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

# Form 10-K

**☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended January 31, 2006**

**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** | **13-3228013** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **727 Fifth Avenue, New York, New York** | **10022** |
| (Address of principal executive offices) | (Zip code) |

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

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

| Title of each class | Name of each exchange On which registered |
|---|---|
| Common Stock, $.01 par value per share | New York Stock Exchange |
| Stock Purchase Rights | New York Stock Exchange |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

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

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 Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K. ☑

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

Large Accelerated filer ☑ Accelerated filer ☐ Non-Accelerated filer ☐

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

As of July 29, 2005 the aggregate market value of the registrant's voting and non-voting stock held by non-affiliates of the registrant was approximately $4,793,702,819 using the closing sales price on this day of $34.03. See Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of March 24, 2006, the registrant had outstanding 142,567,901 shares of its common stock, $.01 par value per share.

**DOCUMENTS INCORPORATED BY REFERENCE.**

The following documents are incorporated by reference into this Annual Report on Form 10-K: Registrant's Proxy Statement Dated April 14, 2006 (Part III).

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including information incorporated herein by reference, contains certain “forward-looking statements” concerning the Registrant’s objectives and expectations with respect to store openings, sales, retail prices, gross profit, expenses, earnings per share, inventory performance, capital expenditures and cash flow. In addition, management makes other forward-looking statements from time to time concerning objectives and expectations. Statements beginning with such words as “believes”, “intends”, “plans”, and “expects” include forward-looking statements that are based on management’s expectations given facts as currently known by management on the date this Annual Report on Form 10-K was first filed with the Securities and Exchange Commission. All forward-looking statements involve risks, uncertainties and assumptions that, if they never materialize or prove incorrect, could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

The statements in this Annual Report on Form 10-K are made as of the date this Annual Report on Form 10-K was first filed with the Securities and Exchange Commission and the Registrant undertakes no obligation to update any of the forward-looking information included in this document, whether as a result of new information, future events, changes in expectations or otherwise.

## PART I

### 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, 2006, 2005 and 2004 is stated in Item 8. Financial Statements and Supplementary Data (Note R. "Segment Information").

c) Narrative description of business.

As used below, the terms "Fiscal 2005", "Fiscal 2004" and "Fiscal 2003" refer to the fiscal years ended on January 31, 2006, 2005 and 2004, respectively. Registrant is a holding company, and conducts all business through its subsidiary corporations.

#### 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 and non-Internet, business-to-business sales within the United States (see U.S. Retail below);

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

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

Other consists of sales transacted under trademarks and tradenames other than TIFFANY & CO. (i.e., LITTLE SWITZERLAND and IRIDESSE). Other also includes wholesale sales of diamonds that were found unsuitable for Tiffany's production by Tiffany's diamond sourcing and manufacturing operations (see Other below).

##### Products

Registrant's principal product category is jewelry. It also sells timepieces, sterling silver goods (other than jewelry), china, crystal, stationery, fragrances and personal accessories.

Tiffany offers an extensive selection of TIFFANY & CO. brand jewelry at a wide range of prices. In Fiscal 2005, 2004 and 2003 approximately 82%, 82% and 81%, respectively, of Registrant's net sales were

attributable to TIFFANY & CO. brand jewelry. Designs are developed by employees, suppliers, independent designers and independent "name" designers. See Designer Licenses below.

Retail Sales of TIFFANY & CO. Jewelry by Category*

| Category | % to total U.S. Retail Sales 2005 | % to total U.S. Retail Sales 2004 | % to total U.S. Retail Sales 2003 | % to total Japan Retail Sales 2005 | % to total Japan Retail Sales 2004 | % to total Japan Retail Sales 2003 |
|---|---|---|---|---|---|---|
| A | 30% | 28% | 25% | 26% | 24% | 23% |
| B | 15% | 14% | 13% | 30% | 29% | 28% |
| C | 9% | 10% | 9% | 12% | 13% | 13% |
| D | 29% | 29% | 30% | 22% | 24% | 26% |

A) This category includes most gemstone jewelry and gemstone band rings, other than engagement jewelry. Most jewelry in this category is constructed of platinum, although gold was used in approximately 18% of pieces in the U.S. and approximately 9% of pieces in Japan in 2005. Most items in this category contain diamonds, other gems or both. The average U.S. price-point for goods sold in 2005 for merchandise in this category was $3,692 in the U.S. and $2,105 in Japan.

B) This category includes diamond rings and wedding bands marketed to brides and grooms. Most jewelry in this category is constructed of platinum, although gold was used in approximately 5% of pieces in the U.S. and approximately 1% of pieces in Japan in 2005. Most sales in this category are of items containing diamonds. The average U.S. price-point for goods sold in 2005 for merchandise in this category was $4,214 in the U.S. and $1,625 in Japan.

C) This category generally consists of non-gemstone, gold or platinum jewelry, although small gems are used as accents in some pieces. The average U.S. price-point for goods sold in 2005 for merchandise in this category was $953 in the U.S. and $945 in Japan.

D) This category generally consists of non-gemstone, sterling silver jewelry, although small gems are used as accents in some pieces. The average U.S. price-point for goods sold in 2005 for merchandise in this category was $187 in the U.S. and $215 in Japan.

* Men's jewelry is not included in any category discussed above. Certain reclassifications have been made to conform to current-year presentations.

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 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.

Products sold by Registrant in the Other channel of distribution include jewelry, timepieces and clocks and decorative items sold under trademarks and tradenames other than TIFFANY & CO., although a small amount of TIFFANY & CO. brand merchandise is sold through Little Switzerland.

## U.S. Retail

*New York Flagship Store.* Tiffany's New York Flagship store on Fifth Avenue accounts for a significant portion of the Company's sales and is the focal point for marketing and public relations efforts. Approximately 10% of total Company net sales for Fiscal 2005, 2004 and 2003 were attributable to the New York Flagship store's retail sales.

*U.S. Branch Stores.* On January 31, 2006, in addition to its New York Flagship store, Tiffany had 58 branch stores in the United States. 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 Flagship store.

| Store Locations | Fiscal Year Opened | Store Locations | Fiscal Year Opened |
|---|---|---|---|
| San Francisco, California | 1963 | Seattle, Washington | 1998 |
| Houston, Texas | 1963 | Scottsdale, Arizona | 1998 |
| Beverly Hills, California | 1964 | Century City, California | 1999 |
| Chicago, Illinois | 1966 | Dallas (NorthPark), Texas | 1999 |
| Atlanta, Georgia | 1969 | Boca Raton, Florida | 1999 |
| Dallas, Texas | 1982 | Tamuning, Guam | 1999 |
| Boston, Massachusetts | 1984 | Old Orchard (Skokie), Illinois | 2000 |
| Costa Mesa, California | 1988 | Maui (Wailea), Hawaii | 2000 |
| Philadelphia, Pennsylvania | 1990 | Greenwich, Connecticut | 2000 |
| Vienna, Virginia | 1990 | Portland, Oregon | 2000 |
| Palm Beach, Florida | 1991 | Tampa, Florida | 2001 |
| Honolulu (Ala Moana), Hawaii | 1992 | Santa Clara (San Jose), California | 2001 |
| San Diego, California | 1992 | Honolulu (Waikiki), Hawaii | 2002 |
| Troy, Michigan | 1992 | Bellevue, Washington | 2002 |
| Bal Harbour, Florida | 1993 | East Hampton, New York | 2002 |
| Maui, Hawaii | 1994 | St. Louis, Missouri | 2002 |
| Oak Brook, Illinois | 1994 | Orlando, Florida | 2002 |
| King of Prussia, Pennsylvania | 1995 | Coral Gables, Florida | 2003 |
| Short Hills, New Jersey | 1995 | Tumon Bay (DFS), Guam | 2003 |
| White Plains, New York | 1995 | Palm Desert, California | 2003 |
| Hackensack, New Jersey | 1996 | Walnut Creek, California | 2003 |
| Chevy Chase, Maryland | 1996 | Edina, Minnesota | 2004 |
| Charlotte, North Carolina | 1997 | Kansas City, Missouri | 2004 |
| Chestnut Hill, Massachusetts | 1997 | Palm Beach Gardens, Florida | 2004 |
| Cincinnati, Ohio | 1997 | Westport, Connecticut | 2004 |
| Palo Alto, California | 1997 | Carmel, California | 2005 |
| Denver, Colorado | 1998 | Naples, Florida | 2005 |
| Las Vegas, Nevada | 1998 | Pasadena, California | 2005 |
| Manhasset, New York | 1998 | San Antonio, Texas | 2005 |

*Expansion of U.S. Retail Operations*. Management currently contemplates opening 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. Management recognizes that over-saturation of any market could diminish the distinctive appeal of the TIFFANY & CO. brand, but believes that there are a significant number of locations remaining in the United States that meet the requirements of a TIFFANY & CO. location, particularly for 5,000 square foot format stores. See Item 2. Properties below for further information concerning U.S. Retail store leases.

*Business-to-Business Sales Division*[1]. Tiffany's 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. Products and services are marketed through an organization of approximately 115 persons, through advertising in newspapers and business periodicals and through the publication of special catalogs.

International Retail

The following tables set forth locations operated by Registrant's subsidiaries.

Europe

| | |
|---|---|
| England: London, Old Bond Street | Germany: Frankfurt |
| England: London, Royal Exchange | Germany: Munich |
| England: London, Harrods Department Store | Italy: Florence |
| England: London, Sloane Street | Italy: Milan |
| France: Paris, Rue de la Paix | Italy: Rome |
| France: Paris, Printemps Department Store | Switzerland: Zurich |
| France: Paris, Galeries Lafayette | |

Canada and Central/South America

| | |
|---|---|
| Canada: Toronto | Mexico: Puebla, Palacio Store |
| Brazil: Sao Paulo, Jardins | Mexico: Mexico City, Palacio Store, Polanco |
| Brazil: Sao Paulo, Iguatemi Shopping Center | Mexico: Mexico City, Masaryk |
| Mexico: Mexico City, Palacio Store, Perisur | Mexico: Monterrey (open 2/06) |

[1] In the second quarter of 2005, the Company placed responsibility for U.S. non-Internet business-to-business sales within the U.S. Retail channel and, consequently, now reports non-Internet business-to-business sales in the U.S. Retail channel. In the past, such sales were reported in the Direct Marketing channel, which will continue to report Internet business-to-business transactions.

Japan

| | |
|---|---|
| Abeno, Kintetsu Department Store | Okinawa, Mitsukoshi Department Store * |
| Chiba, Mitsukoshi Department Store * | Osaka, Takashimaya Department Store |
| Fukuoka, Mitsukoshi Department Store * | Osaka, Umeda |
| Ginza, Mitsukoshi Department Store * | Sagamihara, Isetan Department Store |
| Hiroshima, Mitsukoshi Department Store * | Sapporo, Mitsukoshi Department Store * |
| Ikebukuro, Mitsukoshi Department Store * | Sapporo, Daimaru Department Store |
| Ikebukuro, Tobu Department Store | Sendai, Mitsukoshi Department Store * |
| Kagoshima, Mitsukoshi Department Store * | Shinjuku, Isetan Department Store |
| Kanazawa, Mitsukoshi * | Shinjuku, Mitsukoshi Department Store * |
| Kashiwa, Takashimaya Department Store | Shinsaibashi, Sogo Department Store |
| Kawasaki, Saikaya Department Store | Shizuoka, Matsuzakaya Department Store |
| Kobe, Daimaru Department Store | Tachikawa, Isetan Department Store |
| Kochi, Daimaru Department Store | Takamatsu, Mitsukoshi Department Store * |
| Kokura, Izutsuya Department Store | Takasaki, Takashimaya Department Store |
| Koriyama, Usui Department Store | Tamagawa, Takashimaya Department Store |
| Kumamoto, Tsuruya Department Store | Tokyo Bay, Ikspiari * |
| Kyoto, Daimaru Department Store | Tokyo, Ginza Flagship Store * |
| Kyoto, Takashimaya Department Store | Tokyo, Marunouchi |
| Matsuyama, Mitsukoshi Department Store * | Tottori, Daimaru Department Store |
| Mito, Keisei Department Store (open 3/06) | Umeda, Daimaru Department Store |
| Nagoya Hoshigaoka, Mitsukoshi Dept. Store * | Utsunomiya, Tobu Department Store |
| Nagoya, Mitsukoshi * | Wakayama, Kintetsu Department Store |
| Nagoya, Takashimaya Department Store | Yokohama, Landmark Plaza, Mitsukoshi * |
| Nihonbashi, Mitsukoshi Department Store * | Yokohama, Takashimaya Department Store |
| Niigata, Mitsukoshi Department Store * | Yonago, Takashimaya Dept. Store (open 3/06) |
| Oita, Tokiwa Department Store | |
| Okayama, Tenmaya Department Store | |

*Operated by Registrant's Subsidiaries with Mitsukoshi Ltd.

Asia-Pacific Excluding Japan

| | |
|---|---|
| Australia: Brisbane, Queensplaza | Korea: Seoul, Hyundai Department Store |
| Australia: Melbourne, Collins Street | Korea: Seoul, Hyundai Coex Department Store |
| Australia: Sydney, Castlereagh Street | Korea: Seoul, Lotte Downtown Department Store |
| China: Beijing, The Peninsula Palace Hotel | Korea: Seoul, Lotte World |
| China: Shanghai, Jiu Guang City Plaza | Malaysia: Suria KLCC |
| Hong Kong: Hong Kong International Airport | Singapore: Ngee Ann City |
| Hong Kong: International Finance Center | Singapore: Raffles Hotel |
| Hong Kong: The Landmark Center | Taiwan: Kaohsiung, Hanshin Department Store |
| Hong Kong: Pacific Place | Taiwan: Taipei, The Regent Hotel |
| Hong Kong: The Peninsula Hotel | Taiwan: Taipei, Sogo Department Store |
| Hong Kong: Sogo Department Store | Taiwan: Taichung, Sogo Department Store |
| Korea: Busan, Paradise Hotel | Taiwan: Taipei, Taipei Financial Center |
| Korea: Seoul, Galleria Luxury Hall East Dept. Store | |

*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 continued long-standing commercial relationships that Registrant and its affiliated companies had with Mitsukoshi. These agreements will expire on January 31, 2007.

In Fiscal 2005, 2004 and 2003, respectively, total sales in Japan of TIFFANY & CO. merchandise represented 20%, 22% and 24% of Registrant's net sales. Sales recorded in retail locations operated in connection with Mitsukoshi accounted for 10%, 12% and 14% of Registrant's net sales in those years.

Tiffany-Japan 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. Tiffany-Japan owns the merchandise and recognizes as revenues the retail price charged to the ultimate consumer in Japan. Tiffany-Japan establishes retail prices, bears the risk of currency fluctuation, provides one or more brand managers in each boutique, controls merchandising and display 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 9 Standard Boutiques, 10 Concession Boutiques and the Tokyo Flagship store, which is operated with Mitsukoshi. See below for further information about the Tokyo Flagship store. 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.

Mitsukoshi retains a portion (the "basic portion") of the net retail sales made in TIFFANY & CO. Boutiques. The basic portion varies depending on the type of Boutique and the retail price of the merchandise involved. From February 1, 2003 through the expiration of the 2001 Agreement, the highest basic portion available to Mitsukoshi will be 23% in any Standard Boutique and not less than 16% for any Concession Boutique.

Tiffany-Japan also pays Mitsukoshi an incentive fee of 5% of the amount by which boutique sales increase above "Target Sales" calculated on a per-boutique basis. 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.

In June 2003, through its purchase of a trust beneficiary interest, Registrant's Japanese affiliate acquired the land and building housing the 12,000 gross square foot TIFFANY & CO. store located in Tokyo's Ginza shopping district (the "Tokyo Flagship store"). The Tokyo Flagship store is leased by Tiffany-Japan to Mitsukoshi. Tiffany-Japan bears all costs of operating the premises. Tiffany-Japan selects and furnishes merchandise for display in the Tokyo 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 necessary staff other than employees provided by Mitsukoshi in connection with the POS System. Management of the Tokyo 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 rent and staffing, Mitsukoshi is allocated 3% of net sales made in the Tokyo Flagship store.

*International Internet Sales*. In Fiscal 2001, the Company launched its U.K. website at www.tiffany.com/uk to allow for purchases of TIFFANY & CO. merchandise in England, Wales, Northern Ireland and Scotland. In Fiscal 2005, the Company extended e-commerce purchase capabilities for such merchandise to Japan and Canada through websites at www.tiffany.co.jp and www.tiffany.ca. The scope and selection of merchandise offered for purchase on these International websites is comparable to the selection offered on the U.S. website. See U.S. Internet Sales below.

*International Wholesale Distribution*. Selected TIFFANY & CO. merchandise is sold to independent distributors for resale in markets in the Central/Latin/South American, Caribbean, Canadian, Asia-Pacific, Russian and Middle Eastern regions. Such sales represented approximately 2% of net sales in Fiscal 2005. Management anticipates continued expansion of international wholesale distribution in Central/Latin/South American, Caribbean and Asia-Pacific regions as markets are developed.

*Expansion of International Retail Operations*. Registrant expects to continue to open TIFFANY & CO. stores in locations outside the United States and to selectively expand its channels of distribution in important markets around the world without compromising the long-term value of the TIFFANY & CO. trademark. 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 20 Mitsukoshi department stores and other retail locations operated with Mitsukoshi in Japan. The Company also operates 30 locations primarily in department stores other than Mitsukoshi, within Japan.

The arrangements with other Japanese department stores are substantially similar to the Company's relationship with Mitsukoshi, with varying fees from store to store. 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 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 were being obtained.

Tiffany began its ongoing program of international expansion through proprietary retail stores in 1986 with the establishment of the London Flagship store.

The chart on the following page details the growth in TIFFANY & CO. stores and boutiques since Fiscal 1987 on a worldwide basis:

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

| End of Fiscal: | U.S. | Canada, Central/Latin/ South Americas | Europe | Japan | Other Asia-Pacific | Total |
|---|---|---|---|---|---|---|
| 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 |
| 2003 | 51 | 7 | 11 | 50 | 22 | 141 |
| 2004 | 55 | 7 | 12 | 53 | 24 | 151 |
| 2005 | 59 | 7 | 13 | 50 | 25 | 154 |

*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.

## Direct Marketing

*U.S. Internet Sales*. Tiffany distributes a selection of more than 2,800 products through its website at www.tiffany.com for purchase in the United States. Sales for transactions made on websites outside the U.S. are reported in the International Retail channel of distribution. Business account holders may make gift purchases through the Company's website at www.tiffanyforbusiness.com. Price allowances are given to eligible business account holders for certain purchases on the Tiffany for Business website.

*Catalogs*. Tiffany also distributes catalogs of selected merchandise to its proprietary list of customers and to mailing lists rented from third parties. SELECTIONS® catalogs are published, supplemented by COLLECTIONS and other catalogs.

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

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Number of names on U.S. catalog mailing and U.S. Internet lists at fiscal year-end (consists of U.S. customers who purchased by mail, telephone or Internet prior to the applicable date): | 2,821,638 | 2,440,622 | 2,237,349 |
| Total U.S. catalog mailings during fiscal year (in millions): | 24.4 | 26.3 | 24.9 |
| Total U.S. mail, telephone or Internet orders received during fiscal year: | 704,221 | 672,325 | 728,525 |

### Other

This channel of distribution includes the consolidated results of existing businesses that sell merchandise under trademarks and tradenames other than TIFFANY & CO. In Fiscal 2004, the Company also initiated, through this channel of distribution, wholesale sales of diamonds that were found to be unsuitable for Tiffany's needs.

Registrant believes that the sale of merchandise, under trademarks and tradenames other than TIFFANY & CO., offers an opportunity to achieve incremental growth in sales and earnings without diminishing the distinctive appeal of the TIFFANY & CO. brand. Businesses to be developed or acquired for this channel have been and will be chosen with a view to more fully exploit Registrant's established infrastructure for distribution and manufacturing of luxury products, store development and brand management.

*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 nine Caribbean islands (Bahamas (2); Cayman Islands (1); Puerto Rico (1); St. Thomas (3); St. Maarten/St. Martin (3); St. John (1); Aruba (6); Curacao (1); and Barbados (1)) and in Florida (Key West (3); and Sunrise (1)) and Alaska (Skagway (1); 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. See Item 2. Properties under LITTLE SWITZERLAND Retail Store Leases below for further information concerning LITTLE SWITZERLAND retail store leases.

*Iridesse, Inc.* In Fiscal 2004, the Company organized a new retail subsidiary, under the name Iridesse, Inc., to engage exclusively in the design and retail sale of pearl jewelry in the United States. In Fiscal 2004, Iridesse opened its first retail boutiques in Short Hills, New Jersey and McLean, Virginia. In Fiscal 2005, Iridesse opened stores in Schaumburg, Illinois; King of Prussia, Pennsylvania; White Plains, New York and Boca Raton, Florida. See Item 2. Properties under IRIDESSE Retail Store Leases below for further information concerning IRIDESSE retail store leases.

*Wholesale Diamond Sales.* In Fiscal 2004, the Company commenced the sale of diamonds that were found unsuitable for Tiffany's needs. Diamonds that do not meet Tiffany's quality standards are sold to third parties through the Other channel of distribution. The Company's objective from such sales is to recoup its original costs, thereby earning minimal, if any, gross margin on those transactions.

## ADVERTISING AND PROMOTION

Registrant regularly advertises, primarily in newspapers and magazines, and periodically conducts product promotional events. In Fiscal 2005, 2004 and 2003, Registrant spent approximately $137.5 million, $135.0 million and $122.4 million, respectively, on worldwide advertising, which include costs for media, production, catalogs, promotional events and other related items.

Public Relations (promotional) activity is 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 501(c)(3) charitable organizations with efforts concentrated in arts education and preservation and environmental conservation. Tiffany 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 jewelry and other merchandise. 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.

## TRADEMARKS

The designations TIFFANY® and TIFFANY & CO.® are the principal trademarks of Tiffany, as well as serving as tradenames. 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® and the color TIFFANY BLUE® for a variety of product categories in the United States and in other countries.

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

Tiffany has been generally successful in such actions and management considers that 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.

Tiffany actively pursues those who counterfeit or sell counterfeit TIFFANY & CO. goods through civil action and cooperation with criminal law enforcement agencies. However, counterfeit TIFFANY & CO. goods remain available in many markets and the cost of enforcement is expected to continue to rise. In the past two years, there has been an increase in the availability of counterfeit goods, predominantly silver jewelry, in various markets by street vendors and small retailers and on the Internet.

The continued availability of counterfeit goods within these various markets has the potential, in the long term, to devalue the TIFFANY brand.

In July 2004, Tiffany initiated a civil proceeding against eBay, Inc. in the Federal District Court for the Southern District of New York, alleging direct and contributory trademark infringement, unfair competition, false advertising and trademark dilution. Tiffany seeks damages and injunctive relief stemming from eBay's alleged assistance and contribution to the offering for sale, advertising and promotion, in the United States, of counterfeit TIFFANY jewelry and any other jewelry or merchandise which bears the TIFFANY trademark and is dilutive or confusingly similar to the TIFFANY trademarks.

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, 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.

## DESIGNER LICENSES

Tiffany has been the sole licensee for jewelry designed by Elsa Peretti, Paloma Picasso and the late Jean Schlumberger since Fiscal 1974, 1980 and 1956, respectively.

In Fiscal 2005, Tiffany became the sole licensee for jewelry designed by the architect, Frank Gehry. The Gehry collection will be made available for retail sale in the first quarter of Fiscal 2006.

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. In Fiscal 1992, Tiffany acquired trademark and other rights necessary to sell the designs of the late Mr. Schlumberger under the TIFFANY-SCHLUMBERGER trademark.

The designs of Ms. Peretti accounted for 13%, 14% and 15% of the Company's net sales in Fiscal 2005, 2004 and 2003, respectively. Merchandise designed by Ms. Picasso accounted for 4% of the Company's net sales in Fiscal 2005, 2004 and 2003. 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 facilities in Cumberland, Rhode Island; Cranston, Rhode Island; Pelham and Mount Vernon, New York; the hollowware manufacturing facility in Tiffany's Retail Service Center 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:

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Finished Goods produced by Tiffany* | 65% | 63% | 57% |
| Finished Goods purchased from others | 35% | 37% | 43% |
| | 100% | 100% | 100% |

*Includes raw materials provided by Tiffany to subcontractors.

Almost all non-jewelry items are purchased from third-party vendors.

*Purchases of Polished Gemstones*. Gems and precious metals used in making Tiffany's jewelry may be purchased from a variety of sources. Most 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 46%, 43% and 40% of Tiffany's net sales in Fiscal 2005, 2004 and 2003, respectively. Products containing one or more diamonds of one carat or larger accounted for 10%, 8% and 8% of net sales in each of those years, respectively.

Tiffany purchases cut diamonds principally from seven 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 that meet the quality demands of the Company, on a relative basis, are 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 could sources for larger stones.

Sourcing diamonds for the engagement business is increasingly difficult because of supply limitations; at times, Tiffany is not able to maintain a comprehensive assortment of diamonds in each retail location due to the broad assortment of sizes, colors, clarity grades and cuts demanded by customers.

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.

*Purchases of Rough Diamonds*. Until Fiscal 2003, the Company did not purchase rough diamonds. In Fiscal 1999, the Company made a 14.7% equity investment ($70,636,000) in Aber Diamond Corporation ("Aber"), a publicly-traded company headquartered in Canada, by purchasing 8 million unregistered shares of its common stock. In Fiscal 2004, the Company sold this investment. Aber holds a 40% interest in the Diavik Diamond Mine in Northwest Canada. Under the Company's continuing diamond purchase agreement with Aber, Tiffany is obligated to purchase at least $50 million in diamonds annually, if available, (in assortments of diamonds expected to cut/polish to Tiffany's quality standards) during the next eight years.

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 Company (the "DTC"), an affiliate of De Beers S.A., the Luxembourg-based holding company of the De Beers Group. However, the role of the DTC is rapidly changing and that change has greatly affected, and will continue to affect, traditional channels of supply in the markets for rough and cut diamonds. The DTC continues to supply a significant portion of the world market for rough, gem-quality diamonds, notwithstanding

that its historical ability to control worldwide production supplies has been significantly diminished due to changing politics in diamond-producing countries and revised contractual arrangements with other diamond mine operators. Responding to pressure from the European Commission, in Fiscal 2005 the DTC entered into commitments for a three-year phase-out of purchases of rough diamonds from the world's second largest producer, ALROSA Company Limited, which accounts for over 98% of Russian diamond production. Russia is the second largest diamond producing country in the world, in value, after Botswana. The DTC maintains separate arrangements to purchase and distribute diamonds produced in Botswana. The DTC's three-year phase-out commitments with ALROSA are anticipated to make additional rough diamonds available for competitive bid. There is no assurance that Tiffany will be able to purchase such diamonds. The DTC no longer maintains a reserve of diamonds as a mechanism to control available supplies. Nonetheless, 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").

In Fiscal 2004, the Company made an investment in a joint venture that owns and operates a diamond polishing facility in South Africa and is a sight-holder. Some, but not all, of Tiffany's suppliers are DTC sight-holders, and it is estimated that a significant portion of the diamonds that Tiffany has purchased have had their source with the DTC.

The Company expects to continue to purchase rough diamonds from Aber, the DTC and other sellers through its affiliated companies. The Company sorts, processes, and cuts/polishes some diamonds purchased from Aber and other sellers. Other diamonds are provided to contractors for cutting/polishing and return. In conducting these activities, it is the Company's intention to supply Tiffany's needs for cut/polished diamonds to as great an extent as possible. The Company will strive to minimize the number of rough or cut stones that do not meet Tiffany's quality standards and must be sold to third parties; however, some such sales are inevitable and have been conducted through Registrant's Other channel of distribution. The Company's objective from such sales is to recoup its original costs, thereby earning minimal, if any, gross margin on those transactions.

*Worldwide Availability of Diamonds*. The availability and price of diamonds to the DTC, Tiffany 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. As a consequence of changes in the sight-holder system and increased competition in the retail diamond trade, substantial competition exists for rough diamonds, which resulted in significant increases in diamond prices in Fiscal 2004 and 2005. 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 the 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 geographic regions and sold by rebel forces to fund insurrection. Allegations have been made in the press that diamond trading is used as a source of funds 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 legislation. It is expected that such efforts will not substantially affect the supply of diamonds.

Manufactured diamonds have become available in small quantities. Although significant questions remain as to the ability of producers to produce manufactured diamonds economically within a full range of sizes and natural diamond colors, and as to consumer acceptance of manufactured diamonds, it is possible that manufactured diamonds may become a factor in the market. Should manufactured diamonds come into the market in significant quantities at prices significantly below those for natural diamonds of comparable quality, the price for natural diamonds may fall unless consumers are willing to pay a premium for natural diamonds. Such a price decline could affect the price that Tiffany is able to obtain for its products. Also, a significant decline in the price of natural diamonds may affect the economics of diamond mining, causing some mining operations to become uneconomic; this, in turn, could lead to shortages in natural diamonds.

*Finished Jewelry*. 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.

*Watch Components*. Components for TIFFANY & CO. brand timepieces are manufactured and assembled by third parties. Approximately half of net watch sales during Fiscal 2005 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.

## COMPETITION

TIFFANY & CO. stores encounter significant competition in all product lines. Some competitors specialize in just one area in which Tiffany is active. Many competitors have established worldwide, national or local reputations for style, quality, expertise and customer service similar to Tiffany and compete on the basis of that reputation. Other jewelers and retailers compete primarily through advertised price promotion. Tiffany competes on the basis of its reputation for high quality products, brand recognition, customer service 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 Tiffany’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, Tiffany did not have a retail presence in Europe in the post-war era until 1986. Accordingly, consumer awareness of Tiffany 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. Management expects that TIFFANY & CO. stores in overseas markets will continue to experience intense competition from established retailers.

