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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K  
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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 31, 2003

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 NO. 1-9494

TIFFANY & CO.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

13-3228013  
(I.R.S. Employer  
Identification No.)

727 FIFTH AVENUE, NEW YORK, NEW YORK  
(Address of principal executive offices)

10022  
(Zip code)

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

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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 Stock Purchase Rights	New York Stock Exchange New York Stock Exchange

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

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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item

405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

As of July 31, 2002 the aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant was approximately \$3,546,038,810 using the closing sales price on this day of \$24.64. See Item 5. Market for Registrant's Common Equity and Related Stockholder Matters below.

As of March 25, 2003, the registrant had outstanding 144,832,574 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 Annual Report to Stockholders for the Fiscal Year Ended January 31, 2003 (Parts I, II and IV) and Registrant's Proxy Statement Dated April 8, 2003 (Part III).

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, and the documents which are incorporated by reference, contain certain "forward-looking statements" concerning the Registrant's objectives and expectations regarding store openings, retail prices, gross profit, expenses, inventory performance, capital expenditures and cash flow. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. As a jeweler and specialty retailer, the Registrant's success in achieving its objectives and expectations is partially dependent upon economic conditions, competitive developments and consumer attitudes. However, certain assumptions are specific to the Registrant and/or the markets in which it operates. The following assumptions, among others, are "risk factors" which could affect the likelihood that the Registrant will achieve the objectives and expectations communicated by management: (i) that low or negative growth in the economy or in the financial markets, particularly in the U.S. and Japan, will not occur and reduce discretionary spending on goods that are, or are perceived to be, "luxuries"; (ii) that consumer spending does not decline substantially during the fourth quarter of any year; (iii) that unsettled regional and/or global conflicts do not result in military and/or terrorist activities creating long-or short-term disruptions to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Registrant operates retail stores nor to the Registrant's ability to operate in those regions; (iv) that sales in Japan will not decline substantially; (v) that there will not be a substantial adverse change in the exchange relationship between the Japanese yen and the U.S. dollar; (vi) that Mitsukoshi Ltd. of Japan and other department store operators in Japan, in the face of declining or stagnant department store sales, will not close or consolidate stores in which TIFFANY & CO. retail locations are located; (vii) that Mitsukoshi's ability to continue as a leading department store operator in Japan will continue; (viii) that existing product supply arrangements, including license arrangements with third-party designers Elsa Peretti and Paloma Picasso, will continue; (ix) that the wholesale market for high-quality cut diamonds will provide continuity of supply and pricing; (x) that the investment in Aber Diamond Corporation achieves its financial and strategic objectives; (xi) that new systems, particularly for inventory management, can be successfully integrated into the Registrant's operations; (xii) that warehousing and distribution productivity and capacity can be further improved to support the Registrant's worldwide distribution requirements; (xiii) that new stores and other sales locations can be leased or otherwise obtained on suitable terms in desired markets and that construction can be completed on a timely basis; (xiv) that the Registrant can successfully improve the results of Little Switzerland, Inc. and achieve satisfactory results from any future ventures into which it enters that are operated under non-TIFFANY & CO. trademarks or trade names; and (xv) that the Registrant's expansion plans for retail and direct selling operations and merchandise development, production and management can continue to be executed without meaningfully diminishing the distinctive appeal of the TIFFANY & CO. brand.

The Registrant disclaims any obligation to publicly update or revise

any of its forward-looking statements to reflect subsequent events or circumstances.

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The Registrant maintains a website at [www.tiffany.com](http://www.tiffany.com) where investors and other interested parties may obtain financial and other important information, including the Registrant's periodic reports to the SEC.

#### PART I

##### ITEM 1. BUSINESS

(a) General history of business.

Registrant (also referred to as the "Company") is the parent corporation of Tiffany and Company ("Tiffany"). Charles Lewis Tiffany founded Tiffany's business in 1837. He incorporated Tiffany in New York in 1868. Registrant acquired Tiffany in 1984 and completed the initial public offering of Registrant's Common Stock in 1987.

(b) Financial information about industry segments.

Registrant's segment information for the fiscal years ended January 31, 2003, 2002 and 2001 is incorporated by reference from Registrant's Annual Report to Stockholders for the Fiscal Year ended January 31, 2003 (Note R. "Segment Information"). Executive Officers of the Company evaluate the performance of the Company's assets on a consolidated basis. Therefore, separate financial information for the Company's assets on a segment basis is not available.

(c) Narrative description of business.

As used below, the terms "Fiscal 2000", "Fiscal 2001" and "Fiscal 2002" refer to the fiscal years ended on January 31, 2001, 2002 and 2003, respectively. Registrant is a holding company, and conducts all business through its subsidiary corporations.

#### Products

Registrant's principal product categories are fine jewelry, timepieces, sterling silver goods, china, crystal, stationery, fragrances and personal accessories.

Registrant offers an extensive selection of TIFFANY & CO. brand jewelry at a wide range of prices. In Fiscal 2000, 2001 and 2002, approximately 78%, 79% and 80%, respectively, of Registrant's net sales were attributable to jewelry. See Merchandise Purchasing, Manufacturing and Raw Materials below. Designs are developed by employees, suppliers, independent designers and independent "name" designers. See Designer Licenses below.

In addition to jewelry, the Company sells TIFFANY & CO. brand merchandise in the following categories: timepieces and clocks; sterling silver merchandise, including flatware, hollowware (tea and coffee services, bowls, cups and trays), trophies, key holders, picture frames and desk accessories; stainless steel flatware; crystal, glassware, china and other tableware; custom

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engraved stationery; writing instruments; and fashion accessories. Fragrance products are sold under the trademarks TIFFANY, PURE TIFFANY and TIFFANY FOR MEN. Tiffany also sells other brands of timepieces and tableware in its U.S. stores.

#### Distribution and Marketing

##### Channels of Distribution

For financial reporting purposes, Registrant categorizes its sales as follows:

U.S. Retail consists of retail sales transacted in Tiffany-operated stores in the United States(1) (see U.S. Retail below);

Direct Marketing consists of U.S. business-to-business, direct mail catalog and Internet sales (see Direct Marketing below);

International Retail consists of both retail and wholesale sales to customers located outside the United States, as well as a limited amount of business-to-business sales and Internet sales (see International Retail below); and

Specialty Retail consists of retail sales transacted in Little Switzerland, Inc. stores and through other existing or future ventures involving sales of merchandise under non-TIFFANY trademarks and trade names.

U.S. Retail

Fifth Avenue Store

Tiffany's Fifth Avenue store in New York accounts for a significant portion of the Company's sales and is the focal point for marketing and public relations efforts. Approximately 12%, 11% and 10% of total Company net sales for Fiscal 2000, 2001 and 2002, respectively, were attributable to the New York store's retail sales. In Fiscal 2000, the Company commenced a multiyear renovation and reconfiguration project to increase the store's selling space and provide additional floor space for customer service and special exhibitions. An additional selling floor was opened in November 2001 and, over the next three years, renovations of other existing selling space will be completed.

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 (1) By the first quarter of Fiscal 2000 the Company had discontinued its wholesale sales of jewelry, tabletop product and fragrances to third party retailers in the United States. This change has not had a significant impact on sales or profits and has enabled the Company to better manage the TIFFANY & CO. brand and to focus management efforts on Tiffany-operated stores in the U.S.

U.S. Branch Stores

At January 31, 2003, in addition to its New York Fifth Avenue store, Tiffany had 46 branch stores in the United States. The following table identifies the location and year of opening of each U.S. branch store:

U.S. BRANCH STORE OPENINGS

STORE LOCATION	YEAR OPENED	STORE LOCATION	YEAR OPENED
-----	-----	-----	-----
San Francisco, California	1963	Chestnut Hill, Massachusetts	1997
Houston, Texas	1963	Cincinnati, Ohio	1997
Beverly Hills, California	1964	Palo Alto, California	1997
Chicago, Illinois	1966	Denver, Colorado	1998
Atlanta, Georgia	1969	Las Vegas, Nevada	1998
Dallas, Texas	1982	Manhasset, New York	1998
Boston, Massachusetts	1984	Seattle, Washington	1998
Costa Mesa, California	1988	Scottsdale, Arizona	1998
Philadelphia, Pennsylvania	1990	Century City, California	1999
Vienna, Virginia	1990	Dallas (NorthPark), Texas	1999
Palm Beach, Florida	1991	Boca Raton, Florida	1999
Honolulu, Hawaii (Ala Moana)	1992	Tamuning, Guam +	1999
San Diego, California	1992	Old Orchard, (Skokie) Illinois	2000
Troy, Michigan	1992	Maui, Hawaii (Wailea)	2000
Bal Harbour, Florida	1993	Greenwich, Connecticut	2000

Maui, Hawaii	1994	Portland, Oregon	2000
Oak Brook, Illinois	1994	Tampa, Florida	2001
King of Prussia, Pennsylvania	1995	Santa Clara (San Jose), California	2001
Short Hills, New Jersey	1995	Honolulu, Hawaii (Waikiki)++	2002
White Plains, New York	1995	Bellevue, Washington	2002
Hackensack, New Jersey	1996	East Hampton, New York	2002
Chevy Chase, Maryland	1996	St. Louis, Missouri	2002
Charlotte, North Carolina	1997	Orlando, Florida	2002

+ Operated by Mitsukoshi (U.S.A.), Inc. until March 1999.

++ Replaced two previously existing Honolulu locations.

Most of Tiffany's U.S. branch stores display a representative selection of merchandise, but none of them maintains the extensive selection carried by the New York store. Management currently contemplates the opening of new TIFFANY & CO. branch stores in the United States at the rate of approximately three to five per year. 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, recognizing that over saturation of that market could diminish the distinctive appeal of the TIFFANY & CO. brand. However, management believes that there are a significant number of

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locations remaining in the United States that meet the requirements of a TIFFANY & CO. location, particularly given a new smaller store format. Tiffany has entered into lease agreements to open additional branches in 2003 in Walnut Creek, California, Coral Gables, Florida and Tamuning, Guam. See Item 2. Properties below for further information concerning U.S. Retail store leases. U.S. TIFFANY & CO. branch stores range in size from approximately 1,500 to 16,000 gross square feet and total approximately 370,000 gross square feet. Prior to 1993, an average of approximately 45% of the floor space in each branch store was devoted to retail selling. Newer stores generally range from approximately 4,000 to 7,000 gross square feet and are designed to devote approximately 60-70% of total floor space to retail selling. Branch stores opened after 2001 feature a store design format of approximately 5,000 square feet in size and display primarily fine jewelry, with a select assortment of china and crystal giftware. The East Hampton location is approximately 3,000 square feet in size and represents the first "resort" store.

#### Direct Marketing

##### Business Sales Division

Business Sales Division sales executives call on business clients throughout the United States, selling products drawn from the retail product line and items specially developed or sourced for the business market, including trophies and items designed for the particular customer. Price allowances are given to business account holders for certain purchases. Business Sales Division customers have typically purchased for business gift giving, employee service and achievement recognition awards, customer incentives and other purposes. During Fiscal 2002, the Company announced that it would discontinue its service award programs once existing customer commitments are satisfied.(2) Products and services are marketed through an organization of approximately 127 persons through advertising in newspapers and business periodicals and through the publication of special catalogs. Business account holders may also make gift purchases through the Company's Web site at [www.tiffany.com](http://www.tiffany.com).

##### Catalogs

Tiffany also distributes catalogs of selected merchandise to its proprietary list of retail mail and telephone customers and to mailing lists rented from third parties. SELECTIONS(R) catalogs are published, supplemented by COLLECTIONS and other catalogs.

##### Internet

The Company distributes a selection of more than 2,000 products through its Web site at [www.tiffany.com](http://www.tiffany.com). The Company expects to continue its expansion of merchandise selection and services on the site based on customer needs.

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 (2) Service award programs represented approximately 14% of Direct Marketing Sales in Fiscal 2002.

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The following table sets forth certain data with respect to mail, telephone and Internet order operations for the periods indicated:

	2000	Fiscal Year 2001	2002
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Number of names on catalog mailing and Internet lists at year-end (consists of customers who purchased by mail, telephone or Internet prior to the applicable date)*:	1,254,000	1,497,407	1,788,008
Total catalog mailings during fiscal year (in millions):	24.7	25.9	24.0
Total mail, telephone or Internet orders received during fiscal year*:	406,680	492,538	614,610

\*Fiscal 2000 has been restated to include orders received from e-commerce customers, which commenced in November 1999.

International Retail

Stores and boutiques included in the International Retail channel of distribution are listed on the following page.

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International Locations

LOCATIONS OPERATED BY REGISTRANT'S SUBSIDIARIES

JAPAN	ASIA-PACIFIC EXCLUDING JAPAN
* Operated by Registrant's Subsidiaries with Mitsukoshi, Ltd.	
Abeno, Kintetsu Department Store	Australia: Melbourne, Collins Street
Chiba, Mitsukoshi Department Store *	Australia: Sydney, Chifley Plaza
Fukuoka, Mitsukoshi *	China, Beijing, The Palace Hotel
Fukuoka, Mitsukoshi Department Store *	Hong Kong: Causeway Bay, Lee Gardens
Ginza, Mitsukoshi Department Store *	Hong Kong: Landmark Center
Hiroshima, Mitsukoshi Department Store *	Hong Kong: Pacific Place
Ikebukuro, Mitsukoshi Department Store *	Hong Kong: Peninsula Hotel
Ikebukuro, Tobu Department Store (Opened 3/03)	Hong Kong: Sogo Department Store
Kagoshima, Mitsukoshi Department Store *	Korea: Seoul, Galleria Department Store
Kanazawa, Mitsukoshi *	Korea: Seoul, Hyundai Department Store
Kashiwa, Takashimaya Department Store	Korea: Seoul, Hyundai Coex Department Store
Kawasaki, Saikaya Department Store	Korea: Seoul, Lotte Downtown Department Store
Kobe, Daimaru Department Store	Korea: Pusan, Paradise Hotel
Kobe, Mitsukoshi Department Store *	Malaysia: Suria KLCC
Kochi, Daimaru Department Store	Singapore: Ngee Ann City
Kokura, Izutsuya Department Store	Singapore: Raffles Hotel
Koriyama, Usui Department Store	Taiwan: Kaohsiung, Hanshin Department Store
Kumamoto, Tsuruya Department Store	Taiwan: Taipei, Regent Hotel
Kurashiki, Mitsukoshi Department Store *	Taiwan: Taipei, Sogo Department Store
Kyoto, Daimaru Department Store	Taiwan: Taichung, Sogo Department Store
Kyoto, Takashimaya Department Store	-----
Matsuyama, Mitsukoshi Department Store *	EUROPE
Nagano, Mitsukoshi *	-----
Nagoya Hoshigaoka, Mitsukoshi Dept. Store *	England: London, Old Bond Street
Nagoya, Mitsukoshi *(Opened 2/03)	England: London, The Royal Exchange

Nagoya Sakae, Mitsukoshi Dept. Store \*(Closed 2/03)  
Nagoya, Takashimaya Department Store  
Nihonbashi, Mitsukoshi Department Store \*  
Niigata, Mitsukoshi Department Store \*  
Oita, Tokiwa Department Store  
Okayama, Tenmaya Department Store  
Okinawa, Mitsukoshi Department Store \*  
Osaka, Mitsukoshi Department Store \*  
Osaka, Takashimaya Department Store  
Sagamihara, Isetan Department Store  
Sapporo, Mitsukoshi Department Store \*  
Sapporo, Daimaru Dept. Store (Opened 3/03)  
Sendai, Mitsukoshi Department Store \*  
Shinjuku, Isetan Department Store  
Shinjuku, Mitsukoshi Department Store \*  
Shinsaibashi, Daimaru Department Store  
Shizuoka, Matsuzakaya Department Store  
Tachikawa, Isetan Department Store  
Takamatsu, Mitsukoshi Department Store \*  
Tokyo Bay, Ikspiari \*  
Tokyo, Ginza Flagship Store \*  
Tottori, Daimaru Department Store  
Umeda, Daimaru Department Store  
Utsunomiya, Tobu Department Store  
Yokohama, Landmark Plaza, Mitsukoshi \*  
Yokohama, Mitsukoshi Department Store \*

England: London, Harrod's Department Store  
France: Paris  
France: Paris, LePrintemps Department Store  
Germany: Frankfurt  
Germany: Munich  
Italy: Florence  
Italy: Milan  
Italy: Rome  
Switzerland: Zurich

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CANADA AND CENTRAL/SOUTH AMERICA  
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Canada: Toronto  
Mexico: Mexico City, Palacio Store, Polanco  
Mexico: Mexico City, Palacio Store, Perisur  
Mexico: Mexico City, Masaryk  
Brazil: Sao Paulo, Iguatemi Shopping Center

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Business with Mitsukoshi

On August 1, 2001, Registrant's wholly-owned subsidiary, Tiffany & Co. Japan Inc. ("Tiffany-Japan") entered into agreements with Mitsukoshi Ltd. of Japan ("Mitsukoshi"). These agreements continue long-standing commercial relationships that Registrant and its affiliated companies have had with Mitsukoshi.

In the fiscal years ended January 31, 2001, 2002 and 2003, respectively, total Japan sales represented 28%, 28% and 26% of Registrant's net sales. Sales made in TIFFANY & CO. boutiques located in Mitsukoshi's stores constituted 16%, 15% and 13% of Registrant's net sales in those years.

(Historical Background)

On June 12, 1993, Registrant, through its affiliated companies, entered into a distribution agreement (the "93 Agreement") with Mitsukoshi. The 93 Agreement significantly changed the way Registrant and Mitsukoshi had done business in Japan, which, from 1972 until that time, had consisted of sales to Mitsukoshi for resale. As a consequence of the 93 Agreement, Tiffany-Japan commenced retail sales operations in Japan.

(The 93 Agreement and the 2001 Agreement)

On August 1, 2001, Tiffany-Japan and Mitsukoshi entered into an agreement (the "2001 Agreement"). The 2001 Agreement replaced the 93 Agreement, which remained in effect until November 1, 2001. The 2001 Agreement will expire on January 31, 2007.

Under the 93 and 2001 Agreements Tiffany-Japan had and has merchandising and marketing responsibilities in the operation of TIFFANY & CO. boutiques in Mitsukoshi's stores and other locations throughout Japan. Mitsukoshi acts for Tiffany-Japan in the sale of merchandise owned by Tiffany-Japan and Registrant recognizes as revenues the retail price charged to the ultimate consumer in Japan. Tiffany-Japan holds inventories for sale, establishes retail prices, bears the risk of currency fluctuations, provides one or more brand managers in each boutique, controls merchandising and displays within the boutiques, manages inventory and controls and funds all advertising and publicity programs with respect to TIFFANY & CO. merchandise. Mitsukoshi provides and maintains boutique facilities and assumes retail credit and certain other risks.

Mitsukoshi provides retail staff in "Standard Boutiques" and Tiffany-Japan provides retail staff in "Concession Boutiques." At present, there are 16 Standard Boutiques and 10 Concession Boutiques. Over the remaining term of the 2001 Agreement, one existing boutique is to close and five will be converted from Standard to Concession Boutiques. Risk of inventory loss varies depending on whether the boutique is a Standard Boutique or a Concession Boutique. Mitsukoshi bears responsibility for loss or damage to the merchandise in Standard Boutiques and Tiffany-Japan bears the risk in Concession Boutiques.

Under the 93 Agreement, Mitsukoshi retained a portion (the "basic portion") of the net retail sales made in TIFFANY & CO. Boutiques. The basic portion varied depending on the type

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of Boutique and the retail price of the merchandise involved. Generally, however, Mitsukoshi's basic portion was 27% in Standard Boutiques and 20% in Concession Boutiques. These basic portions remained in effect under the 2001 Agreement through January 31, 2003.

From February 1, 2003 through the expiration of the 2001 Agreement, Mitsukoshi's basic portion will be reduced by four percent in each category and increased by a factor that varies between zero and three percent depending upon the historic sales performance of the individual boutique in question. Thus, Registrant expects that the highest basic portion available to Mitsukoshi in any Standard Boutique during this time period will be 26% and for any Concession Boutique, not less than 17%.

Under the 93 Agreement, Tiffany-Japan also paid Mitsukoshi an incentive fee of five percent of the amount by which boutique sales increased year-to-year, calculated on a per-boutique basis. Under the 2001 Agreement, the five-percent incentive fee is calculated only upon the increase above "Target Sales." Target Sales means a year-to-year increase that is greater than the lesser of (i) 10% or (ii) a sales goal set by Tiffany-Japan.

Under the 93 Agreement, Mitsukoshi had the following exclusive rights in Tokyo: TIFFANY & CO. boutiques could be established only in Mitsukoshi's stores and TIFFANY & CO. brand jewelry could be sold only in such boutiques, or in the "Flagship Store" (see below). Outside Tokyo, Registrant was not restricted in its right to establish TIFFANY & CO. boutiques or sell TIFFANY & CO. merchandise.

Under the 2001 Agreement, Registrant is free to establish TIFFANY & CO. boutiques and sell TIFFANY & CO. merchandise throughout Japan, including in Tokyo.

(The FSS Agreement and the 2001 FSS Agreement)

Mitsukoshi, Tiffany-Japan and Tiffany entered into an Agreement dated February 23, 1996 (the "FSS Agreement") governing the operation of a 7,700 square foot TIFFANY & CO. store in premises (the "Premises") located in Tokyo's Ginza shopping district (the "Flagship Store"). Tiffany-Japan completed, at its cost, all necessary improvements to prepare the Premises and delivered the Premises to Mitsukoshi in May 1996. In June 1999, by Supplemental Agreement to the FSS Agreement, the parties expanded the Premises to approximately 12,000 square feet. The Premises are leased by a third party landlord to Tiffany-Japan for a fixed annual rental. Tiffany-Japan has paid a lease deposit of approximately \$8 million to lease the Premises. That deposit is an unsecured indebtedness owed to Tiffany-Japan.

On August 1, 2001, Mitsukoshi and Tiffany-Japan entered into the "2001 FSS Agreement" which replaced the FSS Agreement.

Under both the FSS Agreement and the 2001 FSS Agreement, the Premises are subleased by Tiffany-Japan to Mitsukoshi on a percentage-of-sales basis (the "Sublease"). Tiffany-Japan bears all costs of operating the Premises. Tiffany-Japan selects and furnishes merchandise for display in the Flagship Store, prices the merchandise for retail sale, bears all risk of loss until the merchandise is sold to a customer and determines all issues of display, packaging, signage and advertising. Mitsukoshi acts for Tiffany-Japan in the sale of the merchandise, collects and holds the sales proceeds, makes credit



available to customers, bears all credit losses and provides its point-of-sale transaction processing system (the "POS System"). Tiffany-Japan provides all

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necessary staff other than employees provided by Mitsukoshi in connection with the POS System. Management of the Flagship Store, other than with respect to the POS System, is the responsibility of Tiffany-Japan.

After compensating Tiffany-Japan on a percentage-of-sales basis for Sublease rent and staffing, Mitsukoshi is allocated a percentage of net sales. Under the FSS Agreement, Mitsukoshi's percentage allocation was 8.3%. Under the 2001 FSS Agreement, Mitsukoshi's percentage allocation is 3%.

The 2001 FSS Agreement is scheduled to expire on September 30, 2005, but will be extended until September 30, 2007, subject to renewal of the lease for the Premises by Tiffany-Japan and the landlord for the Premises.

(Other Transactions with Mitsukoshi)

On February 2, 1998, Tiffany purchased, as a going concern, the TIFFANY & CO. business operated on the island of Oahu, Hawaii, by an affiliate of Mitsukoshi under agreement with Tiffany. The transaction was structured as a purchase of assets. Tiffany paid a cash price of \$8.1 million and agreed to make contingent payments equal to 3.75% of certain sales made by Tiffany on the island of Oahu after the date of the purchase through January 31, 2003. On March 19, 1999, Tiffany purchased, as a going concern, the TIFFANY & CO. business operated in Guam by an affiliate of Mitsukoshi under agreement with Tiffany. The transaction was structured as a cash-for-stock purchase of the affiliate, under which Tiffany assumed all of the assets and liabilities of the affiliate. Tiffany paid a total cash price of \$7.0 million.

From 1989 through January 1999, Mitsukoshi Limited of Japan and its affiliated companies held a significant portion of the Registrant's Common Stock. As of January 31, 1999, Mitsukoshi's holdings represented 12.3% of Registrant's outstanding shares. In February 1999, Mitsukoshi sold all of its holdings of Registrant's Common Stock through a public offering.

International Wholesale Distribution

Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in markets in Central/Latin/South American, Caribbean, Canadian, Asia-Pacific, Russian and Middle Eastern regions. Such sales represented 1.6% of total sales in Fiscal 2002.(3)

Management anticipates continued expansion of international wholesale distribution in Central/Latin/South American, Caribbean and Asia-Pacific regions as markets are developed.

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(3) In fiscal years 2000 and 2001 the Company discontinued wholesale sales of jewelry and fragrance in Europe. This change has not had a significant impact on sales or profits and has enabled the Company to better manage the TIFFANY & CO. brand and to focus management efforts on Company-operated stores in Europe.

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Expansion of Worldwide Retail Operations

Registrant expects to continue to open stores in locations outside the United States. However, the timing and success of this program will depend upon many factors, including Registrant's ability to obtain suitable retail space on satisfactory economic terms and the extent of consumer demand for TIFFANY & CO. products in overseas markets. Such demand varies from market to market.

The Company's commercial relationship with Mitsukoshi and Mitsukoshi's ability to continue as a leading department store operator have been and will

continue to be substantial factors in the Company's continued success in Japan. Presently, TIFFANY & CO. boutiques are located in 26 Mitsukoshi department stores and other retail locations operated with Mitsukoshi in Japan. The Company also operates 24 boutiques primarily in department stores other than Mitsukoshi, in locations within Japan but outside of Tokyo, and plans to open more.

In recent years, the Japanese department store industry has, in general, suffered declining sales. There is a risk that such financial difficulties will force consolidations or store closings. Should one or more Japanese department store operators, such as Mitsukoshi, elect or be required to close one or more stores now housing a TIFFANY & CO. boutique, the Company's sales and earnings would be reduced while alternate premises are being obtained.

Tiffany began its ongoing program of international expansion through proprietary retail stores in 1986 with the establishment of the London store. Company-operated international TIFFANY & CO. stores and boutiques range in size from approximately 400 to 14,000 gross square feet and total approximately 232,000 gross square feet devoted to retail purposes. The following chart details the growth in the Company's stores and boutiques since Fiscal 1987 on a worldwide basis:

Worldwide TIFFANY & CO. Retail Locations Operated by Registrant's Subsidiary Companies

End of Fiscal:	Americas and Europe			Asia-Pacific		Total
	U.S.	Canada, Central/Latin /South Americas	Europe	Japan	Elsewhere	
1987	8	0	2	0	0	10
1988	9	0	3	0	1	13
1989	9	0	5	0	2	16
1990	12	0	5	0	3	20
1991	13	1	7	0	4	25
1992	16	1	7	7	4	35
1993	16	1	6	37**	5	65
1994	18	1	6	37	7	69
1995	21	1	6	38	9	75
1996	23	1	6	39	12	81
1997	28	2	7	42	17	96
1998	34	2	7	44	17	104
1999	38	3	8	44	17	110
2000	42	4	8	44	21	119
2001	44	5	10	47	20	126
2002	47	5	11	48	20	131

\*\*Prior to July 1993, many TIFFANY & CO. boutiques in Japan were operated by Mitsukoshi (ranging from 21 in 1987 to 29 in 1993). See Business with Mitsukoshi above.

Specialty Retail

In Fiscal 2002, the Company established this new channel of distribution to include the consolidated results of retail sales transactions in Little Switzerland, Inc. stores and the results of other existing or future ventures involving sales of merchandise under non-TIFFANY trademarks and trade names. Specialty retail sales accounted for 1.4 % of net sales in Fiscal 2002.

Little Switzerland, Inc.

In October 2002, the Company, through a subsidiary, completed the acquisition of all the shares of Little Switzerland, Inc., a specialty retailer of brand name watches, jewelry, china, crystal and giftware. Little Switzerland stores are located on five Caribbean islands (St. Thomas (3); St. Maarten/St. Martin (2); Aruba (6); Curacao (1); and Barbados (1)) and in Florida (Key West (3))

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and Alaska (Skagway (2); Juneau (1); and Ketchikan (1)), and appeal primarily to tourists from the United States. Little Switzerland sells primarily non-TIFFANY brand products, but certain stores carry selected TIFFANY & CO. merchandise.

Advertising and Promotion

Tiffany regularly advertises primarily in newspapers and magazines and periodically conducts product promotional events. In Fiscal 2000, 2001 and 2002, Tiffany spent approximately \$84.2 million, \$86.4 million, and \$101.9 million, respectively, on worldwide advertising, which include media, production, catalogs, promotional events and other related costs.

Public Relations (promotional) activity is also a significant aspect of Registrant's business. Management believes that Tiffany's image is enhanced by a program of charity sponsorships, grants and merchandise donations. Donations are also made to The Tiffany & Co. Foundation, a private foundation organized to support other 501(c)(3) charitable organizations with efforts concentrated in the education and preservation of the arts and environmental conservation. The Company also engages in a program of retail promotions and media activities to maintain consumer awareness of the Company and its products. Each year, Tiffany publishes its well-known Blue Book which showcases fine jewelry and other merchandise. Tiffany's window displays are another important aspect of Tiffany's promotional efforts. John Loring, Tiffany's Design Director, is the author of numerous books featuring TIFFANY & CO. products. Registrant considers these and other promotional efforts important in maintaining Tiffany's image as an arbiter of taste and style.

Trademarks

The designations TIFFANY(R) and TIFFANY & CO.(R) are the principal trademarks of Tiffany, as well as serving as trade names. Through its subsidiaries, the Company has obtained and is the proprietor of trademark registrations for TIFFANY and TIFFANY & CO., as well as the TIFFANY BLUE BOX(R) and the color TIFFANY BLUE(R) for a variety of product categories in the United States and in other countries. Over the years, Tiffany has maintained a program to protect its trademarks and has instituted legal action where necessary to prevent others either from registering or using marks which are considered to create a likelihood of confusion with the Company or its products. Tiffany has been generally successful in such actions and management considers that its United States trademark rights in TIFFANY and TIFFANY & CO. are strong. However, use of the designation TIFFANY by third parties (often small companies) on unrelated goods or services, frequently transient in nature, may not come to the attention of Tiffany or may not rise to a level of concern warranting legal action. Despite the general fame of the TIFFANY and TIFFANY & CO. name and mark for the Company's products and services, Tiffany is not the sole person entitled to use the name TIFFANY in every category in every country of the world; third parties have registered the name TIFFANY in the United States 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 fragrance, cosmetics, jewelry, eyeglass frames, clothing and tobacco products) under circumstances where Tiffany's rights were not sufficiently clear under local law, and/or where management concluded that Tiffany's foreseeable business interests did not warrant the expense of litigation.

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### Designer Licenses

Tiffany has been the sole licensee for jewelry designed by Elsa Peretti, Paloma Picasso and the late Jean Schlumberger since 1974, 1980 and 1956, respectively. In 1992, Tiffany acquired trademark and other rights necessary to sell the designs of the late Mr. Schlumberger under the TIFFANY-SCHLUMBERGER trademark. Ms. Peretti and Ms. Picasso retain ownership of copyrights for their designs and of their trademarks and exercise approval rights with respect to important aspects of the promotion, display, manufacture and merchandising of their designs. Tiffany is required by contract to devote a portion of its advertising budget to the promotion of their respective products; each is paid a royalty by Tiffany for jewelry and other items designed by them and sold under their respective names. Written agreements exist between Ms. Peretti and Tiffany and between Ms. Picasso and Tiffany but may be terminated by either party following six months notice to the other party. Tiffany is the sole retail source for merchandise designed by Ms. Peretti worldwide; however, she has reserved by contract the right to appoint other distributors in markets outside the United States, Canada, Japan, Singapore, Australia, Italy, the United Kingdom, Switzerland and Germany.

The designs of Ms. Peretti accounted for 15% of the Company's net sales in Fiscal 2000, 2001 and 2002. Merchandise designed by Ms. Picasso accounted for 3%, 3% and 4% of the Company's net sales in Fiscal 2000, 2001 and 2002.

Registrant's operating results could be adversely affected were it to cease to be a licensee of either of these designers or should its degree of exclusivity in respect of their designs be diminished.

### Merchandise Purchasing, Manufacturing and Raw Materials

Merchandise offered for sale by the Company is supplied from Tiffany's jewelry and silver goods manufacturing facility in Cumberland, Rhode Island and Tiffany's workshops in New York City and Pelham, New York; Parsippany, New Jersey; Salem, West Virginia; and Paris, France and through purchases and consignments from others. It is Registrant's long-term objective to continue its expansion of Tiffany's internal manufacturing operations. However, it is not expected that Tiffany will ever manufacture all of its needs. Factors to be considered in its decision to outsource manufacturing include product quality, gross margin improvement, access to or mastery of various jewelry-making skills and technology, support for alternative capacity and the cost of capital investments. The following table shows Tiffany's sources of jewelry merchandise, based on cost, for the periods indicated:

Jewelry Merchandise	Fiscal Years		
	2000	2001	2002
	-----	-----	-----
Produced by Tiffany	52%	49%	52%
Purchased from others	48	51	48
	-----	-----	-----
Total	100%	100%	100%
	=====	=====	=====

A substantial majority of non-jewelry merchandise is purchased from others.

Gems and precious metals used in making Tiffany's jewelry may be purchased from a variety of sources. For the most part, purchases of such materials are from suppliers with which Tiffany enjoys long-standing relationships.

Products containing one or more diamonds of varying sizes, including diamonds used as accents, side-stones and center-stones, accounted for

approximately 40%, 38% and 36% of Tiffany's net sales in Fiscal 2000, 2001 and 2002, respectively. Products containing one or more diamonds of one carat or larger accounted for less than 10% of net sales in each of those years. Tiffany purchases cut diamonds principally from four key vendors. Were trade relations between Tiffany and one or more of these vendors to be disrupted, the Company's sales would be adversely affected in the short term until alternative supply arrangements could be established. Diamonds of one carat or greater of the quality the Company demands are, on a relative basis, more difficult to acquire than smaller diamonds. Established sources for smaller stones would be more easily replaced in the event of a disruption in supply than would established sources for larger-sized stones.

Except as noted above, Tiffany believes that there are numerous alternative sources for gems and precious metals and that the loss of any single supplier would not have a material adverse effect on its operations.

In 1999, the Company made a 14.7% equity investment (\$71 million) in Aber Diamond Corporation ("Aber"), a publicly-traded company headquartered in Canada, by purchasing 8 million unregistered shares of its common stock. Aber holds a 40% interest in the Diavik Diamonds Project in Northwest Canada. Under the Company's diamond purchase agreement with Aber, the Company is obligated to purchase at least \$50 million in diamonds annually (in assortments of diamonds expected to cut/polish to the Company's quality standards) during the next 10 years. It is expected that Tiffany's alliance with Aber will enable the Company to secure a significant portion of its future diamond needs and start-up is expected in the first quarter of Fiscal 2003.

Presently, the supply and price of rough (uncut and unpolished) diamonds in the principal world markets have been and continue to be significantly influenced by a single entity, the Diamond Trading Corporation (the "DTC") of De Beers Centenary AG, a Swiss corporation. The DTC continues to supply a significant portion of the world market for rough, gem-quality diamonds, notwithstanding that its historical ability to control supplies has been somewhat diminished due to changing politics in diamond-producing countries and revised contractual arrangements with independent mine operators. The DTC continues to exert a significant influence on the demand for polished diamonds through advertising and marketing efforts throughout the world and through the requirements it imposes on those who purchase rough diamonds from the DTC ("sight-holders").

Historically, Tiffany has not purchased rough diamonds; in consequence, Tiffany has not purchased directly from the DTC. Some, but not all, of Tiffany's suppliers are DTC sight-holders, and it is estimated that 50% of the diamonds that Tiffany has purchased have had their source with the DTC.

Tiffany expects to purchase rough diamonds from Aber and other sellers through its affiliated companies beginning in Fiscal 2003. In preparation, Tiffany has, through its affiliated companies, invested in building a diamond sorting and processing facility in Antwerp, Belgium and a diamond cutting/polishing facility in Yellowknife, The Northwest Territories of Canada. Rough diamonds will be exported to Belgium, where they will be sorted and evaluated for cutting. Some diamonds will be sent to Canada for cutting/polishing in Tiffany's facility. Other diamonds will be

provided to contractors for cutting and return. In conducting these activities, it is Tiffany's intention to supply its own needs for cut/polished diamonds and hopes to minimize the number of rough or cut stones that prove unsatisfactory and must be sold to third parties. However, some such sales will be inevitable.

The availability and price of diamonds to the DTC and Tiffany's suppliers may be, to some extent, dependent on the political situation in diamond-producing countries, the opening of new mines and the continuance of the prevailing supply and marketing arrangements for rough diamonds. Sustained interruption in the supply of rough diamonds, an over-abundance of supply or a substantial change in the marketing arrangements described above could adversely affect Tiffany and the retail jewelry industry as a whole. Changes in the marketing and advertising policies of DTC and its direct purchasers could affect consumer demand for diamonds. Additionally, an affiliate of the DTC has formed a joint venture with an affiliate of a major luxury goods retailer for the purpose

of retailing diamond jewelry. This joint venture has become a competitor of Tiffany. Further, the DTC has encouraged its sight-holders to engage in diamond brand development, which may also increase demand for diamonds and affect the supply of diamonds in certain categories.

Increasing attention has been focused within the last few years on the issue of "conflict" diamonds. Conflict diamonds are extracted from war-torn regions and sold by rebel forces to fund insurrection. Allegations have been made in the press that diamonds are used as a source to further terrorist activities. Concerned participants in the diamond trade, including Tiffany and non-government organizations, seek to exclude such diamonds, which represent a small fraction of the world's supply, from legitimate trade through an international system of certification and legislative initiatives. It is expected that such efforts will not substantially affect the supply of diamonds. However, in the near term, efforts by these non-governmental organizations to increase consumer awareness of the issue and encourage legislative response could affect consumer demand for diamonds.

Finished jewelry is purchased from approximately 85 manufacturers, most of which have long-standing relationships with Tiffany. Tiffany believes that there are alternative sources for most jewelry items; however, due to the craftsmanship involved in certain designs, Tiffany would have difficulty in finding readily available alternatives in the short term.

TIFFANY & CO. brand clocks and components for timepieces are manufactured and assembled by third parties. Approximately 53% of net watch sales during Fiscal 2002 were attributable to a single manufacturer. Nearly all movements for Tiffany's new MARK line of watches are purchased from a single manufacturer. The loss of this manufacturer could result in the unavailability of timepieces during the period necessary for Tiffany to arrange for new production.

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#### Competition

Registrant encounters significant competition in all of its product lines from other third-party providers, some of which specialize in just one area in which the Company is active. Many of the Company's competitors have established reputations for style and expertise similar to that of the Company and compete on the basis of value. Other jewelers and retailers compete primarily through advertised price promotion. The Company competes on the basis of reputation for high quality products, brand recognition, and distinctive value-priced merchandise and does not engage in price promotional advertising. See Merchandise Purchasing, Manufacturing and Raw Materials above.

Competition for engagement jewelry sales is particularly fierce and becoming more so. The rise of the Internet and increased use of diamond condition reports issued by independent gemological associations have given rise to the mistaken impression amongst certain consumers that diamonds are commodity items and that significant quality differences do not exist. Tiffany's price for diamonds reflects the rarity of the stones it offers and the rigid parameters it exercises with respect to the cut, clarity and other quality factors which increase the beauty of Tiffany diamonds, but also increase Tiffany's cost. Tiffany competes in this market by stressing quality, while some competitors offer inferior diamonds claiming they are comparable, but at lesser prices.

The international marketplace for the Company's products is highly competitive. Although the Company believes that the name TIFFANY & CO. is known internationally, and although Tiffany did operate retail stores in London and Paris prior to World War II, the Company did not have a retail presence in Europe in the post-war era until 1986. Accordingly, consumer awareness of Tiffany & Co. and its products is not as strong in Europe as in the U.S. or in Japan, where Tiffany has distributed its products for many years. The Company expects that its overseas stores will continue to experience intense competition from established retailers in international cities where TIFFANY & CO. stores are or may eventually be located.

