namibia, Russia, Sierra

TIFFANY & CO.

K-9

Table of Contents

Leone and South Africa. The Company has established diamond processing operations that purchase, sort, cut and/or polish rough diamonds for its use. The Company has such operations in Belgium, Botswana, Mauritius, Namibia, South Africa and Vietnam, and intends to establish operations in Cambodia in 2014. The Company's operations in Botswana, Namibia and South Africa allow it to access rough diamond allocations reserved for local manufacturers as operations in those countries are conducted through companies in which local third-parties own minority, non-controlling interests. The Company maintains a relationship and has an arrangement with these local third-parties in each of those countries; however, if circumstances warranted, the Company could seek to replace its existing local partners.

In order to acquire rough diamonds, the Company must purchase mixed assortments of rough diamonds. It is thus necessary to knowingly purchase some rough diamonds that cannot be cut and polished to meet the Company's quality standards and that must be sold to third-parties; such sales are reported in the Other non-reportable segment. To make such sales, the Company charges a market price and is, therefore, unable to earn a significant profit, if any, above its original cost. Sales of rough diamonds in the Other non-reportable segment have had and are expected to continue to have the effect of modestly reducing the Company's overall gross margins.

The Company, from time to time, secures supplies of rough diamonds by agreeing to purchase a defined portion of a mine's output at the market price prevailing at the time of production. Under such agreements, management anticipates that it will purchase approximately \$200,000,000 of rough diamonds in 2014. In addition, the Company will also purchase rough diamonds from other suppliers, although it has no contractual obligations to do so. In certain instances, the Company has provided loans to, or made equity investments in, mining projects in order to secure diamond supplies. The Company may continue to do so.

Approximately 60% - 70% (by dollar value) of the polished diamonds used in jewelry is produced from rough diamonds that the Company has purchased. The balance of its needs for polished diamonds is purchased from polishers or polished-diamond dealers. It is the Company's intention to continue to supply the majority of its needs for diamonds by purchasing and polishing rough diamonds.

The Company purchases polished diamonds principally from four key vendors. The Company generally enters into purchase orders for fixed quantities with its polished-diamond vendors. These relationships may be terminated at any time by either party; but such a termination would not discharge either party's obligations under unfulfilled purchase orders accepted prior to the termination. However, were trade relations between the Company and one or more of these vendors to be disrupted, the Company's sales could be adversely affected in the short term until alternative supply arrangements could be established.

Products containing one or more diamonds of varying sizes, including diamonds used as accents, side-stones and center-stones, accounted for approximately 58%, 55% and 55% of worldwide net sales in 2013, 2012 and 2011. Products containing one or more diamonds of one carat or larger accounted for 15%, 13% and 14% of worldwide net sales in each of those years.

Conflict Diamonds. Media attention has been drawn to the issue of "conflict" or "blood" diamonds. These terms are used to refer to diamonds extracted from war-torn geographic regions and sold by rebel forces to fund insurrection. Allegations have also been made that trading in such diamonds supports terrorist activities. Management believes that it is not possible in most purchasing scenarios to distinguish conflict diamonds from diamonds produced in other regions once they have been polished. Therefore, concerned participants in the diamond trade, including the Company and nongovernment organizations, seek to exclude "conflict" or "blood" diamonds, which represent a small fraction of the world's supply, from legitimate trade through an international system of certification and legislation known as the Kimberly Process Certification Scheme. All rough diamonds the Company buys, crossing an international border, must be accompanied by a Kimberly Process certificate and all trades of rough and polished diamonds must conform

to a system of warranties that references the aforesaid scheme. It is not expected that such efforts will substantially affect the supply of diamonds. In addition, concerns over human rights abuses in

TIFFANY & CO.

K-10

Table of Contents

Zimbabwe underscore that the aforementioned system does not control diamonds produced in state-sanctioned mines under poor working conditions. The Company has informed its vendors that it does not intend to purchase Zimbabwean-produced diamonds. Accordingly, the Company has implemented the Diamond Source Warranty Protocol, which requires vendors to provide a warranty that loose polished diamonds were not obtained from Zimbabwean mines.

The Diamond Trading Company ("DTC"). The supply and prices of rough and polished diamonds in the principal world markets have been and continue to be influenced by the DTC, an affiliate of the De Beers Group. Over the past decade, the DTC's historical ability to control worldwide production has been significantly diminished due to its lower share of worldwide production, changing policies in diamond-producing countries and revised contractual arrangements with third-party mine operators. Although the market share of the DTC has diminished, the DTC continues to supply a meaningful portion of the world market for rough, gem-quality diamonds.

The DTC continues to exert influence on the demand for polished diamonds through the requirements it imposes on those ("sightholders") who purchase rough diamonds from the DTC. Some, but not all, of the Company's suppliers are DTC sightholders and it is estimated that a significant portion of the diamonds that it has purchased have had their source with the DTC. The Company is a DTC sightholder for rough diamonds through its operations in Belgium and its African joint ventures.

Worldwide Availability and Price of Diamonds. The availability and price of diamonds are dependent on a number of factors, including global consumer demand, the political situation in diamond-producing countries, the opening of new mines, the continuance of the prevailing supply and marketing arrangements for rough diamonds and levels of industry liquidity. In recent years, there has been substantial volatility in the prices of both rough and polished diamonds. Prices for rough diamonds do not necessarily reflect current demand for polished diamonds.

Sustained interruption in the supply of diamonds, an overabundance of supply or a substantial change in the marketing arrangements described above could adversely affect the Company and the retail jewelry industry as a whole. Changes in the marketing and advertising spending of the DTC and its direct purchasers could affect consumer demand for diamonds.

The Company purchases conflict-free rough and polished fine white diamonds, in the color ranges D through I. Management does not foresee a shortage of diamonds in this color range in the short term but believes that, unless new mines are developed, rising demand will eventually create such a shortage, and lead to higher prices.

Manufactured Diamonds. Manufactured diamonds are produced in small but growing quantities. Although significant questions remain as to the ability of producers to produce manufactured diamonds economically within a full range of sizes and natural diamond colors, and as to consumer acceptance of manufactured diamonds, manufactured diamonds are becoming a larger factor in the market. Should manufactured diamonds be offered in significant quantities, the supply of and prices for natural diamonds may be affected. The Company does not produce and does not intend to purchase or sell manufactured diamonds.

Purchases of Other Polished Gemstones and Precious Metals. Other polished gemstones and precious metals used in making jewelry are purchased from a variety of sources. Most purchases are from suppliers with which Tiffany enjoys long-standing relationships.

The Company generally enters into purchase orders for fixed quantities with other polished gemstone and precious metals vendors. These relationships may be terminated at any time by either party; such termination would not discharge either party's obligations under unfulfilled purchase orders accepted prior to the termination.

TIFFANY & CO.
K-11

Table of Contents

The Company purchases precious metals for use in its internal manufacturing operations and for use by third-party manufacturers contracted to supply Tiffany merchandise. While the Company may supply precious metals to a manufacturer, it cannot determine, in all circumstances, whether the finished goods provided by such manufacturer were actually produced with Tiffany-supplied precious metals. Additionally, not all precious metals used by third-party vendors or in the Company's own manufacturing operations are sourced from a single mine or refinery.

In recent years, there has been substantial volatility in the prices of precious metals.

The Company believes that there are numerous alternative sources for other polished gemstones and precious metals and that the loss of any single supplier would not have a material adverse effect on its operations.

Finished Jewelry. Finished jewelry is purchased from approximately 60 manufacturers, most of which have long-standing relationships with the Company. However, the Company does not enter into long-term supply arrangements with its finished goods vendors. The Company does enter into written blanket purchase order agreements with nearly all of its finished goods vendors. These relationships may be terminated at any time by either party; such termination would not discharge either party's obligations under unfulfilled purchase orders accepted prior to termination. The blanket purchase order agreements establish non-price terms by which the Company may purchase and by which vendors may sell finished goods to the Company. These terms include payment terms, shipping procedures, product quality requirements, merchandise specifications and vendor social responsibility requirements. The Company actively seeks alternative sources for its top-selling jewelry items to mitigate any potential disruptions in supply. However, due to the craftsmanship involved in a small number of designs, the Company may have difficulty finding readily available alternative suppliers for those jewelry designs in the short term.

Watches. Prior to 2007, the Company arranged for the production of TIFFANY & CO. brand watches with various third-party Swiss component manufacturers and assemblers. In 2007, the Company entered into a 20-year license and distribution agreement (the "Agreement") with the Swatch Group for the manufacture and distribution of TIFFANY & CO. brand watches. In December 2013, an arbitral panel deemed the Agreement terminated effective March 1, 2013. See "Item 3. Legal Proceedings" for additional information regarding the arbitration proceeding. Royalties payable to the Company under the Agreement were not significant in any year and watches manufactured under the Agreement and sold in TIFFANY & CO. stores constituted 1% of worldwide net sales in 2013, 2012 and 2011.

The Company is proceeding with plans to design, produce, market and distribute TIFFANY & CO. brand watches. The effective development and growth of this watch business will require additional resources and will involve risks and uncertainties. Additionally, the continued presence in the retail market of TIFFANY & CO. brand watches produced under the Agreement may negatively impact the Company's sales and marketing efforts for newly produced watches. Under the Agreement, the Swatch Group has the right to sell, for two years following termination of the Agreement, watches marked with the TIFFANY & CO. trademark which were on hand at the time of termination.

COMPETITION

The global jewelry industry is competitively fragmented. The Company encounters significant competition in all product lines. Some competitors specialize in just one area in which the Company is active. Many competitors have established worldwide, national or local reputations for style, quality, expertise and customer service similar to the Company and compete on the basis of that reputation. Certain other jewelers and retailers compete primarily through advertised price promotion. The Company competes on the basis of the Brand's reputation for high-quality products, customer service and distinctive merchandise and does not engage in price promotional advertising.

TIFFANY & CO.
K-12

Table of Contents

Competition for engagement jewelry sales is particularly and increasingly intense. The Company's retail price for diamond jewelry reflects the rarity of the stones it offers and the rigid parameters it exercises with respect to the cut, clarity and other diamond quality factors which increase the beauty of the diamonds, but which also increase the Company's cost. The Company competes in this market by emphasizing quality.

SEASONALITY

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing approximately one-third of annual net sales and a higher percentage of annual net earnings. Management expects such seasonality to continue.

EMPLOYEES

As of January 31, 2014, the Company employed an aggregate of approximately 10,600 full-time and part-time persons. Of those employees, approximately 5,200 are employed in the United States.

AVAILABLE INFORMATION

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may read and copy these materials at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding Tiffany & Co. and other companies that electronically file materials with the SEC. Copies of the Company's annual reports on Form 10-K, Forms 10-Q and Forms 8-K may be obtained, free of charge, on the Company's website at <http://investor.tiffany.com/financials.cfm>.

Item 1A. Risk Factors.

As is the case for any retailer, the Company'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 Company and/or the markets in which it operates. The following "risk factors" are specific to the Company; these risk factors affect the likelihood that the Company will achieve the financial objectives and expectations communicated by management:

(i) Challenging global economic conditions and related low levels of consumer confidence over a prolonged period of time could adversely affect the Company's sales.