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. Tiffany currently distributes selected merchandise through its websites and anticipates continuing competition in this area as the technology evolves. Tiffany does not offer diamond engagement jewelry through its website, 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.

## EMPLOYEES

As of January 31, 2006, the Registrant's subsidiary corporations employed an aggregate of approximately 8,100 full-time and part-time persons. Of those employees, approximately 5,700 are employed in the United States. Of the total number of employees, approximately 2,800 persons are salaried employees, approximately 1,300 are engaged in manufacturing and approximately 4,000 are retail store personnel. Approximately 20 of the total number of Registrant's subsidiary's employees in the Caribbean are represented by unions, approximately 45 of the total number of Registrant's subsidiary's employees in South Africa are represented by unions and approximately 340 of the total number of Registrant's subsidiaries' employees in Vietnam are represented by unions. None of Registrant's unionized employees are employed in the U.S. Registrant believes that relations with its employees and these unions are good.

## AVAILABLE INFORMATION

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may read and copy these materials at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding Tiffany & Co. and other companies that file materials with the SEC electronically. You may also obtain copies of the Company's annual reports on Form 10-K, Forms 10-Q and Forms 8-K, free of charge on the Company's website at www.tiffany.com.

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**Item 1A. Risk Factors.**

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, including changes in consumer preferences for certain jewelry styles and materials. 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 or crises do not result in military, terrorist or other conditions creating disruptions or disincentives to, or changes in the pattern, practice or frequency of tourist travel to the various regions where the Registrant operates retail stores nor to the Registrant's continuing 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 which have TIFFANY & CO. retail locations;

(vii) that Mitsukoshi will continue as a leading department store operator in Japan;

(viii) that existing product supply arrangements, including license arrangements with third-party designers Elsa Peretti and Paloma Picasso, will continue;

(ix) that the wholesale and retail market for high-quality rough and cut diamonds will provide continuity of supply and pricing within the quality grades, colors and sizes that customers demand;

(x) that the Registrant's diamond supply initiatives achieve their financial and strategic objectives;

(xi) that the Registrant's gross margins in Japan and for diamond products can be maintained in the face of increased competition from traditional and e-commerce retailers;

(xii) that the Registrant is able to pass on higher costs of raw materials to consumers through price increases;

(xiii) that the sale of counterfeit products does not significantly undermine the value of the Registrant's trademarks and demand for the Registrant's products;

(xiv) that new and existing stores and other sales locations can be leased, re-leased or otherwise obtained on suitable terms in desired markets and that construction can be completed on a timely basis;

(xv) that the Registrant can achieve satisfactory results from any current and future businesses into which it enters that are operated under trademarks or tradenames other than TIFFANY & CO.; and

(xvi) 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.

**Item 1B. Unresolved Staff Comments.**

NONE

**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 FLAGSHIP STORE

In November 1999, Tiffany purchased the land and building housing its Flagship store at 727 Fifth Avenue in New York City which it had leased since 1984. The building was originally constructed for Tiffany in 1940 but was later sold by Tiffany and leased back. It was designed to be a retail store for Tiffany 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, Tiffany commenced a multi-year 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 renovations of three other floors were completed by the end of Fiscal 2004. Tiffany anticipates completion of its renovation plans during Fiscal 2006.

LONDON FLAGSHIP STORE

In October 2002, Registrant purchased a corporation owning the building housing its Flagship TIFFANY & CO. store at 25/25A Old Bond Street in London and the adjacent building at 15 Albermarle Street. The London store had been leased since Fiscal 1986 and was expanded to its current 15,200 gross square feet in 1991. In Fiscal 2004, a renovation and reconfiguration plan commenced to increase the store's interior selling space by approximately 60%. The renovation plan will occur in several phases through Fiscal 2006.

TOKYO FLAGSHIP STORE

In June 2003, through its purchase of a trust beneficiary interest, Registrant's Japanese affiliate acquired the land and building housing the TIFFANY & CO. Flagship store in Tokyo's Ginza shopping district. The 61,000 square foot, nine-story building houses retail, restaurant and office tenants, including the TIFFANY & CO. store located on the street level, second and third floors. Prior to its purchase, the Tokyo Flagship store had been leased. It is subleased by Tiffany-Japan to Mitsukoshi. The store was expanded to its current 12,000 gross square feet in Fiscal 1999.

## RETAIL SERVICE CENTER

In April 1997, construction of the Retail Service Center ("RSC") in the Township of Parsippany-Troy Hills in New Jersey was completed and Tiffany commenced operations. The RSC 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. The RSC specializes in receipt of merchandise from around the world and replenishment of retail stores. Registrant believes that the RSC has been properly designed to handle worldwide distribution functions and that it is suitable for that purpose.

In September 2005, Tiffany entered into a purchase and sale agreement pursuant to which it sold and conveyed the RSC. Under the terms of the agreement, the purchaser paid Tiffany $75,000,000 and entered into a long term lease with Tiffany for the RSC. The Lease expires in 2025, subject to Tiffany's option to extend the term of the Lease for two 10-year renewal periods.

## CUSTOMER FULFILLMENT CENTER

In Fiscal 2001 Tiffany entered into a ground lease of undeveloped property in Hanover Township, New Jersey in order to construct and occupy a Customer Fulfillment Center ("CFC") to manage the warehousing and processing of direct-to-customer orders and to perform other distribution functions. Construction of the CFC was completed and Tiffany commenced operations at this facility in September 2003 under a temporary certificate of occupancy. A permanent certificate of occupancy is anticipated when the landlord completes certain corrective work to the property to the satisfaction of the Township. Tiffany and the landlord have a dispute over the landlord's entitlement to reimbursement of certain costs associated with the landlord's site work and landlord's performance of such work. The CFC is approximately 266,000 square feet; an area of approximately 34,500 square feet that is devoted to office use and the balance of which is devoted to warehousing, shipping, receiving, merchandise processing and other warehouse functions.

## MANUFACTURING FACILITY – CUMBERLAND, RHODE ISLAND

Tiffany's manufacturing facility in Cumberland, Rhode Island commenced operations in May 2001. It is a 100,000 square foot facility that was specially designed and constructed for Tiffany for the manufacture of jewelry. It produces a significant portion of the silver, gold and platinum jewelry and silver accessory items sold under the TIFFANY & CO. trademark.

## MANUFACTURING FACILITY – CRANSTON, RHODE ISLAND

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

## MANUFACTURING FACILITIES – WESTCHESTER COUNTY, NEW YORK

On July 1, 1997, Tiffany entered into a lease for a 34,280 square foot manufacturing facility in Pelham, New York, to expire on June 30, 2008. In Fiscal 2004, Tiffany modified the lease to add an additional 10,200 square feet to the lease, subject to the original expiration date.

On February 16, 2005, Tiffany purchased approximately 22,000 square feet of space to be used as a manufacturing facility for jewelry setting in Mount Vernon, New York.

## TIFFANY & CO. – U.S. AND INTERNATIONAL BRANCH RETAIL STORE LEASES

The following table provides a reconciliation of Company-operated TIFFANY & CO. stores and boutiques:

| 2005 | United States | Japan | Other Countries | Total |
|---|---|---|---|---|
| Beginning of year | 55 | 53 | 43 | 151 |
| Opened, net of relocations | 4 | 2 | 2 | 8 |
| Closed | – | (5) | – | (5) |
| End of year | 59 | 50 | 45 | 154 |

| 2004 | United States | Japan | Other Countries | Total |
|---|---|---|---|---|
| Beginning of year | 51 | 50 | 40 | 141 |
| Opened, net of relocations | 4 | 4 | 3 | 11 |
| Closed | — | (1) | — | (1) |
| End of year | 55 | 53 | 43 | 151 |

### U.S. TIFFANY & CO. Retail Branch Store Leases

In Fiscal 2005, Tiffany leased and operated 58 retail branch locations in the U.S. totaling 427,000 gross square feet devoted to retail selling and operations (not including the New York Flagship store). Tiffany retail branch stores range from approximately 1,300 to 18,000 gross square feet with an average retail store size of approximately 7,400 gross square feet. 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. Prior to Fiscal 1993, an average of approximately 45% of the floor space in each branch store was devoted to retail selling. Stores opened between Fiscal 1993 and Fiscal 2001 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 Fiscal 2001 are generally smaller, approximately 5,000 gross square feet, and display primarily jewelry and timepieces, with a select assortment of china and crystal giftware. The East Hampton, Palm Desert and Carmel locations, ranging from approximately 3,000 to 4,000 gross square feet in size, represent the first three "resort" stores.

*New U.S. TIFFANY & CO. Retail Branch Store Leases*. In addition to the U.S. leases described above, Registrant has entered into the following new leases for domestic stores expected to open in Fiscal 2006: a 10-year lease for a 5,200 gross square foot store in Nashville, Tennessee, a 10-year lease for a 4,900 gross square foot store in Indianapolis, Indiana, a 10-year lease for a 3,000 gross square foot store in Atlantic City, New Jersey, and a 10-year lease for a 3,900 gross square foot store in Tucson, Arizona.

### International TIFFANY & CO. Retail Branch Store Leases

In Fiscal 2005, Registrant operated 95 retail locations internationally totaling approximately 278,000 gross square feet devoted to retail selling and operations. Outside of Japan, Registrant operates 45 international retail stores ranging from approximately 500 to 15,000 gross square feet with an average retail store size of approximately 3,200 gross square feet. In Fiscal 2005 Registrant operated 50 retail locations in Japan ranging from approximately 800 to 12,000 gross square feet with an average retail store size of approximately 2,700 gross square feet.

*New International TIFFANY & CO. Retail Branch Store Leases*. In addition to the International locations listed above, Registrant has entered into the following new leases for International branch stores expected to open in Fiscal 2006: a 5-year lease for a 2,100 gross square foot store in Macau, a 4-year lease for a 1,900 gross square foot store in Beijing, China, a 3-year lease for a 700 gross square foot store in Shanghai, China, a 3-year lease for a 1,500 gross square foot store in Monterrey, Mexico, a 10-year lease for a 4,700 gross square foot store in Vancouver, British Columbia, and a 10-year lease for a 2,400 gross square foot store in Vienna, Austria.

In Fiscal 2006, Registrant's Japanese affiliate entered into contractual obligations with the Takashimaya and Keisei Department stores in Yonago and Mito, Japan, respectively, for the operation of concession boutiques within said department stores of an area comprising approximately 1,500 gross square feet in Yonago, Japan and 3,000 gross square feet in Mito, Japan.

LITTLE SWITZERLAND Retail Store Leases

In Fiscal 2005, Little Switzerland leased and operated 26 retail locations in the U.S. and Caribbean totaling approximately 67,000 gross square feet devoted to retail selling and operations. Little Switzerland's retail store leases range from approximately 250 to 6,000 gross square feet of selling space with an average retail store size of approximately 2,600 gross square feet. Little Switzerland leases most of its retail store locations for an average of five years, with two exercisable five-year renewal options. Little Switzerland has four pending lease renewals in 2006.

IRIDESSE Retail Store Leases

In Fiscal 2005, Iridesse leased and operated six retail locations in the U.S. totaling approximately 9,000 gross square feet devoted to retail selling and operations. Iridesse retail stores range from approximately 1,300 to 1,700 gross square feet with an average retail store size of approximately 1,500 gross square feet. Iridesse rents its retail store locations under standard shopping mall leases, which may contain minimum rent escalations, for an average term of ten years. Iridesse leases are all directly or indirectly guaranteed by Registrant. There are no pending lease expirations or renewals in Fiscal 2006.

*New IRIDESSE Store Leases*. In addition to the U.S. leases described above, Iridesse has entered into 10-year leases for stores averaging 1,500 gross square feet in Aventura, Florida; Tampa, Florida and Atlantic City, New Jersey.

**Item 3. Legal 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 and customers. 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 litigation currently pending to which it or Tiffany is a party or to which its properties are subject will be resolved without any material adverse effect on Registrant's financial position, earnings or cash flows.

On or about July 1, 2004, both Tiffany and the landlord of Tiffany's Customer Fulfillment Center ("River Park") requested arbitration of the parties' continuing dispute over their respective obligations surrounding completion of River Park's site work (*Tiffany and Company v. River Park Business Center, Inc., American Arbitration Association*). In connection with the arbitration, River Park's then pending civil claim in the Superior Court of New Jersey (Morris County), River Park Business Center, Inc. v. Tiffany and Company, was dismissed in September 2004.

In the arbitration, Tiffany asserts River Park's continuing breach of its obligations to complete Landlord's Work by the close of Fiscal 2001, as originally required under the Ground Lease, and to obtain timely site plan approval from the Township of Hanover. Tiffany seeks damages stemming from River Park's continuous delays in completing its obligations, which damages Tiffany contends are in excess of $1,000,000. In its arbitration complaint, River Park seeks an unspecified amount in damages alleging entitlement to reimbursement of grading costs and excess installation costs of the landfill gas venting system. See Item 1. Business under Trademarks for disclosure on *Tiffany and Company v. eBay, In*c.

**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, 2006.

See Item 13. Certain Relationships and Related Transactions for information on the Executive Officers of the Registrant as incorporated by reference from Registrant's Proxy Statement dated April 14, 2006, pages PS-17-18.

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## PART II

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

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 2005 were:

| | High | Low |
|---|---|---|
| First Fiscal Quarter | $ 35.25 | $ 29.53 |
| Second Fiscal Quarter | $ 34.84 | $ 28.60 |
| Third Fiscal Quarter | $ 41.47 | $ 33.11 |
| Fourth Fiscal Quarter | $ 43.80 | $ 37.47 |

On March 24, 2006, the high and low selling prices quoted on such exchange were $39.08 and $38.75, respectively. On March 24, 2006 there were 7,487 record holders of Registrant's Common Stock.

In consolidated trading, the high and low selling prices per share for shares of such Common Stock for Fiscal 2004 were:

| | High | Low |
|---|---|---|
| First Fiscal Quarter | $ 43.26 | $ 35.44 |
| Second Fiscal Quarter | $ 39.78 | $ 32.38 |
| Third Fiscal Quarter | $ 35.94 | $ 27.00 |
| Fourth Fiscal Quarter | $ 32.76 | $ 29.47 |

It is Registrant's policy to pay a quarterly dividend on the Registrant's Common Stock, subject to declaration by Registrant's Board of Directors. In Fiscal 2004, a dividend of $0.05 per share of Common Stock was paid on April 12, 2004, and dividends of $0.06 per share of Common Stock were paid on July 12, 2004, October 11, 2004 and January 10, 2005. In Fiscal 2005, a dividend of $0.06 per share of Common Stock was paid on April 11, 2005, and dividends of $0.08 per share of Common Stock were paid on July 11, 2005, October 11, 2005 and January 10, 2006.

In calculating the aggregate market value of the voting stock held by non-affiliates of the Registrant shown on the cover page of this Annual Report on Form 10-K, 1,518,325 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.

The following table contains the Company's stock repurchases of equity securities in the fourth quarter of Fiscal 2005:

Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs* | (d) Maximum Number (or Approximate Dollar Value) of Shares, (or Units) that May Yet Be Purchased Under the Plans or Programs* |
|---|---|---|---|---|
| November 1, 2005 to November 30, 2005 | – | – | – | $294,640,000 |
| December 1, 2005 to December 31, 2005 | – | – | – | $294,640,000 |
| January 1, 2006 to January 31, 2006 | 469,050 | $39.39 | 469,050 | $276,166,000 |
| TOTAL | 469,050 | $39.39 | 469,050 | $276,166,000* |

* The current stock repurchase program authorizes the Company to repurchase up to $400,000,000 of its Common Stock through open market or private transactions. The current program expires on March 30, 2007.

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**Item 6. 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 fiscal 2001-2005:

| *(in thousands, except per share amounts, percentages, ratios, retail locations and employees)* | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| EARNINGS DATA | | | | | |
| Net sales | $ 2,395,153 | $ 2,204,831 | $ 2,000,045 | $ 1,706,602 | $ 1,606,535 |
| Gross profit | 1,342,340 | 1,230,573 | 1,157,382 | 1,011,448 | 943,477 |
| Earnings from operations | 382,705 | 294,529 | 355,519 | 319,197 | 309,897 |
| Net earnings | 254,655 | 304,299 | 215,517 | 189,894 | 173,587 |
| Net earnings per diluted share | 1.75 | 2.05 | 1.45 | 1.28 | 1.15 |
| Weighted-average number of diluted common shares | 145,578 | 148,093 | 148,472 | 148,591 | 150,517 |
| BALANCE SHEET AND CASH FLOW DATA | | | | | |
| Total assets | $ 2,777,272 | $ 2,666,118 | $ 2,391,088 | $ 1,923,586 | $ 1,631,074 |
| Cash and cash equivalents | 393,609 | 187,681 | 248,665 | 156,197 | 173,675 |
| Short-term investments | – | 139,200 | 27,450 | – | – |
| Inventories, net | 1,060,164 | 1,057,245 | 871,251 | 732,088 | 611,653 |
| Short-term borrowings and long-term debt (including current portion) | 471,676 | 440,563 | 486,859 | 349,659 | 270,967 |
| Stockholders' equity | 1,830,913 | 1,701,160 | 1,468,200 | 1,208,049 | 1,036,945 |
| Working capital | 1,334,233 | 1,208,068 | 952,923 | 770,481 | 638,709 |
| Cash flows from operating activities | 262,691 | 130,853 | 283,842 | 221,441 | 241,506 |
| Capital expenditures | 157,036 | 142,321 | 272,900 | 219,717 | 170,806 |
| Stockholders' equity per share | 12.85 | 11.77 | 10.01 | 8.34 | 7.15 |
| Cash dividends paid per share | 0.30 | 0.23 | 0.19 | 0.16 | 0.16 |
| RATIO ANALYSIS AND OTHER DATA | | | | | |
| As a percentage of net sales: | | | | | |
| Gross profit | 56.0% | 55.8% | 57.9% | 59.3% | 58.7% |
| Earnings from operations | 15.9% | 13.4% | 17.8% | 18.7% | 19.3% |
| Net earnings | 10.6% | 13.8% | 10.8% | 11.1% | 10.8% |
| Capital expenditures | 6.6% | 6.5% | 13.6% | 12.9% | 10.6% |
| Return on average assets | 9.4% | 12.0% | 10.0% | 10.7% | 10.9% |
| Return on average stockholders' equity | 14.4% | 19.2% | 16.1% | 16.9% | 17.7% |
| Total debt-to-equity ratio | 25.8% | 25.9% | 33.2% | 28.9% | 26.1% |
| Company-operated TIFFANY & CO. stores and boutiques | 154 | 151 | 141 | 131 | 126 |
| Number of employees | 8,120 | 7,341 | 6,862 | 6,431 | 5,938 |

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

Financial information for 2005 and 2004 includes the effect of the Company's adoption of SFAS 123R, "Share-Based Payment" (see Note O to Consolidated Financial Statements). In addition, 2004 includes the effect of the Company's sale of its equity investment in Aber Diamond Corporation (see Note D to Consolidated Financial Statements).

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

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

### 2005 HIGHLIGHTS

- Net sales rose 9% to $2.4 billion. Worldwide comparable store sales rose 5% on a constant-exchange-rate basis (see Non-GAAP Measures).
- Japan retail sales, on a constant-exchange-rate basis, increased 4% in 2005 while comparable store sales were flat after three years of declines. Management believes that the comparable store sales decline was stemmed due to new product introductions, initiatives in sales training and improvements in the economic environment.
- Net earnings decreased 16%, or $50 million, to $255 million. Prior year net earnings were not representative because they benefited from a $125 million gain, net of tax, from the Company's sale of its equity investment in Aber Diamond Corporation ("Aber").
- The Company repatriated $178 million in accumulated earnings from foreign affiliates, which resulted in a lower effective tax rate.
- Company-operated square footage of TIFFANY & CO. stores increased 2%. The Company added eight retail locations – four in the U.S., two in Japan and one each in Australia and France. In addition, five existing locations were closed in Japan.
- E-commerce sites were launched in Canada and Japan.
- The Company sold and leased back its Retail Service Center (a distribution and administrative office facility) and received proceeds of $75 million.
- The Board of Directors increased the annual dividend rate by 33%.
- The Company repurchased 3.8 million shares of its Common Stock.

### NON-GAAP MEASURES

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

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

The Company's management does not, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. The Company presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's operating results.

The following tables reconcile net sales percentage increases (decreases), versus the prior year, from the GAAP to the non-GAAP basis:

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| Net Sales | GAAP Reported | Translation Effect | Constant-Exchange-Rate Basis | GAAP Reported | Translation Effect | Constant-Exchange-Rate Basis |
| Worldwide | 9% | – | 9% | 10% | 2% | 8 % |
| U.S. Retail | 9% | – | 9% | 10% | – | 10 % |
| International Retail | 5% | (2)% | 7% | 10% | 6% | 4 % |
| Japan Retail | – | (4)% | 4% | 1% | 6% | (5)% |
| Other Asia-Pacific | 17% | 3 % | 14% | 27% | 4% | 23 % |
| Europe | 4% | (3)% | 7% | 23% | 11% | 12 % |

| | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| Comparable Store Sales | GAAP Reported | Translation Effect | Constant-Exchange-Rate Basis | GAAP Reported | Translation Effect | Constant-Exchange-Rate Basis |
| Worldwide | 4 % | (1)% | 5% | 7 % | 3% | 4 % |
| U.S. Retail | 7 % | – | 7% | 10 % | – | 10 % |
| International Retail | – | (2)% | 2% | 3 % | 6% | (3)% |
| Japan Retail | (4)% | (4)% | – | (2)% | 6% | (8)% |
| Other Asia-Pacific | 10 % | 2 % | 8% | 15 % | 4% | 11 % |
| Europe | (2)% | (3)% | 1% | 13 % | 10% | 3 % |

RESULTS OF OPERATIONS

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

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of sales | 44.0 | 44.2 | 42.1 |
| Gross profit | 56.0 | 55.8 | 57.9 |
| Selling, general and administrative expenses | 40.1 | 42.4 | 40.1 |
| Earnings from operations | 15.9 | 13.4 | 17.8 |
| Interest, financing and other income, net | 0.5 | 0.8 | 0.7 |
| Gain on sale of equity investment | – | 8.8 | – |
| Earnings before income taxes | 15.4 | 21.4 | 17.1 |
| Provision for income taxes | 4.8 | 7.6 | 6.3 |
| Net earnings | 10.6% | 13.8% | 10.8% |

Net Sales

| *(in thousands)* | 2005 | 2004 | 2003 | 2005 vs. 2004 Increase | 2004 vs. 2003 Increase |
|---|---|---|---|---|---|
| U.S. Retail | $ 1,220,683 | $ 1,116,845 | $ 1,013,034 | 9% | 10% |
| International Retail | 900,689 | 857,360 | 781,572 | 5% | 10% |
| Direct Marketing | 157,483 | 142,508 | 133,254 | 11% | 7% |
| Other | 116,298 | 88,118 | 72,185 | 32% | 22% |
| | $ 2,395,153 | $ 2,204,831 | $ 2,000,045 | 9% | 10% |

A store's sales are included in "comparable store sales" when the store has been open for more than 12 months. In markets other than Japan, sales of relocated stores are included if the relocation occurs within the same geographical market. In Japan, sales of a new store or boutique are not included if the store was relocated from one department store to another or from a department store to a free-standing location. The results of a store in which the square footage has been expanded or reduced remain in the comparable store base in all markets.

In the second quarter of 2005, the Company placed responsibility for U.S. non-Internet business-to-business sales within the U.S. Retail channel and, consequently, now reports non-Internet business-to-business sales in that channel. In the past, such sales were reported in the Direct Marketing channel, which will continue to report Internet business-to-business transactions. The prior year's amounts affected by the change have been reclassified to conform to the current year presentation.

*U.S. Retail.* The following table presents the U.S. Retail channel and its components as a percentage of worldwide net sales:

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| New York Flagship store | 10% | 10% | 10% |
| Branch stores | 39% | 39% | 39% |
| Business-to-business | 2% | 2% | 2% |
| | 51% | 51% | 51% |

U.S. Retail sales increased in 2005 and 2004. The New York Flagship store's sales increased 5% in 2005 and 13% in 2004 and comparable branch store sales increased 7% in 2005 and 9% in 2004. Comparable store sales growth in both years resulted from increases in the average sales amount per transaction. Management attributes the increased amount per transaction to sales of higher-priced merchandise and management's decision to reposition the Company's silver jewelry category toward higher-priced offerings, as well as generally favorable conditions for consumer spending. In 2005, the Company experienced growth across a range of jewelry categories, with especially strong results in jewelry with diamonds which are at price points above the Company's average. In both years, there were increased sales to U.S. customers, which account for the vast majority of U.S. Retail sales, and to foreign tourists especially in the New York Flagship store. The Company opened four new stores in both 2005 and 2004, consistent with its ongoing strategy to open three-five new U.S. stores each year.

*International Retail*. The following table presents the sales contribution in U.S. dollars of each geographic region within the International Retail channel as a percentage of worldwide net sales:

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Japan | 20% | 22% | 24% |
| Other Asia-Pacific | 8% | 7% | 6% |
| Europe | 6% | 6% | 6% |
| Other | 4% | 4% | 3% |
| | 38% | 39% | 39% |

International Retail sales, on a constant-exchange-rate basis, increased 7% in 2005 and 4% in 2004. When compared with the prior year, the weighted-average U.S. dollar exchange rate was stronger in 2005 and weaker in 2004.

Japan retail sales, on a constant-exchange-rate basis, increased 4% in 2005 and declined 5% in 2004. Comparable store sales were unchanged in 2005 and declined 8% in 2004. Management's operational focus in Japan is on new products, targeted publicity and marketing, the quality of selling locations and selling skills. Although improvements in the Japanese economy were a positive factor, management believes that its focus on the above initiatives has contributed to the improved results in 2005, especially during the second half of the year. However, Japan sales will continue to be affected by increased "luxury-goods" competition.

Japan sales of engagement and other fine jewelry increased in 2005 and 2004, while sales of silver jewelry declined in both years although at a lesser rate in 2005. In 2005, the Company opened two locations and five were closed, consistent with management's intention to enhance the quality of its selling locations in Japan. In 2004, the Company opened four locations and one was closed. The Company also launched an e-commerce website in 2005.

In the Asia-Pacific region outside of Japan, comparable store sales on a constant-exchange-rate basis increased 8% in 2005 due to growth in all markets and 11% in 2004. In Europe, comparable store sales on a constant-exchange-rate basis increased 1% in 2005 and 3% in 2004 due to growth in most markets, largely offset by a sales decline in the United Kingdom.

*Store Data*. Gross square feet of company-operated TIFFANY & CO. stores increased 2% to 745,000 in 2005, following a 9% increase to 729,000 in 2004. Sales per gross square foot generated by those stores were $2,666 in 2005, $2,546 in 2004 and $2,512 in 2003. Management expects further improvements in sales per square foot primarily due to comparable store sales growth. In addition, the Company's newer U.S. stores use a smaller footprint than historically and are more productive.

The Company's worldwide expansion strategy is to open 8-12 Company-operated TIFFANY & CO. stores and boutiques annually (excluding any closings). Plans in the U.S. for 2006 include opening a store in Nashville, Tennessee; Indianapolis, Indiana; Atlantic City, New Jersey; and Tucson, Arizona. International plans include new stores in Yonago and Mito, Japan; Monterrey, Mexico; Vancouver, British Columbia; Vienna, Austria; Macau; and second stores in Shanghai and Beijing, China.

*Direct Marketing.* Direct Marketing sales rose in both 2005 and 2004 due to increases in the average order size, which management attributes to a favorable consumer environment and new product introductions. The Company continues to experience increased website traffic and orders, as well as consumers shifting their purchases from catalogs to the Internet. While the number of catalog orders declined in both years, catalogs remain an effective marketing tool for both retail and Internet sales.

*Other.* Other sales in 2005 and 2004 increased primarily due to wholesale sales of diamonds (such sales commenced in 2004), as well as sales growth in LITTLE SWITZERLAND stores (which represents the majority of Other sales). To a much lesser extent, sales in IRIDESSE stores, which commenced in late 2004, contributed to this channel's sales growth.

## Gross Profit

Gross profit as a percentage of net sales ("gross margin") improved in 2005 by 0.2 percentage point and declined in 2004 by 2.1 percentage points. The increase in 2005 was primarily attributable to changes in geographic and product sales mix and selective price increases (0.6 percentage point), partially offset by increased low margin wholesale sales of diamonds (0.5 percentage point). Wholesale diamond sales are made to divest stones that do not meet Tiffany's quality requirements; typically, the Company purchases such stones in mixed lots which are then culled. The decline of 2.1 percentage points in 2004 was primarily attributable to higher inventory costs due to increases in diamond and precious metal prices (1.0 percentage point); changes in geographic and product sales mix away from Japan and silver jewelry and toward higher-priced, lower-margin diamond jewelry (0.6 percentage point); the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment" (0.2 percentage point); and costs incurred to expand product distribution and sourcing/manufacturing capacity.

The Company's hedging program (see Note K to Consolidated Financial Statements) uses yen put options to stabilize product costs in Japan over the short-term despite exchange rate fluctuations. 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 product sourcing/manufacturing efficiencies (including direct rough-diamond sourcing and increased internal manufacturing), controlling costs and implementing selective price adjustments in order to maintain the Company's gross margin at, or above, prior year levels.