Registrant also faces increasing competition in the area of direct marketing. A growing number of direct sellers compete for access to the same mailing lists of known purchasers of luxury goods. In marketing recognition

awards and business gifts to corporations and other organizations, the Company faces numerous competitors who sell a wide variety of products at a greater price range than the Company, which has chosen to offer a more limited selection in order to adhere to its established quality standards. Tiffany currently distributes selected merchandise through its Web site at [www.tiffany.com](http://www.tiffany.com) and anticipates continuing competition in this area as the technology evolves. Tiffany does not currently offer diamond engagement jewelry through its Web site, while certain of Tiffany's competitors do. Nonetheless, Tiffany will seek to maintain and improve its position in the Internet marketplace by refining and expanding its merchandise selection and services.

#### Seasonality

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

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#### Employees

As of January 31, 2003, the Registrant's subsidiary corporations employed an aggregate of approximately 6,431 full-time and part-time persons. Of those employees, 4,870 are employed in the United States. Of Tiffany's total employees, approximately 2,602 persons are salaried employees, 745 are engaged in manufacturing and 3,449 are retail store personnel. None of the Company's employees is represented by a union. Registrant believes that relations with its employees are good.

#### ITEM 2. PROPERTIES

Registrant both owns and leases its principal operating facilities and occupies its various store premises under lease arrangements that are generally on a two to ten-year basis.

##### New York Store

In November 1999, Tiffany repurchased the land and building housing its flagship store at 727 Fifth Avenue in New York City. Prior to its repurchase, Tiffany had leased the building since 1984. Constructed for Tiffany in 1940, the building was designed to be a retail store for the Company and is believed to be well located for this function. Currently, approximately 40,000 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. In Fiscal 2000, the Company commenced a multiyear renovation and reconfiguration project to increase the store's selling space and provide additional floor space for customer service and special exhibitions. An additional selling floor was opened in November 2001 and, over the next three years, renovations of other existing selling space will be completed.

##### London Flagship Store

In October 2002, Registrant purchased through a subsidiary the building housing its flagship European store at 25/25A Old Bond Street in London and the adjacent building at 15 Albermarle Street. The London store had been leased since 1986 and was expanded to its current 15,200 square feet in 1991. A renovation and reconfiguration of the store's interior selling space is scheduled to commence in 2003 and will occur in several phases through the second half of 2004.

##### Customer Service Center

In 1995, Tiffany entered into a lease of undeveloped property in Parsippany, New Jersey, in order to construct and occupy a new distribution facility. In April 1997, construction of the "Customer Service Center" ("CSC") on that property was completed and Tiffany commenced operations. The CSC is a combined warehouse, distribution, light manufacturing, computing and office center. To meet increased demand, the computer and office center areas were expanded during Fiscal 2001. In January 2001, Tiffany exercised its right under the lease to purchase the CSC for a scheduled purchase price. This capital lease

buyout was completed on January 31, 2002. Registrant believes that the CSC has been properly designed to handle worldwide

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distribution functions and that it is suitable for that purpose. The CSC currently comprises approximately 370,000 square feet, of which approximately 186,000 square feet are devoted to office and computer operations use, with the balance devoted to warehousing, shipping, receiving, light manufacturing, merchandise processing and other distribution functions.

In anticipation of growth in sales volume and company-operated stores, in Fiscal 2001 Tiffany entered into a ground lease of undeveloped property in Hanover Township, New Jersey in order to construct and occupy an additional facility to manage the warehousing and processing of direct-to-customer orders and to perform other distribution functions. Construction of the facility is near completion and occupancy is expected in the second half of Fiscal 2003, assuming the landlord has completed certain corrective work to the site. In the event of a delay in occupancy of the facility, management believes that its current distribution facility, supplemented by outside distribution resources, will be sufficient to handle distribution functions through Fiscal 2003. The proposed facility will be approximately 266,000 square feet, of which approximately 34,500 square feet will be devoted to office use, the balance to warehousing, shipping, receiving, merchandise processing and other warehouse functions. When the new facility becomes operational, the CSC will be devoted to store replenishment and wholesale support activities.

#### Manufacturing Facility - Cumberland, Rhode Island

In January 2000 Tiffany entered into a purchase agreement for the purchase of undeveloped property in Cumberland, Providence County, Rhode Island in order to construct and occupy a 100,000 square foot jewelry and silver goods manufacturing facility. In May 2001, construction of the facility was completed and Tiffany commenced operations.

#### Manufacturing Facility - Cranston, Rhode Island

On January 31, 2003 Tiffany purchased a warehouse facility and land located in Cranston, Rhode Island. During Fiscal 2003, the 75,000 square foot building will be renovated to process metals for raw material use.

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#### Branch and Subsidiary Retail Store Leases

Set forth below is the expiration date for each of Tiffany's existing branch and subsidiary retail store leases (and, where applicable, optional renewal terms):

U.S. BRANCH STORE LEASES				
CITY	STATE/TERR.	LOCATION	EXPIRATION DATE	RENEWAL OPTIONS
Atlanta	GA	Phipps Plaza Shopping Center	July 31, 2010	
Bal Harbour	FL	Bal Harbour Shops	May 31, 2003	In negotiation
Bellevue	WA	Bellevue Square	May 31, 2017	
Beverly Hills	CA	Two Rodeo Drive	October 7, 2005	Two five-year terms
Boca Raton	FL	Town Center at Boca	January 31, 2010	One five-year term
Boston	MA	Copley Place	July 31, 2009	Two five-year terms
Century City	CA	Century City Shopping Center	June 30, 2009	
Charlotte	NC	SouthPark Mall	December 31, 2007	One five-year term
Chestnut Hill	MA	The Atrium at Chestnut Hill	January 31, 2008	One five-year term
Chevy Chase	MD	5500 Wisconsin Avenue	January 31, 2006	



Chicago	IL	730 North Michigan Avenue	October 20, 2012	Two five-year terms
Cincinnati	OH	Fountain Place	November 30, 2012	Two five-year terms
Costa Mesa	CA	South Coast Plaza	January 31, 2019	
Dallas	TX	The Galleria	May 31, 2009	
Dallas	TX	NorthPark Center	May 31, 2009	One five-year term
Denver	CO	Cherry Creek Shopping Center	January 31, 2008	One five-year term
East Hampton	NY	53 Main Street	February 29, 2012	Two five-year terms
Greenwich	CT	140 Greenwich Avenue	July 31, 2010	Two five-year terms
Hackensack	NJ	Riverside Square Mall	September 30, 2006	
Honolulu	HI	Ala Moana Center	January 31, 2011	
Honolulu	HI	2100 Kalakaua Avenue	October 31, 2017	Two five-year terms
Houston	TX	The Galleria	September 30, 2006	
King of Prussia	PA	The Plaza at King of Prussia	November 30, 2005	One five-year term
Las Vegas	NV	Bellagio	March 1, 2008	One ten-year term
Manhasset	NY	Americana Shopping Center	June 9, 2008	
Maui	HI	Whalers Village	July 31, 2004	
Maui	HI	The Shops at Wailea	November 30, 2010	One five-year term
Oak Brook	IL	Oakbrook Center	April 30, 2009	Two five-year terms
Old Orchard	IL	Old Orchard Shopping Center	April 30, 2010	One five-year term
Orlando	FL	The Mall at Millenia	December 31, 2012	One five-year term
Palm Beach	FL	259 Worth Avenue	May 31, 2007	Two five-year terms
Palo Alto	CA	Stanford Shopping Center	May 31, 2007	
Philadelphia	PA	The Bellevue	June 30, 2010	One five-year term
Portland	OR	Pioneer Place	December 31, 2010	One five-year term
San Diego	CA	Fashion Valley Shopping Center	December 31, 2007	One five-year term
San Francisco	CA	Union Square	November 1, 2010	One ten-year term
Santa Clara (San Jose)	CA	Westfield Shoppingtown Valley Fair	January 31, 2012	
Scottsdale	AZ	Scottsdale Fashion Square	December 31, 2008	One five-year term
Seattle	WA	Pacific Place	October 28, 2008	Two five-year terms
Short Hills	NJ	The Mall at Short Hills	January 31, 2005	One five-year term
St. Louis	MO	Plaza Frontenac	September 26, 2012	One five-year term
Tampa	FL	International Plaza	January 31, 2011	One five-year term
Tamuning	Guam	Tumon Sands Plaza	September 30, 2003	
Troy	MI	The Somerset Collection	September 30, 2007	
Vienna	VA	Fairfax Square	March 31, 2010	One five-year term
White Plains	NY	The Westchester	March 31, 2005	One five-year term

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INTERNATIONAL BRANCH STORE LEASES

COUNTRY	CITY	LOCATION	EXPIRATION DATE	RENEWAL OPTIONS
Australia	Sydney	Chifley Tower	October 18, 2004	One five-year term
Australia	Melbourne	267 Collins Street	October 31, 2005	Three five-year terms
Brazil	Sao Paulo	Shopping Center Iguatemi	January 1, 2006	Two five-year terms
Canada	Toronto	85 Bloor Street West	August 31, 2006	One seven-year term
England	London	The Royal Exchange	August 31, 2016	Three five-year terms
France	Paris	6 Rue de la Paix	April 1, 2011	
Germany	Frankfurt	20 Goethestrasse	January 31, 2011	One ten-year term
Germany	Munich	Residenzstrasse 11	January 31, 2004	One five-year term
Hong Kong	Causeway Bay	Lee Gardens	June 30, 2003	
Hong Kong		The Landmark	May 31, 2005	
Hong Kong	Kowloon	The Peninsula	February 29, 2004	
Hong Kong		Pacific Place	October 31, 2003	
Italy	Florence	Via Tornabuoni	December 31, 2007	One six-year term

Italy	Milan	Via della Spiga	October 31, 2005	One six-year term
Italy	Rome	Via Del Babuino	December 31, 2007	One six-year term+
Japan	Tokyo	GINZA	October 24, 2005	One three-year term
Korea	Pusan	Paradise Hotel	September 20, 2003	One two-year option
Malaysia	Kuala Lumpur	Suria KL City Centre	November 30, 2005	One three-year term
Mexico	Mexico City	Masaryk	May 31, 2004	Two three-year terms
Singapore		Raffles Hotel	September 15, 2003	
Singapore		Ngee Ann City	September 14, 2005	One one-year term
Switzerland	Zurich	Bahnhofstrasse 14	September 30, 2005	
Taiwan	Taipei	Regent Hotel	April 30, 2006	

+ Renewal subject to conditions imposed by Italian law, including right of landlord to occupy premises for its own use.

#### New Store Leases

In addition to the U.S. leases described herein on page 21, Tiffany has entered into the following new leases for domestic stores expected to open in 2003: a 10-year lease for a 6,800 square foot store at 1119 S. Main Street, Walnut Creek, California, a 10-year lease for a 5,600 square foot store at the Village of Merrick Park in Coral Gables, Florida, and a five-year lease for a 1,330 square foot boutique at 1296 Pale San Vitores Road (Tuman Bay Galleria), Tamuning, Guam.

#### ITEM 3. LEGAL AND ENVIRONMENTAL PROCEEDINGS

Registrant and Tiffany are from time to time involved in routine litigation incidental to the conduct of Tiffany's business, including proceedings to protect its trademark rights, litigation with parties claiming infringement of their intellectual property rights by Tiffany, litigation instituted by persons alleged to have been injured upon premises within Registrant's control and litigation with present and former employees. Although litigation with present and former employees is routine and incidental to the conduct of Tiffany's business, as well as for any business employing significant numbers of U.S.-based 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, Registrant believes that no litigation currently pending to which it or Tiffany is a party or to which its properties are subject will have a material adverse effect on its financial position, earnings or cash flows.

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#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of the fiscal year ended January 31, 2003.

#### EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Registrant are:

NAME	AGE	POSITION	YEAR JOINED TIFFANY
Michael J. Kowalski	51	Chairman of the Board of Directors and Chief Executive Officer	1983
James E. Quinn	51	President	1986
Beth O. Canavan	48	Executive Vice President	1987
James N. Fernandez	47	Executive Vice President and Chief Financial Officer	1983

Victoria Berger-Gross	47	Senior Vice President - Human Resources	2001
Patrick B. Dorsey	52	Senior Vice President - General Counsel and Secretary	1985
Fernanda M. Kellogg	56	Senior Vice President - Public Relations	1984
Jon M. King	46	Senior Vice President - Merchandising	1990
Caroline D. Naggiar	45	Senior Vice President - Marketing	1997
John S. Petterson	44	Senior Vice President - Operations	1988

Michael J. Kowalski. Mr. Kowalski assumed the role of Chairman of the Board on January 31, 2003, following the retirement of William R. Chaney. He has served as the Registrant's Chief Executive Officer since February 1999 and on the Registrant's Board of Directors since January 1995. Since joining Tiffany in 1983 as Director of Financial Planning, Mr. Kowalski held a variety of merchandising management positions and served as Executive Vice President from 1992 to 1996 with overall responsibility in the areas of merchandising, marketing, advertising, public relations and product design until his election as President in 1997. Mr. Kowalski is awaiting confirmation of his appointment to the Board of Directors of the Bank of New York.

James E. Quinn. Mr. Quinn was appointed President effective January 31, 2003. He had served as Vice Chairman since 1998. After joining Tiffany in July 1986 as Vice President of branch sales for the Company's business-to-business sales operations, Mr. Quinn had various responsibilities for sales management and operations. He was promoted to Executive Vice President on March 19,

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1992 and assumed responsibility for retail and corporate sales for the Americas in 1994. In January 1995 he became a member of Registrant's Board of Directors. He has responsibility for worldwide sales. Mr. Quinn is a member of the board of directors of BNY Hamilton Funds, Inc. and Mutual of America Capital Management.

Beth O. Canavan. Ms. Canavan joined Tiffany in May 1987 as Director of New Store Development. She later held the positions of Vice President, Retail Sales Development in 1990, Vice President and General Manager of the New York Store in 1992 and Eastern Regional Vice President in 1994. In 1997, she assumed the position of Senior Vice President for U.S. Retail. In January 2000, she was promoted to Executive Vice President responsible for retail sales activities in the U.S. and Canada and retail store expansion. In May 2001, Ms. Canavan also assumed responsibility for direct sales and business sales activities in the U.S. and Canada.

James N. Fernandez. Mr. Fernandez joined Tiffany in October 1983 and has held various positions in financial planning and management prior to his appointment as Senior Vice President-Chief Financial Officer in April 1989. In January 1998, he was promoted to Executive Vice President-Chief Financial Officer. Presently, he has responsibility for accounting, treasury, investor relations, information technology, financial planning, business development and diamond operations, and overall responsibility for distribution, manufacturing, customer service and security. At the request of the Registrant, Mr. Fernandez serves on the board of directors of Aber Diamond Corporation, a publicly-traded company in which the Registrant holds a 14.7% equity interest. Aber is a 40% participant in the Diavik Diamonds Project in Northwest Canada.

Victoria Berger-Gross. Dr. Berger-Gross joined Tiffany in February 2001 as Senior Vice President - Human Resources. Prior to joining Tiffany, she served as Senior Vice President & Director of Human Resources at Lehman Brothers from May 2000, Senior Director - Human Resources at Bertelsmann A.G.'s BMG Entertainment from March 1998, and Vice President - Organizational Effectiveness at Personnel Decisions International from January 1990.

Patrick B. Dorsey. Mr. Dorsey joined Tiffany in July 1985 as General Counsel and Secretary.

Fernanda M. Kellogg. Ms. Kellogg joined Tiffany in October 1984 as Director of Retail Marketing. She assumed her current responsibilities in January 1990.

Jon M. King. Mr. King joined Tiffany in 1990 as a jewelry buyer and has held various positions in the Merchandising Division, assuming responsibility for product development in 2002 as group vice president. He assumed his current responsibilities on March 24, 2003.

Caroline D. Naggiar. Ms. Naggiar joined Tiffany in June 1997 as Vice President-Marketing Communications. She assumed her current responsibilities in February 1998.

John S. Petterson. Mr. Petterson joined Tiffany in 1988 as a management associate. He was promoted to Senior Vice President - Corporate Sales in May 1995 and in February 2000 his responsibilities were expanded to include Direct Mail and the E-Commerce business. In May 2001, Mr. Petterson assumed the new role of Senior Vice President - Operations, with responsibility for worldwide distribution, customer service and security activities. His responsibilities were expanded in February 2003 to include manufacturing operations.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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 Fiscal 2001 were:

Fiscal 2001 -----	High ----	Low ---
First Fiscal Quarter	\$37.16	\$25.12
Second Fiscal Quarter	\$38.25	\$31.55
Third Fiscal Quarter	\$36.60	\$19.90
Fourth Fiscal Quarter	\$36.59	\$22.86

In consolidated trading, the high and low selling prices per share for shares of such Common Stock for Fiscal 2002 were:

Fiscal 2002 -----	High ----	Low ---
First Fiscal Quarter	\$41.00	\$31.75
Second Fiscal Quarter	\$40.50	\$21.07
Third Fiscal Quarter	\$28.00	\$19.40
Fourth Fiscal Quarter	\$30.70	\$22.55

On March 25, 2003, the high and low selling prices quoted on such exchange were \$26.46 and \$25.53, respectively. On March 25, 2003 there were 4,111 record holders of Registrant's Common Stock.

It is Registrant's policy to pay a quarterly dividend of \$0.04 per share of Common Stock, subject to declaration by Registrant's Board of Directors. In Fiscal 2001, dividends of \$0.04 per share of Common Stock were paid on April 10, 2001, July 10, 2001, October 10, 2001 and January 10, 2002. In Fiscal 2002, dividends of \$0.04 per share of Common Stock were paid on April 10, 2002, July 10, 2002, October 10, 2002 and January 10, 2003.

In calculating the aggregate market value of the voting stock held by non-affiliates of the Registrant shown on the cover page of this Report on Form 10-K, 1,524,976 shares of Registrant's Common Stock beneficially owned by the executive officers and directors of the Registrant (exclusive of shares which may be acquired on exercise of employee stock options) were excluded, on the assumption that certain of those persons could be considered "affiliates" under

the provisions of Rule 405 promulgated under the Securities Act of 1933.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated by reference from Registrant's Annual Report to Stockholders for the Fiscal Year ended January 31, 2003, page 20.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference from Registrant's Annual Report to Stockholders for the Fiscal Year ended January 31, 2003, pages 21-32.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated by reference from Registrant's Annual Report to Stockholders for the Fiscal Year ended January 31, 2003, page 31.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated by reference from Registrant's Annual Report to Stockholders for the Fiscal Year ended January 31, 2003, pages 33-58.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from Registrant's Proxy Statement dated April 8, 2003, pages 5-8 and 27-30.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from Registrant's Proxy Statement dated April 8, 2003, pages 13-25.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from Registrant's Proxy Statement dated April 8, 2003, pages 5-8.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from Registrant's Proxy Statement dated April 8, 2003, pages 19 and 27-30.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days of the filing date of this Annual Report on Form 10-K, our chief executive officer and chief financial officer have concluded that our disclosure controls and

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

procedures are (i) designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) operating in an effective manner.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation.

#### PART IV

#### ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a) List of Documents Filed As Part of This Report:

##### 1. Financial Statements:

Data incorporated by reference from  
the 2002 Annual Report to Stockholders  
of Tiffany & Co. and Subsidiaries:

Report of Independent Accountants  
(following this Form 10-K)

Consolidated Balance Sheets  
as of January 31, 2003 and 2002

Consolidated Statements of Earnings  
for the years ended January 31, 2003, 2002, and 2001

Consolidated Statements of Stockholders' Equity and Comprehensive Earnings for  
the years ended January 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows  
for the years ended January 31, 2003, 2002 and 2001

Notes to consolidated financial statements

##### 2. Financial Statement Schedules:

The following financial statement schedule should be read in  
conjunction with the consolidated financial statements incorporated by reference  
herein:

II. Valuation and qualifying accounts and reserves.

All other schedules have been omitted since they are neither applicable  
nor required, or because the information required is included in the  
consolidated financial statements and notes thereto.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

##### 3. Exhibits:

The following exhibits have been filed with the Securities and Exchange  
Commission but are not attached to copies of this Form 10-K other than complete  
copies filed with said Commission and the New York Stock Exchange:

Exhibit Description

- |      |   |
|------|---|
| 3.1  | Restated Certificate of Incorporation of Registrant. Incorporated by reference from Exhibit 3.1 to Registrant's Report on Form 8-K dated May 16, 1996.  |
| 3.1a | Amendment to Certificate of Incorporation of Registrant. Incorporated by reference from Exhibit 3.1 to Registrant's Report on Form 8-K dated May 20, 1999.  |
| 3.1b | Amendment to Certificate of Incorporation of Registrant dated May 18, 2000. Incorporated by reference from Exhibit 3.1b to Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 2001. |
| 3.2  | By-Laws of Registrant (as last amended July 19, 2001). Incorporated by reference from Exhibit 3.2 to Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 2002.                       |

- 4.1 Amended and Restated Rights Agreement dated as of September 22, 1998 by and between Registrant and ChaseMellon Shareholder Services L.L.C., as Rights Agent. Incorporated by reference from Exhibit 4.1 to Registrant's Report on Form 8-A/A dated September 24, 1998.
- 10.5 Designer Agreement between Tiffany and Paloma Picasso dated April 4, 1985. Incorporated by reference from Exhibit 10.5 filed with Registrant's Registration Statement on Form S-1, Registration No. 33-12818 (the "Registration Statement").
- 10.122 Agreement dated as of April 3, 1996 among American Family Life Assurance Company of Columbus, Japan Branch, Tiffany & Co. Japan, Inc., Japan Branch, and Registrant, as Guarantor, for yen 5,000,000,000 Loan Due 2011. Incorporated by reference from Exhibit 10.122 filed with Registrant's Report on Form 10-Q for the Fiscal quarter ended April 30, 1996.
- 10.122a Amendment No. 1 to the Agreement referred to in Exhibit 10.122 above dated November 18, 1998. Incorporated by reference from Exhibit 10.122a filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.122b Guarantee by Tiffany & Co. of the obligations under the Agreement referred to in Exhibit 10.122 above dated April 3, 1996. Incorporated by reference from Exhibit 10.122b filed with Registrant's Report on Form 8-K dated August 2, 2002.
- 10.122c Amendment No. 2 to Guarantee referred to in Exhibit 10.122b above, dated October 15, 1999. Incorporated by reference from Exhibit 10.122c filed with Registrant's Report on Form 8-K dated August 2, 2002.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

- 10.122d Amendment No. 3 to Guarantee referred to in Exhibit 10.122b above, dated July 16, 2002. Incorporated by reference from Exhibit 10.122d filed with Registrant's Report on Form 8-K dated August 2, 2002.
- 10.123 Agreement made effective as of February 1, 1997 by and between Tiffany and Elsa Peretti. Incorporated by reference from Exhibit 10.123 to Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1997.
- 10.126 Form of Note Purchase Agreement between Registrant and various institutional note purchasers with Schedules B, 5.14 and 5.15 and Exhibits 1A, 1B, and 4.7 thereto, dated as of December 30, 1998 in respect of Registrant's \$60 million principal amount 6.90% Series A Senior Notes due December 30, 2008 and \$40 million principal amount 7.05% Series B Senior Notes due December 30, 2010. Incorporated by reference from Exhibit 10.126 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.126a First Amendment and Waiver Agreement to Form of Note Purchase Agreement referred to in previously filed Exhibit 10.126, dated May 16, 2002. Incorporated by reference from Exhibit 126a filed with Registrant's Report on Form 8-K dated June 10, 2002.
- 10.128 Translation of Loan Agreement between Tiffany & Co. Japan Inc. and the Fuji Bank, Ltd., Hong Kong Branch dated 22 October 1999, Guaranty issued in connection therewith by the Registrant and Agreement on Bank Transactions referenced in the aforesaid Loan Agreement; Schedule to Master Agreement dated as of October 18, 1999 between The Chase Manhattan Bank and Tiffany & Co. Japan Inc. (made with reference to International Swap Dealers Association, Inc. Master Agreement form copyrighted 1992), Guaranty dated October 18, 1999 issued in connection with such Master Agreement by Tiffany and Company, Tiffany & Co. International and Registrant in favor of The Chase Manhattan Bank and Confirmation issued October 29, 1999 by The Chase Manhattan Bank. Incorporated by reference from Exhibit 10.128 filed with Registrant's Report on Form 10-Q for the Fiscal quarter ended October 31, 1999.
- 10.129 Agreement made the 1st day of August 2001 by and between Tiffany & Co. Japan Inc. and Mitsukoshi Limited. Incorporated by reference from

Exhibit 10.128 filed with Registrant's Report on Form 8-K dated August 1, 2001.

10.130 Credit Agreement dated as of November 5, 2001, by and among Registrant, Tiffany and Company, Tiffany & Co. International, each other Subsidiary of Registrant that is a Borrower and is a signatory thereto and The Bank of New York, as the Swing Line Lender, as the Issuing Bank, as a Lender, and as Administrative Agent, ABN AMRO Bank N.V., The Chase Manhattan Bank, The Dai-ichi Kangyo Bank Ltd., Firststar Bank, NA, and Fleet National Bank, Fleet Precious Metals Inc. (collectively, as a Lender). Incorporated by reference from Exhibit 10.130 filed with Registrant's Report on Form 10-Q for the Fiscal quarter ended October 31, 2001.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

10.130a Amendment No. 1 to Credit Agreement referred to in previously filed Exhibit 10.130, dated April 12, 2002. Incorporated by reference from Exhibit 10.130a filed with Registrant's Report on Form 10-Q for the Fiscal quarter ended April 30, 2002.

10.131 Guaranty Agreement dated as of November 5, 2001, with respect to the Credit Agreement (see Exhibit 10.129 above) by and among Registrant, Tiffany and Company, Tiffany & Co. International, and Tiffany & Co. Japan Inc. and The Bank of New York, as Administrative Agent. Incorporated by reference from Exhibit 10.131 filed with Registrant's Report on Form 10-Q for the Fiscal quarter ended October 31, 2001.

10.132 Form of Note Purchase Agreement between Registrant and various institutional note purchasers with Schedules B, 5.14 and 5.15 and Exhibits 1A, 1B and 4.7 thereto, dated as of July 18, 2002 in respect of Registrant's \$40,000,000 principal amount 6.15% Series C Notes due July 18, 2009 and \$60,000,000 principal amount 6.56% Series D Notes due July 18, 2012. Incorporated by reference from Exhibit 10.132 filed with Registrant's Report on Form 8-K dated August 2, 2002.

10.133 Guaranty Agreement dated July 18, 2002 with respect to the Note Purchase Agreements (see Exhibit 10.132 above) by Tiffany and Company, Tiffany & Co. International and Tiffany & Co. Japan Inc. in favor of each of the note purchasers. Incorporated by reference from Exhibit 10.133 filed with Registrant's Report on Form 8-K dated August 2, 2002.

13.1 Annual Report to Stockholders for Fiscal Year Ended January 31, 2003 (pages 20-58 of such Annual Report have been filed in electronic format).

21.1 Subsidiaries of Registrant.

23.1 Consent of PricewaterhouseCoopers LLP, independent accountants.

99.1 Certification of Michael J. Kowalski Required by 18 U.S.C. Section 1350.

99.2 Certification of James N. Fernandez Required by 18 U.S.C. Section 1350.

#### Executive Compensation Plans and Arrangements

Exhibit Description

4.3 Registrant's Amended and Restated 1998 Employee Incentive Plan and standard terms of stock option award (transferable and non-transferable).

4.3a Standard terms of stock option award (transferable and non-transferable) under Registrant's 1998 Employee Incentive Plan, as revised January 21, 1999. Incorporated by reference from Exhibit 4.3a filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.



- 4.4 Registrant's 1998 Directors Option Plan. Incorporated by reference from Exhibit 4.3 to Registrant's Registration Statement on Form S-8, file number 333-67725, filed November 23, 1998.
- 4.4a Standard terms of stock option award (transferable non-qualified option) under Registrant's 1998 Directors Option Plan, as revised January 21, 1999. Incorporated by reference from Exhibit 4.4a filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.3 Registrant's 1986 Stock Option Plan and terms of stock option agreement, as last amended on July 16, 1998. Incorporated by reference from Exhibit 10.3 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.25 Amended and Restated Deferred Compensation Agreement originally made effective December 31, 1989 by and between William R. Chaney and Tiffany and Company, and subsequently amended February 8, 1999. Incorporated by reference from Exhibit 10.25 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.49 Form of Indemnity Agreement, approved by the Board of Directors on March 19, 1987. Incorporated by reference from Exhibit 10.49 to the Registration Statement.
- 10.60 Registrant's 1988 Director Stock Option Plan and form of Stock Option agreement, as last amended on November 21, 1996. Incorporated by reference from Exhibit 10.60 to Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1997.
- 10.106 Amended and Restated Tiffany and Company Executive Deferral Plan originally made effective October 1, 1989, as amended effective January 1, 2003. Incorporated by reference from Exhibit 10.106 filed with Registrant's Report on Form 10-Q for the Fiscal Quarter ended October 31, 2002.
- 10.108 Registrant's Amended and Restated Retirement Plan for Non-Employee Directors originally made effective January 1, 1989, as amended through January 21, 1999. Incorporated by reference from Exhibit 10.108 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.109 Summary of informal incentive cash bonus plan for managerial employees. Incorporated by reference from Exhibit 10.109 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1993.
- 10.113 Tiffany and Company Pension Plan, as last amended effective December 21, 1998. Incorporated by reference from Exhibit 10.113 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.114 1994 Tiffany and Company Supplemental Retirement Income Plan. Incorporated by reference from Exhibit 10.114 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1994.
- 10.115 1994 Form of Split Dollar Life Insurance Agreement entered into by Tiffany and Company and certain Executive Officers including form of Assignment of Life

Insurance Policy as Collateral and Rider No. 1 to 1994 Form of Split Dollar Life Insurance Agreement entered into by Tiffany and Company and certain Executive Officers. Incorporated by reference from Exhibit 10.115 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1995.

- 10.115a Riders Nos. 2 and 3, dated October 18, 1998 and March 20, 1999, respectively to Split Dollar Life Insurance Agreements between and

among William R. Chaney and Tiffany and Company, and respectively, the 1994 Chaney Family Trust u/a 2/23/94 and the Babette C. Chaney et al. Trust u/a 2/23/94. Incorporated by reference from Exhibit 10.115a filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.

- 10.127 Retention Agreements dated March 30, 1999 between and among Registrant and Tiffany and, respectively, each of the following executive officers: Michael J. Kowalski, James E. Quinn, James N. Fernandez and Patrick B. Dorsey and Appendices I to III to each of those Agreements. Incorporated by reference from Exhibit 10.127 filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 1999.
- 10.127a Retention Agreements dated March 13, 2001 between and among Registrant and Tiffany and, respectively, each of the following executive officers: Beth O. Canavan, Fernanda M. Kellogg, Caroline D. Naggiar, John S. Petterson and Victoria Berger-Gross and Appendices I to III to each of those Agreements. Incorporated by reference from Exhibit 10.127a filed with Registrant's Report on Form 10-K for the Fiscal Year ended January 31, 2001.
- 10.127b Form of Retention Agreement between and among Registrant and Tiffany and each of its executive officers and Appendices I to III to the Agreement.
- 10.128 Group Long Term Disability Insurance Policy issued by UnumProvident. Policy No. 533717 001.

REGISTRANT WILL FURNISH COPIES OF ANY OF THE FOREGOING EXHIBITS TO ANY REGISTERED HOLDER OF THE REGISTRANT'S COMMON STOCK UPON PAYMENT OF A FEE OF \$.15 PER PAGE FURNISHED, WHICH FEE REPRESENTS REGISTRANT'S EXPENSES IN FURNISHING SUCH EXHIBIT.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

(b) Reports on Form 8-K.

On November 6, 2002, Registrant filed a Report on Form 8-K announcing the resignation of the Company's Senior Vice President of Merchandising.

On November 13, 2002, Registrant filed a Report on Form 8-K reporting sales and earnings for the three-month period ended October 31, 2002.

On December 12, 2002, Registrant filed a Report on Form 8-K furnishing the written statements of executive officers pursuant to 18 U.S.C. Sec. 1350.

On January 7, 2003, Registrant filed a Report on Form 8-K reporting the issuance of a press release announcing preliminary unaudited sales figures for the two-month period ended December 31, 2002.

On January 16, 2003, Registrant filed a Report on Form 8-K announcing the election of Michael J. Kowalski as Chairman of the Registrant's Board of Directors upon the retirement of William R. Chaney.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TIFFANY & CO.  
(Registrant)

Date: April 8, 2003

By: /s/ Michael J. Kowalski  
-----

Michael J. Kowalski  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By: /s/ Michael J. Kowalski ----- Michael J. Kowalski Chairman and Chief Executive Officer (principal executive officer) (director)	By: /s/ James N. Fernandez ----- James N. Fernandez Executive Vice President (principal financial officer)
By: /s/ James E. Quinn ----- James E. Quinn President (director)	By: /s/ Warren S. Feld ----- Warren S. Feld Vice President (principal accounting officer)
By: /s/ William R. Chaney ----- William R. Chaney Director	By: /s/ Rose Marie Bravo ----- Rose Marie Bravo Director
By: /s/ Samuel L. Hayes III ----- Samuel L. Hayes, III Director	By: /s/ William A. Shutzer ----- William A. Shutzer Director
By: /s/ Charles K. Marquis ----- Charles K. Marquis Director	By: /s/ Abby F. Kohnstamm ----- Abby F. Kohnstamm Director

April 8, 2003

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

#### CERTIFICATIONS

I, Michael J. Kowalski, certify that:

1. I have reviewed this annual report on Form 10-K of Tiffany & Co.;
2. Based on my knowledge, this annual report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of

the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ Michael J. Kowalski

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Chairman and Chief Executive Officer  
(principal executive officer)

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

#### CERTIFICATIONS

I, James N. Fernandez, certify that:

1. I have reviewed this annual report on Form 10-K of Tiffany & Co.;
2. Based on my knowledge, this annual report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 8, 2003

/s/ James N. Fernandez

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Executive Vice President and Chief Financial  
Officer (principal financial officer)

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

PRICEWATERHOUSECOOPERS LLP

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and  
Board of Directors of Tiffany & Co.

Our audits of the consolidated financial statements referred to in our report dated February 25, 2003 appearing in the fiscal 2002 Annual Report to Shareholders of Tiffany & Co. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

New York, New York  
February 25, 2003

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

EXHIBIT INDEX

SEE PAGES 28 THROUGH 32 FOR A COMPLETE LIST OF EXHIBITS FILED, INCLUDING EXHIBITS INCORPORATED BY REFERENCE FROM PREVIOUSLY FILED DOCUMENTS.

EXHIBIT DESCRIPTION

- 13.1 Annual Report to Stockholders for Fiscal Year Ended January 31, 2003 (pages 20-58 of such Annual Report have been filed in electronic format).
- 21.1 Subsidiaries of Registrant.
- 23.1 Consent of PricewaterhouseCoopers LLP, independent accountants.

- 99.1 Certification of Michael J. Kowalski Required by 18 U.S.C. Section 1350.
- 99.2 Certification of James N. Fernandez Required by 18 U.S.C. Section 1350.
- 4.3 Registrant's Amended and Restated 1998 Employee Incentive Plan and standard terms of stock option award (transferable and non-transferable).
- 10.127b Form of Retention Agreement between and among Registrant and Tiffany and each of its executive officers and Appendices I to III to the Agreement.
- 10.128 Group Long Term Disability Insurance Policy issued by UnumProvident. Policy No. 533717 001.

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TIFFANY & CO. REPORT ON FORM 10-K FY 2002

TIFFANY & CO. AND SUBSIDIARIES  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C	Column D	Column E	
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
-----					
Additions					
-----					
Year Ended					
January 31, 2003:					
Reserves deducted from assets:					
Accounts receivable allowances:					
Doubtful accounts	\$ 2,795,400	\$ 828,794	\$ 120,083 (d)	\$1,614,625 (a)	\$ 2,129,652
Sales returns	4,082,816	2,045,795	--	--	6,128,611
Allowance for inventory liquidation and obsolescence	18,833,164	12,258,231	1,436,131 (d)	9,498,072 (b)	23,029,454
Allowance for inventory shrinkage	3,518,845	1,555,388	70,676 (d)	783,431 (c)	4,361,478
LIFO reserve	18,970,581	1,164,862	--	--	20,135,443

- (a) Uncollectible accounts written off.
- (b) Liquidation of inventory previously written down to market.
- (c) Physical inventory losses.
- (d) Amounts established or assumed in connection with a business acquisition.

TIFFANY & CO. AND SUBSIDIARIES  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C	Column D	Column E
-----				
Additions				
-----				

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Year Ended January 31, 2002:					
Reserves deducted from assets:					
Accounts receivable allowances:					
Doubtful accounts	\$ 3,890,470	\$ 1,694,924	--	\$ 2,789,994 (a)	\$ 2,795,400
Sales returns	4,082,816	--	--	--	4,082,816
Allowance for inventory liquidation and obsolescence	18,394,815	10,084,907	--	9,646,558 (b)	18,833,164
Allowance for inventory shrinkage	3,013,949	3,797,454	--	3,292,558 (c)	3,518,845
LIFO reserve	15,942,286	3,028,295	--	--	18,970,581

- (a) Uncollectible accounts written off.
- (b) Liquidation of inventory previously written down to market.
- (c) Physical inventory losses.

TIFFANY & CO. AND SUBSIDIARIES  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C	Column D	Column E	
Additions					
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Year Ended January 31, 2001:					
Reserves deducted from assets:					
Accounts receivable allowances:					
Doubtful accounts	\$ 5,137,719	\$ 1,210,547	--	\$ 2,457,796 (a)	\$ 3,890,470
Sales returns	4,578,657	--	--	495,841	4,082,816
Allowance for inventory liquidation and obsolescence	14,160,281	17,665,831	--	13,431,297 (b)	18,394,815
Allowance for inventory shrinkage	2,625,788	3,052,347	--	2,664,186 (c)	3,013,949
LIFO reserve	13,492,173	2,450,113	--	--	15,942,286

- (a) Uncollectible accounts written off.
- (b) Liquidation of inventory previously written down to market.
- (c) Physical inventory losses.

AMENDED AND RESTATED  
TIFFANY & CO.  
1998 EMPLOYEE INCENTIVE PLAN

SECTION 1  
GENERAL

1.1 Purpose. The Tiffany & Co. Employee Incentive Plan (the "Plan") has been established by Tiffany & Co., a Delaware corporation, (the "Company") to (i) attract and retain employees; (ii) motivate Participants to achieve the Company's operating and strategic goals by means of appropriate incentives; (iii) provide incentive compensation opportunities that are competitive with those of other companies competing with the Company and its Related Companies for employees; and (iv) further link Participants' interests with those of the Company's other stockholders through compensation that is based on the Company's Common Stock, thereby promoting the long-term financial interests of the Company and its Related Companies, including the growth in value of the Company's stockholders' equity and the enhancement of long-term returns to the Company's stockholders.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee shall, from time to time, determine and designate from among Eligible Individuals those persons who will be granted one or more Awards under the Plan. Eligible Individuals who are granted Awards become "Participants" in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards need not be identical but shall be subject to the terms and conditions specified in the Plan. Subject to the last two sentences of subsection 2.2 of the Plan, Awards may be granted as alternatives to or in replacement for awards outstanding under the Plan, or any other plan or arrangement of the Company or a Related Company (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Related Company).

1.3 Operation, Administration, and Definitions. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Initially capitalized terms used in the Plan shall be defined as set forth in the Plan (including in the definitional provisions of Section 7 of the Plan).

SECTION 2  
OPTIONS AND SARS

2.1 Definitions.

Page 1

- (a) The grant of an "Option" entitles the Participant to purchase Shares at an Exercise Price established by the Committee. Options granted under this Section 2 may be either Incentive Stock Options or Non-Qualified Stock Options, as determined in the discretion of the Committee. An "Incentive Stock Option" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code. A "Non-Qualified Option" is an Option that is not intended to be an "incentive stock option" as that term is described in section 422(b) of the Code.
- (b) The grant of a stock appreciation right (an "SAR") entitles the Participant to receive, in cash or Shares, value equal to all or a portion of the excess of: (a) Fair Market Value of a specified number of Shares at the time of exercise, over (b) an Exercise Price established by the Committee.