As a retailer of goods which are discretionary purchases, the Company's sales results are particularly sensitive to changes in economic conditions and consumer confidence. Consumer confidence is affected by general business conditions; changes in the market value of securities and real estate; inflation; interest rates and the availability of consumer credit; tax rates; and expectations of future economic conditions and employment prospects.

Consumer spending for discretionary goods generally declines during times of falling consumer confidence, which negatively affects the Company's earnings because of its cost base and inventory investment.

TIFFANY & CO.

K-13

Table of Contents

Certain competitors may react to any declines in consumer confidence by reducing retail prices and promoting such reductions; such reductions and/or inventory liquidations can have a short-term adverse effect on the Company's sales, especially given the Company's policy of not engaging in price promotional activity.

The Company has invested in and operates a significant number of stores in Greater China and anticipates significant further expansion. Should the Chinese economy experience an economic slowdown, the sales and profitability of stores in Greater China as well as stores in other markets that serve Chinese tourists could be affected.

Uncertainty surrounding the current global economic environment makes it more difficult for the Company to forecast operating results. The Company's forecasts employ the use of estimates and assumptions. Actual results could differ from forecasts, and those differences could be material.

(ii) Sales may decline or remain flat in the Company's fourth fiscal quarter, which includes the Holiday selling season.

The Company's business is seasonal in nature, with the fourth quarter typically representing approximately one-third of annual net sales and a higher percentage of annual net earnings. Poor sales results during the fourth quarter would have a material adverse effect on sales and earnings and would result in higher inventories.

(iii) The Company conducts significant operations outside the United States, and the risks of doing business internationally could increase its costs, reduce its profits or disrupt its business.

The Company generates a majority of its worldwide net sales outside the United States. It also has foreign manufacturing operations, and relies on certain foreign third-party vendors and suppliers. In addition, the Company maintains investments in, and provides loans to, certain foreign suppliers. As a result, the Company is subject to the risks of doing business outside the United States, including:

- the laws, regulations and policies of foreign governments relating to investments, loans and operations, the costs or desirability of complying with local practices and customs and the impact of various anti-corruption and other laws affecting the activities of U.S. companies abroad;
- potential negative consequences from changes in taxation policies or currency restructurings;
- import and export licensing requirements and regulations, as well as unforeseen changes in regulatory requirements;
- economic instability in foreign countries;
- the difficulty of managing an organization doing business in many jurisdictions;
- uncertainties as to enforcement of certain contract and other rights;
- the potential for rapid and unexpected changes in government, economic and political policies, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation; and
- inventory risk exposures related to providing raw materials to foreign vendors.

While these factors and the effect of these factors are difficult to predict, any one or more of them could lower the Company's revenues, increase its costs, reduce its earnings or disrupt its business.

TIFFANY & CO.

K-14

Table of Contents

(iv) Regional instability and conflict could disrupt tourist travel and local consumer spending.

Unsettled regional and global conflicts or crises such as military actions, terrorist activities, natural disasters, government regulations or other conditions creating disruptions or disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions and local consumer spending where the Company operates retail stores, could adversely affect its sales and earnings.

(v) Weakening foreign currencies may negatively affect the Company's sales and profitability.

The Company operates retail stores in various countries outside of the U.S. and, as a result, is exposed to market risk from fluctuations in foreign currency exchange rates. In 2013, sales in countries outside of the U.S. in aggregate represented more than half of the Company's net sales and earnings from operations, of which Japan represented 14% of the Company's net sales and 27% of the Company's earnings from operations before other operating expenses. In order to maintain its worldwide relative pricing structure, a substantial weakening of foreign currencies against the U.S. dollar would require the Company to raise its retail prices or reduce its profit margins in various locations outside of the U.S. Consumers in those markets may not accept significant price increases on the Company's goods; thus, there is a risk that a substantial weakening of foreign currencies would result in reduced sales and profitability.

The results of operations of the Company's international subsidiaries are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into U.S. dollars during the process of financial statement consolidation. If the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions would decrease consolidated net sales and profitability.

In addition, a weakening in foreign currency exchange rates may create disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Company operates retail stores which could adversely affect its net sales and profitability.

(vi) Volatile global economic conditions may have a material adverse effect on the Company's liquidity and capital resources.

The global economy and the credit and equity markets have undergone significant disruption in recent years. Any prolonged economic weakness could have an adverse effect on the Company's cost of borrowing, could diminish its ability to service or maintain existing financing and could make it more difficult for the Company to obtain additional financing or to refinance existing long-term obligations. In addition, any significant deterioration in the equity markets could negatively affect the valuation of pension plan assets and result in increased minimum funding requirements.

(vii) Changes in the Company's product or geographic sales mix could affect the Company's profitability.

The Company sells an extensive selection of jewelry and other merchandise at a wide range of retail price points that yield different gross profit margins. Additionally, the Company's geographical regions achieve different operating profit margins due to a variety of factors including product mix, store size and occupancy costs, labor costs, retail pricing and fixed versus variable expenses. If the Company's sales mix were to shift toward products or geographic regions that are significantly different than the Company's plans, it could have an effect, either positively or negatively, on its expected profitability.

(viii) Changes in costs of diamonds and precious metals or reduced supply availability may adversely affect the Company's ability to produce and sell products at desired profit margins.

Most of the Company's jewelry and non-jewelry offerings are made with diamonds, gemstones and/or precious metals. Acquiring diamonds is difficult because of limited supply and the Company may not be

TIFFANY & CO.

K-15

Table of Contents

able to maintain a comprehensive selection of diamonds in each retail location due to the broad assortment of sizes, colors, clarity grades and cuts demanded by customers. A significant change in the costs or supply of these commodities could adversely affect the Company's business, which is vulnerable to the risks inherent in the trade for such commodities. A substantial increase or decrease in the cost or supply of raw materials and/or high-quality rough and polished diamonds within the quality grades, colors and sizes that customers demand could affect, negatively or positively, customer demand, sales and gross profit margins.

If trade relationships between the Company and one or more of its significant vendors were disrupted, the Company's sales could be adversely affected in the short-term until alternative supply arrangements could be established.

(ix) The Company may be unable to lease sufficient space for its retail stores in prime locations.

The Company, positioned as a luxury goods retailer, has established its retail presence in choice store locations. If the Company cannot secure and retain locations on suitable terms in prime and desired luxury shopping locations, its expansion plans, sales and earnings will be jeopardized.

In Japan, many of the TIFFANY & CO. stores are located in department stores generating 77% of the net sales in Japan and 11% of worldwide net sales in 2013. In the past decade, the Japanese department store industry has, in general, suffered declining sales and there is a risk that such financial difficulties will force further consolidations or store closings. Should one or more Japanese department store operators elect or be required to close one or more stores now housing a TIFFANY & CO. store, the Company's sales and earnings would be reduced while alternative premises were being obtained. The Company's commercial relationships with department stores in Japan, and their respective abilities to continue as leading department store operators, have been and will continue to be substantial factors affecting the Company's business in Japan.

(x) The value of the TIFFANY & CO. and TIFFANY trademarks could decline due to third-party use and infringement.

The TIFFANY & CO. and TIFFANY trademarks are assets that are essential to the competitiveness and success of the Company's business, and the Company takes appropriate action to protect them. The Company actively pursues those who produce or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, use of the designation TIFFANY by third parties on related goods or services and the Company's failure or inability to protect against such use could adversely affect and dilute the value of the TIFFANY & CO. brand.

Notwithstanding the general success of the Company's enforcement actions, such actions have not stopped the imitation and counterfeiting of the Company's merchandise or the infringement of the trademark, and counterfeit TIFFANY & CO. goods remain available in most markets. In recent years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, on the Internet and in various markets by street vendors and small retailers. The continued sale of counterfeit merchandise could have an adverse effect on the TIFFANY & CO. brand by undermining the Company's reputation for quality goods and making such goods appear less desirable to consumers of luxury goods. Damage to the TIFFANY & CO. brand would result in lost sales and earnings.

(xi) The Company's business is dependent upon the distinctive appeal of the TIFFANY & CO. brand.

The TIFFANY & CO. brand's association with quality, luxury and exclusivity is integral to the success of the Company's business. The Company's expansion plans for retail and direct selling operations and merchandise development, production and management support the appeal of the TIFFANY & CO. brand. Consequently, poor

maintenance, promotion and positioning of the TIFFANY & CO. brand, as well as

TIFFANY & CO.

K-16

Table of Contents

market over-saturation, may adversely affect the business by diminishing the distinctive appeal of the TIFFANY & CO. brand and tarnishing its image. This would result in lower sales and earnings.

In addition, adverse publicity regarding TIFFANY & CO. products or in respect of the Company's third-party vendors or the diamond or jewelry industry, and any media coverage resulting there from, may harm the TIFFANY & CO. brand and reputation, cause a loss of consumer confidence in the TIFFANY & CO. brand and the industry, and negatively affect the Company's results of operations. The considerable expansion in the use of social media over recent years has compounded the potential scope of the negative publicity that could be generated by such incidents.

(xii) If diamond mining and exploration companies, to which the Company or its subsidiaries have provided financing, were to experience financial difficulties, those funds might not be recovered, which would reduce the Company's earnings and could result in losing access to the mine's output.

The Company and its subsidiaries may, from time to time, provide financing to diamond mining and exploration companies in order to obtain rights to purchase mining output. As of January 31, 2014, the carrying amount of receivables was \$72,994,000 under these arrangements, of which more than \$50,000,000 was related to one mining and exploration company. Mining operations are inherently risky, and there is no assurance that the diamond mining and exploration companies under these arrangements will be able to meet their obligations to the Company. If a diamond mining or exploration company defaults under these financings, the Company would be required to take a period charge in respect of all or a portion of the financing, which would affect the Company's earnings. Additionally, the Company could lose access to the mine's output under the related supply agreements. The Company has experienced such situations in the past.

(xiii) A significant privacy breach of the Company's information systems could affect its business.

The protection of customer, employee and company data is important to the Company, and the Company's customers and employees expect that their personal information will be adequately protected. In addition, the regulatory environment surrounding information security and privacy is becoming increasingly demanding, with evolving requirements in the various jurisdictions in which the Company does business. Although the Company has developed and implemented systems and processes that are designed to protect personal and Company information and prevent data loss and other security breaches, such measures cannot provide absolute security. Additionally, the Company's increased use and reliance on web-based hosted (i.e. cloud computing) applications and systems for the storage, processing and transmission of information, including customer and employee information, could expose the Company, its employees and its customers to a risk of loss or misuse of such information. A significant breach of customer, employee or company data could damage the Company's reputation, its relationship with customers and the TIFFANY & CO. brand and could result in lost sales, sizable fines, significant breach-notification costs and lawsuits as well as adversely affect results of operations.

(xiv) Failure to successfully implement or make changes to information systems could disrupt or negatively impact the Company's business.

In the ordinary course of business, the Company regularly evaluates and makes changes and upgrades to its information systems. The Company has commenced a multi-year effort to evaluate and, where appropriate, to upgrade and/or replace certain of its information systems, including systems for global customer relationship management, order management and inventory management. These system changes and upgrades can require significant capital investments and dedication of resources. While the Company follows a disciplined methodology when evaluating and making such changes, there can be no assurances that the Company will successfully implement such changes, that such changes will occur without disruptions to its operations or that the new or upgraded systems will achieve the desired business objectives. Any such disruptions, or the failure to successfully implement new or upgraded systems

such

TIFFANY & CO.