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

SG&A expenses increased 3% in 2005. However, excluding several one-time costs in 2004 (a contribution to The Tiffany & Co. Foundation, an impairment charge and exit costs (see below for more details)), SG&A expenses increased 7% in 2005 due to higher labor and benefit costs (representing approximately 50% of the increase) and higher depreciation and occupancy expenses attributable to new stores and variable rent (representing approximately 30% of the increase).

In 2005, the Company recorded $2,201,000 of losses associated with the sale of the Company's equity investment in a retail designer and distributor and $2,115,000 of losses associated with the sale of a glassware manufacturing operation.

SG&A expenses increased 17% in 2004, which included the following expenses that represented approximately half of the increase:

- $25,000,000 contribution to The Tiffany & Co. Foundation. The contribution was made from the proceeds received from the Company's sale of its equity investment in Aber. The Tiffany & Co. Foundation is a non-profit organization that provides grants to other non-profit organizations;
- $19,006,000 due to the early adoption, retroactive to February 1, 2004, of SFAS No. 123R;
- $12,193,000 impairment charge. In accordance with its policy on impairment of goodwill and long-lived assets, the Company identified impairment losses in one of its international retail markets and in one of its specialty retail businesses as a result of store performance and cash flow projections; and
- $2,932,000 of exit costs associated with discontinuing a specialty retail concept that the Company decided not to pursue.

In addition, the Company had higher labor and benefit costs in 2004 (representing approximately 20% of the increase), depreciation and occupancy expenses (representing approximately 15% of the increase) and marketing expenses (representing approximately 10% of the increase).

Management's long-term objective is to reduce the ratio of SG&A expenses to net sales by controlling expenses so that sales growth will result in a higher rate of earnings growth. As a percentage of net sales, SG&A expenses improved 2.3 percentage points in 2005. Excluding the one-time costs in 2004 discussed above, SG&A expenses as a percentage of net sales improved 0.5 percentage point in 2005 due to overall sales growth.

Earnings from Operations

| *(in thousands)* | 2005 | % of Sales* | 2004 | % of Sales* | 2003 | % of Sales* |
|---|---|---|---|---|---|---|
| Earnings (losses) from operations: | | | | | | |
| U.S. Retail | $ 268,769 | 22% | $ 227,302 | 20% | $ 224,149 | 22% |
| International Retail | 212,496 | 24% | 202,260 | 24% | 213,666 | 27% |
| Direct Marketing | 58,542 | 37% | 47,566 | 33% | 46,813 | 35% |
| Other | (18,829) | (16)% | (23,290) | (26)% | (8,460) | (12)% |
| | 520,978 | | 453,838 | | 476,168 | |
| Unallocated corporate expenses | (138,273) | | (159,309) | | (120,649) | |
| Earnings from operations | $ 382,705 | | $ 294,529 | | $ 355,519 | |

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

Reclassifications were made to prior year's earnings (losses) from operations by segment to conform to the current year presentation and to reflect the revised manner in which management evaluates the performance of segments. (See Note R to Consolidated Financial Statements for further information on the reclassifications that were made).

Earnings from operations rose 30% in 2005. On a segment basis, the ratio of earnings (losses) from operations (before the effect of unallocated corporate expenses and interest, financing and other income, net) to each segment's net sales in 2005 compared with 2004 was as follows:

- U.S. Retail – increased 2 percentage points primarily due to increased sales and gross margin and the leveraging of fixed expenses;
- International Retail – was consistent with the prior year;
- Direct Marketing – increased 4 percentage points primarily due to increased sales and gross margin and the leveraging of fixed expenses;
- Other – decreased loss of 10 percentage points primarily due to the absence of impairment and exit costs incurred in 2004. Excluding these charges from the 2004 loss from operations, the ratio of losses from operations to net sales would have been equal to the prior year.

Earnings from operations declined 17% in 2004. On a segment basis, the ratio of earnings (losses) from operations (before the effect of unallocated corporate expenses and interest, financing and other income, net) to each segment's net sales in 2004 compared with 2003 was as follows:

- U.S. Retail – decreased 2 percentage points primarily due to shifts in product sales mix toward higher-priced, lower margin diamond jewelry and higher inventory costs;
- International Retail – decreased 3 percentage points primarily due to product sales mix, higher inventory costs, increased import tariffs on U.S. manufactured products shipped to Europe and increased SG&A expenses;
- Direct Marketing – decreased 2 percentage points primarily due to lower sales and higher fixed expenses, mostly associated with the Customer Fulfillment Center, a distribution facility, which opened in September 2003 and primarily supports the Direct Marketing segment;
- Other – increased loss of 14 percentage points primarily due to impairment and exit costs incurred in 2004, expenses associated with the start-up and development of new specialty retail concepts and sales of diamonds unsuitable for the Company's production, which earn a minimal to no gross margin.

Each segment's earnings (losses) from operations in 2005 and 2004 were affected by an allocation of the expense associated with the adoption of SFAS No. 123R.

Unallocated corporate expenses include costs related to the Company's administrative support functions, such as information technology, finance, legal and human resources. Unallocated corporate expenses decreased 13% in 2005 and increased 32% in 2004. The 13% decrease in 2005 was primarily due to the $25,000,000 contribution to The Tiffany & Co. Foundation made in 2004, which was partially offset by incremental labor and benefit costs. The 32% increase in 2004 was primarily due to the contribution to The Tiffany & Co. Foundation, as well as incremental labor and benefit costs.

Interest Expense and Financing Costs

Interest expense in 2005 was slightly higher than 2004. Interest expense in 2004 rose over 2003 due to a higher level of average borrowings, a higher weighted-average interest rate and lower capitalized interest on capital expenditures.

Other Income, Net

Other income, net includes interest income, gains/losses on investment activities and foreign currency transactions, and minority interest income/expense. Other income, net increased in 2005 and 2004. The increase in 2005 was primarily due to increased interest income associated with a higher level of average investments and higher interest rates, as well as transaction gains on settlement of foreign payables. The

increase in 2004 was primarily due to increased interest income resulting from a higher level of average investments and increased interest rates, as well as increased minority interest income.

## Gain on Sale of Equity Investment

In December 2004, the Company sold its entire investment holdings of eight million shares in Aber, which had been acquired in July 1999, and recorded a pre-tax gain of $193,597,000, or a gain of $125,064,000 net of tax (see Liquidity and Capital Resources).

## Provision for Income Taxes

The effective income tax rate was 30.8% in 2005, compared with 35.6% in 2004 and 37.1% in 2003. The decrease in both years was primarily due to benefits associated with the repatriation provisions of the American Jobs Creation Act of 2004 (“AJCA”). The 2004 rate also benefited from the favorable state tax treatment on the gain from the Company’s sale of its equity investment in Aber, partly offset by a favorable reserve adjustment in 2003 related to the elimination of certain tax exposures.

The AJCA, which was signed into law on October 22, 2004, created a temporary incentive for U.S. companies to repatriate accumulated foreign earnings by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations. This incentive effectively reduces the amount of U.S. Federal income tax due on repatriation. Taking advantage of the AJCA, the Company recorded an income tax benefit of $8,600,000 in 2004 to reflect the Company’s plan to repatriate $100,000,000 of accumulated foreign earnings. In 2005, the Company recorded an income tax benefit of $22,588,000 due to the Internal Revenue Service clarifying certain provisions of the AJCA in May 2005, which also resulted in the Company’s decision to repatriate additional foreign earnings. The tax benefit to the Company occurred because the Company had previously accrued income taxes on un-repatriated foreign earnings at higher income tax rates. In total, the Company repatriated $178,245,000 of accumulated foreign earnings.

The AJCA provides a two-year transition from the existing Extraterritorial Income Exclusion Act of 2000. The World Trade Organization (“WTO”) ruled that this exclusion was an illegal export subsidy. The European Union believes that the AJCA fails to adequately repeal illegal export subsidies because of these transitional provisions and has asked the WTO to review whether these transitional provisions are in compliance with the WTO’s prior ruling. Until the final resolution of this matter, management will be unable to predict what impact, if any, this will have on future earnings.

## 2006 Outlook

Management’s financial performance objectives for 2006 are based on the following assumptions:

- Net sales growth of 10%. This objective assumes mid-single-digit worldwide comparable store sales growth on a constant-exchange-rate basis for the full year, including a high-single-digit increase in the U.S. and low-single-digit growth in Japan.
- Gross margin equal to fiscal year 2005.
- Improvement in the ratio of SG&A to net sales.
- Earnings before income taxes growth of at least 12%.
- Effective tax rate of 38%.
- Diluted earnings per share in a range of $1.77 – $1.82.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal and expansion-related working capital requirements and capital expenditure needs. The Company had net cash inflows from operating activities of $262,691,000 in 2005, $130,853,000 in 2004 and $283,842,000 in 2003. The increase in 2005 resulted from increased net earnings after adjustment for the gain on the sale of the equity investment in Aber and smaller growth in inventories, partly offset by increased tax payments largely associated with a gain recognized on the sale of the Company's equity investment in Aber in the fourth quarter of 2004. The decrease in 2004 resulted from a decrease in net earnings, after adjustment for the gain on the sale of the equity investment in Aber, and higher inventory purchases.

### Working Capital

Working capital (current assets less current liabilities) and the corresponding current ratio (current assets divided by current liabilities) were $1,334,233,000 and 4.7 at January 31, 2006, compared with $1,208,068,000 and 4.0 at January 31, 2005.

Accounts receivable, less allowances, at January 31, 2006 were 7% higher than January 31, 2005. On a 12-month rolling basis, accounts receivable turnover was 19 times in 2005 and 18 times in 2004.

Inventories, net at January 31, 2006 did not change significantly from January 31, 2005. Combined raw material and work-in-process inventories increased 2% and finished goods inventories were approximately unchanged. Changes in foreign currency exchange rates decreased inventories, net by 3% compared to January 31, 2005.

The Company continually strives to improve its inventory management by developing more effective systems and processes for product development, assortment planning, sales forecasting, supply-chain logistics and store replenishment. Management expects a single-digit percentage increase in inventories in 2006.

### Capital Expenditures

Capital expenditures were $157,036,000 in 2005, $142,321,000 in 2004 and $272,900,000 in 2003, representing 7%, 6% and 14% of net sales in 2005, 2004 and 2003. In all three years, expenditures were primarily related to the opening, renovation and expansion of stores and distribution facilities and ongoing investments in new systems. In 2003, the Company purchased the land and building housing its Tokyo Flagship store for $140,400,000 (U.S. dollar equivalent at the acquisition date). In 2002, the Company acquired the property housing its Flagship store on Old Bond Street in London and an adjacent building at a total cost of $43,000,000 (U.S. dollar equivalent at the acquisition date), in order to renovate and reconfigure the interior retail selling space. Construction commenced in 2004 and is expected to be completed in 2006 at a cost of approximately $34,000,000.

In 2000, the Company began a multi-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. The increase in the sales area was completed in 2001 when the renovated second floor opened to provide an expanded presentation of engagement and other jewelry. The renovated sixth floor that now houses the customer service department opened in 2002. The renovated fourth floor that offers tableware merchandise opened in 2003. The renovated third floor with silver jewelry and accessories opened in 2004. In conjunction

with the New York store project, the Company relocated its after-sales service functions and several of its administrative functions. The Company has spent approximately $89,000,000 to date for the New York store and related projects. Based on current plans, the Company estimates that the overall cost of these projects will be $110,000,000 when completed in 2006.

Based on current plans, management estimates that capital expenditures will be approximately $170,000,000 in 2006.

## Acquisitions, Investments and Dispositions

In October 2005, the Company acquired a Vietnamese corporation that specializes in polishing small carat weight diamonds. The price payable by the Company for the entire equity interest in this corporation is $2,000,000, of which $1,200,000 was paid in 2005; the balance will be paid when certain post-acquisition requirements are satisfied but no later than a fixed due date. This acquisition was not significant to the Company's financial position, earnings or cash flows.

The Company has made a $10,000,000 investment ($4,500,000 in 2004 and $5,500,000 in 2005) in a joint venture that owns and operates a diamond polishing facility in South Africa. The Company's interest in, and control over, this venture are such that its results are consolidated with those of the Company and its subsidiaries. The Company expects, through its investment, to gain access to additional supplies of diamonds that meet its quality standards.

In December 2004, the Company sold its entire investment in Aber through a private offering. To gain Aber's consent to the sale, the Company paid a fee and ceded its right to representation on Aber's Board of Directors. Aber, in turn, paid the Company the present value of the right to purchase diamonds at a discount, under a purchase agreement, which obligates the Company to purchase, subject to availability and the Company's quality standards, a minimum of $50,000,000 of diamonds per year through 2013. Inclusive of the payments described above, the Company received proceeds of $278,081,000, net of investment banking and legal fees, related to the sale of its equity investment. A pre-tax gain of $193,597,000 was recognized on the sale of the stock, and $10,843,000 was deferred related to the present value of the discount under the purchase agreement. As the deferred amount represents the present value of the discount, interest will be recorded on the deferred amount, and the undiscounted amount will be recognized as a reduction of inventory costs. The Company used $25,000,000 of the proceeds for a charitable contribution to The Tiffany & Co. Foundation; management used the balance for general corporate purposes, including share repurchases and additional investments to secure a greater supply of rough diamonds. The Company continues to maintain its commercial relationship with Aber through the diamond purchase agreement.

In December 2002, the Company made a $4,000,000 investment in a privately-held company that designs and sells jewelry. In 2004 and 2003, the Company made additional investments of $2,500,000 and $4,500,000. In October 2005, the Company sold its equity interest and recorded a loss of $2,201,000 in SG&A expenses. The Company consolidated those results in its financial statements based on the percentage of ownership and effective control over the direction of the operations of the business.

In September 2005, the Company entered into a sale-leaseback arrangement for its Retail Service Center, a distribution and administrative office facility. The Company received proceeds of $75,000,000 resulting in a gain of $5,300,000, which has been deferred and is being amortized over the lease term. The lease has been accounted for as an operating lease. The lease expires in 2025 and has two ten-year renewal options.

The Company continuously evaluates its manufacturing operations and supply chain to ensure that it has the optimal production mix to support long-term growth needs. In August 2005, the Company sold a glassware manufacturing operation. The Company recorded a loss of approximately $2,115,000 in SG&A expenses associated with the sale of the operation.

### Marketable Securities

The Company invests excess cash in short-term investments and marketable securities. During 2005, 2004 and 2003, the Company purchased $100,234,000, $383,989,000 and $27,450,000 of marketable securities and short-term investments. In addition, the Company received proceeds of $248,228,000 and $237,519,000 during 2005 and 2004 from the sale of marketable securities and short-term investments. There were no sales during 2003.

### Dividends

Cash dividends paid were $42,903,000 in 2005, $33,569,000 in 2004 and $27,700,000 in 2003. The dividend payout ratio (dividends as a percentage of net earnings) was 17% in 2005, 11% in 2004 and 13% in 2003. In May 2005, the Company's Board of Directors declared a 33% increase in the quarterly rate on common shares, increasing it from $0.06 per share to $0.08 per share. In May 2004, the Company's Board of Directors declared a 20% increase in the quarterly rate on common shares, increasing it from $0.05 per share to $0.06 per share. In May 2003, the Company's Board of Directors declared a 25% increase in the quarterly rate on common shares, increasing it from $0.04 per share to $0.05 per share.

### Stock Repurchases

In March 2005, the Company's Board of Directors approved a stock repurchase program ("2005 Program") that authorized the repurchase of up to $400,000,000 of the Company's Common Stock through March 2007 by means of open market or private transactions. The 2005 Program replaced and terminated an earlier program. The timing of repurchases and the actual number of shares to be repurchased depend on a variety of discretionary factors such as price and other market conditions.

The Company's stock repurchase activity was as follows:

| *(in thousands, except per share amounts)* | 2005 | 2004 | 2003 |
|---|---|---|---|
| Cost of repurchases | $ 132,816 | $ 86,732 | $ 4,610 |
| Shares repurchased and retired | 3,835 | 2,735 | 200 |
| Average cost per share | $ 34.63 | $ 31.71 | $ 23.05 |

At January 31, 2006, there remained $276,166,000 of authorization for future repurchases under the 2005 Program.

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

## Recent Borrowings

The Company's current sources of working capital are internally-generated cash flows and borrowings available under a revolving credit facility.

In July 2005, the Company entered into a new $300,000,000 revolving credit facility ("Credit Facility") with an option to increase such commitments up to $500,000,000. The Credit Facility replaced the Company's previously existing $250,000,000 credit facility and the $10,000,000 Little Switzerland unsecured revolving credit facility. The Credit Facility is available for working capital and other corporate purposes 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. Borrowings may be made from eight participating banks and are at interest rates based upon local currency borrowing rates plus a margin that fluctuates with the Company's fixed charge coverage ratio. The weighted average interest rate at January 31, 2006 was 3.59%. The Credit Facility expires in July 2010.

In January 2006, the Company borrowed HKD 300,000,000 ($38,672,000 at January 31, 2006) ("Hong Kong Term Loan"), SGD 13,100,000 ($8,043,000 at January 31, 2006) ("Singapore Term Loan") and CHF 19,500,000 ($15,145,000 at January 31, 2006) ("Switzerland Term Loan") due in 2011. These funds were used to partially finance the repatriation of dividends related to the AJCA (see Provision for Income Taxes above). Principal payments of 10% of the original principal amount are due each year, with the balance due upon maturity. The covenants of the term loans are similar to the Credit Facility. Interest rates are based upon local currency borrowing rates plus a margin that fluctuates with the Company's fixed charge coverage ratio. The interest rates for the Hong Kong Term Loan, the Singapore Term Loan and the Switzerland Term Loan were 4.28%, 3.65% and 1.28%, respectively, at January 31, 2006.

In October 2004, the Company's obligation to repay a yen 5,500,000,000 ($51,530,000 at maturity) borrowing came due and was paid in full, primarily with proceeds from a new yen 5,000,000,000 short-term loan. The yen 5,000,000,000 ($46,845,000 at issuance) short-term loan agreement was entered into in October 2004, had an interest rate of 0.59%, came due in January 2005 and was paid in full with existing funds.

In September 2003, the Company issued yen 15,000,000,000 ($127,546,000 at January 31, 2006) of senior unsecured First Series Yen Bonds ("Bonds") due 2010 with principal due upon maturity and a fixed coupon rate of 2.02% payable in semi-annual installments. The Bonds were sold in a private transaction to qualified institutional investors in Japan. The proceeds from the issuance were primarily used by the Company to repay the yen 11,000,000,000 ($91,938,000 at issuance) short-term bridge loan used to partially finance the purchase of the land and building housing its Tokyo Flagship store, which was entered into in June 2003 and matured in September 2003.

The ratio of total debt (short-term borrowings, current portion of long-term debt and long-term debt) to stockholders' equity was 26% at January 31, 2006 and 2005.

At January 31, 2006, the Company was in compliance with all covenants.

Based on the Company's financial position at January 31, 2006, management anticipates that cash on hand, internally-generated cash flows and the funds available under the Credit Facility will be sufficient to support the Company's planned worldwide business expansion, share repurchases, debt service and seasonal working capital increases for the foreseeable future.

Contractual Cash Obligations and Commercial Commitments

The following is a summary of the Company's contractual cash obligations at January 31, 2006:

| *(in thousands)* | Total | 2006 | 2007-2008 | 2009-2010 | Thereafter |
|---|---|---|---|---|---|
| Operating leases | $ 724,446 | $ 94,526 | $ 165,675 | $ 131,468 | $ 332,777 |
| Inventory purchase obligations | 501,293 | 151,293 | 100,000 | 100,000 | 150,000 |
| Short-term borrowings and long- term debt | 471,676 | 45,128 | 72,372 | 250,848 | 103,328 |
| Interest on debt and interest-rate swap agreements [a] | 90,786 | 19,666 | 38,690 | 25,930 | 6,500 |
| Construction-in-progress | 23,910 | 23,160 | 180 | 180 | 390 |
| Non-inventory purchase obligations | 6,677 | 6,677 | – | – | – |
| Other contractual obligations [b] | 9,609 | 7,250 | 1,259 | 1,100 | – |
| | $ 1,828,397 | $ 347,700 | $ 378,176 | $ 509,526 | $ 592,995 |

a) Excludes interest payments on amounts outstanding under available lines of credit, as the outstanding amounts fluctuate based on the Company's working capital needs. Variable-rate interest payments were estimated based on rates at January 31, 2006. Actual payments will differ based on changes in interest rates.

b) Other contractual obligations consist primarily of royalty and maintenance commitments.

The summary above does not include cash contributions for the Company's pension plan and cash payments for other postretirement obligations. The Company plans to contribute approximately $15,000,000 to the pension plan in 2006. However, this expectation is subject to change if actual asset performance is different than the assumed long-term rate of return on pension plan assets. The Company estimates cash payments for postretirement health-care and life insurance benefit obligations to be $1,242,000 in 2006. In addition, the summary above does not include the credit facility that the Company is providing to Tahera Diamond Corporation ("Tahera"), see below.

The following is a summary of the Company's outstanding borrowings and available capacity under the Credit Facility and other lines of credit at January 31, 2006:

| *(in thousands)* | Total capacity | Borrowings outstanding | Available capacity |
|---|---|---|---|
| Credit Facility* | $ 300,000 | $ 38,818 | $ 261,182 |
| Other lines of credit | 7,341 | 124 | 7,217 |
| | $ 307,341 | $ 38,942 | $ 268,399 |

*This facility matures in July 2010 and the capacity may be increased to $500,000,000.

In addition, the Company had letters of credit and financial guarantees of $20,567,000 at January 31, 2006, of which $13,346,000 expires within one year.

In November 2004, the Company entered into an agreement with Tahera, a Canadian diamond mining and exploration company, to purchase or market all of the diamonds to be mined at the Jericho mine which has been developed and constructed by Tahera in Nunavut, Canada ("Project"). In consideration of that agreement, the Company provided a credit facility to Tahera which allows Tahera to draw up to CDN$35,000,000 (U.S.$30,536,000 at January 31, 2006) to finance the development and construction of

the Project. At January 31, 2006, CDN$29,718,000 (U.S.$25,927,000 at January 31, 2006) was outstanding under this credit facility. Principal and interest payments are due periodically throughout the term of the facility which matures in December 2013. The Company will begin purchasing diamonds from Tahera in 2006.

## 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.

## CRITICAL ACCOUNTING ESTIMATES

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

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

*Inventory.* The Company writes down its inventory for discontinued and slow-moving products. This write-down is equal to the difference between the cost of inventory and its estimated market value, and is based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs might be required. At January 31, 2006, a 10% change in the reserve for discontinued and slow-moving products would have resulted in a change of $2,200,000 in inventory and cost of sales. The Company's domestic and foreign branch inventories, excluding Japan, are valued using the last-in, first-out (LIFO) method, and inventories held by foreign subsidiaries and Japan are valued using the average cost method. Fluctuation in inventory levels, along with the costs of raw materials, could affect 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 management determines that the carrying value of such assets may not be recoverable due to events or changes in circumstances. Recoverability of long-lived assets is evaluated by comparing the carrying value of the asset with estimated future undiscounted cash flows. If the comparisons indicate that the value of the asset is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the asset and the loss is recognized during that period. The Company recorded impairment charges of $10,230,000 in 2004 and did not record any impairment charges in 2005 and 2003.

*Goodwill.* The Company performs its annual impairment evaluation of goodwill during the fourth quarter of its fiscal year or when circumstances otherwise indicate an evaluation should be performed. The evaluation, based upon discounted cash flows, requires management to estimate future cash flows, growth rates and economic and market conditions. The 2005 evaluation did not result in any impairment charges; however, it is possible that impairment charges could be recorded in the future if results vary from those anticipated. Impairment charges recorded in 2004 amounted to $1,963,000 and no such charges were recorded in 2003.

*Income taxes*. Foreign and domestic tax authorities periodically audit the Company's income tax returns. These audits often examine and test the factual and legal basis for positions the Company has taken in its tax filings with respect to its tax liabilities, including the timing and amount of deductions and the allocation of income among various tax jurisdictions ("tax filing positions"). Management believes that its tax filing positions are reasonable and legally supportable. However, in specific cases, various tax authorities may take a contrary position and insist upon an adjustment. In evaluating the exposures associated with the Company's various tax filing positions, management records reserves for probable exposures. Earnings could be affected to the extent the Company prevails in matters for which reserves have been established or is required to pay amounts in excess of established reserves. The Company also records valuation allowances when management determines it is more likely than not that deferred tax assets will not be realized in the future.

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

The Company used a discount rate of 6.00% to determine its 2005 pension and postretirement expense. Holding all other assumptions constant, a 0.5% increase in the discount rate would have decreased 2005 pension and postretirement expenses by $3,105,000 and $245,000. A decrease of 0.5% in the discount rate would have increased the 2005 pension and postretirement expenses by $3,363,000 and $275,000. The discount rate is subject to change each year, consistent with changes in the yield on applicable high-quality, long-term corporate bonds. Management selects a discount rate at which pension and postretirement benefits could be effectively settled based on (i) analysis of expected benefit payments attributable to current employment service and (ii) appropriate yields related to such cash flows.

The Company used an expected long-term rate of return of 7.50% to determine its 2005 pension expense. Holding all other assumptions constant, a 0.5% change in the long-term rate of return would have changed the 2005 pension expense by $670,000. The expected long-term rate of return on pension plan assets is selected by taking into account the average rate of return expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. More specifically, consideration is given to the expected rates of return (including reinvestment asset return rates) based upon the plan's current asset mix, investment strategy and the historical performance of plan assets.

For postretirement benefit measurement purposes, the following annual rates of increase in the per capita cost of covered health care were assumed for 2006: 9.50% (for pre-age 65 retirees) and 10.50% (for post-age 65 retirees). The rate was assumed to decrease gradually to 4.75% by 2016 (for pre-age 65 retirees) and by 2018 (for post-age 65 retirees) and remain at that level thereafter. A one-percentage-point increase in the assumed health-care cost trend rate would have increased the aggregate service and interest cost components of the 2005 postretirement expense by $708,000. Decreasing the assumed health-care cost trend rate by one-percentage-point would have decreased the aggregate service and interest cost components of the 2005 postretirement expense by $480,000.

*Equity Compensation Plans*. The Company has equity compensation plans for employees and directors. Until January 2005, the Company granted only stock options. In January 2005, the Company, in addition to stock options, granted performance-based restricted stock units to executive officers of the Company and time-vesting restricted stock units to other management employees. Additionally, in the fourth quarter of 2004, the Company early adopted SFAS No. 123R that requires new, modified and unvested share-based payment transactions with employees, such as stock options and restricted stock,

be measured at fair value and recognized as compensation expense over the vesting period (see Note B to Consolidated Financial Statements). The fair value of each option award is estimated using a Black-Scholes option valuation model that requires the Company to develop estimates for assumptions used in the model. The Black-Scholes valuation model uses the following assumptions: expected volatility, expected term of the option, risk-free interest rate and dividend yield. Expected volatility estimates developed by the Company are based on the historical volatility of the Company's stock. The Company uses historical data to estimate the expected term of the option; i.e. the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the grant date. The dividend yield represents the expected dividends on the Company stock for the expected term of the option.

## NEW ACCOUNTING STANDARDS

See Note B to Consolidated Financial Statements.

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## Item 7A. Quantitative and Qualitative Disclosures About 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, earnings and cash flows. The Company manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company uses derivative financial instruments as risk management tools and not for trading or speculative purposes, and does not maintain such instruments that may expose the Company to significant market risk.

### Foreign Currency Risk

In Japan, the Company uses yen put options to minimize the effect of a weakening yen on U.S. dollar- denominated transactions. To a lesser extent, the Company uses foreign-exchange forward contracts to protect against weakening local currencies. Gains or losses on these instruments substantially offset losses or gains on the assets, liabilities and transactions being hedged. Management neither foresees nor expects significant changes in foreign currency exposure in the near future.

The fair value of yen put options is sensitive to changes in yen exchange rates. If the market yen exchange rate at the time of an option's expiration is stronger than the contracted exchange rate, the Company allows the option to expire, limiting its loss to the cost of the option contract. The cost of outstanding option contracts at January 31, 2006 and 2005 was $2,828,000 and $2,791,000. At January 31, 2006 and 2005, the fair value of outstanding yen put options was $7,083,000 and $915,000. The fair value of the options was determined using quoted market prices for these instruments. At January 31, 2006 and 2005, a 10% appreciation in yen exchange rates from the prevailing market rates would have resulted in a fair value of $1,083,000 and $79,000. At January 31, 2006 and 2005, a 10% depreciation in yen exchange rates from the prevailing market rates would have resulted in a fair value of $15,644,000 and $5,742,000.

At January 31, 2006 and 2005, the Company had $7,481,000 and $6,854,000 of outstanding forward foreign-exchange contracts, which subsequently matured in February 2006 and February 2005. 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.

### Interest Rate Risk

The Company uses interest-rate swap contracts related to certain debt arrangements to manage its net exposure to interest rate changes. The interest-rate swap contracts effectively convert fixed-rate obligations to floating-rate instruments. Additionally, since the fair value of the Company's fixed-rate long-term debt is sensitive to interest rate changes, the interest-rate swap contracts serve as a hedge to changes in the fair value of these debt instruments. A 100 basis point increase in interest rates at January 31, 2006 and 2005 would have decreased the market value of the Company's fixed-rate long-term debt, including the effect of the interest-rate swap, by $11,484,000 and $15,459,000. A 100 basis point decrease in interest rates at January 31, 2006 and 2005 would have increased the market value of the Company's fixed-rate long-term debt, including the effect of the interest-rate swap, by $11,868,000 and $13,963,000.

