TIFFANY & CO
Form DEF 14A
April 14, 2005

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14a INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[x] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Rule 14a-12

Tiffany & Co.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement no.:

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(3) Filing Party:

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(4) Date Filed:

April 14, 2005

TIFFANY & CO.
727 Fifth Avenue
New York, N.Y. 10022

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

James E. Quinn
President

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Tiffany & Co. on Thursday, May 19, 2005, at 10:00 a.m. in the Roof/Penthouse of the St. Regis Hotel, 2 East 55th Street at Fifth Avenue, New York, New York.

We hope that you can join us at this meeting. As a stockholder, your participation in the affairs of Tiffany & Co. is important, regardless of the number of shares that you hold. Therefore, whether or not you are able to personally attend, please vote your shares as soon as possible by completing and returning the enclosed proxy card, by calling the telephone number listed on the card, or by accessing the Internet site to vote electronically.

Enclosed are Tiffany & Co.'s 2004 Annual Report and Proxy Statement for the 2005 Annual Meeting of Stockholders. We hope you find it informative reading.

Thank you for your interest in Tiffany & Co.

Sincerely,

/s/ Michael J. Kowalski
Michael J. Kowalski

/s/ James E. Quinn
James E. Quinn

2005 Annual Meeting of Stockholders

Proxy Statement

[graphic]

TIFFANY & CO.

PROXY STATEMENT FOR THE
2005 ANNUAL MEETING OF STOCKHOLDERS

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ATTENDANCE AND VOTING MATTERS

INTRODUCTION

The Annual Meeting of the stockholders of Tiffany & Co. (the "Company") will be held on Thursday, May 19, 2005, at 10:00 a.m. in the Roof/Penthouse of the St. Regis Hotel, 2 East 55th Street at Fifth Avenue, New York, New York.

This proxy statement and accompanying material, including the form of proxy, was first sent to the Company's stockholders on or about April 14, 2005. It was sent to you on behalf of the Company by order of the Company's Board of Directors (the "Board").

You are entitled to vote at our 2005 Annual Meeting because you were a stockholder, or held Company stock through a broker, bank or other nominee, at the close of business on March 24, 2005, the record date for this year's Annual Meeting. That is why you were sent this Proxy Statement and accompanying material.

We have also enclosed for your review a copy of our 2004 Annual Report to Stockholders. This Report contains financial and other information about our business during our last fiscal year (February 1, 2004 to January 31, 2005).

You may also find important information about the Company on its website: www.tiffany.com and you will be directed to that website for additional information concerning some of the subjects addressed in this document.

MATTERS TO BE VOTED ON AT THE 2005 ANNUAL MEETING

There are four matters scheduled to be voted on at this year's Annual Meeting:

- the election of the Board;
- approval of the independent registered public accounting firm to audit our Fiscal 2005 financial statements;
- approval of an amendment to the 1998 Employee Incentive Plan so that return on average assets may be used as a Performance Measure for long-term incentive compensation; and
- approval of the 2005 Employee Incentive Plan.

HOW TO VOTE YOUR SHARES

You can vote your shares at the Annual Meeting by proxy or in person.

You can vote by proxy by having one or more individuals who will be at the Annual Meeting vote your shares for you. These individuals are called "proxies" and using them to cast your ballot at the Annual Meeting is called voting "by proxy."

If you wish to vote by proxy, you must do one of the following:

- complete the enclosed form, called a "proxy card," and mail it in the envelope provided, or
- call the telephone number listed on the proxy card (1-866-540-5760) and follow the pre-recorded instructions, or
- use the Internet to vote by pointing your browser to http://www.proxyvoting.com/tif; have your proxy card in hand as you will be prompted to enter your control number and to create and submit an electronic vote.

If you do one of the above, you will have designated three officers of the Company to act as your proxies at the 2005 Annual Meeting. One of them will then vote your shares at the Annual Meeting in accordance with the instructions you have given them on the proxy card, the telephone or the Internet with respect to each of the proposals presented in this Proxy Statement.

Alternatively, you can vote your shares in person by attending the Annual Meeting. You will be given a ballot at the meeting.

While we know of no other matters to be acted upon at this year's Annual Meeting, it is possible that other matters may be presented at the meeting. If that happens and you have signed and not revoked a proxy card, your proxy will vote on such other matters in accordance with his best judgment.

A special note for those who plan to attend the Annual Meeting and vote in person: if your shares are held in the name of a broker, bank or other nominee, you must bring a statement or letter from the person or entity in whose name the shares are registered indicating that you are the beneficial owner of those shares as of the record date. Otherwise, your vote at the meeting will not be counted.

HOW TO REVOKE YOUR PROXY

If you decide to vote by proxy (including by mail, telephone or Internet), you can revoke - that is, change or cancel - your vote at any time before your proxy casts his vote at the Annual Meeting. Revoking your vote by proxy may be accomplished in one of three ways:

- you can send an executed, later-dated proxy card to the Secretary of the Company, call in different instructions, or access the Internet voting site.
- you can notify the Secretary of the Company in writing that you wish to revoke your proxy, or
- you can attend the Annual Meeting and vote in person.

THE NUMBER OF VOTES THAT YOU HAVE

Each share of the Company's common stock has one vote. The number of shares, or votes, that you have at this year's Annual Meeting is indicated on the enclosed proxy card.

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WHAT A QUORUM IS

A "quorum" is the minimum number of shares that must be present at an Annual Meeting for a valid vote. For our stockholder meetings, a majority of shares outstanding on the record date must be present.

The number of shares outstanding at the close of business on March 24, 2005, the record date, was 144,480,629. Therefore, 72,240,315 shares must be present at our 2005 Annual Meeting for a quorum to be established.

To determine if there is a quorum, we consider a share "present" if:

- the stockholder who owns the share is present at the Annual Meeting, whether or not he or she chooses to cast a ballot on any proposal, or
- the stockholder is represented by proxy at the Annual Meeting.

If a stockholder is represented by proxy at the Annual Meeting, his or her shares are deemed present for purposes of a quorum, even if:

- the stockholder withholds his or her vote or marks "abstains" for one or more proposals; or
- there is a "broker non-vote" on one or more proposals.

WHAT A "BROKER NON-VOTE" IS

Shares held in a broker's name may be voted by the broker, but only in accordance with the rules of the New York Stock Exchange. Under those rules, your broker must follow your instructions. If you do not provide instructions to your broker, your broker may vote your shares based on its own judgment or it may withhold a vote. Whether your broker votes or withholds its vote is determined by the New York Stock Exchange rules and depends on the proposal being voted upon.

If your broker withholds its vote, that is called a "broker non-vote." As stated above, broker non-votes are counted as present for a quorum.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL

Directors are elected by a plurality of the votes cast for directors at the Annual Meeting. Of all nominees, the top nine in terms of "for" votes received will be elected directors.

You may withhold your vote "for" any nominee, but there is no means for you to vote "against" any nominee. To withhold your vote "for" any or all of the nominees named in this Proxy Statement, you can so mark your proxy card or ballot or, if you vote via telephone or Internet, so indicate by telephone or electronically. A broker non-vote is the same as a withheld vote: neither will have any effect on the outcome of the election of directors.

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The proposal to ratify the approval of PricewaterhouseCoopers LLP as the independent registered public accounting firm for Fiscal 2005 will be decided by a plurality of the votes cast "for" or "against" the proposal. Therefore, if you "abstain" from voting on this matter - in other words, you do not vote on the matter or you indicate "abstain" on the proxy card, the telephone or by Internet, it will not affect the outcome of votes on this proposal. That is because only votes cast "for" or "against" this proposal will be counted in determining whether or not it has been approved. Broker non-votes on this proposal will be treated the same as abstentions: neither will have any effect on the vote.

Amendment to our 1998 Employee Incentive Plan and approval of the 2005 Employee Incentive Plan will each be decided as follows. First, a majority of shares outstanding as of March 24, 2005, must actually vote on the proposal. For this purpose, abstentions will count as votes cast but broker non-votes will not. Second, a majority of those shares actually voting on the proposal must vote in favor of it. For this purpose, abstentions will have the same legal effect as a vote "against" the proposal and broker non-votes will be disregarded. That means that holders of 72,240,315 shares of common stock must actually vote "for" or "against" the proposal (or submit their proxies but "abstain" from voting on the proposal) and at least a majority of those voting must vote "for" the proposal.

PROXY VOTING ON PROPOSALS IN THE ABSENCE OF INSTRUCTIONS

If you do not give any specific instructions as to how your shares are to be voted when you sign a proxy card or vote by telephone or by Internet, your proxies will vote your shares in accordance with the following recommendations of the Board:

- FOR the election of all nine nominees for director named in this Proxy Statement;
- FOR the approval of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm to examine our Fiscal 2005 financial statements;
- FOR the approval of an amendment to the 1998 Employee Incentive Plan so that return on average assets may be used as a Performance Measure for incentive compensation; and
- FOR the approval of the 2005 Employee Incentive Plan.

Shares held in the Company's Employee Profit Sharing and Retirement Savings Plan will not be voted by the Plan's trustee unless specific instructions for voting are given by plan participants to whose accounts such shares have been allocated.

HOW PROXIES ARE SOLICITED

We have hired the firm of Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies on behalf of the Board. Georgeson Shareholder Communications Inc. has agreed to perform this service for a fee of not more than $7,000, plus out-of-pocket expenses.

Employees of Tiffany and Company, a subsidiary of the Company, may also solicit proxies on behalf of the Board. These employees will not receive any additional compensation for their work soliciting proxies and any costs incurred by them in doing so will be paid for by Tiffany and Company.

This particular solicitation is being made by mail, but proxies may also be solicited in person, by facsimile, by telephone or by electronic mail (e-mail).