K-17

Table of Contents

as those referenced above, could have a material adverse effect on the Company's results of operations and could also affect the Company's reputation, its relationship with customers and the TIFFANY & CO. brand.

(xv) The loss, or a prolonged disruption in the operation, of the Company's centralized distribution centers could adversely affect its business and operations.

The Company maintains two separate distribution centers in close proximity to one another in New Jersey. Both are dedicated to warehousing merchandise; one handles worldwide store replenishment and the other processes direct-to-customer orders. Although the Company believes that it has appropriate contingency plans, unforeseen disruptions impacting one or both locations for a prolonged period of time may result in delays in the delivery of merchandise to stores or in fulfilling customer orders.

(xvi) The Company is engaged in efforts to design, produce, market and distribute TIFFANY & CO. brand watches; however, there is no assurance that the Company will be able to effectively develop its new watch business or that such business will be successful.

The Company is proceeding with plans to design, produce, market and distribute TIFFANY & CO. brand watches through a Swiss subsidiary. The effective development and growth of a watch business requires additional resources and involves risks and uncertainties, including: (i) upfront and ongoing expenditures, many of which will precede sales to customers; (ii) the need to hire highly specialized and experienced personnel; (iii) new regulatory requirements; (iv) dependence on unfamiliar supply chains and relatively small supply partners; (v) production and distribution inefficiencies; and (vi) the need to integrate operations with the Company's existing business models. In addition, as with any new business, the Company will be competing with businesses with stronger market positions and will be required to invest significant resources in marketing to build customer awareness and to establish product differentiation. Despite the Company's efforts, there is, however, no assurance that the Company will be able to effectively develop its new watch business or that such business will be successful in growing the Company's revenues or enhancing its profitability.

Item 1B. Unresolved Staff Comments.

NONE

TIFFANY & CO.
K-18

Table of Contents

Item 2. Properties.

The Company leases its various store premises (other than the New York Flagship store, which is owned by the Company) under arrangements that generally range from 3 to 10 years. The following table provides information on the number of locations and square footage of Company-operated TIFFANY & CO. stores as of January 31, 2014:

	Total Stores	Total Gross Retail Square Footage	Gross Retail Square Footage Range	Average Gross Retail Square Footage
Americas:				
New York Flagship	1	45,500	45,500	45,500
Other stores	120	659,700	500 - 17,600	5,500
Asia-Pacific	72	183,800	700 - 12,800	2,600
Japan:				
Tokyo Ginza	1	12,000	12,000	12,000
Other stores	53	130,300	900 - 7,500	2,500
Europe:				
London Old Bond Street	1	22,400	22,400	22,400
Other stores	36	104,900	600 - 7,100	2,900
Emerging Markets	5	7,100	400 - 3,600	1,400
Total	289	1,165,700	400 - 45,500	4,000

NEW YORK FLAGSHIP STORE

The Company owns the building housing its New York Flagship store at 727 Fifth Avenue, which was designed to be a retail store for Tiffany and is well located for this function. Currently, approximately 45,500 gross square feet of this 124,000 square foot building are devoted to retail sales, with the balance devoted to administrative offices, certain product services, jewelry manufacturing and storage. The New York Flagship store is the focal point for marketing and public relations efforts. Retail sales in the New York Flagship store represented 8% of worldwide net sales in 2013, 2012 and 2011.

RETAIL SERVICE CENTER

The Company's Retail Service Center ("RSC"), located in Parsippany, New Jersey, comprises approximately 370,000 square feet. Approximately half of the building is devoted to office and information technology operations and half to warehousing, shipping, receiving, merchandise processing and other distribution functions. The RSC receives merchandise and replenishes retail stores. The Company has a 20-year lease for this facility, which expires in 2025, and has two 10-year renewal options.

CUSTOMER FULFILLMENT CENTER

The Company owns the Customer Fulfillment Center ("CFC") in Whippany, New Jersey and leases the land on which the facility resides. The CFC is approximately 266,000 square feet and is primarily used for warehousing merchandise and processing direct-to-customer orders. The land lease expires in 2032 and the Company has the right to renew the lease for an additional 20-year term.

TIFFANY & CO.
K-19

Table of Contents

MANUFACTURING FACILITIES

The Company owns and operates jewelry manufacturing facilities in Cumberland, Rhode Island, Mount Vernon, New York and Lexington, Kentucky and leases a jewelry manufacturing facility in Pelham, New York. That lease expires in 2023. The owned and leased facilities total approximately 195,000 square feet.

The Company leases facilities in Belgium, South Africa and Mauritius and owns facilities in Botswana, Cambodia, Namibia and Vietnam (although the land in Cambodia, Namibia and Vietnam is leased) that sort, cut and/or polish rough diamonds for use by Tiffany. These facilities total approximately 275,000 square feet and the lease expiration dates range from 2014 to 2062.

Item 3. Legal Proceedings.

Arbitration Award. On December 21, 2013, an award was issued (the "Arbitration Award") in favor of The Swatch Group Ltd. ("Swatch") and its wholly-owned subsidiary Tiffany Watch Co. ("Watch Company"; Swatch and Watch Company, together, the "Swatch Parties") in an arbitration proceeding (the "Arbitration") between the Registrant and its wholly-owned subsidiaries, Tiffany and Company and Tiffany (NJ) Inc. (the Registrant and such subsidiaries, together, the "Tiffany Parties") and the Swatch Parties.

The Arbitration was initiated in June 2011 by the Swatch Parties, who sought damages for alleged breach of agreements entered into, by and among the Swatch Parties and the Tiffany Parties in December 2007 (the "Agreements"). The Agreements pertained to the development and commercialization of a watch business and, among other things, contained various licensing and governance provisions and approval requirements relating to business, marketing and branding plans and provisions allocating profits relating to sales of the watch business between the Swatch Parties and the Tiffany Parties.

In general terms, the Swatch Parties alleged that the Tiffany Parties breached the Agreements by obstructing and delaying development of Watch Company's business and otherwise failing to proceed in good faith. The Swatch Parties sought damages based on alternate theories ranging from CHF 73,000,000 (or approximately \$81,000,000 at January 31, 2014) (based on its alleged wasted investment) to CHF 3,800,000,000 (or approximately \$4,200,000,000 at January 31, 2014) (calculated based on alleged future lost profits of the Swatch Parties and their affiliates over the entire term of the Agreements).

The Registrant believes that the claims of the Swatch Parties are without merit. In the Arbitration, the Tiffany Parties defended against the Swatch Parties' claims vigorously, disputing both the merits of the claims and the calculation of the alleged damages. The Tiffany Parties also asserted counterclaims for damages attributable to breach by the Swatch Parties, stemming from the Swatch Parties' September 12, 2011 public issuance of a Notice of Termination purporting to terminate the Agreements due to alleged material breach by the Tiffany Parties, and for termination due to such breach. In general terms, the Tiffany Parties alleged that the Swatch Parties did not have grounds for termination, failed to meet the high standard for proving material breach set forth in the Agreements and failed to provide appropriate management, distribution, marketing and other resources for TIFFANY & CO. brand watches and to honor their contractual obligations to the Tiffany Parties regarding brand management. The Tiffany Parties' counterclaims sought damages based on alternate theories ranging from CHF 120,000,000 (or approximately \$133,000,000 at January 31, 2014) (based on its wasted investment) to approximately CHF 540,000,000 (or approximately \$598,000,000 at January 31, 2014) (calculated based on alleged future lost profits of the Tiffany Parties).

TIFFANY & CO.
K-20

Table of Contents

The Arbitration hearing was held in October 2012 before a three-member arbitral panel convened in the Netherlands pursuant to the Arbitration Rules of the Netherlands Arbitration Institute (the "Rules"), and the Arbitration record was completed in February 2013.

Under the terms of the Arbitration Award, and at the request of the Swatch Parties and the Tiffany Parties, the Agreements were deemed terminated as of March 1, 2013. Pursuant to the Arbitration Award, the Tiffany Parties were ordered to pay the Swatch Parties damages of CHF 402,737,000 (the "Arbitration Damages"), as well as interest from June 30, 2012 to the date of payment, two-thirds of the cost of the Arbitration and two-thirds of the Swatch Parties' legal fees, expenses and costs. These amounts were paid in full in January 2014.

Additionally, in connection with the Arbitration Award, the Company amended the terms of certain credit facilities and Unsecured Senior Note agreements. See "Item 8. Financial Statements and Supplementary Data - Note H - Debt" for additional details of these amendments.

Prior to the ruling of the arbitral panel, no accrual was established in the Company's consolidated financial statements because management did not believe the likelihood of an award of damages to the Swatch Parties was probable. As a result of the ruling, in the fourth quarter of 2013, the Company recorded a charge of \$480,211,000, which includes the damages, interest, and other costs associated with the ruling and which has been classified as Arbitration award expense in the consolidated statement of earnings.

On March 31, 2014, the Tiffany Parties took action in the courts of the Netherlands to annul the Arbitration Award. Generally, arbitration awards are final; however, Dutch law does provide for limited grounds on which arbitral awards may be set aside. The Tiffany Parties have petitioned to annul the Arbitration Award on these statutory grounds. These grounds include, for example, that the arbitral tribunal violated its mandate by changing the express terms of the Agreements.

Management expects that the annulment action will not be ultimately resolved for at least two years; however, if the Arbitration Award is finally annulled, management anticipates that the claims and counterclaims that formed the basis of the Arbitration, and potentially additional claims and counterclaims, will be litigated in court proceedings between and among the Swatch Parties and the Tiffany Parties. The identity and location of the courts that would hear such actions cannot be determined at this time.

In any such litigation, issues of liability and damages will be pled and determined without regard to the findings of the arbitral panel. As such, it is possible that the court could find that the Swatch Parties were in material breach of their obligations under the Agreements, that the Tiffany Parties were in material breach of their obligations under the Agreements or that neither the Swatch Parties nor the Tiffany Parties were in material breach. If the Swatch Parties' claims of liability were accepted by the court, the damages award cannot be reasonably estimated at this time, but could exceed the Arbitration Damages and could have a material adverse effect on the Registrant's consolidated financial statements or liquidity.

Management has not established any accrual in the Company's consolidated financial statements for the year ended January 31, 2014 related to the annulment process or any potential subsequent litigation because it does not believe that an annulment of the Arbitration Award and the subsequent award of damages exceeding the Arbitration Damages is probable.

Royalties payable to the Tiffany Parties by Watch Company under the Agreements were not significant in any year and watches manufactured by Watch Company and sold in TIFFANY & CO. stores constituted 1% of worldwide net sales in 2013, 2012 and 2011.

TIFFANY & CO.
K-21

Table of Contents

The Company is proceeding with plans to design, produce, market and distribute TIFFANY & CO. brand watches through a Swiss subsidiary. The effective development and growth of this watch business will require additional resources and will involve risks and uncertainties.