Management does not expect significant changes in exposure to interest rate fluctuations, nor in market risk-management practices.

**Item 8. Financial Statements and Supplementary Data.**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have completed our integrated audits of Tiffany & Co.'s fiscal year 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of January 31, 2006, and an audit of its fiscal year 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

*Consolidated financial statements and financial statement schedule*

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of stockholders' equity and comprehensive earnings, and of cash flows present fairly, in all material respects, the financial position of Tiffany & Co. and its subsidiaries (the "Company") at January 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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.

As discussed in Note B to the consolidated financial statements, effective February 1, 2004, the Company adopted SFAS No. 123R, "Share-Based Payment."

*Internal control over financial reporting*

Also, in our opinion, management's assessment, included in the Report of Management appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of January 31, 2006 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2006, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all

material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 30, 2006

## CONSOLIDATED BALANCE SHEETS

| *(in thousands, except per share amounts)* | January 31, 2006 | 2005 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 393,609 | $ 187,681 |
| Short-term investments | – | 139,200 |
| Accounts receivable, less allowances of $8,002 and $7,491 | 142,294 | 133,545 |
| Inventories, net | 1,060,164 | 1,057,245 |
| Deferred income taxes | 69,576 | 64,790 |
| Prepaid expenses and other current assets | 33,200 | 25,428 |
| Total current assets | 1,698,843 | 1,607,889 |
| Property, plant and equipment, net | 866,004 | 917,853 |
| Deferred income taxes | 29,828 | – |
| Other assets, net | 182,597 | 140,376 |
| | $ 2,777,272 | $ 2,666,118 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings | $ 38,942 | $ 42,957 |
| Current portion of long-term debt | 6,186 | – |
| Accounts payable and accrued liabilities | 202,646 | 186,013 |
| Income taxes payable | 60,364 | 118,536 |
| Merchandise and other customer credits | 56,472 | 52,315 |
| Total current liabilities | 364,610 | 399,821 |
| Long-term debt | 426,548 | 397,606 |
| Postretirement/employment benefit obligations | 41,982 | 40,220 |
| Deferred income taxes | – | 33,175 |
| Other long-term liabilities | 113,219 | 94,136 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred Stock, $0.01 par value; authorized 2,000 shares, none issued and outstanding | – | – |
| Common Stock, $0.01 par value; authorized 240,000 shares, issued and outstanding 142,509 and 144,548 | 1,425 | 1,445 |
| Additional paid-in capital | 488,960 | 426,308 |
| Retained earnings | 1,331,321 | 1,246,331 |
| Accumulated other comprehensive gain (loss), net of tax: | | |
| Foreign currency translation adjustments | 5,281 | 29,045 |
| Deferred hedging gain (loss) | 3,247 | (2,118) |
| Unrealized gain on marketable securities | 679 | 149 |
| Total stockholders' equity | 1,830,913 | 1,701,160 |
| | $ 2,777,272 | $ 2,666,118 |

*See Notes to Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF EARNINGS

| *(in thousands, except per share amounts)* | | Years Ended January 31, | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Net sales | $ 2,395,153 | $ 2,204,831 | $ 2,000,045 |
| Cost of sales | 1,052,813 | 974,258 | 842,663 |
| Gross profit | 1,342,340 | 1,230,573 | 1,157,382 |
| Selling, general and administrative expenses | 959,635 | 936,044 | 801,863 |
| Earnings from operations | 382,705 | 294,529 | 355,519 |
| Interest expense and financing costs | 23,062 | 22,003 | 14,906 |
| Other income, net | (8,331) | (6,025) | (2,072) |
| Gain on sale of equity investment | – | 193,597 | – |
| Earnings before income taxes | 367,974 | 472,148 | 342,685 |
| Provision for income taxes | 113,319 | 167,849 | 127,168 |
| Net earnings | $ 254,655 | $ 304,299 | $ 215,517 |
| Net earnings per share: | | | |
| Basic | $ 1.78 | $ 2.08 | $ 1.48 |
| Diluted | $ 1.75 | $ 2.05 | $ 1.45 |
| Weighted-average number of common shares: | | | |
| Basic | 142,976 | 145,995 | 145,730 |
| Diluted | 145,578 | 148,093 | 148,472 |

*See Notes to Consolidated Financial Statements.*

## 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, 2003 | $ 1,208,049 | $ 874,694 | $ (19,492) | 144,865 | $ 1,449 | $ 351,398 |
| Exercise of stock options | 22,587 | – | – | 1,984 | 19 | 22,568 |
| Tax benefit from exercise of stock options | 19,517 | – | – | – | – | 19,517 |
| Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan | 2,000 | – | – | 86 | 1 | 1,999 |
| Purchase and retirement of Common Stock | (4,610) | (4,308) | – | (200) | (2) | (300) |
| Cash dividends on Common Stock | (27,700) | (27,700) | – | – | – | – |
| Deferred hedging loss, net of tax | (224) | – | (224) | – | – | – |
| Foreign currency translation adjustments, net of tax | 30,417 | – | 30,417 | – | – | – |
| Minimum pension liability adjustment, net of tax | 2,647 | – | 2,647 | – | – | – |
| Net earnings | 215,517 | 215,517 | – | – | – | – |
| Balances, January 31, 2004 | 1,468,200 | 1,058,203 | 13,348 | 146,735 | 1,467 | 395,182 |
| Exercise of stock options | 6,691 | – | – | 482 | 4 | 6,687 |
| Tax benefit from exercise of stock options | 3,818 | – | – | – | – | 3,818 |
| Share-based compensation expense | 22,100 | – | – | – | – | 22,100 |
| Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan | 2,625 | – | – | 66 | 1 | 2,624 |
| Purchase and retirement of Common Stock | (86,732) | (82,602) | – | (2,735) | (27) | (4,103) |
| Cash dividends on Common Stock | (33,569) | (33,569) | – | – | – | – |
| Deferred hedging gain, net of tax | 390 | – | 390 | – | – | – |
| Unrealized gain on marketable securities | 149 | – | 149 | – | – | – |
| Foreign currency translation adjustments, net of tax | 13,189 | – | 13,189 | – | – | – |
| Net earnings | 304,299 | 304,299 | – | – | – | – |
| Balances, January 31, 2005 | 1,701,160 | 1,246,331 | 27,076 | 144,548 | 1,445 | 426,308 |
| Exercise of stock options and vesting of restricted stock units | 24,545 | – | – | 1,653 | 17 | 24,528 |
| Tax benefit from exercise of stock options and vesting of restricted stock units | 13,791 | – | – | – | – | 13,791 |
| Share-based compensation expense | 25,950 | – | – | – | – | 25,950 |
| Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan | 4,400 | – | – | 143 | 1 | 4,399 |
| Purchase and retirement of Common Stock | (132,816) | (126,762) | – | (3,835) | (38) | (6,016) |
| Cash dividends on Common Stock | (42,903) | (42,903) | – | – | – | – |
| Deferred hedging gain, net of tax | 5,365 | – | 5,365 | – | – | – |
| Unrealized gain on marketable securities | 530 | – | 530 | – | – | – |
| Foreign currency translation adjustments, net of tax | (23,764) | – | (23,764) | – | – | – |
| Net earnings | 254,655 | 254,655 | – | – | – | – |
| Balances, January 31, 2006 | $ 1,830,913 | $ 1,331,321 | $ 9,207 | 142,509 | $ 1,425 | $ 488,960 |

| Comprehensive earnings are as follows: | Years Ended January 31, 2006 | 2005 | 2004 |
|---|---|---|---|
| Net earnings | $ 254,655 | $ 304,299 | $ 215,517 |
| Deferred hedging gain (loss), net of tax expense (benefit) of $2,253, $210 and ($121) | 5,365 | 390 | (224) |
| Foreign currency translation adjustments, net of tax (benefit) expense of ($13,222), $5,917 and $10,350 | (23,764) | 13,189 | 30,417 |
| Unrealized gain on marketable securities, net of tax expense of $269, $93 and $0 | 530 | 149 | – |
| Minimum pension liability adjustment, net of tax expense of $0, $0 and $1,863 | – | – | 2,647 |
| | $ 236,786 | $ 318,027 | $ 248,357 |

*See Notes to Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(in thousands)* | Years Ended January 31, 2006 | 2005 | 2004 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net earnings | $ 254,655 | $ 304,299 | $ 215,517 |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 109,449 | 106,832 | 89,307 |
| Gain on sale of equity investment | – | (193,597) | – |
| Excess tax benefits from share-based payment arrangements | (8,636) | (2,000) | – |
| Provision for inventories | 10,179 | 2,433 | 6,533 |
| Deferred income taxes | (58,441) | (15,060) | 18,497 |
| Loss on disposal of assets | 4,925 | 1,353 | 175 |
| Provision for postretirement/employment benefits | 1,761 | 3,474 | 3,630 |
| Share-based compensation expense | 25,622 | 22,100 | – |
| Impairment charges | – | 12,193 | – |
| Changes in assets and liabilities, excluding effects of acquisitions: | | | |
| Accounts receivable | (17,558) | 4,960 | (12,046) |
| Inventories | (43,628) | (175,392) | (109,183) |
| Prepaid expenses and other current assets | 1,246 | (1,003) | (466) |
| Other assets, net | (21,371) | (17,607) | 10,725 |
| Accounts payable and accrued liabilities | 23,929 | (23,275) | 39,102 |
| Income taxes payable | (43,109) | 75,810 | 21,798 |
| Merchandise and other customer credits | 4,201 | 6,687 | 2,617 |
| Other long-term liabilities | 19,467 | 18,646 | (2,364) |
| Net cash provided by operating activities | 262,691 | 130,853 | 283,842 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Proceeds from sale of equity investment | – | 267,238 | – |
| Purchases of marketable securities and short-term investments | (100,234) | (383,989) | (27,450) |
| Proceeds from sales of marketable securities and short-term investments | 248,228 | 237,519 | – |
| Capital expenditures | (157,036) | (142,321) | (272,900) |
| Proceeds from sale-leaseback of assets | 75,000 | – | – |
| Notes receivable funded | (25,363) | – | – |
| Acquisitions, net of cash acquired | (6,845) | (4,500) | – |
| Other | (1,807) | (4,212) | 3,214 |
| Net cash provided by (used in) investing activities | 31,943 | (30,265) | (297,136) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of long-term debt | 61,914 | – | 135,105 |
| Repayment of current portion of long-term debt | – | (51,530) | (4,000) |
| Repayment of short-term borrowings, net | (3,795) | (797) | (15,225) |
| Repurchase of Common Stock | (132,816) | (86,732) | (4,610) |
| Proceeds from exercise of stock options | 24,545 | 6,691 | 22,587 |
| Excess tax benefits from share-based payment arrangements | 8,636 | 2,000 | – |
| Cash dividends on Common Stock | (42,903) | (33,569) | (27,700) |
| Fees and expenses related to new borrowings | (732) | – | – |
| Net cash (used in) provided by financing activities | (85,151) | (163,937) | 106,157 |
| Effect of exchange rate changes on cash and cash equivalents | (3,555) | 2,365 | (395) |
| Net increase (decrease) in cash and cash equivalents | 205,928 | (60,984) | 92,468 |
| Cash and cash equivalents at beginning of year | 187,681 | 248,665 | 156,197 |
| Cash and cash equivalents at end of year | $ 393,609 | $ 187,681 | $ 248,665 |

*See Notes to Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### A. NATURE OF BUSINESS

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

The Company’s channels of distribution are as follows:

- U.S. Retail includes sales in TIFFANY & CO. stores in the U.S. and, to a lesser extent, sales of TIFFANY & CO. products through business-to-business sales personnel in the U.S.;
- International Retail includes sales in TIFFANY & CO. stores and department store boutiques outside the U.S., as well as, to a lesser extent, business-to-business, Internet and wholesale sales of TIFFANY & CO. products outside the U.S.;
- Direct Marketing includes Internet and catalog sales of TIFFANY & CO. products in the U.S.; and
- Other includes worldwide sales of businesses operated under trademarks or tradenames other than TIFFANY & CO. (“specialty retail”), as well as wholesale sales of diamonds not suitable for production by the Company’s diamond sourcing and manufacturing operations.

### 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 the Company and its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities, by majority exposure to expected losses, residual returns or both. 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, the recoverability of long-lived assets and goodwill and obligations related to employee benefit plans. 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.

#### 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 and money market fund investments with a number of U.S. and non-U.S. financial institutions with high credit ratings. The Company's policy restricts the amounts invested in any one institution.

### Short-Term Investments

Short-term investments represent the Company's investment in auction rate securities.

### Receivables and Finance Charges

The Company's U.S. 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. U.S. and foreign branch inventories, excluding Japan, are valued using the last-in, first-out (LIFO) method. Inventories held by foreign subsidiaries and Japan are valued using the average cost 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:

| | |
|---|---|
| Buildings | 39 years |
| Machinery and Equipment | 5-15 years |
| Office Equipment | 3-10 years |
| Furniture and Fixtures | 3-10 years |

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's capitalized interest costs were $61,000 in 2005, $40,000 in 2004 and $2,335,000 in 2003.

### Intangible Assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives which range from 15-20 years. Intangible assets are reviewed for impairment in accordance with the Company's policy for impairment of long-lived assets (see Note E). Intangible assets amounted

to $18,780,000 and $14,165,000, net of accumulated amortization of $4,651,000 and $3,766,000 at January 31, 2006 and 2005, and consist primarily of trademarks and product rights. Amortization of intangible assets for the years ended January 31, 2006, 2005 and 2004 was $885,000, $886,000 and $840,000. Amortization expense in each of the next five years is estimated to be $1,245,000.

### Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired. Goodwill is evaluated for impairment annually in the fourth quarter or when events or changes in circumstances indicate that the value of goodwill may be impaired. This evaluation, based on discounted cash flows, requires management to estimate future cash flows, growth rates and economic and market conditions. If the evaluation indicates that goodwill is not recoverable, an impairment loss is calculated and recognized during that period (see Note E). At January 31, 2006 and 2005, unamortized goodwill was included in other assets, net and consisted of the following by segment:

| *(in thousands)* | Balance at January 31, 2005 | Goodwill Acquired | Reductions | Balance at January 31, 2006 |
|---|---|---|---|---|
| U.S. Retail | $ 10,312 | $ – | $ – | $ 10,312 |
| International Retail | 831 | – | – | 831 |
| Other | 8,803 | 2,112 | (1,910) | 9,005 |
| | $ 19,946 | $ 2,112 | $ (1,910) | $ 20,148 |

Reductions represent a change in the tax basis of assets previously acquired.

### Impairment of Long-Lived Assets

The Company reviews its long-lived assets other than goodwill for impairment when management determines that the carrying value of such assets may not be recoverable due to events or changes in circumstances. Recoverability of long-lived assets is evaluated by comparing the carrying value of the asset with the estimated future undiscounted cash flows. If the comparisons indicate that the asset is not recoverable, an impairment loss is calculated as the difference between the carrying value and the fair value of the asset and the loss is recognized during that period (see Note E).

### Hedging Instruments

The Company uses a limited number of derivative financial instruments to mitigate its foreign currency and interest rate exposures. Derivative instruments are 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 hedged transaction affects current earnings. Amounts excluded from the effectiveness calculation and any ineffective portions of the change in fair value of the derivative of a cash-flow hedge are recognized in current earnings. 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. The Company also documents 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 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.

### Marketable Securities

The Company's marketable securities, recorded within other assets, net on the consolidated balance sheet, are classified as available-for-sale and are recorded at fair value with unrealized gains and losses reported as a separate component of stockholders' equity. Realized gains and losses are recorded in other income, net. The marketable securities are held for an indefinite period of time, but might be sold in the future as changes in market conditions or economic factors occur. The fair value of the marketable securities is determined based on prevailing market prices. The Company recorded $1,041,000 and $263,000 of gross unrealized gains and $0 and $21,000 of gross unrealized losses within other comprehensive income as of January 31, 2006 and 2005.

### Merchandise and Other Customer Credits

Merchandise and other customer credits represent outstanding credits issued to customers for returned merchandise. It also includes outstanding gift coins and gift certificates or cards (collectively "gift cards") sold to customers. All such outstanding items may be tendered for future merchandise purchases. A merchandise credit liability is established when a merchandise credit is issued to a customer for a returned item and the original sale is reversed. A gift card liability is established when the gift card is sold. The liabilities are relieved and revenue is recognized when merchandise is purchased and delivered to the customer and the merchandise credit or gift card is used as a form of payment.

If merchandise credits or gift cards are not redeemed over an extended period of time (approximately three-five years), the value of the merchandise credits or gift cards is remitted to the applicable state jurisdiction in accordance with unclaimed property laws.

### Revenue Recognition

Sales are recognized at the "point of sale," which occurs when merchandise is taken in an "over-the-counter" transaction or upon receipt by a customer in a shipped transaction. Sales are reported net of returns. Shipping and handling fees billed to customers are included in net sales. The Company maintains a reserve for potential product returns and it records, as a reduction to sales and cost of sales, its provision for estimated product returns, which is determined based on historical experience. In 2005, 2004 and 2003, the largest portion of the Company's sales was denominated in U.S. dollars.

### Cost of Sales

Cost of sales includes costs related to merchandise, inbound freight, purchasing and receiving, inspection, warehousing, internal transfers and other costs associated with distribution. Cost of sales also includes royalty fees paid to outside designers and customer shipping and handling charges.

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

SG&A expenses include costs associated with the selling and promotion of products as well as administrative expenses. The types of expenses associated with these functions are store payroll and benefits, rent and other store operating expenses, advertising and other corporate level administrative expenses.

### Advertising Costs

Media and production costs for print advertising are expensed as incurred, while catalog costs are expensed upon mailing. Advertising costs, which include media, production, catalogs, promotional events and other related costs totaled $137,533,000, $134,963,000 and $122,382,000 in 2005, 2004 and 2003.

### Preopening Costs

Costs associated with the opening of new retail stores are expensed in the period incurred.

### Stock-Based Compensation

In 2004, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment," which requires that new, modified and unvested share-based payment transactions with employees, such as stock options and restricted stock, be measured at fair value and recognized as compensation expense over the vesting period. The Company adopted SFAS No. 123R, retroactive to February 1, 2004, using the modified retrospective method of transition. This method allows for restatement of interim financial statements in the year of adoption based on the amounts previously calculated and reported in the pro forma footnote disclosures required by SFAS No. 123, "Accounting for Stock-Based Compensation." The adoption of SFAS No. 123R in 2004 resulted in a reduction in earnings from operations of $22,100,000, a reduction in net earnings of $13,448,000, a reduction in basic and diluted earnings per share of $0.09, a reduction of $2,000,000 in cash flows from operating activities and an increase of $2,000,000 in cash flows from financing activities.

Prior to 2004, employee stock options were accounted for under the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. Compensation costs were not recorded in net earnings for stock options, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation expense been determined and recorded based on the fair-value recognition provisions of SFAS No. 123, net earnings and earnings per share would have been reduced to pro forma amounts as follows:

| *(in thousands, except per share amounts)* | Year Ended January 31, 2004 |
| --- | --- |
| Net earnings, as reported | $ 215,517 |
| Stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax | (13,236) |
| Pro forma net earnings | $ 202,281 |
| Earnings per basic share: | |
| As reported | $ 1.48 |
| Pro forma | $ 1.39 |
| Earnings per diluted share: | |
| As reported | $ 1.45 |
| Pro forma | $ 1.36 |

### Merchandise Design Activities

Merchandise design activities consist of conceptual formulation and design of possible products and creation of pre-production prototypes and molds. Costs associated with these activities are expensed as incurred.

### Foreign Currency

The functional currency of most of the Company's foreign subsidiaries and branches 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. The Company recorded net gains resulting from foreign currency transactions of $2,240,000, $278,000 and $768,000 in 2005, 2004 and 2003 within other income, net.

### Income Taxes

Income taxes are accounted for by using the asset and liability method in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes". 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 the foreign branches of its domestic subsidiaries file a consolidated Federal income tax return.

### Earnings Per Share

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

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

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Net earnings for basic and diluted EPS | $ 254,655 | $ 304,299 | $ 215,517 |
| Weighted-average shares for basic EPS | 142,976 | 145,995 | 145,730 |
| Incremental shares based upon the assumed exercise of stock options and restricted stock units | 2,602 | 2,098 | 2,742 |
| Weighted-average shares for diluted EPS | 145,578 | 148,093 | 148,472 |

For the years ended January 31, 2006, 2005 and 2004, there were 4,586,000, 5,463,000 and 1,791,000 stock options and restricted stock units excluded from the computations of earnings per diluted share due to their antidilutive effect.

### New Accounting Standards

In October 2005, the Financial Accounting Standards Board ("FASB") issued Staff Position ("FSP") No. FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period" which requires that rental costs associated with ground or building operating leases incurred during a construction period be recognized as rental expense and included in income from continuing operations. FSP No. FAS 13-1 is effective for reporting periods beginning after December 15, 2005. Management has evaluated the provisions of FSP No. FAS 13-1 and determined that the effect of its adoption will not have an impact on the Company's financial position, earnings or cash flows.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This Statement requires that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management has evaluated the provisions of SFAS No. 151 and determined that the effect of its adoption will not have an impact on the Company's financial position, earnings or cash flows.

## C. ACQUISITIONS AND DISPOSITION

In October 2005, the Company acquired a Vietnamese corporation that specializes in polishing small carat weight diamonds. The price payable by the Company for the entire equity interest in this corporation is $2,000,000, of which $1,200,000 was paid in 2005; the balance will be paid when certain post-acquisition requirements are satisfied but no later than a fixed due date. This acquisition was not significant to the Company's financial position, earnings or cash flows.

In August 2005, the Company sold a glassware manufacturing operation. The Company recorded a loss of $2,115,000 in SG&A expenses associated with the sale of the operation.

The Company has made a $10,000,000 investment ($4,500,000 in 2004 and $5,500,000 in 2005) in a joint venture that owns and operates a diamond polishing facility in South Africa. The Company's interest in, and control over, this venture are such that its results are consolidated with those of the

Company and its subsidiaries. The Company expects, through its investment, to gain access to additional supplies of diamonds that meet its quality standards.

D. INVESTMENTS

In July 1999, the Company made a strategic investment in Aber Diamond Corporation ("Aber"), a publicly-traded company headquartered in Canada, by purchasing, through a subscription agreement, eight million unregistered shares of its common stock, which represented 14.7% (at the purchase date) of Aber's outstanding shares, at a cost of $70,636,000. In addition, the Company entered into a diamond purchase agreement whereby the Company has the obligation to purchase a minimum of $50,000,000 of diamonds, subject to availability and the Company's quality standards, per year for 10 years beginning in 2004. Aber holds a 40% interest in the Diavik Diamond Mine in Canada's Northwest Territories. Production commenced in 2003. This investment was 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 intangible mineral rights obtained. The amount allocated to the Company's interest in Aber was accounted for under the equity method based on the Company's significant influence, including representation on Aber's Board of Directors.

The Company's equity share of Aber's results from operations amounted to gains of $3,080,000 in 2004 and $244,000 in 2003. The mineral rights were depleted based on the projected units of production method and amounted to $2,899,000 and $938,000 in 2004 and 2003.

In December 2004, the Company sold its entire investment in Aber through a private offering. To gain Aber's consent to the sale, the Company paid a fee and ceded its right to representation on Aber's Board of Directors. Aber, in turn, paid the Company the present value of the right to purchase diamonds at a discount under the diamond purchase agreement. Inclusive of the payments described above, the Company received proceeds of $278,081,000, net of investment banking and legal fees, related to the sale of its equity investment in Aber. A pre-tax gain of $193,597,000 was recognized on the sale of the stock, and $10,843,000 was deferred related to the present value of the discount under the purchase agreement. As the deferred amount represents the present value of the discount, interest will be recorded on the deferred amount, and the undiscounted amount will be recognized as a reduction of inventory costs. The Company continues to maintain its commercial relationship with Aber through the diamond purchase agreement.

In December 2002, the Company made a $4,000,000 investment in a privately-held company that designs and sells jewelry. In 2004 and 2003, the Company made additional investments of $2,500,000 and $4,500,000. In October 2005, the Company sold its equity interest and recorded a loss of $2,201,000 in SG&A expenses. The Company consolidated those results in its financial statements based on the percentage of ownership and effective control over the direction of the operations of the business.

E. ASSET IMPAIRMENTS AND EXIT COSTS

In accordance with its policy on impairment of goodwill, intangibles and long-lived assets, in 2004 the Company identified impairment losses in one of its international retail markets (included in the International Retail reportable segment) and in one of its specialty retail businesses (included in a non-reportable segment – Other) as a result of store performance and cash flow projections. The Company recorded total charges of $12,193,000 in SG&A expenses related to the impairments as follows:

| *(in thousands)* | International Retail | Other |
|---|---|---|
| Property, plant and equipment | $ 5,572 | $ 2,338 |
| Intangibles | – | 2,320 |
| Goodwill | – | 1,963 |
| | $ 5,572 | $ 6,621 |

The impairment losses were calculated as the difference between the asset carrying values and their fair values which were determined based on the present value of estimated net cash flows.

In January 2005, management made a decision to no longer pursue a specialty retail concept that had been under development. As a result of this decision, the Company recorded a pre-tax charge of $2,932,000 in SG&A expenses consisting primarily of purchase commitments and severance costs.

F. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for:

| | | | Years Ended January 31, |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Interest, net of interest capitalization | $ 18,736 | $ 19,476 | $ 12,151 |
| Income taxes | $ 210,477 | $ 101,178 | $ 85,526 |

Details of businesses acquired in purchase transactions:

| | | | Years Ended January 31, |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Fair value of assets acquired | $ 2,306 | $ 4,876 | $ – |
| Liabilities assumed | (958) | (376) | – |
| Cash paid for acquisition | 1,348 | 4,500 | – |
| Cash acquired | (3) | – | – |
| Additional consideration on prior-year acquisitions | 5,500 | – | – |
| Net cash paid for acquisition | $ 6,845 | $ 4,500 | $ – |

Supplemental noncash investing and financing activities:

| | | | Years Ended January 31, |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Issuance of Common Stock under the Employee Profit Sharing and Retirement Savings Plan | $ 4,400 | $ 2,625 | $ 2,000 |

G. INVENTORIES

| (in thousands) | January 31, 2006 | 2005 |
|---|---|---|
| Finished goods | $ 764,041 | $ 767,373 |
| Raw materials | 244,400 | 235,884 |
| Work-in-process | 51,723 | 53,988 |
| | $ 1,060,164 | $ 1,057,245 |

LIFO-based inventories at January 31, 2006 and 2005 represented 69% and 66% of inventories, net, with the current cost exceeding the LIFO inventory value by $75,624,000 and $64,058,000.

H. PROPERTY, PLANT AND EQUIPMENT

| (in thousands) | January 31, 2006 | 2005 |
|---|---|---|
| Land | $ 203,366 | $ 238,326 |
| Buildings | 141,110 | 188,765 |
| Leasehold improvements | 489,998 | 454,449 |
| Office equipment | 247,751 | 217,230 |
| Furniture and fixtures | 128,356 | 118,350 |
| Machinery and equipment | 121,942 | 107,896 |
| Construction-in-progress | 21,422 | 27,192 |
| | 1,353,945 | 1,352,208 |
| Accumulated depreciation and amortization | (487,941) | (434,355) |
| | $ 866,004 | $ 917,853 |

The provision for depreciation and amortization for the years ended January 31, 2006, 2005 and 2004 was $112,462,000, $109,657,000 and $91,608,000. In each of those years, 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 $3,900,000, $5,274,000 and $4,361,000 for the years ended January 31, 2006, 2005 and 2004.

I. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| (in thousands) | January 31, 2006 | 2005 |
|---|---|---|
| Accounts payable-trade | $ 71,279 | $ 74,471 |
| Accrued compensation and commissions | 46,320 | 31,097 |
| Accrued sales, withholding and other taxes | 40,881 | 40,629 |
| Other | 44,166 | 39,816 |
| | $ 202,646 | $ 186,013 |

## J. DEBT

| *(in thousands)* | January 31, 2006 | 2005 |
|---|---|---|
| Short-term borrowings: | | |
| Credit Facility | $ 38,818 | $ 33,357 |
| Little Switzerland | – | 9,600 |
| Other | 124 | – |
| | $ 38,942 | $ 42,957 |
| | | |
| Long-term debt: | | |
| Senior Notes: | | |
| 6.90% Series A | $ 60,000 | $ 60,000 |
| 7.05% Series B | 40,000 | 40,000 |
| 6.15% Series C | 40,000 | 41,230 |
| 6.56% Series D | 60,813 | 62,976 |
| 4.50% yen loan | 42,515 | 48,350 |
| First Series Yen Bonds | 127,546 | 145,050 |
| Hong Kong Term Loan | 38,672 | – |
| Singapore Term Loan | 8,043 | – |
| Switzerland Term Loan | 15,145 | – |
| | 432,734 | 397,606 |
| Less current portion of long-term debt | 6,186 | – |
| | $ 426,548 | $ 397,606 |

### Credit Facility

In July 2005, the Company entered into a new $300,000,000 revolving credit facility ("Credit Facility") with an option to increase such commitments up to $500,000,000. The Credit Facility replaced the Company's previously existing $250,000,000 credit facility and the $10,000,000 Little Switzerland unsecured revolving credit facility. Borrowings may be made from eight participating banks and are at interest rates based upon local currency borrowing rates plus a margin that fluctuates with the Company's fixed charge coverage ratio. The Credit Facility, which expires in July 2010, requires the payment of an annual fee based on the total commitment 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. The weighted-average interest rate for the credit facilities was 3.59% and 3.58% at January 31, 2006 and 2005.