In addition, we will pay for any costs incurred by brokerage houses and others for forwarding proxy materials to beneficial owners.

OWNERSHIP OF THE COMPANY

STOCKHOLDERS WHO OWN AT LEAST FIVE PERCENT OF THE COMPANY

As of March 24, 2005, no persons were known to us to be "beneficial owners" of five percent or more of the Company's common stock.

OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

The following table shows the number of shares of the Company's common stock beneficially owned as of March 24, 2005 by those persons who were, as of the end of the last fiscal year (January 31, 2005), directors, the Chief Executive Officer (the "CEO"), and the four next most highly compensated executive officers of the Company:

Name	Amount and Nature of Beneficial Ownership	Percent Of Class (1)
DIRECTORS:		
Rose Marie Bravo	67,466 (2)	*
William R. Chaney	1,046,250 (3)	*
Samuel L. Hayes III	188,989 (4)	*
Abby F. Kohnstamm	28,250 (5)	*
Michael J. Kowalski (CEO)	1,577,000 (6)	1.1
Charles K. Marquis	227,062 (7)	*
J. Thomas Presby	9,400 (8)	
James E. Quinn (Executive Officer)	942,383 (9)	*
William A. Shutzer	291,912 (10)	*
EXECUTIVE OFFICERS		
Beth O. Canavan	264,037 (11)	*
James N. Fernandez	522,382 (12)	*
Patrick B. Dorsey	189,950 (13)	*
ALL EXECUTIVE OFFICERS AND DIRECTORS AS A GROUP (17 PERSONS):	6,030,645 (14)	4.2

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(1) An asterisk (*) is used to indicate less than 1% of the class outstanding.

(2) Includes 63,466 shares issuable upon the exercise of "Vested Stock Options" which are stock options that either are exercisable as of March 24, 2005 or will become exercisable within 60 days of that date.

(3) Includes 126,250 shares issuable upon the exercise of Vested Stock Options, and 120,000 shares held by Mr. Chaney's wife.

(4) Includes 30,000 shares held in trust for the benefit of children of Prof. Hayes by Barbara L. Hayes, his wife, as trustee, and 2,079 shares held by Prof. Hayes's wife. Also includes 137,982 shares issuable upon the exercise of Vested Stock Options.

(5) Includes 26,250 shares issuable upon the exercise of Vested Stock Options.

(6) Includes 1,425,000 shares issuable upon the exercise of Vested Stock Options.

(7) Includes 126,854 shares issuable upon the exercise of Vested Stock Options.

(8) Includes 7,500 shares issuable upon the exercise of Vested Stock Options.

(9) Includes 896,250 shares issuable upon the exercise of Vested Stock Options; 133 shares credited to Mr. Quinn's account under the Company's Employee Profit Sharing and Retirement Savings Plan; 31,600 shares held by Mr. Quinn's wife; and 6,800 shares owned by Mr. Quinn's children under the UGMA.

(10) Includes 79,126 shares issuable upon the exercise of Vested Stock Options and 5,700 shares held by or for Mr. Shutzer's minor children and 114,000 shares held by KJC Ltd. of which Mr. Shutzer is the sole general partner and disclaims beneficial ownership of Company stock held by KJC Ltd.

(11) Includes 260,500 shares issuable upon the exercise of Vested Stock Options and 537 shares credited to Mrs. Canavan's account under the Company's Employee Profit Sharing and Retirement Savings Plan.

(12) Includes 510,250 shares issuable upon the exercise of Vested Stock Options and 132 shares credited to Mr. Fernandez's account under the Company's Employee Profit Sharing and Retirement Savings Plan.

(13) Includes 178,750 shares issuable upon the exercise of Vested Stock Options.

(14) Includes 4,511,328 shares issuable upon the exercise of Vested Stock Options and 1,717 shares held in the Company's Employee Profit Sharing and Retirement Savings Plan.

COMPLIANCE OF DIRECTORS, EXECUTIVE OFFICERS AND GREATER-THAN-TEN-PERCENT STOCKHOLDERS WITH SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING REQUIREMENTS

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and greater-than-ten-percent stockholders to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. These persons are also required to provide us with copies of those reports.

Based on our review of those reports and of certain other documents we have received, we believe that, during and with respect to our last fiscal year (February 1, 2004 to January 31, 2005), all filing requirements under Section

16(a) applicable to our directors, executive officers and greater-than-ten-percent stockholders were satisfied.

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP ("PwC") serves as the Company's independent registered public accounting firm and, through its predecessor firms, has served in that capacity since 1984.

The Audit Committee has recommended the reappointment of PwC as the registered independent public accounting firm to audit the Company's financial statements for the fiscal year ending January 31, 2006. In making this recommendation, the Audit Committee considered the independence of PwC, and whether the audit and non-audit services PwC provides to the Company are compatible with maintaining that independence.

The Audit Committee has adopted a policy requiring advance approval of PwC's fees and services by the Audit Committee; this policy also prohibits PwC from performing certain non-audit services for the Company including: (i) bookkeeping, (ii) systems design and implementation, (iii) appraisal or valuation, (iv) actuarial, (v) internal audit, (vi) management or human services, (vii) investment advice or investment banking, and (viii) legal and expert services unrelated to the audit. One-hundred percent of the fees paid to PwC by the Company as shown in the table that follows were approved by the Audit Committee pursuant to this policy.

FEES AND SERVICES OF PRICEWATERHOUSECOOPERS LLP

The following table presents fees for professional audit services rendered by PwC for the audit of the Company's consolidated financial statements and of management's assessment of the effectiveness of internal controls as and for the years ended January 31, 2004 and 2005, and for its limited reviews of the Company's unaudited condensed consolidated interim financial statements. This table also reflects fees billed for other services rendered by PwC.

	January 31, 2004	January 31, 2005
Audit Fees (1)	$1,019,500	$2,011,400
Audit-related Fees (2)	254,200	135,350
Audit and Audit-related Fees	1,273,700	2,146,750
Tax Fees (3)	754,400	515,850
All Other Fees (4)	26,400	8,500
TOTAL FEES	$2,054,500	$2,671,100

(1) The increase in audit fees primarily relates to the audit of internal controls over financial reporting as of January 31, 2005 as required by the Sarbanes-Oxley Act of 2002.

(2) Audit-related fees consist principally of fees for Sarbanes-Oxley Section 404 advisory services and audits of financial statements of certain employee benefit plans for the year ended January 31, 2004, and audits of financial statements of certain employee benefit plans and other advisory services for the

year ended January 31, 2005.

(3) Tax fees consist of fees for tax consultation and tax compliance services. These fees included tax filing and compliance fees of $327,500 for the year ended January 31, 2004 and $230,900 for the year ended January 31, 2005.

(4) All other fees consist of other research for the year ended January 31, 2004 and costs for software used by the Internal Audit Department for the year ended January 31, 2005.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

THE BOARD, IN GENERAL

The Company is a Delaware corporation. Our principal subsidiary is Tiffany and Company, a New York corporation. In this Proxy Statement, Tiffany and Company will be referred to as simply "Tiffany."

The Board is currently comprised of nine members. The Board can also fill vacancies and newly created directorships, as well as amend the By-laws to provide for a greater or lesser number of directors.

Directors are required by our By-laws to be less than age 72 when elected or appointed unless the Board waives that provision with respect to an individual director whose continued service is deemed uniquely important to the Company. THE BOARD HAS WAIVED THAT PROVISION IN RESPECT OF WILLIAM R. CHANEY BECAUSE OF HIS SERVICE AS THE COMPANY'S CHIEF EXECUTIVE OFFICER FROM 1984 TO 1999 AND THE VALUABLE PERSPECTIVE THAT SUCH SERVICE BRINGS TO THE BOARD.

THE ROLE OF THE BOARD IN CORPORATE GOVERNANCE

The Board plays several important roles in the governance of the Company, as set out in the Company's Corporate Governance Principles. The Corporate Governance Principles are attached to this Proxy Statement as Appendix I. The responsibilities of the Board include:

- Management succession;
- Review and approval of the annual operating plan prepared by management;
- Monitoring of performance in comparison to the operating plan;
- Review and approval of the Company's five-year strategic plan prepared by management;
- Consideration of topics of relevance to the Company's ability to carry out its strategic plan;
- Review and approval of a delegation of authority by which management carries out the day-to-day operations of the Company and its subsidiaries;
- Review of the Company's investor relations program;
- Review of the Company's schedule of insurance coverage; and
- Review and approval of significant actions by the Company.

EXECUTIVE SESSIONS OF NON-MANAGEMENT DIRECTORS

Mr. Kowalski, who serves both as Chairman of the Board and CEO, presides at regular meetings of the Board. Mr. Kowalski and Mr. Quinn, President of the Company, are the management members of the Board.

Non-management directors meet regularly in executive session without management participation. This encourages open discussion. At those meetings, Charles K. Marquis, Chairman of the Nominating/Corporate Governance Committee, presides.

COMMUNICATION WITH NON-MANAGEMENT DIRECTORS

Stockholders and other interested parties may make their concerns known to the non-management directors by addressing their concerns in writing to Mr. Marquis. An address for direct written communication with Mr. Marquis is published on the Company's website.

DIRECTOR ATTENDANCE AT ANNUAL MEETING

The Board schedules a regular meeting on the date of the Annual Meeting of Stockholders to facilitate attendance at the Annual Meeting by the directors. All nine directors attended the Annual Meeting held in May, 2004.