2.2 Exercise Price. The per-Share "Exercise Price" of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a formula established by the Committee at the time the Option or SAR is granted; except that the Exercise Price shall not be less than 100% of the Fair Market Value of a Share as of the Pricing Date. For purposes of the preceding sentence, the "Pricing Date" shall be the date on which the Option or SAR is granted unless the Option or SAR is granted on a date on which the principal exchange on which the Shares are then listed or admitted to trading is closed for trading, in which case the "Pricing Date" shall be the most recent date on which such exchange was open for trading prior to such grant date; except that the Committee may provide that: (i) the Pricing Date is the date on which the recipient is hired or promoted (or similar event), if the grant of the Option or SAR occurs not more than 90 days after the date of such hiring, promotion or other event; and (ii) if an Option or SAR is granted in tandem with, or in substitution for, an outstanding Award, the Pricing Date is the date of grant of such outstanding Award. Except as provided in subsection 4.2(c), the Exercise Price of any Option or SAR may not be decreased after the grant of the Award. Neither an Option nor an SAR may be surrendered as consideration in exchange for a new Award with a lower Exercise Price.

2.3 Exercise. Options and SARs shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee provided that no Option or SAR shall be exercisable after, and each Option and SAR shall become void no later than, the tenth (10th) anniversary date of the date of grant of such Option or SAR.

2.4 Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

- (a) The Exercise Price may be paid by ordinary check or such other form of tender as the Committee may specify.

Page 2

- (b) If permitted by the Committee, the Exercise Price for Shares purchased upon the exercise of an Option may be paid in part or in full by tendering Shares (by either actual delivery of Shares or by attestation, with such Shares valued at Fair Market Value as of the date of exercise). The Committee may refuse to accept payment in Shares if such payment would result in an accounting charge to the Company.

- (c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell Shares acquired upon exercise of the Option (or a sufficient portion of such Shares) and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

### SECTION 3 OTHER STOCK AWARDS

3.1 Definition. A "Stock Award" is a grant of Shares or of a right to receive Shares (or their cash equivalent or a combination of both).

3.2 Restrictions on Stock Awards. Each Stock Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine. These may include continuous service and/or the achievement of Performance Goals.

### SECTION 4 OPERATION AND ADMINISTRATION

4.1 Effective Date and Duration. Subject to approval of the stockholders of the Company at the Company's 1998 annual meeting, the Plan shall be effective as of May 1, 1998 (the "Effective Date") and shall remain in effect as long as any Awards under the Plan are outstanding; provided, however, that, no Award may be granted or otherwise made under the Plan on a date that is more than ten (10) years from the date the Plan is adopted or, if earlier, the date the Plan is approved by the Company's stockholders.

4.2 Shares Subject to Plan.

- (a) (i) Subject to the following provisions of this subsection 4.2, the maximum number of Shares that may be delivered to Participants and their beneficiaries under the Plan shall be equal to the sum of: (I) Eight Million (8,000,000) Shares; (II) any Shares available for future awards under the Company's 1986 Stock Option Plan, as amended (the "1986 Plan") as of May 1, 1998; (III) any Shares that are represented by awards granted under the 1986 Plan which are forfeited, expire or are canceled without delivery of Shares or which result in the forfeiture of Shares back to the Company; and (IV) up to One Million (1,000,000) Shares, to the

Page 3

extent authorized by the Board, which are reacquired in the open market or in a private transaction after the Effective Date, provided, however that the aggregate number of shares available under categories (II), (III), and (IV), shall not exceed Three Million (3,000,000) Shares.

(ii) Any Shares granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan. To the extent any Shares covered by an Award are not delivered to a Participant or a Participant's beneficiary because the Award is forfeited or canceled, or the Shares are not delivered because the Award is settled in cash, such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan.

(iii) If the Exercise Price of any Option granted under the Plan or the 1986 Plan is satisfied by tendering Shares to the Company (by either actual delivery or attestation) or by the Company withholding shares, only the number of Shares issued net of the Shares tendered or withheld shall be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan.

(iv) Shares delivered under the Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity shall not reduce the maximum number of Shares available for delivery under the Plan, to extent that such settlement, assumption or substitution occurs as a result of the Company or a Related Company acquiring another entity (or an interest in another entity).

- (b) Subject to adjustment under paragraph 4.2(c), the following additional maximum limitations are imposed under the Plan:

(i) The aggregate maximum number of Shares that may be issued under Options intended to be Incentive Stock Options shall be One Million (1,000,000) shares.

(ii) The aggregate maximum number of Shares that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Stock Awards) and Section 8 (relating to Other Incentive Awards to the extent such Awards are settled with Shares) shall be One Million (1,000,000) shares.

(iii) Unless the Committee determines that an Award to a Named Executive Officer shall not be designed to comply with the Performance-Based Exception, the following limitations shall apply:

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(A) In any fiscal year of the Company, the aggregate number of Shares that may be granted to any Participant pursuant to any and all Awards (including Options, SARs and Stock Awards) shall not exceed Four Hundred Thousand (400,000); and

(B) In any fiscal year of the Company, the maximum aggregate cash payout with respect to Other Incentive Awards granted in any fiscal year of the Company pursuant to Section 8 of the Plan which may be made to any Named Executive Officer shall be

Two Million Dollars (\$2,000,000).

- (c) If the outstanding Shares are increased or decreased, or are changed into or exchanged for cash, property or a different number or kind of shares or securities, or if cash, property, Shares or other securities are distributed in respect of such outstanding Shares, in either case as a result of one or more mergers, reorganizations, reclassifications, recapitalizations, stock splits, reverse stock splits, stock dividends, dividends (other than regular, quarterly dividends), or other distributions, spin-offs or the like, or if substantially all of the property and assets of the Company are sold, then, unless the terms of the transaction shall provide otherwise, appropriate adjustments shall be made in the number and/or type of Shares or securities for which Awards may thereafter be granted under the Plan and for which Awards then outstanding under the Plan may thereafter be exercised. Any such adjustments in outstanding Awards shall be made without changing the aggregate Exercise Price applicable to the unexercised portions of outstanding Options or SARs. The Committee shall make such adjustments to preserve the benefits or potential benefits of the Plan and the Awards; such adjustments may include, but shall not be limited to, adjustment of: (i) the number and kind of shares which may be delivered under the Plan; (ii) the number and kind of shares subject to outstanding Awards; (iii) the Exercise Price of outstanding Options and SARs; (iv) the limits specified in subsections 4.2(a)(i) and 4.2(b) above; and (v) any other adjustments that the Committee determines to be equitable. No right to purchase or receive fractional shares shall result from any adjustment in Options, SARs or Stock Awards pursuant to this paragraph 4.2(c). In case of any such adjustment, Shares subject to the Option, SAR or Stock Award shall be rounded up to the nearest whole Share.

4.3 Limit on Distribution. Distribution of Shares or other amounts under the Plan shall be subject to the following:

- (a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to deliver any Shares under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the

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requirements of the Securities Act of 1933) and the applicable requirements of any securities exchange or similar entity, and the Committee may impose such restrictions on any Shares acquired pursuant to the Plan as the Committee may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any Stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares. In the event that the Committee determines in its discretion that the registration, listing or qualification of the Shares issuable under the Plan on any securities exchange or under any applicable law or governmental regulation is necessary as a condition to the issuance of such Shares under an Option or Stock Award, such Option or Stock Award shall not be exercisable or exercised in whole or in part unless such registration, listing and qualification, and any necessary consents or approvals have been unconditionally obtained.

- (b) Distribution of Shares under the Plan may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rule of any stock exchange.

4.4 Tax Withholding. Before distribution of Shares under the Plan, the Company may require the recipient to remit to the Company an amount sufficient to satisfy any federal, state or local tax withholding requirements or, in the discretion of the Committee, the Company may withhold from the Shares to be delivered and/or otherwise issued Shares sufficient to satisfy all or a portion of such tax withholding requirements. Whenever under the Plan payments are to be made in cash, such payments may be net of an amount sufficient to satisfy any federal, state or local tax withholding requirements. Neither the Company nor any Related Company shall be liable to a Participant or any other person as to any tax consequence expected, but not realized, by any Participant or other

person due to the receipt or exercise of any Award hereunder.

4.5 Payment for Shares. Subject to the limitations of subsection 4.2 on the number of Shares that may be delivered under the Plan, the Committee may use available Shares as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Related Company, including the plans and arrangements of the Company or a Related Company acquiring another entity (or an interest in another entity). The Committee may provide in the Award Agreement that the Shares to be issued upon exercise of an Option or an SAR or receipt of a Stock Award shall be subject to such further conditions, restrictions or agreements as the Committee in its discretion may specify, including without limitation, conditions on vesting or transferability, and forfeiture and repurchase provisions.

4.6 Dividends and Dividend Equivalents. An Award may provide the Participant with the right to receive dividends or dividend equivalent payments with respect to Shares which may be either paid currently or credited to an account for the Participant, and which may be settled in cash or Shares as determined by the Committee.

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Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in Shares may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including reinvestment of such credited amounts in Share equivalents.

4.7 Settlements; Deferred Delivery. Awards may be settled through cash payments, the delivery of Shares, the granting of replacement Awards, or combinations thereof, all subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may establish provisions for the deferred delivery of Shares upon the exercise of an Option or SAR or receipt of a Stock Award with the deferral evidenced by use of "Stock Units" equal in number to the number of Shares whose delivery is so deferred. A "Stock Unit" is a bookkeeping entry representing an amount equivalent to the Fair Market Value of one Share. Stock Units represent an unfunded and unsecured obligation of the Company except as otherwise provided by the Committee. Settlement of Stock Units upon expiration of the deferral period shall be made in Shares or otherwise as determined by the Committee. The amount of Shares, or other settlement medium, to be so distributed may be increased by an interest factor or by dividend equivalents. Until a Stock Unit is settled, the number of Shares represented by a Stock Unit shall be subject to adjustment pursuant to paragraph 4.2(c). Unless otherwise specified by the Committee, any deferred delivery of Shares pursuant to an Award shall be settled by the delivery of Shares no later than the 60th day following the date the person to whom such deferred delivery must be made ceases to be an employee of the Company or a Related Company.

4.8 Transferability. Unless otherwise provided by the Committee, any Option and SAR granted under the Plan, and, until vested, any Stock Award or other Shares-based Award granted under the Plan, shall by its terms be nontransferable by the Participant otherwise than by will, the laws of descent and distribution or pursuant to a "domestic relations order", as defined in the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, and shall be exercisable by, or become vested in, during the Participant's lifetime, only the Participant.

4.9 Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the secretary of the Company at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10 Award Agreements with Company; Vesting and Acceleration of Vesting of Awards. At the time of an Award to a participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company (an "Award Agreement") in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe, including, but not limited to, conditions to the vesting or exercisability of an Award, such as continued service to the

Company or a Related Company for a specified period of time. The Committee may waive such conditions to and/or accelerate exercisability or vesting of an Option, SAR or Stock Award, either automatically upon the occurrence of specified events (including in connection with a change of control of the Company) or otherwise in its discretion.

4.11 Limitation of Implied Rights.

- (a) Neither a Participant nor any other person shall, by reason of the Plan or any Award Agreement, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Related Company, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Shares or amounts, if any, payable under the Plan, unsecured by the assets of the Company or of any Related Company. Nothing contained in the Plan or any Award Agreement shall constitute a guarantee that the assets of such companies shall be sufficient to pay any benefits to any person.
- (b) Neither the Plan nor any Award Agreement shall constitute a contract of employment, and selection as a Participant will not give any employee the right to be retained in the employ of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan or an Award. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.12 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which an officer of the Company acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.13 Action by Company or Related Company. Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors, or by action of one or more members of such board (including a committee of such board) who are duly authorized to act for such board, or (except to the extent prohibited by applicable law or applicable rules of any Stock exchange) by a duly authorized officer of the Company or such Related Company.

4.14 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.15 Liability for Cash Payments. Each Related Company shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Related Company by such Participant. Any disputes relating to liability of a Related Company for cash payments shall be resolved by the Committee.

4.16 Non-exclusivity of the Plan. Neither the adoption of the Plan by the Board of Directors of the Company nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of such Board of Directors or a committee of such Board to adopt such other incentive arrangements as it or they may deem desirable, including without limitation, the granting of restricted stock, stock options or cash bonuses otherwise than under the Plan, and such arrangements may be generally applicable or applicable only in specific cases.

SECTION 5  
COMMITTEE

5.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the "Committee") in accordance with this Section 5.

5.2 Selection of Committee. The Committee shall be selected by the Board and shall consist of two or more members of the Board.

5.3 Powers of Committee. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

- (a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from amongst Eligible Individuals those persons who shall receive Awards, to determine who is an Eligible Individual, to determine the time or time of receipt, to determine the types of Awards and the number of Shares covered by the Awards, to establish the terms, conditions, Performance Goals, restrictions, and other provisions of such Awards and Award Agreements, and (subject to the restrictions imposed by Section 6) to cancel, amend or suspend Awards. In making such Award determinations, the Committee may take into account the nature of services rendered by the Eligible Individual, the Eligible Individual's present and potential contribution to the Company's or a Related Company's success and such other factors as the Committee deems relevant.
- (b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to determine the extent to which Awards under the Plan will be structured to conform to the requirements of the Performance-Based Exception and to take such action, establish such procedures, and impose such restrictions at the time Awards are granted as

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the Committee determines to be necessary or appropriate to conform to such requirements.

- (c) The Committee will have the authority and discretion to establish terms and conditions of Awards as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside the United States.
- (d) The Committee will have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreements, and to make all other determinations that may be necessary or advisable for the administration of the Plan.
- (e) Any interpretation of the Plan by the Committee and any decision made by the Committee under the Plan is final and binding.
- (f) In controlling and managing the operation and administration of the Plan, the Committee shall act by a majority of its then members, by meeting or by writing filed without a meeting. The Committee shall maintain adequate records concerning the Plan and concerning its proceedings and acts in such form and detail as the Committee may decide.

5.4 Delegation by Committee. Except to the extent prohibited by applicable law or the applicable rules of a Stock exchange, the Committee may allocate all or any portion of its powers and responsibilities to any one or more of its members and may delegate all or part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.5 Information to be Furnished to Committee. The Company and Related Companies shall furnish the Committee with such data and information as may be requested by the Committee in order to discharge its duties. The records of the Company and Related Companies as to an Eligible Individual's or a Participant's employment, consulting services, termination of employment or services, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect by the Committee. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers necessary or desirable to carry

out the terms of the Plan.

SECTION 6  
AMENDMENT AND TERMINATION

6.1 Board's Right to Amend or Terminate. Subject to the limitations set forth in this Section 6, the Board may, at any time, amend or terminate the Plan.

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6.2 Amendments Requiring Stockholder Approval. Other than as provided in subsection 4.2 (c) (relating to certain adjustments to shares), the approval of the Company's stockholders shall be required for any amendment which: (i) materially increases the maximum number of Shares that may be delivered to Participants under the Plan set forth in subsection 4.2(a); (ii) increases the maximum limitations contained in Section 4.2(b); (iii) decreases the exercise price of any Option or SAR below the minimum provided in subsection 2.2; (iv) modifies or eliminates the provisions stated in the final two sentences of subsection 2.2; or (v) increases the maximum term of any Option or SAR set forth in Section 2.3. Whenever the approval of the Company's stockholders is required pursuant to this subsection 6.2, such approval shall be sufficient if obtained by a majority vote of those stockholders present or represented and actually voting on the matter at a meeting of stockholders duly called, at which meeting a majority of the outstanding shares actually vote on such matter.

SECTION 7  
DEFINED TERMS

For the purposes of the Plan, the terms listed below shall be defined as follows:

Award. The term "Award" shall mean, individually and collectively, any award or benefit granted to any Participant under the Plan, including, without limitation, the grant of Options, SARs, Stock Awards and Other Incentive Awards.

Award Agreement. The term "Award Agreement" is defined in subsection 4.10.

Board. The term "Board" shall mean the Board of Directors of the Company.

Code. The term "Code" shall mean the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code or of any law that is enacted to replace the Code.

Eligible Individual. The term "Eligible Individual" shall mean any employee of the Company or a Related Company. For purposes of the Plan, the status of the Chairman of the Board of Directors as an employee shall be determined by the Committee.

Fair Market Value. For purposes of determining the "Fair Market Value" of a Share, the following rules shall apply:

(i) If the Shares are at the time listed or admitted to trading on any stock exchange, then the Fair Market Value shall be the mean between the lowest and the highest reported sales prices of the Shares on the date in question on the principal exchange on which the Shares are then listed or admitted to trading. If no reported sale of Shares take place on the date in question on the principal exchange, then the reported closing asked price of the Shares on such date on the principal exchange shall be determinative of Fair Market Value.

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(ii) If the Shares are not at the time listed or admitted to trading on a stock exchange, the Fair Market Value shall be the mean between the lowest reported bid price and the highest reported asked price of the Shares on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of the Shares in such market.

(iii) If the Shares are not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the Fair Market Value shall be as determined by the Committee, acting in good faith.

Named Executive Employee. The term "Named Executive Employee" means a Participant who, as of the date of vesting and/or payout of an Award, as applicable, is one of the group of covered employees, as defined in the regulations promulgated under Code section 162(m), or any successor statute.

Participant. The term "Participant" means an Eligible Individual who has been granted an Award under the Plan. For purposes of the administration of Awards, the term Participant shall also include a former employee or any person (including an estate) who is a beneficiary of a former employee and any person (including any estate) to whom an Award has been assigned or transferred as permitted by the Committee.

Performance-Based Exception. The term "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code section 162(m).

Performance Goals. The term "Performance Goals" means one or more objective targets measured by the Performance Measure, the attainment of which may determine the degree of payout and/or vesting with respect to Awards.

Performance Period. The term "Performance Period" means the time period during which Performance Goals must be achieved with respect to an Award, as determined by the Committee, but which period shall not be shorter than one of the Company's fiscal years.

Performance Measure. The term "Performance Measure" refers to the performance measures discussed in Section 9 of the Plan.

Related Companies. The term "Related Company" means

(i) any corporation, partnership, joint venture or other entity during any period in which such corporation, partnership, joint venture or other entity owns, directly or indirectly, at least fifty percent (50%) of the voting power of all classes of voting shares of the Company (or any corporation, partnership, joint venture or other entity which is a successor to the Company);

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(ii) any corporation, partnership, joint venture or other entity during any period in which the Company (or any corporation, partnership, joint venture or other entity which is a successor to the Company or any entity that is a Related Company by reason of clause (i) next above) owns, directly or indirectly, at least a fifty percent (50%) voting or profits interest; or

(iii) any business venture in which the Company has a significant interest, as determined in the discretion of the Committee.

Shares. The term "Shares" shall mean shares of the Common Stock of the Company, \$.01 par value, as presently constituted, subject to adjustment as provided in paragraph 4.2(c) above.

## SECTION 8 OTHER INCENTIVE AWARDS

8.1 Grant of Other Incentive Awards. Subject to the terms and provisions of the Plan, Other Incentive Awards may be granted Eligible Individuals, in such amount, upon such terms, and at any time and from time to time as shall be determined by the Committee.

8.2 Other Incentive Award Agreement. Each Other Incentive Award shall be evidenced by an Award Agreement that shall specify the amount of the Other Incentive Award or the means by which it will be calculated, the terms and conditions applicable to such Award, the applicable Performance Period and Performance Goals, if any, and such other provisions as the Committee shall determine, in all cases subject to the terms and provisions of the Plan.

8.3 Nontransferability. Except as otherwise provided in the applicable Award Agreement, Other Incentive Awards may not be sold, transferred, pledged,



assigned or otherwise alienated or hypothecated, other than by will or the laws of descent and distribution.

8.4 Form and Timing of Payment of Other Incentive Awards. Payment of Other Incentive Awards shall be made in cash and at such times as established by the Committee subject to the terms of the Plan.

SECTION 9  
PERFORMANCE-BASED EXCEPTION

9.1 Performance Measures. Unless and until the Board proposes for stockholder vote and the stockholders of the Company approve a change thereto, the Performance Measures used to determine the attainment of Performance Goals with respect to Other Incentive Awards and Stock Awards to Named Executive Employees which are designed to qualify for the Performance-Based Exception shall be any one or more of the following, as reported in the Company's Annual Report to Stockholders

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which is included in the Company's Annual Report on Form 10-K: the Company's consolidated net earnings and the Company's consolidated earnings per share on a diluted basis. The Committee may appropriately adjust any evaluation of performance under a Performance Goal to exclude any of the following events that occurs during a Performance Period: (i) asset write-downs, (ii) litigation or claim judgment or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, and (v) extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in said Annual Report for the applicable year.

9.2 Discretion to Adjust Awards/Performance Goals. The Committee may retain the discretion to adjust the determination of the degree of attainment of the pre-established Performance Goals for Awards; provided, however, that Awards which are designed to qualify for the Performance-Based Exception, and which are held by Named Executive Officers, may not be subjected to an adjustment which would yield an increased payout, although the Committee may retain the discretion to make an adjustment which would yield a decreased payout. In the event that applicable tax and/or securities laws change to permit the Committee discretion to alter the governing Performance Measure for Awards designed to qualify for the Performance-Based Exception and held by Named Executive Officers without obtaining stockholder approval of such change, the Committee shall have sole discretion to make such change without obtaining stockholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards which will not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

SECTION 10  
SUCCESSORS

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

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TRANSFERABLE  
OPTION  
Terms  
REV. III

TIFFANY & CO.  
A Delaware Corporation  
(the "Company")

TERMS OF STOCK OPTION AWARD  
(Transferable Non-Qualified Option)  
under the  
1998 EMPLOYEE INCENTIVE PLAN  
(the "Plan")

Terms Adopted May 21, 1998, Revised January 21, 1999 and November 15, 2001

1. Introduction and Terms of Option. Participant has been granted a Non-Qualified Stock Option Award (the "Option") to purchase shares of the Company's Common Stock under the Plan by the Stock Option Subcommittee of the Company's Board of Directors (the "Committee"). The name of the "Participant", the "Grant Date", the number of "Covered Shares" and the "Exercise Price" per Share are stated in the attached "Notice of Grant". The other terms and conditions of the Option are stated in this document and in the Plan. Certain initially capitalized words and phrases used in this document are defined in paragraph 10 below and elsewhere in this document.

2. Award and Exercise Price; Option Not An Incentive Stock Option. Subject to the terms and conditions stated in this document, the Option gives Participant the right to purchase the Covered Shares from the Company at the Exercise Price. THE OPTION IS NOT INTENDED TO CONSTITUTE AN "INCENTIVE STOCK OPTION" AS THAT TERM IS USED IN THE CODE.

3. Earliest Dates for Exercise - Cumulative Installments. Unless otherwise provided in paragraphs 4, 5 or 6 below, the Option shall become exercisable ("mature") in cumulative installments according to the following schedule:

AS OF THE FOLLOWING ANNIVERSARY OF THE GRANT DATE:	THE OPTION SHALL MATURE WITH THE RESPECT TO THE FOLLOWING PERCENTAGE ("INSTALLMENT") OF THE COVERED SHARES:
One-year anniversary	25%
Two-year anniversary	25%
Three-year anniversary	25%
Four-year anniversary	25%

Once an installment of the Option matures, as provided in the above schedule, it shall continue to be exercisable with all prior installments on a cumulative basis until the Option expires.

4. Effect of Termination of Employment. An installment of the Option shall not mature if the Participant's Date of Termination occurs before the anniversary of the Grant Date on which such installment was scheduled to mature, unless the Participant's Date of Termination occurs by reason of death or Disability, in which case all installments of the Option which have not previously matured shall mature on said Date of Termination. Installments of the Option which mature on or prior to Participant's Date of Termination will remain exercisable, subject to expiration as provided in paragraph 6 below.

5. Effect of Change in Control. All installments of the Option shall mature upon the date of a Change of Control unless the Participant's Date of Termination occurs before the date of the Change of Control. The Committee reserves the right to unilaterally amend the definition of a "Change of Control" so as to specify additional circumstances which shall be deemed to constitute a Change of Control.

6. Expiration. The Option, including matured installments thereof, shall not be exercisable in part or in whole on or after the Expiration Date. The "Expiration Date" shall be the earliest to occur of:

- a. the ten-year anniversary of the Grant Date;
- b. if the Participant's Date of Termination occurs by reason of death, Disability or Retirement, the two-year anniversary of such Date of Termination;
- c. if the Participant's Date of Termination occurs for reasons other than death, Disability, Retirement or Termination for Cause, the three month anniversary of such Date of Termination;
- d. if the Participant's Date of Termination occurs by reason of Termination for Cause, the Date of Termination.

7. Methods of Option Exercise. The Option may be exercised in whole or in part as to any Shares that have matured by filing a written notice of exercise with the Secretary of the Company at its corporate headquarters prior to the Expiration Date. Such notice shall specify the number of Shares which the Participant elects to purchase and shall be accompanied by either of the following:

- a. a bank-certified check payable to the Company (or other type of check or draft payable to the Company and acceptable to the Secretary) in the amount of the Exercise Price for the Shares being exercised plus any tax withholding resulting from such exercise as computed by Tiffany and Company's payroll department; or
- b. a copy of directions to, or a written acknowledgment from, an Approved Broker that the Approved Broker has been directed to sell, for the account of the owner of the Option, Shares (or a sufficient portion of the Shares) acquired upon exercise of the Option, together with an undertaking by the Approved Broker to remit to the Company a sufficient portion of the sale proceeds to pay the Exercise Price for the Shares exercised plus any tax withholding resulting from such exercise as computed by Tiffany and Company's payroll department.

In the case of exercise via method (a), the exercise shall be deemed complete on the Company's receipt of such notice and said check or draft. In the case of exercise via method (b), the exercise shall be deemed complete on the trade date of the sale. The Committee may approve other methods of exercise, as provided for in the Plan, before the Option is exercised.

8. Withholding. All distributions on the exercise of the Option are subject to withholding of all applicable taxes. The method for withholding shall be as provided in paragraph 7 above, unless the Committee approves other methods of withholding, as provided for in the Plan, before the Option is exercised.

9. Transferability. The Option is not transferable otherwise than by will or the laws of descent and distribution or pursuant to a "domestic relations order", as defined in the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, and shall not be otherwise transferred, assigned, pledged, hypothecated or otherwise disposed of in any way, whether by operation of law or otherwise, nor shall it be subject to execution, attachment or similar process. Notwithstanding the foregoing, the Option may be transferred by the Participant to (i) the spouse, children or grandchildren of the Participant (each an "Immediate Family Member"), (ii) a trust or trusts for the exclusive benefit of any or all Immediate Family Members, or (iii) a partnership in which any or all Immediate Family Members are the only partners, provided that (x) there may be no consideration paid or otherwise given for any such transfer, and (y)

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subsequent transfer of the Option is prohibited otherwise than by will, the laws of descent and distribution or pursuant to a domestic relations order. Following transfer, the Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. The provisions of paragraph 4 above shall continue to be applied with respect to the original Participant following transfer and the Option shall be exercisable by the transferee only to the extent, and for the periods specified, herein. Upon any attempt to transfer the Option otherwise than as permitted herein or to assign, pledge, hypothecate or otherwise dispose of the Option otherwise than as permitted herein, or upon the levy of any execution, attachment or similar process upon the Option, the Option shall immediately terminate and become null and void.

10. Definitions. For the purposes of the Option, the words and phrases listed below shall be defined as follows:

- a. Approved Broker. Means one or more securities brokerage firms designated by the Secretary of the Company from time to time.
- b. Change of Control. A "Change of Control" shall be deemed to have occurred if :
  - (i) any person (as used herein, the word "person" shall mean an individual or an entity) or group of persons acting in concert has

acquired thirty-five percent (35%) in voting power or amount of the equity securities of the Company (including the acquisition of any right, option warrant or other right to obtain such voting power or amount, whether or not presently exercisable) unless such acquisition is authorized or approved of by the Board of Directors of the Company,

- (ii) individuals who constituted the Board of Directors of the Company on May 1, 1998 (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board of Directors, provided that any individual becoming a director subsequent to May 1, 1988 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such individual is named as a nominee for director) shall be, for the purposes of this paragraph 10(a), considered as though such individual were a member of the Incumbent Board; or
- (iii) any other circumstance with respect to a change in control of the Company occurs which the Committee deems to be a Change in Control of the Company.

A Change of Control will also be deemed to have occurred as of fourteen days prior to the date scheduled for a Terminating Transaction if provisions shall not have been made in writing in connection with such Terminating Transaction for the assumption of the Option or the substitution for the Option of a new option covering the stock of a successor employer corporation, or a parent or subsidiary thereof or of the Company, with appropriate adjustments as to the number and kind of shares and prices.

- c. Code. The Internal Revenue Code of 1986, as amended.
- d. Date of Termination. The Participant's "Date of Termination" shall be the first day occurring on or after the Grant Date on which Participant's employment with the Company and all Related Companies terminates for any reason; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Related Company or between two Related Companies; and further provided that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from

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the Company or a Related Company approved by the Participant's employer or required by applicable law. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Related Company (and the Participant's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant being discharged by the employer.

- e. Disability. Except as otherwise provided by the Committee, the Participant shall be considered to have a "Disability" if he or she is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment, which impairment, in the opinion of a physician selected by the Secretary of the Company, is expected to have a duration of not less than 120 days.
- f. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan shall have the same meaning in this document.
- g. Retirement. "Retirement" of the Participant shall mean the occurrence of the Participant's Date of Termination after age 65 or the occurrence of the Participant's Date of Termination after age 55 pursuant to the retirement practices of the Participant's employer.
- h. Terminating Transaction. As used herein, the phrase "Terminating Transaction" shall mean any one of the following:

- (i) the dissolution or liquidation of the Company;
- (ii) a reorganization, merger or consolidation of the Company; or
- (iii) a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company goes out of existence or becomes a subsidiary of another corporation, or upon the acquisition of substantially all of the property or more than eighty percent (80%) of the then outstanding stock of the Company by another corporation.

i. Termination for Cause. "Termination for Cause" means termination of employment pursuant to the conduct-based provisions of the employer's policy on involuntary termination of employment by reason of a Participant's action or willful omission, including without limitation, the commission of a crime, fraud, willful misconduct or the unauthorized use or disclosure of confidential information which has resulted or is likely to result in damage to the Company or any of its subsidiaries.

11. Heirs and Successors. The terms of the Option shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Participant may designate a beneficiary of his/her rights under the Option by filing written notice with the Secretary of the Company. In the event of the Participant's death prior to the full exercise of the Option, the Option may be exercised by such Beneficiary to the extent that it was exercisable on the Participant's Termination Date and up until its Expiration Date. If the Participant fails to designate a Beneficiary, or if the designated Beneficiary dies before the Participant or before full exercise of the Option, the Option may be exercised by Participant's estate to the extent that it was exercisable on the Participant's Termination Date and up until its Expiration Date.

12. Administration. The authority to manage and control the operation and administration of the Option shall be vested in the Committee, and the Committee shall have all powers with respect to the Option as it has with

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respect to the Plan. Any interpretation of the Option by the Committee and any decision made by it with respect to the Option is final and binding.

13. Plan Governs. Notwithstanding anything in this Agreement to the contrary, the terms of the Option shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of the Company.

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STANDARD  
OPTION  
Terms  
Rev. III

TIFFANY & CO.  
A Delaware Corporation  
(the "Company")  
TERMS OF STOCK OPTION AWARD  
(Standard Non-Qualified Option)  
under the  
1998 EMPLOYEE INCENTIVE PLAN  
(the "Plan")

Terms Adopted May 21, 1998, Revised January 21, 1999

1. Introduction and Terms of Option. Participant has been granted a Non-Qualified Stock Option Award (the "Option") to purchase shares of the Company's Common Stock under the Plan by the Stock Option Subcommittee of the Company's Board of Directors (the "Committee"). The name of the "Participant", the "Grant Date", the number of "Covered Shares" and the "Exercise Price" per Share are stated in the attached "Notice of Grant". The other terms and conditions of the Option are stated in this document and in the Plan. Certain initially capitalized words and phrases used in this document are defined in

paragraph 10 below and elsewhere in this document.

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Once an installment of the Option matures, as provided in the above schedule, it shall continue to be exercisable with all prior installments on a cumulative basis until the Option expires.

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"Change of Control" so as to specify additional circumstances which shall be deemed to constitute a Change of Control.

6. Expiration. The Option, including matured installments thereof, shall not be exercisable in part or in whole on or after the Expiration Date. The "Expiration Date" shall be the earliest to occur of:

- a. the ten-year anniversary of the Grant Date;
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- c. if the Participant's Date of Termination occurs for reasons other than death, Disability, Retirement or Termination for Cause, the three month anniversary of such Date of Termination;
- d. if the Participant's Date of Termination occurs by reason of Termination for Cause, the Date of Termination.

7. Methods of Option Exercise. The Option may be exercised in whole or in part as to any Shares that have matured by filing a written notice of exercise with the Secretary of the Company at its corporate headquarters prior to the Expiration Date. Such notice shall specify the number of Shares which the Participant elects to purchase and shall be accompanied by either of the following:

- a. a bank-certified check payable to the Company (or other type of check or draft payable to the Company and acceptable to the Secretary) in the amount of the Exercise Price for the Shares being exercised plus any tax withholding resulting from such exercise as computed by Tiffany and Company's payroll department; or
- b. a copy of directions to, or a written acknowledgment from, an Approved

Broker that the Approved Broker has been directed to sell, for the account of the owner of the Option, Shares (or a sufficient portion of the Shares) acquired upon exercise of the Option, together with an undertaking by the Approved Broker to remit to the Company a sufficient portion of the sale proceeds to pay the Exercise Price for the Shares exercised plus any tax withholding resulting from such exercise as computed by Tiffany and Company's payroll department.

In the case of exercise via method (a), the exercise shall be deemed complete on the Company's receipt of such notice and said check or draft. In the case of exercise via method (b), the exercise shall be deemed complete on the trade date of the sale. The Committee may approve other methods of exercise, as provided for in the Plan, before the Option is exercised.

8. Withholding. All distributions on the exercise of the Option are subject to withholding of all applicable taxes. The method for withholding shall be as provided in paragraph 7 above, unless the Committee approves other methods of withholding, as provided for in the Plan, before the Option is exercised.

9. Transferability. The Option is not transferable otherwise than by will or the laws of descent and distribution or pursuant to a "domestic relations order", as defined in the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, and shall not be otherwise

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transferred, assigned, pledged, hypothecated or otherwise disposed of in any way, whether by operation of law or otherwise, nor shall it be subject to execution, attachment or similar process. Upon any attempt to transfer the Option otherwise than as permitted herein or to assign, pledge, hypothecate or otherwise dispose of the Option otherwise than as permitted herein, or upon the levy of any execution, attachment or similar process upon the Option, the Option shall immediately terminate and become null and void.

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  - (i) any person (as used herein, the word "person" shall mean an individual or an entity) or group of persons acting in concert has acquired thirty-five percent (35%) in voting power or amount of the equity securities of the Company (including the acquisition of any right, option warrant or other right to obtain such voting power or amount, whether or not presently exercisable) unless such acquisition is authorized or approved of by the Board of Directors of the Company,
  - (ii) individuals who constituted the Board of Directors of the Company on May 1, 1998 (the "Incumbent Board") cease for any reason to constitute at least a majority of such Board of Directors, provided that any individual becoming a director subsequent to May 1, 1988 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such individual is named as a nominee for director) shall be, for the purposes of this paragraph 10(a), considered as though such individual were a member of the Incumbent Board; or
  - (iii) any other circumstance with respect to a change in control of the Company occurs which the Committee deems to be a Change in Control of the Company.

A Change of Control will also be deemed to have occurred as of fourteen days prior to the date scheduled for a Terminating Transaction if provisions shall not have been made in writing in connection with such Terminating Transaction for the assumption of the Option or the substitution for the Option of a new option

covering the stock of a successor employer corporation, or a parent or subsidiary thereof or of the Company, with appropriate adjustments as to the number and kind of shares and prices.

- c. Code. The Internal Revenue Code of 1986, as amended.
- d. Date of Termination. The Participant's "Date of Termination" shall be the first day occurring on or after the Grant Date on which Participant's employment with the Company and all Related Companies terminates for any reason; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Related Company or between two Related

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Companies; and further provided that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company or a Related Company approved by the Participant's employer or required by applicable law. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Related Company (and the Participant's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant being discharged by the employer.

- e. Disability. Except as otherwise provided by the Committee, the Participant shall be considered to have a "Disability" if he or she is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment, which impairment, in the opinion of a physician selected by the Secretary of the Company, is expected to have a duration of not less than 120 days.
- f. Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan shall have the same meaning in this document.
- g. Retirement. "Retirement" of the Participant shall mean the occurrence of the Participant's Date of Termination after age 65 (other than a Termination for Cause) or the occurrence of the Participant's Date of Termination after age 55 pursuant to the retirement practices of the Participant's employer.
- h. Terminating Transaction. As used herein, the phrase "Terminating Transaction" shall mean any one of the following:
  - (i) the dissolution or liquidation of the Company;
  - (ii) a reorganization, merger or consolidation of the Company; or
  - (iii) a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company goes out of existence or becomes a subsidiary of another corporation, or upon the acquisition of substantially all of the property or more than eighty percent (80%) of the then outstanding stock of the Company by another corporation.
- i. Termination for Cause. "Termination for Cause" means termination of employment pursuant to the conduct-based provisions of the employer's policy on involuntary termination of employment by reason of a Participant's action or willful omission, including without limitation, the commission of a crime, fraud, willful misconduct or the unauthorized use or disclosure of confidential information which has resulted or is likely to result in damage to the Company or any of its subsidiaries.

11. Heirs and Successors. The terms of the Option shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or



otherwise, all or substantially all of the Company's assets and business. Participant may designate a beneficiary of his/her rights under the Option by filing written notice with the Secretary of the Company. In the event of the Participant's death prior to the full exercise of the Option, the Option may be exercised by such Beneficiary to the extent that it was exercisable on the Participant's Termination Date and up until its Expiration Date. If the Participant fails to designate a Beneficiary, or if the designated Beneficiary dies before the Participant or before

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full exercise of the Option, the Option may be exercised by Participant's estate to the extent that it was exercisable on the Participant's Termination Date and up until its Expiration Date.

12. Administration. The authority to manage and control the operation and administration of the Option shall be vested in the Committee, and the Committee shall have all powers with respect to the Option as it has with respect to the Plan. Any interpretation of the Option by the Committee and any decision made by it with respect to the Option is final and binding.

13. Plan Governs. Notwithstanding anything in this Agreement to the contrary, the terms of the Option shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of the Company.

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[Form of Retention Agreement]

[Name of Executive]  
727 Fifth Avenue  
New York, NY 10022

Re: RETENTION AGREEMENT

Dear [Executive]:

Tiffany and Company and Tiffany & Co. (respectively, "EMPLOYER" and "PARENT,") wish to take steps to retain key management, it being recognized that future discussions concerning a Change of Control or a decision to cooperate in or effect a Change of Control could result in the departure or distraction of key management at a time when Parent and Employer Board would require the clear and focused attention of experienced management, unafflicted with concerns for personal financial and job security. Accordingly, in order to induce you to remain in the employ of the Employer, Parent and Employer have determined to enter into this letter agreement (this "AGREEMENT") which addresses the terms and conditions of your employment in the event of a Change of Control.

This Agreement will provide you with certain payments and benefits should you incur an Involuntary Termination after a Change of Control Date.

An "Involuntary Termination" means (i) your termination of employment by Employer during the Term without Cause or (ii) your resignation of employment with the Employer during the Term for Good Reason. The terms "Change of Control Date," "Term," "Cause," "Good Reason" and other initially capitalized words and phrases used in this letter agreement shall have the meanings ascribed to them in Appendix I attached. With respect to your specific situation, you would also have "Good Reason" to resign from employment with Employer if any of the following occurs after a Change of Control Date:

- (A) at any time you are not the [insert basic description of Executive's job] of the Successor Entity or the Controlling Entity;
- (B) any similar adverse change on or after the Change in Control Date in your title, position or reporting responsibilities.

1. Term of Employment Under This Agreement. The Term of your employment under this Agreement shall not commence unless and until a Change in Control Date occurs and shall continue thereafter until the (SECOND) (THIRD) anniversary of the Change in Control Date.