Other Matters. The Company is from time to time involved in routine litigation incidental to the conduct of its business, including proceedings to protect its trademark rights, litigation with parties claiming infringement of patents and other intellectual property rights by the Company, litigation instituted by persons alleged to have been injured upon premises under the Company's control and litigation with present and former employees and customers. Although litigation with present and former employees is routine and incidental to the conduct of the Company's business, as well as for any business employing significant numbers of employees, such litigation can result in large monetary awards when a civil jury is allowed to determine compensatory and/or punitive damages for actions claiming discrimination on the basis of age, gender, race, religion, disability or other legally-protected characteristic or for termination of employment that is wrongful or in violation of implied contracts. However, the Company believes that litigation currently pending to which it is a party or to which its properties are subject will be resolved without any material adverse effect on the Company's financial position, earnings or cash flows.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Registrant's Common Stock is traded on the New York Stock Exchange. In consolidated trading, the high and low selling prices per share for shares of such Common Stock for 2013 were:

	High	Low
First Quarter	\$ 74.20	\$ 61.42
Second Quarter	\$ 81.25	\$ 70.70
Third Quarter	\$ 83.33	\$ 73.63
Fourth Quarter	\$ 93.64	\$ 78.15

On March 24, 2014, the high and low selling prices quoted on such exchange were \$90.07 and \$86.70. On March 24, 2014, there were 15,645 holders of record of the Registrant's Common Stock.

In consolidated trading, the high and low selling prices per share for shares of such Common Stock for 2012 were:

	High	Low
First Quarter	\$ 74.20	\$ 63.29
Second Quarter	\$ 69.41	\$ 49.72
Third Quarter	\$ 65.92	\$ 52.76
Fourth Quarter	\$ 66.78	\$ 55.83

TIFFANY & CO.

K-22

Table of Contents

It is the Company's policy to pay a quarterly dividend on its Common Stock, subject to declaration by its Board of Directors. In 2012, a dividend of \$0.29 per share of Common Stock was paid on April 10, 2012. On May 17, 2012, the Company announced a 10% increase in its regular quarterly dividend rate to a new rate of \$0.32 per share of Common Stock which was paid on July 10, 2012, October 10, 2012 and January 10, 2013.

In 2013, a dividend of \$0.32 per share of Common Stock was paid on April 10, 2013. On May 16, 2013, the Company announced a 6% increase in its regular quarterly dividend rate to a new rate of \$0.34 per share of Common Stock which was paid on July 10, 2013, October 10, 2013 and January 10, 2014.

In calculating the aggregate market value of the voting stock held by non-affiliates of the Company shown on the cover page of this Annual Report on Form 10-K, 1,023,625 shares of Common Stock beneficially owned by the executive officers and directors of the Company (exclusive of shares which may be acquired on exercise of employee stock options) were excluded, on the assumption that certain of those persons could be considered "affiliates" under the provisions of Rule 405 promulgated under the Securities Act of 1933.

The following table contains the Company's purchases of equity securities in the fourth quarter of 2013:

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
November 1, 2013 to November 30, 2013	—	\$ —	—	\$163,794,000
December 1, 2013 to December 31, 2013	—	\$ —	—	\$163,794,000
January 1, 2014 to January 31, 2014	—	\$ —	—	\$ —
TOTAL	—	\$ —	—	\$ —

In January 2011, the Company's Board of Directors approved a new stock repurchase program ("2011 Program") and terminated the previously-existing program. The 2011 Program authorized the Company to repurchase up to \$400,000,000 of its Common Stock through open market or private transactions. In January 2013, the Board of Directors extended the expiration date of the 2011 Program to January 31, 2014. The 2011 Program expired on January 31, 2014.

TIFFANY & CO.
K-23

Table of Contents

Item 6. Selected Financial Data.

The following table sets forth selected financial data, certain of which have been derived from the Company's consolidated financial statements for fiscal years 2009-2013, which ended on January 31 of the following calendar year:

(in thousands, except per share

amounts, percentages, ratios, stores and employees)	2013 ^a	2012	2011 ^b	2010 ^c	2009 ^d	
EARNINGS DATA						
Net sales	\$4,031,130	\$3,794,249	\$3,642,937	\$3,085,290	\$2,709,704	
Gross profit	2,340,443	2,163,284	2,151,154	1,822,278	1,530,219	
Selling, general & administrative expenses	1,555,903	1,466,067	1,442,728	1,227,497	1,089,727	
Net earnings from continuing operations	181,369	416,157	439,190	368,403	265,676	
Net earnings	181,369	416,157	439,190	368,403	264,823	
Net earnings from continuing operations per diluted share	1.42	3.25	3.40	2.87	2.12	
Net earnings per diluted share	1.41	3.25	3.40	2.87	2.11	
Weighted-average number of diluted common shares	128,867	127,934	129,083	128,406	125,383	
BALANCE SHEET AND CASH FLOW DATA						
Total assets	\$4,752,351	\$4,630,850	\$4,158,992	\$3,735,669	\$3,488,360	
Cash and cash equivalents	345,778	504,838	433,954	681,591	785,702	
Inventories, net	2,326,580	2,234,334	2,073,212	1,625,302	1,427,855	
Short-term borrowings and long-term debt (including current portion)	1,003,519	959,272	712,147	688,240	754,049	
Stockholders' equity	2,733,968	2,611,318	2,348,905	2,177,475	1,883,239	
Working capital	2,531,648	2,564,997	2,262,998	2,204,632	1,845,393	
Cash flows from operating activities	154,652	328,290	210,606	298,925	687,199	
Capital expenditures	221,452	219,530	239,443	127,002	75,403	
Stockholders' equity per share	21.31	20.57	18.54	17.15	14.91	
Cash dividends paid per share	1.34	1.25	1.12	0.95	0.68	
RATIO ANALYSIS AND OTHER DATA						
As a percentage of net sales:						
Gross profit	58.1	% 57.0	% 59.0	% 59.1	% 56.5	%
Selling, general & administrative expenses	38.6	% 38.6	% 39.6	% 39.8	% 40.2	%
Net earnings from continuing operations	4.5	% 11.0	% 12.1	% 11.9	% 9.8	%
Net earnings	4.5	% 11.0	% 12.1	% 11.9	% 9.8	%
Capital expenditures	5.5	% 5.8	% 6.6	% 4.1	% 2.8	%
Return on average assets	3.9	% 9.5	% 11.1	% 10.2	% 8.0	%
Return on average stockholders' equity	6.8	% 16.8	% 19.4	% 18.1	% 15.3	%
Total debt-to-equity ratio	36.7	% 36.7	% 30.3	% 31.6	% 40.0	%

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Dividends as a percentage of net earnings	93.9	% 38.1	% 32.5	% 32.7	% 31.9	%
Company-operated TIFFANY & CO. stores	289	275	247	233	220	
Number of employees	10,600	9,900	9,800	9,200	8,400	

TIFFANY & CO.
K-24

Table of Contents

NOTES TO SELECTED FINANCIAL DATA

a. Financial information and ratios for 2013 include \$482,101,000 of net pre-tax expense (\$299,188,000 net after-tax expense, or \$2.32 per diluted share after tax):

\$480,211,000 pre-tax expense associated with the Swatch arbitration award and \$7,489,000 pre-tax income associated with foreign currency transaction gains on this expense. See "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies" for additional information regarding the arbitration proceeding; and \$9,379,000 pre-tax expense associated with severance related to staffing reductions and subleasing of certain office space for which only a portion of the Company's future rent obligations will be recovered.

b. Financial information and ratios for 2011 include \$42,719,000 of net pre-tax expense (\$25,994,000 net after-tax expense, or \$0.20 per diluted share after tax) associated with the relocation of Tiffany's New York headquarters staff to a single location. This expense is primarily related to the fair value of the remaining non-cancelable lease obligations reduced by the estimated sublease rental income as well as the acceleration of the useful lives of certain property and equipment, incremental rent during the transition period and lease termination payments.

c. Financial information and ratios for 2010 include the following amounts, totaling \$17,635,000 of net pre-tax expense (\$7,672,000 net after-tax expense, or \$0.06 per diluted share after tax):

\$17,635,000 pre-tax expense associated with the relocation of Tiffany's New York headquarters staff to a single location. This expense is primarily related to the acceleration of the useful lives of certain property and equipment and incremental rent during the transition period; and

\$3,096,000 net income tax benefit primarily due to a change in the tax status of certain subsidiaries associated with the acquisition in 2009 of additional equity interests in diamond sourcing and polishing operations.

d. Financial information and ratios for 2009 include the following amounts, totaling \$442,000 of net pre-tax income (\$10,456,000 net after-tax income, or \$0.08 per diluted share after tax):

\$4,000,000 pre-tax expense related to the termination of a third-party management agreement;

\$4,442,000 pre-tax income in connection with the assignment to an unrelated third party of the Tahera Diamond Corporation note receivable previously impaired in 2007; and

\$11,220,000 income tax benefit associated with the settlement of certain tax audits and the expiration of statutory periods.

TIFFANY & CO.

K-25

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and related notes. All references to years relate to fiscal years which ended on January 31 of the following calendar year.

KEY STRATEGIES

The Company's key strategies are:

• To enhance customer awareness of the TIFFANY & CO. trademark (the "Brand"), its heritage, its products and its association with quality and luxury.

The Brand is the single most important asset of the Company. Management will continue to invest in marketing and public relations programs designed to build awareness of the Brand, its heritage and its products with both new and existing customers, as well as to enhance the Brand's association among consumers with quality and luxury. Management will continue to monitor these efforts and the strength of the Brand through market research.

• To maintain an active product development program.

The Company continues to invest in product development in order to introduce new design collections and extensions of existing collections that will appeal to the Company's existing customer base as well as to new customers. The Company will also invest in the watch category, which it deems appropriate for the Brand and which presents incremental growth opportunities.

• To enhance the customer experience with superior customer service and through engaging store environments.

To ensure a superior shopping experience, the Company employs highly qualified sales and customer service professionals, focuses on enhancing ongoing sales and product training programs, and is investing in enhancing its information systems for customer relationship management. The Company also focuses on continually enhancing the design of its stores, as well as the creative visual presentation of its merchandise, to provide an engaging luxury experience in both its new and existing stores.

• To selectively expand global distribution without compromising the value of the Brand.

Management intends to continue to expand its global distribution by adding stores in both new and existing markets and through its e-commerce websites. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the Brand, but believes that there are a significant number of potential worldwide locations remaining that meet financial and Brand requirements.

• To increase store productivity.

Through the above efforts, the Company is committed to growing sales per square foot by increasing both consumer traffic and the percentage of store visitors who make a purchase. In addition, the Company is increasing, through store renovations, the percentage of selling space in some of its stores, which is contributing to higher store productivity.

TIFFANY & CO.

Table of Contents

To maintain substantial control over product supply through direct diamond sourcing and internal jewelry manufacturing.

The Company's diamond processing operations purchase, sort, cut and/or polish rough diamonds for use in merchandise. The Company will continue to seek additional sources of diamonds which, combined with continued focus on its internal manufacturing operations, are intended to secure adequate product supplies and favorable costs.

To achieve improved operating margins.

Management's long-term objective is to improve operating margin through the above efforts, along with the realization of efficiencies in product sourcing, manufacturing and distribution, the control of selling, general and administrative expenses and the enhancement of productivity through sales leverage on fixed costs, such that sales growth can generate a higher relative rate of earnings growth.