### Little Switzerland

In May 2003, Little Switzerland entered into an unsecured revolving credit facility ("LS Credit Facility") which allowed it to borrow up to $10,000,000 at an interest rate of 0.80% above LIBOR or a LIBOR Market Index. This facility was replaced by the Credit Facility. The interest rate for the LS Credit Facility at January 31, 2005 was 3.32%.

### 6.90% Series A Senior Notes and 7.05% Series B Senior Notes

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 repayments upon maturities, maintenance of specific financial covenants and ratios and limit certain payments, investments and indebtedness, in addition to other requirements customary to such borrowings.

### 6.15% Series C Senior Notes and 6.56% Series D Senior Notes

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 lump sum repayments upon maturities. The proceeds of these issuances were used by the Company for general corporate purposes, including working capital and to redeem previously issued 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 with the issuance of such debt, 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. For the years ended January 31, 2006, 2005 and 2004, the interest-rate swap agreement had the effect of decreasing interest expense by $751,000, $2,664,000 and $3,965,000.

### 4.50% Yen Loan

The Company has a yen 5,000,000,000 ($42,515,000 at January 31, 2006), 15-year term loan due 2011, bearing interest at a rate of 4.50%.

### First Series Yen Bonds

In September 2003, the Company issued yen 15,000,000,000 ($127,546,000 at January 31, 2006) of senior unsecured First Series Yen Bonds (“Bonds”) due in 2010 with principal due upon maturity and a fixed coupon rate of 2.02% payable in semi-annual installments. The Bonds were sold in a private transaction to qualified institutional investors in Japan. The proceeds from the issuance were primarily used by the Company to finance the purchase of the land and building housing its Tokyo Flagship store.

### Term Loans

In January 2006, the Company borrowed HKD 300,000,000 ($38,672,000 at January 31, 2006) (“Hong Kong Term Loan”), SGD 13,100,000 ($8,043,000 at January 31, 2006) (“Singapore Term Loan”) and CHF 19,500,000 ($15,145,000 at January 31, 2006) (“Switzerland Term Loan”) due in 2011. These funds were used to partially finance the repatriation of dividends related to the American Jobs Creation Act of 2004 (see Note Q). Principal payments of 10% of the original principal amount are due each year, with the balance due upon maturity. The covenants of the term loans are similar to the Credit Facility. Interest rates are based upon local currency borrowing rates plus a margin that fluctuates with the Company’s fixed charge coverage ratio. The interest rates for the Hong Kong Term Loan, the Singapore Term Loan and the Switzerland Term Loan were 4.28%, 3.65% and 1.28%, respectively, at January 31, 2006.

### Other Lines of Credit

The Company had other lines of credit totaling $7,341,000, of which $124,000 was outstanding at January 31, 2006.

The Company had letters of credit and financial guarantees of $20,567,000 at January 31, 2006.

### Debt Covenants

As of January 31, 2006, the Company was in compliance with all covenants.

### Debt Maturities

Aggregate maturities of debt are as follows:

| Years Ending January 31, | Amount *(in thousands)* |
|---|---|
| 2007 | $ 45,128 |
| 2008 | 6,186 |
| 2009 | 66,186 |
| 2010 | 46,186 |
| 2011 | 204,662 |
| Thereafter | 103,328 |
| | $ 471,676 |

## K. FINANCIAL INSTRUMENTS

### 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 primarily all of their inventory requirements by purchasing merchandise from the Company's principal subsidiary which are payable in U.S. dollars. Accordingly, the foreign subsidiaries and branches have foreign currency exchange risk that may be hedged. In addition, the Company has foreign currency exchange risk related to foreign currency-denominated purchases of inventory and services from third-party vendors. To mitigate these risks, the Company manages a foreign currency hedging program intended to reduce the Company's risk in foreign currency-denominated transactions.

To minimize the potentially negative effect of a significant strengthening of the U.S. dollar against the yen, the Company purchases yen put options ("options") as hedges of forecasted purchases of merchandise. The Company accounts for its option contracts as cash-flow hedges. The Company assesses hedge effectiveness based on the total changes in the options' cash flows. The effective portion of unrealized gains and losses associated with the value of the option contracts is deferred as a component of accumulated other comprehensive gain (loss) and is recognized as a component of cost of sales on the Company's consolidated statement of earnings when the related inventory is sold. There was no ineffectiveness related to the Company's option contracts in 2005, 2004 and 2003. The Company uses foreign-exchange forward contracts to hedge the settlement of foreign currency liabilities. At January 31,

2006 and 2005, the Company had $7,481,000 and $6,854,000 of outstanding forward foreign-exchange contracts, which subsequently matured in February 2006 and February 2005.

As discussed in Note J, the Company uses an interest-rate swap agreement to effectively convert its fixed-rate Senior Notes Series C and Series D obligations to floating-rate obligations. The Company accounts for the interest-rate swaps as a fair-value hedge. The terms of each swap agreement match the terms of the underlying debt, resulting in no ineffectiveness.

Hedging activity affected accumulated other comprehensive gain (loss), net of tax, as follows:

| | Years Ended January 31, | |
|---|---|---|
| *(in thousands)* | 2006 | 2005 |
| Balance at beginning of period | $ (2,118) | $ (2,508) |
| Derivative losses transferred to earnings | 1,062 | 1,877 |
| Change in fair value | 4,303 | (1,487) |
| | $ 3,247 | $ (2,118) |

The Company expects $3,715,000 of net derivative gains included in accumulated other comprehensive income at January 31, 2006 to be reclassified into earnings within the next 12 months. This amount will 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 is 12 months.

## Fair Value

The fair value of financial instruments is generally determined by reference to market values resulting from trading on a national securities exchange or in an over-the-counter market. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates carrying value due to the short-term maturities of these assets and liabilities. The fair value of short-term borrowings approximates carrying value due to its variable interest-rate terms. The fair values of long-term debt were determined using the quoted market prices of debt instruments with similar terms and maturities. The fair value of the interest-rate swap agreements is based on the amounts the Company would expect to pay to terminate the agreements.

The carrying amounts and estimated fair values of financial instruments are as follows:

| | | | | January 31, |
|---|---|---|---|---|
| | | 2006 | | 2005 |
| *(in thousands)* | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Mutual funds | $ 26,972 | $ 26,972 | $ 35,757 | $ 35,757 |
| Auction rate securities | – | – | 139,200 | 139,200 |
| Short-term borrowings | 38,942 | 38,942 | 42,957 | 42,957 |
| Current portion of long-term debt | 6,186 | 6,186 | – | – |
| Long-term debt | 426,548 | 446,043 | 397,606 | 429,073 |
| Yen put options | 7,083 | 7,083 | 915 | 915 |
| Forward foreign-exchange contracts | 7,481 | 7,481 | 6,854 | 6,854 |
| Interest rate swap agreements | 813 | 813 | 4,206 | 4,206 |

## L. COMMITMENTS AND CONTINGENCIES

The Company leases certain office, distribution, retail and manufacturing facilities and equipment. Retail store leases may require the payment of minimum rentals and contingent rent based on a percentage of sales exceeding a stipulated amount. The lease agreements, which expire at various dates through 2051, 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.

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. Lease expense includes pre-determined rent escalations (including escalations based on the Consumer Price Index or other indices) and is recorded on a straight-line basis over the term of the lease. Adjustments to indices are treated as contingent rent and recorded in the period that such adjustments are determined.

In September 2005, the Company entered into a sale-leaseback arrangement for its Retail Service Center, a distribution and administrative office facility. The Company received proceeds of $75,000,000 resulting in a gain of $5,300,000, which has been deferred and is being amortized over the lease term. The lease has been accounted for as an operating lease. The lease expires in 2025 and has two ten-year renewal options.

Rent expense for the Company's operating leases, including escalations, consisted of the following:

| *(in thousands)* | Years Ended January 31, 2006 | 2005 | 2004 |
|---|---|---|---|
| Minimum rent for retail locations | $ 55,220 | $ 48,200 | $ 41,261 |
| Contingent rent based on sales | 30,395 | 26,468 | 20,571 |
| Office, distribution and manufacturing facilities and equipment | 27,679 | 24,629 | 25,112 |
| | $ 113,294 | $ 99,297 | $ 86,944 |

Aggregate minimum annual rental payments under non-cancelable operating leases are as follows:

| Years Ending January 31, | Minimum Annual Rental Payments *(in thousands)* |
|---|---|
| 2007 | $ 94,526 |
| 2008 | 87,365 |
| 2009 | 78,310 |
| 2010 | 68,393 |
| 2011 | 63,075 |
| Thereafter | 332,777 |

At January 31, 2006, the Company's contractual cash obligations and contingent funding commitments were: inventory purchases of $501,293,000 including the obligation under the agreement with Aber (see Note D), non-inventory purchases of $6,677,000, construction-in-progress of $23,910,000 and other contractual obligations of $9,609,000.

In November 2004, the Company entered into an agreement with Tahera Diamond Corporation ("Tahera"), a Canadian diamond mining and exploration company, to purchase or market all of the diamonds to be mined at the Jericho mine, which has been developed and constructed by Tahera

in Nunavut, Canada (the “Project”). In consideration of that agreement, the Company provided a credit facility to Tahera which allows Tahera to draw up to CDN$35,000,000 (U.S.$30,536,000 at January 31, 2006) to finance the development and construction of the Project. At January 31, 2006, CDN$29,718,000 (U.S.$25,927,000 at January 31, 2006) was outstanding under this credit facility. Principal and interest payments are due periodically throughout the term of the facility which matures in December 2013. The Company will begin purchasing diamonds from Tahera in 2006.

In August 2001, the Company signed new agreements with Mitsukoshi whereby TIFFANY & CO. boutiques will continue to be operated 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. 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 $72,231,000, $77,850,000 and $81,383,000 in 2005, 2004 and 2003 and are included in SG&A expenses. Sales transacted at these retail locations are recognized at the “point of sale.”

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 under 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 effect on the Company’s financial position, earnings or cash flows.

## M. RELATED PARTIES

The Company’s Chairman of the Board and Chief Executive Officer 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 trustee and an investment manager for the Company’s pension plan. In addition, the Company’s President is a member of the Board of Directors of The Bank of New York Hamilton Funds, Inc. Fees paid to the bank for services rendered, interest on debt and premiums on derivative contracts amounted to $2,304,000, $2,213,000 and $1,582,000 in 2005, 2004 and 2003.

The Company’s Executive Vice President and Chief Financial Officer is a member of the Board of Directors of The Dun & Bradstreet Corporation. Fees paid to that company for credit information reports were less than $100,000 in each of 2005, 2004 and 2003.

A member of the Company’s Board of Directors was an officer of IBM Corporation until January 2006. Fees paid to that company for information technology equipment and services rendered amounted to $14,794,000, $10,645,000 and $11,837,000 in 2005, 2004 and 2003.

## N. STOCKHOLDERS' EQUITY

### Stock Repurchase Program

In March 2005, the Company's Board of Directors approved a stock repurchase program ("2005 Program") that authorized the repurchase of up to $400,000,000 of the Company's Common Stock through March 2007 by means of open market or private transactions. The 2005 Program replaced and terminated an earlier program. The timing of repurchases and the actual number of shares to be repurchased depend on a variety of discretionary factors such as price and other market conditions. The Company's share repurchase activity was as follows:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands, except per share amounts)* | 2006 | 2005 | 2004 |
| Cost of repurchases | $ 132,816 | $ 86,732 | $ 4,610 |
| Shares repurchased and retired | 3,835 | 2,735 | 200 |
| Average cost per share | $ 34.63 | $ 31.71 | $ 23.05 |

At January 31, 2006, there remained $276,166,000 of authorization for future repurchases under the 2005 Program.

### Stockholder Rights Plan

In January 2006, the Company's Board of Directors amended the Company's Stockholder Rights Plan to advance its expiration date from September 2008 to the close of business on January 19, 2006.

### Cash Dividends

In May 2005, the Company's Board of Directors declared an increase of 33% in the quarterly dividend rate from $0.06 per share to $0.08 per share. In May 2004, the Company's Board of Directors declared an increase of 20% in the quarterly dividend rate on common shares, increasing the quarterly rate from $0.05 per share to $0.06 per share. In May 2003, the Company's Board of Directors declared a 25% increase in the quarterly rate on common shares, increasing it from $0.04 per share to $0.05 per share. On February 16, 2006, the Company's Board of Directors declared a quarterly dividend of $0.08 per common share. This dividend will be paid on April 10, 2006 to stockholders of record on March 20, 2006.

## O. STOCK COMPENSATION PLANS

The Company has two stock compensation plans under which awards may continue to be made: the Employee Incentive Plan and the Directors Option Plan, both of which were approved by the stockholders. No award may be made under the employee plan after April 30, 2015 and under the directors plan after May 21, 2008.

Under the Employee Incentive Plan, the maximum number of common shares authorized for issuance was 11,000,000, as amended (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 (or rights to receive shares of stock) and cash. Awards of shares (or rights to receive shares) reduce the above authorized amount by 1.58 shares for every share delivered pursuant to such an award. Awards made in the form of non-qualified stock options, tax-qualified incentive stock options or stock appreciation rights have a maximum term of 10 years from the grant date and may not be granted for an exercise price below fair-market value.

Until January 2005, the Company granted only stock options to employees, vesting in increments of 25% per year over four years. Beginning in January 2005, the Company, in addition to stock options, granted performance stock units ("PSU") to the executive officers of the Company and restricted stock units ("RSU") to other management employees. PSU and RSU payouts will be in shares of Company stock at vesting. PSU's vest at the end of a three-year period, contingent on the Company's performance against pre-set objectives established by the Company's Board of Directors. RSU's vest in increments of 25% per year over a four-year period. The PSU's and RSU's require no payment from the employee, and compensation expense is recognized based on the market price on the grant date ratably over the vesting period. However, PSU compensation expense may be adjusted over the vesting period if interim performance objectives are not met.

Under the Directors Option Plan, the maximum number of shares of Common Stock authorized for issuance was 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 grant date 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. All director options granted to-date vest in increments of 50% per year over a two-year period.

The Company uses newly-issued shares to satisfy stock option exercises and vesting of PSU's and RSU's.

The fair value of each option award is estimated on the grant date using a Black-Scholes option valuation model and compensation expense is recognized ratably over the vesting period. The valuation model uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company's stock. The Company uses historical data to estimate the expected term of the option that represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the grant date.

| | Years Ended January 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Dividend yield | 0.5% | 0.6% | 0.6% |
| Expected volatility | 39.2% | 37.6% | 37.5% |
| Risk-free interest rate | 4.6% | 3.7% | 3.3% |
| Expected term (years) | 7 | 6 | 6 |

A summary of the option activity for the Company's stock option plans is presented below:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value *(in thousands)* |
|---|---|---|---|---|
| Outstanding at January 31, 2005 | 13,588,970 | $ 27.40 | | |
| Granted | 388,948 | 38.09 | | |
| Exercised | (1,542,033) | 15.95 | | |
| Forfeited/cancelled | (353,883) | 35.30 | | |
| Outstanding at January 31, 2006 | 12,082,002 | $ 28.97 | 5.72 | $ 114,985 |
| Exercisable at January 31, 2006 | 9,452,531 | $ 27.43 | 5.00 | $ 104,608 |

The weighted-average grant-date fair value of options granted for the years ended January 31, 2006, 2005 and 2004 was $17.56, $12.98 and $14.89. The total intrinsic value (market value on date of exercise less grant price) of options exercised during the years ended January 31, 2006, 2005 and 2004 was $34,336,000, $10,569,000 and $51,953,000.

A summary of the activity for the Company's RSU's is presented below:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at January 31, 2005 | 509,944 | $ 31.68 |
| Granted | 602,472 | 39.10 |
| Vested | (114,139) | 31.68 |
| Forfeited | (56,818) | 31.76 |
| Non-vested at January 31, 2006 | 941,459 | $ 36.41 |

A summary of the activity for the Company's PSU's is presented below:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at January 31, 2005 | 346,000 | $ 31.49 |
| Granted | 293,000 | 37.84 |
| Non-vested at January 31, 2006 | 639,000 | $ 34.40 |

As of January 31, 2006, there was $74,067,000 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the Employee Incentive Plan and Directors Option Plan. The expense is expected to be recognized over a weighted-average period of 2.9 years. The total fair value of RSU's vested during the year ended January 31, 2006 was $4,594,000. No RSU's vested during the year ended January 31, 2005. No PSU's vested during the years ended January 31, 2006 and 2005.

Total compensation cost for stock-based-compensation awards recognized in income and the related income tax benefit was $25,622,000 and $10,104,000 for the year ended January 31, 2006 and was $22,100,000 and $8,651,000 for the year ended January 31, 2005. Total compensation cost capitalized in inventory is not significant.

## P. EMPLOYEE BENEFIT PLANS

### Pensions and Other Postretirement Benefits

The Company maintains the following pension plans: a noncontributory defined benefit pension plan ("Qualified Plan") covering substantially all U.S. employees and qualified in accordance with the Internal Revenue Service Code, a non-qualified unfunded retirement income plan ("Excess Plan") covering certain employees affected by Internal Revenue Service Code compensation limits and a non-qualified unfunded Supplemental Retirement Income Plan ("SRIP") that covers executive officers of the Company.

Qualified Plan benefits are based on the highest five years of compensation and the number of years of service. The Company funds the Qualified Plan's trust in accordance with regulatory limits to provide for current service and for the unfunded benefit obligation over a reasonable period and for current service benefit accruals. The Company made cash contributions of $20,000,000 to the Qualified Plan in 2005 and plans to contribute approximately $15,000,000 in 2006. However, this expectation is subject to change based on asset performance being significantly different than the assumed long-term rate of return on pension assets and pending 2006 pension legislation.

Effective February 1, 2006, the Qualified Plan was amended to exclude all employees hired on or after January 1, 2006 from the Qualified Plan. Instead, employees hired on or after January 1, 2006 will be eligible to receive a defined contribution retirement benefit under the Employee Profit Sharing and Retirement Savings Plan (see below). Employees hired before January 1, 2006 will continue to be eligible for and accrue benefits under the Qualified Plan.

On January 1, 2004, the Company established the Excess Plan which uses the same retirement benefit formula set forth in the Qualified Plan, but includes earnings that are excluded under the Qualified Plan due to Internal Revenue Service Code qualified pension plan limitations. Benefits payable under the Qualified Plan offset benefits payable under the Excess Plan. Employees vested under the Qualified Plan are vested under the Excess Plan; however, benefits under the Excess Plan are subject to forfeiture if employment is terminated for cause and, for those who leave the Company prior to age 65, for failure to execute and adhere to non-competition and confidentiality covenants.

The SRIP is a supplement to the Qualified Plan, Excess Plan and Social Security by providing additional payments upon a participant's retirement. Benefits payable under the Qualified Plan, Excess Plan and Social Security offset benefits payable under the SRIP. Benefits payable under the SRIP do not vest until a participant both (i) attains at least age 60 while employed by the Company and (ii) the employee has provided at least 15 years of service, except in the event of a change in control. Furthermore, benefits are subject to forfeiture if benefits under the Excess Plan are forfeited.

The Company accounts for pension expense using the projected unit credit actuarial method for financial reporting purposes. The actuarial present value of the benefit obligation is calculated based on the expected date of separation or retirement of the Company's eligible employees.

The Company provides certain health-care and life insurance benefits ("Other Postretirement Benefits") for current and retired employees and accrues the cost of providing these benefits throughout the employees' active service period until they attain full eligibility for those benefits. Substantially all of the Company's U.S. full-time employees may become eligible for these benefits if they reach normal or early retirement age while working for the Company. The cost of providing postretirement health-care benefits is shared by the retiree and the Company, with retiree contributions evaluated annually and adjusted in order to maintain the Company/retiree cost-sharing target ratio. In September 2003, the share of

contributions for current and future retirees was increased, in addition to other benefit changes, in order to maintain the cost-sharing target ratio, resulting in reduced postretirement expense. Effective February 1, 2006, the Company is amending the plan to increase cost sharing that will apply to current and future early retirees. The life insurance benefits are noncontributory. The Company's employee and retiree health-care benefits are administered by an insurance company, and premiums on life insurance are based on prior years' claims experience.

The Company uses a December 31 measurement date for its employee benefit plans.

Obligations and Funded Status

The following tables provide a reconciliation of benefit obligations, plan assets and funded status of the plans as of the measurement date:

| | January 31, | | | |
|---|---|---|---|---|
| | Pension Benefits | | Other Postretirement Benefits | |
| *(in thousands)* | 2006 | 2005 | 2006 | 2005 |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | $ 196,926 | $ 170,344 | $ 27,118 | $ 27,357 |
| Service cost | 12,702 | 11,072 | 1,697 | 1,246 |
| Interest cost | 11,958 | 10,738 | 1,780 | 1,535 |
| Participants' contributions | – | – | 168 | 45 |
| Amendment | – | – | (1,746) | – |
| Actuarial loss (gain) | 24,076 | 8,302 | (2,449) | (1,771) |
| Benefits paid | (3,626) | (3,530) | (1,585) | (1,294) |
| Benefit obligation at end of year * | $ 242,036 | $ 196,926 | $ 24,983 | $ 27,118 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | $ 143,497 | $ 115,943 | $ – | $ – |
| Actual return on plan assets | 13,519 | 6,038 | – | – |
| Employer contribution | 20,046 | 25,046 | 1,417 | 1,249 |
| Participants' contributions | – | – | 168 | 45 |
| Benefits paid | (3,626) | (3,530) | (1,585) | (1,294) |
| Fair value of plan assets at end of year | $ 173,436 | $ 143,497 | $ – | $ – |
| Funded status | $ (68,600) | $ (53,429) | $ (24,983) | $ (27,118) |
| Unrecognized net actuarial loss | 56,675 | 38,970 | 4,456 | 6,979 |
| Unrecognized prior service cost | 4,061 | 4,865 | (18,292) | (17,402) |
| Accrued benefit cost | $ (7,864) | $ (9,594) | $ (38,819) | $ (37,541) |

*The benefit obligation for Pension Benefits is the projected benefit obligation and for Other Postretirement Benefits is the accumulated postretirement benefit obligation.

The following table provides additional information regarding the Company's pension plans' projected benefit obligations and assets (included in pension benefits in the table above) and accumulated benefit obligation:

| | | | | | | | | January 31, |
|---|---|---|---|---|---|---|---|---|
| | | | | 2006 | | | | 2005 |
| *(in thousands)* | Qualified | Excess | SRIP | Total | Qualified | Excess | SRIP | Total |
| Projected benefit obligation | $ 198,555 | $ 27,564 | $ 15,917 | $ 242,036 | $ 163,743 | $ 16,804 | $ 16,379 | $ 196,926 |
| Fair value of plan assets | 173,436 | – | – | 173,436 | 143,497 | – | – | 143,497 |
| Funded status | $ (25,119) | $ (27,564) | $ (15,917) | $ (68,600) | $ (20,246) | $ (16,804) | $ (16,379) | $ (53,429) |
| Accumulated benefit obligation | $ 165,721 | $ 9,724 | $ 6,222 | $ 181,667 | $ 138,392 | $ 7,688 | $ 3,738 | $ 149,818 |

At January 31, 2006, the Company had an accrued liability of $28,352,000, a prepaid asset of $16,601,000 and an intangible asset of $3,887,000 for pension benefits. At January 31, 2005, the Company had an accrued liability of $19,711,000 and a prepaid asset of $10,117,000 for pension benefits.

## Net Periodic Benefit Cost

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

| | | | | | | Years Ended January 31, |
|---|---|---|---|---|---|---|
| | | | Pension Benefits | | | Other Postretirement Benefits |
| *(in thousands)* | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| Service cost | $ 12,702 | $11,072 | $ 9,370 | $ 1,697 | $ 1,246 | $ 2,543 |
| Interest cost | 11,958 | 10,738 | 9,299 | 1,780 | 1,535 | 2,364 |
| Expected return on plan assets | (10,052) | (8,311) | (6,534) | – | – | – |
| Amortization of prior service cost | 804 | 804 | 185 | (856) | (1,213) | (408) |
| Amortization of net loss | 2,904 | 1,837 | 1,076 | 74 | 267 | 299 |
| Net expense | $ 18,316 | $16,140 | $13,396 | $ 2,695 | $ 1,835 | $ 4,798 |

## Assumptions

Weighted-average assumptions used to determine benefit obligations:

| | | | | | | January 31, |
|---|---|---|---|---|---|---|
| | | | Pension Benefits | | | Other Postretirement Benefits |
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| Discount rate | 5.75% | 6.00% | 6.25% | 5.75% | 6.00% | 6.25% |
| Rate of increase in compensation: | | | | | | |
| Qualified | 3.50% | 3.50% | 3.75% | – | – | – |
| Excess | 5.00% | 3.50% | 3.75% | – | – | – |
| SRIP | 8.00% | 8.00% | 8.25% | – | – | – |

Weighted-average assumptions used to determine net periodic benefit cost:

| | Years Ended January 31, | | | | | |
|---|---|---|---|---|---|---|
| | Pension Benefits | | | Other Postretirement Benefits | | |
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| Discount rate | 6.00% | 6.25% | 6.50% | 6.00% | 6.25% | 6.50% |
| Expected return on plan assets | 7.50% | 7.50% | 7.50% | – | – | – |
| Rate of increase in compensation: | | | | | | |
| Qualified | 3.50% | 3.75% | 4.00% | – | – | – |
| Excess | 3.50% | 3.75% | 4.00% | – | – | – |
| SRIP | 8.00% | 8.25% | 8.50% | – | – | – |

The expected long-term rate of return on Qualified Plan assets is selected by taking into account the average rate of return expected on the funds invested or to be invested to provide for benefits included in the projected benefit obligation. More specifically, consideration is given to the expected rates of return (including reinvestment asset return rates) based upon the plan's current asset mix, investment strategy and the historical performance of plan assets.

For postretirement benefit measurement purposes, 9.50% (for pre-age 65 retirees) and 10.50% (for post-age 65 retirees) annual rates of increase in the per capita cost of covered health care were assumed for 2006. The rate was assumed to decrease gradually to 4.75% by 2016 (for pre-age 65 retirees) and by 2018 (for post-age 65 retirees) 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 increase in the assumed health-care cost trend rate would increase the Company's accumulated postretirement benefit obligation by $3,320,000 and the aggregate service and interest cost components of net periodic postretirement benefits by $708,000 for the year ended January 31, 2006. Decreasing the health-care cost trend rate by one-percentage-point would decrease the Company's accumulated postretirement benefit obligation by $2,670,000 and the aggregate service and interest cost components of net periodic postretirement benefits by $480,000 for the year ended January 31, 2006.

Plan Assets

The Company's Qualified Plan asset allocation at the measurement date and target asset allocation by asset category are as follows:

| | | Percentage of Qualified Plan Assets at December 31, | |
|---|---|---|---|
| Asset Category | Target Asset Allocation | 2005 | 2004 |
| Equity securities | 65% – 75% | 68% | 67% |
| Debt securities | 25% – 35% | 29 | 28 |
| Other | 0% – 10% | 3 | 5 |
| | | 100% | 100% |

Qualified Plan assets include investments in the Company's Common Stock, representing 5% of plan assets at both December 31, 2005 and 2004.

The Company's investment objectives, related to Qualified Plan assets, are the preservation of principal and the achievement of a reasonable rate of return over time. As a result, the Qualified Plan's assets are

allocated based on an expectation that equity securities will outperform debt securities over the long term. Assets of the Qualified Plan are broadly diversified, consisting primarily of equity mutual funds, common stocks and U.S. government, corporate and mortgage obligations. The Company attempts to mitigate investment risk by rebalancing asset allocation periodically.

Benefit Payments

The Company expects the following future benefit payments to be paid:

| Years Ending January 31, | Pension Benefits *(in thousands)* | Other Postretirement Benefits *(in thousands)* |
|---|---|---|
| 2007 | $ 4,359 | $ 1,242 |
| 2008 | 4,812 | 1,286 |
| 2009 | 5,344 | 1,323 |
| 2010 | 5,998 | 1,351 |
| 2011 | 6,681 | 1,395 |
| 2012-2016 | 51,037 | 7,644 |

Profit Sharing and Retirement Savings Plan

The Company maintains an Employee Profit Sharing and Retirement Savings Plan ("EPSRS Plan") that covers substantially all U.S.-based employees. Under the profit-sharing feature of the EPSRS Plan, the Company makes contributions, in the form of newly-issued Company Common Stock, to the employees' accounts based on the achievement of certain targeted earnings objectives established by, or as otherwise determined by, the Company's Board of Directors. The Company recorded expense of $4,550,000, $4,400,000 and $2,625,000 in 2005, 2004 and 2003. Under the retirement savings feature of the EPSRS Plan, employees who meet certain eligibility requirements may participate by contributing up to 15% of their annual compensation, and the Company provides a 50% matching cash contribution up to 6% of each participant's total compensation. The Company recorded expense of $5,674,000, $5,342,000 and $4,649,000 in 2005, 2004 and 2003. Contributions to both features of the EPSRS Plan are made in the following year.

Under the profit-sharing feature 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, subject to certain diversification rights. Effective February 1, 2006, any employee who has two or more years of service may diversify his or her Company stock account into other investment options provided under the plan. 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, 2006, investments in Company stock in the profit-sharing portion and in the retirement savings portion represented 18% and 12% of total EPSRS Plan assets.