2. Cash Payments in the Event of Involuntary Termination During the Term. In the event of your Involuntary Termination during the Term you will be paid the following amounts in cash by the Employer:

- (a) your Earned Compensation previously unpaid;
- (b) a severance payment equal to the sum of (i) (TWO) (THREE) times your Reference Salary and (ii) (TWO) (THREE) times your Reference Bonus; and
- (c) a Supplementary Pension Payment designed to provide you with the present cash value of the added benefits you would have received under the Defined Benefit Plans had you continued in your employment for a Measuring Period of (TWO) (THREE) years; and
- (d) a Gross-Up Payment to defray your Excise Tax liability if, following a Change in Control Date, it is determined that any Payment(s) made to you is (are) subject to the Excise Tax.

Payments under subsections (a) and (b) will be made within five (5) days of your Date of Termination and payment under subsection (c) will be made within forty-five (45) days of your date of termination. All calculations necessary to compute the Supplementary Pension Benefit Payment shall be done by the Accounting Firm at Employer's expense. Appendix II sets forth the applicable

procedures relating to the Gross-Up Payment.

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3. Benefit Continuation in the Event of Involuntary Termination During the Term. In the event of your Involuntary Termination during the Term Employer shall maintain all Benefit Plans in full force and effect, for the continued benefit of you and your eligible dependents for a maximum Benefits Continuation Period of (TWO) (THREE) years. Employer's obligation under this Section 3 is subject to the following: (i) that your and your eligible dependent's continued participation is possible under the general terms and provisions of such Benefit Plans (and under the terms of any applicable funding media) and (ii) that you continue to pay an amount equal to your regular contribution under such plans for such participation. You and your eligible dependents continued participation in such plans shall also be subject to the additional conditions stated in Appendix III.

4. Notice of Termination. Any termination of your employment by Employer or by you during the Term shall be communicated by a Notice of Termination to the other parties hereto.

5. No Mitigation or Offset; Employer's Opportunity to Correct. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer or by pension benefits paid by Employer or Employer's plans after the Date of Termination or otherwise, except as provided in the definition of "Benefit Continuation Period." No event shall constitute Good Reason for your resignation unless your claim to that effect is communicated by you to Employer in writing and is not corrected by Employer or Parent in a manner which is reasonably satisfactory to you (including full retroactive correction with respect to any monetary matter) within ten (10) days of the Employer's receipt of such written notice from you.

6. Legal Fees and Expenses Necessary to Enforce Agreement. The Employer shall pay or reimburse you on an after-tax basis for all costs and expenses (including, without limitation, court costs and reasonable legal fees and expenses which reflect common practice with respect to the matters involved) incurred by you as a result of any claim, action or proceeding (i) contesting, disputing or enforcing any right, benefits or obligations under this Agreement or which you reasonably claim to have or to be owed to you by Employer or Parent or (ii) arising out of or challenging the validity, advisability or enforceability of this Agreement or any provision hereof; provided, however, that the amount of the payments and reimbursements under this Section 5 shall not exceed (\$50,000) (\$100,000).

7. Employment During the Term. During the Term you shall be employed by Employer on the terms and conditions on which you were employed immediately prior to the Change in Control Date without any Substantial Change.

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8. Successors; Binding Agreement; Respective Responsibilities of Parent and Employer.

(a) Assumption by Successor. Parent and Employer will each require their respective successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of either, to expressly assume and to agree to perform this Agreement for your benefit in the same manner and to the same extent that the Parent or the Employer, as the case may be, would be required to perform it if no such succession had taken place; provided, however, that no such assumption shall relieve either the Parent or the Employer of its obligations hereunder, and no failure to expressly assume and agree to perform this Agreement shall relieve any successor of its obligations under this Agreement by operation of law.

(b) Enforceability; Beneficiaries. This Agreement shall be binding upon, inure to the benefit of and be enforceable by you (and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees) and the Parent and Employer and any Person(s) which succeeds to substantially all of the business or assets of the Parent or Employer, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Parent or Employer or otherwise,

including, without limitation, as a result of a Change in Control or by operation of law.

(c) Joint and Several Liability. Parent shall be jointly and severally liable with Employer for all Employer's obligations hereunder and Employer shall be jointly and severally liable with Parent for all Parent's obligations hereunder.

9. Notices. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand-delivered or when mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to Parent or Employer, to the Boards of Directors, Tiffany & Co. and Tiffany and Company, 727 Fifth Avenue, New York, NY 10022, Attn. Legal Department, or, if to you, to you at the address set forth on the first page of this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

#### 10. Miscellaneous.

(a) Amendments, Waivers, Etc. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, No waiver by either party hereto any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provision or conditions at the same or at any later or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter here have been made by either party which are not expressly set forth in this Agreement

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and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof.

(b) Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(d) No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of Employer or Parent nor shall it affect the terms and conditions of your employment with Employer prior to the commencement of the Term hereof. Failing the occurrence of a Change in Control Date your employment shall continue to be "at will," meaning that either you or Employer may terminate your employment with or without cause, for any reason or no reason, with or without notice.

(e) Withholding. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

(f) Source of Payments. All payments provided under this Agreement, other than payments made pursuant to a Benefit Plan which provides otherwise, shall be paid in cash from the general funds of Employer or Parent, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which Employer or Parent may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from Employer or Parent hereunder, such right shall be no greater than the right of an unsecured creditor of Parent or Employer, as the case may be.

(g) Headings. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

(h) Governing Law. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of New York applicable to contracts entered into and to be performed in this State.

If this letter set forth our agreement on the subject matter hereof, kindly sign and return to Employer the enclosed copy of this letter which will then constitute the agreement among us on this subject.

Sincerely,

TIFFANY & CO. ("Parent")

By: \_\_\_\_\_  
Name: Michael J. Kowalski  
Title: Chairman and Chief Executive Officer

TIFFANY AND COMPANY ("Employer")

By: \_\_\_\_\_  
Name: Michael J. Kowalski  
Title: Chairman and Chief Executive Officer

Agreed to as of this \_\_\_\_ day of \_\_\_\_\_ 200\_\_

\_\_\_\_\_  
[Name of Executive]

Attachment: Appendices I through III

APPENDIX I -- DEFINITIONS

FOR PURPOSES OF THE AGREEMENT, THE FOLLOWING INITIALLY CAPITALIZED WORDS SHALL HAVE THE MEANINGS SET FORTH BELOW:

"ACCOUNTING FIRM" shall mean PricewaterhouseCoopers LLP or, if such firm is unable or unwilling to perform such calculations or provide such opinions as are required under this Agreement, such other nationally recognized public accounting firm as shall be designated by agreement of you and the Employer, or failing such Agreement, as designated by PricewaterhouseCoopers LLP, provided, however, that if PricewaterhouseCoopers LLP, or any firm designated by PricewaterhouseCoopers LLP, is serving as accountant or auditor for the Person or group effecting the Change of Control (other than for Parent or Employer), you may appoint another nationally recognized public accounting firm as Accounting Firm hereunder.

"AFFILIATE" shall mean any Person that controls, is controlled by or is under common control with, any other Person, directly or indirectly.

"BENEFIT CONTINUATION PERIOD" means the period beginning on your Date of Termination and ending following the period of years stated in Section 3, provided that such period shall earlier terminate on the commencement date of equivalent benefits from your new employer or your attainment of age sixty-five (65), whichever first occurs.

"BENEFIT PLANS" mean all insured and self-insured employee welfare benefit plans in which you were entitled to participate immediately prior to your Date of Termination.

"CAUSE" shall mean a termination of your employment during the Term which is the result of:

- (i) your conviction or plea of nolo contendere to a felony involving financial impropriety or a felony which would tend to subject Employer or any of its Affiliates to public

criticism or materially interfere with your continued service to Employer;

- (ii) your willful disclosure of material trade secrets or other material confidential information related to the business of Employer or any of its Affiliates, which disclosure actually results in substantive harm to such business or puts such business at an actual competitive disadvantage;
- (iii) your willful failure or refusal to perform substantially all such proper and achievable directives issued by your superior (other than any such failure resulting from your incapacity due to physical or mental illness, any such actual or anticipated failure resulting from a resignation by you for Good Reason, or any such refusal made by you in good faith because you believe such directives to be illegal, unethical or immoral) after a written demand for substantial performance is delivered to you on behalf of Employer, which demand specifically identifies the manner in which you have not substantially performed your duties, and which performance is not substantially corrected by you within ten (10) days of receipt of such demand;
- (iv) your gross negligence in the performance of your duties and responsibilities materially injurious to the Employer;

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- (v) your willful breach of any material obligation that you have to Parent or Employer under any written agreement that you have with either Parent or Employer;
- (vi) your fraud or dishonesty with regard to Employer or any of its Affiliates;
- (vii) your death; or
- (viii) your Disability.

For purposes of the previous sentence, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you in bad faith toward, or without reasonable belief that your action or omission was in the best interests of, Parent, Employer or an Affiliate of Parent or Employer. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause with respect to items (i) through (vi) or item (viii) unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths (3/4th) of the entire membership of the Employer Board at a meeting called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before such Board), finding that, in the good faith opinion of such Board, Cause exists as set forth in items (i), (ii), (iii), (iv), (v), (vi) or (viii) above.

"CHANGE IN CONTROL" shall mean a change in control of Parent of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not Parent is then subject to such reporting requirement; provided, however, that, anything in this Agreement to the contrary notwithstanding, a Change in Control shall be deemed to have occurred if:

- (i) any Person, or any syndicate or group deemed to be a person under Section 14(d) (2) of the Exchange Act, excluding Parent or any of its Affiliates, a trustee or any fiduciary holding securities under an employee benefit plan of Parent or any of its Affiliates, an underwriter temporarily holding securities pursuant to an offering of such securities or a corporation owned, directly or indirectly by stockholders of Parent in substantially the same proportion as their ownership of Parent, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of Parent representing Thirty-five percent (35%) or more of the combined voting power of Parent's then outstanding securities entitled to vote in the election of directors of Parent;

- (ii) ten (10) days following the "Shares Acquisition Date" if any Person has in fact become and then remains an "Acquiring Person" under the Rights Plan;
- (iii) if the Parent Board should resolve to redeem the "Rights" under the Rights Plan in response to a proposal by any Person to acquire, directly or indirectly, securities of Parent representing Fifteen percent (15%) or more of the combined voting power of Parent's then outstanding securities entitled to vote in the election of directors of Parent;
- (iv) if the Incumbent Directors cease to constitute a majority of the Parent Board; provided, however, that no person shall be deemed an Incumbent Director if he or she was appointed or elected to the Parent Board after having been designated to serve on the Parent Board by a Person who has entered into an agreement with Parent to effect a transaction described in clauses (i), (iii), (v), (vi), (vii), (viii) or (ix) of this definition;

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- (v) there occurs a reorganization, merger, consolidation or other corporate transaction involving Parent, in each case with respect to which the stockholders of Parent immediately prior to such transaction do not, immediately after such transaction, own more than Fifty percent (50%) of the combined voting power of the Parent or other corporation resulting from such transaction, as the case may be;
- (vi) all or substantially all of the assets of Parent are sold, liquidated or distributed, except to an Affiliate of Parent;
- (vii) all or substantially all of the assets of Employer are sold, liquidated or distributed, except to an Affiliate of Parent;
- (viii) any Person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, excluding Parent or any of its Affiliates, a trustee or any fiduciary holding securities under an employee benefit plan of Parent or any of its Affiliates, an underwriter temporarily holding securities pursuant to an offering of such securities or a corporation owned, directly or indirectly by stockholders of Parent in substantially the same proportion as their ownership of Parent, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of Employer representing Fifty percent (50%) or more of the combined voting power of Employer's then outstanding securities entitled to vote in the election of directors of Employer; or
- (ix) there is a "change of control" or a "change in the effective control" of Parent within the meaning of Section 280G of the Code and the Regulations.

"CHANGE IN CONTROL DATE" shall mean the earliest of:

- (i) the date on which a Change of Control occurs;
- (ii) the date on which Parent executes an agreement or its stockholders adopt a resolution, the consummation of which would result in the occurrence of a Change of Control;
- (iii) the date the Parent Board approves a transaction or series of transactions, the consummation of which would result in a Change in Control; and
- (iv) the date Parent or Employer fails to satisfy the obligation to have this Agreement expressly assumed by their respective successors in accordance with Section 8(a) of the Agreement;

provided that if your employment with Employer terminates prior to any of the

dates specified in items (i) through (iv) of this definition and it is reasonably demonstrated that your termination of employment (a) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in connection with or in anticipation of a Change in Control, then "Change in Control Date" shall mean the date immediately prior to your Date of Termination.

"CODE" shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

"COMMON STOCK" shall mean the common stock of Parent.

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"CONTROLLING ENTITY" shall mean the Controlling Person of the Successor Entity if such a Controlling Person exists; otherwise "Controlling Entity" shall mean the Successor Entity.

The "CONTROLLING PERSON" of any Person shall mean the Person which ultimately controls such first Person and all other Affiliates of such first Person, directly or indirectly, through ownership of voting stock or otherwise.

Your "DATE OF TERMINATION" shall mean:

- (i) if your employment is terminated for Disability, thirty (30) days after a Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period);
- (ii) if your employment is terminated by Employer in an Involuntary Termination, five (5) days after the date the Notice of Termination is received by you;
- (iii) if your employment is terminated by Employer for Cause (other than Disability), the later of the date specified in the Notice of Termination or ten (10) days following the date such Notice is received by you;
- (iv) if you resign and specify Good Reason, ten (10) days after the date your Notice of Termination is received by Employer; and
- (v) if you resign and decline to specify Good Reason, the date set forth in your Notice of Termination, which shall be no earlier than ten (10) days after the date such notice is received by Employer.

"DEFINED BENEFIT PLANS" shall mean, collectively, the Tiffany and Company Pension Plan and the 1994 Tiffany and Company Supplemental Retirement Income Plan.

"DISABILITY" shall mean your incapacity due to physical or mental illness which causes you to be absent from the full-time performance of your duties with Employer for six (6) consecutive months provided, however, that you shall not be determined to be subject to a Disability for purposes of this Agreement unless you fail to return to full-time performance of your duties with Employer within thirty (30) days after written Notice of Termination due to Disability is given to you.

"EARNED COMPENSATION" shall mean:

- (i) any earned but unpaid base salary through your Date of Termination at the rate in effect at the time of the Notice of Termination;
- (ii) all unused vacation time which you may have accrued as of your Date of Termination; and
- (iii) a pro rata portion of your target bonus or incentive award for the fiscal year in which your Involuntary Termination occurs, calculated on the assumption that all performance targets (including your individual performance targets and sales and earnings targets applicable to the Employer and/or to the Successor Entity) have been or will be achieved.



"EMPLOYER" shall mean Tiffany and Company, a New York corporation, and any successor to its business and/or assets by operation of law or otherwise.

"EMPLOYER BOARD" shall mean the Board of Directors of Employer.

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"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and any successor provisions thereto.

"EXCISE TAX" shall mean the excise tax imposed by Section 4999 of the Code and interest or penalties with respect to such excise tax.

"GOOD REASON" means, in addition to those reasons stated in the body of the Agreement, your resignation from employment with Employer during the Term as a result of any of the following:

- (i) A meaningful and detrimental alteration in your position, your titles, or the nature or status of your responsibilities (including your reporting responsibilities) from those in effect immediately before the Change in Control Date.
- (ii) A reduction by Employer in your annual base salary as in effect immediately prior to the Change in Control Date or as the same may be increased from time to time thereafter; a failure by the Employer to increase your salary at a rate commensurate with that of other key executives of Employer; or a reduction in your target bonus or incentive award (expressed as a percentage of base salary) below the target in effect for you prior to the Change in Control Date;
- (iii) The failure by Employer to pay you a bonus or incentive award commensurate with the bonus paid other key executives of Employer (expressed as a percentage of your target bonus) unless such failure is justified by clear and objective deficiencies of the business units for which you are responsible;
- (iv) the relocation of the office of Employer where you were employed immediately prior to the Change in Control Date to a location which is more than 50 miles away or should Employer require you to be based more than 50 miles away from such office (except for required travel on the Employer's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change in Control Date);
- (v) the failure by Employer or Parent to continue in effect any compensation plan in which you participated prior to the Change in Control Date or made available to you after the Change in Control Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by Employer or Parent to continue your participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed on the Change in Control Date;
- (vi) the failure by Employer or Parent to continue to provide you with benefits at least as favorable in the aggregate to those enjoyed by you under the Defined Benefit Plans, the Benefit Plan or Employer's or Parent's savings, life insurance, disability and fringe benefit plans and programs in which you were participating or had a right to participate immediately prior to the Change in Control Date; or the failure by the Company to provide you with the number of paid vacation days to which you were entitled on the basis of years of service with Employer in accordance with Employer's normal vacation policy in effect immediately prior to the Change in Control Date;
- (vii) the failure of Employer and Parent to obtain an express agreement reasonably satisfactory to you from their

successors, if any, to assume and agree to perform this Agreement, as contemplated in Section 8(a) of the Agreement;

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- (viii) any termination of your employment with Employer which is not effected pursuant to the terms of this Agreement; or
- (ix) a material breach by Employer or Parent of the provisions of this Agreement.

"GROSS-UP PAYMENT" means a payment to you by the Employer such that after payment by you of all Taxes (including any Excise Tax and any state or federal income taxes) imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the sum of (x) the Excise Tax imposed upon the Payments which have triggered your right to a Gross-Up Payment and (y) the product of any deductions disallowed you because of the inclusion of the Gross-Up Payment in your adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made.

"INCUMBENT DIRECTORS" shall mean those individuals who were members of the Board of Directors of Tiffany & Co., a Delaware corporation, as of the date of this Agreement and those individuals whose later appointment to such Board, or whose later nomination for election to such Board by the stockholders of Tiffany & Co., was approved by a vote of at least a majority of those members of such Board who either were members of such Board as of the date of this Agreement, or whose election or nomination for election was previously so approved.'-+\*

"MEASUREMENT PERIOD" means the period of years after your Date of Termination specified in Section 3.

"NOTICE OF TERMINATION" shall mean a written notice indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

"PARENT" shall mean Tiffany & Co., a Delaware corporation, and any successor to its business and/or assets by operation of law or otherwise.

"PARENT BOARD" shall mean the Board of Directors of Parent.

"PAYMENT" means (i) any amount due or paid to you under this Agreement, (ii) any amount that is due or paid to you under any plan, program or arrangement of Parent or Employer (including, without limitation the Parent's stock option plans) and (iii) any amount or benefit that is due or payable to you under this Agreement or under any plan, program or arrangement of Parent or Employer not otherwise covered under clause (i) or (ii) hereof which must reasonably be taken into account under Section 280G of the Code and the Regulation in determining the amount of "parachute payments" received by you, including, without limitation, any amounts which must be taken into account under the Code and Regulations as a result of (A) the acceleration of the vesting of any option, restricted stock or other equity award granted under the Parent's employee stock option plans or otherwise, (B) the acceleration of the time at which any payment or benefit is receivable by you or (C) any contingent severance or other amounts that are payable to you.

"PERSON" shall mean any individual, firm, corporation, partnership, limited partnership, limited liability partnership, business trust, limited liability company, unincorporated association or other entity, and shall include any successor (by merger or otherwise) of such entity.

"REFERENCE BONUS" shall mean the greater of (i) the target annual bonus applicable to you for the year in which your Involuntary Termination occurs and (ii) the highest annual bonus paid to you in any of the three years ended prior to the Change in Control Date. For this purpose, the term "bonus" shall also refer to a cash Incentive Award under the 1998 Employee Incentive Plan.

"REFERENCE SALARY" shall mean the greater of (i) the annual rate of your base salary from Employer in effect immediately prior to the date of your Involuntary Termination and (ii) the highest

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annual rate of your base salary from Employer in effect at any point during the three-year period ended on the Change in Control Date.

"REGULATIONS" shall mean regulations under Section 280G of the Code, including proposed and temporary regulations, and any successor provisions thereto.

"RIGHTS PLAN" shall mean the Amended and Restated Rights Agreement Dated as of September 22, 1998 by and between Parent and ChaseMellon Shareholder Services L.L.C., as Rights Agent, as such Agreement may be further amended from time to time.

"SUBSTANTIAL CHANGE" means any substantial change in the terms or conditions of your employment following a Change of Control Date that is less favorable to you than those in effect previous to the Change of Control Date.

"SUCCESSOR ENTITY" shall mean the Person who is in most immediate control, whether through voting stock ownership of one or more subsidiaries or otherwise, of the worldwide consolidated business of Parent's Affiliates, substantially as such business existed immediately prior to the Change in Control Date whether or not such Person is ultimately controlled by another Person.

"SUPPLEMENTARY PENSION PAYMENT" means the lump sum actuarial equivalent (employing actuarial assumptions no less favorable to you than those in effect under the Defined Benefit Plans prior to the Change in Control Date) of the excess of the (i) aggregate benefits under the Defined Benefit Plans which you would receive if your employment with Employer continued for the Measurement Period over (ii) your vested accrued benefits payable under the Defined Benefit Plans as of your Date of Termination. The following assumptions shall be used to calculate such actuarial equivalent, that: (x) your accrued benefits under the Defined Benefit Plans were fully vested, (y) in each of the years during the Measurement Period your salary and bonus were equivalent to your Reference Salary and Reference Bonus and (z) that you will begin to receive benefits under Defined Benefit Plans at age 65, as calculated by the Accounting Firm with the assistance of the actuaries for the Tiffany and Company Pension Plan.

"TAXES" shall mean the federal, state and local income taxes to which you are subject at the time of determination, calculated on the basis of the highest marginal rates then in effect, plus any additional payroll or withholding taxes to which you are then subject.

"TERM" shall mean the term of your employment under this Agreement as defined in Section 1.

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#### APPENDIX II - PROCEDURES RELATING TO GROSS UP PAYMENT

(A) Assumptions to be Used in Calculating the Gross-Up Payment. In determining the amount of the Gross-Up Payment, you shall be deemed to:

- (1) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Gross-Up Payment is to be made;
- (2) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of state and local taxes; and
- (3) have otherwise allowable deductions for federal income tax purposes at least equal to those which could be disallowed because of the inclusion of the Gross-Up Payment in your gross income.

(B) Calculation and Payment of Gross-Up Payment. Subject to the provisions set out below, all determinations required under this Appendix, including whether a Gross-Up Payment is required, the amount of the Payments constituting excess parachute payments, and the amount of the Gross-Up Payment, shall be made by the Accounting Firm. Any determination by the Accounting Firm shall be binding upon you and the Employer. The Accounting Firm shall be instructed by the Employer to provide detailed supporting calculations both to you and the Employer within fifteen days of the Change of Control Date, your Date of Termination or any other date reasonably requested by you or the Employer on which a determination under this Appendix is necessary or advisable. The Employer shall pay to you the

initial amount of the Gross-Up Payment within five days of the receipt by you and the Employer of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by you, the Employer shall cause the Accounting Firm to provide you with an opinion that the Accounting Firm has substantial authority under the Code and Regulations that you are not required to report an Excise Tax on your federal income tax return. If the initial Gross-Up Payment is insufficient to cover the amount of the Excise Tax that is ultimately determined to be owing by you with respect to any Payment (hereinafter an "UNDERPAYMENT"), the Employer, after exhausting its remedies under (C) below, shall promptly pay to you an additional Gross-Up Payment in respect of the Underpayment.

(C) Procedures Regarding Claims In Respect of Underpayments. If a claim is made upon you by the Internal Revenue Service, that would, if successful, require the Employer to make a Gross-Up Payment to you, you must notify the Employer as soon as practicable after you know of the claim. Such notice must state the nature of the claim and the date that payment is demanded. As a condition to your right to a Gross-Up Payment in respect of such claim, you shall not pay such claim until the expiration of a thirty (30) day period following the date on which you notify the Employer of such claim, or such shorter period ending on the date the Taxes in respect to such claim are due (the "NOTICE PERIOD"). If the Employer notifies you in writing prior to the expiration of the Notice Period that it desires to contest the claim, you shall:

- (1) give the Employer any information reasonably requested by the Employer relating to the claim;
- (2) take such action in connection with the claim as the Employer may reasonably request, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Employer and reasonably acceptable to you;
- (3) cooperate with the Employer in good faith in contesting the claim; and
- (4) permit the Employer to participate in any proceedings relating to the claim.

You shall permit the Employer to control all proceedings related to the claim and, at its option, permit the Employer to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim.

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If requested to do so by the Employer, you agree either to pay the tax claimed and sue for a refund or contest the claim in any permissible manner and to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts as the Employer shall determine; provided, however, that, if the Employer directs you pay such claim and pursue a refund, the Employer shall advance the amount of such payment to you on an after-tax and interest-free basis (an "ADVANCE").

The Employer's control of the contest related to the claim shall be limited to the issues related to the Gross-Up Payment and you shall be entitled to settle or contest, as the case may be, any other issues raised by the Internal Revenue Service or other taxing authority. If the Employer does not notify you in writing prior to the end of the Notice Period of its desire to contest the claim, the Employer shall pay to you an additional Gross-Up Payment in respect of the excess parachute payments that are the subject of the claim, and you agree to pay the amount of the Excise Tax that is the subject of the claim to the applicable taxing authority in accordance with applicable law.

(D) Repayment of Advance. If, after receipt by you of an Advance, you become entitled to a refund with respect to the claim to which such Advance relates, you shall pay the Employer the amount of the refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after receipt by you of any Advance, a third-party determination is made that you are not entitled to any refund with respect to the claim and the Employer does not promptly notify you of its intent to contest the denial of refund, then the amount thereof shall offset the amount of the additional Gross-Up Payment then owing to you with respect to such claim.

(E) Indemnity and Costs Relating to Gross-Up Payments. The Employer shall indemnify you and hold you harmless, on an after-tax basis, from any costs,

expenses, penalties, fines, interest or other liabilities ("Losses") incurred by you with respect to the exercise by the Employer of any of its rights under this Appendix II, including, without limitation, any Losses related to the Employer's decision to contest a claim or any imputed income to you resulting from any Advance or action taken on your behalf by the Employer hereunder. The Employer shall pay all legal fees and expenses incurred by you under this Appendix II, and shall promptly reimburse you for the reasonable expenses incurred by you in connection with any actions taken by the Employer or required to be taken by you hereunder. The Employer shall also pay all of the fees and expenses of the Accounting firm, including, without limitation, the fees and expenses related to the determination referred to in (B) above.

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APPENDIX III - BENEFIT CONTINUATION

(A) In the event that your participation in any Benefit Plan is barred, Employer shall, at its sole cost and expense, arrange to have issued for the benefit of you and your eligible dependents individual policies of insurance providing benefits substantially similar (on an after-tax basis) to those which you otherwise would have been entitled to receive under such Benefit Plan pursuant to Section 3 for the Benefit Continuation Period.

(B) In lieu of the benefits provided in (A) above, if, in the reasonable opinion of Employer, such insurance is not available at a reasonable cost to the Employer, the Employer shall directly provide you and your eligible dependents with equivalent benefits (on an after-tax basis).

(C) In either of the circumstances described in (A) or (B), you shall not be required to pay any premiums or other charges in an amount greater than that which you would have paid in order to participate in such Benefit Plan had your Involuntary Termination not occurred.

(D) If at the end of the Benefit Continuation Period you have not reached age sixty-five and you have not previously received or are not then receiving equivalent benefits from a new employer, Employer shall arrange to enable you to convert your and your eligible dependents' coverage under the Benefit Plans to individual policies or programs upon the same terms as employees of the Employer may apply for such conversions. Employer shall bear the cost of making such conversions available to you; you shall bear the cost of coverage under such converted policies or programs.

(E) For the purposes of Section 3 and this Appendix, a dependent will be deemed "eligible" if, at the time in question, you would, if an employee of Employer, be entitled to cover such dependent under the plan in question.

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AMENDMENT NO.4

This amendment forms a part of Group Policy No. 533717 001 issued to the Policyholder:

Tiffany & Co.

The entire policy is replaced by the policy attached to this amendment.

The effective date of these changes is August 1,2002. The changes only apply to disabilities which start on or after the effective date.

The policy's terms and provisions will apply other than as stated in this amendment.

Dated at New York, New York on January 7,2003.

First Unum Life Insurance Company

By /s/ Susan N. Roth

-----  
Secretary

If this amendment is unacceptable, please sign below and return this amendment to First Unum Life Insurance Company at New York, New York within 90 days of January 7, 2003.

YOUR FAILURE TO SIGN AND RETURN THIS AMENDMENT BY THAT DATE WILL CONSTITUTE ACCEPTANCE OF THIS AMENDMENT.

Tiffany & Co.

By

-----  
Signature and Title of Officer

-----  
UNUM PROVIDENT

GROUP INSURANCE POLICY  
NON-PARTICIPATING

-----  
POLICYHOLDER: Tiffany & Co.

POLICY NUMBER: 533717 001

POLICY EFFECTIVE DATE: October 15, 1998

POLICY ANNIVERSARY DATE: November 1

GOVERNING JURISDICTION: New York

First Unum Life Insurance Company (referred to as Unum) will provide benefits under this policy. Unum makes this promise subject to all of this policy's provisions.

The policyholder should read this policy carefully and contact Unum promptly with any questions. This policy is delivered in and is governed by the laws of the governing jurisdiction and to the extent applicable by the Employee Retirement Income Security Act of 1974 (ERISA) and any amendments. This policy consists of:

all policy provisions and any amendments and/or attachments issued;  
employees' signed applications; and  
the certificate of coverage.

This policy may be changed in whole or in part. Only an officer or a registrar of Unum can approve a change. The approval must be in writing and endorsed on or attached to this policy. No other person, including an agent, may change this

policy or waive any part of it.

Signed for Unum at New York, New York on the Policy Effective Date.

/s/ Harold Chandler  
President

/s/ Susan N. Roth  
Secretary

First Unum Life Insurance Company  
99 Park Avenue  
6th Floor  
New York, New York 10016

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BENEFITS AT A GLANCE

SYNOPSIS

The insurance evidenced by this certificate provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department.

EXCLUSIONS

- What disabilities are not covered for a cost of living increase:  
See page LTD-BEN-6
- What disabilities are not covered under your plan:  
See page LTD-BEN-12
- Are increases in coverage subject to a pre-existing condition:  
See Page LTD-BEN-12
- What exclusions and limitations apply to Disability Plus:  
See Page LTD-OTR-4 and LTD-OTR-5

LIMITATIONS

- What disabilities have a limited pay period under your plan:  
See page LTD-BEN-11
- What exclusions and limitations apply to Disability Plus:  
See Page LTD-OTR-4 and LTD-OTR-5

LONG TERM DISABILITY PLAN

This long term disability plan provides financial protection for you by paying a portion of your income while you are disabled. The amount you receive is based on the amount you earned before your disability began. In some cases, you can receive disability payments even if you work while you are disabled.

EMPLOYER'S ORIGINAL PLAN

EFFECTIVE DATE: October 15, 1998

POLICY NUMBER: 533717 001

ELIGIBLE GROUP(S):

Group 1

All full-time employees working a minimum of 35 hours per week, part-time employees hired prior to January 1, 1994 working a minimum of 20 hours per week and part-time employees who transferred from full-time after satisfying the initial waiting period for eligibility and work a minimum of 20 hours per week in active employment

Group 2

Chairman, President, Executive Vice President, Senior Vice Presidents, Group Vice Presidents and Vice Presidents who are eligible for IDI Coverage in active employment

Group 3

Chairman, President, Executive Vice President, Senior Vice Presidents, Group Vice Presidents and Vice Presidents who are ineligible for IDI Coverage in active employment

MINIMUM HOURS REQUIREMENT:

ALL FULL-TIME EMPLOYEES, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

Employees must be working at least 35 hours per week.

All Part-Time Employees Hired Prior to January 1, 1994  
Employees must be working at least 20 hours per week.

WAITING PERIOD:

For employees in an eligible group on or before October 15, 1998: 90 days of continuous active employment

For employees entering an eligible group after October 15, 1998: 90 days of continuous active employment

REHIRE:

If your employment ends and you are rehired within 12 months, your previous work while in an eligible group will apply toward the waiting period. All other policy provisions apply.

WAIVE THE WAITING PERIOD:

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

If you have been continuously employed by your Employer for a period of time equal to your waiting period, Unum will waive your waiting period when you enter an eligible group.

CREDIT PRIOR SERVICE:

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER



SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

Unum will apply any prior period of work with your Employer toward the waiting period to determine your eligibility date.

WHO PAYS FOR THE COVERAGE:

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

You pay the cost of your coverage.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

Your Employer pays the cost of your coverage.

ELIMINATION PERIOD:

180 days

Benefits begin the day after the elimination period is completed.

MONTHLY BENEFIT:

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

60% of monthly earnings to a maximum benefit of \$10,000 per month.

Your payment may be reduced by deductible sources of income and disability earnings. Some disabilities may not be covered or may have limited coverage under this plan.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE

The lesser of:

- 30% of monthly earnings less any deductible sources of income (excluding Spouse and Children Social Security Benefits) to a maximum monthly benefit of \$15,000 per month; or
- 70% of monthly earnings less any deductible sources of income (including Spouse and Children Social Security Benefits).

Your payment may also be reduced by disability earnings. Some disabilities may not be covered or may have limited coverage under this plan.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

The lesser of:

- 60% of monthly earnings less any deductible sources of income (excluding Spouse and Children Social Security Benefits) to a maximum monthly benefit of \$18,000 per month; or
- 70% of monthly earnings less any deductible sources of income (including Spouse and Children Social Security

Benefits).

Your payment may also be reduced by disability earnings. Some disabilities may not be covered or may have limited coverage under this plan.

MAXIMUM PERIOD OF PAYMENT:

Age at Disability -----	Maximum Period of Payment -----
Less than age 60	To age 65, but not less than 5 years
Age 60	60 months
Age 61	48 months
Age 62	42 months
Age 63	36 months
Age 64	30 months
Age 65	24 months
Age 66	21 months
Age 67	18 months
Age 68	15 months
Age 69 and over	12 months

No premium payments are required for your coverage while you are receiving payments under this plan.

OTHER FEATURES:

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

Continuity of Coverage

Disability Plus

Minimum Benefit

Pre-Existing: 3/12

Survivor Benefit

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

Continuity of Coverage

Conversion

Cost of Living Adjustment

Disability Plus

Minimum Benefit

Pre-Existing: 3/12

Survivor Benefit

THE ABOVE ITEMS ARE ONLY HIGHLIGHTS OF THIS PLAN. FOR A FULL DESCRIPTION OF YOUR COVERAGE, CONTINUE READING YOUR CERTIFICATE OF COVERAGE SECTION.

CLAIM INFORMATION

LONG TERM DISABILITY

WHEN DO YOU NOTIFY UNUM OF A CLAIM?

We encourage you to notify us of your claim as soon as possible, so that a claim decision can be made in a timely manner. Written notice of a claim should be sent within 30 days after the date your disability begins. However, you must send Unum written proof of your claim no later than 90 days after your elimination period. If it is not possible to give proof within 90 days, it must be given as soon as is reasonably possible.

The claim form is available from your Employer, or you can request a claim form from us. If you do not receive the form from Unum within 15 days of your request, send Unum written proof of claim without waiting for the form.

You must notify us immediately when you return to work in any capacity.

#### DO YOU FILE A CLAIM?

You and your Employer must fill out your own sections of the claim form and then give it to your attending physician. Your physician should fill out his or her section of the form and send it directly to Unum.

#### WHAT INFORMATION IS NEEDED AS PROOF OF YOUR CLAIM?

Your proof of claim, provided at your expense, must show:

- that you are under the regular care of a physician;
- the appropriate documentation of your monthly earnings;
- the date your disability began;
- the cause of your disability;
  
- the extent of your disability, including restrictions and limitations preventing you from performing your regular occupation; and
- the name and address of any HOSPITAL OR INSTITUTION where you received treatment, including all attending physicians.

We may request that you send proof of continuing disability indicating that you are under the regular care of a physician. This proof, provided at your expense, must be received within 45 days of a request by us.

In some cases, you will be required to give Unum authorization to obtain additional medical information and to provide non-medical information as part of your proof of claim, or proof of continuing disability. Unum will deny your claim, or stop sending you payments, if the appropriate information is not submitted.

#### TO WHOM WILL UNUM MAKE PAYMENTS?

Unum will make payments to you.

#### WHAT HAPPENS IF UNUM OVERPAYS YOUR CLAIM?

Unum has the right to recover any overpayments due to:

- fraud;
- any error Unum makes in processing a claim; and
- your receipt of deductible sources of income.

You must reimburse us in full. We will determine the method by which the repayment is to be made.

Unum will not recover more money than the amount we paid you.

#### POLICYHOLDER PROVISIONS

#### WHAT IS THE COST OF THIS INSURANCE?

#### LONG TERM DISABILITY

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The initial premium for each plan is based on the initial rate(s) shown in the policy effective on the Employer's original plan effective date.

WAIVER OF PREMIUM

Unum does not require premium payments for an insured while he or she is receiving Long Term Disability payments under this plan.

INITIAL RATE GUARANTEE

Refer to the policy effective on the Employer's original plan effective date.

WHEN IS PREMIUM DUE FOR THIS POLICY?

Premium Due Dates: Premium due dates are based on the Premium Due Dates shown in the policy effective on the Employer's original plan effective date.

The POLICYHOLDER must send all premiums to Unum on or before their respective due date. The premium must be paid in United States dollars.

WHEN ARE INCREASES OR DECREASES IN PREMIUM DUE?

Premium increases or decreases which take effect during a policy month are adjusted and due on the next premium due date following the change. Changes will not be pro-rated daily.

If premiums are paid on other than a monthly basis, premiums for increases and decreases will result in a monthly pro-rated adjustment on the next premium due date.

Unum will only adjust premium for the current policy year and the prior policy year. In the case of fraud, premium adjustments will be made for all policy years.

WHAT INFORMATION DOES UNUM REQUIRE FROM THE POLICYHOLDER?

The Policyholder must provide Unum with the following on a regular basis:

- information about employees:
  - who are eligible to become insured;
  - whose amounts of coverage change; and/or
  - whose coverage ends;
- occupational information and any other information that may be required to manage a claim; and
- any other information that may be reasonably required.

Policyholder records that, in Unum's opinion, have a bearing on this policy will be available for review by Unum at any reasonable time.

Clerical error or omission by Unum will not:

- prevent an employee from receiving coverage;
- affect the amount of an insured's coverage; or
- cause an employee's coverage to begin or continue when the coverage would not otherwise be effective.

WHO CAN CANCEL THIS POLICY OR A PLAN UNDER THIS POLICY?

This policy or a plan under this policy can be cancelled:

- by Unum; or
- by the Policyholder.

Unum may cancel or offer to modify this policy or a plan if:

- there is less than 75% participation of those eligible employees who pay all or part of their premium for a plan; or
- there is less than 100% participation of those eligible employees for a Policyholder paid plan;
- the Policyholder does not promptly provide Unum with information that is reasonably required;
- the Policyholder fails to perform any of its obligations that relate to this policy;
- fewer than 10 employees are insured under a plan;
- the Policyholder fails to pay any premium within the 31 day GRACE PERIOD.

If Unum cancels this policy or a plan for reasons other than the Policyholder's failure to pay premium, a written notice will be delivered to the Policyholder at least 31 days prior to the cancellation date.

If the premium is not paid during the grace period, the policy or plan will terminate automatically at the end of the grace period. The Policyholder is liable for premium for coverage during the grace period. The Policyholder must pay Unum all premium due for the full period each plan is in force.

The Policyholder may cancel this policy or a plan by written notice delivered to Unum at least 31 days prior to the cancellation date. When both the Policyholder and Unum agree, this policy or a plan can be cancelled on an earlier date. If Unum or the Policyholder cancels this policy or a plan, coverage will end at 12:00 midnight on the last day of coverage.

If this policy or a plan is cancelled, the cancellation will not affect a PAYABLE CLAIM

WHAT HAPPENS TO AN EMPLOYEE'S COVERAGE UNDER THIS POLICY WHILE HE OR SHE IS ON A FAMILY AND MEDICAL LEAVE OF ABSENCE?

We will continue the employee's coverage in accordance with the policyholder's Human Resource policy on family and medical leaves of absence if premium payments continue and the policyholder approved the employee's leave in writing.

Coverage will be continued until the end of the later of:

1. the leave period required by the federal Family and Medical Leave of Absence Act of 1993 and any amendments; or
2. the leave period required by applicable state law.

If the policyholder's Human Resource policy doesn't provide for continuation of an employee's coverage during a family and medical leave of absence, the employee's coverage will be reinstated when he or she returns to active employment.

