

PHILLIPS VAN HEUSEN CORP /DE/
Form 10-K
April 03, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended February 3, 2008
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 001-07572

PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

13-1166910
(I.R.S. Employer Identification No.)

200 Madison Avenue, New York, New York
(Address of principal executive offices)

10016
Zip Code

212-381-3500
(Registrant's telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value	New York Stock Exchange

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

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

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

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(do not check if a smaller

reporting company)

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant (assuming, for purposes of this calculation only, that the registrant's directors and corporate officers are affiliates of the registrant) based upon the closing sale price of the registrant's common stock on August 5, 2007 (the last business day of the registrant's most recently completed second quarter) was \$2,967,313,868.

Number of shares of Common Stock outstanding as of March 19, 2008: 51,337,394.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Location in Form 10-K in which incorporated
Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on June 19, 2008	Part III

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Annual Report on Form 10-K including, without limitation, statements relating to our future revenues and cash flows, plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) the levels of sales of our apparel, footwear and related products, both to our wholesale customers and in our retail stores, and the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees and other licensing partners are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends, consolidations, repositionings and bankruptcies in the retail industries, repositioning of brands by our licensors and other factors; (iii) our plans and results of operations will be affected by our ability to manage our growth and inventory, including our ability to continue to realize revenue growth from developing and growing Calvin Klein; (iv) our operations and results could be affected by quota restrictions and the imposition of safeguard controls (which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials (particularly petroleum-based synthetic fabrics, which are currently in high demand), our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced), and civil conflict, war or terrorist acts, the threat of any of the foregoing, or political and labor instability in the United States or any of the countries where our products are or are planned to be produced; (v) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas; (vi) acquisitions and issues arising with acquisitions and proposed transactions, including without limitation, the ability to integrate an acquired entity into us with no substantial adverse affect on the acquired entity s or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (vii) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands; and (viii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding revenues or cash flows, whether as a result of the receipt of new information, future events or otherwise.

PART I

Item 1. Business

Unless the context otherwise requires, the terms we, our or us refer to Phillips-Van Heusen Corporation and its subsidiaries.

Our fiscal years are based on the 52-53 week period ending on the Sunday closest to February 1 and are designated by the calendar year in which the fiscal year commences. References to a year are to our fiscal year, unless the context requires otherwise. Our 2007 year commenced on February 5, 2007 and ended on February 3, 2008; 2006 commenced on January 30, 2006 and ended on February 4, 2007; 2005 commenced on January 31, 2005 and ended on January 29, 2006.

We obtained the market and competitive position data used throughout this report from research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, we have not independently verified such data and we do not make any representation as to the accuracy of such information.

References to the brand names *Calvin Klein Collection*, *ck Calvin Klein*, *Calvin Klein*, *Van Heusen*, *IZOD*, *IZOD G*, *Eagle*, *Bass*, *G.H. Bass & Co.*, *Geoffrey Beene*, *ARROW*, *City of London*, *Bugatti*, *BCBG Max Azria*, *BCBG Attitude*, *CHAPS*, *Sean John*, *Donald J. Trump Signature Collection*, *JOE Joseph Abboud*, *Kenneth Cole New York*, *Kenneth Cole Reaction*, *MICHAEL Michael Kors*, *Michael Kors Collection*, *DKNY*, *Tommy Hilfiger*, *Nautica*, *Perry Ellis Portfolio*, *Ted Baker*, *Ike Behar*, *Original Penguin*, *Jones New York*, *Hart Schaffner Marx*, *Valentino*, *Alara*, *Axist*, *John Henry*, *Zylos by George Machado*, *Gianfranco Ruffini*, *Studio by Fumagalli* s and *Timberland* and to other brand names in this report are to registered trademarks owned by us or licensed to us by third parties and are identified by italicizing the brand name.

References to our acquisition of CMI refer to our January 2008 acquisition of Confezioni Moda International S.r.L., which we refer to as CMI. CMI is the licensee of the *Calvin Klein Collection* apparel and accessories businesses.

References to our acquisition of Superba refer to our January 2007 acquisition of substantially all of the assets of Superba, Inc., a privately-held manufacturer and distributor of neckwear in the United States and Canada, which we refer to as Superba.

References to our acquisition of Arrow refer to our December 2004 acquisition of Cluett Peabody Resources Corporation and Cluett Peabody & Co., Inc., which companies we refer to collectively as Arrow.

References to our acquisition of Calvin Klein refer to our February 2003 acquisition of Calvin Klein, Inc. and certain affiliated companies, which companies we refer to collectively as Calvin Klein.

Overview

We are one of the largest apparel companies in the world, with a heritage dating back over 125 years. Our portfolio of brands includes our owned brands, *Calvin Klein Collection*, *ck Calvin Klein*, *Calvin Klein*, *Van Heusen*, *IZOD*, *ARROW*, *G.H. Bass & Co.*, *Bass and Eagle*, and our licensed brands, *Geoffrey Beene*, *BCBG Max Azria*, *BCBG Attitude*, *CHAPS*, *Sean John*, *Donald J. Trump Signature Collection*, *JOE Joseph Abboud*, *Kenneth Cole New York*, *Kenneth Cole Reaction*, *MICHAEL Michael Kors*, *Michael Kors Collection*, *DKNY*, *Tommy Hilfiger*, *Nautica*, *Perry Ellis Portfolio*, *Ted Baker*, *Ike Behar*, *Jones New York* and *Hart Schaffner Marx*, as well as various private label brands. We design and market nationally recognized branded dress shirts, neckwear, sportswear and, to a lesser extent, footwear and other related products. Additionally, we license our owned brands over a broad range of products. We market our brands at multiple price points and across multiple channels of distribution, allowing us to provide products to a broad range of consumers, while minimizing competition among our brands and reducing our reliance on any one demographic group, merchandise preference or distribution channel. Our licensing activities, principally our Calvin Klein business, diversify our business model by providing us with a sizeable base of profitable licensing revenues.

We believe *Calvin Klein* is one of the best known designer names in the world and that the *Calvin Klein* brands *Calvin Klein Collection*, *ck Calvin Klein* and *Calvin Klein* provide us with the opportunity to market products both domestically and internationally at higher price points, in higher-end distribution channels and to different consumer groups than our other product offerings. Products sold under these brands are sold primarily under licenses and other arrangements. Since our acquisition of Calvin Klein in February 2003, we have used our core competencies to expand the product offerings under the *Calvin Klein* brands and to bring these new product offerings into additional channels

of distribution. Calvin Klein designs and/or controls all design operations and product development for most of its licensees and oversees a worldwide marketing, advertising and promotions program for the *Calvin Klein* brands. We believe that maintaining control over design and advertising through Calvin Klein's dedicated in-house teams plays a key role in the continued strength of the brands. Worldwide retail sales of products sold under the *Calvin Klein* brands were approximately \$5.4 billion in 2007.

Our heritage business encompasses the design, sourcing and marketing of a varied selection of branded label dress shirts, neckwear, sportswear and footwear under our portfolio of brands, as well as the licensing of our owned brands (other than the *Calvin Klein* brands), for an assortment of products. We design, source and market substantially all of these products on a brand-by-brand basis, targeting distinct consumer demographics and lifestyles in an effort to minimize competition among our brands. Currently, we distribute our products at wholesale through more than 17,000 doors in national and regional department, mid-tier department, mass market, specialty and independent stores in the United States, Canada and Europe. Our wholesale business represents our core business, and we believe that it is the basis for our brand equity. As a complement to our wholesale business, we also market our products directly to consumers through our *Van Heusen*, *IZOD*, *Geoffrey Beene*, *Bass* and *Calvin Klein* retail stores, primarily located in outlet malls throughout the United States.

We completed the Superba acquisition in January 2007. This transaction added a business that we believe is complementary to our heritage business in dress shirts and that has followed the same multiple brand, multiple channel and multiple price point strategy that we have followed. We believe that coupling neckwear with our dress shirt business will create additional opportunities to grow and enhance the performance of both businesses by providing us with the ability to produce all of the neckwear for our owned brands over time and to leverage the design, merchandising and selling capabilities of both businesses to offer our customers a cohesive and comprehensive portfolio of branded dress shirts and neckwear.

Company Information

We were incorporated in the State of Delaware in 1976 as the successor to a business begun in 1881. Our footwear business is the successor to G.H. Bass & Co., a business begun in 1876, our Arrow business is the successor to the original Cluett, Peabody & Co., a business begun in 1851, and our neckwear business is the successor to a business begun in 1873. Our principal executive offices are located at 200 Madison Avenue, New York, New York 10016; our telephone number is (212) 381-3500.

We make available, at no cost, on our corporate website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have electronically filed such material with the Securities and Exchange Commission. We also make available, at no cost, on our corporate website, our Code of Business Conduct and Ethics. Our corporate website address is *www.pvh.com*.