Effective as of February 1, 2006, the EPSRS Plan was amended to provide a defined contribution retirement benefit (the "DCRB") to eligible employees hired on or after January 1, 2006 (see Pension and Other Postretirement Benefits above). Under the DCRB, the Company will make contributions each year to each employee's account at a rate based upon age and service. These contributions will be deposited into individual accounts set up in each employee's name to be invested in a manner similar to the retirement savings portion of the EPSRS Plan.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan for directors and certain executives and management employees, whereby eligible participants may defer a portion of their compensation for payment at specified future dates upon retirement, death or termination of employment. The deferred compensation is adjusted to reflect performance, whether positive or negative, of selected investment options, chosen by each participant, during the deferral period or adjusted to reflect guaranteed returns, depending on the plan. The amounts accrued under the plans were $14,386,000 and $12,340,000 at January 31, 2006 and 2005 and are reflected in other long-term liabilities.

## Q. INCOME TAXES

Earnings before income taxes consisted of the following:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| United States | $ 248,495 | $ 333,514 | $ 224,789 |
| Foreign | 119,479 | 138,634 | 117,896 |
| | $ 367,974 | $ 472,148 | $ 342,685 |

Components of the provision for income taxes were as follows:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Current: | | | |
| Federal | $ 94,818 | $ 124,585 | $ 54,977 |
| State | 24,883 | 17,729 | 16,803 |
| Foreign | 40,041 | 49,015 | 46,623 |
| | 159,742 | 191,329 | 118,403 |
| Deferred: | | | |
| Federal | (42,676) | (20,205) | 8,741 |
| State | (4,417) | (3,940) | 2,027 |
| Foreign | 670 | 665 | (2,003) |
| | (46,423) | (23,480) | 8,765 |
| | $ 113,319 | $ 167,849 | $ 127,168 |

Deferred tax assets (liabilities) consisted of the following:

| *(in thousands)* | January 31, 2006 | 2005 |
|---|---|---|
| Deferred tax assets: | | |
| Postretirement/employment benefits | $ 18,475 | $ 17,766 |
| Inventory | 40,883 | 40,327 |
| Accrued expenses | 13,863 | 13,346 |
| Share-based compensation | 17,666 | 9,251 |
| Asset impairment | – | 3,096 |
| Pension and retirement benefits | 1,615 | 4,546 |
| Depreciation | 6,148 | – |
| Foreign net operating losses | 27,711 | 25,477 |
| Deferred income | 3,565 | 3,763 |
| Other | 167 | 75 |
| | 130,093 | 117,647 |
| Valuation allowance | (26,586) | (25,477) |
| | 103,507 | 92,170 |
| Deferred tax liabilities: | | |
| Undistributed earnings of foreign subsidiaries | – | (39,739) |
| Financial hedging instruments | (1,335) | (229) |
| Depreciation | – | (19,394) |
| Other | (2,768) | (1,193) |
| | (4,103) | (60,555) |
| Net deferred tax asset | $ 99,404 | $ 31,615 |

The Company has recorded a valuation allowance against certain deferred tax assets related to foreign net operating loss carryforwards where recovery is uncertain.

The income tax effects of items comprising the deferred income tax (benefit) expense were as follows:

| *(in thousands)* | Years Ended January 31, 2006 | 2005 | 2004 |
|---|---|---|---|
| Share-based compensation | $ (8,415) | $ (9,251) | $ – |
| Undistributed earnings of foreign subsidiaries | (20,321) | (2,831) | 4,161 |
| Inventory | (2,207) | (11,666) | (1,530) |
| Depreciation | (17,704) | 2,265 | 5,709 |
| Asset impairment | – | (3,096) | – |
| Deferred income | 230 | (3,763) | – |
| Postretirement/employment benefit obligations | (631) | (1,419) | (1,575) |
| Equity investments | – | (1,069) | – |
| Accrued expenses | (536) | 199 | (1,890) |
| Excess pension contribution | 2,710 | 4,915 | 2,930 |
| Financial hedging instruments | 1,106 | 158 | 233 |
| Other | (655) | 2,078 | 727 |
| | $ (46,423) | $ (23,480) | $ 8,765 |

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, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Statutory Federal income tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of Federal benefit | 4.1 | 2.2 | 4.2 |
| Foreign losses with no tax benefit | 0.7 | 0.5 | 1.1 |
| American Jobs Creation Act of 2004 | (6.1) | (1.8) | – |
| Extraterritorial income exclusion | (2.0) | (1.3) | (1.7) |
| Other | (0.9) | 1.0 | (1.5) |
| | 30.8% | 35.6% | 37.1% |

The American Jobs Creation Act of 2004 ("AJCA"), which was signed into law on October 22, 2004, created a temporary incentive for U.S. companies to repatriate accumulated foreign earnings by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations. This incentive effectively reduces the amount of U.S. Federal income tax due on the repatriation. Taking advantage of the AJCA, the Company recorded an income tax benefit of $8,600,000 in 2004 to reflect the Company's plan to repatriate $100,000,000 of accumulated foreign earnings. In 2005, the Company recorded an income tax benefit of $22,588,000 due to the Internal Revenue Service clarifying certain provisions of the AJCA in May 2005, which also resulted in the Company's decision to repatriate additional foreign earnings. The tax benefit to the Company occurred because the Company had previously accrued income taxes on un-repatriated foreign earnings at higher income tax rates. In total, the Company repatriated $178,245,000 of accumulated foreign earnings.

In the fourth quarter of 2005, the Company determined that it has the intent to indefinitely reinvest any undistributed earnings of foreign subsidiaries which were not repatriated under the AJCA and, therefore, has not provided deferred taxes on approximately $24,000,000 of undistributed earnings. U.S. Federal income taxes of approximately $3,800,000 would be incurred if these earnings were distributed.

The AJCA provides a two-year transition from the existing Extraterritorial Income Exclusion Act. The World Trade Organization ("WTO") ruled that this exclusion was an illegal export subsidy. The European Union believes that the AJCA fails to adequately repeal the illegal export subsidies because of these transitional provisions and has asked the WTO to review whether these transitional provisions are in compliance with the WTO's prior ruling. Until the final resolution of this matter, management will be unable to predict what impact, if any, this will have on future earnings.

## R. SEGMENT INFORMATION

The Company's reportable segments are: U.S. Retail, International Retail and Direct Marketing (see Note A). These reportable segments represent channels of distribution that offer similar merchandise and service and have similar marketing and distribution strategies. Its Other channel of distribution includes all non-reportable segments which consist of worldwide sales of businesses operated under trademarks and tradenames other than TIFFANY & CO., as well as wholesale sales of diamonds not suitable for the Company's production by its diamond sourcing and manufacturing operations.

The Company's products are primarily sold in TIFFANY & CO. retail locations 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.

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 inter-segment sales and transfers. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Reclassifications were made to prior years' segment amounts to conform to the current year presentation and to reflect the revised manner in which management evaluates the performance of segments. Effective with the second quarter of 2005, the Company placed responsibility for U.S. non-Internet business-to-business sales within the U.S. Retail segment and, consequently, now reports non-Internet business-to-business sales in that segment. In the past, such sales were reported in the Direct Marketing segment, which will continue to report Internet business-to-business transactions.

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

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Net sales: | | | |
| U.S. Retail | $ 1,220,683 | $ 1,116,845 | $ 1,013,034 |
| International Retail | 900,689 | 857,360 | 781,572 |
| Direct Marketing | 157,483 | 142,508 | 133,254 |
| Total reportable segments | 2,278,855 | 2,116,713 | 1,927,860 |
| Other | 116,298 | 88,118 | 72,185 |
| | $ 2,395,153 | $ 2,204,831 | $ 2,000,045 |
| Earnings (losses) from operations:* | | | |
| U.S. Retail | $ 268,769 | $ 227,302 | $ 224,149 |
| International Retail | 212,496 | 202,260 | 213,666 |
| Direct Marketing | 58,542 | 47,566 | 46,813 |
| Total reportable segments | 539,807 | 477,128 | 484,628 |
| Other | (18,829) | (23,290) | (8,460) |
| | $ 520,978 | $ 453,838 | $ 476,168 |

*Represents earnings from operations excluding unallocated corporate expenses.

Each of the above segment's earnings (losses) from operations in the years ended January 31, 2006 and 2005 was affected by an allocation of the expense associated with the adoption of SFAS No. 123R.

The Company's Executive Officers do not evaluate the performance of the Company's assets on a segment basis for internal management reporting and, therefore, such information is not presented.

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

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Earnings from operations for segments | $ 520,978 | $ 453,838 | $ 476,168 |
| Unallocated corporate expenses | (138,273) | (159,309) | (120,649) |
| Interest expense, financing costs and other income, net | (14,731) | (15,978) | (12,834) |
| Gain on sale of equity investment | – | 193,597 | – |
| Earnings before income taxes | $ 367,974 | $ 472,148 | $ 342,685 |

Unallocated corporate expenses include costs related to the Company's administrative support functions, such as information technology, finance, legal and human resources, which the Company does not allocate to its segments. In addition, unallocated corporate expenses for the year ended January 31, 2005 included a $25,000,000 contribution to The Tiffany & Co. Foundation, a non-profit organization that provides grants to other non-profit organizations.

Sales to unaffiliated customers and long-lived assets by geographic areas were as follows:

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Net sales: | | | |
| United States | $ 1,444,947 | $ 1,311,348 | $ 1,189,027 |
| Japan | 490,834 | 492,125 | 485,424 |
| Other countries | 459,372 | 401,358 | 325,594 |
| | $ 2,395,153 | $ 2,204,831 | $ 2,000,045 |
| Long-lived assets: | | | |
| United States | $ 587,323 | $ 640,524 | $ 638,174 |
| Japan | 157,218 | 175,001 | 163,686 |
| Other countries | 145,770 | 124,762 | 105,020 |
| | $ 890,311 | $ 940,287 | $ 906,880 |

Classes of Similar Products

| | Years Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | 2006 | 2005 | 2004 |
| Net sales: | | | |
| Jewelry | $ 2,001,896 | $ 1,827,541 | $ 1,640,495 |
| Tableware, timepieces and other | 393,257 | 377,290 | 359,550 |
| | $ 2,395,153 | $ 2,204,831 | $ 2,000,045 |

S. QUARTERLY FINANCIAL DATA (UNAUDITED)

| | 2005 Quarters Ended | | | |
|---|---|---|---|---|
| *(in thousands, except per share amounts)* | April 30* | July 31* | October 31 | January 31* |
| Net sales | $ 509,901 | $ 526,701 | $ 500,105 | $ 858,446 |
| Gross profit | 274,821 | 292,084 | 270,530 | 504,905 |
| Earnings from operations | 66,311 | 74,068 | 39,795 | 202,531 |
| Net earnings | 40,058 | 50,551 | 23,789 | 140,257 |
| Net earnings per share: | | | | |
| Basic | $ 0.28 | $ 0.35 | $ 0.17 | $ 0.99 |
| Diluted | $ 0.27 | $ 0.35 | $ 0.16 | $ 0.97 |

*Net earnings and net earnings per share include the effect of the tax benefit received from repatriating earnings from foreign affiliates (see Note Q). The Company recorded a tax benefit of $1,500,000 for the three months ended April 30, 2005, $6,600,000 for the three months ended July 31, 2005 and $14,488,000 for the three months ended January 31, 2006.

| | 2004 Quarters Ended | | | |
|---|---|---|---|---|
| *(in thousands, except per share amounts)* | April 30 | July 31 | October 31 | January 31* |
| Net sales | $ 456,960 | $ 476,597 | $ 461,152 | $ 810,122 |
| Gross profit | 258,876 | 264,488 | 245,528 | 461,681 |
| Earnings from operations | 62,695 | 58,170 | 33,364 | 140,300 |
| Net earnings | 36,811 | 33,090 | 17,358 | 217,040 |
| Net earnings per share: | | | | |
| Basic | $ 0.25 | $ 0.23 | $ 0.12 | $ 1.50 |
| Diluted | $ 0.25 | $ 0.22 | $ 0.12 | $ 1.48 |

*Net earnings and net earnings per share include the effect of (i) the Company’s sale of its equity investment in Aber (see Note D) and (ii) the tax benefit received from repatriating earnings from foreign affiliates (see Note Q).

The sum of the quarterly net earnings per share amounts in the above tables 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.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

NONE

**Item 9A. Controls and Procedures.**

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

Report of Management

*Management's Responsibility for Financial Information*. 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, an independent registered public accounting firm. Their report is shown on page K-44-45.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with financial management and the independent registered public accounting firm to discuss specific accounting, financial reporting and internal control matters. Both the independent registered public accounting firm 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.

*Management's Report on Internal Control over Financial Reporting*. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a – 15(f). Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that internal control over financial reporting was effective as of January 31, 2006 based on criteria in Internal Control – Integrated Framework issued by the COSO. Management's assessment of the effectiveness of internal control over financial reporting as of January 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is shown on page K-44-45.

/s/ Michael J. Kowalski
Chairman of the Board and Chief Executive Officer

/s/ James E. Quinn
President

/s/ James N. Fernandez
Executive Vice President and Chief Financial Officer

**Item 9B. Other Information.**

NONE

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## PART III

### Item 10. Directors and Executive Officers of the Registrant.

Incorporated by reference from Registrant's Proxy Statement dated April 14, 2006, pages PS-7-8 and PS-33-34.

CODE OF ETHICS AND OTHER CORPORATE GOVERNANCE DISCLOSURES

Registrant has adopted a Code of Business and Ethical Conduct for its Directors, Chief Executive Officer, Chief Financial Officer and all other officers of Registrant. A copy of this Code is posted on the corporate governance section of the Registrant's website, www.tiffany.com (go to "About Tiffany" and "Shareholder Information"). Registrant intends to disclose any material amendments to its Code of Business and Ethical Conduct, as well as any waivers by posting such information on the same website. The Registrant will also provide a copy of the Code of Business and Ethical Conduct to stockholders upon request.

See Registrant's Proxy Statement dated April 14, 2006, pages PS-14-15 for information on Registrant's Business Conduct Policy – Worldwide.

### Item 11. Executive Compensation.

Incorporated by reference from Registrant's Proxy Statement dated April 14, 2006, pages PS-19-31.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Incorporated by reference from Registrant's Proxy Statement dated April 14, 2006, pages PS-6-8.

### Item 13. Certain Relationships and Related Transactions.

See Executive Officers of the Registrant and Board of Directors information incorporated by reference from Registrant's Proxy Statement dated April 14, 2006, pages PS-17-18 and pages PS-10 and PS-33-34, respectively.

### Item 14. Principal Accounting Fees and Services.

Incorporated by reference from Registrant's Proxy Statement dated April 14, 2006, pages PS-8-9.

## PART IV

**Item 15. Exhibits, Financial Statement Schedules.**

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

1. Financial Statements

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of January 31, 2006 and 2005.

Consolidated Statements of Earnings for the years ended January 31, 2006, 2005 and 2004.

Consolidated Statements of Stockholders' Equity and Comprehensive Earnings for the years ended January 31, 2006, 2005 and 2004.

Consolidated Statements of Cash Flows for the years ended January 31, 2006, 2005 and 2004.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

The following financial statement schedule should be read in conjunction with the Consolidated Financial Statements:

Schedule 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.

3. Exhibits

The following exhibits have been filed with the Securities and Exchange Commission, but are not attached to copies of this Annual Report on 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, as amended by the Certificate of Amendment of Certificate of Incorporation dated May 20, 1999. Incorporated by reference from Exhibit 3.1 to Registrant's Report on Form 10-Q for the Fiscal Quarter ended July 31, 1999. |
| 3.1a | Amendment to Certificate of Incorporation of Registrant dated May 18, 2000. Previously filed as Exhibit 3.1b to Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2001. |
| 3.2 | Restated By-Laws of Registrant, as last amended September 18, 2003. Incorporated by reference from Exhibit 3.2 to Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |

| Exhibit | Description |
|---|---|
| 4.1 | Amended and Restated Rights Agreement dated as of April 8, 2004 by and between Registrant and Mellon Investor Services LLC, as Rights Agent. Incorporated by reference from Exhibit 4.1 to Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 4.1a | Second Amendment to Amended and Restated Rights Agreement, referred to in Exhibit 4.1 above dated effective January 19, 2006, by and between Tiffany & Co. and Mellon Investor Services LLC (successor to ChaseMellon Shareholder Services, LLC), as Rights Agent. Previously filed as Exhibit 4.1 to Registrant's Report on Form 8-K dated January 19, 2006. |
| 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 Annual 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. |
| 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. |
| 10.122e | Amendment No. 4 to Guarantee referred to in Exhibit 10.122b above, dated December 9, 2005. |
| 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 Annual Report on Form 10-K for the Fiscal Year ended January 31, 1997. |

| Exhibit | Description |
| --- | --- |
| 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 Annual 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 10.126a filed with Registrant's Report on Form 8-K dated June 10, 2002. |
| 10.128 | Agreement made the 1st day of August 2001 by and between Tiffany & Co. Japan Inc. and Mitsukoshi Ltd. of Japan. Incorporated by reference from Exhibit 10.128 filed with Registrant's Report on Form 8-K dated August 1, 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. |
| 10.134 | Translation of Condition of Bonds applied to Tiffany & Co. Japan Inc. First Series Yen Bonds due 2010 in the aggregate principal amount of 15,000,000,000 yen issued September 30, 2003 (for Qualified Investors Only). Incorporated by reference from Exhibit 10.134 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.135 | Translation of Application of Bonds for Tiffany & Co. Japan Inc. First Series Yen Bonds due 2010 in the aggregate principal amount of 15,000,000,000 yen issued September 30, 2003 (for Qualified Investors Only). Incorporated by reference from Exhibit 10.135 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004 |
| 10.135a | Translation of Amendment of Application of Bonds referred to in Exhibit 10.135. Incorporated by reference from Exhibit 10.135a filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |

| Exhibit | Description |
|---|---|
| 10.136 | Payment Guarantee dated September 30, 2003 made by Tiffany & Co. for the benefit of the Qualified Investors of the Bonds referred to in Exhibit 10.134. Incorporated by reference from Exhibit 10.136 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.145 | Ground Lease between Tiffany and Company and River Park Business Center, Inc., dated November 29, 2000. Incorporated by reference from Exhibit 10.145 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2005. |
| 10.145a | First Addendum to the Ground Lease between Tiffany and Company and River Park Business Center, Inc., dated November 29, 2000. Incorporated by reference from Exhibit 10.145a filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2005. |
| 10.146 | Credit Agreement dated as of July 20, 2005 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 Administrative Agent, and various lenders party thereto. Incorporated by reference from Exhibit 10.146 filed with Registrant's Report on Form 8-K dated July 20, 2005. |
| 10.147 | Guaranty Agreement dated as of July 20, 2005, with respect to the Credit Agreement (see Exhibit 10.146 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 10.147 filed with Registrant's Report on Form 8-K dated July 20, 2005. |
| 10.149 | Lease Agreement made as of September 28, 2005 between CLF Sylvan Way LLC and Tiffany and Company, and form of Registrant's guaranty of such lease. Incorporated by reference from Exhibit 10.149 filed with Registrant's Report on Form 8-K dated September 23, 2005. |
| 14.1 | Code of Business and Ethical Conduct and Business Conduct Policy. Incorporated by reference from Exhibit 14.1 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 21.1 | Subsidiaries of Registrant. |
| 23.1 | Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm. |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

| Exhibit | Description |
|---|---|
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

Executive Compensation Plans and Arrangements

| Exhibit | Description |
|---|---|
| 4.3 | 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. |
| 4.4 | Registrant's Amended and Restated 1998 Employee Incentive Plan effective May 19, 2005. Previously filed as Exhibit 4.3 with Registrant's Report on Form 8-K dated May 23, 2005. |
| 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 Annual 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 11, 2005 for use with all directors and executive officers. Incorporated by reference from Exhibit 10.49 filed with Registrant's Report on Form 8-K dated March 16, 2005. |
| 10.49a | Form of Indemnity Agreement, approved by the Board of Directors on March 11, 2005 for use with all directors and executive officers (Corrected Version). Incorporated by reference from Exhibit 10.49a filed with Registrant's Report on Form 8-K dated May 23, 2005. |
| 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 Annual 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 November 23, 2005. |
| 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 Annual 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 8-K dated March 16, 2005. |
| 10.114 | 1994 Tiffany and Company Supplemental Retirement Income Plan, Amended and Restated as of March 7, 2005. Incorporated by reference from Exhibit 10.114 filed with Registrant's Report on Form 8-K dated March 16, 2005. |

| Exhibit | Description |
|---|---|
| 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. Incorporated by reference from Exhibit 10.127b filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2003. |
| 10.128 | Group Long Term Disability Insurance Policy issued by UnumProvident, Policy No. 533717 001. Incorporated by reference from Exhibit 10.128 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2003. |
| 10.137 | Summary of arrangements for the payment of premiums on life insurance policies owned by executive officers. Incorporated by reference from Exhibit 10.137 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.138 | Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits. Incorporated by reference from Exhibit 10.138 filed with Registrant's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2004. |
| 10.139 | Form of Fiscal 2005 Cash Incentive Award Agreement for certain executive officers under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.139 filed with Registrant's Report on Form 8-K dated March 16, 2005. |
| 10.139a | Form of Fiscal 2006 Cash Incentive Award Agreement for certain executive officers under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.139a filed with Registrant's Report on Form 8-K dated March 24, 2006. |
| 10.140 | Form of Terms of Performance-Based Restricted Stock Unit Grants to Executive Officers under Registrant's 2005 Employee Incentive Plan. Incorporated by reference from Exhibit 10.140 filed with Registrant's Report on Form 8-K dated March 16, 2005. |
| 10.140a | Form of Non-Competition and Confidentiality Covenants for use in connection with Performance-Based Restricted Stock Unit Grants to Registrant's Executive Officers and Time-Vested Restricted Unit Awards made to other officers of Registrant's affiliated companies pursuant to the Registrant's 2005 Employee Incentive Plan and pursuant to the Tiffany and Company Un-funded Retirement Income Plan to Recognize Compensation in Excess of Internal Revenue Code Limits. Incorporated by reference from Exhibit 10.140a filed with Registrant's Report on Form 8-K dated May 23, 2005. |
| 10.142 | Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2005 Directors Option Plan as revised March 7, 2005. Incorporated by reference from Exhibit 10.142 filed with Registrant's Report on Form 8-K dated March 16, 2005. |
| 10.143 | Terms of Stock Option Award (Standard Non-Qualified Option) under Registrant's 2005 Employee Incentive Plan as revised March 7, 2005. Incorporated by reference from Exhibit 10.143 filed with Registrant's Report on Form 8-K dated March 16, 2005. |
| 10.143a | Terms of Stock Option Award (Standard Non-Qualified Option) under Registrant's 2005 Employee Incentive Plan as revised May 19, 2005. Incorporated by reference from Exhibit 10.143a filed with Registrant's Report on Form 8-K dated May 23, 2005. |

| Exhibit | Description |
|---|---|
| 10.144 | Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2005 Employee Incentive Plan as revised March 7, 2005 (form used for Executive Officers). Incorporated by reference from Exhibit 10.144 filed with Registrant's Report on Form 8-K dated March 16, 2005. |
| 10.144a | Terms of Stock Option Award (Transferable Non-Qualified Option) under Registrant's 2005 Employee Incentive Plan as revised May 19, 2005 (form used for Executive Officers). Incorporated by reference from Exhibit 10.144a filed with Registrant's Report on Form 8-K dated May 23, 2005. |
| 10.150 | Form of Terms of Time-Vested Restricted Stock Unit Grants under Registrant's 1998 Employee Incentive Plan and 2005 Employee Incentive Plan. Previously filed as Exhibit 10.146 with Registrant's Report on Form 8-K dated May 23, 2005. |
| 10.151 | Registrant's 2005 Employee Incentive Plan as adopted May 19, 2005. Previously filed as Exhibit 10.145 with Registrant's Report on Form 8-K dated May 23, 2005. |

## 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.

Date: March 31, 2006

**TIFFANY & CO.**
(Registrant)

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 of the Board and Chief Executive Officer
(principal executive officer) (director)

By: /s/ James N. Fernandez

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

By: /s/ James E. Quinn

James E. Quinn
President
(director)

By: /s/ Henry Iglesias

Henry Iglesias
Vice President and Controller
(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/ Abby F. Kohnstamm

Abby F. Kohnstam
Director

By: /s/ Charles K. Marquis

Charles K. Marquis
Director

By: /s/ J. Thomas Presby

J. Thomas Presby
Director

By: /s/ William A. Shutzer

William A. Shutzer
Director

March 31, 2006

**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, 2006: | | | | | |
| Reserves deducted from assets: | | | | | |
| Accounts receivable allowances: | | | | | |
| Doubtful accounts | $ 2,074,651 | $ 1,604,690 | — | $1,561,664a | $ 2,117,677 |
| Sales returns | 5,416,637 | 907,405 | — | 440,000b | 5,884,042 |
| Allowance for inventory liquidation and obsolescence | 20,927,849 | 10,179,255 | — | 9,110,709c | 21,996,395 |
| Allowance for inventory shrinkage | 4,736,429 | 2,382,170 | — | 5,998,376d | 1,120,223 |
| LIFO reserve | 64,058,414 | 11,565,883 | — | — | 75,624,297 |

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to market.
d) Physical inventory losses and reductions resulting from changes in estimates.

**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, 2005: | | | | | |
| Reserves deducted from assets: | | | | | |
| Accounts receivable allowances: | | | | | |
| Doubtful accounts | $ 2,325,462 | $ 1,976,551 | — | $2,227,362a | $ 2,074,651 |
| Sales returns | 4,666,605 | 973,605 | — | 223,573b | 5,416,637 |
| Allowance for inventory liquidation and obsolescence | 21,983,185 | 2,432,504 | 2,934,967e | 6,422,807c | 20,927,849 |
| Allowance for inventory shrinkage | 4,591,185 | 2,265,940 | — | 2,120,696d | 4,736,429 |
| LIFO reserve | 30,587,252 | 33,471,162 | — | — | 64,058,414 |

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to market.
d) Physical inventory losses.
e) Reclassification from gross inventory to reserves.

**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, 2004: | | | | | |
| Reserves deducted from assets: | | | | | |
| Accounts receivable allowances: | | | | | |
| Doubtful accounts | $ 2,129,652 | $ 2,081,919 | — | $1,886,109 a | $ 2,325,462 |
| Sales returns | 6,128,611 | 382,305 | — | 1,844,311 b | 4,666,605 |
| Allowance for inventory liquidation and obsolescence | 23,029,454 | 6,532,576 | — | 7,578,845 c | 21,983,185 |
| Allowance for inventory shrinkage | 4,361,478 | 1,272,520 | — | 1,042,813 d | 4,591,185 |
| LIFO reserve | 20,135,443 | 10,451,809 | — | — | 30,587,252 |

a) Uncollectible accounts written off.
b) Adjustment related to sales returns previously provided for.
c) Liquidation of inventory previously written down to market.
d) Physical inventory loss

Exhibit 3.1a
Tiffany & Co.
Report on Form 10-K

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

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

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

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

> FOURTH: The Corporation shall be authorized to issue two classes of shares of stock to be designated, respectively, "Preferred Stock" and "Common Stock"; the total number of shares which the Corporation shall have authority to issue is Two Hundred and Forty-two Million (242,000,000); the total number of shares of Preferred Stock shall be Two Million (2,000,000) and each such share shall have a par value of $.01; and the total number of shares of Common Stock shall be Two Hundred and Forty Million (240,000,000) and each such share of Common Stock shall have a par value of $.01.

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

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by it President and attested by it Secretary this 18th day of May, 2000.

TIFFANY & CO.

Attest:

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

/s/ Patrick B. Dorsey
Patrick B. Dorsey
Secretary

Exhibit 4.1a
Tiffany & Co.
Report on Form 10-K

# SECOND AMENDMENT TO AMENDED AND RESTATED RIGHTS AGREEMENT

This Second Amendment is made to that certain Amended and Restated Rights Agreement dated as of April 8, 2004 (the "Agreement") by and between Tiffany & Co., a Delaware corporation (the "Company") and Mellon Investor Services LLC, a New Jersey limited liability company (successor to ChaseMellon Shareholder Service, L.L.C.), as rights agent ("Rights Agent").

As provided for in Section 27 of the Agreement, Section 1 of the Agreement is hereby amended so that the definition of "Final Expiration Date" shall read in its entirely as follows:

"FINAL EXPIRATION DATE" SHALL MEAN JANUARY 19, 2006."

This Second Amendment is dated effective January 19, 2006.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and attested, all as of the day and year first above written.

| Attest: | TIFFANY & CO. |
|---|---|
| /s/ Patrick B. Dorsey | By: /s/ James N. Fernandez |
| Patrick B. Dorsey<br>Senior Vice President<br>General Counsel and Secretary | James N. Fernandez<br>Executive Vice President - Chief Financial Officer |
| Attest: | MELLON INVESTOR SERVICES LLC,<br>as Rights Agent |
| /s/ Robert Kavanagh | By: /s/ Stanley E. Siekierski |
| Robert Kavanagh<br>Vice President | Stanley E. Siekierski<br>Vice President |

# 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.



(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.



(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 after April 30, 2005.

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) Twelve Million (12,000,000) 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 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:

(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 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. 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 exerciability 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 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.

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.

(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);

(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: (I) as reported in the Company's Annual Report to Stockholders which is included in the Company's Annual Report on Form 10-K, (A) the Company's consolidated net earnings or (B) the Company's consolidated earnings per share on a diluted basis; and (II) the Company's consolidated return on average assets in each of the



fiscal years in the Performance Period, expressed as a percentage, and then averaged over the entire Performance Period; in each of the fiscal years in the Performance Period, average assets will be computed by averaging total assets at the beginning and at the end of the fiscal year; to compute return on average assets in any such fiscal year, net earning for such fiscal year shall be divided by average assets. 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 quality 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.