2013 SUMMARY

Worldwide net sales increased 6% to \$4,031,130,000. On a constant-exchange-rate basis (see "Non-GAAP Measures" below), worldwide net sales in 2013 increased 10% due to sales growth in all regions, and comparable store sales increased 6%.

The Company added a net of 14 TIFFANY & CO. stores (opening six in the Americas, seven in Asia-Pacific and three in Europe while closing one in Asia-Pacific and one in Japan).

Operating margin decreased 10.9 percentage points. However, excluding certain expenses (see "Non-GAAP Measures" below), operating margin increased 1.3 percentage points primarily due to an increase in gross margin as well as sales leverage on operating expenses.

Net earnings decreased 56% to \$181,369,000, or \$1.41 per diluted share. However, excluding certain expenses (see "Non-GAAP Measures" below), net earnings increased 15% to \$480,557,000, or \$3.73 per diluted share.

In May 2013, the Board of Directors approved a 6% increase in the quarterly dividend rate to \$0.34 per share of the Company's Common Stock, or an annual dividend rate of \$1.36 per share.

Free cash flow (see "Non-GAAP Measures" below) was an outflow of \$66,800,000 in 2013 entirely due to the arbitration award payment, compared with an inflow of \$108,760,000 in 2012.

RESULTS OF OPERATIONS

Non-GAAP Measures

The Company reports information in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The Company's management does not, nor does it suggest that investors should, consider 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.

TIFFANY & CO.
K-27

Table of Contents

Net Sales. The Company's reported net sales reflect either a translation-related benefit from strengthening foreign currencies or a detriment from a strengthening U.S. dollar. Internally, management monitors and measures its sales performance on a non-GAAP basis that eliminates the positive or negative effects that result from translating sales made outside the U.S. into U.S. dollars ("constant-exchange-rate basis"). Management believes this constant-exchange-rate basis provides a more representative assessment of sales performance and provides better comparability between reporting periods. The following table reconciles the sales percentage increases (decreases) from the GAAP to the non-GAAP basis versus the previous year:

	2013			2012			
	GAAP Reported	Translation Effect	Constant- Exchange- Rate Basis	GAAP Reported	Translation Effect	Constant- Exchange- Rate Basis	
Net Sales:							
Worldwide	6	% (4	)% 10	% 4	% (1	)% 5	%
Americas	5	—	5	2	—	2	
Asia-Pacific	17	(1	) 18	8	—	8	
Japan	(9	) (20	) 11	4	(2	) 6	
Europe	9	2	7	3	(4	) 7	
Other	53	—	53	41	—	41	

Comparable Store
Sales:

Worldwide	3	% (3	)% 6	% —	% (1	)% 1	%
Americas	3	—	3	(2	) —	(2)
Asia-Pacific	10	(1	) 11	3	1	2	
Japan	(10	) (20	) 10	4	(3	) 7	
Europe	6	2	4	(2	) (4	) 2	
Other*	14	—	14	—	—	—	

* Represents sales in five TIFFANY & CO. stores in the United Arab Emirates ("U.A.E."), which were converted from independently-operated to Company-operated in July 2012, and became comparable in the third quarter of 2013.

Table of Contents

Statement of Earnings. Internally, management monitors and measures its earnings performance excluding certain items listed below. Management believes excluding such items presents the Company's results on a more comparable basis to the corresponding period in the prior year, thereby providing investors with an additional perspective to analyze the results of operations of the Company. The following tables reconcile certain GAAP amounts to non-GAAP amounts:

(in thousands, except per share amounts)	GAAP	Arbitration award ^a increase/ (decrease)	Specific cost-reduction initiatives ^b (decrease)/increase	Non-GAAP	
Year Ended January 31, 2014					
Selling, general and administrative ("SG&A") expenses	\$1,555,903	\$—	\$(9,379)	)	\$1,546,524
Earnings from operations	304,329	480,211	9,379		793,919
As a % of sales	7.5	%			19.7 %
Other income, net	13,191	(7,489)	) —		5,702
Provision for income taxes	73,497	179,319	3,594		256,410
Effective tax rate	28.8	%			34.8 %
Net earnings	181,369	293,403	5,785		480,557
As a % of sales	4.5	%			11.9 %
Diluted earnings per share	1.41	2.28	0.04		3.73

Amounts associated with the award issued in arbitration between the Swatch Group Ltd. and the Company. See ^a "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies" for further information.

Expenses associated with specific cost-reduction initiatives which included severance related to staffing reductions ^b and subleasing of certain office space for which only a portion of the Company's future rent obligations will be recovered.

(in thousands)	GAAP	New York Headquarters Staff Relocation (decrease)/increase	Non-GAAP
Year Ended January 31, 2012			
SG&A expenses	\$1,442,728	\$(42,506)	) \$1,400,222
Earnings from operations	708,426	42,719	^a 751,145
Net earnings	439,190	25,994	465,184

On a pre-tax basis included charges of \$213,000 within cost of sales and \$42,506,000 within SG&A expenses for the year ended January 31, 2012 associated with Tiffany's consolidation of its New York headquarters staff to one location.

TIFFANY & CO.
K-29

Table of Contents

Free Cash Flow. Internally, management monitors its cash flow on a non-GAAP basis. The ability to generate free cash flow demonstrates how much cash the Company has available for discretionary and non-discretionary items after deduction of capital expenditures. The Company's operations require regular capital expenditures for the opening, renovation and expansion of stores and distribution and manufacturing facilities as well as ongoing investments in information technology. Management believes this provides a more representative assessment of operating cash flows. The following table reconciles GAAP net cash provided by operating activities to non-GAAP free cash flow:

(in thousands)	Years Ended January 31,	
	2014	2013
Net cash provided by operating activities	\$ 154,652	\$ 328,290
Less: Capital expenditures	(221,452	)(219,530
Free cash (outflow) inflow	\$ (66,800	) \$ 108,760

Comparable Store Sales

Comparable store sales include only sales transacted in Company-operated stores open for more than 12 months. In markets other than Japan, sales for relocated stores are included in comparable store sales if the relocation occurs within the same geographical market. In Japan, sales for a new store are not included if the store 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.

Net Sales

Net sales by segment were as follows:

(in thousands)	2013	2012	2011	2013 vs. 2012 % Change	2012 vs. 2011 % Change
Americas	\$ 1,926,864	\$ 1,839,969	\$ 1,805,783	5	% 2
Asia-Pacific	944,676	810,420	748,214	17	8
Japan	578,571	639,185	616,505	(9	) 4
Europe	469,784	432,167	421,141	9	3
Other	111,235	72,508	51,294	53	41
	\$ 4,031,130	\$ 3,794,249	\$ 3,642,937	6	% 4

Americas. Americas currently includes sales in 121 Company-operated TIFFANY & CO. stores in the United States, Canada and Latin America, as well as sales of TIFFANY & CO. products in certain of those markets through business-to-business, Internet, catalog and wholesale operations. Americas represented 48%, 48% and 50% of worldwide net sales in 2013, 2012 and 2011, while sales in the U.S. represented 88%, 89% and 90% of net sales in the Americas in those same periods.

In 2013, total sales in the Americas increased \$86,895,000, or 5%, due to an increase in the average price per jewelry unit sold partly offset by fewer jewelry units sold. Comparable store sales increased \$43,393,000, or 3%, led by growth in New York Flagship store sales as well as modest growth in branch store sales. Non-comparable store sales grew \$46,563,000. On a constant-exchange-rate basis, sales in the Americas increased 5%, and comparable store sales increased 3%.

In 2012, total sales in the Americas increased \$34,186,000, or 2%, due to an increase in the average price per jewelry unit sold partly offset by fewer jewelry units sold. Comparable store sales decreased \$32,800,000, or 2%, consisting of similar percentage decreases in New York Flagship store sales and in

TIFFANY & CO.

K-30

Table of Contents

comparable branch store sales. Non-comparable store sales grew \$56,362,000 and sales of TIFFANY & CO. merchandise to independent distributors increased \$3,158,000. On a constant-exchange-rate basis, sales in the Americas increased 2%, and comparable store sales decreased 2%. Combined Internet and catalog sales in the Americas increased \$6,946,000, or 4%, due to an increase in the average sales per order.

Asia-Pacific. Asia-Pacific currently includes sales in 72 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations. Asia-Pacific represented 23%, 21% and 21% of worldwide net sales in 2013, 2012 and 2011. Sales in Greater China represented more than half of Asia-Pacific's net sales in those same periods.

In 2013, total sales in Asia-Pacific increased \$134,256,000, or 17%, due to an increase in the number of jewelry units sold and in the average price per jewelry unit sold. Comparable store sales increased \$74,818,000, or 10%, non-comparable store sales grew \$44,519,000 and sales of TIFFANY & CO. merchandise to independent distributors increased \$15,232,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 18% and comparable store sales increased 11% due to geographically broad-based sales growth across the region.

In 2012, total sales in Asia-Pacific increased \$62,206,000, or 8%, primarily due to an increase in the number of jewelry units sold. Comparable store sales increased \$18,374,000, or 3%, non-comparable store sales grew \$32,571,000 and sales of TIFFANY & CO. merchandise to independent distributors increased \$9,447,000. On a constant-exchange-rate basis, Asia-Pacific sales increased 8% and comparable store sales increased 2% due to geographically broad-based sales growth in most markets.

Japan. Japan currently includes sales in 54 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products through business-to-business, Internet and wholesale operations. Japan represented 14%, 17% and 17% of worldwide net sales in 2013, 2012 and 2011. The decline in 2013 was entirely due to a negative translation effect from the Japanese yen weakening against the U.S. dollar.

In 2013, total sales in Japan decreased \$60,614,000, or 9%, and comparable store sales decreased \$57,525,000, or 10%, due to currency translation. On a constant-exchange-rate basis, Japan sales increased 11% due to an increase in the average price per jewelry unit sold partly offset by a decrease in the number of jewelry units sold and comparable store sales increased 10%.

In 2012, total sales in Japan increased \$22,680,000, or 4%, due to an increase in the average price per jewelry unit sold partly offset by a decline in the number of jewelry units sold. Comparable store sales increased \$24,263,000, or 4%. On a constant-exchange-rate basis, Japan sales increased 6% and comparable store sales increased 7%.

Europe. Europe currently includes sales in 37 Company-operated TIFFANY & CO. stores, as well as sales of TIFFANY & CO. products in certain markets through Internet and wholesale operations. Europe represented 12%, 11% and 12% of worldwide net sales in 2013, 2012 and 2011. Sales in the United Kingdom ("U.K.") represent more than 40% of European net sales.

In 2013, total sales in Europe increased \$37,617,000, or 9%, due to an increase in the number of jewelry units sold and in the average price per jewelry unit sold. Comparable store sales increased \$21,653,000, or 6%, non-comparable store sales increased \$10,927,000 and Internet sales increased \$5,047,000. On a constant-exchange-rate basis, sales in Europe increased 7% and comparable store sales increased 4% reflecting growth in most countries.

In 2012, total sales in Europe increased \$11,026,000, or 3%, due to an increase in the average price per jewelry unit sold partly offset by a decrease in the number of jewelry units sold. Comparable store sales decreased \$6,929,000, or 2%, non-comparable store sales increased \$15,438,000 and Internet sales

TIFFANY & CO.
K-31

Table of Contents

increased \$2,679,000. On a constant-exchange-rate basis, sales in Europe increased 7% and comparable store sales increased 2% reflecting growth in most of continental Europe and a modest sales decline in the U.K.