Our Business Strategy

We intend to capitalize on the significant opportunities presented by our acquisition of Calvin Klein, as well as increase sales and profitability of our heritage business, through the execution of the following strategies:

Calvin Klein

We acquired Calvin Klein because of the significant growth opportunities presented by the *Calvin Klein* brands. The brand pyramid we created for the *Calvin Klein* brands established a strategic brand architecture to guide the global brand growth and development of all three brand tiers, by differentiating each of the *Calvin Klein* brands with distinct marketing identities, positioning and channels. Additionally, branding product across three tiers allows flexibility from market to market to build businesses that address the differences between markets. We have over 55 licensing and other arrangements across the three *Calvin Klein* brands. These arrangements span a broad range of product categories and also grant rights to open retail stores.

Calvin Klein Collection. The principal growth opportunity for our halo brand is to broaden the current distribution through the continued opening of freestanding stores operated throughout the world by our experienced retail partners,

as well as through expanded distribution within premier department stores. We acquired CMI, the licensee of the men's and women's high-end collection apparel and accessories businesses, in January 2008. We believe this acquisition will give us greater control over the *Calvin Klein Collection* businesses, which will thereby enhance our ability to maximize the halo benefit provided by this brand.

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ck Calvin Klein. Our bridge brand, *ck Calvin Klein*, provides significant growth opportunities, particularly in Europe and Asia, where apparel and accessories are more traditionally sold in the upper-moderate to upper bridge price range. We have entered into several licenses since we acquired Calvin Klein, adding to the pre-existing licensed apparel and accessories lines. Specific growth opportunities include:

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Broadening distribution of apparel and accessories through continued expansion in key markets such as Southeast Asia, China and Japan, as well as Europe and the Middle East. Since 2004, more than 50 freestanding *ck Calvin Klein* stores have been opened in these regions, bringing the total number of freestanding stores in operation to 58 at the end of 2007. Approximately 40 more freestanding *ck Calvin Klein* stores are expected to be opened by licensees by 2010.

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Continued global roll-out and subsequent expansion of the *ck Calvin Klein Beauty* line of color cosmetics and skin care products, which was launched in Fall 2007.

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Expansion of the watch and jewelry lines worldwide.

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Calvin Klein. We believe that the *Calvin Klein* white label better brand presents the largest growth opportunity, particularly in the United States, Canada and Mexico. Growth opportunities for this brand include:

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Continued expansion of our men's sportswear business, which was first launched for Fall 2004 in the United States.

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Continued development of the licensed lines of men's and women's footwear, handbags, women's sportswear, women's suits, dresses, women's swimwear and men's outerwear.

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Introduction and growth of new fragrance offerings and brand extensions, such as the new men's and women's *ckIN2U* (Spring 2007) and *Calvin Klein MAN* (Fall 2007) fragrances.

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Introduction and growth of new underwear brand extensions, such as the men's and women's *Steel* and men's *T-Matrix*, *Flexible Fit*, *365 Seamless*, *Boxer Matrix*, and *Naked* programs, as well as the women's *Perfectly Fit Tech* and *Perfectly Fit Naked* programs.

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Pursuit of additional licensing opportunities for new product lines.

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Continued opening of specialty retail stores in premier malls in the United States, which are intended to serve as a platform for showcasing the totality of the *Calvin Klein* better apparel and related products offering.

Heritage Business

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Continue to grow sportswear. We have a leading position in the United States in men's sportswear and have continued to penetrate the sportswear market with additional products and product lines. We have built *IZOD* into a year-round lifestyle brand from its traditional knit sport shirt origins by adding new product offerings, such as pants, sweaters and outerwear, and new lines of apparel, including golf and jeanswear. As a result, *IZOD* has become a leader on the main floor of department stores in the United States. We expanded our wholesale sportswear offerings through our assumption of the *IZOD* women's sportswear collection, which was previously a licensed business. The license

agreement was terminated and, during the second quarter of 2007, we assumed responsibility for the development and sale of the line.

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Continue to strengthen the competitive position and image of our current brand portfolio. We intend for each of our brands to be a leader in its respective market segment, with strong consumer awareness and loyalty. We believe that our brands are successful because we have positioned each one to target distinct consumer demographics and tastes. We will continue to design and market our branded products to complement each other, satisfy lifestyle needs, emphasize product features important to our target consumers and increase consumer loyalty. We will seek to increase our market share in our businesses by expanding our presence through product extensions and increased floor space. We are also committed to investing in our brands through advertising to maintain strong customer recognition of our brands.

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Continue to build our brand portfolio through acquisition and licensing opportunities. While we believe we have an attractive and diverse portfolio of brands with growth potential, we will also continue to explore acquisitions of companies or trademarks and licensing opportunities that we believe are additive to our overall business. New license opportunities allow us to fill new product and brand portfolio needs. We take a disciplined approach to acquisitions, seeking brands with broad consumer recognition that we can grow profitably and expand by leveraging our infrastructure and core competencies and, where appropriate, by extending the brand through licensing. For example, we licensed *ARROW* in 2000, as we saw it as an opportunity to penetrate the mid-tier department store channel of distribution, and we acquired the brand in 2004 because we believe that by controlling the brand, we can continue to increase revenue and expand product offerings. In the fourth quarter of 2006, we acquired the assets of Superba, a leading neckwear company, which added a business that we believe is complementary to our dress shirt business and expanded our portfolio of licensed brands. Additionally, during 2007, we announced our licensing agreement with The Timberland Company, under which we will design, source and market sportswear under the *Timberland* brand, with our assumption of the men's line for Fall 2008 and the launch of a women's sportswear line currently planned for Spring 2010.

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Pursue international growth. We intend to expand the international distribution of our brands. We recently expanded our wholesale operations to include sales of certain of our products to department and specialty stores throughout Canada and parts of Europe, and have over 100 license agreements, covering over 120 countries, to use our brands in numerous product categories, including apparel, accessories, footwear, soft home goods and fragrances. We believe that our strong brand portfolio and broad product offerings enable us to seek additional growth opportunities in geographic areas where we believe we are underpenetrated, such as Europe and Asia. These opportunities may include the licensing of our brand names to companies that we believe have appropriate international distribution channel access or expertise. We believe that our acquisition of Arrow, which included numerous licenses for parts of

Europe, Asia and Latin America, establishes a platform to leverage other brand opportunities. Further, *Van Heusen* has a heritage of international distribution, particularly in Latin America, the United Kingdom and Australia.

Our Business

We manage our business through our operating divisions, which consist of five reportable segments: (i) Calvin Klein Licensing; (ii) Wholesale Dress Furnishings; (iii) Wholesale Sportswear and Related Products; (iv) Retail Apparel and Related Products; and (v) Retail Footwear and Related Products. Note 17, Segment Data, in the Notes to Consolidated Financial Statements included in Item 8 of this report contains information with respect to revenue, operating income and assets related to each segment, as well as information regarding the geographic areas in which our segments operate.

Calvin Klein

Our Calvin Klein businesses primarily consist of (1) licensing and similar arrangements worldwide of the *Calvin Klein Collection*, *ck Calvin Klein* and *Calvin Klein* brands for a broad array of products, including sportswear, jeans, underwear, fragrances, cosmetics, eyewear, men's tailored clothing, neckwear, shoes, hosiery, socks, footwear, swimwear, jewelry, watches, coats, handbags, leather goods, home furnishings and accessories, as well as to operate retail stores (Calvin Klein Licensing segment); (2) the marketing of the *Calvin Klein Collection* brand high-end men's and women's apparel and accessories collections through our *Calvin Klein Collection* flagship store (Retail Apparel and Related Products segment); (3) our *Calvin Klein* dress shirt, neckwear and men's better sportswear businesses (Wholesale Dress Furnishings and Wholesale Sportswear and Related Products segments, respectively); and (4) our *Calvin Klein* retail stores located in premium outlet malls in the United States and our *Calvin Klein* specialty retail stores located in premier malls in the United States, which we began to open in 2007 (Retail Apparel and Related Products segment).

We acquired Calvin Klein because of the significant growth opportunities presented by the *Calvin Klein* brands. Although *Calvin Klein* was a large global brand with strong consumer recognition across many demographics before we acquired it, there were numerous product areas in which no products, or only a limited number of products, were offered under any of the *Calvin Klein* brands. In order to more efficiently and effectively exploit the development opportunities for each brand, a brand pyramid was established to provide a focused, consistent approach to global brand growth and development, with each of the *Calvin Klein* brands occupying a distinct marketing identity and position.

Calvin Klein Collection

is the halo brand at the top of the pyramid that personifies the Calvin Klein aesthetic of modern, contemporary, minimalist style, which is translated to the other *Calvin Klein* brands. In January 2008, we acquired CMI, the licensee of the men's and women's *Calvin Klein Collection* apparel and accessories businesses. We market under this brand, directly and through licensees, men's and women's high-end collection apparel, eyewear, footwear, accessories and coats. We hold two runway shows each for men and women annually and operate a flagship store, located on Madison Avenue in New York City, under the *Calvin Klein Collection* brand. These activities support our visibility in the fashion industry and help convey the Calvin Klein aesthetic to the world. In addition, four freestanding *Calvin Klein Collection* stores are operated by licensees in major cities outside of the United States.