INDEPENDENT DIRECTORS CONSTITUTE A MAJORITY OF THE BOARD

The Board has affirmatively determined that each of the following directors is "independent" in that none of them has a material relationship with the Company (directly or as a partner, shareholder or officer of any organization that has a relationship with the Company):

Rose Marie Bravo
Samuel L. Hayes III
Abby F. Kohnstamm
Charles K. Marquis
J. Thomas Presby

The Board also considered the other tests of independence set forth in the New York Stock Exchange Corporate Governance Rules and has determined that each of the above directors is independent as defined in such Rules.

In determining that Ms. Kohnstamm is independent, the Board considered that IBM Corporation, of which she is an officer, sells data-processing and communication hardware, software and services to Tiffany and Tiffany sells business gifts to IBM. However, these sales constitute far less than one percent of the consolidated sales of each seller (IBM and Tiffany, respectively). The Board considered all relevant facts and circumstances including the amount of such sales in the context of the size of the businesses of the Company and IBM Corporation, the fact that Ms. Kohnstamm is not responsible at IBM Corporation for such sales in the course of her duties, and that such sales were long-standing business practices prior to the time Ms. Kohnstamm was recruited to the Board.

None of the other independent directors has any direct or indirect relationship with the Company, other than as a director, and none of the independent directors serves as an executive officer of any charitable organization to which the Company or any of its affiliates have made any contributions within the preceding three years.

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company or its subsidiaries are paid or provided with the following for their service on the Board:

- an annual retainer of $50,000,
- an additional annual retainer of $20,000, $10,000 or $5,000 to the chairperson of the Audit, Compensation, or Nominating/Corporate Governance Committee, respectively,
- a per-meeting-attended fee of $2,000 for meetings attended in person (no fee is paid for attendance at any committee or subcommittee meetings which occur on the same day as a meeting of the full Board),
- a fee of $1,000 for each telephonic meeting in which the director participates,
- stock options, as discussed below, and
- a retirement benefit, also discussed below.

Under Tiffany's Amended and Restated Executive Deferral Plan, directors may defer up to one hundred percent (100%) of their cash compensation and invest the amounts they defer in various accounts and funds established under the plan. However, the Company does not guarantee any return on said investments.

Tiffany also reimburses directors for expenses they incur in attending Board and committee meetings, including expenses for travel, food and lodging.

New non-employee directors are granted options to purchase shares of Company common stock upon their election or appointment to the Board, and in January of each year an option grant is made to each non-employee director. In January of 2005, the grant was for 10,000 shares per director. These options vest in two equal installments - 1/2 after one year of service on the Board following the grant of the option, and the balance after two years of service. However, as explained below, all installments become immediately exercisable in the event there is a "change in control" of the Company. These options expire after 10 years, but they expire sooner if, before the end of that 10-year period, the director leaves the Board. The option's exercise price is the fair market value of the Company's common stock on the date of grant, which is calculated as the average of the highest and lowest sales prices of the stock on the New York Stock Exchange on the date of grant.

Directors who retire as non-employee directors with five or more years of Board service are also entitled to receive an annual retirement benefit equal to the lesser of the annual retainer in effect during the year in which they retire or $38,000. Subject to adjustment for partial years served, this benefit is payable quarterly and continues for a period of time equal to the director's length of service on the Board, including periods served as an employee director. However, this particular benefit will not apply to any director first appointed or elected after January 1, 1999; accordingly, neither Ms. Kohnstamm nor Mr. Presby is entitled to participate in this benefit plan.

Messrs. Kowalski and Quinn are employees of Tiffany. They therefore receive no separate compensation for their service as directors.

MEETINGS AND ATTENDANCE DURING FISCAL 2004

The following chart shows the total number of meetings (including telephonic meetings) held by the Board and each of its committees during Fiscal 2004. All directors attended at least 97% of the meetings of the Board and those committees on which they served.

	STOCK	NOMINATING/ CORPORATE

	BOARD	AUDIT	COMPENSATION	OPTION	GOVERNANCE	
MEETINGS HELD	6	13	5	7	3	PERCENT OF MEETINGS ATTENDED
MEETINGS ATTENDED						
DIRECTOR						
Rose Marie Bravo	6	n/a	5	7	3	100%
William R. Chaney	6	n/a	n/a	n/a	n/a	100%
Samuel L. Hayes III	6	12	5	7	3	97%
Abby F. Kohnstamm	6	n/a	5	7	3	100%
Charles K. Marquis	6	12	5	7	3	97%
J. Thomas Presby	6	13	n/a	n/a	3	100%
William A. Shutzer	6	n/a	n/a	n/a	n/a	100%
Michael J. Kowalski	6	n/a	n/a	n/a	n/a	100%
James E. Quinn	6	n/a	n/a	n/a	n/a	100%

COMMITTEES OF THE BOARD

COMMITTEES COMPOSED ENTIRELY OF INDEPENDENT DIRECTORS

AUDIT:
J. Thomas Presby, Chair
Samuel L. Hayes, III
Charles K. Marquis

NOMINATING/CORPORATE GOVERNANCE:
Charles K. Marquis, Chair
Rose Marie Bravo
Samuel L. Hayes, III
Abby F. Kohnstamm
J. Thomas Presby

COMPENSATION:
Samuel L. Hayes, III, Chair
Rose Marie Bravo
Abby F. Kohnstamm
Charles K. Marquis

STOCK OPTION SUBCOMMITTEE:
Samuel L. Hayes, III, Chair
Rose Marie Bravo
Abby F. Kohnstamm
Charles K. Marquis

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NOMINATING/CORPORATE GOVERNANCE COMMITTEE

The primary function of the Nominating/Corporate Governance Committee is to assist the Board in matters of corporate governance. The Nominating/Corporate Governance Committee operates under the charter adopted by the Board. The charter may be viewed on the Company's website. Under its charter, the role of the Nominating/Corporate Governance Committee includes recommending to the Board:

- policies on the composition of the Board,
- criteria for the selection of nominees for election to the Board,
- nominees to fill vacancies on the Board, and
- nominees for election to the Board.

If you would like to submit the name of a candidate for the Nominating/Corporate Governance Committee to consider as a nominee of the Board for director, you may send your submission at any time to the Nominating/Corporate Governance Committee, c/o Mr. Patrick B. Dorsey, Secretary, Tiffany & Co., 727 Fifth Avenue, New York, New York 10022. See our Corporate Governance Principles attached as Appendix I.

The By-laws of the Company also permit a stockholder of record entitled to vote to directly nominate a person for director for election at an annual meeting of the stockholders. This process is subject to timely notice requirements as set forth in the By-laws. The By-laws may be viewed on the Company's website and have been filed with the Securities and Exchange Commission as an exhibit to our report on Form 10-K filed April 14, 2005. See OTHER MATTERS below for a further discussion of stockholder proposals, in general.

DIVIDEND COMMITTEE

The Dividend Committee declares regular quarterly dividends in accordance with the dividend policy established by the full Board. The Dividend Committee acts by unanimous written consent and did not meet in Fiscal 2004. Members of the Dividend Committee are: William R. Chaney, Chair, Michael J. Kowalski and James E. Quinn.

COMPENSATION COMMITTEE

The primary function of the Compensation Committee is to assist the Board in compensation matters. The Compensation Committee operates under its charter which may be viewed on the Company's website. Under its charter, the Compensation Committee's responsibilities include:

- approval of remuneration arrangements for executive officers, and
- approval of compensation plans in which officers and employees of Tiffany are eligible to participate.

The Compensation Committee's report appears on pages 25-26 below.

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STOCK OPTION SUBCOMMITTEE

The Stock Option Subcommittee, a subcommittee of the Compensation Committee, determines the grant of options, restricted stock units and other matters under our 1998 Employee Incentive Plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No director serving on the Compensation Committee or its Stock Option Subcommittee during any part of Fiscal 2004 was, at any time either during or before such fiscal year, an officer or employee of Tiffany & Co. or any of its subsidiaries.

AUDIT COMMITTEE

The Company's Audit Committee is an "audit committee" established in accordance with Section 3(a) (58) (A) of the Securities Exchange Act of 1934. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the Company's financial matters. The Audit Committee operates under charter adopted by the Board; that charter may be viewed on the Company's website. Under its charter, the Audit Committee's responsibilities include:

- retaining and terminating the Company's independent registered public accounting firm, reviewing the quality-control procedures and independence of such firm and evaluating their proposed audit scope, performance and fee arrangements;
- approving in advance all audit and non-audit services to be rendered by the independent registered public accounting firm;
- reviewing the adequacy of our system of internal financial controls;
- establishing procedures for complaints regarding accounting, internal accounting controls or auditing matters; and
- conducting a post-audit review of our financial statements and audit findings in advance of filing, and reviewing in advance proposed changes in our accounting principles.

The Board has determined that all members of the Audit Committee are financially literate, that at least one member of the Audit Committee meets the New York Stock Exchange standard of having accounting or related financial management expertise and that Mr. Presby meets the SEC criteria of an "audit committee financial expert." Mr. Presby is a member of the National Association of Corporate Directors and serves on the audit committees of two public companies in addition to that of the Company. The Board has determined that Mr. Presby's simultaneous service on three audit committees will not impair his ability to effectively serve on the Company's Audit Committee. The report of the Audit Committee is on page 15.

SELF-EVALUATION

The independent directors who serve on the Board conduct an annual evaluation of the workings and efficiency of the Board and of each of the Board committees on which they serve and make recommendations for change, if required.

Business Conduct Policy and Code of Ethics

Since the 1980's, the Company has had a policy governing business conduct for all Company employees worldwide. The policy requires compliance with law and avoidance of conflicts of interest and sets standards for various activities to avoid the potential for abuse or the occasion for illegal or unethical activities. This policy covers, among other activities, the acceptance or giving of gifts from or to those seeking to do business with the Company, processing one's own transactions, political contributions and reporting dishonest activity. Each year, all employees are required to review the policy, report any violations or conflicts of interest and affirm their obligation to report future violations to management.