# TIFFANY AND COMPANY

## AMENDED AND RESTATED

## EXECUTIVE DEFERRAL PLAN

WHEREAS, effective October 1, 1989, Tiffany and Company, a New York corporation, established an unfunded executive deferral plan for the benefit of a select group of management or highly compensated employees;

WHEREAS, effective October 1, 1998, Tiffany and Company amended such plan to permit additional executives and the directors of its parent corporation, Tiffany & Co., a Delaware corporation, to participate and to provide certain additional alternatives with respect to compensation deferred in accordance with such plan;

WHEREAS, effective January 1, 2003, Tiffany and Company and its parent corporation further amended such plan to (i) eliminate Education Accounts, (ii) provide for the establishment of an unlimited number of Fixed Period Benefit subaccounts for pre-Retirement distributions, (iii) permit elections for deferral of Bonus Compensation to be made during the Plan Year that immediately proceeds the Plan Year in which such Bonus Compensation would otherwise be paid but limit deferral of Bonus Compensation to 90% of Bonus Compensation, (iv) allow the Administrator to make hardship distributions in circumstances that may or may not result from a Disability, (v) allow Participants to make daily changes in the Investment Funds used to value their respective Deferred Benefit Accounts, (vi) vary the Investment Funds available for such purposes and (vii) extend the Enrollment Period to the months of November and December each year.

WHEREAS, effective November 1, 2005, Tiffany and Company and its parent corporation further amended such plan to (i) permit executives of Iridesse, Inc. to participate, (ii) bring the plan into compliance with Section 409A of the Code as follows: (a) by requiring a recently Eligible



Employee who wishes to participate in the year he becomes eligible to make a written election to become a Participant within thirty (30) days of his becoming eligible; (b) by requiring that Participants who wish to defer Bonus Compensation elect to do so no later than six months before the end of the fiscal year to which such Bonus Compensation relates; (c) by requiring that elections to change the time and form of a distribution (i) be made at least twelve months in advance, and (ii) not defer distribution for a period of less than five years from the date such distribution would otherwise have been made; (d) requiring that Specified Employees not receive certain distributions resulting from a Termination of Service earlier than six months after the date of the Termination of Service; (e) providing that, in the event of plan termination, the Employer shall pay a benefit to the Participant or his beneficiary as otherwise required under the plan; and (f) decreasing the minimum Retirement Account balance eligible for distribution on an installment basis; and (iii) make other miscellaneous modifications.

WHEREAS, the purpose of the plan is to provide selected executives and directors an opportunity to defer a portion of their compensation in a manner best suited to each participant's individual needs.

NOW, THEREFORE, to carry the above intentions into effect, Tiffany and Company does enter into this Amended and Restated Plan effective November 1, 2005.

This Plan shall be known as the

TIFFANY AND COMPANY

EXECUTIVE DEFERRAL PLAN

ARTICLE I

DEFINITIONS

"ADMINISTRATOR" means the individual appointed to administer the Plan pursuant to Article VII.

"BASE COMPENSATION" means a Participant's salary and wages, including Executive Deferral Contributions made hereunder and any pretax elective deferrals to any Employer sponsored retirement savings plan or cafeteria plan, qualified pursuant to Section 401(k) or Section 125 of the Code, but excluding bonuses and overtime, all other Employer contributions to benefit plans, remuneration attributable to Employer sponsored stock option plans and all other forms of remuneration or reimbursement.

"BENEFICIARY" means the person, persons, trust or other entity, designated by written revocable designation filed with the Administrator by the Participant to receive payments in the event of the Participant's death. If a designated Beneficiary does not survive the Participant or if no Beneficiary is designated as provided above, the Beneficiary shall be the legal representative of the Participant's estate. If a designated Beneficiary survives the Participant but dies before payment in full of benefits under this Plan has been made, the legal representative of such Beneficiary's estate shall become the Beneficiary. References to a Participant in this Plan in connection with payments hereunder shall also refer to such Participant's Beneficiary unless the context clearly requires otherwise.

"BENEFIT DISTRIBUTION DATE" means a future date (or dates) selected by a Participant during the applicable Enrollment Period within guidelines established by the Administrator, as adjusted as permitted in this Plan, on which the Participant shall be entitled to a benefit pursuant to this Plan equal to all or a designated portion of the balance of his Fixed Period Benefit Account.



"BONUS COMPENSATION" means cash compensation paid to a Participant, excluding Base Compensation, under the Employer's bonus program or programs (including, but not limited to cash Incentive Awards under Section 8 of Parent's 1998 Employee Incentive Plan or Section 8 of Parent's 2005 Incentive Plan), as such may exist and be modified from time to time, and payable to a Participant following the conclusion of the Employer's fiscal year in respect of service performed at any time during such fiscal year.

"COMMITTEE" means the Board of Directors of Tiffany, which shall have authority over this Plan.

"COMPENSATION" means Base Compensation, Bonus Compensation and Directors Compensation in the aggregate.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"DEFERRAL AGREEMENT" means a written agreement between a Participant and the Employer, whereby a Participant agrees to defer a portion of his Compensation and the Employer agrees to provide benefits pursuant to the provisions of this Plan.

"DEFERRED BENEFIT ACCOUNTS" mean Retirement Accounts and Scheduled In-Service Withdrawal Accounts.

"DETERMINATION DATE" shall mean December 31, March 31, June 30 and September 30 of each calendar year and, for each Participant, his date of death, Retirement, or other termination of employment with Employer and, with respect to Independent Directors only, termination of service as a Director.

"DIRECTOR" means a member of Parent's Board of Directors.

"DIRECTORS COMPENSATION" means a Director's annual retainer and any incremental annual retainer paid or payable by Parent to Director for service as a Director, including any per-meeting-attended compensation, but excluding Parent's contributions to benefit and retirement plans, remuneration attributable to Parent-sponsored stock option plans and all other forms of remuneration or reimbursement.

"DISABILITY" means a condition such that a Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident or health plan covering employees of Participant's Employer.

"EDUCATION ACCOUNT" means a Deferred Benefit Account established pursuant to Section 4.1.

"EFFECTIVE DATE" means October 1, 1989.

"ELIGIBLE STUDENT" means an individual who is a relative of a Participant and who is younger than the age of 14 when a subaccount is initially established, pursuant to Section 4.7.

"ELIGIBLE EMPLOYEES" means Directors, all officers of the Employer, "director"-level employees of Employer, and such other management and other highly compensated employees of the Employer as identified and approved by the Committee.

"EMPLOYER" means Tiffany, Parent, and Irridesse, or any other business entity which adopts this Plan with consent of the Board of Directors of Parent.





"ENROLLMENT PERIOD" means, with respect to any Plan Year, the months of November and December immediately preceding such Plan Year, or, with respect to a person who becomes an Eligible Employee during the course of a Plan Year in respect of such Plan Year, the thirty day period following the date he becomes an Eligible Employee.

"EXECUTIVE DEFERRAL CONTRIBUTION" means the Plan contribution described in Section 3.2.

"FIXED PERIOD BENEFIT ACCOUNT" means a Deferred Benefit Account established pursuant to Section 4.1(C).

"INDEPENDENT DIRECTOR" means a Director who is not an employee of Employer at the time Participation in this Plan commences.

"INVESTMENT FUND" OR "FUND" means any one of the investment funds described in Schedule 4.5 which shall serve as means to measure value increases or decreases with respect to a Participant's Deferred Benefit Accounts.

"IRIDESSE" means Iridesse, Inc., a Delaware corporation, and any successor organization.

"PARENT" means Tiffany & Co., a Delaware corporation, and any successor organization.

"PARTICIPANT" means any Eligible Employee who has met the conditions for participation as set forth in Article II.

"PERMITTED RETIREMENT AGE" means that date on which the Participant has attained age 55, provided that if the Participant is an Independent Director the Permitted Retirement Age for such Participant shall be his age on the date his participation in the Plan commenced.



"PLAN" means the Tiffany and Company Executive Deferral Plan as described in this instrument, as amended from time to time.

"PLAN YEAR" means the period from the November 1, 1989 through December 31, 1989 and thereafter, the twelve (12) consecutive month period beginning on each January 1 and ending on each December 31.

"PRE-2005 BALANCES" means Deferred Benefit Account balances as of December 31, 2004, including any Investment Fund performance subsequent to December 31, 2004 (i) credited to such Accounts and (ii) attributable to balances as of December 31, 2004.

"RETIREMENT" means any severance from full-time employment by a Participant after attaining his Permitted Retirement Age, provided that if the Participant is an Independent Director, Retirement shall mean any cessation of service as a Director after attaining his Permitted Retirement Age. Employment shall be deemed to be "full-time" provided that the Participant is employed by Employer on a salaried basis.

"SCHEDULED IN-SERVICE WITHDRAWAL ACCOUNT" means an Education Account or a Fixed Period Benefit Account, provided that, on and after January 1, 2003, all Education Accounts shall be converted to Fixed Period Benefit Accounts.

"SPECIFIED AMOUNT" means $130,000, adjusted as provided in Section 416(i)(1)(A) of the Code.

"SPECIFIED EMPLOYEE" means (a) a Participant who is (i) an officer of the Employer by which such Participant is employed and (ii) who has an annual compensation greater than the Specified Amount, (b) a Participant who is a five-percent owner of the Employer by which such Participant is employed, or (c) a Participant who is a one-percent owner of the Employer by which such Participant is employed and having an annual compensation from the Employer of more than



$150,000. Status as a Specified Employee shall be determined as of the December 31 most recently preceding Participant's Termination of Service date.

"TERMINATION OF SERVICE" means, with respect to a Participant who is not an Independent Director, a termination of employment with Participant's Employer, provided that termination of employment with one Employer for the purpose of, and followed promptly by, employment with another Employer, shall not be deemed a Termination of Service. For purposes of this definition, a Participant on a leave of absence authorized by Employer or required by applicable law shall be deemed to remain employed. With respect to a Participant who is an Independent Director, a "Termination of Service" shall occur when such Independent Director ceases to be a Director.

"TIFFANY" means Tiffany and Company, a New York corporation, and any successor

organization.

"RETIREMENT ACCOUNT" means a Deferred Benefit Account established pursuant to Section 4.1.

"VESTED" means that portion of a Participant's Deferred Benefit Accounts to which the Participant has a nonforfeitable right as defined in Section 5.1.





## ARTICLE II

## MEMBERSHIP IN THE PLAN

2.1 Commencement of Participation. Each Eligible Employee who is an Eligible Employee at any time during the Enrollment Period for any Plan Year shall be eligible to become a Participant in the Plan as of the first day of such Plan Year. Notwithstanding the foregoing, but subject to the limitation expressed in Subsection 3.2 F below, each employee or Director who first becomes an Eligible Employee throughout the course of the Plan Year shall be eligible to become a Participant with respect to said Plan Year as of the first day of the month that is at least thirty (30) days after he is designated as an Eligible Employee provided that he shall have made a written election to become a Participant within thirty (30) days of such designation and provided further that such election shall not be effective with respect to Compensation earned for services performed prior to the date of such election.

2.2 Procedure For and Effect of Admission. Each individual who becomes eligible for admission to participate in this Plan shall complete such forms and provide such data as are reasonably required by the Employer as a condition of such admission. By becoming a Participant, each individual shall for all purposes be deemed conclusively to have assented to the provisions of this Plan and all amendments hereto.

2.3 Cessation of Participation. A Participant shall cease to be a Participant when he incurs a Termination of Service. Such persons, and all active Participants on the termination of the Plan, shall be deemed "former active Participants". Notwithstanding the foregoing, a former active Participant will be deemed a Participant, for all purposes of this Plan except with respect to contributions as described in Article III, as long as such former active Participant retains a benefit pursuant to the terms of Article VI.





## ARTICLE III

## PLAN CONTRIBUTIONS

3.1 Executive Deferral Contribution. For each Plan Year, each Eligible Employee may, by timely filing a Deferral Agreement with the Administrator, authorize the Employer to reduce his Base Compensation, his Bonus Compensation, his Directors Compensation or any combination of the foregoing, by fixed percentages, and to have corresponding fixed dollar amounts credited to his Deferred Benefit Accounts in accordance with Section 4.2. Credit to Deferred Benefit Accounts shall be made in equal installments for each pay period in respect of Base Compensation reductions and in a lump sum for each payment in respect of Bonus Compensation and Directors Compensation reductions. Subject to the rules set forth in Section 3.2 below, each Eligible Employee shall file a Deferral Agreement

with the Administrator during the applicable Enrollment Period for each Plan Year.

3.2 Rules Governing Executive Deferral Contributions.

A. Throughout any one Plan Year, a Participant may defer all or any portion of his Compensation, except that a Participant may not defer: less than $2,000 in any Plan Year ending on or before December 31, 2002 or less than $1,000 in any other Plan Year (except Plan Years in which the Participant elects not to defer any portion of his Compensation); more than 50% of Base Compensation in any Plan Year; or more than 90% of Bonus Compensation payable in any Plan Year ending after December 31, 2002.

B. The amount of Compensation that a Participant elects to defer shall be credited to the Participant's Deferred Benefit Accounts during each Plan Year on or about that date on which the Participant would have, but for his deferral election, have been paid such Compensation.



C. An election to defer Compensation pursuant to this Plan is irrevocable and shall continue until the earlier of: (i) the Participant's Termination of Service, or (ii) the end of the Plan Year for which the deferral is effective.

D. In respect of Bonus Compensation, an election to defer must be made no later than six months before the end of the fiscal year with respect to which such Bonus Compensation relates.

E. Except as expressly provided in subsection D. above, each Eligible Employee shall file a Deferral Agreement with the Administrator during the applicable Enrollment Period for the Plan Year in question.

F. No person who becomes an Eligible Employee during the course of Employer's Fiscal Year may file a Deferral Agreement with respect to Bonus Compensation for that Fiscal Year except as expressly provided in subsection D. above.



## ARTICLE IV

## PARTICIPANT'S ACCOUNTS

4.1 Establishment of Accounts. The following Deferred Benefit Accounts shall be established with respect to each Participant:

A. Retirement Account,

B. Scheduled In-Service Withdrawal Accounts.

All contributions on behalf of a Participant shall be deposited to the appropriate Deferred Benefit Account, in accordance with Section 4.2.

4.2 Deferred Benefit Allocation. Each Eligible Employee shall submit to the Administrator, before the close of the Enrollment Period for each Plan Year, a written statement specifying the Eligible Employee's allocation of anticipated contributions with respect to his Deferred Benefit Accounts.

4.3 Suballocation Within the Deferred Benefit Accounts.

A. Retirement Subaccounts. In the event a Participant shall allocate a portion of his anticipated contributions to his Retirement Account, he may, during each applicable Enrollment Period, direct that portion of his anticipated contributions to (i) a lump sum subaccount or to (ii) one of three installment subaccounts.

Each Participant may only have one such Retirement subaccount.



Subject to Section 6.1.F below, the lump sum Retirement subaccount will be paid out in a lump sum within ninety (90) days of Retirement, and the installment Retirement subaccount will be paid in five (5), ten (10), fifteen (15) or twenty (20) annual installments, all pursuant to Section 6.1. In the absence of such designation, contributions for that Plan Year will be paid out in a lump sum as aforesaid.

Participants may, by written election made before December 31, 2006, redirect contributions made before the date of such election to Participant's Retirement Account from the lump sum Retirement subaccount or any of the three installment Retirement subaccounts to the lump sum account or to any of the three installment subaccounts, provided (i) that each Participant shall, at the conclusion of such redirection process, have only one Retirement subaccount; and (ii) that such redirection shall not affect payments the Participant would otherwise receive in calendar year 2005 or 2006.

B. Education Subaccounts. In the event a Participant shall allocate a portion of his anticipated contributions to his Education Account, the Participant may further allocate amongst subaccounts on behalf of Eligible Students. Said allocation shall be made in writing prior to the beginning of the Plan Year on Participant's Deferral Agreement, or such other forms as are required by the Administrator. In the absence of such suballocation, all contributions to the Participant's Education Account shall be equally allocated among the Participant's Education subaccounts. A Participant's election pursuant to Section 4.5 shall apply uniformly to each subaccount. A Participant, in any one Plan Year, may not allocate less than $1,000 (except in Plan Years in which the Participant elects not to defer any portion of his Compensation) to any one Education subaccount.



Notwithstanding the foregoing, no Education Accounts shall be established effective following the Plan Year ending December 31, 2002, and all Education Accounts in effect as of such date shall be converted to Fixed Period Benefit Accounts or subaccounts by filing a conversion schedule with the Administrator by which benefits payable in respect of each such Education Account and subaccount shall become payable upon a specific Benefit Distribution Date provided, however, that no conversion schedule shall permit amounts accumulated pursuant to the Plan prior to January 1, 2003 to be paid to a Participant or Beneficiary prior to the time such Participant or Beneficiary would have been entitled to such payment under the Plan as it existed prior to the amendments made effective January 1, 2003.

C. Fixed Period Benefit Subaccounts. In the event a Participant shall allocate a portion of his anticipated contributions to his Fixed Period Benefit Account, the Participant may further allocate amongst

subaccounts differentiated by Benefit Distribution Dates. Said allocation shall be made in writing prior to the beginning of the Plan Year on Participant's Deferral Agreement, or such other forms as are required by the Administrator, provided that (i) each Participant shall have a one-time option in respect of each of his Benefit Distribution Dates to change such Benefit Distribution Date to a date at least five years subsequent to such original Benefit Distribution Date and (ii) such option is exercised, if at all, at least one year prior to the original Benefit Distribution Date by written notice to the Administrator. In the absence of such suballocation, all contributions to the Participant's Fixed Period Benefit Account shall be equally allocated among Participant's subaccounts. A Participant's election pursuant to Section 4.5 shall apply uniformly to each subaccount. A Participant, in any one Plan Year, may not allocate less than $1,000 (except in Plan Years in which the Participant elects not to defer any portion of his Compensation) to any one Fixed Period subaccount. For elections made prior to November of 2002, a Participant shall not elect a Benefit Distribution Date with respect to the Fixed Period Benefit Account



which occurs prior to twenty-four (24) months from the date on which the first contribution to such subaccount is first credited except as provided in Section 4.1 above. For elections made in or after November of 2002, a Participant shall not elect a Benefit Distribution Date with respect to a Scheduled In-Service Withdrawal Account which occurs prior to twenty-four (24) months from the last day in the Plan Year in which such election is made.

4.4 Irrevocable Benefit Allocation. Once an Eligible Employee has allocated anticipated contributions under the Plan and the Plan Year has begun, he may not modify, alter, amend or revoke said allocations. Notwithstanding, a Participant may, prior to the commencement of a new Plan Year, elect to modify, alter, amend or revoke his future allocations to his Deferred Benefit Accounts to the extent the Administrator shall provide, effective the first day of such new Plan Year.

4.5 Directed Valuation of Deferred Benefit Accounts. As provided herein, a participant may direct that his Deferred Benefit Accounts be valued, in accordance with Section 4.7, as if the account was invested in one or more of the Investment Funds listed in Schedule 4.5 attached. The Committee may, from time to time, add additional Investment Funds to Schedule 4.5. A Participant shall submit to the Plan Administrator in writing his investment selection for evaluation purposes. The Participant may select one or more investment funds in multiples of 1%. A Participant may make a separate selection with respect to each Deferred Benefit Account. Investment Fund elections may be made daily.

4.6 Administration of Investments. The investment gain or loss with respect to contributions made to the Deferred Benefit Accounts on behalf of a Participant shall continue to be determined in the manner selected by the Participant, pursuant to Section 4.5, until a new designation is filed with the Plan Administrator. If any Participant fails to file a designation, he shall be deemed to have designated the first Investment Fund listed in



Schedule 4.5 attached. A designation filed by a Participant changing his Investment Funds shall apply to future contributions and/or amounts already accumulated in his Deferred Benefit Accounts. A Participant may change his

investment selection four (4) times, at any time, throughout the course of each Plan Year.

4.7 Valuation of Deferred Benefit Accounts. The Deferred Benefit Accounts of each Participant shall be valued, on any date prior to complete distribution of all benefits due Participant under this Plan, based upon the performance of the Investment Fund(s) selected by the Participant. Such valuation shall reflect the net asset value expressed per share of the designated Investment Fund(s). The fair market value of an Investment Fund shall be determined by the Administrator. It shall represent the fair market value of all securities or other property held for the respective fund, plus cash and accrued earnings, less accrued expenses and proper charges against the fund. Each Deferred Benefit Account shall be valued separately. A valuation summary shall be prepared on each Determination Date.

4.8 Investment Obligation of the Employer. Benefits are payable as they become due irrespective of any actual investments the Employer may make to meet its obligations. Neither the Employer, nor any trustee (in the event the Employer elects to use a grantor trust to accumulate funds) shall be obligated to purchase or maintain any asset, and any reference to investments or Investment Funds is solely for the purpose of computing the value of benefits. To the extent a Participant or any person acquires a right to receive payments from the Employer under this Plan, such right shall be no greater than the right of any unsecured creditor of the Employer.

4.9 Change of Funds. In the event that any of the Investment Funds designated in Schedule 4.5 attached materially changes its investment objectives, adopts a plan of liquidation, ceases to report its net asset values or otherwise ceases to exist, the Employer may amend this Plan by designating new or additional funds for the purposes of Section 4.7 and each



Participant shall redirect the valuation of his or her Deferred Benefit Accounts effective with the date of such amendment.



## ARTICLE V

## VESTING

5.1 Vesting Schedule. A Participant shall have a fully Vested interest with respect to Executive Deferral Contributions and Investment Fund performance credited to his Deferred Benefit Accounts, in all instances and at all times.

## ARTICLE VI

## BENEFITS/DISTRIBUTIONS

6.1 Termination of Service.

A. If a Participant incurs a Termination of Service for any reason, the Employer shall pay to the Participant, or to the Participant's Beneficiary if applicable, a benefit equal to the value of Participant's Deferred Benefit Accounts, determined pursuant to Section 4.7 and Section 5.1 on such distribution dates as may be applicable under this Article VI.

B. Subject to Section 6.1.F below, with the exception of funds allocated to the Participant's Retirement Account, if the Participant incurs a Termination of Service for any reason, the benefit hereunder, including funds allocated to the Participant's Scheduled In-Service Withdrawal Accounts, shall be paid to the Participant or the Participant's beneficiary, as applicable, as a lump sum within ninety (90) days of the date of such Termination of Service.





C. Subject to Section 6.1.F below, with respect to funds allocated to the Participant's Retirement Account, if the Participant incurs a Termination of Service for any reason other than his Retirement or Disability, the benefit hereunder allocated to such Retirement Account, shall be paid to the Participant or the Participant's beneficiary, as applicable, as a lump sum within ninety (90) days of the date of such Termination of Service.

D. Subject to Section 6.1.F below, with respect to funds allocated to the Participant's Retirement Account, if the Participant incurs a Termination of Service by reason of his Retirement, the benefit hereunder allocated to such Retirement Account, shall be paid to the Participant or the Participant's beneficiary, as provided in Section 6.2 below.

E. With respect to funds allocated to the Participant's Retirement Account, if the Participant incurs a Termination of Service by reason of his Disability, the Participant shall remain as a Participant in the Plan but shall be ineligible for further contributions to his Deferred Benefit Accounts as described in Article III. In that circumstance, funds allocated to the Participant's Retirement Account shall be paid to him commencing on his 65th birthday in the form he elected pursuant to Section 4.A.

F. Notwithstanding anything stated in this Plan to the contrary, if a Participant who is a Specified Employee incurs a Termination of Service, other than by reason of such Participant's death or Disability, no distribution of, payment from or benefit in lieu of Participant's Deferred Benefit Accounts other than Pre-2005 Balances shall be made until the expiration of a period of six months following such Separation of Service, and any payments otherwise scheduled under this Plan during such six-month period shall be deemed deferred until the earlier of the





expiration of such six-month period or such Participant's death. On the expiration of such six month period (or such Participant's death) all such deferred payments shall be promptly made and all other payments shall be made as otherwise scheduled or provided for herein.

6.2 Retirement Account - Form of Payment:

A. Subject to Section 6.1F, if the Participant's Termination of Service shall occur as a result of Participant's Retirement or Disability, and the Participant has elected deferrals to a lump sum subaccount under Section 4.3A, the value of such subaccount is to be paid to the Participant as soon as administratively possible following his Retirement, or, in the case of Disability, following his 65th birthday. Subject to Section 6.1F, if the Participant's Termination of Service shall occur as a result of Participant's Retirement or

Disability, and the Participant has elected deferrals to an installment subaccount under Section 4.3A, the benefit in respect of such subaccount shall be paid by Employer to Participant in five, ten, 15 or 20 annual installments beginning as soon as administratively possible after his Retirement, or in the case of Disability, after his 65th birthday, and with each subsequent annual installment to be paid on or before February 1 of each subsequent year, determined as follows:

FIVE ANNUAL INSTALLMENTS

| BENEFIT YEAR | PERCENTAGE OF INSTALLMENT RETIREMENT ACCOUNT |
|---|---|
| 1 (Year of Retirement/65th birthday) | 20% |
| 2 | 25% |
| 3 | 33% |
| 4 | 50% |
| 5 | 100% |



TEN ANNUAL INSTALLMENTS

| BENEFIT YEAR | PERCENTAGE OF INSTALLMENT RETIREMENT ACCOUNT |
|---|---|
| 1 (Year of Retirement/65th birthday) | 10% |
| 2 | 11% |
| 3 | 13% |
| 4 | 14% |
| 5 | 17% |
| 6 | 20% |
| 7 | 25% |
| 8 | 33% |
| 9 | 50% |
| 10 | 100% |

FIFTEEN ANNUAL INSTALLMENTS

| BENEFIT YEAR | PERCENTAGE OF INSTALLMENT RETIREMENT ACCOUNT |
|---|---|
| 1 (Year of Retirement /65th birthday) | 7% |
| 2 | 7% |
| 3 | 8% |
| 4 | 8% |
| 5 | 9% |
| 6 | 10% |
| 7 | 11% |
| 8 | 12% |
| 9 | 12% |
| 10 | 17% |
| 11 | 20% |
| 12 | 25% |

| | |
|---|---|
| 13 | 33% |
| 14 | 50% |
| 15 | 100% |





TWENTY ANNUAL INSTALLMENTS

| BENEFIT YEAR | PERCENTAGE OF INSTALLMENT RETIREMENT ACCOUNT |
|---|---|
| 1 (Year of Retirement/65th birthday) | 5% |
| 2 | 5% |
| 3 | 6% |
| 4 | 6% |
| 5 | 6% |
| 6 | 7% |
| 7 | 7% |
| 8 | 8% |
| 9 | 8% |
| 10 | 9% |
| 11 | 10% |
| 12 | 11% |
| 13 | 13% |
| 14 | 14% |
| 15 | 17% |
| 16 | 20% |
| 17 | 25% |
| 18 | 33% |
| 19 | 50% |
| 20 | 100% |

In the event a Participant receiving such installments dies before all installments are paid, Beneficiary shall receive the balance remaining in such subaccount in a lump sum.

B. Subject to Section 6.1.F, notwithstanding any provision to the contrary, if at the time benefits are to commence, the Participant's Retirement Account has a value less than $10,000, the Participant's benefit hereunder shall be paid to the Participant as a lump sum within ninety (90) days of termination.





6.3 Education Account.

A. If a Participant does not incur a Termination of Service prior to January 1 of the calendar year in which an Eligible Student of the Participant attains a Determination Age, the Employer shall pay to the Participant a benefit, as soon as administratively possible, determined as follows:

| Eligible Student's Determination Age | Percentage of Eligible Student's Subaccount |
|---|---|

| | |
|---|---|
| 18 | 25% |
| 19 | 33% |
| 20 | 50% |
| 21 | 100% |

B. Subject to Section 6.1F if a Participant should incur a Termination of Service for any reason while having a balance in his Education Account, the Vested portion of the balance shall be distributed to the Participant, or Beneficiary if applicable, in accordance with Section 6.1.

C. Notwithstanding any provision to the contrary, if, on the January 1 of the calendar year in which an Eligible Student of Participant attains age 18, the Eligible Student's subaccount has a balance of less than $20,000, then said balance shall be paid to the Participant as soon as administratively possible.

6.4 Fixed Period Benefit Account.

A. If a Participant does not incur a Termination of Service prior to a designated Benefit Distribution Date, the Employer shall pay to the Participant a benefit equal to the balance of the Participant's subaccount which has been earmarked with respect to said Benefit Distribution Date, provided, however, that each Participant shall have a one-



time option in respect of each such Benefit Distribution Date, to postpone the Benefit Distribution Date for no less than five years, such option to be exercised, if at all, by written notice give to the Administrator no less than one year earlier than such original Benefit Distribution Date.

B. Subject to Section 6.1.F, if a Participant should incur a Termination of Service for any reason while having a balance in his Fixed Period Benefit Account, the balance shall be distributed to the Participant, or Beneficiary, if applicable, in accordance with Section 6.1



6.5 Unforeseeable Emergency Distribution.

A. In the event of an unforeseen emergency, a Participant may apply in writing to the Committee for withdrawal against his Deferred Benefit Accounts. The withdrawal shall only be allowed at the discretion of the Committee and for purposes which constitute an "unforeseeable emergency" as defined in Section 409A(a)(2)(B)(ii)(I) of the Code and regulations promulgated thereunder. For the purpose of withdrawals, the value of all Deferred Benefit Accounts shall be determined on the Determination Date next following the date as of which the application is approved by the Committee and shall be paid as soon as practical thereafter. The Committee shall approve such application only to relieve an unforeseeable emergency and shall make no distribution in excess of the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated by the Participant as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the

Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). In making a determination whether to approve any such application, the Committee may require the Participant to submit such proof as to the existence of such unforeseeable emergency as the Committee shall deem necessary and shall consider all relevant facts and circumstances presented by the Participant. All determinations under this Section shall be based upon uniform and nondiscriminatory rules and standards applicable to all Participants similarly situated and shall be final, conclusive and binding on all interested parties.