The second tier of the pyramid is *ck Calvin Klein*, our bridge brand. The products offered under this brand include men's and women's apparel, accessories, fragrances, watches, eyewear, jewelry and cosmetics. We believe this brand provides significant growth opportunities, particularly in Europe and Asia, where apparel and accessories are more traditionally sold at bridge price points. Currently, *ck Calvin Klein* apparel is available in Japan and, under recent licenses, in 58 freestanding *ck Calvin Klein* stores in Southeast Asia, China and Europe.

The third tier of the pyramid is the *Calvin Klein* brand, which is positioned within the better price range. There were product gaps in this price range prior to our acquisition of Calvin Klein in 2003. To address these gaps, we introduced the men's better sportswear line and entered into licenses for women's better sportswear, swimwear, men's tailored clothing, outerwear, footwear and handbags, as well as other accessories since that time. These new product categories complement the pre-acquisition offerings, which include fragrances, underwear, jeanswear, home goods, accessories and other products. In addition, we have opened *Calvin Klein* retail stores in premium outlet malls in the United States and *Calvin Klein* specialty retail stores in premier malls in the United States, which we believe enhance customer perception and awareness of the *Calvin Klein* better brand.

An important element of this tiered brand strategy is the preservation of the prestige and image of the *Calvin Klein* brands. To this end, we maintain a dedicated in-house marketing, advertising and design division of Calvin Klein that oversees a worldwide marketing, advertising and promotions program of approximately \$250 million, the majority of which is funded by its licensees and other authorized users. Calvin Klein designs and/or controls all design operations and product development for most of its licensees.

Calvin Klein Licensing Segment

An important source of our revenue is Calvin Klein's arrangements with licensees and other third parties worldwide that manufacture and distribute globally a broad array of products under the *Calvin Klein* brands. For 2007, approximately 42% of Calvin Klein's royalty, advertising and other revenue was generated domestically and

approximately 58% was generated internationally. Calvin Klein combines its design, marketing and imaging skills with the specific manufacturing, distribution and geographic capabilities of its licensing and other partners to enter into new product categories and extend existing lines of business. Calvin Klein's largest licensing and other partners in terms of royalty, advertising and other revenue earned by Calvin Klein in 2007 were Warnaco, Inc., accounting for approximately 41%, and Coty, Inc., accounting for approximately 18%.

Calvin Klein has over 55 licensing arrangements. The products offered by Calvin Klein's licensing partners include:

Licensing partner	Product Category
CK Watch and Jewelry Co., Ltd. (Swatch SA)	Men's and women's watches (worldwide) and women's jewelry (worldwide, excluding Japan)
CK21 Holdings Pte, Ltd.	Men's and women's bridge apparel, shoes and accessories (Asia, excluding Japan)
Coty, Inc.	Men's and women's fragrance and bath products (worldwide)
DWI Holdings, Inc.	Soft home bed and bath furnishings (United States, Canada, Mexico, Central America & South America)
G-III Apparel Group, Ltd.	Men's and women's coats; women's better suits and dresses; women's active performance wear (United States, Canada & Mexico)
Jimlar Corporation	Men's and women's better footwear (United States & Canada)
Kellwood Company	Women's better and bridge sportswear (United States, Canada & Mexico)
Marchon Eyewear, Inc.	Men's and women's optical frames and sunglasses (worldwide)
Markwins Holding Co., Ltd. (Markwins International Corp.)	Color cosmetics and skin care products (worldwide)
McGregor Industries, Inc. / American Essentials, Inc.	Men's and women's socks and women's tights (United States, Canada, Mexico, Europe & Middle East)
Onward Kashiyama Co. Ltd.	Men's and women's bridge apparel and women's accessories (Japan)
Peerless Delaware, Inc.	Men's better and bridge tailored clothing (United States, Canada & Mexico)

Warnaco, Inc.

Men's, women's and children's jeanswear (worldwide); men's and children's underwear and sleepwear (worldwide); women's intimate apparel and sleepwear (worldwide); women's swimwear (worldwide); men's better swimwear (Europe & Middle East); men's and women's bridge apparel and accessories (Europe, Africa & Middle East)

Calvin Klein entered into new licensing agreements during 2007 for, among other things, case furniture, upholstered furniture, men's bridge tailored clothing, women's bridge handbags and accessories, women's active performance wear, boys' better tailored clothing and men's and women's golf apparel.

With respect to revenue generated from the sale of *Calvin Klein* men's and children's underwear and sleepwear and women's intimate apparel and sleepwear, Warnaco pays Calvin Klein an administration fee based on Warnaco's worldwide sales of such products under an administration agreement between Calvin Klein and Warnaco. Warnaco, as the beneficial

owner of the *Calvin Klein* mark for underwear, intimate apparel and sleepwear, controls design and advertising related to the sale of such products bearing the *Calvin Klein* mark. See Trademarks.

Heritage Business

Our heritage business encompasses the design, sourcing and marketing of dress shirts, neckwear, sportswear and footwear under our portfolio of owned and licensed nationally recognized brands. Our wholesale business represents our core business and we believe that it is the basis for our brand equity. As a complement to our wholesale business, we also market products directly to consumers through our *Van Heusen*, *IZOD*, *Geoffrey Beene*, *Bass* and *Calvin Klein* retail stores, primarily located in outlet malls throughout the United States. We also license our owned heritage brands (*Van Heusen*, *IZOD*, *ARROW*, *Bass* and *G.H. Bass & Co.*) to third parties domestically and internationally for an assortment of products.

Wholesale Dress Furnishings Segment

Our Wholesale Dress Furnishings segment principally includes the design and marketing of dress shirts and the design, manufacturing and marketing of neckwear.

We market our dress shirts principally under the *Van Heusen*, *ARROW*, *Geoffrey Beene*, *Calvin Klein*, *IZOD*, *Eagle*, *BCBG Max Azria*, *BCBG Attitude*, *CHAPS*, *Sean John*, *Donald J. Trump Signature Collection*, *Kenneth Cole New York*, *Kenneth Cole Reaction*, *MICHAEL Michael Kors* and *JOE Joseph Abboud* brands. Since the first quarter of fiscal 2008, we also market dress shirts under the *DKNY* brand.

The *Van Heusen* dress shirt has provided a strong foundation for us for most of our history and is the best selling dress shirt brand in the United States. The *Van Heusen* dress shirt targets the updated classical consumer, is marketed at opening to moderate price points and is distributed through more than 3,100 doors, principally in department stores, including Belk, Inc., Macy's, Inc., Stage Stores, Inc. and J.C. Penney Company, Inc.

ARROW

is the second best selling dress shirt brand in the United States. The *ARROW* dress shirt targets the updated classical consumer, is marketed at opening to moderate price points and is distributed through more than 2,300 doors, principally in mid-tier department stores, including Kohl's Corporation, Sears, Roebuck and Co. and Mervyn's, LLC.

The *ARROW* dress shirt is positioned as a mid-tier department store complement to *Van Heusen*.

The *Geoffrey Beene* dress shirt is the best selling designer dress shirt brand in the United States. The *Geoffrey Beene* dress shirt targets the more style conscious consumer, is marketed at moderate to upper moderate price points and is distributed through more than 2,300 doors, principally in department and specialty stores, including Macy's and Casual Male Retail Group, Inc. We market *Geoffrey Beene* dress shirts under a license agreement with Geoffrey Beene, Inc. that expires on December 31, 2008 and which we may extend, subject to certain conditions, through December 31, 2013.

The *Calvin Klein* dress shirt targets the modern classical consumer, is marketed at better price points and is distributed through more than 1,000 doors, principally in department stores, including Macy's. We also offer our *Calvin Klein Collection* and *ck Calvin Klein* dress shirts to the more limited channel of luxury department and specialty stores and freestanding *Calvin Klein Collection* and *ck Calvin Klein* stores.

The *IZOD* dress shirt targets the modern traditional consumer, is marketed at moderate price points and is distributed through more than 1,700 doors, principally in department stores, including Belk and JCPenney.

The *Eagle* dress shirt, a 100% cotton, no-iron shirt, targets the updated traditional consumer, is marketed at better price points and is distributed through more than 550 doors, principally in department stores, including Macy's.

The *BCBG Max Azria* dress shirt targets the contemporary consumer and is marketed at better price points. The *BCBG Attitude* dress shirt targets the more youthful contemporary consumer and is also marketed at better price points. We distribute the two *BCBG* brands of dress shirts through more than 250 doors combined, principally in department stores, including Macy's and Dillards, Inc., under a license agreement with BCBG Max Azria Group, Inc. that expires on January 31, 2010 and which we may extend, subject to certain conditions, through January 31, 2020.

The *CHAPS* dress shirt targets the updated traditional consumer and is marketed at moderate price points. The *CHAPS* dress shirt is distributed through more than 950 doors, principally in mid-tier department stores, including Kohl's. We market *CHAPS* dress shirts under a license agreement with PRL USA, Inc. and The Polo/Lauren Company, LP that expires on December 31, 2010.

The *Sean John* dress shirt targets the updated classical consumer, is marketed at moderate to better price points and is distributed through more than 250 doors, principally in department stores, including Macy's. We market *Sean John* dress shirts under a license agreement with Christian Casey, LLC that expires on December 31, 2010 and which we may extend, subject to certain conditions, through December 31, 2013.