The Company has a toll free "hotline" to receive complaints from employees, vendors, stockholders and other interested parties concerning violations of the Company's policies or questionable accounting, internal controls or auditing matters. The toll free phone number is 877-806-7464. The hotline is operated by a third party service provider to assure the confidentiality and completeness of all information received. Users of this service may elect to remain anonymous.

We also have a Code of Business and Ethical Conduct for the directors, the CEO, the Chief Financial Officer and all other officers of the Company. The Code advocates, and requires those persons to adhere to, principles and responsibilities governing professional and ethical conduct. This Code supplements our business conduct policy. Waivers may only be made by the Board. Copies of our business conduct policy and the Code of Business and Ethical Conduct are posted on our website. We have also filed a copy of the Code with the SEC as an exhibit to our April 14, 2005 annual report on Form 10-K.

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FOLLOWING IS THE REPORT OF THE AUDIT COMMITTEE:

Included in the Company's Annual Report to Stockholders are the consolidated balance sheets of the Company and its subsidiaries as of January 31, 2005 and 2004, and the related consolidated statements of earnings, stockholders' equity and comprehensive earnings, and cash flows for each of the three years in the period ended January 31, 2005. These statements (the "Audited Financial Statements") are the subject of a report by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP (" PwC"). The Audited Financial Statements are also included by reference in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Audit Committee reviewed and discussed the Audited Financial Statements with the Company's management and otherwise fulfilled the responsibilities set forth in its charter.

The Audit Committee has discussed with PwC the matters required to be discussed by Statement on Accounting Standards No. 61, as amended, "Communication with Audit Committees" and PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed In Conjunction with an Audit of Financial Statements."

The Audit Committee received from PwC the written disclosure and letter required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and has discussed the independence of PwC with that firm. The Audit Committee has considered whether the provision by PwC of the tax consultation, tax compliance and other non-audit-related services disclosed above under "RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM - Fees and Services of PricewaterhouseCoopers LLP" is compatible with maintaining PwC's independence and has concluded that providing such services is compatible with that firm's independence from the Company and its management.

The Audit Committee is aware that the provision of non-audit services by an auditor may, in some circumstances, create the perception that independence has been compromised. Accordingly, the Audit Committee has instructed management and management have agreed to develop professional relationships with firms other than PwC so that, when needed, other qualified resources will be available and will be used as appropriate.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Company's Board that the Audited Financial Statements be included in the Company's Annual Report to Stockholders which is incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2005 for filing with the Securities and Exchange Commission.

Signed:

Samuel L. Hayes III
Charles K. Marquis
J. Thomas Presby, Chair

Members of the Audit Committee

COMPENSATION OF THE CEO AND OTHER EXECUTIVE OFFICERS

This section includes a summary of salaries, bonuses and other compensation paid to our CEO and each of the four (4) next highest paid executive officers during the last three fiscal years. Also presented in this section are options granted to and exercised by each of them in Fiscal 2004, retirement benefits currently available to them and any special employment, termination or change-in-control arrangements that have been made with any of them.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Co
Name and Principal Position	Year	Salary	Bonus (1)	Other Annual Compensation (2)	Securities Underlying Options/ SARs (shares)
Michael J. Kowalski	2004	$919,831	$0	$109,274	115,000
Chairman and CEO	2003	$891,063	$975,000	$0	180,000
	2002	$841,082	$451,000	$0	195,000
James E. Quinn	2004	$700,806	$0	$72,084	72,500
President	2003	$675,259	$493,000	$0	115,000
	2002	$645,090	$230,000	$0	140,000
Beth O. Canavan	2004	$442,271	$0	$44,988	40,000
Executive Vice	2003	$425,240	$280,000	$0	55,000
President	2002	$405,066	$115,000	$0	85,000
James N. Fernandez	2004	$591,485	$0	$72,475	55,000
Executive Vice	2003	$570,196	$375,000	$0	85,000
President and	2002	$544,994	$174,000	$0	118,000
Chief Financial Officer					
Patrick B. Dorsey	2004	$397,775	$0	$39,449	30,000
Senior Vice President,	2003	$385,816	$197,000	$0	40,000
Secretary and General	2002	$370,100	$92,000	$0	54,000
Counsel					

(1) Bonus amounts are earned in the fiscal year ended January 31, paid in the following March, and in 2003 and 2002 included cash incentive awards under the 1998 Employee Incentive Plan on the basis of achieved Performance Goals, specifically, increases above target amounts for the Company's consolidated earnings per share.

(2) Represents amounts paid as additional tax withholding on behalf of the named executive to offset income taxes attributable to life insurance premiums paid on behalf of the named executive. See column labeled "All Other Compensation" above and Life Insurance Arrangements below.

(3) Includes $120,767 attributable to life insurance premiums, $14,125 attributable to premiums for executive long-term disability insurance and $6,500 for the Company's matching contributions to the 401(k) feature of the Company's

Employee Profit Sharing and Retirement Savings Plan.

(4) Includes $14,125 attributable to premiums for executive long-term disability insurance and $6,000 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(5) Includes $5,890 attributable to premiums for executive long-term disability insurance and $5,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(6) Includes $81,231 attributable to life insurance premiums, $15,478 attributable to premiums for executive long-term disability insurance and $6,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(7) Includes $15,478 attributable to premiums for executive long-term disability insurance and $6,000 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(8) Includes $6,453 attributable to premiums for executive long-term disability insurance and $5,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(9) Includes $49,713 attributable to life insurance premiums, $10,308 attributable to premiums for executive long-term disability insurance and $6,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(10) Includes $10,211 attributable to premiums for executive long-term disability insurance and $6,000 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(11) Includes $4,261 attributable to premiums for executive long-term disability insurance and $5,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(12) Includes $81,647 attributable to life insurance premiums, $16,106 attributable to premiums for executive long-term disability insurance and $6,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(13) Includes $16,106 attributable to premiums for executive long-term disability insurance and $6,000 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(14) Includes $6,714 attributable to premiums for executive long-term disability insurance and $5,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(15) Includes $43,487 attributable to life insurance premiums, $9,343 attributable to premiums for executive long-term disability insurance and $6,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(16) Includes $9,410 attributable to premiums for executive long-term disability insurance and $6,000 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

(17) Includes $3,927 attributable to premiums for executive long-term disability insurance and $5,500 for the Company's matching contributions to the 401(k) feature of the Company's Employee Profit Sharing and Retirement Savings Plan.

OPTION GRANTS IN FISCAL YEAR 2004

Name	Options Granted (1)	Percent of Total Options Granted to all Employees in Fiscal Year 2004	Per Share Exercise Price (2)	Expiration Date (3)	Pr
Michael J. Kowalski	115,000 shares	10.1	$31.49	1/31/2015	
James E. Quinn	72,500 shares	6.4	$31.49	1/31/2015	
Beth O. Canavan	40,000 shares	3.5	$31.49	1/31/2015	
James N. Fernandez	55,000 shares	4.8	$31.49	1/31/2015	
Patrick B. Dorsey	30,000 shares	2.6	$31.49	1/31/2015	

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(1) Options vest (become exercisable) over a four-year period in four equal annual installments, each contingent on continued employment. However, all installments immediately vest if there is a "change in control", death or disability. The term "change in control" is discussed below.

(2) The exercise price for each share is its fair market value on the date of grant. This is determined by averaging the highest and lowest sales prices of the Company's common stock on the New York Stock Exchange on the date of grant.

(3) Options expire no later than the 10th anniversary of the grant date, subject to earlier expiration in the event of voluntary or involuntary pre-retirement termination of employment (three months after termination), death, disability or retirement (two years after the event).

(4) The amounts stated are hypothetical values calculated under the Black-Scholes model, a mathematical formula used to value options covering securities traded on stock exchanges. This formula considers a number of factors in estimating an option's present value, including the stock's volatility rate (37.6%) expected term (six years), interest rate (3.7%) and dividend yield (0.6%). The actual value, if any, that the executive officer will realize from these options will depend solely on the increase of the stock price over the $31.49 share exercise price when the options are exercised.

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 2004
AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise	Value Realized	Number of Unexercised Options at Fiscal Year-End (1) Exercisable/Unexercisable	Valu In-The-M at Fiscal Exercisabl

Michael J. Kowalski	0	$0.00	1,425,000 / 385,000	$ 19,578,
James E. Quinn	0	$0.00	896,250 / 256,250	$ 10,841,
Beth O. Canavan	0	$0.00	260,500 / 142,500	$ 1,032,
James N. Fernandez	0	$0.00	510,250 / 202,750	$ 4,075,
Patrick B. Dorsey	0	$0.00	178,750 / 98,250	$ 945,

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(1) Options are deemed "exercisable" in this table if they are exercisable as of January 31, 2005, or will become exercisable within 60 days of that date.

(2) The market price per share on which the option value was calculated was $31.49.

LONG-TERM INCENTIVE PLAN AWARDS IN LAST FISCAL YEAR

			Estimated Future Payouts in Shares	
Name	Units Subject to Vesting	Performance Period (Three Fiscal Year Period) Ending	Earnings Threshold Met (1)	Earnings Target Met (1)
Michael J. Kowalski	92,000	1/31/2008	27,600	46,000
James E. Quinn	58,000	1/31/2008	17,400	29,000
Beth O. Canavan	32,000	1/31/2008	9,600	16,000
James N. Fernandez	44,000	1/31/2008	13,200	22,000
Patrick B. Dorsey	24,000	1/31/2008	7,200	12,000

The Performance-Based Restricted Stock Units ("Units") referred to above were granted in January under the terms of the 1998 Employee Incentive Plan. Units will be exchanged on a one-to-one basis for shares of the common stock of the Company if Units vest at the end of the three-year performance period. No Units will vest (other than for reasons of death, disability or on a change in control) if the Company fails to meet the cumulative earnings performance threshold set by the Compensation Committee. Earnings-based vesting will be pro-rated for earnings performance between the threshold and a maximum set by the Compensation Committee. 100% vesting will occur only if the Company achieves both of the following tests, each as set by the Compensation Committee: (a) maximum vesting for earnings performance, and (b) the return-on-assets goal. See Note (1) below.