We will not:

- apply a new waiting period;
- apply a new pre-existing conditions exclusion; or
- require evidence of insurability.

DIVISIONS, SUBSIDIARIES OR AFFILIATED COMPANIES INCLUDE:

NAME/LOCATION (CITY AND STATE)

None

First Unum Life Insurance Company (referred to as Unum) welcomes you as a client.

This is your certificate of coverage as long as you are eligible for coverage and you become insured. You will want to read it carefully and keep it in a safe place.

Unum has written your certificate of coverage in plain English. However, a few terms and provisions are written as required by insurance law. If you have any questions about any of the terms and provisions, please consult Unum's claims paying office. Unum will assist you in any way to help you understand your benefits.

If the terms and provisions of the certificate of coverage (issued to you) are different from the policy (issued to the policyholder), the policy will govern. Your coverage may be cancelled or changed in whole or in part under the terms and provisions of the policy,

The policy is delivered in and is governed by the laws of the governing jurisdiction and to the extent applicable by the Employee Retirement Income Security Act of 1974 (ERISA) and any amendments. When making a benefit determination under the policy, Unum has discretionary authority to determine your eligibility for benefits and to interpret the terms and provisions of the policy.

For purposes of effective dates and ending dates under the group policy, all days begin at 12:01 a.m. and end at 12:00 midnight at the Policyholder's address.

First Unum Life Insurance Company  
99 Park Avenue  
6th Floor  
New York, New York 10016

#### GENERAL PROVISIONS

##### WHAT IS THE CERTIFICATE OF COVERAGE?

This certificate of coverage is a written statement prepared by Unum and may include attachments. It tells you:

- the coverage for which you may be entitled;
- to whom Unum will make a payment; and
- the limitations, exclusions and requirements that apply within a plan

##### WHEN ARE YOU ELIGIBLE FOR COVERAGE?

If you are working for your Employer in an eligible group, the date you are eligible for coverage is the later of:

- the plan effective date; or
- the day after you complete your waiting period

##### WHEN DOES YOUR COVERAGE BEGIN?

When your Employer pays 100% of the cost of your coverage under a plan, you will be covered at 12:01 a.m. on the date you are eligible for coverage.

When you and your Employer share the cost of your coverage under a plan or when you pay 100% of the cost yourself, you will be covered at 12:01 a.m. on the latest of:

- the date you are eligible for coverage, if you apply for insurance on or before that date;
- the date you apply for insurance, if you apply within 31 days after your eligibility date; or
- the date Unum approves your application, if evidence of insurability is required.

Evidence of insurability is required if you:

- are a late applicant, which means you apply for coverage more than 31 days after the date you are eligible for coverage; or
- voluntarily cancelled your coverage and are reapplying.

An evidence of insurability form can be obtained from your Employer.

WHAT IF YOU ARE ABSENT FROM WORK ON THE DATE YOUR COVERAGE WOULD NORMALLY BEGIN?

If you are absent from work due to injury, sickness, temporary layoff or leave of absence, your coverage will begin on the date you return to active employment.

ONCE YOUR COVERAGE BEGINS, WHAT HAPPENS IF YOU ARE TEMPORARILY NOT WORKING?

If you are on a temporary layoff, and if premium is paid, you will be covered through the end of the month that immediately follows the month in which your temporary layoff begins.

If you are on a leave of absence, and if premium is paid, you will be covered through the end of the month that immediately follows the month in which your leave of absence begins.

WHEN WILL CHANGES TO YOUR COVERAGE TAKE EFFECT?

Once your coverage begins, any increased or additional coverage will take effect immediately if you are in active employment or if you are on a covered layoff or leave of absence. If you are not in active employment due to injury or sickness, any increased or additional coverage will begin on the date you return to active employment.

Any decrease in coverage will take effect immediately but will not affect a payable claim that occurs prior to the decrease.

WHEN DOES YOUR COVERAGE END?

Your coverage under the policy or a plan ends on the earliest of:

- the date the policy or a plan is cancelled;
- the date you no longer are in an eligible group;
- the date your eligible group is no longer covered;
- the last day of the period for which you made any required contributions; or
- the last day you are in active employment except as provided under the covered layoff or leave of absence provision.

Unum will provide coverage for a payable claim which occurs while you are covered under the policy or plan.

WHAT ARE THE TIME LIMITS FOR LEGAL PROCEEDINGS?

You can start legal action regarding your claim 60 days after proof of claim has been given and up to 3 years from the time proof of claim is required, unless otherwise provided under federal law.

HOW CAN STATEMENTS MADE IN YOUR APPLICATION FOR THIS COVERAGE BE USED?

Unum considers any statements you or your Employer make in a signed application for coverage a representation and not a warranty. If any of the statements you or your Employer make are not complete and/or not true at the time they are made, we can:

- reduce or deny any claim; or
- cancel your coverage from the original effective date.

We will use only statements made in a signed application as a basis for doing this.

If the Employer gives us information about you that is incorrect, we will:

- use the facts to decide whether you have coverage under the plan and in what amounts; and
- make a fair adjustment of the premium.

#### HOW WILL UNUM HANDLE INSURANCE FRAUD?

Unum wants to ensure you and your Employer do not incur additional insurance costs as a result of the undermining effects of insurance fraud. Unum promises to focus on all means necessary to support fraud detection, investigation, and prosecution.

It is a crime if you knowingly, and with intent to injure, defraud or deceive Unum, or provide any information, including filing a claim, that contains any false, incomplete or misleading information. These actions, as well as submission of materially false information, will result in denial of your claim, and are subject to prosecution and punishment to the full extent under state and/or federal law. Unum will pursue all appropriate legal remedies in the event of insurance fraud.

#### DOES THE POLICY REPLACE OR AFFECT ANY WORKERS' COMPENSATION OR STATE DISABILITY INSURANCE?

The policy does not replace or affect the requirements for coverage by any workers' compensation or state disability insurance.

#### DOES YOUR EMPLOYER ACT AS YOUR AGENT OR UNUM'S AGENT?

For purposes of the policy, your Employer acts on its own behalf or as your agent. Under no circumstances will your Employer be deemed the agent of Unum.

#### LONG TERM DISABILITY

#### BENEFIT INFORMATION

#### HOW DOES UNUM DEFINE DISABILITY?

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

You are disabled when Unum determines that:

- you are LIMITED from performing the MATERIAL AND SUBSTANTIAL duties of your REGULAR OCCUPATION due to your SICKNESS or INJURY; and
- you have a 20% or more loss in your INDEXED MONTHLY EARNINGS due to the same sickness or injury; and
- during the elimination period, you are unable to perform any of the material and substantial duties of your regular occupation.

After 24 months of payments, you are disabled when Unum determines that due to the same sickness or injury, you are unable to perform the duties of any GAINFUL OCCUPATION for which you are reasonably fitted by education, training or experience,

We may require you to be examined by a physician, other medical practitioner or vocational expert of our choice. Unum will pay for this examination. We can require an examination as often as it is reasonable to do so. We may also require you to be interviewed by an authorized Unum Representative.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE



You are disabled when Unum determines that:

- you are LIMITED from performing the MATERIAL AND SUBSTANTIAL duties of your REGULAR OCCUPATION due to your SICKNESS or INJURY; and
- you have a 20% or more loss in your INDEXED MONTHLY EARNINGS due to the same sickness or injury.

We may require you to be examined by a physician, other medical practitioner or vocational expert of our choice. Unum will pay for this examination. We can require an examination as often as it is reasonable to do so. We may also require you to be interviewed by an authorized Unum Representative.

HOW LONG MUST YOU BE DISABLED BEFORE YOU ARE ELIGIBLE TO RECEIVE BENEFITS?

You must be continuously disabled through your ELIMINATION PERIOD. Unum will treat your disability as continuous if your disability stops for 30 days or less during the elimination period. The days that you are not disabled will not count toward your elimination period.

Your elimination period is 180 days,

CAN YOU SATISFY YOUR ELIMINATION PERIOD IF YOU ARE WORKING?

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

Yes, provided you meet the definition of disability.

WHEN WILL YOU BEGIN TO RECEIVE PAYMENTS?

You will begin to receive payments when we approve your claim, providing the elimination period has been met. We will send you a payment monthly for any period for which Unum is liable.

HOW MUCH WILL UNUM PAY YOU IF YOU ARE DISABLED?

We will follow this process to figure your payment:

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

1. Multiply your monthly earnings by 60%.
2. The maximum MONTHLY BENEFIT is \$10,000.
3. Compare the answer from Item 1 with the maximum monthly benefit. The lesser of these two amounts is your GROSS DISABILITY PAYMENT.
4. Subtract from your gross disability payment any DEDUCTIBLE SOURCES OF INCOME.

The amount figured in Item 4 is your MONTHLY PAYMENT.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE

1. Multiply your monthly earnings by 30%.
2. The maximum MONTHLY BENEFIT is \$15,000.
3. Compare the answer from Item 1 with the maximum monthly benefit. The lesser amount is your GROSS DISABILITY PAYMENT.
4. Subtract any DEDUCTIBLE SOURCES OF INCOME from Item 1. Do not subtract any amount your spouse or children are eligible to receive

from Social Security.

5. Multiply your monthly earnings by 70% and subtract any deductible sources of income, including any amount your spouse or children are eligible to receive from Social Security.
6. Compare the answers from Item 4 and Item 5 with the maximum monthly benefit.

The lesser amount figured in Item 6 is your MONTHLY PAYMENT.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

1. Multiply your monthly earnings by 60%.
2. The maximum MONTHLY BENEFIT is \$18,000.
3. Compare the answer from Item 1 with the maximum monthly benefit. The lesser amount is your GROSS DISABILITY PAYMENT.
4. Subtract any DEDUCTIBLE SOURCES OF INCOME from Item 1. Do not subtract any amount your spouse or children are eligible to receive from Social Security.
5. Multiply your monthly earnings by 70% and subtract any deductible sources of income, including any amount your spouse or children are eligible to receive from Social Security.
6. Compare the answers from Item 4 and Item 5 with the maximum monthly benefit.

The lesser amount figured in Item 6 is your MONTHLY PAYMENT.

#### WHAT ARE YOUR MONTHLY EARNINGS?

ALL MANAGERS AND DIRECTORS, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

"Monthly Earnings" means your gross monthly income from your Employer in effect just prior to your date of disability. It includes your total income before taxes. It is prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It includes income actually received from bonuses but does not include commissions, overtime pay or any other extra compensation, or income received from sources other than your Employer.

Bonuses will be averaged for the lesser of:

- a. the prior calendar year's 12 month period of your employment with your Employer just prior to the date disability begins; or
- b. the period of actual employment with your Employer.

ALL SALES EMPLOYEES

"Monthly Earnings" means your gross monthly income from your Employer in effect just prior to your date of disability. It includes your total income before taxes and any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. It includes income actually received from overtime and commissions just prior to your disability, but does not include renewal commissions, bonuses, or any other extra compensation, or income received from sources other than your Employer.

Overtime pay is defined as earnings paid by your Employer for services beyond the normal scheduled work hours. Overtime pay will be averaged for the lesser of:

- a. the 12 full calendar month period of your employment with your Employer just prior to the date disability begins; or

b. the period of actual employment with your Employer.

Commissions will be averaged for the lesser of:

a. the 12 full calendar month period of your employment with your Employer just prior to the date disability begins; or

b. the period of actual employment with your Employer.

ALL OTHER EMPLOYEES

"Monthly Earnings" means your gross monthly income from your Employer in effect just prior to your date of disability. It includes your total income before taxes. It is prior to any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan or flexible spending account. It includes overtime pay but does not include commissions, bonuses, any other extra compensation, or income received from sources other than your Employer.

Overtime pay is defined as earnings paid by your Employer for services beyond your normally scheduled work hours. Overtime pay will be averaged for the lesser of:

a. the 12 full calendar month period of your employment with your Employer just prior to the date disability begins; or

b. the period of actual employment with your Employer

WHAT WILL WE USE FOR MONTHLY EARNINGS IF YOU BECOME DISABLED DURING A COVERED LAYOFF OR LEAVE OF ABSENCE?

If you become disabled while you are on a covered layoff or leave of absence, we will use your monthly earnings from your Employer in effect just prior to the date your absence begins.

HOW MUCH WILL UNUM PAY YOU IF YOU ARE DISABLED AND WORKING?

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

We will send you the monthly payment if you are disabled and your monthly DISABILITY EARNINGS, if any, are less than 20% of your indexed monthly earnings, due to the same sickness or injury.

If you are disabled and your monthly disability earnings are 20% or more of your indexed monthly earnings, due to the same sickness or injury, Unum will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as disability earnings plus the gross disability payment does not exceed 100% of indexed monthly earnings.

1. Add your monthly disability earnings to your gross disability payment.
2. Compare the answer in Item 1 to your indexed monthly earnings.

If the answer from Item 1 is less than or equal to 100% of your indexed monthly earnings, Unum will not further reduce your monthly payment.

If the answer from Item 1 is more than 100% of your indexed monthly earnings, Unum will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your disability.

1. Subtract your disability earnings from your indexed monthly earnings.
2. Divide the answer in Item 1 by your indexed monthly earnings. This

is your percentage of lost earnings.

3. Multiply your monthly payment by the answer in Item 2.

This is the amount Unum will pay you each month.

During the first 24 months of disability payments, if your monthly disability earnings exceed 80% of your indexed monthly earnings, Unum will stop sending you payments and your claim will end.

Beyond 24 months of disability payments, if your monthly disability earnings exceed 60% of your indexed monthly earnings, Unum will stop sending you payments and your claim will end.

Unum may require you to send proof of your monthly disability earnings at least quarterly. We will adjust your payment based on your quarterly disability earnings.

As part of your proof of disability earnings, we can require that you send us appropriate financial records which we believe are necessary to substantiate your income.

After the elimination period, if you are disabled for less than 1 month, we will send you 1/30 of your payment for each day of disability.

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We will send you the monthly payment if you are disabled and your monthly DISABILITY EARNINGS, if any, are less than 20% of your indexed monthly earnings, due to the same sickness or injury.

If you are disabled and your monthly disability earnings are from 20% through 80% of your indexed monthly earnings, due to the same sickness or injury, Unum will figure your payment as follows:

During the first 12 months of payments, while working, your monthly payment will not be reduced as long as disability earnings plus the gross disability payment does not exceed 100% of indexed monthly earnings.

1. Add your monthly disability earnings to your gross disability payment.
2. Compare the answer in Item 1 to your indexed monthly earnings.

If the answer from Item 1 is less than or equal to 100% of your indexed monthly earnings, Unum will not further reduce your monthly payment.

If the answer from Item 1 is more than 100% of your indexed monthly earnings, Unum will subtract the amount over 100% from your monthly payment.

After 12 months of payments, while working, you will receive payments based on the percentage of income you are losing due to your disability.

1. Subtract your disability earnings from your indexed monthly earnings.
2. Divide the answer in Item 1 by your indexed monthly earnings. This is your percentage of lost earnings.
3. Multiply your monthly payment by the answer in Item 2.

This is the amount Unum will pay you each month.

Unum may require you to send proof of your monthly disability earnings at least quarterly. We will adjust your payment based on your quarterly disability earnings.

As part of your proof of disability earnings, we can require that you send us appropriate financial records which we believe are necessary to substantiate your income.

After the elimination period, if you are disabled for less than 1 month, we will send you 1/30 of your payment for each day of disability.

#### WILL YOUR PAYMENT BE ADJUSTED BY A COST OF LIVING INCREASE?

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Unum will make a cost of living adjustment (COLA) after you have received 1 full year of payments.

Beginning on the first anniversary of payments and each following anniversary while you continue to receive payments for your disability, your payment will increase by the lesser of:

- 4%; or
- 1/2 of the annual percentage increase in the Consumer Price Index for the calendar year just prior to the relevant anniversary.

Each month Unum will add the cost of living adjustment to your monthly payment. When Unum adds the adjustment to your payment, the increase may cause your payment to exceed the maximum monthly benefit.

The Consumer Price Index (CPI-W) is published by the U.S. Department of Labor. Unum reserves the right to use some other similar measurement if the Department of Labor changes or stops publishing the CPI-W.

#### WHAT DISABILITIES ARE NOT COVERED FOR A COST OF LIVING INCREASE?

If you are insured on January 1, 1999, your plan will not provide a cost of living adjustment for any disability caused by, contributed to by, or resulting from the following pre-existing condition.

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You have a pre-existing condition if:

- you received medical treatment, consultation, care or services including diagnostic measures, or took prescribed drugs or medicines in the 3 months just prior to January 1, 1999; or you had symptoms for which an ordinarily prudent person would have consulted a health care provider in the 3 months just prior to January 1, 1999; and
- the disability begins in the first 12 months after January 1, 1999.

#### HOW CAN WE PROTECT YOU IF YOUR DISABILITY EARNINGS FLUCTUATE?

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

If your disability earnings routinely fluctuate widely from month to month, Unum may average your disability earnings over the most recent 3 months to determine if your claim should continue.

If Unum averages your disability earnings, we will not terminate your claim unless:

- During the first 24 months of disability payments, the average of your disability earnings from the last 3 months exceeds 80% of indexed monthly earnings; or
- Beyond 24 months of disability payments, the average of your disability earnings from the last 3 months exceeds 60% of indexed monthly earnings.

We will not pay you for any month during which disability earnings exceed the amount allowable under the plan.

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If your disability earnings routinely fluctuate widely from month to month, Unum may average your disability earnings over the most recent 3 months to determine if your claim should continue.

If Unum averages your disability earnings, we will not terminate your claim unless the average of your disability earnings from the last 3 months exceeds 80% of indexed monthly earnings.

We will not pay you for any month during which disability earnings exceed 80% of indexed monthly earnings.

#### WHAT ARE DEDUCTIBLE SOURCES OF INCOME?

Unum will subtract from your gross disability payment the following deductible sources of income:

- 1) The amount that you receive under:
  - a workers' compensation law.
  - an occupational disease law.
  - any other ACT or LAW with similar intent.
- 2) The amount that you receive as disability income payments under any:
  - state compulsory benefit ACT or LAW.
  - other group insurance plan.
  - governmental retirement system as a result of your job with your Employer.
- 3) The amount that you, your spouse and your children receive as disability payments because of your disability under:
  - the United States Social Security Act.
  - the Canada Pension PLAN.
  - the Quebec Pension Plan.
  - any similar plan or act.
- 4) The amount that you receive as retirement payments or the amount your spouse and children receive as retirement payments because you are receiving retirement payments under:
  - the United States Social Security Act.
  - the Canada Pension Plan.
  - the Quebec Pension Plan.
  - any similar plan or act.
- 5) The amount that you:
  - receive as disability payments under your Employer's RETIREMENT PLAN.
  - voluntarily elect to receive as retirement payments under your Employer's retirement plan.
  - receive as retirement payments when you reach the later of age 62 or normal retirement age, as defined in your Employer's retirement plan.

Disability payments under a retirement plan will be those benefits which are paid due to disability and do not reduce the retirement benefit which would have been paid if the disability had not occurred.

Retirement payments will be those benefits which are based on your Employer's contribution to the retirement plan. Disability benefits which reduce the retirement benefit under the plan will also be considered as a retirement benefit.

Regardless of how the retirement funds from the retirement plan are distributed, Unum will consider your and your Employer's contributions to be distributed simultaneously throughout your lifetime.

Amounts received do not include amounts rolled over or transferred to any eligible retirement plan. Unum will use the definition of eligible retirement plan as defined in Section 402 of the Internal Revenue Code including any future amendments which affect the definition.

6) The amount that you receive under Title 46, United States Code Section 688 (The Jones Act).

With the exception of retirement payments, Unum will only subtract deductible sources of income which are payable as a result of the same disability.

We will not reduce your payment by your Social Security retirement income if your disability begins after age 65 and you were already receiving Social Security retirement payments.

#### WHAT ARE NOT DEDUCTIBLE SOURCES OF INCOME?

Unum will not subtract from your gross disability payment income you receive from, but not limited to, the following:

- 401(k) plans
- profit sharing plans
- thrift plans
- tax sheltered annuities
- stock ownership plans
- non-qualified plans of deferred compensation
- pension plans for partners
- military pension and disability income plans
- credit disability insurance
- franchise disability income plans
- a retirement plan from another Employer
- individual retirement accounts (IRA)
- individual disability income plans
- no fault motor vehicle plans
- SALARY CONTINUATION or ACCUMULATED SICK LEAVE plans

#### WHAT IF SUBTRACTING DEDUCTIBLE SOURCES OF INCOME RESULTS IN A ZERO BENEFIT? (MINIMUM BENEFIT)

The minimum monthly payment is the greater of:

- \$100; or
- 10% of your gross disability payment.

Unum may apply this amount toward an outstanding overpayment.

WHAT HAPPENS WHEN YOU RECEIVE A COST OF LIVING INCREASE FROM DEDUCTIBLE SOURCES OF INCOME?

Once Unum has subtracted any deductible source of income from your gross disability payment, Unum will not further reduce your payment due to a cost of living increase from that source.

WHAT IF UNUM DETERMINES YOU MAY QUALIFY FOR DEDUCTIBLE INCOME BENEFITS?

When we determine that you may qualify for benefits under Item(s) 1), 2) and 3) in the deductible sources of income section, we will estimate your entitlement to these benefits. We can reduce your payment by the estimated amounts if such benefits:

- have not been awarded; and
- have not been denied; or
- have been denied and the denial is being appealed.

Your Long Term Disability payment will NOT be reduced by the estimated amount if you:

- apply for the disability payments under Item(s) 1), 2) and 3) in the deductible sources of income section and appeal your denial to all administrative levels Unum feels are necessary; and
- sign Unum's payment option form. This form states that you promise to pay us any overpayment caused by an award.

If your payment has been reduced by an estimated amount, your payment will be adjusted when we receive proof:

- of the amount awarded; or
- that benefits have been denied and all appeals Unum feels are necessary have been completed. In this case, a lump sum refund of the estimated amount will be made to you.

If you receive a lump sum payment from any deductible sources of income, the lump sum will be pro-rated on a monthly basis over the time period for which the sum was given. If no time period is stated, we will use a reasonable one.

HOW LONG WILL UNUM CONTINUE TO SEND YOU PAYMENTS?

Unum will send you a payment each month up to the MAXIMUM PERIOD OF PAYMENT. Your maximum period of payment is based on your age at disability as follows:

Age at Disability -----	Maximum Period of Payment -----
Less than age 60	To age 65, but not less than 5 years
Age 60	60 months
Age 61	48 months
Age 62	42 months
Age 63	36 months
Age 64	30 months
Age 65	24 months
Age 66	21 months
Age 67	18 months
Age 68	15 months
Age 69 and over	12 months

WHEN WILL PAYMENTS STOP?

We will stop sending you payments and your claim will end on the earliest of the following:



ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

- during the first 24 months of payments, when you are able to work in your regular occupation on a PART-TIME BASIS but you choose not to;
- after 24 months of payments, when you are able to work in any gainful occupation on a part-time basis but you choose not to;
- the end of the maximum period of payment;
- the date you are no longer disabled under the terms of the plan;
- the date you fail to submit proof of continuing disability;
- the date your disability earnings exceed the amount allowable under the plan;
- the date you die.

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- when you are able to work in your regular occupation on a PART-TIME BASIS but you choose not to;
- the end of the maximum period of payment;
- the date you are no longer disabled under the terms of the plan;
- the date you fail to submit proof of continuing disability;
- the date your disability earnings exceed the amount allowable under the plan;
- the date you die.

#### WHAT DISABILITIES HAVE A LIMITED PAY PERIOD UNDER YOUR PLAN?

Disabilities due to MENTAL ILLNESS have a limited pay period up to 24 months,

Unum will continue to send you payments beyond the 24 month period if you meet one or both of these conditions:

- 1 If you are confined to a HOSPITAL OR INSTITUTION at the end of the 24 month period, Unum will continue to send you payments during your confinement.

If you are still disabled when you are discharged, Unum will send you payments for a recovery period of up to 90 days.

If you become reconfined at any time during the recovery period and remain confined for at least 14 days in a row, Unum will send payments during that additional confinement and for one additional recovery period up to 90 more days.

2. In addition to Item 1, if, after the 24 month period for which you have received payments, you continue to be disabled and subsequently become confined to a hospital or institution for at least 14 days in a row, Unum will send payments during the length of the reconfinement.

Unum will not pay beyond the limited pay period as indicated above, or the maximum period of payment, whichever occurs first.

Unum will not apply the mental illness limitation to dementia if it is a result of:

- stroke;
- trauma;
- viral infection;
- Alzheimer's disease; or
- other conditions not listed which are not usually treated by a mental health provider or other qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment.

WHAT DISABILITIES ARE NOT COVERED UNDER YOUR PLAN?

Your plan does not cover any disabilities caused by, contributed to by, or resulting from your:

- intentionally self-inflicted injuries.
- active participation in a riot.
- participation in a felony.
- pre-existing condition.

Your plan will not cover a disability due to war, declared or undeclared, or any act of war.

WHAT IS A PRE-EXISTING CONDITION?

You have a pre-existing condition if:

- you received medical treatment, consultation, care or services including diagnostic measures, or took prescribed drugs or medicines in the 3 months just prior to your effective date of coverage; or you had symptoms for which an ordinarily prudent person would have consulted a health care provider in the 3 months just prior to your effective date of coverage; and
- the disability begins in the first 12 months after your effective date of coverage.

We will credit the time you were covered under the Employer's prior policy when determining if you have a pre-existing condition, providing:

- that the coverage was continuous and in effect at least 60 days prior to the effective date of this plan; and
- the prior policy provided coverage substantially similar to this plan.

ARE INCREASES IN COVERAGE SUBJECT TO A PRE-EXISTING CONDITION?

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

Your plan will not provide a maximum monthly benefit in excess of \$5,000 which becomes effective on August 1, 2002 for any disability caused by, contributed to by, or resulting from the following pre-existing condition.

You have a pre-existing condition if

- you received medical treatment, consultation, care or services including diagnostic measures, or took prescribed drugs or medicines in the 3 months just prior to August 1, 2002; or you had symptoms for which an ordinarily prudent person would have consulted a health care provider in the 3 months just prior to August 1, 2002; and
- the disability begins in the first 12 months after August 1, 2002.

WHAT HAPPENS IF YOU RETURN TO WORK FULL TIME AND YOUR DISABILITY OCCURS AGAIN?

If YOU have a RECURRENT DISABILITY, Unum will treat your disability as part of your prior claim and you will not have to complete another elimination period if:

- you were continuously insured under the plan for the period between your prior claim and your recurrent disability; and
- your recurrent disability occurs within 6 months of the end of your prior claim.

Your recurrent disability will be subject to the same terms of this plan as your prior claim.

Any disability which occurs after 6 months from the date your prior claim ended will be treated as a new claim. The new claim will be subject to all of the policy provisions.

If you become entitled to payments under any other group long term disability plan you will not be eligible for payments under the Unum plan.

#### LONG TERM DISABILITY

#### OTHER BENEFIT FEATURES

#### WHAT BENEFITS WILL BE PROVIDED TO YOUR FAMILY IF YOU DIE? (SURVIVOR BENEFIT)

When Unum receives proof that you have died, we will pay your ELIGIBLE SURVIVOR a lump sum benefit equal to 3 months of your gross disability payment if, on the date of your death:

- your disability had continued for 180 or more consecutive days; and
- you were receiving or were entitled to receive payments under the plan.

If you have no eligible survivors, payment will be made to your estate, unless there is none. In this case, no payment will be made.

However, we will first apply the survivor benefit to any overpayment which may exist on your claim.

#### WHAT IF YOU ARE NOT IN ACTIVE EMPLOYMENT WHEN YOUR EMPLOYER CHANGES INSURANCE CARRIERS TO UNUM? (CONTINUITY OF COVERAGE)

When the plan becomes effective, Unum will provide coverage for you if:

- you are not in active employment because of a sickness or injury; and
- you were covered by the prior policy.

Your coverage is subject to payment of premium.

Your payment will be limited to the amount that would have been paid by the prior carrier. Unum will reduce your payment by any amount for which your prior carrier is liable.

#### WHAT IF YOU HAVE A DISABILITY DUE TO A PRE-EXISTING CONDITION WHEN YOUR EMPLOYER CHANGES INSURANCE CARRIERS TO UNUM? (CONTINUITY OF COVERAGE)

Unum may send a payment if your disability results from a pre-existing condition if, you were:

- in active employment and insured under the plan on its effective date; and
- insured by the prior policy when it terminated. The prior policy's coverage must be substantially similar to this plan and have been in effect within 60 days of this plan's effective date in order for this provision to apply.

In order to receive a payment you must satisfy the pre-existing condition provision under:

1. the Unum plan; or

2. the prior carrier's plan, if benefits would have been paid had that policy remained in force.

If you do not satisfy Item 1 or 2 above, Unum will not make any payments.

If you satisfy Item 1, we will determine your payments according to the Unum plan provisions.

If you only satisfy Item 2, we will administer your claim according to the Unum plan provisions. However, your payment will be the lesser of:

- a. the monthly benefit that would have been payable under the terms of the prior plan if it had remained in force; or
- b. the monthly payment under the Unum plan.

Your benefits will end on the earlier of the following dates:

1. the end of the maximum benefit period under the plan; or
2. the date benefits would have ended under the prior plan if it had remained in force.

#### WHAT INSURANCE IS AVAILABLE IF YOU END EMPLOYMENT? (CONVERSION)

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If you end employment with your Employer, your coverage under the plan will end. You may be eligible to purchase insurance under Unum's group conversion policy. To be eligible, you must have been insured under your Employer's group plan for at least 12 consecutive months. We will consider the amount of time you were insured under the Unum plan and the plan it replaced, if any.

You must apply for insurance under the conversion policy and pay the first quarterly premium within 31 days after the date your employment ends.

Unum will determine the coverage you will have under the conversion policy. The conversion policy may not be the same coverage we offered you under your Employer's group plan.

You are not eligible to apply for coverage under Unum's group conversion policy if:

- you are or become insured under another group long term disability plan within 31 days after your employment ends;
- you are disabled under the terms of the plan;
- you recover from a disability and do not return to work for your Employer;
- you are on a leave of absence; or
- your coverage under the plan ends for any of the following reasons:
  - the plan is cancelled;
  - the plan is changed to exclude the group of employees to which you belong;
  - you are no longer in an eligible group;
  - you end your working career or retire and receive payment from any Employer's retirement plan; or
  - you fail to pay the required premium under this plan.

#### DISABILITY PLUS RIDER

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME

EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK

WHO IS ELIGIBLE FOR DISABILITY PLUS COVERAGE?

You must be insured under the Unum Long Term Disability (LTD) plan to be eligible for the additional disability coverage described in this Rider. All of the policy definitions apply to the coverage as well as policy provisions specified in this Rider.

WHEN WILL THIS COVERAGE BECOME EFFECTIVE?

You will become insured for Disability Plus coverage on the later of:

- the effective date of this Rider; or
- your effective date under the LTD plan.

Disability Plus coverage will continue as long as the Rider is in effect and you are insured under the LTD plan.

WHO PAYS FOR THE DISABILITY PLUS COVERAGE?

You pay the cost of your coverage.

WHEN WILL YOU BE ELIGIBLE TO RECEIVE DISABILITY PLUS BENEFITS?

We will pay a monthly Disability Plus benefit to you when we receive proof that you are disabled under this rider and are receiving monthly payments under the LTD plan. Disability Plus benefits will begin at the end of the elimination period shown in the LTD plan.

You are disabled under this rider when Unum determines that due to sickness or injury:

- you lose the ability to safely and completely perform 2 activities of daily living without another person's assistance or verbal cueing; or
- you have a deterioration or loss in intellectual capacity and need another person's assistance or verbal cueing for your protection or for the protection of others.

HOW MUCH WILL UNUM PAY IF YOU ARE DISABLED?

The Disability Plus benefit is 20% of monthly earnings to a maximum monthly benefit of the lesser of the LTD plan maximum monthly benefit or \$5,000.

This benefit is not subject to policy provisions which would otherwise increase or reduce the benefit amount such as Deductible Sources of Income.

EXCLUSIONS AND LIMITATIONS

All of the policy provisions that exclude or limit coverage will apply to this Disability Plus Rider.

THIS RIDER WILL NOT COVER A LOSS OF ACTIVITIES OF DAILY LIVING OR COGNITIVE IMPAIRMENT THAT EXISTS ON YOUR EFFECTIVE DATE OF COVERAGE.

CLAIMS INFORMATION

The LTD claim information section under the policy applies to Disability Plus coverage. We may ask you to be examined, at our expense, by a physician or other medical practitioner of our choice. We may also require an interview with you.

WHEN WILL DISABILITY PLUS BENEFIT PAYMENTS END?

Benefit payments will end on the earliest of the following dates:

- the date you are no longer disabled under the Rider;

- the date you become ineligible for monthly payments under the LTD plan;
- the end of the maximum period of payment shown in the LTD plan; or
- the date you die.

No survivor benefits are payable for the Disability Plus coverage.

#### WAIVER OF PREMIUM

Premium for the Disability Plus coverage is not required while you are receiving monthly payments under the LTD plan.

#### CONTINUITY OF COVERAGE

All of the policy continuity of coverage provisions will apply to this Disability Plus Rider.

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You must be insured under the Unum Long Term Disability (LTD) plan to be eligible for the additional disability coverage described in this Rider. All of the policy definitions apply to the coverage as well as policy provisions specified in this Rider.

#### WHEN WILL THIS COVERAGE BECOME EFFECTIVE?

You will become insured for Disability Plus coverage on the later of:

- the effective date of this Rider; or
- your effective date under the LTD plan

Disability Plus coverage will continue as long as the Rider is in effect and you are insured under the LTD plan. There is no conversion privilege feature for Disability Plus coverage.

#### WHO PAYS FOR THE DISABILITY PLUS COVERAGE?

Your Employer pays the cost of your coverage.

#### WHEN WILL YOU BE ELIGIBLE TO RECEIVE DISABILITY PLUS BENEFITS?

We will pay a monthly Disability Plus benefit to you when we receive proof that you are disabled under this rider and are receiving monthly payments under the LTD plan. Disability Plus benefits will begin at the end of the elimination period shown in the LTD plan.

You are disabled under this rider when Unum determines that due to sickness or injury:

- you lose the ability to safely and completely perform 2 activities of daily living without another person's assistance or verbal cueing; or
- you have a deterioration or loss in intellectual capacity and need another person's assistance or verbal cueing for your protection or for the protection of others.

#### HOW MUCH WILL UNUM PAY IF YOU ARE DISABLED?

The Disability Plus benefit is 20% of monthly earnings to a maximum monthly benefit of the lesser of the LTD plan maximum monthly benefit or \$5,000.

This benefit is not subject to policy provisions which would otherwise increase or reduce the benefit amount such as Deductible Sources of Income.

#### EXCLUSIONS AND LIMITATIONS

All of the policy provisions that exclude or limit coverage will apply to this Disability Plus Rider.

For Disability Plus coverage, you will be considered to have a pre-existing condition if:

- you received medical treatment, consultation, care or services including diagnostic measures, or took prescribed drugs or medicines in the 3 months just prior to your effective date under this rider; or you had symptoms for which an ordinarily prudent person would have consulted a health care provider in the 3 months just prior to your effective date under this rider; and
- the disability begins in the first 12 months after your effective date under this rider.

THIS RIDER WILL NOT COVER A LOSS OF ACTIVITIES OF DAILY LIVING OR COGNITIVE IMPAIRMENT THAT EXISTS ON YOUR EFFECTIVE DATE OF COVERAGE.

#### CLAIMS INFORMATION

The LTD claim information section under the policy applies to Disability Plus coverage. We may ask you to be examined, at our expense, by a physician or other medical practitioner of our choice. We may also require an interview with you.

#### WHEN WILL DISABILITY PLUS BENEFIT PAYMENTS END?

Benefit payments will end on the earliest of the following dates:

- the date you are no longer disabled under the Rider;
- the date you become ineligible for monthly payments under the LTD plan;
- the end of the maximum period of payment shown in the LTD plan;
- or the date you die.

No survivor benefits are payable for the Disability Plus coverage.

#### WAIVER OF PREMIUM

Premium for the Disability Plus coverage is not required while you are receiving monthly payments under the LTD plan.

#### CONTINUITY OF COVERAGE

All of the policy continuity of coverage provisions will apply to this Disability Plus Rider.

#### OTHER SERVICES

These services are also available from us as part of your Unum Long Term Disability plan.

#### HOW CAN UNUM HELP YOUR EMPLOYER IDENTIFY AND PROVIDE WORKSITE MODIFICATION?

A worksite modification might be what is needed to allow you to perform the material and substantial duties of your regular occupation with your Employer. One of our designated professionals will assist you and your Employer to identify a modification we agree is likely to help you remain at work or return to work. This agreement will be in writing and must be signed by you, your Employer and Unum.

When this occurs, Unum will reimburse your Employer for the cost of the modification, up to the greater of:

- \$1,000; or
- the equivalent of 2 months of your monthly benefit.

This benefit is available to you on a one time only basis.

#### HOW CAN UNUM'S REHABILITATION SERVICE HELP YOU RETURN TO WORK?

Unum has a vocational rehabilitation program available to assist you to return to work. This program is offered as a service, and is voluntary on

your part and on Unum's part.

In addition to referrals made to the rehabilitation program by our claims paying personnel, you may request to have your claim file reviewed by one of Unum's rehabilitation professionals. As your file is reviewed, medical and vocational information will be analyzed to determine if rehabilitation services might help you return to gainful employment.

Once the initial review is completed, Unum may elect to offer you a return-to-work program. The return-to-work program may include, but is not limited to, the following services:

- coordination with your Employer to assist you to return to work;
- evaluation of adaptive equipment to allow you to return to work;
- vocational evaluation to determine how your disability may impact your employment options;
- job placement services;
- resume preparation;
- job seeking skills training; or
- retraining for a new occupation.

HOW CAN UNUM'S SOCIAL SECURITY CLAIMANT ADVOCACY PROGRAM ASSIST YOU WITH OBTAINING SOCIAL SECURITY DISABILITY BENEFITS?

In order to be eligible for assistance from Unum's Social Security claimant advocacy program, you must be receiving monthly payments from us. Unum can provide expert advice regarding your claim and assist you with your application or appeal.

Receiving Social Security benefits may enable:

- you to receive Medicare after 24 months of disability payments;
- you to protect your retirement benefits; and
- your family to be eligible for Social Security benefits.

We can assist you in obtaining Social Security disability benefits by:

- helping you find appropriate legal representation;
- obtaining medical and vocational evidence; and
- reimbursing pre-approved case management expenses.

ERISA

ADDITIONAL SUMMARY PLAN DESCRIPTION INFORMATION

NAME OF PLAN:

Tiffany & Co

NAME AND ADDRESS OF EMPLOYER:

Tiffany & Co.  
600 Madison Avenue, 15th Floor  
New York, New York  
10022-1615

PLAN IDENTIFICATION NUMBER:

- a. Employer IRS Identification #: 13-1387680
- b. Plan #: 505

TYPE OF WELFARE PLAN:

Disability

TYPE OF ADMINISTRATION:

The Plan is administered by the Plan Administrator. Benefits are administered by the insurer and provided in accordance with the insurance



policy issued to the Plan.

ERISA PLAN YEAR ENDS:  
October 15

PLAN ADMINISTRATOR, NAME,  
ADDRESS, AND TELEPHONE NUMBER:

Tiffany & Co.  
600 Madison Avenue, 15th Floor  
New York, New York  
10022-1615  
(212) 575-8000

Tiffany & Co. is the Plan Administrator and named fiduciary of the Plan, with authority to delegate its duties. The Plan Administrator may designate Trustees of the Plan, in which case the Administrator will advise you separately of the name, title and address of each Trustee.

AGENT FOR SERVICE OF  
LEGAL PROCESS ON THE PLAN:

Tiffany & Co.  
600 Madison Avenue, 15th Floor  
New York, New York  
10022-1615

Service of legal process may also be made upon the Plan Administrator, and any Trustee of the Plan.

FUNDING AND CONTRIBUTIONS:

The Plan is funded as an insured plan under policy number 533717 001, issued by First Unum Life Insurance Company, 99 Park Avenue, 6th Floor, New York, New York 10016. Contributions to the Plan are made as stated under "WHO PAYS FOR THE COVERAGE" in the Certificate of Coverage.