The *Donald J. Trump Signature Collection* dress shirt, which we launched in Spring 2005, targets the modern classical consumer, is marketed at better price points and is distributed through more than 150 doors, exclusively at Macy's. We market *Donald J. Trump Signature Collection* dress shirts under a license agreement with Donald J. Trump that expires on December 31, 2009 and which we may extend, subject to certain conditions, through December 31, 2012.

The *Kenneth Cole New York* and *Kenneth Cole Reaction* dress shirts target the modern consumer, are marketed at bridge and better price points, respectively, and are distributed through more than 650 doors combined, principally in department stores, including Dillard's and Macy's. We market both of the *Kenneth Cole* brands of dress shirts under a license agreement with Kenneth Cole Productions (Lic), Inc. that expires on December 31, 2009 and which we may extend, subject to certain conditions, through December 31, 2012.

The *JOE Joseph Abboud* dress shirt, which we launched in the second quarter of 2006, targets the more youthful, classical consumer, is marketed at moderate to better price points under a license agreement with J.A. Apparel Corp. that expires on December 31, 2009 and which we may extend, subject to mutual consent, through December 31, 2012.

The *MICHAEL Michael Kors* dress shirt targets the modern consumer and is marketed at moderate to better price points. We market *MICHAEL Michael Kors* dress shirts under a license agreement with Michael Kors, LLC that expires on June 30, 2009.

We formed our Neckwear Group in January 2007 in connection with the Superba acquisition. Our Neckwear Group distributes branded neckwear to most channels of distribution, including mass, mid-tier, department, better specialty and better department stores. The neckwear is offered under owned brands, including *ARROW*, *Calvin Klein*, *IZOD* and *Eagle*, and licensed brands, including *Tommy Hilfiger*, *Nautica*, *DKNY*, *Perry Ellis Portfolio*, *Jones New York*, *Donald J. Trump Signature Collection*, *JOE Joseph Abboud*, *MICHAEL Michael Kors*, *Michael Kors Collection*, *Axist* and *John Henry*. The portfolio of brands provides a balanced assortment of traditional, classic, modern and contemporary designs in a broad range of prices.

ARROW neckwear is targeted to the same updated classical consumer to whom we target our *ARROW* dress shirts. The neckwear is also marketed at opening to moderate price points and is distributed through approximately 1,900 doors, principally in mid-tier department stores, including Kohl's, Sears and Mervyn's.

Calvin Klein

neckwear is targeted to the same modern classical consumer to whom we target our *Calvin Klein* dress shirts. The neckwear is marketed at better price points and is distributed through approximately 700 doors, principally in department stores, including Macy's and The Bon-Ton Stores, Inc.

IZOD neckwear is targeted to the same modern traditional consumer to whom we target our *IZOD* dress shirts. The neckwear is also marketed at moderate price points and is distributed through approximately 1,200 doors, principally in department stores, including Belk, Stage Stores and JCPenney.

Eagle neckwear is targeted to the same updated traditional consumer to whom we target our *Eagle* dress shirts. The neckwear is also marketed at better price points and is distributed through more than 150 doors, principally in department stores, including Macy's and Bon-Ton.

Our licensed lines of *Tommy Hilfiger*, *Nautica*, *DKNY*, *Perry Ellis Portfolio*, *Jones New York*, *Donald J. Trump Signature Collection*, *JOE Joseph Abboud*, *MICHAEL Michael Kors*, *Michael Kors Collection*, *Axist* and *John Henry* neckwear are principally marketed at moderate to better price points through mid-tier and department stores, including Macy's, Kohl's, Mervyn's and Bon-Ton.

We market *Tommy Hilfiger* neckwear through more than 450 doors under a license agreement with Tommy Hilfiger Licensing, LLC that expires on December 31, 2008 and which we may extend, subject to certain conditions, through December 31, 2011. Macy's and Tommy Hilfiger U.S.A., Inc. announced in October 2007 that *Tommy Hilfiger* men's and women's sportswear will be distributed in the United States exclusively at Macy's beginning in Fall 2008. Although our neckwear is not included as part of this arrangement, this arrangement could adversely affect its distribution.

We market *Nautica* neckwear through more than 800 doors under a license agreement with Nautica Apparel, Inc. that expires on December 31, 2010.

We market *DKNY* neckwear through more than 300 doors under a license agreement with Donna Karan Studio, LLC that expires on December 31, 2009.

We market *Perry Ellis Portfolio* neckwear through more than 500 doors under a license agreement with PEI Licensing, Inc. that expires on December 31, 2010.

We market *Jones New York* neckwear through more than 400 doors under a license agreement with Jones Investment Co., Inc. that expires on December 31, 2009.

We market *Donald J. Trump Signature Collection* neckwear through more than 400 doors under a license agreement with Donald J. Trump that expires on December 31, 2009 and which we may extend, subject to certain conditions, through December 31, 2012.

We market *MICHAEL Michael Kors* and *Michael Kors Collection* neckwear under a license agreement with Michael Kors that expires on December 31, 2008.

We market *Axist* neckwear through more than 800 doors under a license agreement with PEI Licensing that expires on December 31, 2010.

We market *JOE Joseph Abboud* neckwear under a license agreement with J.A. Apparel that expires on December 31, 2009, and which we may extend, subject to mutual consent, through December 31, 2012.

We market *John Henry* neckwear under a license agreement with PEI Licensing that expires on December 31, 2010.

Our Neckwear Group is divided into two divisions, Superba and Insignia Design Group. The Superba Division markets machine-made neckwear under the *ARROW*, *Calvin Klein*, *IZOD*, *Eagle*, *Tommy Hilfiger*, *Nautica*, *DKNY*,

Perry Ellis Portfolio, Jones New York, Donald J. Trump Signature Collection, MICHAEL Michael Kors, Axist, JOE Joseph Abboud and John Henry brands discussed above, as well as *City of London, Bugatti, Zylos by George Machado, Gianfranco Ruffini* and *Studio by Fumagalli* s which are distributed in the mid-tier and department store channels.

The Insignia Design Group markets hand-made and hand-finished neckwear that is predominately produced in our Los Angeles manufacturing facility. The division s offerings include *ck Calvin Klein, Ike Behar, Ted Baker, Michael Kors Collection, Hart Schaffner Marx, Valentino, Original Penguin* and *Alara*. These brands are marketed principally through premier department and specialty stores, including Macy s Bloomingdale s chain, Lord & Taylor, Neiman Marcus, Nordstrom, Inc. and Saks Incorporated s Saks Fifth Avenue stores and are sold in higher price ranges than the Superba Division s offerings.

We also offer private label dress shirt and neckwear programs to retailers. Private label offerings enable a retailer to sell its own line of exclusive merchandise at generally higher margins. These programs present an opportunity for us to leverage our design, sourcing, manufacturing and logistics expertise. Our private label customers work with our designers to develop the styles, sizes and cuts that the customers desire to sell in their stores under their private labels. Private label programs offer the consumer quality product and offer the retailer the opportunity to enjoy product exclusivity at generally higher margins. Private label products, however, generally do not have the same level of consumer recognition as branded products and private label manufacturers do not generally provide retailers with the same breadth of services and in-store sales and promotional support as branded manufacturers. We market private label dress shirts and neckwear to national department and mass market stores. Our private label dress shirt program currently consists of *George* for Wal-Mart Stores, Inc. and during fiscal 2008, we will begin marketing *Apt. 9* for Kohl s. Our private label neckwear programs include *Murano, Daniel Cremieux* and *Roundtree & Yorke* for Dillard's, *Club Room* and *Via Europe* for Macy s, *Croft & Barrow* and *Apt. 9* for Kohl s, *Covington* for Sears, *Merona* for Target Corp., *John W. Nordstrom* for Nordstrom and *Stafford* and *J Ferrar* for JCPenney.

Wholesale Sportswear and Related Products Segment

We market our sportswear, including men s knit and woven sport shirts, sweaters, bottoms, swimwear, boxers and outerwear, at wholesale, principally under the *IZOD, Van Heusen, ARROW, Geoffrey Beene* and *Calvin Klein* brands. Since Fall 2007, we also market women s sportswear, including knit and woven sport shirts, sweaters, bottoms and outerwear under the *IZOD* brand.

IZOD

is the best selling branded men's knit sport shirt in the United States. *IZOD* men's sportswear consists of six related separate concepts under the classic *IZOD* blue label (consists of updated classic sportswear), *IZOD Golf* (golf/resort lifestyle sportswear), *IZOD XFG* (functional/performance oriented golf apparel), *IZOD* red label (*IZOD LX*, a line of sportswear exclusive to Macy's), *IZOD Jeans* (denim bottoms and related tops) and *IZOD PerformX* (performance-fabricated activewear) sub-brands. *IZOD* men's apparel consists of a range of sportswear, including sweaters, knit and woven sports shirts, slacks, jeans, fleecewear and outerwear. *IZOD* men's sportswear is targeted to the active consumer, is marketed at moderate to upper moderate price points and is distributed through more than 3,100 doors, principally in department stores, including, Macy's, Belk, Bon-Ton, Stage Stores and JCPenney.