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(1) The number of Units which vest due to earnings performance at the end of the three-year Performance Period will be adjusted up by 15% if a return-on-assets goal is met and downward by 15% if the goal is not met. No adjustment for return-on-assets will be made unless the stockholders approve Item III presented below. See Discussion of Proposals Presented by the Board, Item III.

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EQUITY COMPENSATION PLAN INFORMATION
(AS OF FISCAL YEAR END)

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights
	(a)	(b)
Equity compensation plans approved by security holders	13,588,970 (1)	$27.3943
Equity compensation plans not approved by security holders	0	0
TOTAL	13,588,970 (1)	$27.3943

(1) Shares indicated do not include 855,944 shares issuable under awards of stock units already made. See Note (2) below.

(2) Shares indicated are the aggregate of those available for grant under the Company's 1998 Employee Incentive Plan (the "1998 Incentive Plan") and the Company's 1998 Directors Option Plan (the "Directors Plan"). Of the shares shown, up to 1,000,000 will not become available for future grant or issuance unless and until the Board resolves to add an equivalent number of shares acquired upon repurchase to such Plan. Both plans provide for the issuance of options and stock awards. However, under the Employee Plan the number of shares that may be issued as stock awards is limited to 1,000,000; of that number 855,944 have been granted as stock awards and are subject to future issuance. See Note (1) above. Under the Directors Plan all shares of the 617,500 remaining for issuance could be issued as stock awards.

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PENSION, EXCESS AND SUPPLEMENTAL RETIREMENT INCOME PLANS

Tiffany has established three retirement plans for eligible employees: a Pension Plan, an Excess Plan and a Supplemental Retirement Income Plan. The Executive Officers of the Company are eligible to participate in all three.

The Pension Plan is a "qualified plan," that is, it is designed to comply with those provisions of the Internal Revenue Code applicable to retirement plans. The Pension Plan is available at no cost to regular full-time employees of Tiffany. It provides participants with a retirement benefit based on the participant's "average final compensation" multiplied by his or her years of service with Tiffany. The amount of the benefit payable under the Pension Plan is subject to Internal Revenue Code requirements including those limiting the amount of compensation that may be considered in calculating a benefit. Participants in the Pension Plan vest after five years of service.

The Excess Plan is not a qualified plan, is not subject to Internal Revenue Code limitations on the amount of benefits it may pay and is available only to highly compensated employees, including the Executive Officers. The Excess Plan uses the same retirement benefit formula set forth in the Pension Plan, but includes in "average final compensation" earnings (salary and bonus) that are excluded under the Pension Plan due to Internal Revenue Code Limitations. Benefits payable under the Pension Plan offset benefits payable under the Excess Plan. Employees vested under the Pension 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 Tiffany prior to age 65, for failure to execute and adhere to non-competition and confidentiality covenants.

The Supplemental Retirement Income Plan is not a qualified plan and is not subject to Internal Revenue Code limitations on the amount of benefits it may pay. It is available only to Executive Officers and was established to supplement the Pension Plan and Social Security by providing additional payments upon a participant's retirement. Benefits payable under the Pension Plan, the Excess Plan and Social Security offset (are subtracted from) benefits payable under the Supplemental Retirement Income Plan formula. Except in the event of a change of control (see below), benefits under the Supplemental Retirement Income Plan do not vest until a participant attains age 60 while employed by Tiffany and until he or she has provided 15 years of service; furthermore, benefits under the Supplemental Retirement Plan are subject to forfeiture if benefits under the Excess Plan are forfeited. See above.

Payments under the Supplemental Retirement Income Plan, together with payments under the Pension Plan, the Excess Plan and from Social Security, would equal a variable percentage of the participant's "average final compensation" at retirement. This assumes that vesting requirements under the Supplemental Retirement Income Plan are met and that benefits under the Excess Plan and the Supplemental Retirement Income Plan have not been forfeited.

Depending upon the participant's years of service with Tiffany, the combined benefit under the Pension Plan, the Excess Plan, the Supplemental Retirement Income Plan and from Social Security would be as follows:

Years of Service	Combined Annual Benefit As a Percentage of Average Final Compensation
less than 10	(1)
10-14	20%
15-19	35%
20-24	50%
25 or more	60%

A participant's "average final compensation" is the average annual compensation he or she received over the five highest paid plan years (January 1 to December 31) during his or her last 10 years of service. In general, compensation reported in the Summary Compensation Table above as "Salary" and "Bonus" is compensation for purposes of the Pension Plan, the Excess Plan and the Supplemental Retirement Income Plan; amounts attributable to the exercise of stock options or to the vesting of restricted stock are not included.

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(1) A participant retiring with less than 10 years of service would not, except in certain instances where a change of control has occurred, receive any benefit under the Supplemental Retirement Income Plan, but would receive a benefit under the Pension Plan and the Excess Plan. However, the formula for benefits under the Pension Plan and the Excess Plan is a function of years of service and covered compensation (subject to Internal Revenue Code limitations in the case of the Pension Plan) and not any specific percentage of the participant's average final compensation.

The following table sets forth the estimated combined annual benefit payable on retirement to participants under the Supplemental Retirement Income Plan, Pension Plan and Social Security.

ANNUAL TOTAL BENEFIT FOR YEARS OF SERVICE

Average Final Compensation	15	20	25	30
$125,000	$43,750	$62,500	$75,000	$75,000
$150,000	$52,500	$75,000	$90,000	$90,000
$175,000	$61,250	$87,500	$105,000	$105,000
$200,000	$70,000	$100,000	$120,000	$120,000
$225,000	$78,750	$112,500	$135,000	$135,000
$250,000	$87,500	$125,000	$150,000	$150,000
$300,000	$105,000	$150,000	$180,000	$180,000
$400,000	$140,000	$200,000	$240,000	$240,000
$450,000	$157,500	$225,000	$270,000	$270,000
$500,000	$175,000	$250,000	$300,000	$300,000
$600,000	$210,000	$300,000	$360,000	$360,000
$700,000	$245,000	$350,000	$420,000	$420,000
$800,000	$280,000	$400,000	$480,000	$480,000
$900,000	$315,000	$450,000	$540,000	$540,000
$1,000,000	$350,000	$500,000	$600,000	$600,000
$1,200,000	$420,000	$600,000	$720,000	$720,000
$1,500,000	$525,000	$750,000	$900,000	$900,000

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At the end of Fiscal 2004, the current years of creditable service and average final compensation under both plans for each of the eligible executive officers named in the Summary Compensation Table were as follows:

Name	Years of Service (1)	Average Final Compensation
Michael J. Kowalski	26	$1,576,666
James E. Quinn	18	$1,019,137
Beth O. Canavan	17	$585,830
James N. Fernandez	26	$828,328
Patrick B. Dorsey	19	$513,756

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(1) Includes years of service with Tiffany's former parent corporation.

OTHER COMPENSATION ARRANGEMENTS

Retention Agreements. The Company and Tiffany have entered into retention agreements with each of the executive officers. These agreements would provide a covered executive with compensation if he or she should incur an "involuntary termination" after a "change in control." The purpose of these agreements is to keep our management team in place and focused on their job duties should discussions of a "change in control" ever occur. An "involuntary termination" does not include a termination for cause, but does include a resignation for good reason.

When, if ever, a "change in control" occurs, the covered executives would have fixed terms of employment under their retention agreements as follows: three years in the case of Mr. Kowalski and Mr. Quinn and two years for all other executive officers. If the executive incurs an involuntary termination during his or her term, compensation, keyed to the length of his or her term, would be payable to the executive as follows:

- two or three times salary and bonus as severance,
- a payment equal to the present value of two or three years of additional years of service credit under the Supplemental Retirement Income Plan, and
- two or three years of benefits continuation under Tiffany's health and welfare plans.

Vesting of Options, Restricted Stock Units and Retirement Benefits on a Change in Control. In the event of a "change in control" of the Company, all options granted to employees (including executive officers) become exercisable in full and all restricted stock units vest and convert to shares. In addition, all benefits under the Supplemental Retirement Income Plan become vested and payable at retirement age, but only if, at the time of the "change in control," benefits are also vested under the Pension Plan.

Gross-up Benefits on a Change in Control. Because a covered executive's receipt of payments and benefits in connection with a "change in control" may trigger a 20% excise tax under Section 280G of the Internal Revenue Code, the retention agreements contain "gross-up" provisions. Under these provisions, the Company or Tiffany must pay the covered executive's excise tax and any additional income tax resulting from the gross-up provisions. If the gross-up provisions are triggered, the Company or Tiffany, as the case may be, will be unable to deduct most of the "change in control" payments and benefits.

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Definition of a Change in Control. For purposes of the Supplemental Retirement Income Plan and the stock options, the term "change in control" means that one of the following events has occurred:

- any person or group of persons acting in concert, and by person we mean an individual or organization, who acquires thirty-five percent or more in voting power or stock of the Company, including the acquisition of any right, option, warrant or other right to obtain such voting power or stock, whether or not presently exercisable;
- a majority of the Board is, for any reason, not made up of individuals who were either on the Board on January 21, 1988, or, if they became members of the Board after that date, were approved by the directors; or
- another circumstance which the Board deems to be a "change in control."