EMPLOYER'S RIGHT TO AMEND THE PLAN

The Employer reserves the right, in its sole and absolute discretion, to amend, modify, or terminate, in whole or in part, any or all of the provisions of this Plan (including any related documents and underlying policies), at any time and for any reason or no reason. Any amendment, modification, or termination must be in writing and endorsed on or attached to the Plan.

EMPLOYER'S RIGHT TO REQUEST POLICY CHANGE

The Employer can request a policy change. Only an officer or registrar of Unum can approve a change. The change must be in writing and endorsed on or attached to the policy.

CANCELLING THE POLICY OR A PLAN UNDER THE POLICY

The policy or a plan under the policy can be cancelled:

- by Unum; or
- by the Policyholder.

Unum may cancel or offer to modify the policy or a plan if:

- there is less than 75% participation of those eligible employees who pay all or part of their premium for a plan; or
- there is less than 100% participation of those eligible employees for a Policyholder paid plan;
- the Policyholder does not promptly provide Unum with information that is reasonably required;
- the Policyholder fails to perform any of its obligations that relate to the policy;
- fewer than 10 employees are insured under a plan;
- the Policyholder fails to pay any premium within the 31 day grace period.

If Unum cancels the policy or a plan for reasons other than the Policyholder's failure to pay premium, a written notice will be delivered to the Policyholder at least 31 days prior to the cancellation date.

If the premium is not paid during the grace period, the policy or plan will terminate automatically at the end of the grace period. The Policyholder is liable for premium for coverage during the grace period. The Policyholder must pay Unum all premium due for the full period each plan is in force.

The Policyholder may cancel the policy or a plan by written notice delivered to Unum at least 31 days prior to the cancellation date. When both the Policyholder and Unum agree, the policy or a plan can be cancelled on an earlier date. If Unum or the Policyholder cancels the policy or a plan, coverage will end at 12:00 midnight on the last day of coverage.

If the policy or a plan is cancelled, the cancellation will not affect a payable claim,

#### HOW TO FILE A CLAIM

If you wish to file a claim for benefits, you should follow the claim procedures described in your group insurance certificate. Unum must receive a completed claim form. The form must be completed by you, your authorized representative, your attending physician and your Employer. If you or your authorized representative has any questions about what to do, you or your authorized representative should contact Unum directly.

#### CLAIMS PROCEDURES

Unum will give you notice of the decision no later than 45 days after the claim is filed. This time period may be extended twice by 30 days if Unum both determines that such an extension is necessary due to matters beyond the control of the Plan and notifies you of the circumstances requiring the extension of time and the date by which Unum expects to render a decision. If such an extension is necessary due to your failure to submit the information necessary to decide the claim, the notice of extension will specifically describe the required information, and you will be afforded at least 45 days within which to provide the specified information. If you deliver the requested information within the time specified, any 30 day extension period will begin after you have provided that information. If you fail to deliver the requested information within the time specified, Unum may decide your claim without that information.

If your claim for benefits is wholly or partially denied, the notice of adverse benefit determination under the Plan will:

- state the specific reason(s) for the determination;
- reference specific Plan provision(s) on which the determination is based;
- describe additional material or information necessary to complete the claim and why such information is necessary;
- describe Plan procedures and time limits for appealing the determination, and your right to obtain information about those procedures and the right to sue in federal court; and
- disclose any internal rule, guidelines, protocol or similar criterion relied on in making the adverse determination (or state that such information will be provided free of charge upon request).

Notice of the determination may be provided in written or electronic form. Electronic notices will be provided in a form that complies with any applicable legal requirements.

#### APPEAL PROCEDURES

You have 180 days from the receipt of notice of an adverse benefit determination to file an appeal. Requests for appeals should be sent to the address specified in the claim denial. A decision on review will be made not later than 45 days following receipt of the written request for review. If Unum determines that special circumstances require an extension

of time for a decision on review, the review period may be extended by an additional 45 days (90 days in total). Unum will notify you in writing if an additional 45 day extension is needed.

If an extension is necessary due to your failure to submit the information necessary to decide the appeal, the notice of extension will specifically describe the required information, and you will be afforded at least 45 days to provide the specified information. If you deliver the requested information within the time specified, the 45 day extension of the appeal period will begin after you have provided that information. If you fail to deliver the requested information within the time specified, Unum may decide your appeal without that information.

You will have the opportunity to submit written comments, documents, or other information in support of your appeal. You will have access to all relevant documents as defined by applicable U.S. Department of Labor regulations. The review of the adverse benefit determination will take into account all new information, whether or not presented or available at the initial determination. No deference will be afforded to the initial determination.

The review will be conducted by Unum and will be made by a person different from the person who made the initial determination and such person will not be the original decision maker's subordinate. In the case of a claim denied on the grounds of a medical judgment, Unum will consult with a health professional with appropriate training and experience. The health care professional who is consulted on appeal will not be the individual who was consulted during the initial determination or a subordinate. If the advice of a medical or vocational expert was obtained by the Plan in connection with the denial of your claim, Unum will provide you with the names of each such expert, regardless of whether the advice was relied upon.

A notice that your request on appeal is denied will contain the following information:

- the specific reason(s) for the determination;
- a reference to the specific Plan provision(s) on which the determination is based;
- a statement disclosing any internal rule, guidelines, protocol or similar criterion relied on in making the adverse determination (or a statement that such information will be provided free of charge upon request);
- a statement describing your right to bring a civil suit under federal law;
- the statement that you are entitled to receive upon request, and without charge reasonable access to or copies of all documents, records or other information relevant to the determination; and
- the statement that "You or your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency".

Notice of the determination may be provided in written or electronic form. Electronic notices will be provided in a form that complies with any applicable legal requirements.

Unless there are special circumstances, this administrative appeal process must be completed before you begin any legal action regarding your claim.

#### YOUR RIGHTS UNDER ERISA

As a participant in this Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefits Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

#### Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your Employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

#### Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials

and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, if, for example, it finds your claim is frivolous.

#### Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

#### DISCRETIONARY ACTS

In exercising its discretionary powers under the Plan, the Plan Administrator, and any designee (which shall include Unum as a claims fiduciary) will have the broadest discretion permissible under ERISA and any other applicable laws, and its decisions will constitute final review of your claim by the Plan. Benefits under this Plan will be paid only if

the Plan Administrator or its designee (including Unum), decides in its discretion that the applicant is entitled to them.

#### GLOSSARY

ACTIVE EMPLOYMENT means you are working for your Employer for earnings that are paid regularly and that you are performing the material and substantial duties of your regular occupation. You must be working at least the minimum number of hours as described under Eligible Group(s) in each plan.

Your work site must be:

- your Employer's usual place of business;
- an alternative work site at the direction of your Employer, including your home; or
- a location to which your job requires you to travel.

Normal vacation is considered active employment. Temporary and seasonal workers are excluded from coverage.

ACTIVITIES OF DAILY LIVING mean

- Bathing - the ability to wash yourself either in the tub or shower or by sponge bath with or without equipment or adaptive devices.
- Dressing - the ability to put on and take off all garments and medically necessary braces or artificial limbs usually worn.
- Toileting - the ability to get to and from and on and off the toilet, to maintain a reasonable level of personal hygiene, and to care for clothing.
- Transferring - the ability to move in and out of a chair or bed with or without equipment such as canes, quad canes, walkers, crutches or grab bars or other support devices including mechanical or motorized devices.
- Continence - the ability to either:
  - voluntarily control bowel and bladder function; or
  - if incontinent, be able to maintain a reasonable level of personal hygiene.
- Eating - the ability to get nourishment into the body.

DEDUCTIBLE SOURCES OF INCOME means income from deductible sources listed in the plan which you receive while you are disabled. This income will be subtracted from your gross disability payment.

DISABILITY EARNINGS means the earnings which you receive while you are disabled and working, plus the earnings you could receive if you were working to your MAXIMUM CAPACITY.

ELIMINATION PERIOD means a period of continuous disability which must be satisfied before you are eligible to receive benefits from Unum.

EMPLOYEE means a citizen or permanent resident of the United States or Canada who is in active employment in the United States with the Employer unless an exception is applied for and approved in writing by Unum.

EMPLOYER means the Policyholder, and includes any division, subsidiary or affiliated company named in the policy.

EVIDENCE OF INSURABILITY means a statement of your medical history which Unum will use to determine if you are approved for coverage. Evidence of insurability will be at Unum's expense.

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS PER WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK GAINFUL OCCUPATION means an occupation that is or can be expected to provide you with an income at least equal to 60% of your indexed monthly earnings within 12 months of your return to work.

GRACE PERIOD means the period of time following the premium due date during which premium payment may be made.

GROSS DISABILITY PAYMENT means the benefit amount before Unum subtracts deductible sources of income and disability earnings.

HOSPITAL OR INSTITUTION means an accredited facility licensed to provide care and treatment for the condition causing your disability.

INDEXED MONTHLY EARNINGS means your monthly earnings adjusted on each anniversary of benefit payments by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your indexed monthly earnings may increase or remain the same, but will never decrease.

The Consumer Price Index (CPI-W) is published by the U.S. Department of Labor. Unum reserves the right to use some other similar measurement if the Department of Labor changes or stops publishing the CPI-W.

Indexing is only used to determine your percentage of lost earnings while you are disabled and working.

INJURY means a bodily injury that is the direct result of an accident and not related to any other cause. Disability must begin while you are covered under the plan.

INSURED means any person covered under a plan

LAW, PLAN OR ACT means the original enactments of the law, plan or act and all amendments.

LAYOFF or LEAVE OF ABSENCE means you are temporarily absent from active employment for a period of time that has been agreed to in advance in writing by your Employer.

Your normal vacation time or any period of disability is not considered a temporary layoff or leave of absence.

LIMITED means what you cannot or are unable to do.

MATERIAL AND SUBSTANTIAL DUTIES means duties that:

- are normally required for the performance of your regular occupation; and
- cannot be reasonably omitted or modified.

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1,1994 WORKING A MINIMUM OF 20 HOURS PER

WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK  
MAXIMUM CAPACITY means, based on your restrictions and limitations:

- during the first 24 months of disability, the greatest extent of work you are able to do in your regular occupation, that is reasonably available.
- beyond 24 months of disability, the greatest extent of work you are able to do in any occupation, that is reasonably available, for which you are reasonably fitted by education, training or experience.

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE  
MAXIMUM CAPACITY means, based on your restrictions and limitations, the greatest extent of work you are able to do in your regular occupation, that is reasonably available.

MAXIMUM PERIOD OF PAYMENT means the longest period of time Unum will make payments to you for any one period of disability.

MENTAL ILLNESS means a psychiatric or psychological condition regardless of cause such as schizophrenia, depression, manic depressive or bipolar illness, anxiety, personality disorders and/or adjustment disorders or other conditions. These conditions are usually treated by a mental health provider or other

qualified provider using psychotherapy, psychotropic drugs, or other similar methods of treatment.

MONTHLY BENEFIT means the total benefit amount for which an employee is insured under this plan subject to the maximum benefit.

MONTHLY EARNINGS means your gross monthly income from your Employer as defined in the plan.

MONTHLY PAYMENT means your payment after any deductible sources of income have been subtracted from your gross disability payment.

ALL FULL-TIME EMPLOYEES WORKING A MINIMUM OF 35 HOURS PER WEEK, PART-TIME EMPLOYEES HIRED PRIOR TO JANUARY 1, 1994 WORKING A MINIMUM OF 20 HOURS per WEEK AND PART-TIME EMPLOYEES WHO TRANSFERRED FROM FULL-TIME AFTER SATISFYING THE INITIAL WAITING PERIOD FOR ELIGIBILITY AND WORK A MINIMUM OF 20 HOURS PER WEEK PART-TIME BASIS means the ability to work and earn 20% or more of your indexed monthly earnings..

CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE ELIGIBLE FOR IDI COVERAGE, CHAIRMAN, PRESIDENT, EXECUTIVE VICE PRESIDENT, SENIOR VICE PRESIDENTS, GROUP VICE PRESIDENTS AND VICE PRESIDENTS WHO ARE INELIGIBLE FOR IDI COVERAGE

PART-TIME BASIS means the ability to work and earn between 20% and 80% of your indexed monthly earnings.

PAYABLE CLAIM means a claim for which Unum is liable under the terms of the policy.

PHYSICIAN means:

- a person performing tasks that are within the limits of his or her medical license; and
- a person who is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or
- a person with a doctoral degree in Psychology (Ph.D. or Psy.D.) practice is treating patients; or
- a person who is a legally qualified medical practitioner according to the laws and regulations of the governing jurisdiction.

Unum will not recognize you, or your spouse, children, parents or siblings as a physician for a claim that you send to us.

PLAN means a line of coverage under the policy.

POLICYHOLDER means the Employer to whom the policy is issued.

PRE-EXISTING CONDITION means a condition for which you received medical treatment, consultation, care or services including diagnostic measures, or took prescribed drugs or medicines for your condition during the given period of time as stated in the plan; or you had symptoms for which an ordinarily prudent person would have consulted a health care provider during the given period of time as stated in the plan.

RECURRENT DISABILITY means a disability which is:

caused by a worsening in your condition; and  
due to the same cause(s) as your prior disability for which Unum made a Long Term Disability payment.

REGULAR CARE means:

- you personally visit a physician as frequently as is medically required, according to generally accepted medical standards, to effectively manage and treat your disabling condition(s); and
- you are receiving the most appropriate treatment and care which conforms with generally accepted medical standards, for your disabling condition(s) by a physician whose specialty or experience is the most appropriate for your disabling condition(s), according to generally accepted medical standards.

REGULAR OCCUPATION means the occupation you are routinely performing when your disability begins. Unum will look at your occupation as it is normally performed in the national economy, instead of how the work tasks are performed for a specific employer or at a specific location.

RETIREMENT PLAN means a defined contribution plan or defined benefit plan. These are plans which provide retirement benefits to employees and are not funded entirely by employee contributions. Retirement Plan includes but is not limited to any plan which is part of any federal, state, county, municipal or association retirement system.

SALARY CONTINUATION OR ACCUMULATED SICK LEAVE means continued payments to you by your Employer of all or part of your monthly earnings, after you become disabled as defined by the Policy. This continued payment must be part of an established plan maintained by your Employer for the benefit of all employees covered

under the Policy. Salary continuation or accumulated sick leave does not include compensation paid to you by your Employer for work you actually perform after your disability begins. Such compensation is considered disability earnings, and would be taken into account in calculating your monthly payment.

SICKNESS means an illness or disease. Disability must begin while you are covered under the plan.

SURVIVOR, ELIGIBLE means your spouse, if living; otherwise your children under age 25 equally.

TOTAL COVERED PAYROLL means the total amount of monthly earnings for which employees are insured under this plan.

WAITING PERIOD means the continuous period of time (shown in each plan) that you must be in active employment in an eligible group before you are eligible for coverage under a plan.

WE, US and OUR means First Unum Life Insurance Company.

YOU means an employee who is eligible for Unum coverage.

#### UNUMPROVIDENT'S COMMITMENT TO PRIVACY

UnumProvident understands your privacy is important. We value our relationship with you and are committed to protecting the confidentiality of nonpublic personal information. This notice explains why we collect information about you, what we do with the information and how we protect your privacy.

##### Collecting Information

The UnumProvident insuring companies offer products and services designed to help people balance their work and personal lives, return to independence after a disabling illness or injury, and protect their incomes and assets from the financial effects of disability and death. To provide these benefits and to service policies, we must collect nonpublic personal information about our customers, such as telephone number, address, date of birth, occupation, income information, physical condition and health history.

In addition to the information in applications and other forms, we may receive information from medical service providers, other insurance companies, consumer reporting agencies, employers, insurance support organizations and service providers,

##### Sharing Information

We treat nonpublic personal information as confidential. We share the types of information described above primarily with people who perform insurance, business and professional services for us or when otherwise required or permitted by law. When legally necessary, we ask your permission before sharing information about you. Our information-sharing practices apply to our former, current and future customers.

We understand you may be particularly concerned about the confidentiality of your health information. Please be assured we do not share your nonpublic personal health information to market any product or service. We also do not share any information about you to market non-financial products and services. For example, we do not sell your name to catalog companies.



We may, however, share non-health information to market financial products and services. For example, we may share with companies that help us market our insurance products and services or with other financial institutions to jointly market financial products and services. When required by law, we ask your permission before sharing information for marketing purposes.

When other companies help us conduct business, we expect them to maintain the confidentiality of information about you and abide by all applicable privacy laws. We do not authorize them to use or share the information except when necessary to conduct the work they are performing for us or to meet insurance regulatory or other governmental requirements.

UnumProvident companies, including insurers and insurance service providers, may share information about you with each other. This information might not be directly related to our transaction or experience with you. It may include financial or other personal information such as employment history. Consistent with the Fair Credit Reporting Act, we ask your permission before sharing this information.

#### Safeguarding Information

UnumProvident has physical, electronic and procedural safeguards in place to protect the confidentiality and security of information about you. It is our policy to give access only to those employees who need to know the information to provide insurance products or services to you.

#### Accuracy of Information

We want to make sure the information we collect about you to provide you with your policy is accurate. You may request access to that information, as well as information related to recent disclosures. You may ask us to correct or delete inaccuracies. If we agree, we will make the appropriate changes. If we disagree, you may submit a statement of dispute, which we will include any time the information is shared.

#### Contacting Us

To receive UnumProvident's complete privacy notice, including more about our information-sharing, access and correction practices, write to: Privacy Officer, UnumProvident Corporation, 2211 Congress Street, M347, Portland, Maine 04122. For additional information about UnumProvident's commitment to privacy, visit [www.unumprovident.com/privacy](http://www.unumprovident.com/privacy).

UnumProvident Corporation is providing this notice to you on behalf of the following insuring companies: Unum Life Insurance Company of America, First Unum Life Insurance Company, Provident Life and Accident insurance Company, Provident Life and Casualty Insurance Company, The Paul Revere Life Insurance Company and The Paul Revere Variable Annuity Insurance Company.

UnumProvident is the marketing brand of, and refers specifically to, UnumProvident Corporation's insuring subsidiaries. (c) 2002 UnumProvident Corporation. The name and logo combination is a servicemark of UnumProvident Corporation. All rights reserved.

EXHIBIT 13.1  
Tiffany & Co.  
Report on Form 10-K

SELECTED FINANCIAL DATA

The following table sets forth selected financial data, certain of which have been derived from the Company's audited financial statements for 1998-2002. Certain reclassifications were made to prior years' financial data to conform with the current year's presentation. All references to years relate to the fiscal year that ends on January 31 of the following calendar year.

(in thousands, except per share amounts, percentages, retail locations and employees)	2002	2001	2000	1999	1998
<b>EARNINGS DATA</b>					
Net sales	\$ 1,706,602	\$ 1,606,535	\$ 1,668,056	\$ 1,471,690	\$ 1,177,929
Gross profit	1,011,448	943,477	948,414	821,680	625,599
Earnings from operations	319,197	309,897	327,396	256,883	161,122
Net earnings	189,894	173,587	190,584	145,679	90,062
Net earnings per diluted share	1.28	1.15	1.26	0.97	0.63
Weighted-average number of diluted common shares	148,591	150,517	151,816	149,666	143,936
<b>BALANCE SHEET AND CASH FLOW DATA</b>					
Total assets	\$ 1,923,586	\$ 1,631,074	\$ 1,568,340	\$ 1,343,562	\$ 1,057,023
Cash and cash equivalents	156,197	173,675	195,613	216,936	188,593
Inventories, net	732,088	611,653	651,717	504,800	481,439
Working capital	770,481	638,709	695,548	633,022	538,483
Net cash					
provided by operations	221,441	241,506	110,696	230,351	80,178
Capital expenditures	219,717	170,806	108,382	171,237	62,821
Short-term borrowings and current portion of long-term debt	52,552	91,902	28,778	20,646	97,370
Long-term debt	297,107	179,065	242,157	249,581	194,420
Stockholders' equity	1,208,049	1,036,945	925,483	757,076	516,453
Stockholders' equity per share	8.34	7.15	6.34	5.22	3.72
Cash dividends per share	0.160	0.160	0.150	0.113	0.085
<b>RATIO ANALYSIS AND OTHER DATA</b>					
As a percentage of net sales:					
Gross profit	59.3%	58.7%	56.9%	55.8%	53.1%
Earnings from operations	18.7%	19.3%	19.6%	17.5%	13.7%
Net earnings	11.1%	10.8%	11.4%	9.9%	7.6%
Current ratio	3.6:1	3.0:1	3.2:1	3.4:1	2.9:1
Return on average assets	10.7%	10.9%	13.1%	12.1%	9.6%
Return on average stockholders' equity	16.9%	17.7%	22.7%	22.9%	18.8%
Net-debt as a percentage of total capital	13.8%	8.6%	7.5%	6.6%	16.7%
Company-operated retail locations	131	126	119	110	104
Number of employees	6,431	5,938	5,960	5,368	4,845

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

CHANNELS OF DISTRIBUTION

The Company operates four channels of distribution. U.S. Retail includes sales in Company-operated TIFFANY & CO. stores. International Retail primarily includes sales in Company-operated TIFFANY & CO. retail locations in markets outside the U.S., as well as a limited amount of business-to-business sales, Internet sales and wholesale sales of TIFFANY & CO. products to independent retailers and distributors in certain of those markets. Direct Marketing includes business-to-business, catalog and Internet sales in the U.S. of TIFFANY & CO. products. Specialty Retail primarily includes the retail sales made by Little Switzerland, Inc. ("Little Switzerland") in its jewelry, watches, crystal, china and giftware stores, as well as consolidated results from other ventures that are now or will be operated under non-TIFFANY & CO. trademarks or trade names.

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

In order to focus on operating its own TIFFANY & CO. stores and/or to eliminate marginally profitable operations, the Company eliminated certain selling operations in recent years. In 2002, the Company announced that it would no longer solicit new employee service award programs through its Business Sales division and would phase out of the service award business when existing customer commitments were satisfied. Employers use service award programs to commemorate employees' anniversaries with gifts. Sales affected by this action represent less than \$30,000,000 annually, or less than half of the Business Sales division's sales. As a consequence of that decision, the Company recorded a pre-tax charge of \$1,400,000 in the fourth quarter of 2002 primarily related to employee separation costs and the disposal of obsolete program-specific inventory.

In January 2001, the Company discontinued wholesale sales of fragrance products in the U.S. and in most international markets; in July 2000, the Company discontinued wholesale sales of jewelry and non-jewelry items in Europe; and in January 2000, the Company discontinued wholesale sales of jewelry and non-jewelry items in the U.S. In connection with these decisions, the Company established product return reserves, which had the cumulative effect of reducing gross profit by \$9,364,000, and recorded a charge of \$3,146,000 to selling, general and administrative expenses, primarily relating to the write-off of unrecoverable store fixtures maintained by such customers. There were no product return reserves remaining for these operations at January 31, 2002.

Management believes that these decisions, singularly and in the aggregate, did not significantly affect the Company's financial position, earnings or cash flows.

#### OVERVIEW

Net sales increased 6% in 2002 following a 4% decline in 2001. The Company's reported sales reflect either a translation-related benefit from strengthening foreign currencies or a detriment from a strengthening U.S. dollar. Therefore, on a constant-exchange-rate basis, net sales increased 6% in 2002 and fractionally in 2001, and worldwide comparable store sales declined 1% in 2002 and 4% in 2001. Net earnings rose 9% in 2002 following a 9% decline in 2001.

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

	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	40.7	41.3	43.1
Gross profit	59.3	58.7	56.9
Selling, general and administrative expenses	40.6	39.4	37.3
Earnings from operations	18.7	19.3	19.6
Other expenses, net	1.2	1.3	0.6
Earnings before income taxes	17.5	18.0	19.0
Provision for income taxes	6.4	7.2	7.6
Net earnings	11.1%	10.8%	11.4%

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#### NET SALES

Net sales by channel of distribution were as follows:

(in thousands)	2002	2001	2000
U.S. Retail	\$ 819,814	\$ 786,792	\$ 833,221
International Retail	683,489	659,028	679,274
Direct Marketing	179,175	160,715	155,561
Specialty Retail	24,124	-	-
	\$ 1,706,602	\$ 1,606,535	\$ 1,668,056

U.S. Retail sales increased 4% in 2002 and comparable store sales increased 2%. U.S. Retail sales declined 6% in 2001 and comparable store sales declined 8%. Management attributes the increase in 2002 largely to a partial recovery from the adverse effects of September 11, 2001, although continued challenging economic and retail conditions affected overall results in both years. The number of comparable store transactions increased in 2002 and 2001. However, the average transaction size declined in both years. Sales in the New York flagship store increased fractionally in 2002 and declined 15% in 2001, and represented 10%, 11% and 12% of net sales in 2002, 2001 and 2000. Comparable branch store sales increased 2% in 2002 and declined 6% in 2001. Comparable store sales to domestic customers, which account for the majority of U.S. sales, increased in 2002 and declined in 2001. Comparable store sales to foreign tourists decreased in 2002 and 2001.

International Retail sales increased 4% in 2002 and decreased 3% in 2001. When compared with the prior year, the weighted-average U.S. dollar exchange rate was weaker in 2002 and stronger in 2001. Therefore, on a constant-exchange-rate basis, International Retail sales increased 3% in 2002 and 7% in 2001.

Japan represented 26% of net sales in 2002, compared with 28% in 2001 and 2000. Retail sales in Japan in local currency declined 1% in 2002 and rose 10% in 2001; comparable store sales declined 8% in 2002 and increased 3% in 2001. Unit sales declined in 2002 and rose in 2001, while the average price per unit sold increased in 2002 and declined in 2001. Management believes that results in 2002 and 2001 were affected by increasingly weak economic conditions in Japan and increasing competition. In addition, in 2002 the Company began a process to reposition its merchandising and marketing efforts to mitigate the effect of declining solitaire diamond engagement ring sales, which have resulted from lessened demand in the overall market for such products. In 2001, the Company signed new distribution agreements with Mitsukoshi Ltd. of Japan ("Mitsukoshi"), whereby TIFFANY & CO. boutiques will continue to operate within Mitsukoshi's stores in Japan until at least January 31, 2007. The new agreements largely continue the principles on which Mitsukoshi and the Company have been cooperating since 1993, when the relationship was last renegotiated. The main agreement, which will expire on January 31, 2007, covers the continued operation of TIFFANY & CO. boutiques. Separate agreements cover the operation of a freestanding TIFFANY & CO. store on Tokyo's Ginza. Under the new agreements, the Company is not restricted from further expansion of its Tokyo operations. Under the main agreement, the Company pays to Mitsukoshi a percentage of certain sales; this percentage is lower than under the prior agreements. There will be a further reduction in fees paid to Mitsukoshi starting in 2003, and the Company will employ increasing numbers of its own personnel in certain boutiques in the future.

In non-U.S. markets outside of Japan, the Asia-Pacific region represented 6%, 6% and 7% of net sales in 2002, 2001 and 2000, and comparable store sales on a constant-exchange-rate basis increased 5% in 2002 and declined fractionally in 2001. Europe represented 5% of net sales in 2002, compared with 4% in 2001 and 2000, and comparable store sales on a constant-exchange-rate basis increased 2% in 2002 and 1% in 2001.

Worldwide gross square footage for Company-operated stores increased 5% in 2002 and 9% in 2001, which was consistent with the Company's strategy to increase such square footage by at least 5% per year. In the U.S., the Company opened five stores and closed two in 2002 and opened two stores in 2001. Internationally, in 2002 the Company opened two locations and closed one in Japan, opened retail locations in Korea, Taiwan and Paris and closed one location in both Australia and Taiwan. In 2001,

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the Company opened four retail locations and closed one in Japan, opened two stores and closed three retail locations in the Asia-Pacific region, opened two stores in Europe and opened a store in Brazil. Plans in the U.S. for 2003 are to open three stores, including stores in Coral Gables, Florida, and Walnut Creek, California, and to convert an independently-operated location in Guam to Tiffany's control. International plans call for opening three retail locations and closing one in Japan and opening several locations in other markets.

Direct Marketing sales increased 11% in 2002 and 3% in 2001. The Business Sales division's sales declined 3% in 2002 and 13% in 2001 due to lower average dollars per order. Combined Internet and catalog sales rose 24% in 2002 and 23% in 2001, entirely due to Internet sales growth that resulted from a higher number of orders. The Company currently offers more than 2,000 products online and plans to further increase its offering in the future. The Company mailed 24 million catalogs in 2002, compared with 26 million in 2001 and 25 million in 2000, and plans to mail approximately 25 million catalogs in 2003.

Effective October 1, 2002, the Company established a new channel of distribution, "Specialty Retail," to include the consolidated results of Little Switzerland, as well as the consolidated results from any ventures controlled by the Company which will operate under non-TIFFANY & CO. trademarks or trade names.

#### GROSS PROFIT

Gross profit as a percentage of net sales ("gross margin") increased in 2002 and 2001. Management attributes the increases in both years to favorable shifts in sales mix (sales of lower-priced silver items, which carry a gross margin higher than the Company's average, increased at a faster rate), as well as to improved efficiencies in product manufacturing and sourcing and selective price increases.

The Company's hedging program (See Note K to the Consolidated Financial Statements) uses yen put options to stabilize product costs in Japan over the short term despite exchange-rate fluctuations, and the Company adjusts its retail prices in Japan from time to time to address longer-term changes in the yen/dollar relationship and local competitive pricing.

Management's long-term strategy and objectives include achieving further product manufacturing/sourcing efficiencies, leveraging its fixed costs and implementing selective price adjustments in order to maintain the Company's gross margin at, or above, prior year levels. However, gross margin in 2003 is expected to be modestly below 2002 due to the full-year effect of consolidating the sales of Little Switzerland, which achieves a gross margin below the Company's average, the effect of incremental costs related to the opening of its new Customer Fulfillment/Distribution Center ("CFC"), and costs related to the building of a diamond sourcing organization in Belgium and Canada. Gross margin in 2003 is expected to include benefits from increasing amounts of internal jewelry manufacturing and from the commenced sourcing of a portion of the Company's diamond needs from a new mine in Canada.

#### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A")

SG&A rose 9% in 2002 and 2% in 2001. The increases were largely due to incremental depreciation, staffing and occupancy expenses related to the Company's overall worldwide expansion, as well as higher marketing expenses in 2002 to support the launch of a new collection of watches. In addition to management's actions to restrain growth in discretionary spending in both years, the rate of SG&A growth was also moderated by lower sales-related variable expenses. The translation effect of a weaker U.S. dollar increased SG&A growth fractionally in 2002, while the effect of a stronger U.S. dollar reduced SG&A growth by 3% in 2001. However, as a percentage of net sales, SG&A rose in both years due to insufficient sales growth to absorb the rate of increase in fixed expenses.

Management's longer-term objective is to reduce this ratio by leveraging anticipated improved rates of sales growth against the Company's fixed-expense base. However, SG&A is expected to increase by a mid-teens percentage in 2003, reflecting ongoing store expansion and accelerating

business development spending as well as higher advertising spending, depreciation and insurance costs.

#### EARNINGS FROM OPERATIONS

As a result of the above factors, earnings from operations increased 3% in 2002 and declined 5% in 2001. As a percentage of net sales, earnings from operations declined in 2002 and 2001. On a reportable segment basis, the ratios of earnings from operations (before the effect of unallocated corporate expenses and interest and other expenses, net) to net sales in 2002, 2001 and 2000 were as follows: U.S. Retail was 24%, 25% and 28%; International Retail was 30%, 30% and 28%; Direct Marketing was 23%, 17% and 14%; and Specialty Retail was (7)% in 2002. Sales levels, gross margins and the ability to leverage fixed expenses affected changes in profitability in each segment.

#### INTEREST EXPENSE AND FINANCING COSTS

Interest expense declined in 2002 primarily due to the effect of the capitalization of interest costs related to the Company's construction of its 266,000 square-foot CFC in Hanover Township, New Jersey, effective in the first quarter of 2002, as well as the Company's decision to purchase its Parsippany, New Jersey, Customer Service/ Distribution Center and office facility ("CSC"). Interest expense increased in 2001 primarily due to the Company's decision to purchase the CSC, which resulted in the conversion of its operating lease into a capital lease. Management expects interest expense and financing costs to decline in 2003 due to lower average borrowing rates.

#### OTHER EXPENSE (INCOME), NET

Other expense (income), net includes interest income and realized and unrealized gains (losses) on investment activities. Interest income earned on cash and cash equivalents declined in 2002 and 2001. In 2001, the Company recorded a pre-tax impairment charge of \$7,800,000 representing the Company's total investment in a third-party provider of online wedding gift registry services. In 2001, the Company also recorded a pre-tax gain of \$5,257,000, based on the Company's 14.7% equity interest in Aber Diamond Corporation ("Aber"), a publicly-traded company headquartered in Canada, which sold its interest in a mining project in February 2001. Management expects other expense (income), net in 2003 will benefit from the Company's equity interest in Aber, resulting from Aber's earnings related to the startup of production.

#### PROVISION FOR INCOME TAXES

The Company's effective tax rate was 36.6% in 2002, compared with 40.0% in 2001 and 2000. The lower rate in 2002 was primarily due to the effect of a non-recurring tax benefit reflecting the recognition of the cumulative U.S. tax benefits as provided by the Extraterritorial Income Exclusion Act ("ETI") provision of the Internal Revenue code.

In November 2000, the United States Government repealed the tax provisions associated with Foreign Sales Corporations ("FSC") and enacted, in their place, the ETI, certain provisions of which differed from those governed by the FSC regulations. The ETI provides for the exclusion from United States income tax of certain extraterritorial income from the sale of qualified United States origin goods. Qualified United States origin goods are generally defined as those wherein not more than 50% of the fair market value (including intangible values) is attributable to foreign content or value added outside the United States. The Company determined in the third quarter of 2002 that this tax benefit was applicable to its operations and, therefore, has recognized a tax benefit. It is unknown if this benefit will continue to be available to the Company in the future, as the World Trade Organization ("WTO") ruled in January 2002 in favor of a complaint by the European Union, and joined by Canada, Japan and India, that the ETI exclusion constitutes a prohibited export subsidy under WTO regulations. The United States Government is currently reviewing its options in response to this ruling.

#### NET EARNINGS

As a result of the above factors, net earnings rose 9% in 2002 and declined 9% in 2001.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements have been prepared in accordance

with accounting principles

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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 these estimates. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements and records the effect of any necessary adjustments.

The following critical accounting policies rely on assumptions and estimates that were used in the preparation of the Company's consolidated financial statements:

**Sales returns:** Sales are recognized at the "point of sale," which occurs when merchandise is sold in an "over-the-counter" transaction or upon receipt by a customer. The Company's customers have the right to return merchandise. Sales are reported net of returns. The Company maintains a reserve for potential product returns and records, as a reduction to sales, its provision for estimated product returns, which is based on historical experience.

**Credit losses:** The Company maintains a reserve for potential credit losses based on estimates of the credit-worthiness of its customers. If the financial condition of its customers was to change, resulting in a change in their ability to make payments, the Company might be required to increase or decrease its reserve.

**Inventory:** The Company writes down its inventory for discontinued, slow-moving and unmarketable 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 expected by management, additional inventory write-downs might be required. The Company's domestic and foreign branch inventories are valued using the last-in, first-out (LIFO) method, and inventories held by foreign subsidiaries are valued using the first-in, first-out (FIFO) method. Fluctuation in inventory levels, along with the costs of raw materials, could impact the carrying value of the Company's inventory.

**Long-lived assets:** The Company's long-lived assets are primarily property, plant and equipment. The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment has occurred, the loss is calculated and recognized during that period.

**Non-consolidated investments:** Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or in an inability to recover the carrying value of the investments. This may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

**Income taxes:** Income taxes are accounted for by using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized by applying statutory tax rates in effect in the years in which the differences between the financial reporting and tax filing bases of existing assets and liabilities are expected to reverse. The Company believes that all net-deferred tax assets shown on its balance sheet are more likely than not to be realized in the future. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event the Company were to determine that it would not be able to realize all or part of its net-deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period such determination was made.

**Employee benefit plans:** The Company maintains a noncontributory defined benefit pension plan covering substantially all domestic salaried and full-time hourly employees and it 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 declines in interest rates, declining securities market values and changes to projected increases in health-care costs would require the Company to revise key assumptions and could result in a charge to earnings. The discount rate is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bonds. Based on the expected duration of the benefit payments for the pension plan, the Company refers to applicable indices such as the high-quality Merrill Lynch corporate bond yields and the Moody's corporate bond yields to select a rate at which it believes the pension benefits could be effectively settled. Based on the published rates as of December 31, 2002 (the date at which plan assets and obligations are measured), the Company used a discount rate of 6.50%, representing a decline of 25 basis points from the 6.75% rate used in 2001. This had the effect of increasing the accumulated pension benefit obligation by approximately \$3,600,000 for the year ended January 31, 2003, and increasing estimated pension expense for 2003 by \$100,000. The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the projected benefit obligation for the plan, the rates of return expected for the asset mix (including reinvestment asset return rates), historical performance of plan assets and the fact that plan assets are actively managed to mitigate downside risk. Based on these factors, the expected long-term rate of return as of January 31, 2003 is 7.50%, compared with 9.00% in the prior year. The 150 basis point change in the expected long-term rate of return will result in approximately a \$1,300,000 increase in the Company's estimated 2003 pension expense.

#### NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Accounting for Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and certain other intangible assets no longer be amortized to earnings. In addition, the Company is required to review goodwill and certain other intangible assets annually for potential impairment. In 2002, the Company adopted this standard and completed its impairment test for goodwill and other intangible assets and determined that there was no significant impact on the Company's financial position, earnings or cash flows.

In September 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the accounting and financial reporting for legal obligations and costs associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of SFAS No. 143 will be effective for the Company's financial statements for 2003. The Company does not expect the adoption of this standard to have a significant impact on its financial position, earnings or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the accounting for impairment or disposal of long-lived assets and discontinued operations. On February 1, 2002, the Company adopted this standard, and its application had no significant impact on its financial position, earnings or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for exit or disposal activities initiated after December 31, 2002. This statement requires that liabilities associated with exit or disposal activities initiated after adoption be recognized and measured at fair value when incurred, as opposed to at the date an entity commits to the exit or disposal plans. The adoption of this standard did not have a significant impact on the Company's financial position, earnings or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 148 provides alternate methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial



statements about the effects of stock-based compensation. The disclosure requirements have been adopted for the Company's current year financial statements.

#### EURO CONVERSION

On January 1, 2002, new euro-denominated bills and coins were issued by 11 of the 15 member countries of the European Economic and Monetary Union. Existing currencies were subsequently withdrawn from circulation. The Company's policy is to maintain uniform pricing among the member countries and, as a result, the conversion to the euro had no impact on the financial position, earnings or cash flows of the Company's European businesses.

#### FINANCIAL CONDITION

##### LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal working capital requirements and capital expenditure needs, which have increased due to the Company's expansion.

The Company achieved a net cash inflow from operating activities of \$221,441,000 in 2002, compared with \$241,506,000 in 2001 and \$110,696,000 in 2000. The inflow in 2002 was less than 2001 primarily due to an increased use of working capital (primarily inventory purchases of finished goods and raw materials), partly offset by increased net earnings. The inflow in 2001 was greater than 2000 largely due to decreased raw material purchases.

Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were \$770,481,000 and 3.6:1 at January 31, 2003 compared with \$638,709,000 and 3.0:1 at January 31, 2002.

Accounts receivable, less allowances at January 31, 2003, were 15% above January 31, 2002 primarily due to sales growth. On a 12-month rolling basis, accounts receivable turnover was 16 times in 2002 and 15 times in 2001.

Inventories, net at January 31, 2003 were 20% above January 31, 2002. The translation effect of a weakening U.S. dollar contributed to the growth of inventory versus January 31, 2002 and, on a constant-exchange-rate basis, inventories, net were 14% above January 31, 2002. In addition, 6% of the increase was due to the consolidation of Little Switzerland's inventories. Finished goods inventories increased 16% due to lower-than-expected sales, new store openings and expanded product offerings (including a new collection of watches). A 40% increase in raw material and work-in-process inventories was necessary to support the expansion of internal manufacturing activities. The Company's ongoing inventory objectives are to continue to refine: worldwide replenishment systems; the specialized disciplines of product development, category management and sales demand forecasting; presentation and management of inventory assortments in each store; and warehouse management and supply-chain logistics. Management expects that inventory levels will increase in 2003 to support anticipated comparable store sales growth, new stores, product introductions and the Company's expansion of its diamond-sourcing operations.