IZOD women's sportswear consists of five related separate concepts: *IZOD* blue label, *IZOD Jeans*, *IZOD Sport* (consists of athletic/leisure sportswear), *IZOD Golf* and *IZOD PerformX*. *IZOD* women's apparel consists of a range of sportswear, including sweaters, knit and woven sport shirts, pants, jeans, fleecewear and outerwear. *IZOD* women's sportswear is targeted to the active consumer, is marketed at moderate to upper moderate price points and is distributed through more than 1,900 doors, principally in department stores, including Belk, Bon-Ton, Stage Stores and JCPenney.

Van Heusen

is the best selling men's woven sport shirt brand in the United States. *Van Heusen* sportswear also includes knit sport shirts, chinos and sweaters. Like *Van Heusen* dress shirts, *Van Heusen* sport shirts, chinos and sweaters target the updated classical consumer, are marketed at opening to moderate price points and are distributed through more than 3,500 doors, principally in department stores, including JCPenney, Belk, Macy's, Bon-Ton and Stage Stores.

ARROW

sportswear consists of men's knit and woven tops, sweaters and bottoms. *ARROW* sportswear targets the updated classical consumer, is marketed at moderate price points and is distributed through more than 2,900 doors, principally in mid-tier department stores, including Kohl's, Sears and Mervyn's.

Geoffrey Beene

sportswear targets a more style conscious consumer than *IZOD*, *Van Heusen* and *ARROW* and is positioned as a designer label for men's woven and knit sport shirts on the main floor of department stores. *Geoffrey Beene* sportswear is marketed at upper moderate price points and is distributed through more than 700 doors, principally in department stores, including Macy's. We market *Geoffrey Beene* men's sportswear at wholesale under the same license agreement as *Geoffrey Beene* dress shirts, which expires on December 31, 2008 and which we may extend, subject to certain conditions, through December 31, 2013.

Calvin Klein

men's sportswear targets the modern classical consumer, is marketed at better price points and is distributed through more than 600 doors, principally in better fashion department and specialty stores, including Macy's and Dillards.

Our growth strategies include growing our sportswear business and continuing to build our brand portfolio, including through licensing opportunities. In early 2007, we announced our arrangement with The Timberland Company to design, source and market men's and women's casual sportswear under the *Timberland* brand in North America, under a license agreement that expires on December 31, 2012, and which we may extend, subject to certain conditions, through December 31, 2017. We will assume the management of the men's apparel line, which is currently produced by The Timberland Company, for the Fall 2008 season and currently plan to launch a women's line for the Spring 2010 season. *Timberland* is an authentic outdoor traditional brand targeted to the department and specialty store channels of distribution that we believe has a unique positioning that will complement our existing portfolio of sportswear brands and enable us to reach a broader spectrum of consumers. We believe that this initiative will build upon our growth strategies and provide us with the opportunity to fill product and brand portfolio needs.

Retail Segments

We operate approximately 750 retail stores under the *Van Heusen*, *IZOD*, *Bass*, *Geoffrey Beene*, *Calvin Klein* and *Calvin Klein Collection* names. Our stores are primarily located in outlet malls throughout the United States and range in size from 1,000 to 12,000 square feet, with an average of approximately 4,600 square feet. We believe our retail stores are an important complement to our wholesale operations because we believe that the stores further enhance consumer awareness of our brands by offering products that are not available in our wholesale lines, while also providing a means for managing excess inventory.

Retail Apparel and Related Products Segment

Our *Van Heusen* stores offer men's dress shirts, neckwear and underwear, men's and women's sportswear, including woven and knit shirts, sweaters, bottoms and outerwear, and men's and women's accessories. These stores are targeted to the value-conscious consumer who looks for classically styled, moderately priced apparel.

Our *IZOD* stores offer men's and women's active-inspired sportswear, including woven and knit shirts, sweaters, bottoms and activewear. These stores focus on golf, travel and resort clothing.

Our *Geoffrey Beene* stores offer men's dress shirts, neckwear and underwear, men's and women's sportswear including woven and knit shirts, sweaters, bottoms and outerwear and men's and women's accessories. These stores are targeted towards a more fashion-conscious, designer-oriented consumer. Our *Geoffrey Beene* stores operate under a license agreement which expires on December 31, 2008, and which we may extend, subject to certain conditions, for one additional three-year period, which would end on December 31, 2011.

Our *Calvin Klein* outlet stores are located in premium outlet centers and offer men's and women's apparel and other *Calvin Klein* products to communicate the *Calvin Klein* lifestyle. We also operate a limited number of *Calvin Klein* better specialty retail stores in upscale malls within the United States that are intended to serve as a platform for showcasing the totality of the *Calvin Klein* better product. We also operate one *Calvin Klein Collection* store, located on Madison Avenue in New York City, that offers *Calvin Klein Collection* men's and women's high-end collection apparel and accessories and other products under the *Calvin Klein* brands.

Retail Footwear and Related Products Segment

Our *Bass* stores offer casual and dress shoes for men, women and children. Most of our *Bass* stores also carry apparel for men and women, including tops, neckwear, bottoms and outerwear, as well as accessories such as handbags, wallets, belts and travel gear.

Licensing

In addition to our Calvin Klein licensing business, we license our heritage brands globally for a broad range of products through over 100 agreements covering over 120 countries.

We grant licensing partners the right to manufacture and sell at wholesale specified products under one or more of our brands. In addition, certain foreign licensees are granted the right to open retail stores under the licensed brand name and sell only goods under that name in such stores. A substantial portion of the sales by our domestic licensing partners is made to our largest wholesale customers. We provide support to our licensing partners and seek to preserve the integrity of our brand names by taking an active role in the design, quality control, advertising, marketing and distribution of each licensed product, most of which are subject to our prior approval and continuing oversight.

We license our *Van Heusen*, *IZOD*, *ARROW*, *Bass* and *G.H. Bass & Co.* brand names for various products worldwide. We also sublicense to others the *Geoffrey Beene*, *BCBG Attitude* and *BCBG Max Azria* brand names for certain products.

The products offered by our licensing partners under these brands include:

Licensing Partner	Product Category
Arvind Mills, Ltd.	<i>ARROW</i> men's and women's dresswear, sportswear and accessories (India, Middle East, Sri Lanka, Bangladesh & Nepal)
Block Sportswear, Inc.	<i>Van Heusen</i> and <i>IZOD</i> big and tall sportswear (United States)
Caulfeild Apparel Group, LTD	<i>IZOD</i> men's sportswear and <i>IZOD G</i> men's and women's golfwear and accessories (Canada)
E.C.C.E.	<i>ARROW</i> men's and women's dresswear, sportswear and accessories (France, Switzerland, Andorra & Morocco)
Fishman & Tobin, Inc.	<i>Van Heusen</i> and <i>ARROW</i> boys' dresswear and sportswear; <i>IZOD</i> boys' sportswear; <i>IZOD</i> and <i>ARROW</i> boys' and girls' school uniforms; <i>ARROW</i> men's tailored clothing; <i>IZOD</i> boys' tailored clothing (United States)
G-III Apparel Group, Ltd.	<i>IZOD</i> men's and women's non-leather outerwear (United States)
Gazal Apparel Pty Limited	<i>Van Heusen</i> men's dresswear, eyewear, footwear, hosiery, small leather goods, fragrances and accessories (Australia & New Zealand)
Gemini Cosmetics, Inc.	<i>IZOD</i> men's, women's and children's fragrances (United States)
Harbor Wholesale, Ltd.	<i>Bass</i> and <i>G.H. Bass & Co.</i> wholesale footwear (worldwide)
Knothe Corp.	<i>IZOD</i> men's and boys' sleepwear and loungewear (United States)
Peerless Delaware, Inc.	<i>Van Heusen</i> and <i>IZOD</i> men's tailored clothing (United States)
PG USA Sportswear, Inc.	<i>IZOD G</i> men's and women's golf apparel (United States)
Humphrey's Accessories LLC/Randa Corp. d/b/a Randa Accessories	<i>ARROW</i> and <i>IZOD</i> men's and boys' small leather goods, belts and accessories (United States & Canada); <i>Van Heusen</i> men's and boys' small leather goods, belts and accessories (United States); <i>Van Heusen</i> men's and boys' neckwear (United States)
Secon Group B.V.	<i>ARROW</i> men's dresswear, sportswear and accessories (Netherlands, Belgium, Luxembourg, United Kingdom & Ireland)
Thanulux Public Company, Ltd.	<i>ARROW</i> men's dresswear, sportswear and accessories; <i>ARROW</i> women's dresswear and sportswear (Thailand & Vietnam)
The British Van Heusen Company, Ltd.	<i>Van Heusen</i> men's dresswear and accessories (United Kingdom & Ireland)
Wear Me Apparel Corp. d/b/a Kids Headquarters	<i>IZOD</i> childrenswear (United States)

Seasonality

Our business generally follows a seasonal pattern. Our wholesale businesses tend to generate higher levels of sales and income in the first and third quarters, as the selling of Spring and Fall merchandise to our customers occurs at higher levels as these selling seasons begin. Our retail businesses tend to generate higher levels of sales and income in the third and fourth quarters, due to the back to school and holiday selling seasons. Royalty, advertising and other revenue tends to be earned somewhat evenly throughout the year, although the third quarter generally has the highest level of royalty revenue due to higher sales by licensees in advance of the holiday season.