For purposes of the retention agreements, a "change in control" includes the above events, as well as additional events amounting to a change in control of the Company or Tiffany. Such events could include a so-called "friendly" acquisition of the Company or Tiffany.

Life Insurance Arrangements. In 2003 Tiffany terminated split-dollar life insurance agreements with its executive officers, including Mr. Kowalski, Mr. Quinn, Mrs. Canavan, Mr. Fernandez and Mr. Dorsey. Such agreements had been in effect prior to 2003; however in 2002 Tiffany discontinued premium contributions because of the Sarbanes-Oxley Act of 2002, which prohibits loans to executives. In 2003, Tiffany withdrew its premium contribution from the underlying life insurance policies and left the policies in the hands of the executives. Beginning in 2004 Tiffany provided, and in subsequent fiscal years plans to provide, a life insurance benefit to its executive officers. This benefit has and will be provided by paying premiums on such insurance policies directly to the insurer, treating such premiums as taxable compensation to the executives and making "gross up" payments to the executives tax withholding accounts so as to achieve the tax-favored benefit that existed under the terminated split-dollar life insurance agreements prior to changes in Internal Revenue Service interpretive positions and the adoption of the Sarbanes-Oxley Act of 2002. Death benefits under such policies are expected to be maintained equivalent to three times the executive's annual salary and target bonus compensation and sufficient premiums will be paid to build the cash value of each policy so that on the executive's expected retirement date the cash value of each policy will be sufficient to continue the policy in force, without payment of further premiums, with a death benefit equivalent to twice the executive's average annual salary and target bonus compensation for the last three calendar years prior to termination of employment.

Tiffany has reserved the right to terminate these life insurance benefits at any time and the executives will acquire no vested right to further contributions from Tiffany.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

THE FOLLOWING IS THE COMPENSATION COMMITTEE'S REPORT ON EXECUTIVE COMPENSATION:

The Committee believes that the portion of an officer's compensation that is "at risk" (subject to adjustment for corporate and/or individual performance factors) should vary proportionally to the amount of responsibility the officer bears for the Company's success. The Committee adheres to that philosophy in establishing target bonuses and long-term, equity-based incentive compensation.

(i) Bonuses

Each January, the Committee establishes a target bonus for the coming fiscal year as a percentage of the base salary of each executive officer. For Fiscal 2004, 85% was the target for Mr. Kowalski; targets ranged from 45% to 60% for the other executive officers. For Fiscal 2005, 90% is the target for Mr. Kowalski; targets range from 50% to 65% for the other executive officers.

Under the terms of the 1998 Employee Incentive Plan, bonuses that are calculated solely on the basis of an increase or decrease in the Company's consolidated net earnings in accordance with a formula are "Incentive Awards." Incentive Awards are "performance-based compensation" under Section 162(m) of the Internal Revenue Code. See below.

For Fiscal 2004, the increase in the Company's consolidated net earnings was due to the sale of the Company's equity stake in Aber Diamond Corporation; were it not for that transaction, net earnings would have been insufficient to generate Incentive Awards under the formula established by the Committee. Because the Aber transaction was not anticipated in the Company's business plan, and because the Company's operating earnings goals were not met, the Committee exercised its authority under the 1998 Employee Incentive Plan to make a net negative adjustment to earnings for purposes of Incentive Awards. The Incentive Award calculation was performed by the Committee in January 2005 on the basis of estimated net earnings, as so adjusted. As a consequence, no bonuses were paid to the executive officers.

(ii) Long-Term, Equity-based Incentive Compensation Program

In January of 2005, the Committee changed the Company's equity-based incentive compensation program to include Performance-Based Restricted Stock Units ("Units"). Prior to 2005, the program consisted only of options. The change was made because the Committee believes that it has become more important to link some portion of executive compensation to achievement of specific, long-term goals for the improvement of earnings and return on assets. Units will be exchanged on a one-to-one basis for shares of the common stock of the Company if Units vest at the end of a three-year performance period. Units will vest (other than for reasons of death, disability or on a change in control) only if the Company meets cumulative earnings performance goals. The Committee has set a threshold, a target and maximum for earnings: if the threshold is not met, no Units will vest; if the threshold is met, 30% will vest; if the target is met, 50% will vest; if the maximum is met, 87.5% will vest. Vesting will be pro-rated for earnings performance between the threshold and the maximum. Earnings-vested Units will be adjusted upward by 15% if a return-on-assets goal is met and downward by 15% if the goal is not met. See Item III below. 100% vesting will occur only if the Company achieves both the maximum for earnings and the return-on-assets goal.

Options to purchase the common stock of the Company are granted to executive officers in January of each year, and may be exercised, when vested, to purchase common stock at its fair market value as of the date of the option grant. Options vest and (other than in the case of death or disability) become exercisable

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in four equal annual installments beginning with the first anniversary of the grant date; non-vested installments are forfeited if the option holder leaves the Company

In January 2005 the Committee made combined awards of options and Units to the executive officers. Options were valued using the Black-Scholes model; Units were valued using the grant date market value of the underlying shares assuming that the earnings target would be met and that there would be no adjustment to Unit vesting for return on assets. On that basis, the combined grant to Mr. Kowalski was valued at 300% of his salary; the value of the combined grants to the other executive officers ranged from 250% to 150% of salary. The size of the combined grant in 2005 is not necessarily indicative of the size of the combined grants to be awarded in future years. The Committee consulted with a nationally recognized compensation consulting firm in designing the Long-Term Equity-based Compensation Program and in determining the awards made. The Committee believes that the program is an appropriate means of motivating the executive officers to achieve the Company's long-term strategic goals and linking the interests of the executive officers to the interests of the Company's stockholders.

(iii) Salaries and Benefits

The Committee believes that the Company's salaries and benefits program for its executives is competitive with the programs generally offered by comparable retailers. The program enables the Company to retain and attract competent management personnel.

Executive salaries are reviewed by the Committee in January of each year and are adjusted on the basis of merit and relevant competitive factors. To assess the competitiveness of the compensation offered to the Company's executive officers, the Committee reviewed an analysis prepared by a nationally recognized compensation consulting firm. That analysis included data concerning compensation for senior positions provided by companies in the Peer Company Group referred to under "PERFORMANCE OF COMPANY STOCK" below (to the extent data was available), a survey of 16 companies in the specialty retail industry with median revenues of $2.4 billion, a survey of 11 companies in the retail industry with median revenues of $2.4 billion, a general survey of companies in the retail/wholesale industry, and a survey of general industry. The Committee believes that a competitive market for the services of retail executives exists, even among firms that are not peers of the Company or that operate in a different line of business.

(iv) Limitation under Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code generally denies a federal income-tax deduction to a publicly-held corporation for compensation in excess of $1 million per year paid to certain persons. These include persons who were, as of the last day of the corporation's taxable year, (i) the chief executive officer or (ii) among the four highest-compensated officers. This denial of deduction is subject to an exception for certain "performance-based compensation," including the stock options, Units and Incentive Awards discussed above. The compensation described in this report generates income tax deductions for the Company, but the Compensation Committee does not believe that it would be in the best interests of the Company to adopt a policy that would absolutely preclude compensation arrangements subject to deduction limitations.

Signed:

Rose Marie Bravo
Samuel L. Hayes III, Chair
Abby F. Kohnstamm
Charles K. Marquis

Members of the Compensation Committee

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PERFORMANCE OF COMPANY STOCK

The following graph compares changes in the cumulative total shareholder return on Tiffany & Co.'s stock for the previous five fiscal years to returns for the same five-year period on (i) the Standard & Poor's 500 Stock Index, and (ii) a peer group index. Cumulative shareholder return is defined as changes in the closing price of our stock on the New York Stock Exchange, adjusted to reflect two-for-one stock split that occurred in July 2000, plus the reinvestment of any dividends paid on our stock.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AMONG
TIFFANY & CO., THE S&P 500 INDEX, AND THE PEER GROUP INDEX

	1/31/2000	1/31/2001	1/31/2002	1/31/2003	1/31/2004	1/31
Tiffany & Co.	100.00	100.99	96.76	63.35	108.60	8
Standard & Poors 500	100.00	97.96	81.05	61.36	81.12	8
Peer Group	100.00	100.73	110.21	107.30	156.83	18

ASSUMES AN INVESTMENT OF $100 ON JANUARY 31, 2000 IN COMPANY STOCK AND EACH OF THE TWO INDICES AND THE REINVESTMENT OF ANY SUBSEQUENT DIVIDENDS.

TOTAL RETURNS ARE BASED ON MARKET CAPITALIZATION; INDICES ARE WEIGHTED AT THE BEGINNING OF EACH PERIOD FOR WHICH A RETURN IS INDICATED.

PEER COMPANY GROUP: Coach, Inc.; Gucci Group N.V.; Movado Group Inc.; Neiman Marcus Group, Inc.; Nordstrom Inc.; Polo Ralph Lauren Corp.; Saks Inc.; Sotheby Holdings Inc.; Williams Sonoma Inc.; and Zale Corp.

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DISCUSSION OF PROPOSALS PRESENTED BY THE BOARD

ITEM I - ELECTION OF DIRECTORS

Each year, we elect directors at an Annual Meeting of Stockholders. At the 2005 Annual Meeting, nine directors will be elected. Each of them will serve until he or she is succeeded by another qualified director or until his or her earlier resignation or removal from office.

It is not anticipated that any of this year's nominees will be unable to serve as a director, but if that should occur before the Annual Meeting, the Board may either propose another nominee or reduce the number of directors to be elected. If another nominee is proposed, you or your proxy will have the right to vote for that person at the Annual Meeting.

