

# TIFFANY & CO.

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MICHAEL J. KOWALSKI  
CHAIRMAN OF THE BOARD  
CHIEF EXECUTIVE OFFICER

March 21, 2012

Dear Stockholder:

We invite you to attend the Annual Meeting of Stockholders of Tiffany & Co. on Thursday, May 17, 2012 at 9:00 a.m. in the Great Ballroom of the W New York - Union Square hotel, 201 Park Avenue South (at 17<sup>th</sup> Street), New York, New York.

In order to attend the meeting, please bring identification and proof of stock ownership. Stockholders owning their shares in “street name” (i.e. shares held in a brokerage account) must show either a brokerage statement or a proxy card indicating ownership as of the record date of March 20, 2012. Stockholders owning their shares in “registered” form with Tiffany’s transfer agent need only provide identification.

Your participation in the affairs of Tiffany & Co. is important. Therefore, whether or not you plan to attend the meeting, please vote your shares as soon as possible by completing and returning the enclosed proxy card, by calling the number listed on the card or by accessing the Internet site to vote electronically.

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Tiffany & Co. achieved record financial results in the year ended January 31, 2012 (“fiscal 2011”). Net sales rose 18% and net earnings increased 19%, surpassing the goals we had set for ourselves at the start of the year.

We successfully executed our strategies by opening stores, introducing compelling products and establishing new and deeper customer relationships. And we increased the dividend rate and repurchased shares of our common stock while maintaining a strong balance sheet.

In fiscal 2011, worldwide net sales increased 18% to \$3.6 billion and our geographic presence became more global with 54% of those sales transacted outside the United States. On a constant-

exchange-rate basis, worldwide net sales rose 15% and by region rose 14% in the Americas, 31% in Asia-Pacific, 3% in Japan and 12% in Europe; overall comparable store sales increased 13% due to growth in all regions. Throughout much of the year, sales growth was strong in most regions, but trends did soften in the fourth quarter, especially in the Americas and Europe.

At year-end, we operated 247 TIFFANY & CO. stores in 22 countries. To achieve the increased store count in 2011, we added a net of 14 stores. This included opening six stores in the Americas, three in Europe and six in Asia-Pacific, and a net reduction of one store in Japan.

We relocated our New York headquarters staff to 200 Fifth Avenue at 23<sup>rd</sup> Street. The building design is more productive and efficient, and we will benefit from meaningful cost savings over the 15-year term of the lease. We recorded nonrecurring charges totaling approximately 20 cents per diluted share.

Our improved profitability benefited from the effect of sales leverage on our fixed costs. To cope with increased costs for diamonds and precious metals, we raised retail prices to mitigate a good portion of the negative effect on gross margin.

In total, net earnings in fiscal 2011 increased 19% to \$439 million, or \$3.40 per diluted share. Excluding nonrecurring items, net earnings rose 24% and earnings per diluted share rose to \$3.60. That result exceeded the expectation of \$3.35 – \$3.45 that we had announced at the start of the year. Net earnings as a percentage of net sales rose to 12.1% in 2011 from 11.9% in the prior year. Excluding nonrecurring items, the net margin increased to 12.8% in 2011 from 12.2%.

On the balance sheet, total debt to stockholders' equity decreased to 30% compared with 32% at the prior year-end. During 2011, we spent \$174 million to repurchase 2.6 million shares of our common stock at an average cost of \$66.23 per share; raised the dividend rate on our common stock by 16%, the tenth increase in nine years; and achieved healthy 11% and 19% returns on average assets and average stockholders' equity.

I have spoken many times about the strategic importance of a strong global supply chain. This past year we achieved greater control over diamond sourcing by further developing our extensive relationships with diamond producers, and we further expanded finished jewelry manufacturing capacity when we opened a new facility in Lexington, Kentucky. These initiatives are intended to better assure product supply that supports our growing business now and in future years.

Sales growth was achieved across a range of product categories. Diamonds remained at the core of our business, as reflected by strong sales of engagement rings and statement jewelry. Sales in

the fine and fashion jewelry categories reflected the success of a number of popular diamond-focused collections, including the Victoria, Tiffany Metro and Tiffany Celebration® collections, as well as our extraordinary Tiffany Yellow Diamond collection. The Return to Tiffany™ and Tiffany 1837™ collections in gold and silver continued to grow and the Tiffany Keys collection remained a favorite among customers. The new Tiffany Locks collection was also very well received. The designs of Elsa Peretti, highlighted by her Diamonds by the Yard®, remained a perennial favorite. And sales growth of Paloma Picasso's designs was supported by her introduction of the Venezia collection. Finally, we are pleased with growing customer enthusiasm for the Tiffany Leather Collection.

Our global Marketing efforts continue to share the excitement of Tiffany around the world, harnessing the power of traditional media and leading the jewelry category with best-in-class digital communications, including Tiffany.com and social media programs. As we cultivate lifelong relationships with our customers, and invite new consumers in, our Marketing programs share the exciting message of new products, put classic Tiffany designs in the context of fashion, detail our legacy of the finest craftsmanship, and remind the world that a Tiffany Blue Box® is the ultimate expression of love.

The year 2012 marks the 175<sup>th</sup> anniversary of Charles Lewis Tiffany's opening of his store in downtown Manhattan in 1837. It is also the 25<sup>th</sup> anniversary of Tiffany's initial public offering in 1987. Throughout its storied history, our Company's mission has remained clear and relevant: to enrich the lives of our customers by creating enduring objects of extraordinary beauty that will be cherished for generations. We have done so by crafting the world's most beautiful designs, using only the finest quality materials and expert workmanship, and presenting those products to our customers with graciousness and warmth. After 175 years, we understand that our continued commitment to that time-honored strategy remains the key to our future growth and success.

I appreciate your long-term interest and confidence.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Kovach". The signature is fluid and cursive, with a large initial "M" and "K".