Wholesale Sales and Support

Our wholesale business represents our core business and we believe that it is the basis for our brand equity. Our products are distributed at wholesale in national and regional department, mid-tier department, mass market, specialty and independent stores in the United States. We recently expanded our wholesale operations to include sales of certain of our products to department and specialty stores throughout Canada and parts of Europe, and have entered into many license agreements with partners across the globe for our brands. A few of our customers, including Macy's, JCPenney, Kohl's, and

Wal-Mart account for significant portions of our revenue. Sales to our five largest customers were 30.2% of our revenue in 2007, 30.6% of our revenue in 2006 and 34.3% of our revenue in 2005. Federated Department Stores, Inc. (now known as Macy's, Inc.) acquired The May Department Stores Company during 2005. The combined company accounted for 9.7% of our revenue in 2007, 11.4% of our revenue in 2006 and 13.7% of our revenue in 2005.

We believe we provide our customers with a high level of service. We have ten primary sales forces covering the following products and product categories:

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National Brands (dress shirts) *Van Heusen, ARROW, IZOD, CHAPS and Eagle*

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The Designer Group (dress shirts) *Calvin Klein, Geoffrey Beene, BCBG Max Azria, BCBG Attitude, Sean John, JOE Joseph Abboud, MICHAEL Michael Kors, Donald J. Trump Signature Collection, Kenneth Cole New York, Kenneth Cole Reaction and DKNY*

·
Superba Division (neckwear) *ARROW, Calvin Klein, IZOD, Eagle, City of London, Bugatti, MICHAEL Michael Kors, Tommy Hilfiger, Nautica, Perry Ellis Portfolio, DKNY, Donald J. Trump Signature Collection, JOE Joseph Abboud, Jones New York, Axist, John Henry, Zylos by George Machado, Gianfranco Ruffini and Studio by Fumagalli*

·
Insignia Design Group (neckwear) *ck Calvin Klein, Michael Kors Collection, Ike Behar, Ted Baker, Hart Schaffner Marx, Original Penguin, Valentino and Alara*

·
Van Heusen and Geoffrey Beene men's sportswear

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IZOD men's sportswear

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IZOD women's sportswear

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ARROW men's sportswear

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Timberland men's sportswear

.
Calvin Klein men's better sportswear

Each sales force includes a team of sales professionals that works closely with our customers, providing them with a dedicated level of service which includes designing a focused selling strategy for each brand while ensuring that each brand's particular qualities and identities are strategically positioned to target a distinct consumer base.

Our customers offer our dress shirts, neckwear and sportswear, other than *Calvin Klein* men's better sportswear, on the main floor of their stores. *Calvin Klein* men's better sportswear is offered in the collection area of our customers' stores. In each case, we offer our customers merchandising support with visual display fixtures and in-store marketing, with *Calvin Klein* men's better sportswear generally being offered in fixtured shops we design and build. When a line of our products is displayed in a stand-alone area on the main floor, or, in the case of *Calvin Klein* men's better sportswear, an exclusively dedicated collections area, we are able to further enhance brand recognition to permit more complete merchandising of our lines and to differentiate the presentation of our products. We believe that the broad appeal of our products, with multiple well-known brands offering differing styles at different price points, together with our customer, advertising and marketing support and our ability to offer products with innovative qualities, enable us to expand and develop relationships with apparel retailers.

We believe that our investments in logistics and supply chain management allow us to respond rapidly to changes in sales trends and consumer demands while enhancing inventory management. We believe our customers can better

manage their inventories as a result of our continuous analysis of sales trends, our broad array of product availability and our quick response capabilities. Certain of our products can be ordered at any time through our EDI replenishment systems. For customers who reorder these products, we generally ship these products within one to two days of order receipt. As of February 3, 2008 and February 4, 2007, our backlog of open customer orders totaled \$130 million and \$152 million, respectively.

Design

Our businesses depend on our ability to stimulate and respond to consumer tastes and demands, as well as on our ability to remain competitive in the areas of quality and price.

A significant factor in the continued strength of our brands is our in-house design teams. We form separate teams of designers and merchandisers for each of our brands, and, with respect to *Calvin Klein*, for each product category, creating a structure that focuses on the special qualities and identity of each brand and product. These designers and merchandisers consider consumer taste and lifestyle and trends when creating a brand or product plan for a particular season. The process from initial design to finished product varies greatly, but generally spans six to ten months prior to each selling season. Our product lines are developed primarily for two major selling seasons, Spring and Fall. However, certain of our product lines offer more frequent introductions of new merchandise.

Calvin Klein has developed a cohesive team of senior design directors who share a vision for the *Calvin Klein* brands and who each lead a separate design team. These teams control all design operations and product development for most licensees and other strategic alliances.

Sourcing and Production

To address the needs of our customers, we are continuing to make investments and develop strategies to enhance our ability to provide our customers with timely product availability and delivery. Our investments in sophisticated systems should allow us to reduce the cycle time between the design of products to the delivery of those products to our customers. We believe the enhancement of our supply chain efficiencies and working capital management through the effective use of our distribution network and overall infrastructure will allow us to better control costs and provide improved service to our customers.

In 2007, over 175 different manufacturers produced our products in approximately 210 factories and 26 countries worldwide. With the exception of neckwear, virtually all of our products are produced by independent manufacturers located in foreign countries. We produce approximately 33% of our neckwear in our domestic manufacturing facility, and the remaining 67% of our neckwear is produced by independent third parties, principally located in foreign countries. We source finished products and raw materials. Raw materials include fabric, buttons, thread, labels and similar materials. Raw materials and production commitments are generally made two to six months prior to production, and quantities are finalized at that time. We believe we are one of the largest procurers of shirting fabric in the world. Finished products consist of manufactured and fully assembled products ready for shipment to our customers and our stores. Most of our dress shirts and all of our sportswear are sourced and manufactured in the Far East, the Indian subcontinent, the Middle East, the Caribbean and Central America. Our footwear is sourced and manufactured principally in the Far East, Europe, South America and the Caribbean. Our neckwear fabric is sourced primarily from Europe and the Far East. The manufacturers of all of these items are required to meet our quality, cost and human rights requirements. No single supplier is critical to our production needs, and we believe that an ample number of alternative suppliers exist should we need to secure additional or replacement production capacity and raw materials. Given our extensive network of sourcing partners, we believe we are able to obtain goods at low cost and on a timely basis.

Our foreign offices and buying agents enable us to monitor the quality of the goods manufactured by, and the delivery performance of, our suppliers, which includes the enforcement of human rights standards through our ongoing approval and monitoring system. In addition, sales are monitored regularly at both the retail and wholesale levels and modifications in production can be made either to increase or reduce inventories. We continually seek additional suppliers throughout the world for our sourcing needs and place our orders in a manner designed to limit the risk that a disruption of production at any one facility could cause a serious inventory problem. We have not experienced significant production delays or difficulties in importing goods. Our purchases from our suppliers are effected through individual purchase orders specifying the price and quantity of the items to be produced.

Warehousing and Distribution

To facilitate distribution, our products are shipped from manufacturers to our wholesale and retail warehousing and distribution centers for inspection, sorting, packing and shipment. Ranging in size from 112,000 to 747,000 square feet, our centers are located in Arkansas, California, Georgia, North Carolina, Pennsylvania and Tennessee. Our warehousing and distribution centers are designed to provide responsive service to our customers and our retail stores, as the case may be, on a cost-effective basis. This includes the use of various forms of electronic communications to meet customer needs, including advance shipping notices for all major customers. In addition, we contract with third parties for warehousing and distribution in Canada and Europe to provide responsive service for our foreign wholesale operations.

Advertising and Promotion

We market substantially all of our products on a brand-by-brand basis targeting distinct consumer demographics and lifestyles. Our marketing programs are an integral feature of our product offerings. Advertisements generally portray a lifestyle

rather than a specific item. We intend for each of our brands to be a leader in its respective market segment, with strong consumer awareness and consumer loyalty. We believe that our brands are successful in their respective segments because we have strategically positioned each brand to target a distinct consumer demographic. We will continue to design and market our products to complement each other, satisfy lifestyle needs, emphasize product features important to our target consumers and produce consumer loyalty.

We advertise our brands in national print media (including fashion, entertainment/human interest, business, men's, women's and sports magazines, *The New York Times*, *The Wall Street Journal* and *USA Today*), on the Internet, on television, in movie theaters and through outdoor signage and sports sponsorships, and we have contracted with the New Jersey Sports and Exposition Authority for naming rights to the *IZOD Center* arena, home to the National Basketball Association's New Jersey Nets basketball team. We also participate in cooperative advertising programs with our customers, as we believe that brand awareness and in-store positioning are further strengthened by our contributions to such programs.