Other. Other consists of all non-reportable segments. Other includes the Emerging Markets region, which consists of retail sales in five TIFFANY & CO. stores in the U.A.E. which were converted from independently-operated to Company-operated stores in July 2012, and wholesale sales of TIFFANY & CO. merchandise to independent distributors for resale in certain emerging markets (primarily in the Middle East, and through January 2014 in Russia). In addition, Other includes wholesale sales of diamonds obtained through bulk purchases that were subsequently deemed not suitable for the Company's needs as well as earnings received from third-party licensing agreements.

In 2013, Other sales increased \$38,727,000, or 53%, primarily due to retail sales growth in the U.A.E. as well as higher wholesale sales of rough diamonds. Comparable store sales of five TIFFANY & CO. stores in the U.A.E. increased 14%. In 2012, Other sales increased \$21,214,000, or 41%, primarily due to the incremental retail sales from the conversion of the five stores in the U.A.E.

Product Category Information. In 2013, worldwide net sales increased \$236,881,000, or 6%, primarily driven by increases of \$176,712,000, or 23%, in the statement, fine & solitaire jewelry category (reflecting growth throughout the category, along with growing demand for colored diamonds and other gemstones); \$39,596,000, or 3%, in the engagement jewelry & wedding bands category (reflecting growth in solitaire diamonds rings); and \$36,965,000, or 2%, in the fashion jewelry category (primarily due to sales growth of gold jewelry).

In 2012, worldwide net sales increased \$151,312,000, or 4%, primarily driven by increases of \$44,015,000, or 6%, in the statement, fine & solitaire jewelry category (reflecting particularly strong sales of yellow and fancy colored diamond jewelry); \$37,457,000, or 3%, in the engagement jewelry & wedding bands category; and \$66,470,000, or 4%, in the fashion jewelry category (primarily due to the introduction of the RUBEDO® metal in 2012 and sales growth in jewelry designed by Elsa Peretti and Paloma Picasso).

Store Data. In 2013, the Company added a net of 14 stores: six in the Americas (three in the U.S., one each in Canada, Mexico and Brazil), seven in Asia-Pacific (four in China, two in Taiwan and one in Hong Kong) and three in Europe (two in Italy and one in Germany) while closing one store each in Asia-Pacific and in Japan.

In 2012, the Company added a net of 28 stores: 13 in the Americas (six in Canada which included the conversion of four department-store locations from independently-operated wholesale distribution to Company-operated stores, four in the U.S., two in Mexico and one in Brazil), eight in Asia-Pacific (six in China, one in Singapore and one in Australia), two in Europe (France and the Czech Republic) and five stores in the U.A.E.

Sales per gross square foot generated by all company-operated stores were approximately \$3,100 in 2013 and \$3,000 in both 2012 and 2011.

TIFFANY & CO.
K-32

Table of Contents

Gross Margin

	2013	2012	2011	
Gross profit as a percentage of net sales	58.1	% 57.0	% 59.0	%

Gross margin (gross profit as a percentage of net sales) increased by 1.1 percentage points in 2013 primarily benefiting from reduced product cost pressures and price increases taken in the first half of the year. A continued shift in sales mix toward higher-priced, lower-margin products offset a portion of these benefits.

Gross margin decreased by 2.0 percentage points in 2012 largely due to high precious metal and diamond costs, as well as a shift in sales mix toward higher-priced, lower-margin products, and reduced sales leverage on fixed costs. Sales mix was affected by, among other items, a decline in sales of silver jewelry which earns a higher margin than the Company's overall gross margin.

Management periodically reviews and adjusts its retail prices when appropriate to address product cost increases, specific market conditions and changes in foreign currencies/U.S. dollar relationships. Its long-term strategy is to continue that approach. Among the market conditions that management considers are consumer demand for the product category involved, which may be influenced by consumer confidence, and competitive pricing conditions. Management uses derivative instruments to mitigate certain foreign exchange and precious metal price exposures (see "Item 8. Financial Statements and Supplementary Data – Note I - Hedging Instruments"). Management increased retail prices in the first half of 2013 across all geographic regions and product categories as previous increases were insufficient to offset commodity cost pressures experienced in recent years. Price increases in 2012 were not significant.

Selling, General and Administrative Expenses

	2013	2012	2011	
SG&A expenses as a percentage of net sales	38.6	% 38.6	% 39.6	%

SG&A expenses increased \$89,836,000, or 6%, in 2013 and \$23,339,000, or 2%, in 2012. SG&A expenses in those years are not comparable due to the inclusion of certain expenses associated with specific cost-reduction initiatives in 2013 and expenses associated with the relocation of the New York headquarters staff in 2011. See "Non-GAAP Measures" for further details.

Excluding the 2013 items noted in "Non-GAAP Measures", SG&A expenses in 2013 increased \$80,457,000, or 5%, primarily due to increased fixed and variable labor costs, such as sales commissions and incentive compensation, of \$34,628,000 and increased store occupancy and depreciation expenses of \$32,577,000 related to new and existing stores. In 2013, changes in foreign currency exchange rates had the effect of decreasing SG&A expenses by 3%.

Excluding the 2011 items noted in "Non-GAAP Measures", SG&A expenses increased \$65,845,000, or 5%, in 2012 primarily due to increased store occupancy and depreciation expenses of \$36,090,000 related to new and existing stores, increased marketing expenses of \$8,474,000 and increased labor and benefit costs of \$5,081,000. In 2012, the modest increase in labor and benefit costs reflected reduced incentive compensation.

SG&A expenses as a percentage of net sales, excluding the items noted in "Non-GAAP Measures", would have been 38.4% in both 2013 and 2011.

The Company's SG&A expenses are largely fixed in nature. Variable costs (which include items such as variable store rent, sales commissions and fees paid to credit card companies) represent approximately one-fifth of total SG&A expenses.

TIFFANY & CO.

Table of Contents

Arbitration Award Expense

In the quarter ended January 31, 2014, the Company recorded a charge of \$480,211,000, related to the adverse arbitration ruling between The Swatch Group Ltd. and the Company, which includes the damages, interest and other costs associated with the ruling. See "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies" for additional information.

Earnings from Operations

(in thousands)	2013	% of Net Sales	2012	% of Net Sales	2011	% of Net Sales	
Earnings (losses) from operations*:							
Americas	\$374,342	19.4	% \$345,917	18.8	% \$387,951	21.5	%
Asia-Pacific	244,142	25.8	188,510	23.3	205,711	27.5	
Japan	215,582	37.3	204,510	32.0	184,767	30.0	
Europe	101,153	21.5	90,955	21.0	105,728	25.1	
Other	(649)	(0.6)	(6,254)	(8.6)	(5,247)	(10.2))
	934,570		823,638		878,910		
Unallocated corporate expenses	(140,651)	(3.5)%	(126,421)	(3.3)%	(127,765)	(3.5)%)%
Earnings from operations before other operating expenses	793,919	19.7	% 697,217	18.4	% 751,145	20.6	%
Other operating expenses	(489,590)		—		(42,719)		
Earnings from operations	\$304,329	7.5	% \$697,217	18.4	% \$708,426	19.4	%

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

Earnings from operations decreased 56% in 2013 but would have increased 14% when excluding other operating expenses. On a segment basis, the ratio of earnings (losses) from operations to each segment's net sales in 2013 compared with 2012 was as follows:

Americas – the ratio increased 0.6 percentage point resulting from an improvement in gross margin as well as sales leveraging of operating expenses;

Asia-Pacific – the ratio increased 2.5 percentage points primarily due an improvement in gross margin as well as sales leveraging of operating expenses;

Japan – the ratio increased 5.3 percentage points primarily due to an improvement in gross margin (which includes a benefit from the Company's ongoing program to utilize forward contracts for a portion of forecasted merchandise purchases) as well as sales leveraging of operating expenses;

Europe – the ratio increased 0.5 percentage point due to an improvement in gross margin partly offset by increased store-related operating expenses; and

Other – the ratio improved 8.0 percentage points due to increased earnings as well as sales leveraging of operating expenses in the Emerging Markets region offset by charges associated with the valuation of wholesale diamonds not suitable for the Company's needs.

TIFFANY & CO.

K-34

Table of Contents

Earnings from operations decreased 2% in 2012. On a segment basis, the ratio of earnings (losses) from operations to each segment's net sales in 2012 compared with 2011 was as follows:

- Americas – the ratio decreased 2.7 percentage points primarily resulting from a decline in gross margin as well as increased operating expenses due to the opening of new stores;
- Asia-Pacific – the ratio decreased 4.2 percentage points primarily due to a decline in gross margin as well as increased operating expenses due to the opening of new stores and increased marketing;
- Japan – the ratio increased 2.0 percentage points primarily due to the sales leveraging of operating expenses as well as an increase in gross margin;
- Europe – the ratio decreased 4.1 percentage points primarily due to a decline in gross margin; and
- Other – the operating loss is primarily attributable to spending for the development of the Emerging Markets region.

Unallocated corporate expenses include costs related to administrative support functions which the Company does not allocate to its segments. Such unallocated costs include those for centralized information technology, finance, legal and human resources departments. Unallocated corporate expenses increased as a percentage of net sales in 2013 primarily due to increases in management incentive and stock-based compensation. Unallocated corporate expenses decreased as a percentage of sales in 2012.

Other operating expenses in 2013 represent \$480,211,000 of expenses associated with the adverse arbitration ruling between the Swatch Group Ltd. and the Company and \$9,379,000 of expenses associated with specific cost-reduction initiatives. Other operating expenses of \$42,719,000 in 2011 related to Tiffany's relocation of its New York headquarters staff to a single location. See "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies."

Interest Expense and Financing Costs

Interest expense and financing costs increased \$3,585,000, or 6%, in 2013 and \$10,495,000, or 22%, in 2012, primarily due to increased interest expense related to increased borrowings.

Other Income, Net

Other income, net includes interest income, gains/losses on investment activities and foreign currency transactions. Other income, net increased \$7,763,000, or 143%, in 2013, but the increase was only \$274,000 when excluding foreign currency transaction gains related to the Arbitration award expense. See "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies" and "Non-GAAP Measures" for further information. Other income, net increased \$329,000 in 2012.

Provision for Income Taxes

The effective income tax rate was 28.8% in 2013 compared with 35.3% in 2012 and 34.0% in 2011. Excluding the effects of certain expenses noted in "Non-GAAP Measures", the effective income tax rate would have been 34.8% in 2013. The tax rate for 2011 included a valuation allowance reversal against certain deferred tax assets where management had determined it was more likely than not that the deferred tax assets would be realized in the future.

TIFFANY & CO.

K-35

Table of Contents

2014 Outlook

Management expects net earnings to be in a range of \$4.05–\$4.15 per diluted share. This is based on the following assumptions, which are approximate and may or may not prove valid, and which should be read in conjunction with "Item 1A. Risk Factors" on page K-13:

• Worldwide net sales increasing by a high-single-digit percentage in U.S. dollars and on a constant-exchange-rate basis, with all regions expected to achieve growth in their total sales and comparable store sales.