Information concerning each of the nominees is set forth below:

Michael J. Kowalski	Mr. Kowalski, 53, is Chairman of the Board and Chief Executive Officer of Tiffany & Co. He succeeded William R. Chaney as Chairman at the end of fiscal year 2002 and as Chief Executive Officer in February 1999. Prior to his appointment as President in January 1996, he was an Executive Vice President of Tiffany & Co., a position he had held since March 1992. Mr. Kowalski also served as Tiffany & Co.'s Chief Operating Officer from January 1997 until his appointment as Chief Executive Officer. He became a director of Tiffany & Co. in January 1995. Mr. Kowalski also serves on the boards of Fairmont Hotels and Resorts and The Bank of New York. The Bank of New York is Tiffany's principal banking relationship, serving as Administrative Agent and a lender under a Revolving Credit Facility and as trustee of Tiffany's Employee Pension Plan.

Rose Marie Bravo	Ms. Bravo, 54, is Chief Executive of Burberry Limited and is a member of its board of directors. Ms. Bravo previously served as President of Saks Fifth Avenue from 1992 to 1997. Ms. Bravo became a director of Tiffany & Co. in October 1997 when she

was selected by the Board to fill a newly created directorship. She also serves on the Board of Directors of Estee Lauder Companies Inc.

William R. Chaney	Mr. Chaney, 72, is the former Chairman of the Board. He resigned that office effective January 31, 2003. Mr. Chaney joined Tiffany in January 1980 as a member of the Board and was named Chairman and Chief Executive Officer of Tiffany & Co. in August 1984. He resigned as Chief Executive Officer effective February 1, 1999. Prior to joining Tiffany, he served as an executive officer of Avon Products, Inc.
Samuel L. Hayes III	Prof. Hayes, 70, was the Jacob H. Schiff Professor of Investment Banking at the Harvard Business School from 1975 to 1998, when he became the Jacob H. Schiff Professor Emeritus. He was elected a director of Tiffany & Co. in 1984. He also serves on the Boards of Directors of the Eaton Vance Group of Funds and Telect, Inc.
Abby F. Kohnstamm	Ms. Kohnstamm, 51, is the Senior Vice President, Marketing of IBM Corporation. In this capacity, she has overall responsibility for marketing at IBM. In addition, she is a member of IBM's Operating Team, which oversees overall operating performance across the company. Prior to joining IBM in June 1993, Ms. Kohnstamm held a number of senior marketing positions at American Express. Ms. Kohnstamm also serves on the Board of Trustees of Tufts University and the Board of Overseers at New York University's Stern School of Business. She became a director of Tiffany & Co. in July 2001, when she was selected by the Board to replace a retiring director. IBM Corporation and its affiliated companies provide data-processing and communication hardware, software and services to Tiffany and purchase business gifts from Tiffany.
Charles K. Marquis	Mr. Marquis, 62, is a Senior Advisor to Investcorp International, Inc. From 1974 through 1998, he was a partner in the law firm of Gibson, Dunn & Crutcher L.L.P. He was elected a director of Tiffany & Co. in 1984. Mr. Marquis also serves on the Board of Directors of CSK Auto Corporation.

J. Thomas Presby	Mr. Presby, 65, is active as a director, investor and

	business advisor. He is a Certified Public Accountant. He retired in 2002 from a 30-year career as a partner in Deloitte Touche Tohmatsu. At Deloitte, he held numerous positions in the United States and abroad, including the posts of Deputy Chairman and Chief Operating Officer. Mr. Presby is a graduate of Rutgers University and holds a masters degree in Industrial Administration from Carnegie Mellon University. He was selected to be a director of the Company in November 2003 by the Board to fill a newly created position on the Board. Mr. Presby serves as a director and audit committee chair of World Fuel Services, Inc., TurboChef Technologies, Inc. and the German Marshall Fund of the United States.
James E. Quinn	Mr. Quinn, 53, is President of Tiffany & Co., responsible for sales throughout the world. Prior to his appointment as Vice Chairman in January 1998, Mr. Quinn was an Executive Vice President of Tiffany & Co., a position he had held since March 1992. He became a director of Tiffany & Co. in January 1995. He is also a member of the Boards of Directors of BNY Hamilton Funds, Inc. and Mutual of America Capital Management, Inc.
William A. Shutzer	Mr. Shutzer, 58, is a partner of Evercore Partners, a financial advisory and private equity firm. He previously served as a Managing Director of Lehman Brothers from 2000 through 2003, a Partner in Thomas Weisel Partners LLC, a merchant banking firm, from 1999 through 2000, as Executive Vice President of ING Baring Furman Selz LLC from 1998 through 1999, President of Furman Selz Inc. from 1995 through 1997 and as a Managing Director of Lehman Brothers and its predecessors from 1978 through 1994. He was elected a director of the Company in 1984. Mr. Shutzer is also a member of the Boards of Directors of Jupiter Media Corp., American Financial Group, Inc., CSK Auto Corporation and TurboChef Technologies, Inc.

THE BOARD RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL NINE NOMINEES FOR DIRECTOR

ITEM II - APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Upon the recommendation of its Audit Committee, the Board has appointed PricewaterhouseCoopers LLP ("PwC") as the independent registered public accounting firm to examine the Company's consolidated financial statements for fiscal year 2005. We are asking you to ratify our selection.

PwC has served as the Company's independent registered public accounting firm since 1984.

A representative of PwC will be in attendance at the Annual Meeting to respond to appropriate questions raised by stockholders and will be afforded the opportunity to make a statement at the meeting, if he or she desires to do so.

The Board may review its selection if its appointment is not approved by the stockholders.

THE BOARD RECOMMENDS A VOTE "FOR" RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2005.

ITEM III - APPROVAL OF AN AMENDMENT TO THE 1998 EMPLOYEE INCENTIVE PLAN TO ADD A PERFORMANCE FACTOR (RETURN ON AVERAGE ASSETS)

The Company's 1998 Employee Incentive Plan (the "1998 Incentive Plan") was approved by the stockholders at their 1998 Annual Meeting. At their 2000 Annual Meeting, the stockholders approved the first amendment to the Incentive Plan and at their 2003 Annual Meeting the Stockholders approved the second amendment to the 1998 Incentive Plan.

On January 20, 2005, the Board adopted a further amendment to the 1998 Incentive Plan. If that amendment is approved by the stockholders at their 2005 Annual Meeting, the Company will have the authority to use return on average assets as a Performance Measure.

The Board wishes to use return on average assets as a Performance Measure as part of the Company's Long-Term Incentive Compensation program so that the compensation of the executive officers may be tied to the strategic objective of improving return on assets. If the amendment is not approved, the vesting of Performance-Based Restricted Stock Units will be determined only by earnings performance and will not be adjusted upwards or downwards for failure to meet the return on assets test set by the Compensation Committee. See "Compensation Committee Report on Executive Compensation" and "Long-Term Incentive Plan Awards in Last Fiscal Year" above.

If the proposed amendment is approved, the text of subsection 9.1 of the 1998 Incentive Plan will be modified to read as follows:

> 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. (BOLD indicates new material)

If the 2005 Incentive Plan is approved by the stockholders (see Item IV below), the 1998 Incentive Plan will be deemed amended so that no further awards may be made under such Plan after May 1, 2005. Awards will instead be made under the 2005 Incentive Plan.

- If the stockholders approve both this Item III and the 2005 Incentive Plan, no further awards will be made under the 1998 Incentive Plan, although existing awards made prior to May 1, 2005 under the 1998 Incentive Plan will remain outstanding, subject to vesting, exercise or expiration.
- If the stockholders approve both this Item III and the 2005 Incentive Plan, the only effect of approval of this Item III will be in the inclusion of return on average assets as a Performance Factor for the Performance-Based Restricted Stock Units granted in January of 2005. See "Compensation Committee Report" and "Long Term Incentive Plan Awards in the Last Fiscal Year" above.
- If the 2005 Incentive Plan is not approved by the stockholders, further awards may be made under the 1998 Incentive Plan.
- If this Item III is not approved by the stockholders, return on average assets will not be used as a Performance Factor for the Performance-Based Restricted Stock Units granted in January of 2005. See "Compensation Committee Report" and "Long Term Incentive Plan Awards in the Last Fiscal Year" above.

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THE MATERIAL FEATURES OF THE 1998 INCENTIVE PLAN AND THE 2005 INCENTIVE PLAN ARE SUMMARIZED BELOW UNDER "MATERIAL FEATURES OF THE INCENTIVE PLANS".

THE BOARD RECOMMENDS A VOTE "FOR" THE PROPOSAL.

ITEM IV - APPROVAL OF THE 2005 EMPLOYEE INCENTIVE PLAN

On March 17, 2005, the Board adopted, subject to stockholder approval at the 2005 Annual Meeting of Stockholders, the Company's 2005 Employee Incentive Plan (the "2005 Incentive Plan"). The Board believes that the 2005 Incentive Plan will provide flexibility to the structure competitive compensation programs that can be used to retain and attract employees for the Company and its subsidiaries, motivate participants to achieve the Company's operating and strategic goals and further link the interest of participants with those of the Company's other stockholders, thereby promoting the long-term financial interests of the Company and its subsidiaries, including the growth in value of stockholders' equity and the enhancement of long-term returns.

THE BOARD RECOMMENDS A VOTE "FOR" THE PROPOSAL.

MATERIAL FEATURES OF THE INCENTIVE PLANS

Following is a summary of the material features of the 1998 Incentive Plan and the 2005 Incentive Plan.

The 1998 Incentive Plan and the 2005 Incentive Plan are substantially similar. A copy of the 2005 Incentive Plan is attached to this Proxy Statement as Appendix III. The following is a summary of the material features of both plans. In this summary, the 1998 Incentive Plan and the 2005 Incentive Plan will be together referred to as the "Incentive Plans." Features that are not identical in each plan will be described.