With respect to our retail operations, we generally rely upon local outlet mall developers to promote traffic for their centers. Outlet center developers employ multiple formats, including signage (highway billboards, off-highway directional signs, on-site signage and on-site information centers), print advertising (brochures, newspapers and travel magazines), direct marketing (to tour bus companies and travel agents), radio and television and special promotions.

We believe Calvin Klein is one of the most well-known designer names in the world. One of the efforts that has helped to establish and maintain the *Calvin Klein* name and image is its high-profile, often cutting-edge advertising campaigns that stimulate publicity, curiosity and debate among customers and consumers, as well as within the fashion industry. Calvin Klein has a dedicated in-house advertising agency, with experienced in-house creative and media teams that develop and execute a substantial portion of the institutional consumer advertising placement for products under the *Calvin Klein* brands. The advertising team works closely with other functional areas within Calvin Klein and its licensing and other partners to deliver a consistent and unified brand message to the consumer. Calvin Klein oversees a worldwide marketing, advertising and promotions program of approximately \$250 million, most of which is spent by its licensees and authorized users.

Calvin Klein

products are advertised primarily in national print media, through outdoor signage and on television. We believe promotional activities throughout the year further strengthen brand awareness of the *Calvin Klein* brands. The Spring and Fall *Calvin Klein* high-end apparel collections are presented at major fashion shows in New York City and Milan, which typically generate extensive media coverage. Other Calvin Klein promotional efforts include seasonal in-store events with fashion models, product launch events, gift-with-purchase programs, participation in charitable and special corporate-sponsored events and providing outfits to celebrities for award ceremonies and premieres.

Trademarks

We own the *Van Heusen*, *Bass*, *G.H. Bass & Co.*, *IZOD*, *IZOD G*, *ARROW* and *Eagle* brands, as well as related trademarks and lesser-known names. We beneficially own the *Calvin Klein* marks and derivative marks (for products other than underwear, sleepwear and loungewear). Calvin Klein and Warnaco are each an owner (for their respective products) of the Calvin Klein Trademark Trust, which is the sole and exclusive title owner of substantially all registrations of the *Calvin Klein* trademarks. The sole purpose of the Trust is to hold these marks. Calvin Klein maintains and protects the marks on behalf of the Trust pursuant to a servicing agreement. The Trust exclusively licenses to Warnaco on an irrevocable, perpetual and royalty-free basis the use of the marks on men's and boys' underwear and sleepwear and women's and girls' intimate apparel and sleepwear, and to Calvin Klein on an irrevocable, perpetual and royalty-free basis the use of the marks on all other products. Warnaco pays us an administrative fee based on Warnaco's worldwide sales of underwear, intimate apparel and sleepwear products bearing any of the *Calvin Klein* marks under an administration agreement between Calvin Klein and Warnaco.

We allow Mr. Calvin Klein to retain the right to use his name, on a non-competitive basis, with respect to his right of publicity, unless those rights are already being used in the Calvin Klein business. We also grant Mr. Klein a royalty-free worldwide right to use the *Calvin Klein* mark with respect to certain personal businesses and activities, such as motion picture, television and video businesses, a book business, writing, speaking and/or teaching engagements, non-commercial photography, charitable activities and architectural and industrial design projects, subject to certain limitations designed to protect the image and prestige of the *Calvin Klein* brands and to avoid competitive conflicts.

Our trademarks are the subject of registrations and pending applications throughout the world for use on a variety of apparel, footwear and related products, and we continue to expand our worldwide usage and registration of new and related trademarks. In general, trademarks remain valid and enforceable as long as the marks continue to be used in connection with the products and services with which they are identified and, as to registered tradenames, the required registration renewals are filed.

In markets outside of the United States, particularly those where products bearing any of our brands are not sold by us or any of our licensees or other authorized users, our rights to the use of trademarks may not be clearly established.

We regard the license to use our trademarks and our other intellectual property rights in the trademarks as valuable assets in marketing our products and, on a worldwide basis, vigorously seek to protect them against infringement. We are susceptible to others imitating our products and infringing on our intellectual property rights. This is especially the case with respect to the *Calvin Klein* brands, as the *Calvin Klein* brands enjoy significant worldwide consumer recognition and their generally higher pricing provides significant opportunity and incentive for counterfeiters and infringers. Calvin Klein has a broad, proactive enforcement program, which we believe has been generally effective in controlling the sale of counterfeit products in the United States and in major markets abroad. We have taken enforcement action with respect to our other marks on an as-needed basis.

Contingent Purchase Price Payments

Prior to our acquisition of Calvin Klein, Calvin Klein was obligated to pay Mr. Calvin Klein and his heirs in perpetuity a percentage of sales of certain products bearing any of the *Calvin Klein* brands under a design services letter agreement. In connection with our acquisition of Calvin Klein, we bought all of Mr. Klein's rights under that agreement in consideration of a warrant to purchase our common stock and for granting him the right to receive from us contingent purchase price payments for a period of 15 years based on a percentage of total worldwide net sales of products bearing any of the *Calvin Klein* brands. In addition, Mr. Klein was released from all of his obligations under that agreement, including his obligation to render design services to Calvin Klein, and the design services letter agreement was terminated. Our obligation to make contingent purchase price payments to Mr. Klein in connection with our acquisition of Calvin Klein is guaranteed by our Calvin Klein subsidiaries and is secured by a subordinated pledge of all of the equity interests in our Calvin Klein subsidiaries and a subordinated lien on substantially all of our domestic Calvin Klein subsidiaries' assets. Events of default under the agreements governing the collateral for our contingent payment obligations to Mr. Klein, include, but are not limited to (1) our failure to make payments to Mr. Klein when due, (2) covenant defaults, (3) cross-defaults to other indebtedness in excess of an agreed amount, (4) events of bankruptcy, (5) monetary judgment defaults and (6) a change of control, including the sale of any portion of the equity interests in our Calvin Klein subsidiaries. An event of default under those agreements would permit Mr. Klein to foreclose on his security interest in the collateral. In addition, if we fail to pay Mr. Klein a contingent purchase price payment when due and such failure to pay continues for 60 days or more after a final judgment by a court is rendered relating to our failure to pay, Mr. Klein will no longer be restricted from competing with us as he otherwise would be under the non-competition provisions contained in the purchase agreement relating to our acquisition of Calvin Klein, although he would still not be able to use any of the *Calvin Klein* brands or any similar trademark in any competing business.

In connection with the Superba acquisition, we are obligated to pay to Superba contingent purchase price payments if the earnings of the acquired business exceed certain targets in fiscal 2007, 2008 and 2009. The maximum payout that Superba can receive is \$15 million, \$25 million and \$30 million with respect to earnings in fiscal 2007, 2008 and

2009, respectively. Any such contingent purchase price payments are payable 90 days after the applicable fiscal year end.

Competition

The apparel and footwear industries are competitive as a result of their fashion orientation, mix of large and small producers, the flow of domestic and imported merchandise and the wide diversity of retailing methods. Some of our larger branded apparel and footwear competitors include Polo Ralph Lauren Corporation, Tommy Hilfiger Corporation, Nautica Enterprises, Inc., Perry Ellis International, The Timberland Company and The Rockport Company, LLC. As a result of our acquisition of Calvin Klein, we believe The Donna Karan Company, LLC, Polo Ralph Lauren's Purple Label, Giorgio Armani SPA, Gucci Group N.V. and Prada SPA Group also are our competitors. In addition, we face significant competition from retailers, including our own wholesale customers, through their private label programs.

We compete primarily on the basis of style, quality and service. Our business depends on our ability to stimulate consumer tastes and demands, as well as on our ability to remain competitive in the areas of quality, service and price. We believe we are well-positioned to compete in the apparel and footwear industries. Our diversified portfolio of apparel brands and apparel and footwear products and our use of multiple channels of distribution have allowed us to develop a business that produces results which are not dependent on any one demographic group, merchandise preference or distribution channel. We have developed a portfolio of brands that appeal to a broad spectrum of consumers. Our owned brands have long histories and enjoy high recognition within their respective consumer segments. We develop our owned and licensed brands to complement each other and to generate strong consumer loyalty. The *Calvin Klein* brands generally provide us with the opportunity to develop businesses that target different consumer groups at higher price points and in higher-end distribution channels than our other brands, as well as with significant global opportunities due to the worldwide recognition of the brands.

Imports and Import Restrictions

A substantial portion of our products is manufactured by contractors located outside the United States. These products are imported and are subject to United States customs laws, which impose tariffs, as well as quota restrictions, for non-World Trade Organization (WTO) member countries. Under the provisions of the WTO agreement governing international trade in textiles, known as the WTO Agreement on Textiles and Clothing, the United States and other WTO member countries have eliminated quotas on textiles and apparel-related products from WTO member countries. As a result, quota restrictions do not affect our business in most countries; however, the removal of quotas resulted in an import surge from China. Accordingly, the United States, pursuant to the U.S.-China Accession Agreement to join the WTO, has imposed safeguard quotas on certain categories of products imported from China. The imposition of these safeguard quotas has not had any adverse impact on us. We closely monitor our imports and are aware of the quantities that will be shipped on a month-by-month basis. This enables us to ensure that there are no supply chain disruptions as a result of the usage of the quota. The safeguard restrictions imposed will expire December 31, 2008. Presently, a portion of our imported products is eligible for certain duty-advantaged programs, including CAFTA.