• Adding 13 Company-operated stores and closing four existing stores: opening four in the Americas, five in Asia-Pacific, two in Japan, and one each in Europe and Russia, while closing one each in the Americas, Asia-Pacific, Japan and the U.A.E.

• Earnings from operations as a percentage of net sales ("operating margin") increasing due to a higher gross margin and SG&A expense growth less than sales growth.

• Interest and other expenses, net of \$65,000,000 to \$70,000,000 with the increase over 2013 reflecting the interest cost on higher average levels of net-debt.

• An effective income tax rate of 35%.

• A 6% increase in net inventories.

• Capital expenditures increasing to \$270,000,000, with the increase over 2013 largely reflecting incremental investments in certain information technology systems.

• Free cash flow of at least \$400,000,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its ongoing, seasonal and expansion-related working capital requirements and capital expenditure needs. Over the long term, the Company manages its cash and capital structure to maintain a strong financial position that provides flexibility to pursue strategic initiatives. Management regularly assesses its working capital needs, capital expenditure requirements, debt service, dividend payouts, share repurchases and future investments. Management believes that cash on hand, internally-generated cash flows, the funds available under its revolving credit facilities and the ability to access the debt and capital markets are sufficient to support the Company's liquidity and capital requirements for the foreseeable future.

As of January 31, 2014, the Company's cash and cash equivalents totaled \$345,778,000, of which approximately one-half was held in locations outside the U.S. where the Company has the intention to indefinitely reinvest any undistributed earnings to support its continued expansion and investments outside of the U.S. Such cash balances are not available to fund U.S. cash requirements unless the Company were to decide to repatriate such funds. The Company has sufficient sources of cash in the U.S. to fund its U.S. operations without the need to repatriate any of those funds held outside the U.S.

TIFFANY & CO.

K-36

Table of Contents

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

(in thousands)	2013	2012	2011
Net cash provided by (used in):			
Operating activities	\$ 154,652	\$ 328,290	\$ 210,606
Investing activities	(246,781	) (331,146	) (242,583
Financing activities	(65,426	) 71,446	(213,817
Effect of exchange rates on cash and cash equivalents	(1,505	) 2,294	(1,843
Net (decrease) increase in cash and cash equivalents	\$ (159,060	) \$ 70,884	\$ (247,637

Operating Activities

The Company had a net cash inflow from operating activities of \$154,652,000 in 2013, \$328,290,000 in 2012 and \$210,606,000 in 2011. The change from 2012 to 2013 was impacted by the payment of the Arbitration Award (see "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies"), a decelerated rate of inventory growth and the timing of income tax payments. The increase from 2011 to 2012 primarily resulted from a decelerated rate of inventory growth offset by various other outflows.

Working Capital. Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were \$2,531,648,000 and 4.6 at January 31, 2014, compared with \$2,564,997,000 and 5.4 at January 31, 2013.

Accounts receivable, less allowances at January 31, 2014 were 9% higher than January 31, 2013 due to sales growth. When excluding the effect of foreign currency translation, primarily from the weaker Japanese yen, accounts receivable, less allowances would have been 14% higher than January 31, 2013. On a 12-month rolling basis, accounts receivable turnover was 22 times in 2013 and 21 times in 2012.

Inventories, net at January 31, 2014 were 4% higher than January 31, 2013. Finished goods inventories rose 3% and combined raw material and work-in-process inventories increased 5% to support new store openings, expanded product assortments, rough diamond sourcing and internal manufacturing requirements. Net inventories rose 6% from January 31, 2013 when excluding the effect of foreign currency translation, primarily from the weaker Japanese yen.

Prepaid expenses and other current assets at January 31, 2014 were 55% higher than January 31, 2013. The increase was largely due to income tax receivables primarily resulting from the impact and timing of the Arbitration Award on the Company's estimated income tax payments. Additionally, Other assets, net at January 31, 2014 were 10% higher than January 31, 2013 as certain income tax receivables are anticipated to be received after fiscal 2014.

Investing Activities

The Company had a net cash outflow from investing activities of \$246,781,000 in 2013, \$331,146,000 in 2012 and \$242,583,000 in 2011. The increased outflow in 2012 was primarily due to payments of \$82,664,000 to acquire intangible assets as well as a \$25,000,000 payment related to an acquisition.

Marketable Securities and Short-Term Investments. The Company invests a portion of its cash in marketable securities and short-term investments. The Company had net purchases of investments in marketable securities and short-term investments of \$23,460,000 during 2013 and net proceeds received from the sale of marketable securities and short-term investments of \$4,063,000 during 2012 and \$55,139,000 during 2011.

TIFFANY & CO.

K-37

Table of Contents

Capital Expenditures. Capital expenditures are typically related to the opening, renovation and/or relocation of stores (which represented slightly more than half of capital expenditures in 2013, 2012 and 2011 excluding the relocation in 2011 of Tiffany's New York headquarters staff), distribution and manufacturing facilities and ongoing investments in information technology. Capital expenditures were \$221,452,000 in 2013, \$219,530,000 in 2012 and \$239,443,000 in 2011, representing 5%, 6% and 7% of net sales in those respective years.

Notes Receivable Funded. The Company may, from time to time, extend loans to diamond mining and exploration companies in order to obtain rights to purchase the mine's output. The Company loaned \$3,050,000 and \$8,015,000 in 2013 and 2012 to various companies. In 2011, the Company loaned \$56,605,000 to various companies of which \$50,000,000 was provided to Koidu Limited (previously Koidu Holdings S.A.). See "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies."

Proceeds from Notes Receivable Funded. In 2013, the Company received \$1,181,000 of repayments associated with loans extended to diamond mining and exploration companies discussed in Notes Receivable Funded above.

Payments to acquire intangible assets. In 2012, the Company made a \$47,059,000 payment to retain an exclusive license for Peretti-designed jewelry and products. The Company also made a \$35,605,000 payment to secure a prime retail location in Europe. See "Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting Policies."

Payment for acquisition. In 2012, the Company made a \$25,000,000 payment related to the acquisition of net assets associated with the five existing independently-operated TIFFANY & CO. stores located in the U.A.E. See "Item 8. Financial Statements and Supplementary Data - Note C - Acquisition."

Financing Activities

The Company had a net cash outflow from financing activities of \$65,426,000 in 2013 compared with an inflow of \$71,446,000 in 2012 and an outflow of \$213,817,000 in 2011. Year-over-year changes in cash flows from financing activities are largely driven by borrowings. Additionally, the Company did not repurchase any of its Common Stock in 2013.

Recent Borrowings. The Company had net proceeds from short-term and long-term borrowings as follows:

(in thousands)	2013	2012	2011
Short-term borrowings:			
Proceeds from credit facility borrowings, net	\$49,883	\$47,278	\$13,548
Proceeds from other credit facility borrowings	89,806	40,298	61,020
Repayment of other credit facility borrowings	(69,737)	) (361	) (4,517
Net proceeds from short-term borrowings	69,952	87,215	70,051
Long-term borrowings:			
Proceeds from issuance	—	250,000	—
Repayments	—	(60,000	) (58,915
Net proceeds from long-term borrowings	—	190,000	(58,915
Net proceeds from total borrowings	\$69,952	\$277,215	\$11,136

In July 2013, the Company's wholly-owned subsidiary, Tiffany & Co. (Shanghai) Commercial Company Limited ("Tiffany-Shanghai"), entered into a three-year multi-bank revolving credit agreement (the "Tiffany-

TIFFANY & CO.

K-38

Table of Contents

Shanghai Credit Agreement"). The Tiffany-Shanghai Credit Agreement has an aggregate borrowing limit of RMB 930,000,000 (\$153,457,000 at January 31, 2014). The Tiffany-Shanghai Credit Agreement is available for Tiffany-Shanghai's general working capital requirements, which included repayment of a portion of the indebtedness under Tiffany-Shanghai's existing bank loan facilities. The Tiffany-Shanghai Credit Agreement contains affirmative and negative covenants usual and customary for facilities of this size and purpose. The six lenders that are party to the Tiffany-Shanghai Credit Agreement will make loans, upon Tiffany-Shanghai's request, for periods of up to 12 months at the applicable interest rates as announced by the People's Bank of China. The Tiffany-Shanghai Credit Agreement matures in July 2016. In connection with this agreement, the Company entered into a guaranty agreement by and between the Company and the facility agent under the Tiffany-Shanghai Credit Agreement (the "Guaranty").

In December 2011, the Company entered into a three-year \$200,000,000 and a five-year \$200,000,000 multi-bank, multi-currency, committed unsecured revolving credit facility (the "Credit Facilities"). In July 2012, the commitments were each increased to \$275,000,000, resulting in a total borrowing capacity of \$550,000,000. The Credit Facilities are available for working capital and other corporate purposes. Under the Credit Facilities, borrowings may be made from 10 participating banks at interest rates based upon either (i) local currency borrowing rates or (ii) the Federal Funds Rate plus 0.5%, whichever is higher, plus a margin based on the Company's leverage ratio.

Under all of the Company's credit facilities, there were \$252,365,000 of borrowings, \$3,952,000 letters of credit issued but not outstanding and \$565,540,000 available for borrowing at January 31, 2014. The weighted-average interest rate for the amount outstanding at January 31, 2014 was 3.37% compared with 3.05% at January 31, 2013.

In 2012, the Company issued \$250,000,000 of long-term debt at an interest rate of 4.40%. Proceeds were used to repay \$60,000,000 of 10-year term, 6.56% Series D Senior Notes that came due in July 2012 and for general corporate purposes.

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 37% at both January 31, 2014 and 2013.

In January 2014, the Company entered into amendments to each of the Credit Facilities, each of the Unsecured Senior Notes agreements and the Guaranty which were required as a result of the issuance of the Arbitration Award. See "Item 8. Financial Statements and Supplementary Data - Note K - Commitments and Contingencies." These amendments: (i) provided that only half of the Arbitration Award amount would be included in the ratio used to determine the interest rate for borrowings and for the facility fee, in each case under the Credit Facilities; (ii) extended the time in which a judgment or decree may be paid, stayed on appeal, discharged, bonded or dismissed before an event of default would arise; (iii) amended certain financial definitions to exclude the impact of the Arbitration Award from the calculation of certain financial covenants; and (iv) waived certain defaults and events of default that had arisen in connection with the issuance of the Arbitration Award.

At January 31, 2014, the Company was in compliance with all debt covenants.

Share Repurchases. In January 2011, the Company's Board of Directors approved a stock repurchase program ("2011 Program") and terminated a previously-existing program. The 2011 Program authorized the Company to repurchase up to \$400,000,000 of its Common Stock through open market or private transactions. The timing of repurchases and the actual number of shares to be repurchased depended on a variety of discretionary factors such as stock price, cash-flow forecasts and other market conditions. The Company suspended share repurchases during the second quarter of 2012 in order to allow for a more effective allocation of resources consistent with the Company's growth strategies. In January 2013, the Board of Directors extended the expiration date of the 2011 Program to January 31, 2014. The 2011 Program expired on January 31, 2014.