Capital expenditures were \$219,717,000 in 2002, \$210,291,000 including the payment of a capital lease purchase obligation in 2001 and \$108,382,000 in 2000. In all three years, a portion of capital expenditures supported the opening, renovation and expansion of stores, expansion of distribution and manufacturing facilities and ongoing investments in new systems. In addition, capital expenditures in 2002 included the Company's acquisition of the property housing its store on Old Bond Street in London and an adjacent building in order to proceed with a renovation and reconfiguration of the interior retail selling space. The cost to purchase the London buildings was \$43,000,000, and construction is expected to commence in 2003 and be completed in the second half of 2004. The increase in 2001 included costs related to the capital lease buyout and expansion of the CSC. In 2001, the Company commenced construction of its CFC that will fulfill direct shipments to customers. Upon completion of the CFC, the Company's 370,000 square-foot Parsippany, New Jersey CSC will be used primarily to replenish retail store inventories. The CFC is scheduled to open in

late-2003, and the Company estimates that the overall cost of that project will be approximately \$104,500,000, of which \$76,500,000

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has been incurred. In 2000, the Company began a four-year project to renovate and reconfigure its New York flagship store in order to increase the total sales area by approximately 25%, and to provide additional space for customer service, customer hospitality and special exhibitions. A new second floor opened in 2001 and provides an expanded presentation of engagement and other jewelry. In addition, in conjunction with the New York store project, the Company relocated its after-sales service functions to a new location in New York and relocated several of its administrative functions. The Company has spent \$56,910,000 to date for the New York store and related projects. The Company currently estimates that the overall cost of these projects will be approximately \$95,000,000. Based on current plans, management estimates that capital expenditures will be approximately \$150,000,000 in 2003, due to costs related to the opening, renovation and expansion of store and distribution facilities, as well as ongoing investments in new systems. Management expects that capital expenditures will approximate 7-8% of net sales in future years.

In July 2002, the Company, in a private transaction with various institutional lenders, issued, at par, \$40,000,000 of 6.15% Series C Senior Notes Due July 18, 2009 and \$60,000,000 of 6.56% Series D Senior Notes Due July 18, 2012 with seven-year and 10-year lump sum repayments upon maturities. The proceeds of these issues are being and will be used by the Company for general corporate purposes, including seasonal working capital, and were used to redeem the Company's \$51,500,000 principal amount 7.52% Senior Notes which came due in January 2003. The Note Purchase Agreements require maintenance of specific financial covenants and ratios and limit certain changes to indebtedness and the general nature of the business, in addition to other requirements customary to such borrowings. Concurrently, the Company entered into an interest-rate swap agreement to hedge the change in fair value of its fixed-rate obligation. Under the swap agreement, the Company pays variable-rate interest and receives fixed interest-rate payments periodically over the life of the instrument. The Company accounts for its interest-rate swap as a fair-value hedge and, therefore, recognizes gains or losses on the derivative instrument and the hedged item attributable to the hedged risk in earnings in the current period. The terms of the swap agreement match the terms of the underlying debt, thereby resulting in no ineffectiveness.

In May 2001, the Company purchased 45% of Little Switzerland's outstanding shares of common stock by means of a direct investment in newly-issued unregistered shares at a cost of \$9,546,000. The Company accounted for this investment under the equity method based upon its ownership interest and its significant influence. In 2001, the Company also provided Little Switzerland with an interest-bearing loan in the amount of \$2,500,000. The Company's equity share of Little Switzerland's results from operations has been included in other expense (income), net and amounted to a loss of \$1,482,000 in 2002 (through September 30) and \$2,483,000 in 2001. In August 2002, a wholly-owned subsidiary of the Company commenced a cash tender offer to acquire the remaining balance of the outstanding shares of Little Switzerland's common stock at \$2.40 per share. In October 2002, the Company purchased and paid for the shares acquired, which represented 98% of the outstanding shares of Little Switzerland. On November 20, 2002, the subsidiary merged with and into Little Switzerland. Under the terms of the merger, common stock of Little Switzerland not owned by the subsidiary has been converted into the right to receive the same consideration paid in the tender offer. The cost of acquiring all of the outstanding shares of Little Switzerland, other than those already owned by the Company, including professional fees and other related costs, was \$27,530,000. The Company commenced the consolidation of Little Switzerland's operations effective October 1, 2002, and the interest-bearing loan provided to Little Switzerland in 2001 has been eliminated in consolidation. The acquisition was accounted for in accordance with SFAS No. 141, "Business Combinations."

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In December 2002, a wholly-owned subsidiary of the Company made a \$4,000,000 investment in a privately-held venture that designs and sells jewelry. The subsidiary has an additional funding commitment of \$9,000,000 and the option to buy out and own 100% of the venture in future periods. This venture is being consolidated in the Company's financial statements based on the percentage of ownership and effective control over the direction of the operations of the venture. The venture is not significant to the Company's financial position, earnings or cash flows.

In February 2000, the Company acquired a 5.4% equity interest in Della.com ("Della"), a provider of online wedding gift registry services. In April 2000, Della merged with and into WeddingChannel.com with the consequence that the Company's equity interest in Della was converted to a 2.7% interest in WeddingChannel.com, assuming the conversion of all outstanding preferred shares to common. In 2001, the Company recorded a pre-tax impairment charge of \$7,800,000, representing the Company's total investment.

In July 1999, the Company made a strategic investment in Aber by purchasing eight million unregistered shares of its common stock, which represents 14.7% of Aber's outstanding shares, at a cost of \$70,636,000. Aber holds a 40% interest in the Diavik Diamonds Project in Canada's Northwest Territories, an operation developed to mine diamonds. Startup is expected in the first quarter of 2003. In addition, the Company entered into a diamond purchase agreement with Aber whereby the Company has the obligation to purchase, subject to the Company's quality standards, a minimum of \$50,000,000 of diamonds per year for 10 years. It is expected that this commercial relationship will enable the Company to secure a considerable portion of its future diamond needs. The Company is establishing the necessary facilities in Yellowknife, Canada, and Antwerp, Belgium, to handle the receipt and sorting of diamonds and a portion of the subsequent cutting and polishing operations.

Cash dividends paid were \$23,256,000 in 2002, \$23,315,000 in 2001 and \$21,820,000 in 2000. In May 2000, the Board of Directors declared a 33% increase in the quarterly dividend rate on common shares, effective in July 2000. The dividend payout ratio (dividends as a percentage of net earnings) was 12% in 2002, 13% in 2001 and 11% in 2000. The Company expects to continue to retain the majority of its earnings to support its business activities and future expansion.

The Board of Directors has authorized the Company's stock repurchase program, which expires in November 2003. The program was initially authorized in November 1997 for the repurchase of up to \$100,000,000 of the Company's Common Stock in the open market over a three-year period. That authorization was superseded in September 2000 by a further authorization of repurchases of up to \$100,000,000 of the Company's Common Stock in the open market. The timing and actual number of shares repurchased depend on a variety of factors such as price and other market conditions. In 2002, the Company repurchased and retired 1,350,000 shares of Common Stock at a cost of \$37,526,000, or an average cost of \$27.80 per share. In 2001, the Company repurchased and retired 1,628,000 shares of Common Stock at a cost of \$39,265,000, or an average cost of \$24.12 per share. In 2000, the Company repurchased and retired 465,000 shares of Common Stock at a cost of \$13,319,000, or an average cost of \$28.64 per share. At January 31, 2003, \$21,100,000 of purchase authority remained available for future share repurchases.

The Company's sources of working capital are internally-generated cash flows, borrowings available under a multicurrency revolving credit facility ("Credit Facility") and Little Switzerland's senior collateralized revolving and term loan credit facility ("LS Facility"). In November 2001, the Company entered into a new Credit Facility to increase the borrowing limit from \$160,000,000 to \$200,000,000 and the number of banks from five to six. All borrowings

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are at interest rates based on a prime rate or LIBOR and are affected by local borrowing conditions. The Credit Facility expires in November 2006. The LS Facility allows Little Switzerland to borrow up to \$12,000,000 through March 21, 2005, of which up to \$8,000,000 is a revolving loan and \$4,000,000 is a term loan, at an interest rate of 2.75% above the Adjusted Eurodollar Rate or 0.75% above the Prime Rate, plus customary servicing costs and unused facility fees. Amounts advanced to Little Switzerland under the LS Facility are limited to a

stated borrowing base, which is calculated as a percentage of certain inventory less specific reserves (as defined in the LS Facility agreement). The LS Facility is collateralized by certain assets of Little Switzerland. The Company has begun discussions to replace the LS Facility with an unsecured revolving credit facility. The proposed terms of this unsecured revolving credit facility should result in a reduction in interest expense, and contain certain financial ratios and covenants that are consistent with those contained in the Company's Credit Facility.

Net-debt (short-term borrowings plus the current portion of long-term debt plus long-term debt less cash and cash equivalents) and the corresponding ratio of net-debt as a percentage of total capital (net-debt plus stockholders' equity) were \$193,462,000 and 14% at January 31, 2003, compared with \$97,292,000 and 9% at January 31, 2002.

Based on the Company's financial condition at January 31, 2003, management believes that internally-generated cash flows, funds available under the Credit Facility and the proceeds from the Senior Notes offering will be sufficient to support the Company's planned worldwide business expansion and seasonal working capital increases that are typically required during the third and fourth quarters of the year.

CONTRACTUAL CASH OBLIGATIONS AND  
COMMERCIAL COMMITMENTS

The following summarizes the Company's contractual cash obligations at January 31, 2003:

(in thousands)	Total	Due 2003	Due 2004- 2006	Due There- after
Long-term debt	\$ 297,107	\$ -	\$ 50,167	\$ 246,940
Operating leases	426,077	62,871	137,263	225,943
Inventory purchase obligations	636,268	136,268	150,000	350,000
Construction-in-progress	28,672	28,672	-	-
Other contractual obligations	16,825	6,575	7,250	3,000
<b>Total contractual cash obligations</b>	<b>\$ 1,404,949</b>	<b>\$234,386</b>	<b>\$ 344,680</b>	<b>\$ 825,883</b>

The following summarizes the Company's commercial commitments at January 31, 2003:

(in thousands)	Amount of commitment expiration per period		
	Total Amounts Committed	Less Than 1 year	1-3 years
Lines of credit(1)	\$ 212,539	\$ 4,539	\$ 208,000
Letters of credit and financial guarantees	13,683	13,502	181
<b>Total commercial commitments</b>	<b>\$ 226,222</b>	<b>\$ 18,041</b>	<b>\$ 208,181</b>

(1) At January 31, 2003, \$52,552 was drawn against these facilities.

## MARKET RISK

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

The Company uses foreign currency-purchased put options, primarily yen, and, to a lesser extent, foreign-exchange forward contracts, to minimize the impact of a significant strengthening of the U.S. dollar on foreign currency-denominated transactions. Gains or losses on these instruments substantially offset losses or gains on the assets, liabilities and transactions being hedged. Management does not foresee nor expect any significant changes in foreign currency exposure in the near future.

The fair value of foreign currency-purchased put options is sensitive to changes in foreign currency exchange rates. On the Company's purchased put options, an unrealized net loss amounted to \$6,756,000 at January 31, 2003 and an unrealized net gain amounted to \$8,109,000 at January 31, 2002. Unrealized gains and losses from foreign currency exchange contracts are defined as the difference between the contract rate at the inception date and the current market exchange rate. If the market yen exchange rates are stronger than the contracted exchange rates, the Company will allow the option to expire, limiting its loss to the cost of the option contract. At January 31, 2003 and 2002, a 10% appreciation in yen exchange rates from the prevailing market rates would have resulted in an unrealized loss equal to the cost of the option contracts (which was \$3,115,000 and \$3,276,000). At January 31, 2003 and 2002, a 10% depreciation in yen exchange rates from the prevailing market rates would have resulted in additional unrealized gains of \$13,569,000 and \$12,389,000.

The fair value of the Company's fixed-rate long-term debt is sensitive to interest-rate changes. Interest-rate changes would result in gains (losses) in the market value of this debt due to differences between market interest rates and rates at the inception of the debt obligation. In order to manage the exposure to interest-rate changes, the Company has entered into an interest-rate swap to offset a portion of the outstanding fixed-rate debt. Based on a hypothetical immediate 100 basis point increase in interest rates at January 31, 2003 and 2002, the market value of the Company's fixed-rate long-term debt, including the impact of the interest-rate swap, would have decreased by \$7,315,000 and \$9,562,000. Based on a hypothetical immediate 100 basis point decrease in interest rates at January 31, 2003 and 2002, the market value of the Company's fixed-rate long-term debt, including the impact of the interest-rate swap, would have increased by \$10,481,000 and \$10,321,000.

The Company also uses an interest-rate swap to manage its yen-denominated floating-rate long-term debt in order to reduce the impact of interest-rate changes on earnings and cash flows and to lower overall borrowing costs. The Company monitors its interest-rate risk on the basis of changes in fair value. If there had been a 10% decrease in interest rates at January 31, 2003 and 2002, the loss for changes in market value of the interest-rate swap and the underlying debt would have been \$7,000 and \$2,000.

Management neither foresees nor expects significant changes in exposure to interest-rate fluctuations, nor in market risk-management practices.

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## SEASONALITY

As a jeweler and specialty retailer, the Company's business is seasonal in nature, with the fourth quarter typically representing a proportionally greater

percentage of annual sales, earnings from operations and cash flow. Management expects such seasonality to continue.

#### RISK FACTORS

This document contains certain "forward-looking statements" concerning the Company's objectives and expectations with respect to store openings, retail prices, gross profit, expenses, inventory performance, capital expenditures and cash flow. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. As a jeweler and specialty retailer, the Company's success in achieving its objectives and expectations is partially dependent upon economic conditions, competitive developments and consumer attitudes. However, certain assumptions are specific to the Company and/or the markets in which it operates. The following assumptions, among others, are "risk factors" which could affect the likelihood that the Company will achieve the objectives and expectations communicated by management: (i) that low or negative growth in the economy or in the financial markets, particularly in the U.S. and Japan, will not occur and reduce discretionary spending on goods that are, or are perceived to be, "luxuries"; (ii) that consumer spending does not decline substantially during the fourth quarter of any year; (iii) that unsettled regional and/or global conflicts do not result in military and/or terrorist activities creating long- or short-term disruptions to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Company operates retail stores nor to the Company's ability to operate in those regions; (iv) that sales in Japan will not decline substantially; (v) that there will not be a substantial adverse change in the exchange relationship between the Japanese yen and the U.S. dollar; (vi) that Mitsukoshi and other department store operators in Japan, in the face of declining or stagnant department store sales, will not close or consolidate stores in which TIFFANY & CO. retail locations are located; (vii) that Mitsukoshi's ability to continue as a leading department store operator in Japan will continue; (viii) that existing product supply arrangements, including license arrangements with third-party designers Elsa Peretti and Paloma Picasso, will continue; (ix) that the wholesale market for high-quality cut diamonds will provide continuity of supply and pricing; (x) that the investment in Aber achieves its financial and strategic objectives; (xi) that new systems, particularly for inventory management, can be successfully integrated into the Company's operations; (xii) that warehousing and distribution productivity and capacity can be further improved to support the Company's worldwide distribution requirements; (xiii) that new stores and other sales locations can be leased or otherwise obtained on suitable terms in desired markets and that construction can be completed on a timely basis; (xiv) that the Company can successfully improve the results of Little Switzerland and achieve satisfactory results from any future ventures into which it enters that are operated under non-TIFFANY & CO. trademarks or trade names; and (xv) that the Company's expansion plans for retail and direct selling operations and merchandise development, production and management can continue to be executed without meaningfully diminishing the distinctive appeal of the TIFFANY & CO. brand.

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#### REPORT OF MANAGEMENT

The Company's consolidated financial statements were prepared by management, who are responsible for their integrity and objectivity. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include amounts based on management's best estimates and judgments.

Management is further responsible for maintaining a system of internal accounting control designed to provide reasonable assurance that the Company's assets are adequately safeguarded and that the accounting records reflect transactions executed in accordance with management's authorization. The system of internal control is continually reviewed and is augmented by written policies and procedures, the careful selection and training of qualified personnel and a program of internal audit.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Independent Accountants. Their report is shown on this page.

The Audit Committee of the Board of Directors, which is composed solely of non-employee directors, meets regularly with financial management and the independent accountants to discuss specific accounting, financial reporting and internal control matters. Both the independent accountants and the internal auditors have full and free access to the Audit Committee. Each year the Audit Committee selects the firm that is to perform audit services for the Company.

/s/Michael J. Kowalski

Michael J. Kowalski  
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

/s/James E. Quinn

James E. Quinn  
PRESIDENT

/s/James N. Fernandez

James N. Fernandez  
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of Tiffany & Co.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, stockholders' equity and comprehensive earnings and cash flows present fairly, in all material respects, the financial position of Tiffany & Co. and Subsidiaries at January 31, 2003 and 2002 and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
New York, New York

February 25, 2003

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CONSOLIDATED BALANCE SHEETS

	January 31,	
	-----	
(in thousands, except per share amount)	2003	2002
	-----	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 156,197	\$ 173,675
Accounts receivable, less allowances of \$8,258 and \$6,878	113,061	98,527
Inventories, net	732,088	611,653
Deferred income taxes	44,380	41,170
Prepaid expenses and other current assets	24,662	28,032
	-----	
Total current assets	1,070,388	953,057

Property, plant and equipment, net	677,630	525,585
Deferred income taxes	6,595	4,560
Other assets, net	168,973	147,872

	\$ 1,923,586	\$ 1,631,074
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Short-term borrowings	\$ 52,552	\$ 40,402
Current portion of long-term debt	-	51,500
Accounts payable and accrued liabilities	163,338	134,694
Income taxes payable	41,297	48,997
Merchandise and other customer credits	42,720	38,755
	-----	
Total current liabilities	299,907	314,348
Long-term debt	297,107	179,065
Postretirement/employment benefit obligations	33,117	29,999
Other long-term liabilities	85,406	70,717
Commitments and contingencies		
Stockholders' equity:		
Common Stock, \$0.01 par value; authorized 240,000 shares, issued and outstanding 144,865 and 145,001	1,449	1,450
Additional paid-in capital	351,398	330,743
Retained earnings	874,694	743,543
Accumulated other comprehensive (loss) gain:		
Foreign currency translation adjustments	(14,561)	(45,306)
Deferred hedging (losses) gains, net of tax	(2,284)	6,515
Minimum pension liability adjustment, net of tax	(2,647)	-
	-----	
Total stockholders' equity	1,208,049	1,036,945
	-----	
	\$ 1,923,586	\$ 1,631,074
	=====	

See Notes to Consolidated Financial Statements.

TIFFANY & CO. AND SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share amounts)	Years Ended January 31,		
	2003	2002	2001
	-----		
Net sales	\$ 1,706,602	\$ 1,606,535	\$ 1,668,056
Cost of sales	695,154	663,058	719,642
	-----		
Gross profit	1,011,448	943,477	948,414
Selling, general and administrative expenses	692,251	633,580	621,018
	-----		
Earnings from operations	319,197	309,897	327,396
Interest expense and financing costs	15,129	19,834	16,207
Other expense (income), net	4,431	751	(6,452)
	-----		
Earnings before income taxes	299,637	289,312	317,641
Provision for income taxes	109,743	115,725	127,057
	-----		
Net earnings	\$ 189,894	\$ 173,587	\$ 190,584
	=====		



Net earnings per share:

Basic	\$ 1.31	\$ 1.19	\$ 1.31
Diluted	\$ 1.28	\$ 1.15	\$ 1.26

Weighted-average number of common shares:

Basic	145,328	145,535	145,493
Diluted	148,591	150,517	151,816

See Notes to Consolidated Financial Statements.

TIFFANY & CO. AND SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
AND COMPREHENSIVE EARNINGS

(in thousands)	Total Stockholders' Equity	Retained Earnings	Accumulated Other Comprehensive (Loss) Gain	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital
Balances, January 31, 2000	\$ 757,076	\$ 473,819	\$ (11,366)	144,952	\$ 1,450	\$ 293,173
Exercise of stock options	10,741	-	-	1,307	13	10,728
Tax benefit from exercise of stock options	12,401	-	-	-	-	12,401
Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan	3,300	-	-	103	1	3,299
Purchase and retirement of Common Stock	(13,319)	(12,507)	-	(465)	(5)	(807)
Cash dividends on Common Stock	(21,820)	(21,820)	-	-	-	-
Foreign currency translation adjustments	(13,480)	-	(13,480)	-	-	-
Net earnings	190,584	190,584	-	-	-	-
Balances, January 31, 2001	925,483	630,076	(24,846)	145,897	1,459	318,794
Exercise of stock options	6,306	-	-	643	7	6,299
Tax benefit from exercise of stock options	5,294	-	-	-	-	5,294
Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan	2,800	-	-	89	1	2,799
Purchase and retirement of Common Stock	(39,265)	(36,805)	-	(1,628)	(17)	(2,443)
Cash dividends on Common Stock	(23,315)	(23,315)	-	-	-	-
Deferred hedging gains, net of tax	6,515	-	6,515	-	-	-
Foreign currency translation adjustments	(20,460)	-	(20,460)	-	-	-
Net earnings	173,587	173,587	-	-	-	-
Balances, January 31, 2002	1,036,945	743,543	(38,791)	145,001	1,450	330,743
Exercise of stock options	10,654	-	-	1,185	13	10,641
Tax benefit from exercise of stock options	11,039	-	-	-	-	11,039
Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan	1,000	-	-	29	-	1,000
Purchase and retirement of Common Stock	(37,526)	(35,487)	-	(1,350)	(14)	(2,025)
Cash dividends on Common Stock	(23,256)	(23,256)	-	-	-	-
Deferred hedging losses, net of tax	(8,799)	-	(8,799)	-	-	-
Foreign currency translation adjustments	30,745	-	30,745	-	-	-
Minimum pension liability adjustment, net of tax	(2,647)	-	(2,647)	-	-	-
Net earnings	189,894	189,894	-	-	-	-
BALANCES, JANUARY 31, 2003	\$ 1,208,049	\$ 874,694	\$ (19,492)	144,865	\$ 1,449	\$ 351,398

2003                      2002                      2001

Comprehensive earnings is as follows:

Net earnings	\$ 189,894	\$ 173,587	\$ 190,584
Deferred hedging (losses) gains, net of tax of \$1,230 and \$3,508	(8,799)	6,515	-
Foreign currency translation adjustments	30,745	(20,460)	(13,480)
Minimum pension liability adjustment, net of tax of \$1,863	(2,647)	-	-
	\$ 209,193	\$ 159,642	\$ 177,104

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Years Ended January 31,		
	2003	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings	\$ 189,894	\$ 173,587	\$ 190,584
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	78,008	65,159	47,508
Loss (gain) on equity investments	2,893	(2,633)	1,168
Provision for uncollectible accounts	829	1,702	1,277
Provision for inventories	12,258	10,085	17,666
Impairment of investment in third-party online provider	-	7,800	-
Tax benefit from exercise of stock options	11,039	5,294	12,401
Deferred income taxes	(1,315)	(14,668)	782
Provision for postretirement/employment benefits	3,117	3,865	2,970
Deferred hedging gains transferred to earnings	(6,762)	(7,188)	-
Changes in assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	(7,987)	4,107	10,235
Inventories	(64,460)	2,819	(182,041)
Prepaid expenses and other current assets	445	10,079	(3,913)
Other assets, net	(130)	(9,453)	(4,219)
Accounts payable	(3,527)	(17,163)	11,044
Accrued liabilities	13,235	(6,197)	605
Income taxes payable	(11,425)	8,564	(10,897)
Merchandise and other customer credits	3,786	2,755	5,875
Other long-term liabilities	1,543	2,992	9,651
Net cash provided by operating activities	221,441	241,506	110,696
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(219,717)	(170,806)	(108,382)
Acquisitions, net of cash acquired	(26,499)	-	-
Equity investments	-	(9,546)	(7,903)
Proceeds from lease incentives	2,945	4,554	3,761
Investments in notes receivable	-	(2,500)	(1,519)
Net cash used in investing activities	(243,271)	(178,298)	(114,043)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of long-term debt	100,000	-	-
Repayment of current portion of long-term debt	(51,500)	-	-
(Repayment of) proceeds from short-term borrowings	(1,905)	13,852	9,840
Payment on capital lease obligation	-	(39,485)	-
Repurchase of Common Stock	(37,526)	(39,265)	(13,319)
Proceeds from exercise of stock options	10,654	6,306	10,741
Cash dividends on Common Stock	(23,256)	(23,315)	(21,820)
Net cash used in financing activities	(3,533)	(81,907)	(14,558)
Effect of exchange rate changes on cash and cash equivalents	7,885	(3,239)	(3,418)
Net decrease in cash and cash equivalents	(17,478)	(21,938)	(21,323)
Cash and cash equivalents at beginning of year	173,675	195,613	216,936
Cash and cash equivalents at end of year	\$ 156,197	\$ 173,675	\$ 195,613

See Notes to Consolidated Financial Statements.

TIFFANY &amp; CO. AND SUBSIDIARIES

## A. NATURE OF BUSINESS

Tiffany & Co. retails and distributes fine jewelry, timepieces, sterling silverware, china, crystal, stationery, fragrances and personal accessories. It is also engaged in product design and manufacturing activities. Sales are made through four segments of business. U.S. Retail includes sales in Company-operated stores in the U.S.; International Retail primarily includes sales in Company-operated retail locations in markets outside the U.S., as well as a limited amount of business-to-business sales, Internet sales and wholesale sales to independent retailers and distributors in certain of those markets; Direct Marketing includes business-to-business, catalog and Internet sales in the U.S.; and Specialty Retail includes sales of Little Switzerland, Inc. (which the Company acquired in October 2002) and other ventures operated under non-TIFFANY & CO. trademarks or trade names.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FISCAL YEAR

The Company's fiscal year ends on January 31 of the following calendar year. All references to years relate to fiscal years rather than calendar years.

### BASIS OF REPORTING

The consolidated financial statements include the accounts of Tiffany & Co. and all majority-owned domestic and foreign subsidiaries ("Company"). Intercompany accounts, transactions and profits have been eliminated in consolidation. The equity method of accounting is used for investments in which the Company has significant influence, but not a controlling interest. These 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. The most significant estimates include valuation of inventories, provisions for income taxes and uncollectible accounts and the recoverability of non-consolidated investments and long-lived assets. Actual results could differ from these estimates. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements relative to current conditions and records the effect of any necessary adjustments.

### RECLASSIFICATIONS

Certain reclassifications were made to prior years' consolidated financial statement amounts and related note disclosures to conform with the current year's presentation, and such reclassifications were principally related to employee benefits, lease liabilities and hedging instruments.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents include highly liquid investments with an original maturity of three months or less and consist of time deposits with a number of U.S. and non-U.S. commercial banks with high credit ratings. The Company's policy restricts the amounts invested in any one bank.

### RECEIVABLES AND FINANCE CHARGES

The Company's domestic and international presence and its large, diversified customer base serve to limit overall credit risk. The Company maintains reserves for potential credit losses and, historically, such losses, in the aggregate, have not exceeded expectations.

Finance charges on retail revolving charge accounts are not significant and are accounted for as a reduction of selling, general and administrative expenses.

### INVENTORIES

Inventories are valued at the lower of cost or market. Domestic and foreign branch inventories are valued using the last-in, first-out (LIFO) method. Inventories held by foreign subsidiaries are valued using the first-in, first-out (FIFO) method.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives: 39 years for buildings, 5-15 years for machinery and

#### TIFFANY & CO. AND SUBSIDIARIES

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equipment and 3-10 years for office equipment and store fixtures. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings while expenditures for major renewals and improvements are capitalized. Upon the disposition of property, plant and equipment, the accumulated depreciation is deducted from the original cost, and any gain or loss is reflected in current earnings.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. The Company capitalized interest costs of \$3,296,000 in 2002. No interest was capitalized in 2001 and 2000.

#### GOODWILL

Goodwill represents the excess of cost over fair value of net assets acquired and, until February 1, 2002, was being amortized over 20 years using the straight-line method (see Note B - New Accounting Standards). At January 31, 2003 and 2002, unamortized goodwill of \$22,445,000 and \$10,393,000 was included in other assets, net.

#### IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss is recognized during that period. The impairment loss is calculated as the difference between asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. In 2002, 2001 and 2000, there were no significant impairment losses related to long-lived assets.

#### HEDGING INSTRUMENTS

Effective February 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related amendment, SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These standards require that all derivative instruments be recorded on the consolidated balance sheet at their fair value, as either assets or liabilities, with an offset to current or comprehensive earnings, depending on whether a derivative is designated as part of an effective hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions, changes in fair value of the derivative and changes in the fair value of the item being hedged are recorded in current earnings. For cash-flow hedge transactions, the effective portion of the changes in fair value of derivatives are reported as other comprehensive earnings and are recognized in current earnings in the period or periods during which the hedge transaction affects current earnings. Amounts excluded from the effectiveness calculation and any ineffective portion of the change in fair value of the derivative of a cash-flow hedge are recognized in current earnings. At February 1, 2001, the adoption of these new standards resulted in a cumulative effect of an accounting change of \$1,653,000, recorded in cost of sales, which reduced net earnings by \$975,000, net of tax, and increased accumulated comprehensive earnings by \$3,773,000, net of tax of \$2,622,000.

The Company uses a limited number of derivative financial instruments to mitigate its foreign currency and interest rate exposures. For a derivative to qualify as a hedge at inception and throughout the hedged period, the Company formally documents the nature and relationships between the hedging instruments and hedged items, as well as its risk-management objectives, strategies for

undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it were deemed probable that the forecasted transaction would not occur, the gain or loss would be recognized in current earnings. Financial

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instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedge instrument and the item being hedged, both at inception and throughout the hedged period. The Company does not use derivative financial instruments for trading or speculative purposes.

#### PREOPENING COSTS

Costs associated with the opening of new retail stores are expensed in the period incurred.

#### ADVERTISING COSTS

Media and production costs for print advertising are expensed as incurred, while catalog costs are expensed upon mailing. Media and production costs associated with television advertising are expensed when the advertising first takes place. Advertising costs, which include media, production, catalogs, promotion events and other related costs totaled \$101,867,000, \$86,351,000 and \$84,171,000 in 2002, 2001 and 2000.

#### INCOME TAXES

Income taxes are accounted for by using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized by applying statutory tax rates in effect in the years in which the differences between the financial reporting and tax filing bases of existing assets and liabilities are expected to reverse. The Company, its domestic subsidiaries and its foreign branches of U.S. corporations file a consolidated Federal income tax return.

#### FOREIGN CURRENCY

The functional currency of the Company's foreign subsidiaries is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded as a component of other comprehensive earnings within stockholders' equity. Gains and losses resulting from foreign currency transactions have not been significant and are included in other expense (income), net.

#### REVENUE RECOGNITION

Sales are recognized at the "point of sale," which occurs when merchandise is sold in an "over-the-counter" transaction or upon receipt by a customer. Sales are reported net of returns. Shipping and handling fees billed to customers are included in net sales and the related costs are included in cost of sales. Revenues for gift card and certificate sales and store credits are recognized upon redemption. The Company maintains a reserve for potential product returns and it records, as a reduction to sales, its provision for estimated product returns, which is determined based on historical experience. In 2002, 2001 and 2000, the largest portion of the Company's sales was denominated in U.S. dollars.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance in applying generally accepted accounting principles with respect to revenue recognition. The Company adopted SAB 101 in the fourth quarter of 2000 and its application, retroactive to the beginning of 2000, had no significant impact on its financial position, earnings or cash flows.

#### EARNINGS PER SHARE

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

NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and certain other intangible assets no longer be amortized to earnings. In addition, the Company is required to review goodwill and certain other intangible assets annually for potential impairment. In 2002, the Company adopted this standard and completed its impairment test for goodwill and certain other intangible assets and determined that there was no significant impact on the Company's financial position, earnings or cash flows.

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In September 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the accounting and financial reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of SFAS No. 143 will be effective for the Company's financial statements for the fiscal year beginning February 1, 2003. The Company does not expect the adoption of this standard to have a significant impact on its financial position, earnings or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the accounting for impairment or disposal of long-lived assets and discontinued operations. On February 1, 2002, the Company adopted this standard and its application had no significant impact on its financial position, earnings or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for exit or disposal activities initiated after December 31, 2002. This statement requires that liabilities associated with exit or disposal activities initiated after adoption be recognized and measured at fair value when incurred, as opposed to at the date an entity commits to the exit or disposal plans. The adoption of this standard did not have a significant impact on the Company's financial position, earnings or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 148 provides alternate methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The disclosure requirements have been adopted for the Company's current year financial statements.

STOCK-BASED COMPENSATION

Employee stock options are accounted for under the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock. Accordingly, compensation expense has not been recognized for stock options granted at or above fair value. Had compensation expense been determined and recorded based upon the fair-value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," net earnings and earnings per share would have been reduced to pro forma amounts as follows:

	Years Ended January 31,		
	-----		
(in thousands, except per share amounts)	2003	2002	2001
	-----		

Net earnings as reported	\$ 189,894	\$ 173,587	\$ 190,584
Stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax	(12,803)	(10,713)	(9,111)
Pro forma net earnings	\$ 177,091	\$ 162,874	\$ 181,473
Earnings per basic share:			
As reported	\$ 1.31	\$ 1.19	\$ 1.31
Pro forma	1.22	1.12	1.25
Earnings per diluted share:			
As reported	1.28	1.15	1.26
Pro forma	1.19	1.08	1.20

The weighted-average fair values of options granted for the years ended January 31, 2003, 2002 and 2001 were \$9.40, \$12.33 and \$12.14. The fair value of each option grant is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Years Ended January 31,		
	2003	2002	2001
Dividend yield	0.6%	0.7%	0.7%
Expected volatility	37.5%	36.5%	35.0%
Risk-free interest rate	2.9%	4.3%	4.9%
Expected life (years)	5	5	5

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#### C. ACQUISITIONS AND DISPOSITIONS

In May 2001, the Company purchased 45% of Little Switzerland, Inc.'s ("Little Switzerland") outstanding shares of common stock by means of a direct investment in newly-issued unregistered shares at a cost of \$9,546,000. Little Switzerland is a specialty retailer of jewelry, watches, crystal, china and giftware, operating stores primarily on Caribbean islands, as well as in Florida and Alaska. The Company accounted for this investment under the equity method based upon its ownership interest and its significant influence. In 2001, the Company also provided Little Switzerland with an interest-bearing loan in the amount of \$2,500,000. The Company's equity share of Little Switzerland's results from operations has been included in other expense (income), net and amounted to a loss of \$1,482,000 in 2002 (through September 30) and \$2,483,000 in 2001. In August 2002, a wholly-owned subsidiary of the Company commenced a cash tender offer to acquire the remaining balance of the outstanding shares of Little Switzerland's common stock at \$2.40 per share. In October 2002, the Company purchased and paid for the shares acquired, which represented 98% of the outstanding shares of Little Switzerland. On November 20, 2002, the subsidiary merged with and into Little Switzerland. Under the terms of the merger, common stock of Little Switzerland not owned by the subsidiary has been converted into the right to receive the same consideration paid in the tender offer. The cost of acquiring all of the outstanding shares of Little Switzerland, other than those already owned by the Company, including professional fees and other related costs, was \$27,530,000. Pro forma financial data, assuming the acquisition had been completed on February 1, 2001 and 2002, has not been presented since the Little Switzerland acquisition is not significant to the Company's financial condition or results of operations. The purchase price has been allocated to the assets acquired and liabilities assumed according to estimated fair values. The amount assigned to intangible assets is \$10,615,000 and is being amortized over 20 years. The amount assigned to goodwill is \$9,536,000, none of which is expected to be deductible for tax purposes. The Company commenced the consolidation of Little Switzerland's operations effective

October 1, 2002, and the interest-bearing loan provided to Little Switzerland in 2001 has been eliminated in consolidation. The acquisition was accounted for in accordance with SFAS No. 141, "Business Combinations."

In November 2002, the Company made a decision to discontinue offering service award programs which it operates through its Business Sales division. The Company will fulfill its existing customer commitments, without soliciting new employee service award programs. Sales affected by this action represent less than \$30,000,000 annually, or less than half of the Business Sales division's sales. As a consequence of that decision, the Company recorded a pre-tax charge of \$1,400,000 in 2002, primarily related to employee separation costs and the disposal of obsolete, program-specific inventory.

In January 2001, the Company discontinued wholesale sales of fragrance products in the U.S. and in most international markets; in July 2000, the Company discontinued wholesale sales of jewelry and non-jewelry items in Europe; and in January 2000, the Company discontinued wholesale sales of jewelry and non-jewelry items in the U.S. In connection with these decisions, the Company established product return reserves, which had the cumulative effect of reducing gross profit by \$9,364,000, and recorded a charge of \$3,146,000 to selling, general and administrative expenses, primarily relating to the write-off of unrecoverable store fixtures maintained by such customers. At January 31, 2002, all costs relating to these discontinued operations had been incurred and there was no product return reserve remaining.

#### D. INVESTMENTS

In December 2002, a wholly-owned subsidiary of the Company made a \$4,000,000 investment in a privately-held venture that designs and sells jewelry. The subsidiary has an additional funding commitment of \$9,000,000 and the option to buy out and own 100% of the venture in future periods. This venture is being consolidated in the Company's financial statements based on the percentage of

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ownership and effective control over the direction of the operations of the venture. The venture is not significant to the Company's financial position, earnings or cash flows.

In February 2000, the Company acquired a 5.4% equity interest in Della.com, Inc. ("Della"), a provider of online wedding gift registry services. In April 2000, Della merged with and into WeddingChannel.com with the consequence that the Company's equity interest in Della was converted to a 2.7% interest in WeddingChannel.com, assuming the conversion of all outstanding preferred shares to common. The Company accounted for this investment in accordance with the cost method as provided in Accounting Principles Board Opinion No. 18, as amended. In 2001, the Company recorded in other expense (income), net a pre-tax impairment charge of \$7,800,000, representing the Company's total investment.

In July 1999, the Company made a strategic investment in Aber Diamond Corporation ("Aber"), previously known as Aber Resources Ltd., a publicly-traded company headquartered in Canada, by purchasing eight million unregistered shares of its common stock, which represents 14.7% of Aber's outstanding shares, at a cost of \$70,636,000. Aber holds a 40% interest in the Diavik Diamonds Project in Canada's Northwest Territories, an operation developed to mine diamonds. Startup is expected in the first quarter of 2003. On January 31, 2003 and 2002, the Company's investment had aggregate fair-market values of \$153,280,000 and \$121,440,000, based upon the market price of Aber's common stock on those dates. This investment is included in other assets, net and was allocated at the time of investment between the Company's interest in the net book value of Aber and the mineral rights obtained. At January 31, 2003 and 2002, the Company's investment in Aber was \$32,012,000 and \$33,088,000, and the intangible mineral rights balance was \$41,243,000 in both years. The amount allocated to the Company's interest in the net book value of Aber is being accounted for under the equity method based upon the Company's significant influence, including representation on Aber's Board of Directors. In February 2001, Aber completed the sale of its interest in a mining project for \$114,000,000. As a result of this sale, the Company recorded in other expense (income), net a pre-tax gain of \$5,257,000, net of mineral rights costs related to this project. The Company's equity share of Aber's results from operations (excluding the gain on the sale of its interest in the mining project) has been included in other



expense (income), net and amounted to losses of \$1,076,000, \$125,000 and \$1,243,000 in 2002, 2001 and 2000. Depletion of the mineral rights will be recorded as a charge to cost of sales based on the projected units of production method and will commence once production has started. In addition, the Company has entered into a diamond purchase agreement whereby the Company has the obligation to purchase, subject to the Company's quality standards, a minimum of \$50,000,000 of diamonds per year for 10 years. It is expected that this commercial relationship will enable the Company to secure a considerable portion of its future diamond needs.

E. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Interest, net of interest capitalization	\$ 18,652	\$ 19,525	\$ 15,487
Income taxes	\$ 100,059	\$ 112,158	\$ 121,019

Details of businesses acquired in purchase transactions:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Fair value of assets acquired	\$ 48,090	\$ -	\$ -
Less: liabilities assumed	20,560	-	-
Cash paid for acquisitions	27,530	-	-
Less: cash acquired	1,031	-	-
Net cash paid for acquisitions	\$ 26,499	\$ -	\$ -

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Supplemental noncash investing and financing activities:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan	\$ 1,000	\$ 2,800	\$ 3,300
Capital lease	\$ -	\$ -	\$ 40,747

F. INVENTORIES

(in thousands)	January 31,	
	2003	2002
Finished goods	\$ 615,247	\$ 528,671
Raw materials	91,505	67,779
Work-in-process	29,698	18,722
	736,450	615,172
Reserves	(4,362)	(3,519)
	\$ 732,088	\$ 611,653

LIFO-based inventories at January 31, 2003 and 2002 were \$532,160,000 and \$481,716,000 with the current cost exceeding the LIFO inventory value by \$20,135,000 and \$18,971,000. The LIFO valuation method had no effect on earnings per diluted share for the year ended January 31, 2003 and had the effect of decreasing earnings per diluted share by \$0.01 for the years ended January 31, 2002 and 2001.

#### G. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	January 31,	
	2003	2002
Land	\$ 78,754	\$ 55,498
Buildings	171,578	119,316
Leasehold improvements	302,159	255,233
Construction-in-progress	92,132	55,727
Office equipment	275,055	229,565
Machinery and equipment	61,726	49,398
	981,404	764,737
Accumulated depreciation and amortization	(303,774)	(239,152)
	\$ 677,630	\$ 525,585

The provision for depreciation and amortization for the years ended January 31, 2003, 2002 and 2001 was \$79,682,000, \$65,997,000 and \$47,448,000. In 2002 and 2001, the Company accelerated the depreciation of certain leasehold improvements and equipment as a result of the shortening of useful lives related to renovations and/or expansions of retail stores and office facilities. The amount of accelerated depreciation recognized was \$5,304,000 and \$6,516,000 for the years ended January 31, 2003 and 2002.

#### H. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)	January 31,	
	2003	2002
Accounts payable -- trade	\$ 67,150	\$ 56,291
Accrued compensation and commissions	23,839	24,885
Accrued sales, withholding and other taxes	37,468	25,573
Other	34,881	27,945

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 \$ 163,338    \$ 134,694  
 =====

I. EARNINGS PER SHARE

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

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Net earnings for basic and diluted EPS	\$ 189,894	\$ 173,587	\$ 190,584
Weighted-average shares for basic EPS	145,328	145,535	145,493
Incremental shares based upon the assumed exercise of stock options	3,263	4,982	6,323
Weighted-average shares for diluted EPS	148,591	150,517	151,816

For the years ended January 31, 2003, 2002 and 2001, there were 4,991,000, 3,220,000 and 1,683,000 stock options excluded from the computations of earnings per diluted share due to their antidilutive effect.

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J. DEBT

(in thousands)	January 31,			
	Carrying Amount		Fair Value	
	2003	2002	2003	2002
Short-term borrowings:				
Credit facility	\$ 49,194	\$ 36,913	\$ 49,194	\$ 36,913
LS Facility revolving loan	3,358	-	3,358	-
Other lines of credit	-	3,489	-	3,489
	52,552	40,402	52,552	40,402
Current portion of long-term debt:				
7.52% Senior Notes	-	51,500	-	53,147
Long-term debt:				
Senior Notes:				
6.90% Series A	60,000	60,000	66,273	60,420
7.05% Series B	40,000	40,000	44,427	40,075
6.15% Series C	41,903	-	41,903	-
6.56% Series D	63,067	-	63,067	-
4.50% yen loan	41,970	37,650	52,572	45,541

Variable-rate yen loan	46,167	41,415	46,167	41,415
LS Facility term loan	4,000	-	4,000	-
	297,107	179,065	318,409	187,451
	\$ 349,659	\$ 270,967	\$ 370,961	\$ 281,000

The fair values of short-term borrowings, the variable-rate yen loan and the LS Facility term loan approximate carrying value due to their variable interest-rate terms. The fair values of the Senior Notes were determined using the quoted market prices of debt instruments with similar terms and maturities. The fair value of the 4.50% yen loan is based upon discounted cash-flow analysis for securities with similar characteristics.

In July 2002, the Company, in a private transaction with various institutional lenders, issued, at par, \$40,000,000 of 6.15% Series C Senior Notes Due 2009 and \$60,000,000 of 6.56% Series D Senior Notes Due 2012 with respective seven-year and 10-year lump sum repayments upon maturities. The proceeds of these issues are being and will be used by the Company for general corporate purposes, including seasonal working capital, and was used to redeem the Company's \$51,500,000 principal amount 7.52% Senior Notes which came due in January 2003. The Note Purchase Agreement requires maintenance of specific financial covenants and ratios and limits certain changes to indebtedness and the general nature of the business, in addition to other requirements customary to such borrowings. Concurrently, the Company entered into an interest-rate swap agreement to hedge the change in fair value of its fixed-rate obligation. Under the swap agreement, the Company pays variable-rate interest and receives fixed interest-rate payments periodically over the life of the instrument. The Company accounts for the interest-rate swap agreement as a fair-value hedge of the debt (see Note K), requiring the debt to be valued at fair value. As a result, the carrying value of the Series C and Series D Senior Notes equals the fair value. For the year ended January 31, 2003, the interest-rate agreement had the effect of decreasing interest expense by \$1,999,000.

In November 2001, the Company entered into a new multicurrency revolving credit facility ("Credit Facility") to increase the borrowing limit from \$160,000,000 to \$200,000,000 and the number of participating banks from five to six. All borrowings are at interest rates based on a prime rate or LIBOR and are affected by local borrowing conditions. The Credit Facility expires in November 2006. The Credit Facility requires the payment of an annual fee based on the total amount of available credit and contains covenants that require maintenance of certain debt/ equity and interest-coverage ratios, in addition to other requirements customary to loan facilities of this nature. At January 31, 2003 and 2002, the interest rates under the Credit Facility ranged from 0.41% to 11.20% and 0.22% to 9.70%. The weighted-average interest rates for the Credit Facility were 3.95% and 3.57% for the years ended January 31, 2003 and 2002.

The Company also has other lines of credit totaling \$4,539,000.

In connection with the acquisition of the remaining outstanding shares of Little Switzerland, the Company assumed their outstanding debt. Little Switzerland has a senior collateralized revolving and term loan credit facility ("LS Facility"), which allows them to borrow up to

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\$12,000,000 through March 21, 2005, of which up to \$8,000,000 is a revolving loan and \$4,000,000 is a term loan, at an interest rate of 2.75% above the Adjusted Eurodollar Rate or 0.75% above the Prime Rate, plus customary servicing costs and unused facility fees. Amounts advanced to Little Switzerland under the LS Facility are limited to a stated borrowing base, which is calculated as a percentage of certain inventory less specific reserves (as defined in the LS Facility agreement). The LS Facility is collateralized by certain assets of Little Switzerland. The terms of the LS Facility require maintenance of specific financial covenants and ratios and limit certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

The Company has begun discussions to replace the LS Facility with an unsecured revolving credit facility. The proposed terms of this unsecured revolving credit facility should result in a reduction in interest expense, and contain financial ratios and covenants that are consistent with those contained in the Company's credit facility. The interest rate for the LS Facility at January 31, 2003 was 4.21%.

In October 1999, the Company entered into a yen 5,500,000,000, five-year loan agreement due 2004, bearing interest at a variable rate. The interest rate at January 31, 2003 was 0.58% and is based upon the six-month Japanese LIBOR plus 50 basis points and is reset every six months ("floating rate"). The proceeds from this loan were used to reduce short-term indebtedness in Japan. Concurrently, the Company entered into a yen 5,500,000,000, five-year interest-rate swap agreement whereby the Company pays a fixed rate of interest of 1.815% and receives the floating rate on the yen 5,500,000,000 loan. The interest-rate swap agreement had the effect of increasing interest expense by \$551,000, \$508,000 and \$538,000 for the years ended January 31, 2003, 2002 and 2001.

In December 1998, the Company, in private transactions with various institutional lenders, issued, at par, \$60,000,000 principal amount 6.90% Series A Senior Notes Due 2008 and \$40,000,000 principal amount 7.05% Series B Senior Notes Due 2010. The proceeds of these issuances were used by the Company for working capital and to refinance a portion of outstanding short-term indebtedness. The Note Purchase Agreements require lump sum repayment upon maturity, maintenance of specific financial covenants and ratios and limit certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

The Company has a yen 5,000,000,000, 15-year term loan agreement due 2011, bearing interest at a rate of 4.50%.

The Company had letters of credit and financial guarantees of \$13,683,000 at January 31, 2003.

#### K. HEDGING INSTRUMENTS

In the normal course of business, the Company uses financial hedging instruments, including derivative financial instruments, for purposes other than trading. These instruments include interest-rate swap agreements, foreign currency-purchased put options and forward foreign-exchange contracts. The Company does not use derivative financial instruments for speculative purposes.

The Company's foreign subsidiaries and branches satisfy all of their inventory requirements by purchasing merchandise from the Company's New York subsidiary. All inventory purchases are payable in U.S. dollars. Accordingly, the foreign subsidiaries and branches have foreign-exchange risk that may be hedged. To mitigate this risk, the Company manages a foreign currency hedging program intended to reduce the Company's risk in foreign currency-denominated (primarily yen) transactions.

To minimize the potentially negative impact of a significant strengthening of the U.S. dollar against the yen, the Company purchases yen put options ("options") and enters into forward foreign-exchange contracts that are designated as hedges of forecasted purchases of merchandise and to settle liabilities in foreign currencies. The Company accounts for its option contracts as cash-flow hedges. Effective November 1, 2001, the Company assesses hedge effectiveness based on the total changes in the option's cash flows. The effective portion of unrealized

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gains and losses associated with the value of the option contracts is deferred as a component of accumulated other comprehensive (loss) gain and is recognized as a component of cost of sales on the Company's consolidated statement of earnings when the related inventory is sold. Prior to November 1, 2001, the Company excluded time value from the assessment of effectiveness, which amounted to pre-tax hedging losses of \$375,000, recorded in cost of sales. There was no ineffectiveness related to the Company's option contracts in 2002 and 2001. The fair value of the options was \$1,512,000 and \$8,562,000 at January 31, 2003 and 2002. The fair value of the options was determined using quoted market prices

for these instruments.

At January 31, 2003 and 2002, the Company also had \$15,620,000 and \$16,306,000 of outstanding forward foreign-exchange contracts, which subsequently matured on February 26, 2003 and 2002, to primarily support the settlement of merchandise liabilities for the Company's business in Japan. Due to the short-term nature of the Company's forward foreign-exchange contracts, the book value of the underlying assets and liabilities approximates fair value.

As discussed in Note J, the Company utilizes interest-rate swap agreements to effectively convert its variable-rate yen obligation to a fixed-rate obligation and its fixed-rate Senior Notes Series C and Series D obligation to a floating-rate obligation. The Company accounts for its variable-rate yen interest-rate swap as a cash-flow hedge and its fixed-rate Senior Notes Series C and Series D interest-rate swap as a fair-value hedge. The terms of each swap agreement match the terms of the underlying debt, resulting in no ineffectiveness. The fair value of the interest-rate swap agreements was a net gain of \$4,013,000 at January 31, 2003 and a net loss of \$1,298,000 at January 31, 2002 and was based upon the amounts the Company would expect to pay to terminate the agreements.

Hedging activity affected accumulated other comprehensive (loss) gain, net of tax, as follows:

(in thousands)	Years Ended January 31,	
	2003	2002
Balance at beginning of period	\$ 6,515	\$ -
Impact of adoption	-	3,773
Derivative gains		
transferred to earnings	(4,395)	(4,672)
Change in fair value	(4,404)	7,414
	\$ (2,284)	\$ 6,515

The Company expects \$1,662,000 of derivative losses included in accumulated other comprehensive income to be reclassified into earnings within the next 12 months. This amount may vary due to fluctuations in the yen exchange rate. The maximum term over which the Company is hedging its exposure to the variability of future cash flows (for all forecasted transactions, excluding interest payments on variable-rate debt) is 12 months.

#### L. COMMITMENTS AND CONTINGENCIES

The Company leases certain office, distribution, retail and manufacturing facilities. Retail store leases may require the payment of minimum rentals and contingent rent based upon a percentage of sales exceeding a stipulated amount. The lease agreements, which expire at various dates through 2032, are subject, in many cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices.

In January 2001, the Company notified the lessor of its New Jersey Customer Service/Distribution Center and office facility that it exercised its purchase right included in the lease. The capital lease buyout was completed on January 31, 2002.

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Rent-free periods and other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight-line basis over the related terms of such leases. Rent expense for the Company's operating leases, including escalations, consisted of the following:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Minimum rent for retail locations	\$ 35,572	\$ 32,044	\$ 29,277
Contingent rent based on sales	17,470	15,668	17,469
Office, distribution and manufacturing facilities rent	13,572	10,809	11,737
	\$ 66,614	\$ 58,521	\$ 58,483

Aggregate minimum annual rental payments under noncancelable operating leases are as follows:

Years Ending January 31,	Minimum Annual Rental Payments (in thousands)
2004	\$ 62,871
2005	54,543
2006	45,463
2007	37,257
2008	33,380
Thereafter	192,563

At January 31, 2003, the Company's contractual cash obligations and commercial commitments were: inventory purchases of \$636,268,000 including the obligation under the agreement with Aber (see Note D), construction-in-progress of \$28,672,000 and other contractual obligations of \$16,825,000 (which includes the additional commitment of \$9,000,000, see Note D).

In August 2001, the Company signed new agreements with Mitsukoshi whereby TIFFANY & CO. boutiques will continue to operate within Mitsukoshi's stores in Japan until at least January 31, 2007. The new agreements largely continue the principles on which Mitsukoshi and the Company have been cooperating since 1993, when the relationship was last renegotiated. The main agreement, which will expire on January 31, 2007, covers the continued operation of TIFFANY & CO. boutiques. A separate set of agreements covers the operation of a freestanding TIFFANY & CO. store on Tokyo's Ginza. Under the new agreements, the Company began to pay to Mitsukoshi a reduced percentage fee based on certain sales beginning in 2002, to be followed by a greater reduction in fees beginning in 2003. The Company also operates boutiques in other Japanese department stores. The Company pays the department stores a percentage fee based on sales generated in these locations. Fees paid to Mitsukoshi and other Japanese department stores totaled \$84,494,000, \$93,971,000 and \$102,204,000 in 2002, 2001 and 2000.

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 instituted by persons injured upon premises within the Company's control, litigation with present and former employees and litigation claiming infringement of the copyrights and patents of others. Management believes that such pending litigation will not have a significant impact on the Company's financial position, earnings or cash flows.

#### M. RELATED PARTIES

A member of the Company's Board of Directors, who joined in July 2001, is an officer of International Business Machines Corporation, which has had a long-standing business relationship with the Company. Fees paid to that company for equipment and services rendered amounted to \$11,600,000, \$4,700,000 and \$3,100,000 in 2002, 2001 and 2000.

A member of the Company's Board of Directors is an officer of Lehman Brothers, which served as a placement agent for the 2002 debt issuance and as an advisor for the purchase of the remaining shares of Little Switzerland and other matters. Fees paid to that company for services rendered amounted to \$956,000, \$35,000 and \$4,000 in 2002, 2001 and 2000.

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A member of the Company's Board of Directors is a member of the Board of Directors of The Bank of New York, which serves as the Company's lead bank for its Credit Facility, provides other general banking services and serves as the plan administrator for the Company's pension plan. Fees paid to that company for services rendered amounted to \$842,000, \$1,021,000 and \$641,000 in 2002, 2001 and 2000.

#### N. STOCKHOLDERS' EQUITY

##### STOCK REPURCHASE PROGRAM

The Board of Directors has authorized the Company's stock repurchase program, which expires in November 2003. The program was initially authorized in November 1997 for the repurchase of up to \$100,000,000 of the Company's Common Stock in the open market over a three-year period. That authorization was superseded in September 2000 by a further authorization of repurchases of up to \$100,000,000 of the Company's Common Stock in the open market. The timing and actual number of shares repurchased depend on a variety of factors such as price and other market conditions. The Company repurchased and retired 1,350,000 shares of Common Stock in 2002 at an aggregate cost of \$37,526,000, or an average cost of \$27.80 per share; repurchased and retired 1,628,000 shares of Common Stock in 2001 at an aggregate cost of \$39,265,000, or an average cost of \$24.12 per share; and repurchased and retired 465,000 shares of Common Stock in 2000 at an aggregate cost of \$13,319,000, or an average cost of \$28.64 per share.

##### STOCKHOLDER RIGHTS PLAN

In September 1998, the Board of Directors amended and restated the Company's existing Stockholder Rights Plan ("Rights Plan") to extend its expiration date from November 17, 1998 to September 17, 2008. Under the Rights Plan, as amended, each outstanding share of the Company's Common Stock has a stock purchase right, initially subject to redemption at \$0.01 per right, which right first becomes exercisable should certain takeover-related events occur. Following certain such events, but before any person has acquired beneficial ownership of 15% of the Company's common shares, each right may be used to purchase 0.0025 of a share of Series A Junior Participating Cumulative Preferred Stock at an exercise price of \$165.00 (subject to adjustment); after such an acquisition, each right becomes nonredeemable and may be used to purchase, for the exercise price, common shares having a market value equal to two times the exercise price. If, after such an acquisition, a merger of the Company occurs (or 50% of the Company's assets are sold), each right may be exercised to purchase, for the exercise price, common shares of the acquiring corporation having a market value equal to two times the exercise price. Rights held by such a 15% owner may not be exercised.

##### PREFERRED STOCK

The Board of Directors is authorized to issue, without further action by the stockholders, shares of Preferred Stock and to fix and alter the rights related to such stock. In March 1987, the stockholders authorized 2,000,000 shares of Preferred Stock, par value \$0.01 per share. In November 1988, the Board of Directors designated certain shares of such Preferred Stock as Series A Junior Participating Cumulative Preferred Stock, par value \$0.01 per share, to be issued in connection with the exercise of certain stock purchase rights under the Rights Plan. At January 31, 2003 and 2002, there were no shares of Preferred Stock issued or outstanding.

##### CASH DIVIDENDS

The Board of Directors declared an increase of 33% in the quarterly dividend rate on common shares in May 2000, increasing the quarterly rate to \$0.04 per share. On February 20, 2003, the Board of Directors declared a quarterly dividend of \$0.04 per common share. This dividend will be paid on April 10, 2003



to stockholders of record on March 20, 2003.

O. STOCK COMPENSATION PLANS

In May 1998, the stockholders approved both the Company's 1998 Employee Incentive Plan and the Directors Option Plan. No award may be made under either plan after March 19, 2008. Under the Employee Incentive Plan, the maximum number of shares of Common Stock subject to issuance is 10,369,764 (subject to adjustment); awards may be made to employees of the Company or its related companies in the form of stock options, stock appreciation rights, shares of stock and cash; awards made in the form of non-qualified stock options, tax-qualified incentive stock options or stock appreciation rights may have a maximum term of 10 years from the date of grant (vesting in increments of 25% per year over a four-year period on the yearly anniversary date of the grant) and may not be granted for an exercise price below fair-market value. With the adoption of the Employee Incentive Plan, no further stock options may be granted under the Company's 1986 Stock Option Plan; however, 3,461,719 shares remain subject to issuance based on prior grants made under such plan.

Under the Directors Option Plan, the maximum number of shares of Common Stock subject to issuance is 1,000,000 (subject to adjustment); awards may be made to non-employee directors of the Company in the form of stock options or shares of stock but may not exceed 20,000 (subject to adjustment) shares per non-employee director in any fiscal year; awards made in the form of stock options may have a maximum term of 10 years from the date of grant (vesting in increments of 50% per year over a two-year period on the yearly anniversary date of the grant) and may not be granted for an exercise price below fair-market value unless the director has agreed to forego all or a portion of his or her annual cash retainer or other fees for service as a director in exchange for below market exercise price options. No further options may be granted under the 1988 Directors Option Plan, which has expired; all Director options awarded under the 1988 Plan were granted at 50% below the market value at the date of grant. The Company recognized compensation expense relating to options granted at below market value based on the difference between the option price and the fair-market value at the date of grant.

A summary of activity for the Company's stock option plans is presented below:

	Number of Shares	Weighted- Average Exercise Price
Outstanding, January 31, 2000	11,285,624	\$ 14.66
Granted	1,581,300	33.06
Exercised	(1,307,545)	8.21
Forfeited	(228,850)	20.71
-----		
Outstanding, January 31, 2001	11,330,529	17.85
Granted	2,067,250	33.80
Exercised	(642,870)	9.58
Forfeited	(246,949)	28.65
-----		
Outstanding, January 31, 2002	12,507,960	20.70
Granted	2,231,900	26.28
Exercised	(1,184,732)	8.73
Forfeited	(349,989)	33.33
-----		
OUTSTANDING, JANUARY 31, 2003	13,205,139	\$ 22.38
=====		

Options exercisable at January 31, 2003, 2002 and 2001 were 8,522,446, 7,805,486 and 6,438,929.

The following tables summarize information concerning options outstanding and exercisable at January 31, 2003:

Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price
\$ 1.81-\$ 9.45	2,524,888	3.98	\$ 6.25
\$ 9.48-\$14.98	3,542,785	5.94	13.01
\$17.59-\$25.85	2,217,800	9.79	25.53
\$25.94-\$34.02	3,168,816	8.51	33.12
\$34.92-\$39.97	323,750	8.04	37.23
\$42.08-\$42.08	1,427,100	6.97	42.08
	13,205,139	6.99	\$ 22.38

Options Exercisable		
Range of Exercise Prices	Number Exercisable	Weighted-Average Exercise Price
\$ 1.81-\$ 9.45	2,524,888	\$ 6.25
\$ 9.48-\$14.98	3,542,785	13.01
\$17.59-\$25.85	63,391	19.78
\$25.94-\$34.02	1,185,353	32.86
\$34.92-\$39.97	109,379	37.25
\$42.08-\$42.08	1,096,650	42.08
	8,522,446	\$ 17.87

#### P. EMPLOYEE BENEFIT PLANS

##### PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company maintains a noncontributory defined benefit pension plan ("Plan") covering substantially all domestic salaried and full-time hourly employees. The Company accounts for pension expense using the projected unit credit actuarial method for financial reporting purposes. Plan benefits are based on the highest five consecutive years of compensation or as a percentage of actual compensation, as applicable in the circumstances, and the number of years of service. The actuarial present value of the vested benefit obligation is calculated based on the expected date of separation or retirement of the Company's eligible employees. The Company funds the Plan's trust in accordance with regulatory limits to provide for current service and for unfunded projected benefit obligation over a reasonable period. Assets of the Plan consist primarily of equity mutual funds, common stocks and U.S. Government, corporate and mortgage obligations. The Plan's assets also include investments in the Company's Common Stock representing 6% and 11% of Plan assets at January 31, 2003 and 2002.

The Company provides certain health-care and life insurance benefits for retired employees and accrues the cost of providing these benefits throughout the employees' active service periods until they attain full eligibility for those

benefits. Substantially all of the Company's U.S. employees may become eligible for these benefits if they reach normal or early retirement age while working for the Company. The Company's employee and retiree healthcare benefits are administered by an insurance company, and premiums on life insurance are based on prior years' claims experience.

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The following tables provide a reconciliation of benefit obligations, plan assets and funded status of the plans:

(in thousands)	January 31,			
	Pension Benefits		Other Postretirement Benefits	
	2003	2002	2003	2002
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 106,373	\$ 89,819	\$ 38,787	\$ 25,794
Service cost	7,094	6,040	2,415	2,769
Interest cost	7,072	6,297	2,042	2,064
Participants' contributions	-	-	35	33
Amendment	-	1,132	-	-
Actuarial loss (gain)	5,098	6,037	(4,017)	9,093
Benefits paid	(3,024)	(2,952)	(1,231)	(966)
Benefit obligation at end of year	\$ 122,613	\$ 106,373	\$ 38,031	\$ 38,787
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 72,867	\$ 79,281	\$ -	\$ -
Actual return on plan assets	(7,412)	(3,462)	-	-
Employer contribution	16,937	-	1,196	933
Participants' contributions	-	-	35	33
Benefits paid	(3,024)	(2,952)	(1,231)	(966)
Fair value of plan assets at end of year	\$ 79,368	\$ 72,867	\$ -	\$ -
Funded status	\$ (43,245)	\$ (33,506)	\$ (38,031)	\$ (38,787)
Unrecognized net actuarial loss	26,805	7,867	4,346	8,337
Unrecognized prior service cost	1,025	1,132	287	281
Accrued benefit cost	\$ (15,415)	\$ (24,507)	\$ (33,398)	\$ (30,169)

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The following table provides the amounts recognized in the Consolidated Balance Sheets:

(in thousands)	January 31,			
	Pension Benefits		Other Postretirement Benefits	
	2003	2002	2003	2002
Accrued benefit liability	\$ (20,950)	\$ (24,507)	\$ (33,398)	\$ (30,169)
Minimum pension liability adjustment:				
Intangible asset	1,025	-	-	-
Accumulated other comprehensive income (pre-tax)	4,510	-	-	-
Net amount recognized	\$ (15,415)	\$ (24,507)	\$ (33,398)	\$ (30,169)

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

(in thousands)	Years Ended January 31,					
	Pension Benefits			Other Postretirement Benefits		
	2003	2002	2001	2003	2002	2001
Service cost-benefits earned during period	\$ 7,094	\$ 6,040	\$ 4,632	\$ 2,415	\$ 2,769	\$ 2,129
Interest cost on accumulated benefit obligation	7,072	6,297	5,487	2,042	2,064	1,642
Return on plan assets	(6,428)	(5,808)	(5,166)	-	-	-
Net amortization and deferrals	107	41	241	(32)	23	(5)
Net expense	\$ 7,845	\$ 6,570	\$ 5,194	\$ 4,425	\$ 4,856	\$ 3,766

	January 31,			
	Pension Benefits		Other Postretirement Benefits	
	2003	2002	2003	2002
Weighted-average assumptions:				
Discount rate	6.50%	6.75%	6.50%	6.75%
Expected return on plan assets	7.50%	9.00%	-	-
Rate of increase in compensation	4.00%	4.00%	-	-

TIFFANY & CO. AND SUBSIDIARIES

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For postretirement benefit measurement purposes, 11.00% (for pre-age 65 retirees) and 12.00% (for post-age 65 retirees) annual rates of increase in the per capita cost of covered health care were assumed for 2002. The rate was assumed to decrease gradually to 5.00% for both groups by 2017 and remain at that level thereafter.

Assumed health-care cost trend rates have a significant effect on the amounts reported for the Company's postretirement health-care benefits plan. A one-percentage-point change in the assumed health-care cost trend rate would increase the Company's accumulated postretirement benefit obligation by \$6,191,000 and the aggregate service and interest cost components of net periodic postretirement benefits by \$968,000 for the year ended January 31, 2003. Decreasing the health-care cost trend rate by one percentage point would decrease the Company's accumulated postretirement benefit obligation by \$4,991,000 and the aggregate service and interest cost components of net periodic postretirement benefits by \$764,000 for the year ended January 31, 2003.

OTHER RETIREMENT PLANS

The Company has deferred compensation arrangements for certain executives and eligible employees which generally provide for payments at specified future dates, upon retirement, death or termination of employment. Benefit payments are funded by either contributions from eligible participants or from the Company, depending on the plan. The amounts accrued under these plans were \$20,340,000 and \$18,163,000 at January 31, 2003 and 2002, and are reflected in other long-term liabilities. Amounts contributed and the related investment returns are reflected in other assets, net.

PROFIT SHARING AND RETIREMENT SAVINGS PLAN

The Company also maintains an Employee Profit Sharing and Retirement Savings Plan ("EPSRS Plan") that covers substantially all U.S.-based employees. Under the profit-sharing portion of the EPSRS Plan, the Company makes contributions,

in the form of newly-issued Company Common Stock, to the employees' accounts based upon the achievement of certain targeted earnings objectives established by, or as otherwise determined by, the Board of Directors. The Company recorded charges of \$2,000,000, \$1,000,000 and \$2,800,000 in 2002, 2001 and 2000. Under the retirement savings portion of the EPSRS Plan, employees who meet certain eligibility requirements may participate by contributing up to 15% of their annual compensation, and the Company will provide a 50% matching cash contribution up to 6% of each participant's total compensation. The Company recorded charges of \$4,238,000, \$4,054,000 and \$3,635,000 in 2002, 2001 and 2000. Contributions to both portions of the EPSRS Plan are made in the following year.

Under the profit-sharing portion of the EPSRS Plan, the Company's stock contribution is required to be maintained in such stock until the employee either leaves or retires from the Company. Under the retirement savings portion of the EPSRS Plan, the employees have the ability to elect to invest their contribution and the matching contribution in company stock. At January 31, 2003, investments in company stock in the profit-sharing portion and in the retirement savings portion represented 21% and 19% of total EPSRS Plan assets.

TIFFANY & CO. AND SUBSIDIARIES

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Q. INCOME TAXES

Earnings before income taxes consisted of the following:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
United States	\$ 216,713	\$ 204,955	\$ 245,665
Foreign	82,924	84,357	71,976
	<u>\$ 299,637</u>	<u>\$ 289,312</u>	<u>\$ 317,641</u>

Components of the provision for income taxes were as follows:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Current:			
Federal	\$ 64,500	\$ 72,943	\$ 80,530
State	17,090	21,091	21,309
Foreign	33,362	28,328	25,988
	<u>114,952</u>	<u>122,362</u>	<u>127,827</u>
Deferred:			
Federal	(3,367)	(5,166)	476
State	(1,597)	(2,429)	(1,222)
Foreign	(245)	958	(24)
	<u>(5,209)</u>	<u>(6,637)</u>	<u>(770)</u>
	<u>\$ 109,743</u>	<u>\$ 115,725</u>	<u>\$ 127,057</u>

Deferred tax assets (liabilities) consisted of the following:

(in thousands)	January 31,	
	2003	2002
-----		
Deferred tax assets:		
Postretirement/employment benefits	\$ 15,230	\$ 13,835
Inventory reserves	28,088	24,939
Accrued expenses	9,115	11,066
Financial hedging instruments	162	(602)
Depreciation	9,798	4,288
Pension contribution	7,965	6,478
Other	6,593	5,445
	-----	-----
	76,951	65,449
	=====	=====
Deferred tax liabilities:		
Undistributed earnings of foreign subsidiaries	(22,328)	(19,719)
Trademark amortization	(3,648)	-
	-----	-----
	(25,976)	(19,719)
	-----	-----
Net deferred tax asset	\$ 50,975	\$ 45,730
	=====	=====

The income tax effects of items comprising the deferred income tax benefit were as follows:

(in thousands)	Years Ended January 31,		
	2003	2002	2001
-----			
Postretirement/employment benefit obligations	\$ (1,395)	\$ (1,730)	\$ (1,360)
Undistributed earnings of foreign subsidiaries	2,609	4,575	5,074
Accelerated depreciation	(4,028)	(2,461)	(1,129)
Inventory reserves	(1,847)	(930)	(1,874)
Financial hedging instruments	(764)	1,775	(553)
Inventory capitalization	(1,602)	(6,518)	(671)
Asset impairment	-	(2,732)	-
Accrued expenses	1,936	392	3,391
Excess pension contribution	375	753	(2,324)
Other	(493)	239	(1,324)
	-----	-----	-----
	\$ (5,209)	\$ (6,637)	\$ (770)
	=====	=====	=====

Reconciliations of the provision for income taxes at the statutory Federal income tax rate to the Company's effective tax rate were as follows:

	Years Ended January 31,		
	2003	2002	2001
-----			
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal benefit	4.0	4.3	4.1
Foreign losses with no tax benefit	0.7	0.3	0.6
Extraterritorial income			

exclusion	(3.8)	-	-
Other	0.7	0.4	0.3
	-----	-----	-----
	36.6%	40.0%	40.0%
	=====	=====	=====

In November 2000, the United States Government repealed the tax provisions associated with Foreign Sales Corporations ("FSC") and enacted, in their place, the Extraterritorial Income Exclusion Act ("ETI"), certain provisions of which differed from those governed by the FSC regulations. The ETI provides for the exclusion from United States income tax of certain extraterritorial income earned from the sale of qualified United States origin goods. Qualified United States origin goods are generally defined as those wherein not more than 50% of the fair-market value (including intangible values) is attributable

TIFFANY & CO. AND SUBSIDIARIES

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to foreign content or value added outside the United States. In the third quarter ended October 31, 2002, the Company determined that this tax benefit was applicable to its operations and, therefore, has recognized a tax benefit. It is unknown if this benefit will continue to be available to the Company in the future, as the World Trade Organization ("WTO") ruled in January 2002 in favor of a complaint by the European Union, and joined by Canada, Japan and India, that the ETI exclusion constitutes a prohibited export subsidy under WTO regulations. The United States Government is currently reviewing its options in response to this ruling.

#### R. SEGMENT INFORMATION

The Company's reportable segments are: U.S. Retail, International Retail, Direct Marketing and Specialty Retail.

The Company's products are primarily sold in more than 100 TIFFANY & CO. retail locations in key markets around the world. Net sales by geographic area are presented by attributing revenues from external customers on the basis of the country in which the merchandise is sold.

Effective October 1, 2002, the Company established the Specialty Retail segment to include the consolidated results of Little Switzerland, as well as the consolidated results from other ventures operated under non-TIFFANY & CO. trademarks or trade names. The Company's other reportable segments represent channels of distribution that offer similar merchandise and service and have similar marketing and distribution strategies.

In deciding how to allocate resources and assess performance, the Company's Executive Officers regularly evaluate the performance of its reportable segments on the basis of net sales and earnings from operations, after the elimination of intersegment sales and transfers. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

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

(in thousands)	Years Ended January 31,		
	2003	2002	2001
	-----	-----	-----
Net sales:			
U.S. Retail	\$ 819,814	\$ 786,792	\$ 833,221
International Retail	683,489	659,028	679,274
Direct Marketing	179,175	160,715	155,561
Specialty Retail	24,124	-	-
	-----	-----	-----
	\$ 1,706,602	\$ 1,606,535	\$ 1,668,056
	=====	=====	=====

Earnings (losses) from operations*:						
U.S. Retail	\$	198,755	\$	199,310	\$	230,795
International Retail		205,398		196,816		188,216
Direct Marketing		41,747		28,104		22,277
Specialty Retail		(1,646)		-		-
	\$	444,254	\$	424,230	\$	441,288

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

The Company's Executive Officers evaluate the performance of the Company's assets related to the operations under TIFFANY & CO. trademarks or trade names on an aggregate basis. Assets related to the operations under non-TIFFANY & CO. trademarks or trade names are not significant to the Company. Therefore, separate financial information for the Company's assets on a segment basis is not presented. For the years ended January 31, 2003 and 2002, total assets were \$1,923,586,000 and \$1,631,074,000.

#### TIFFANY & CO. AND SUBSIDIARIES

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

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Earnings from operations for reportable segments	\$ 444,254	\$ 424,230	\$ 441,288
Unallocated corporate expenses	(125,057)	(114,333)	(113,892)
Interest and other expenses, net	(19,560)	(20,585)	(9,755)
Earnings before income taxes	\$ 299,637	\$ 289,312	\$ 317,641

Sales to unaffiliated customers and long-lived assets were as follows:

#### GEOGRAPHIC AREAS

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Net sales:			
United States	\$ 1,026,383	\$ 972,178	\$ 1,022,203
Japan	441,764	448,239	463,130
Other countries	238,455	186,118	182,723
	\$ 1,706,602	\$1,606,535	\$ 1,668,056
Long-lived assets:			
United States	\$ 600,624	\$ 504,187	\$ 407,412
Japan	4,106	4,541	6,490
Other countries	89,792	32,684	24,246



\$ 694,522    \$ 541,412    \$ 438,148  
 =====

CLASSES OF SIMILAR PRODUCTS

(in thousands)	Years Ended January 31,		
	2003	2002	2001
Net sales:			
Jewelry	\$ 1,360,243	\$ 1,276,344	\$1,300,697
Tableware, timepieces and other	346,359	330,191	367,359
	\$ 1,706,602	\$ 1,606,535	\$1,668,056

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S. QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)	2002 Quarter Ended			
	April 30	July 31	October 31	January 31
Net sales	\$ 347,129	\$ 374,427	\$ 366,033	\$ 619,013
Gross profit	206,415	219,807	215,813	369,413
Earnings from operations	58,566	59,078	49,913	151,640
Net earnings	32,709	32,714	35,184	89,287
Net earnings per share:				
Basic	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.62
Diluted	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.60

(in thousands, except per share amounts)	2001 Quarter Ended			
	April 30	July 31	October 31	January 31
Net sales	\$ 336,401	\$ 371,301	\$ 333,074	\$ 565,759
Gross profit	190,140	215,871	192,839	344,627
Earnings from operations	49,221	65,670	46,041	148,965
Net earnings	30,762	36,052	24,028	82,745
Net earnings per share:				
Basic	\$ 0.21	\$ 0.25	\$ 0.17	\$ 0.57
Diluted	\$ 0.20	\$ 0.24	\$ 0.16	\$ 0.55

The sum of the quarterly net earnings per share amounts may not equal the full-year amount since the computations of the weighted-average number of common-equivalent shares outstanding for each quarter and the full year are made independently.



Tiffany & Co.  
Subsidiaries

Exhibit 21.1  
Tiffany & Co.  
Report on Form 10-K

(Note: Omitted from this list are certain subsidiaries that do not constitute Significant Subsidiaries (see Reg. S-X))

Domestic Subsidiaries	International Subsidiaries	Domestic Subsidiaries	International Subsidiaries
TIFFANY & CO. ICT, INC.  Delaware	TIFFANY & CO. (FORMERLY SOCIETE FRANCAISE POUR LE DEVELOPPEMENT DE LA PORCELAINE D'ART) France	TIFFANY & CO. JAPAN INC.  Delaware	TIFFANY-BRASIL LTDA.  Brazil
JUDEL PRODUCTS CORP. (Formerly Glassware Acquisition Inc.) West Virginia	SOCIETE EUROPEENNE DE PORCELAINE INDUSTRIELLE ET ARTISANALE France	LITTLE SWITZERLAND, INC.  Delaware	TIFFANY & CO. OF NEW YORK LIMITED  Hong Kong
TIFFANY (NJ) INC.  New Jersey	TIFFANY & CO. (Unlimited Liability)  United Kingdom	L.S. WHOLESALE, INC.  Massachusetts	SINDAT LIMITED  Hong Kong
	POWBRIDGE PORTFOLIO INC.  Bahamas	L.S. HOLDING (FLORIDA), INC.  Florida	TIFFANY & CO. ITALIA S.p.A. (Formerly Tiffany-Faraone S.p.A.) Italy
	TIFFANY & CO. K.K. (TIFFANY AND COMPANY 51%) Mitsukoshi, Ltd. 49%) Japan	L.S. HOLDING, INC. Virgin Islands Controls various small operating subsidiaries throughout the Caribbean and Alaska	TIFFANY KOREA LTD. (Formerly Tiffco Korea Ltd.)  Republic of Korea
			TIFFANY & CO. MEXICO, S.A. de C.V.  Mexico
			TIFFANY & CO. OVERSEAS FINANCE B.V.  Netherlands
			TIFFANY & CO. PTE. LTD.  Singapore

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UPTOWN ALLIANCE  
(M) Sdn. Bhd.

Malaysia

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TIFFANY & CO.  
WATCH CENTER A.G.

Switzerland-Canton Zurich  
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CONSENT OF INDEPENDENT ACCOUNTANTS  
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We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-82653) and Form S-8 (File Nos. 333-43978, 333-85195, 333-85197, 333-85199, 333-85201, and 033-54847) of Tiffany & Co. and Subsidiaries of our report dated February 25, 2003 relating to the consolidated financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 25, 2003 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York  
April 7, 2003

Certification Required by 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)  
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In connection with the Annual Report of Tiffany & Co. (the "Company") on Form 10-K for the period ended January 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Kowalski, as Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 8, 2003

/s/ MICHAEL J. KOWALSKI  
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Michael J. Kowalski  
Chairman and Chief Executive Officer

Certification Required by 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)  
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In connection with the Annual Report of Tiffany & Co. (the "Company") on Form 10-K for the period ended January 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James N. Fernandez, as Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 8, 2003

/s/ JAMES N. FERNANDEZ  
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James N. Fernandez  
Executive Vice President and  
Chief Financial Officer