B. To the extent a withdrawal shall be permitted pursuant to this Section 6.5, the Participant's Deferred Benefit Accounts shall be correspondingly reduced in the following order:

1. The Fixed Period Benefit Account,

2. The Education Account,

3. The Retirement Account.

6.6 Tax Withholding. To the extent required by the law in effect at the time benefits are distributed pursuant to this Article VI, the Employer or its agents shall withhold any taxes required by the federal or any state or local government from payments made hereunder.





ARTICLE VII

ADMINISTRATION

7.1 Appointment of Administrator. Tiffany shall appoint, on behalf of all Participants, an Administrator. The Administrator may be removed by Tiffany at any time and he may resign at any time by submitting his resignation in writing to Tiffany. A new Administrator shall be appointed as soon as possible in the event that the Administrator is removed or resigns from his position. Any person so appointed shall signify his acceptance by filing a written acceptance with Tiffany.

7.2 Administrator's Responsibilities. The Administrator is responsible for the day to day administration of the Plan. He may appoint other persons or entities to perform any of his fiduciary functions. Such appointment shall be made and accepted by the appointee in writing and shall be effective upon the written approval of Tiffany. The Administrator and any such appointee may employ advisors and other persons necessary or convenient to help him carry out his duties including his fiduciary duties. The Administrator shall have the right to remove any such appointee from his position. Any person, group of persons or entity may serve in more than one fiduciary capacity.

7.3 Records and Accounts. The Administrator shall maintain or shall cause to be maintained accurate and detailed records and accounts of Participants and of their rights under the Plan and of all investments, receipts, disbursements and other transactions. Such accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Employer and by persons designated thereby.

7.4 Administrator's Specific Powers and Duties. In addition to any powers,

rights and duties set forth elsewhere in the Plan, the Administrator shall have the following discretionary powers and duties:



A. To adopt such rules and regulations consistent with the provisions of the Plan;

B. To enforce the Plan in accordance with its terms and any rules and regulations he establishes;

C. To maintain records concerning the Plan sufficient to prepare reports, returns and other information required by the Plan or by law;

D. To construe and interpret the Plan and to resolve all questions arising under the Plan;

E. To direct the Employer to pay benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan;

F. To be responsible for the preparation, filing and disclosure on behalf of the Plan of such documents and reports as are required by any applicable federal or state law.

7.5 Employer's Responsibility to Administrator. The Employer shall furnish the Administrator such data and information as he may require. The records of the Employer shall be determinative of each Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment, years of service, personal data, and compensation reductions. Participants and their Beneficiaries shall furnish to the Administrator such evidence, data, or information, and execute such documents as the Administrator requests.

7.6 Liability. Neither the Administrator nor the Employer shall be liable to any person for any action taken or omitted in connection with the administration of this Plan unless attributable to his own fraud or willful misconduct; nor shall the Employer be liable to any



person for such action unless attributable to fraud or willful misconduct on the part of the director, officer or employee of the Employer.

7.7 Procedure to Claim Benefits. Each Participant or Beneficiary must claim any benefit to which he is entitled under this Plan by a written notification to the Administrator. If a claim is denied, it must be denied within a reasonable period of time, and be contained in a written notice stating the following:

A. The specific reason for the denial,

B. Specific reference to the Plan Provision on which the denial is based,

C. Description of additional information necessary for the claimant to present his claim, if any, and an explanation of why such material is necessary, and

D. An explanation of the Plan's claim procedure.

The claimant will have sixty (60) days to request a review of the denial by

the Administrator, who will provide a full and fair review. The request for review must be written and submitted to the same person who handles initial claims. The claimant may review pertinent documents, and he may submit issues and comments in writing. The decision by the Administrator with respect to the review must be given within sixty (60) days after receipt of the request, unless special circumstances require an extension (such as for a hearing). In no event shall the decision be delayed beyond one hundred twenty (120) days after receipt of the request for review. The decision shall be written in a manner calculated to be understood by the claimant, and it shall include specific reasons and refer to specific Plan provisions as to its effect.



## ARTICLE VIII

## AMENDMENT AND TERMINATION

8.1 Plan Amendment. The Plan may be amended in whole or in part by Tiffany and Parent at any time; provided that no such amendment shall reduce any Participant's Vested Deferred Benefits. Notice of any such amendment shall be given in writing to each Participant and each Beneficiary of a deceased Participant.

8.2 No Premature Distribution. No amendment hereto shall permit amounts accumulated pursuant to the Plan prior to the amendment to be paid to a Participant or Beneficiary prior to the time he would otherwise be entitled thereto.

8.3 Termination of the Plan. Tiffany reserves the right to terminate the Plan and/or the Deferral Agreements pertaining to Participants at any time in the event that Tiffany, in its sole discretion, shall determine that the economics of the Plan have been adversely and materially affected by a change in the tax laws, other governmental action or other event beyond the control of the Participant and Tiffany or that the termination of the Plan is otherwise in the best interest of the Tiffany.

8.4 Effect of Termination. In the event of Plan termination pursuant to Section 8.3, the Employer shall pay a benefit to the Participant or the Beneficiary of any deceased Participant as otherwise required under the Plan provided that the Employer retains the discretion, in the event of a Plan termination meeting the requirements of Section 1.409A-3 (h)(2)(viii) of the proposed regulations issued by the Internal Revenue Service on September 29, 2005, or any final regulations thereafter adopted in place thereof, to pay a benefit to each Participant or the Beneficiary of any deceased Participant, in lieu of other benefits under this Plan, equal to the full value of Participant's Deferred Benefit Accounts determined pursuant to Section 4.7, provided, however, that in the event that installment



payments pursuant to Section 6.2 have commenced in respect of a Participant, such installment payments will continue to be made to such Participant and no premature distribution will be made in respect of such installment payments to such Participant.

8.5 Adverse Determination. Notwithstanding anything stated to the contrary in this Plan, if at any time, as a result of a Final Determination, a tax is payable by a Participant in respect of any benefit under this Plan prior to payment under the terms of this Plan of such benefit, then Employer shall

pay to the Participant who is required to pay such tax the amount of such tax and such Participant's Deferred Benefits shall be reduced by the amount of such tax. Employer reserves the right, in its sole discretion, to allocate the amount of such tax among the various Deferred Benefit Accounts of any Participant who is required to pay such tax. For the purposes of this Section 8.5 the term "Final Determination" means (i) an assessment of tax by the United States Internal Revenue Service addressed to the Participant or his Beneficiary which is not timely appealed to the courts; (ii) a final determination by the United States Tax Court or any other Federal Court, the time for an appeal thereof having expired or been waived; or (iii) an opinion by Employer's counsel, addressed to Employer and in form and substance satisfactory to Employer, to the effect that amounts payable under the Plan are subject to Federal income tax to the Participant or his Beneficiary prior to payment under the terms of the Plan. No Final Determination shall be deemed to have occurred until the Employer has actually received a copy of the assessment, court order or opinion which forms the basis thereof and such other documents as it may reasonably request.





## ARTICLE IX

## MISCELLANEOUS

9.1 Supplemental Benefits. The benefits provided for the Participants under this Plan are in addition to benefits provided by any other plan or program of the Employer and, except as otherwise expressly provided for herein, the benefits of this Plan shall supplement and shall not supersede any plan or agreement between the Employer and any Participant.

9.2 Governing Law. The Plan shall be governed and construed under the laws of the State of New York as in effect at the time of its adoption.

9.3 Jurisdiction. The courts of the State of New York shall have exclusive jurisdiction in any or all actions arising under this Plan.

9.4 Binding Terms. The terms of this Plan shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, executors, administrators and successors.

9.5 Spendthrift Provision. The interest of any Participant or any beneficiary receiving payments hereunder shall not be subject to anticipation, nor to voluntary or involuntary alienation until distribution is actually made.

9.6 No Assignment Permitted. No Participant, Beneficiary or heir shall have any right to commute, sell, transfer, assign or otherwise convey the right to receive any payment under the terms of this Plan. Any such attempted assignment shall be considered null and void.





9.7 Construction. All headings preceding the text of the several Articles hereof are inserted solely for reference and shall not constitute a part of this Plan, nor affect its meaning, construction or effect. Where the context admits, words in the masculine gender shall include the feminine and neuter genders, and the singular shall mean the plural.

9.8 No Employment Agreement. Nothing in this Plan or in any Deferral Agreement entered into under this Plan shall confer on any Participant the right to continued employment with any Employer and, except as expressly set forth

in a written agreement entered into with the express authorization of the Board of Directors of Employer, both the Participant and the Employer shall be free to terminate Participant's employment for any cause or without cause.

9.9 2005 Amendments. None of the amendments made to this Plan in 2005 shall be read to invalidate any election made on or prior to December 31, 2004 that would have been permissible under the terms of the Plan as it existed on December 31, 2004 and such elections shall be deemed to remain in effect unless changed as expressly provided for hereunder.

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Tiffany and Company
("Tiffany")

By: /s/ Patrick B. Dorsey
-----------------------------------
Name: Patrick B. Dorsey
Title: Senior Vice President - Secretary

Attest: /s/ Karen L. Sharp
-----------------------------
Name: Karen L. Sharp
Title: Assistant Secretary

Tiffany & Co.
("Parent")

By: /s/ Patrick B. Dorsey
-----------------------------------
Name: Patrick B. Dorsey
Title: Senior Vice President - Secretary

Attest: /s/ Karen L. Sharp
-----------------------------
Name: Karen L. Sharp
Title: Assistant Secretary





SCHEDULE 4.5 TO TIFFANY AND COMPANY EXECUTIVE DEFERRAL PLAN

Effective January 1, 2003

1. Gartmore GVIT Money Market Fund - Money Market
2. Federated Quality Bond Fund - Bond
3. Fidelity Equity Income Fund - Large Cap Value
4. Fidelity VIP II Contra Fund - Large Cap Blend
5. Janus Aspen Capital Appreciation Fund - Large Cap Growth
6. Dreyfus Stock Index Fund - S&P Index
7. Gartmore Small Cap Value Fund - Small Cap Value
8. Neuberger Berman Mid Cap Growth Fund - Mid Cap Growth

9. Janus Aspen International Growth Fund - International Developed Market
10. Gartmore GVIT Small Cap Growth Fund - Small Cap Growth
11. Goldman Sachs VIT Mid Cap Value Fund - Mid Cap Value
12. Oppenheimer Global Securities Fund - Global Equity

AS ADOPTED BY THE BOARD OF DIRECTORS NOVEMBER 23, 2005

Exhibit 10.122e

TIFFANY & CO.
REPORT ON FORM 10-K

# AMENDMENT NO. 4 TO GUARANTEE

This Amendment No. 4 to that certain Guarantee, dated April 3, 1996, as amended by Amendment No. 1, dated as of November 18, 1998, Amendment No. 2, dated October 15, 1999 and Amendment No. 3, dated July 16, 2002 (the "Guarantee") in respect of certain obligations of Tiffany & Co. Japan Inc., Japan Branch ("Borrower"), to American Family Life Assurance Company of Columbus, Japan Branch ("Lender"), is made as of this 9th day of December, 2005.

## AGREEMENT

Except as otherwise provided herein, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Guarantee.

In consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Guarantor and Lender hereby agree as follows:

1. Section 13(m)(vi) of the Guarantee is hereby deleted in its entirety and replaced with the following:

> "(vi) Indebtedness of Subsidiaries of the Guarantor, which may be guaranteed by the Guarantor, incurred solely for the purpose of repatriating dividends from foreign subsidiaries to Tiffany & Co. International, a wholly-owned subsidiary of the Guarantor, as permitted by the American Jobs Creation Act of 2004 in an aggregate principal amount not to exceed US$100,000,000 or the local currency equivalent thereof (as amended, supplemented or otherwise modified from time to time); and
>
> (vii) Any other Indebtedness of Subsidiaries of the Guarantor not otherwise permitted under sub-sections (i) through (vi) above up to the maximum aggregate principal amount outstanding at any one time of US$25,000,000 or the local currency equivalent thereof."

2. Section 13 of the Guarantee is hereby amended by adding a sub-section (r) at the end of such Section as follows:

> "As soon as practicable, but not later than one hundred and twenty (120) days after the end of each of its fiscal years, the Guarantor shall deliver to the Lender a schedule of all outstanding Indebtedness permitted under Section 13(m)(vi) of this Guarantee."

3. This Amendment shall become effective immediately upon the signature by each of Borrower, Guarantor and Lender. In all other respects, the Agreement and the Guarantee shall remain in full force and effect.

4. Each of the Borrower and Guarantor hereby (a) reaffirms and admits the validity, enforceability and continuation of the Agreement and the Guarantee and (b) agrees and admits that as of the date hereof it has no valid defenses to or offsets against any of their respective obligations thereunder.

5. This Amendment may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one agreement. It shall not be necessary in making proof of this Amendment to produce or account for more than one counterpart signed by the party to be charged.

6. This Amendment shall be governed and interpreted in accordance with the laws of Japan and hereby incorporates the provisions of Sections 16(a) and 16(b) of the Guarantee.

The parties have caused this Amendment No. 4 to be duly executed as of the date first written above.

TIFFANY & CO. JAPAN INC., Japan Branch

By: /s/ Michael W. Connolly
------------------------------------

TIFFANY & CO.

By: /s/ Michael W. Connolly
------------------------------------

AMERICAN FAMILY LIFE ASSURANCE COMPANY
OF COLUMBUS, Japan Branch

By: /s/ Yuji Arai
------------------------------------
Yuji Arai
Senior Vice President

Exhibit 10.150
TIFFANY & CO.
REPORT ON FORM 10-K
RESTRICTED
STOCK GRANT
TERMS
REV. II

TIFFANY & CO.
A DELAWARE CORPORATION
(THE "COMPANY")
TERMS OF RESTRICTED STOCK GRANT
(NON-TRANSFERABLE)
UNDER THE
1998 EMPLOYEE INCENTIVE PLAN
AND
2005 EMPLOYEE INCENTIVE PLAN
(EITHER PLAN, THE "PLAN")
TERMS ADOPTED JANUARY 20, 2005, AS AMENDED MARCH 7, 2005 AND MAY 19, 2005

1. Introduction and Terms of Grant. Participant has been granted (the "Grant") Stock Units which shall be settled by the issuance and delivery of Shares of the Company's Common Stock. The Grant has been made 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" and the number of "Stock Units" granted are stated in the attached "Notice of Grant". The other terms and conditions of the Grant 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 or in the Plan. IF THE PARTICIPANT HAS THE TITLE OF VICE PRESIDENT OR GROUP VICE PRESIDENT THIS GRANT WILL BE VOID UNLESS THE PARTICIPANT EXECUTES AND DELIVERS TO THE COMPANY THOSE CERTAIN NON-COMPETITION AND CONFIDENTIALITY COVENANTS IN THE FORM APPROVED BY THE COMMITTEE, SUCH DELIVERY TO BE MADE WITHIN 180 DAYS OF THE GRANT DATE.

2. Grant and Adjustment. Subject to the terms and conditions stated in this document, Participant has been granted Stock Units by the Company. As of the Grant Date, each Stock Unit has a Settlement Value of one Share, but the number of Shares which shall be issued and delivered pursuant to the Grant on the settlement of each Stock Unit (the "Settlement Value") shall be subject to adjustment as provided in Section 4.2(c) of the Plan, to adjust for, among other corporate developments, stock splits and stock dividends. References to Settlement Values in this document shall be deemed reference to Settlement Values as so adjusted. As anticipated in Section 4.7 of the Plan, Shares that have not been issued and delivered to a Participant shall be represented by Stock Units.

3. Maturity Dates - Vesting in Installments. Unless otherwise provided in paragraphs 4 or 5 below, Stock Units granted on a single Grant Date will "mature" and vest in installments according to the following schedule of "Maturity Dates":

| MATURITY DATES AS OF THE FOLLOWING ANNIVERSARY OF THE GRANT DATE: | THE GRANT SHALL MATURE WITH THE RESPECT TO THE FOLLOWING PERCENTAGE ("INSTALLMENT") OF THE STOCK UNITS: |
|---|---|
| One-year anniversary | 25% |
| Two-year anniversary | 25% |
| Three-year anniversary | 25% |
| Four-year anniversary | 25% |

Following the Maturity Date of a Stock Unit, the Settlement Value of the Stock Unit in Shares shall be issued and delivered to or for the account of Participant. As provided for in Section 7 below, the Company may make such delivery to a Service Provider. A STOCK UNIT WHICH FAILS TO MATURE AND VEST ON OR BEFORE PARTICIPANT'S DATE OF TERMINATION SHALL BE VOID AND SHALL NOT CONFER UPON THE OWNER OF

SUCH STOCK UNIT ANY RIGHTS, INCLUDING ANY RIGHT TO ANY SHARE. In the event that the above schedule of installments would otherwise result in a Settlement Value that includes a fractional Share, such fractional Share shall not be deemed to have matured and vested, but shall mature and vest on a subsequent Maturity Date if, when added to other fractional Share interests that would otherwise mature and vest, a full Share will be deemed to have matured and vested. Under no circumstances will the Company be obligated to issue a fractional Share, and if the application of the prior sentence fails to result in the eventual issuance of a Share, the Company will not be required to settle any remaining fractional interest in cash.

4. Effect of Termination of Employment on Vesting. A Stock Unit shall not mature and shall not be settled for Shares if the Participant's Date of Termination occurs before the anniversary of the Grant Date on which the installment containing such Stock Unit 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 Grant which have not previously matured shall mature and vest on said Date of Termination.

5. Effect of Change in Control. All installments of the Grant 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. No Dividends or Interest. NO DIVIDENDS OR INTEREST SHALL ACCRUE OR BE PAYABLE UPON ANY STOCK UNIT. UNTIL A SHARE IS ISSUED AND DELIVERED IT SHALL NOT BE REGISTERED IN THE NAME OF THE PARTICIPANT.

7. Withholding for Taxes. All distributions of Shares shall be subject to withholding of all applicable taxes as computed by the Tiffany and Company finance department, and the Participant shall make arrangements satisfactory to the Company to provide the Company (or any Related Company) with funds necessary for such withholding before the Shares are delivered. Without limitation to the Company's right to establish other arrangements, the Company may: (i) designate a single broker or other financial services provider ("Services Provider") to establish trading accounts for Participants (each a "Participant's Trading Account"); (ii) deliver Shares to Participant's Trading Account; (iii) provide Services Provider with information concerning the applicable tax withholding rates for Participant; (iv) cause Services Provider to sell, on behalf of Participant, sufficient Shares to cover the Company's tax withholding obligations with respect to any delivery of Shares to Participant (a "Covering Sale"); and (v) cause Services Provider to remit funds resulting from such Covering Sale to Company or any Related Company that is the employer of Participant. Participant may, by written notice to the Company addressed to the Company's Secretary, and given no less than ten (10) business days before an applicable Maturity Date, elect to avoid such a Covering Sale, by delivering with such notice 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 estimated amount of any such withholding required, such estimate to be provided by the Tiffany and Company finance department. The Committee may approve other methods of withholding, as provided for in the Plan, before the Shares are delivered.

8. Transferability. The Stock Units are not transferable otherwise than by will or the laws of descent and distribution, 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. Upon any attempt to transfer the Stock Units otherwise than as permitted herein or to assign, pledge, hypothecate or otherwise dispose of the Stock Units otherwise than as permitted herein, or upon the levy of any execution, attachment or similar process upon the Grant, the Grant shall immediately terminate and become null and void.



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

a. 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, Grant warrant or other right to obtain such voting power or amount, whether or not presently exercisable);

   (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 9(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 which constitutes a Terminating Transaction will be deemed to have occurred as of fourteen days prior to the date scheduled for the Terminating Transaction.

b. Code. The Internal Revenue Code of 1986, as amended.

c. 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 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.

d. 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.

e. 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.



f. Market Value. The average of the high and low prices for the Shares as reported on The New York Stock Exchange for (i) the applicable Maturity Date if the Maturity Date is a trading day, or (ii) if the Maturity Date is not a trading day, the trading day next following the Maturity Date.

g. 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.

10. Heirs and Successors. The terms of the Grant 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 Grant by filing written notice with the Secretary of the Company. In the event of the Participant's death prior to the full maturity of the Grant, the Shares will be delivered to such Beneficiary to the extent that it was matured on the Participant's Termination Date. If the Participant fails to designate a Beneficiary, or if the designated Beneficiary dies before the Participant, any Shares issuable hereunder will be delivered to the Participant's estate.

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

12. Plan Governs. Notwithstanding anything in this Agreement to the contrary, the terms of the Grant 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.

# TIFFANY & CO.
# 2005 EMPLOYEE INCENTIVE PLAN

## SECTION 1
## GENERAL

1.1 Purpose. The 2005 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).

1.4 Amendment to Prior Plan. If this Plan becomes effective on approval by the Company's stockholders, as provided for in Section 4.1 below, the Company's 1998 Employee Incentive Plan (the "1998 Plan") shall be deemed amended so that no further Awards shall be made under the 1998 Plan on or after the Effective Date of this Plan, although the 1998 Plan shall remain in effect with respect to Awards made under the 1998 Plan prior to the Effective Date of this Plan.



## SECTION 2
## OPTIONS AND SARS

2.1 Definitions.

(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.

(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).

(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 2005 annual meeting, the Plan shall be effective as of May 1, 2005 (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 after April 30, 2015.

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 Eleven Million (11,000,000) Shares, provided that such maximum shall be reduced by one and 58 hundredths (1.58) of a Share for each Share that is delivered pursuant to a Stock Award.

(ii) Any Shares granted under the Plan that are forfeited or fail to vest 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, fails to vest or is 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 and/or tax withholding obligation for any Option or any SAR to be settled in Shares granted under the Plan is satisfied by tendering Shares to the Company (by either actual delivery or attestation), the number of Shares issued on such exercise without offset for the number of Shares so tendered shall be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan; if the Exercise Price and/or any tax withholding obligation for any Option or SAR granted under the Plan is satisfied by the Company withholding Shares, the full number of Shares for which such Option or SAR was exercised, without reduction for the number of Shares 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 the 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 limitation is imposed under the Plan: 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.

(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 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 Reserved Rights. Subject to the limitations of subsection 4.2 on the number of Shares that may be delivered under the Plan, the Plan does not limit the right of the Company to use available Shares, including authorized but un-issued shares and treasury 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).

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. 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 by the Participant.

4.9 Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be 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 its 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, each of whom shall qualify as "outside directors" for purposes of Section 162(m) of the Code and as "independent" for purposes of The New York Stock Exchange Listing standards.

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 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 are 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.

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) 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 limitation 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; (v) increases the maximum term of any Option or SAR set forth in Section 2.3; (vi) provides any Performance Measure other than those listed in Section 9.1; or (vii) modifies or eliminates the provisions stated in subsection 1.4. 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 takes 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.

(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.



Other Incentive Award. The term "Other Incentive Award" means a cash award as described in Section 8 below.

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);

(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 to 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 MEASURES

9.1 Performance Measures. 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 (A) a change in the Fair Market Value of a Share or (B) any one or more of the following, as reported in the Company's Annual Report to Stockholders which is included in the Company's Annual Report on Form 10-K or which may be mathematically derived from financial results reported in such Annual Report, including Annual Reports made for prior years:

(a) the Company's consolidated net earnings;

(b) the Company's consolidated earnings per share on a diluted basis;

(c) the Company's consolidated net sales;

(d) net sales for any channel of distribution (as defined in Management's Discussion and Analysis of Financial Condition and Results of Operations);

(e) the Company's consolidated return on average assets;

(f) the Company's consolidated selling, general and administrative expenses;

(g) the Company's consolidated earnings from operations;



(h) the Company's consolidated earnings before income taxes; and

(i) the Company's consolidated net cash provided by operating activities.

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 retains 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.

Tiffany & Co.
Subsidiaries
(Note: Omitted from this list are certain subsidiaries that do not constitute Significant Subsidiaries (see Reg. S-X))

Exhibit 21.1
Tiffany & Co.
Report on Form 10-K

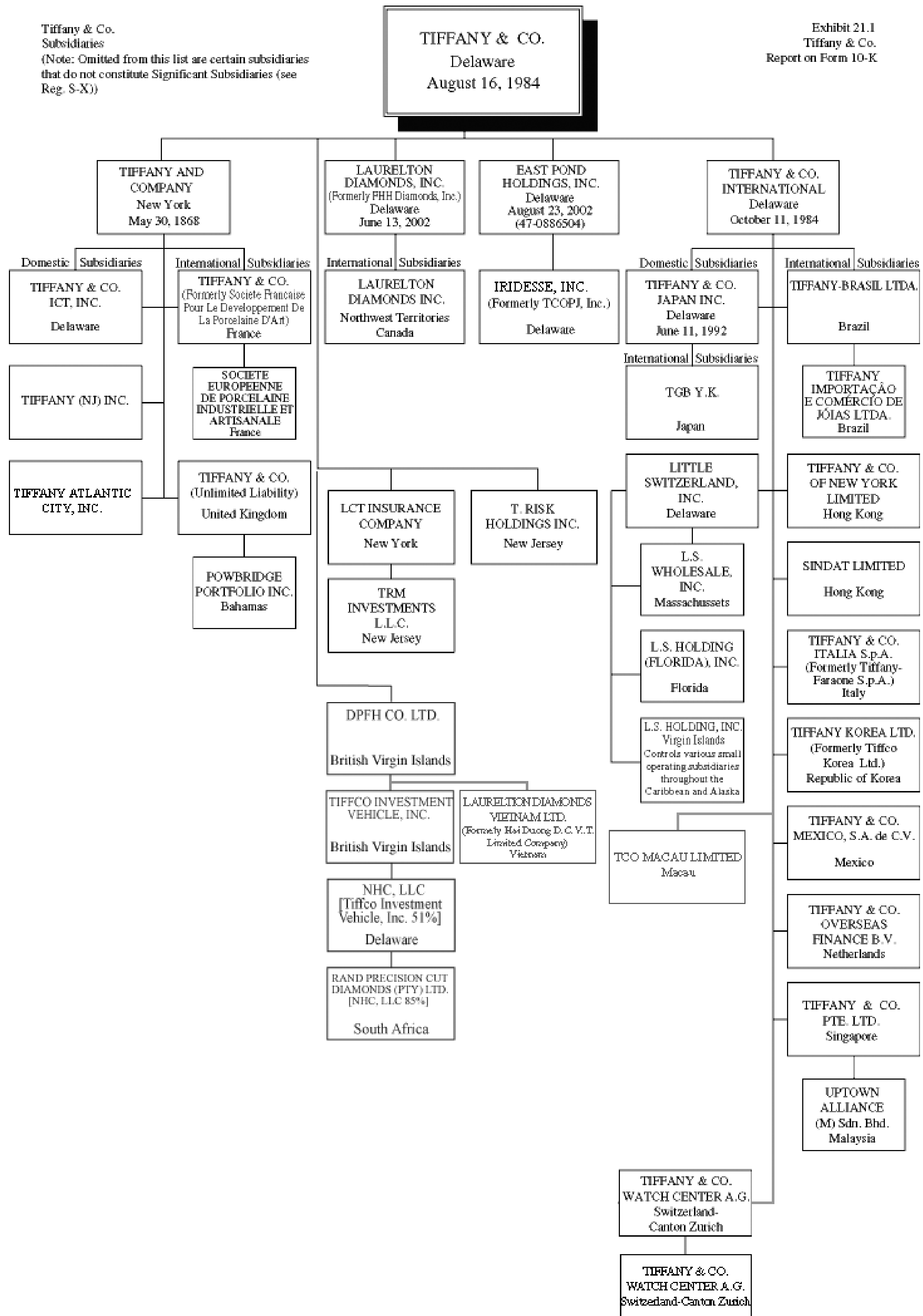

Exhibit 23.1
Tiffany & Co.
Report on Form 10-K

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 033-54847, 333-111258, 333-67723, and 333-67725) of Tiffany & Co. and Subsidiaries of our report dated March 30, 2006 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
New York, New York
March 31, 2006

EXHIBIT 31.1
TIFFANY & CO.
REPORT ON FORM 10-K

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 statement 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2006

/s/ Michael J. Kowalski
----------------------------------------
Chairman and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2
TIFFANY & CO.
REPORT ON FORM 10-K

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 statement 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

    d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2006

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

EXHIBIT 32.1
TIFFANY & CO.
REPORT ON FORM 10-K

CERTIFICATION

PURSUANT TO 18 U.S.C. 1350 AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Tiffany & Co. (the "Company") on Form 10-K for the period ended January 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Kowalski, as Chairman of the Board of Directors 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: March 31, 2006

/s/ Michael J. Kowalski

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Michael J. Kowalski
Chairman and Chief Executive Officer

EXHIBIT 32.2
TIFFANY & CO.
REPORT ON FORM 10-K

CERTIFICATION

PURSUANT TO 18 U.S.C. 1350 AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Tiffany & Co. (the "Company") on Form 10-K for the period ended January 31, 2006, 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: March 31, 2006

/s/ James. N. Fernandez

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James N. Fernandez
Executive Vice President and
Chief Financial Officer