TIFFANY & CO.
K-39

Table of Contents

The Company's share repurchase activity was as follows:

(in thousands, except per share amounts)	2013	2012	2011
Cost of repurchases	\$—	\$54,107	\$174,118
Shares repurchased and retired	—	813	2,629
Average cost per share	\$—	\$66.54	\$66.23

Dividends. The cash dividend on the Company's Common Stock was increased once in each of 2013, 2012 and 2011. The Company's Board of Directors declared quarterly dividends which totaled \$1.34, \$1.25 and \$1.12 per common share in 2013, 2012 and 2011 with cash dividends paid of \$170,312,000, \$158,594,000 and \$142,840,000 in those respective years. The dividend payout ratio (dividends as a percentage of net earnings) was 94%, 38% and 33% in 2013, 2012 and 2011. Dividends as a percentage of adjusted net earnings (see "Non-GAAP Measures") were 35% in 2013 and 31% in 2011.

At least annually, the Company's Board of Directors reviews its policies with respect to dividends and share repurchases with a view to actual and projected earnings, cash flows and capital requirements.

Proceeds from Non-controlling Interest. In 2012, the Company received proceeds of \$12,750,000 associated with its venture with Damas Jewellery LLC that acquired the five existing independently-operated TIFFANY & CO. stores located in the U.A.E. as noted in Payment for acquisition above. See "Item 8. Financial Statements and Supplementary Data - Note C - Acquisition" for additional details on the venture.

Contractual Cash Obligations and Commercial Commitments

The following is a summary of the Company's contractual cash obligations at January 31, 2014:

(in thousands)	Total	2014	2015-2016	2017-2018	Thereafter
Unrecorded contractual obligations:					
Operating leases	\$1,407,072	\$215,345	\$343,189	\$254,754	\$593,784
Inventory purchase obligations ^a	421,183	421,183	—	—	—
Interest on debt ^b	456,697	51,704	92,829	53,396	258,768
Other contractual obligations ^c	81,929	61,793	9,828	3,008	7,300
Recorded contractual obligations:					
Short-term borrowings	252,365	252,365	—	—	—
Long-term debt	751,154	—	201,154	175,000	375,000
	\$3,370,400	\$1,002,390	\$647,000	\$486,158	\$1,234,852

The Company will, from time to time, secure supplies of diamonds by agreeing to purchase a defined portion of a mine's output. Inventory purchase obligations associated with these agreements have been estimated for 2014 and included in this table. Purchases beyond 2014 that are contingent upon mine production have been excluded as they cannot be reasonably estimated.

a) Excludes interest payments on amounts outstanding under available lines of credit, as the outstanding amounts fluctuate based on the Company's working capital needs.

c) Consists primarily of fixed royalty commitments, construction-in-progress and packaging supplies.

TIFFANY & CO.

K-40

Table of Contents

The summary above does not include the following items:

Cash contributions to the Company's pension plan and cash payments for other postretirement obligations. The Company plans to contribute approximately \$30,000,000 to the pension plan in 2014. However, this expectation is subject to change if actual asset performance is different than the assumed long-term rate of return on pension plan assets. In addition, the Company estimates cash payments for postretirement health-care and life insurance benefit obligations to be \$1,966,000 in 2014.

Unrecognized tax benefits at January 31, 2014 of \$27,626,000 and accrued interest and penalties of \$9,752,000. The final outcome of tax uncertainties is dependent upon various matters including tax examinations, interpretation of the applicable tax laws or expiration of statutes of limitations. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters. However, the examinations may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. Management anticipates that it is reasonably possible that the total gross amount of unrecognized tax benefits will decrease by approximately \$20,000,000 in the next 12 months, a portion of which may affect the effective tax rate; however, management does not currently anticipate a significant effect on net earnings. Future developments may result in a change in this assessment.

The following is a summary of the Company's outstanding borrowings and available capacity under its credit facilities at January 31, 2014:

(in thousands)	Total Capacity	Borrowings Outstanding	Letters of Credit Issued	Available Capacity
Three-year revolving credit facility ^a	\$275,000	\$41,159	\$—	\$233,841
Five-year revolving credit facility ^b	275,000	78,053	3,952	192,995
Other credit facilities ^c	271,857	133,153	—	138,704
	\$821,857	\$252,365	\$3,952	\$565,540

^a Matures in December 2014.

^b Matures in December 2016.

^c Maturities range from 2014 through 2016.

In addition, the Company has other available letters of credit and financial guarantees of \$70,151,000 of which \$26,534,000 was outstanding at January 31, 2014. Of those available letters of credit and financial guarantees, \$54,970,000 expires within one year.

Seasonality

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing approximately one-third of annual net sales and a higher percentage of annual net earnings. Management expects such seasonality to continue.

Critical Accounting Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates and the differences could be material. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements and records any necessary adjustments.

TIFFANY & CO.

Table of Contents

The development and selection of critical accounting estimates and the related disclosures below have been reviewed with the Audit Committee of the Company's Board of Directors. The following critical accounting policies that rely on assumptions and estimates were used in the preparation of the Company's consolidated financial statements:

Inventory. The Company writes down its inventory for discontinued and slow-moving products. This write-down is equal to the difference between the cost of inventory and its estimated market value, and is based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs might be required. The Company has not made any material changes in the accounting methodology used to establish its reserve for discontinued and slow-moving products during the past three years. At January 31, 2014, a 10% change in the reserve for discontinued and slow-moving products would have resulted in a change of \$6,411,000 in inventory and cost of sales.

Property, plant and equipment and intangibles assets and key money. The Company reviews its property, plant and equipment and intangibles assets and key money for impairment when management determines that the carrying value of such assets may not be recoverable due to events or changes in circumstances. Recoverability of these assets is evaluated by comparing the carrying value of the asset with estimated future undiscounted cash flows. If the comparisons indicate that the value of the asset is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the asset and the loss is recognized during that period. The Company did not record any material impairment charges in 2013, 2012 or 2011.

Goodwill. The Company performs its annual impairment evaluation of goodwill during the fourth quarter of its fiscal year or when circumstances otherwise indicate an evaluation should be performed. A qualitative assessment is first performed for each reporting unit to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than its carrying value. If it is concluded that this is the case, an evaluation, based upon discounted cash flows, is performed and requires management to estimate future cash flows, growth rates and economic and market conditions. The 2013, 2012 and 2011 evaluations resulted in no impairment charges.

Notes receivables and other financing arrangements. The Company may, from time to time, provide financing to diamond mining and exploration companies in order to obtain rights to purchase the mine's output. Management evaluates these financing arrangements for potential impairment by reviewing the parties' financial statements and projections and business, operational and other economic factors on a periodic basis. If the analyses indicate that the financing receivable is not recoverable, an impairment loss is recognized, in respect to all or a portion of the financing, during that period. The Company did not record any material impairment charges in 2013, 2012 or 2011.

Income taxes. The Company is subject to income taxes in both the U.S. and foreign jurisdictions. The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company's global operations. Significant judgments and estimates are required in determining the consolidated income tax expense. The Company's income tax expense, deferred tax assets and liabilities and reserves for uncertain tax positions reflect management's best assessment of estimated future taxes to be paid.

Foreign and domestic tax authorities periodically audit the Company's income tax returns. These audits often examine and test the factual and legal basis for positions the Company has taken in its tax filings with respect to its tax liabilities, including the timing and amount of deductions and the allocation of income among various tax jurisdictions ("tax filing positions"). Management believes that its tax filing positions are reasonable and legally supportable. However, in specific cases, various tax authorities may take a contrary position. In evaluating the exposures associated with the Company's various tax filing

TIFFANY & CO.
K-42

Table of Contents

positions, management records reserves using a more-likely-than-not recognition threshold for income tax positions taken or expected to be taken. Earnings could be affected to the extent the Company prevails in matters for which reserves have been established or is required to pay amounts in excess of established reserves.

In evaluating the Company's ability to recover its deferred tax assets within the jurisdiction from which they arise, management considers all available evidence. The Company records valuation allowances when management determines it is more likely than not that deferred tax assets will not be realized in the future.

Employee benefit plans. The Company maintains several pension and retirement plans, as well as provides certain postretirement health-care and life insurance benefits for retired employees. The Company makes certain assumptions that affect the underlying estimates related to pension and other postretirement costs. Significant changes in interest rates, the market value of securities and projected health-care costs would require the Company to revise key assumptions and could result in a higher or lower charge to earnings.

The Company used discount rates of 4.50% to determine its 2013 pension expense for all U.S. plans and 4.50% to determine its 2013 postretirement expense. Holding all other assumptions constant, a 0.5% increase in the discount rate would have decreased 2013 pension and postretirement expenses by \$5,678,000 and \$527,000. A decrease of 0.5% in the discount rate would have increased the 2013 pension and postretirement expenses by \$6,307,000 and \$770,000. The discount rate is subject to change each year, consistent with changes in the yield on applicable high-quality, long-term corporate bonds. Management selects a discount rate at which pension and postretirement benefits could be effectively settled based on (i) an analysis of expected benefit payments attributable to current employment service and (ii) appropriate yields related to such cash flows.

The Company used an expected long-term rate of return of 7.50% to determine its 2013 pension expense. Holding all other assumptions constant, a 0.5% change in the long-term rate of return would have changed the 2013 pension expense by \$1,483,000. The expected long-term rate of return on pension plan assets is selected by taking into account the average rate of return expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. More specifically, consideration is given to the expected rates of return (including reinvestment asset return rates) based upon the plan's current asset mix, investment strategy and the historical performance of plan assets.

For postretirement benefit measurement purposes, 7.00% (for pre-age 65 retirees) and 6.25% (for post-age 65 retirees) annual rates of increase in the per capita cost of covered health care were assumed for 2014. The rates were assumed to decrease gradually to 4.75% by 2020 and remain at that level thereafter. A one-percentage-point change in the assumed health-care cost trend rate would not have a significant effect on the aggregate service and interest cost components of the 2013 postretirement expense.

NEW ACCOUNTING STANDARDS

See "Item 8. Financial Statements and Supplementary Data - Note B - Summary of Significant Accounting Policies."

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TIFFANY & CO.

K-43

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from fluctuations in foreign currency exchange rates, precious metal prices and interest rates, which could affect its consolidated financial position, earnings and cash flows. The Company manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading or speculative purposes, and does not maintain such instruments that may expose the Company to significant market risk.

Foreign Currency Risk

The Company may use foreign exchange forward contracts or put option contracts to offset a portion of the foreign currency exchange risks associated with foreign currency-denominated liabilities, intercompany transactions and forecasted purchases of merchandise between entities with differing functional currencies. The term of all outstanding foreign exchange forward contracts as of January 31, 2014 ranged from less than one month to 12 months. At January 31, 2014 and 2013, the fair value of the Company's outstanding foreign exchange forward and put option contracts were net assets of \$6,453,000 and \$18,968,000, respectively. At January 31, 2014, a 10% depreciation in the hedged foreign exchange rates from the prevailing market rates would have resulted in a liability with a fair value of approximately \$10,000,000.

Precious Metal Price Risk

The Company periodically hedges a portion of its forecasted purchases of precious metals for use in its internal manufacturing operations through the use of forward contracts in order to minimize the effect of volatility in precious metal prices. 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. At January 31, 2014 and 2013, the fair value of the Company's outstanding precious metal derivative instruments were net liabilities of \$1,599,000 and net assets of \$362,000, respectively. At January 31, 2014, a 10% depreciation in precious metal prices from the prevailing market rates would have resulted in a liability with a fair value of approximately \$5,000,000.

TIFFANY & CO.

K-44