In the summary that follows, all share numbers and option prices for grants under the 1998 Incentive Plan have been adjusted to reflect the two-for-one splits of the Company's common stock that became effective in July 1999 and 2000, respectively.

Maximum Number of Shares. As of March 24, 2005, the maximum number of shares of common stock that may be issued under 1998 Incentive Plan awards is 15,373,764 shares, of which 1,462,262 have already been issued, 11,861,629 are subject to prior grants and may be issued on exercise of options or vesting of stock awards. Accordingly, if the 2005 Plan is not approved, 2,049,873 shares remain available for grant under the 1998 Incentive Plan. (This assumes that the Board will act to allocate 1,000,000 shares previously repurchased to the 1998 Incentive Plan.) This maximum is subject to adjustment. See Maximum Number of Shares and Adjustments for Corporate Transactions below.

If the 2005 Incentive Plan is approved by the Company's stockholders, the maximum number of shares of common stock that may be issued under all Incentive Plan awards will be increased to 26,373,764 shares, of which 1,462,262 have already been issued, 11,861,629 are subject to prior grants and may be issued on exercise of options or vesting of stock awards. Accordingly, if the 2005 Plan is approved, a maximum of 11,000,000 shares will be available for

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grant under the 2005 Incentive Plan and no shares will remain available for grant under the 1998 Incentive Plan.

The maximum number of shares that will be available for grant under the 2005 Incentive Plan is subject to reduction by 1.58 shares for each share that is delivered on vesting of a stock award. See Stock Awards below. Thus, when a share is issued on vesting of a stock award, the maximum is reduced by 1.58 shares and when a share is issued on exercise of an option the maximum is reduced by one share. The maximum number of shares available for grant under the 2005 Incentive Plan is also subject to adjustment for corporate transactions. See Maximum Number of Shares and Adjustments for Corporate Transactions below.

Stock Options Already Granted Under the 1998 Incentive Plan. The following table provides information concerning non-qualified stock options ("NQSOs") that have been granted through March 24, 2005 to employees of the Company's subsidiaries under the 1998 Incentive Plan:

Person or Group Granted NQSOs	Aggregate Option Shares Granted	Percent of Option Shares Granted to All Employees	Weigh Average E Pric
Michael J. Kowalski Chairman and CEO	1,290,000	9.3%	$28.2
James E. Quinn President	912,500	6.6%	$27.7
Beth O. Canavan Executive Vice President	403,000	2.9%	$31.3
James N. Fernandez Executive Vice President	693,000	5.0%	$28.3

and Chief Financial Officer			
Patrick B. Dorsey Senior Vice President, General Counsel and Secretary	277,000	2.0%	$30.3
All Executive Officers as a Group	4,933,000	34.6%	$29.0
All Employees Who Are Not Executive Officers as a Group	8,888,530	65.4%	$30.2
TOTAL	13,821,530	100%	$29.8

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Stock Unit Awards Already Made Under the 1998 Incentive Plan. The following table provides information concerning restricted stock units awards that have been granted through March 24, 2005 to employees of the Company's subsidiaries under the 1998 Incentive Plan:

Person or Group Awarded Restricted Stock Units	Aggregate Units Granted	Percent of Units Granted to All Employees	Type
Michael J. Kowalski Chairman and CEO	92,000	10.7%	Three-Year
James E. Quinn President	58,000	6.7%	Three-Year
Beth O. Canavan Executive Vice President	32,000	3.7%	Three-Year
James N. Fernandez Executive Vice President and Chief Financial Officer	44,000	5.1%	Three-Year
Patrick B. Dorsey Senior Vice President, General Counsel and Secretary	24,000	2.8%	Three-Year
All Executive Officers as a Group	346,000	40.1%	Three-Year
All Employees Who Are Not Executive Officers as a Group	517,812	59.9%	Four-year v
TOTAL	863,812	100%	

Market Value Per Share. As of March 24, 2005, the market value of one share of the Company's Common Stock, $0.01 par value, was $32.43 calculated as the mean between the lowest and highest reported sales price of such a share on such date as reported in the New York Stock Exchange Composite Transactions Index.

Administration of the Incentive Plans. The Incentive Plans are administered by the Stock Option Subcommittee of the Compensation Committee which consists of two or more outside directors selected by the Board (the "Committee"). The Committee has the authority to determine:

- employees to whom awards are granted,
- the size and type of awards, and
- the terms and conditions of such awards.

Number and Identity of Future Participants and Form of Awards Not Yet Determined. Under the Incentive Plans, the Committee may designate any employee of the Company or its related companies as a participant. The number and identity of participants to whom awards will eventually be made under the Incentive Plans has not yet been determined, and subject to the

Incentive Plans, the form of such awards is at the discretion of the Committee. It is therefore not possible at this time to provide specific information as to actual future award recipients or the form of such awards. However, to date, participation has been limited to management employees. In January of 2005, when grants were last made under the 1998 Employee Incentive Plan, 905 employees were named by the Committee as Participants.

Awards Available under the Incentive Plans. Following are summaries of the various awards available under the Incentive Plans.

Options and SARs

The grant of a stock option entitles the holder to purchase a specified number of shares of the Company's Common Stock at an exercise price specified at the time of grant.

Stock options may be granted in the form of NQSOs or incentive stock options ("ISOs"). Grants of ISOs must fulfill the requirements applicable to an "incentive stock option" described in Section 422(b) of the Internal Revenue Code.

The grant of a stock appreciation right ("SAR") entitles the holder to receive the appreciation value, if any, for a specific number of shares of the Company's common stock over a specific time period. The Committee may provide the appreciation value in cash or in shares. The appreciation value is equal to all or a portion of the growth in the fair market value over an exercise price specified at the time of grant.

The Incentive Plans limit the discretion of the Committee with respect to Options and SARs as follows:

- the term of an option or SAR may not exceed 10 years,
- the per-share exercise price of each option or SAR must be established at the time of grant or determined by a formula established at the time of grant,
- the exercise price may not be less than 100% of fair market value as of the "pricing date",
- the per-share exercise price may not be decreased after grant except for adjustments made to reflect stock splits and other corporate transactions (see Maximum Number of Shares and Adjustments for Corporate Transactions below),

- neither an option nor an SAR may be surrendered for a new option or SAR with a lower exercise price and
- the pricing date must generally be the grant date, subject to limited exceptions.

Stock Awards

A stock award is the grant of shares of the Company's Common Stock or a right to receive such shares, their cash equivalent or a combination of both. Each stock award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.

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Cash Incentive Awards

Cash awards may be granted as determined by the Committee. Terms of cash awards must be set out by agreement, which may specify performance periods and goals. The Committee has the discretion to adjust pre-established Performance Goals under certain circumstances.

Settlement of Awards, Deferred Settlements Tax Withholding and Dividend Equivalents

The Committee has the discretion to settle awards through cash payments, delivery of Common Stock, the grant of replacement awards or any combination thereof.

The Committee may permit the payment of the option exercise price to be made as follows:

- in cash,
- by the tender of the Company's shares of Common Stock, or
- by irrevocable authorization to a third party to sell shares received upon exercise of the option and to remit the exercise price.

Before distribution of any shares pursuant to an award, the Committee may require the participant to remit funds for any required tax withholdings. Alternatively, the Committee may withhold shares to satisfy such tax requirements. All cash payments made under the Incentive Plan may be net of any required tax withholdings.

The Committee may provide for the deferred delivery of stock upon the exercise of an option or SAR or upon the grant of a stock award. Such deferral can be evidenced by use of "Stock Units" - bookkeeping entries equivalent to the fair market value, from time to time, of a specified number of shares. Stock Units are settled at the end of the applicable deferral period by delivery of shares or as otherwise determined by the Committee.

The Committee has the discretion to provide participants with the right to receive dividends or dividend equivalent payments with respect to the underlying shares of Common Stock.

Duration of the Incentive Plans

Under the 1998 Incentive Plan as now in effect, no award may be made after March 19, 2008; however, upon stockholder approval of the 2005 Incentive Plan at the 2005 Annual Meeting, no additional awards will be made under the 1998 Incentive Plan. However, the 1998 Incentive Plan shall remain in effect as long as any awards are outstanding.

If the 2005 Incentive Plan is approved by the stockholders at the 2005 Annual Meeting, no award may be made under the 2005 Incentive Plan after April 30, 2015. However, the plan shall remain in effect as long as any awards previously made remain outstanding.

Maximum Number of Shares and Adjustments for Corporate Transactions under the Incentive Plans

Subject to further adjustments for corporate transactions, as discussed below, the maximum number of shares of the Company's Common Stock now remaining available for delivery to

participants under the Incentive Plans is 2,049,873. If the 2005 Incentive Plan is approved, this maximum will be increased to 13,049,873 shares.

Shares subject to an award that are not delivered because of forfeiture, cancellation or cash settlement become available for further grant. If a participant exercises an option by delivery of previously-owned shares in payment of the exercise price, only the excess of the shares issued to the employee above the number of shares delivered in payment will be counted against the maximum.

The maximum number of shares which may be delivered under the Incentive Plans is subject to further adjustment for corporate transactions, such as:

- stock splits, stock dividends and stock distributions,
- any other transaction in which outstanding shares of Common Stock are increased, decreased, changed or exchanged, or
- a transaction in which cash, property, Common Stock or other securities are distributed in respect of outstanding shares.

If such a corporate transaction occurs, the Committee will make appropriate adjustments in:

- the number and/or type of shares for which awards may be granted under the Incentive Plans after such transaction, and
- the number and/or type of shares or securities for which awards then