Environmental Matters

Our facilities and operations are subject to various environmental, health and safety laws and regulations, including the proper maintenance of asbestos-containing materials. In addition, we may incur liability under environmental statutes and regulations with respect to the contamination of sites that we own or operate or previously owned or operated (including contamination caused by prior owners and operators of such sites, abutters or other persons) and the off-site disposal of hazardous materials. We believe our operations are in compliance with terms of all applicable laws and regulations.

Employees

As of February 3, 2008, we employed approximately 6,300 persons on a full-time basis and approximately 5,300 persons on a part-time basis. Approximately 4% of our employees were represented for the purpose of collective bargaining by five different unions. Additional persons, some represented by these five unions, are employed from time to time based upon our manufacturing schedules and retailing seasonal needs. Our collective bargaining agreements generally are for three-year terms. We believe that our relations with our employees are satisfactory.

Executive Officers of the Registrant

The following table sets forth the name, age and position of each of our executive officers:

Name	Age	Position
Emanuel Chirico	50	Chairman and Chief Executive Officer
Allen E. Sirkin	65	President and Chief Operating Officer
Michael A. Shaffer	45	Executive Vice President and Chief Financial Officer
Francis K. Duane	51	Vice Chairman, Wholesale
Michael Zaccaro	62	Vice Chairman, Retail
Paul Thomas Murry	57	President and Chief Operating Officer, Calvin Klein

Mr. Emanuel Chirico joined us as Vice President and Controller in 1993. Mr. Chirico was named Executive Vice President and Chief Financial Officer in 1999, President and Chief Operating Officer in 2005, Chief Executive Officer in February 2006 and Chairman of the Board in June 2007.

Mr. Allen E. Sirkin has been employed by us since 1985. He served as Chairman of our Apparel Group from 1990 until 1995, was named Vice Chairman, Dress Shirts in 1995 and President and Chief Operating Officer in March 2006.

Mr. Michael A. Shaffer has been employed by us since 1990. He most recently served as Senior Vice President, Retail Operations before being named Executive Vice President, Finance in 2005 and Chief Financial Officer in March 2006.

Mr. Francis K. Duane served as President of our Izod division from 1998 until 2001, was named Vice Chairman, Sportswear in 2001 and Vice Chairman, Wholesale in March 2006.

Mr. Michael Zaccaro served as President, Izod Retail from 1999 until 2001, was named Group President, Van Heusen and Izod Retail in 2001 and Vice Chairman, Retail in April 2002.

Mr. Paul Thomas Murry has been employed by Calvin Klein since 1996. Mr. Murry retained his position as President and Chief Operating Officer, Calvin Klein upon our acquisition of Calvin Klein in 2003.

Item 1A. Risk Factors

A substantial portion of our revenue and gross profit is derived from a small number of large customers and the loss of any of these customers could substantially reduce our revenue.

A few of our customers, including Macy's, JCPenney, Kohl's and Wal-Mart, account for significant portions of our revenue. Sales to our five largest customers were 30.2% of our revenue in 2007, 30.6% of our revenue in 2006 and 34.3% of our revenue in 2005. Macy's, our largest customer, accounted for 9.7% of our revenue in 2007, 11.4% of our revenue in 2006 and 13.7% of our revenue in 2005. We do not have long-term agreements with any of our customers and purchases generally occur on an order-by-order basis. A decision by any of our major customers, whether motivated by marketing strategy, competitive conditions, financial difficulties or otherwise, to decrease significantly the amount of merchandise purchased from us or our licensing or other partners, or to change their manner of doing business with us or our licensing or other partners, could substantially reduce our revenue and materially adversely affect our profitability. The retail industry has recently experienced a great deal of consolidation and other ownership changes and we expect such changes to be ongoing. For example, in August 2005, Federated Department Stores, Inc. (now known as Macy's, Inc.) acquired The May Department Stores Company, and closed approximately 80 stores subsequent to the acquisition. Store closings decrease the number of stores carrying our apparel products, while the remaining stores may purchase a smaller amount of our products and may reduce the retail floor space designated for our brands. In the future, retailers may further consolidate, undergo restructurings or reorganizations, realign their affiliations or reposition their stores' target markets. Any of these types of actions could decrease the number of stores that carry our products or increase the ownership concentration within the retail industry. These changes could decrease our opportunities in the market, increase our reliance on a smaller number of large customers and decrease our negotiating strength with our customers. These factors could have a material adverse effect on our financial condition and results of operations.

Our business could be adversely affected by financial instability experienced by our customers.

During the past several years, various retailers have experienced significant financial difficulties, which have resulted in bankruptcies, liquidations and store closings. We sell our products primarily to national and regional department, mid-tier department and mass market stores in the United States on credit and evaluate each customer's financial condition on a regular basis in order to determine the credit risk we take in selling goods to them. The financial difficulties of a customer could cause us to curtail business with that customer and we may be unable to shift sales to another viable customer. We may also assume more credit risk relating to receivables of a customer experiencing financial instability. Should these circumstances arise with respect to our customers, our inability to shift sales or to

collect on our trade accounts receivable from any one of our customers could substantially reduce our revenue and have a material adverse effect on our financial condition and results of operations.

We may not be able to continue to realize revenue growth from Calvin Klein.

A significant portion of our business strategy involves growing our Calvin Klein business. Our realization of revenue growth from Calvin Klein will depend largely upon our ability to:

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continue to maintain and enhance the distinctive brand identity of the *Calvin Klein* brands;

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continue to maintain good working relationships with Calvin Klein's licensees;

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continue to enter into new licensing agreements for the *Calvin Klein* brands, both domestically and internationally;

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continue to successfully develop and expand the *Calvin Klein* men's better sportswear line; and

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continue to open *Calvin Klein* outlet retail stores in premium outlet malls and successfully operate over time a chain of such stores.

We cannot assure you that we can successfully execute any of these actions or our growth strategy for the *Calvin Klein* brands, nor can we assure you that the launch of any *Calvin Klein* branded products or businesses by us or our licensees or that the continued offering of these lines will achieve the degree of consistent success necessary to generate profits or positive cash flow. Our ability to successfully carry out our growth strategy may be affected by, among other things, our ability to enhance our relationships with existing customers to obtain additional selling space and develop new relationships with apparel retailers,

economic and competitive conditions, changes in consumer spending patterns and changes in consumer tastes and style trends. If we fail to develop and grow successfully the Calvin Klein business, our financial condition and results of operations may be materially and adversely affected.

The success of Calvin Klein depends on the value of our Calvin Klein brands, and if the value of those brands were to diminish, our business could be adversely affected.

Our success depends on our brands and their value. The *Calvin Klein* name is integral to the existing Calvin Klein business, as well as to our strategies for continuing to grow and expand Calvin Klein. The *Calvin Klein* brands could be adversely affected if Mr. Klein's public image or reputation were to be tarnished.

Our level of debt could impair our financial condition.

We had approximately \$400 million of long-term debt, \$108 million of outstanding letters of credit and \$217 million of additional amounts available for borrowing as of February 3, 2008. Our level of debt could have important consequences to investors, including:

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requiring a substantial portion of our cash flows from operations be used for the payment of interest on our debt, thereby reducing the funds available to us for our operations or other capital needs;

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limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate because our available cash flow after paying principal and interest on our debt may not be sufficient to make the capital and other expenditures necessary to address these changes;

·
increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flow, we will be required to devote a proportionally greater amount of our cash flow to paying principal and interest on our debt;

limiting our ability to obtain additional financing in the future to fund working capital, capital expenditures, acquisitions and general corporate requirements;

placing us at a competitive disadvantage to other relatively less leveraged competitors that have more cash flow available to fund working capital, capital expenditures and general corporate requirements; and

any borrowings we make at variable interest rates, including our revolving credit facility, leave us vulnerable to increases in interest rates generally.

The availability of financing, if needed, could also be affected by general economic conditions, market conditions (such as the current so-called sub-prime mortgage crisis) and other factors. As such, there can be no assurance that such financing could be obtained at such time as a need arises or that it would be available to us on terms satisfactory to us.

We primarily use foreign suppliers for our products and raw materials, which poses risks to our business operations.

During 2007, virtually all of our apparel products, excluding neckwear, were produced by and purchased or procured from independent manufacturers located in countries in the Far East, the Indian subcontinent, the Middle East, the Caribbean and Central America. Approximately 67% of our neckwear is produced by independent third parties, principally located in foreign countries. We believe that we are one of the largest procurers of shirting fabric in the world. Additionally, our footwear products and the raw materials therefor were produced by and purchased or procured from manufacturers located principally in countries in the Far East, Europe, South America and the Caribbean, and our neckwear fabric was produced by or procured from manufacturers in Europe and the Far East. Although no single supplier or country is critical to our production needs, any of the following could materially and adversely affect our ability to produce or deliver our products and, as a result, have a material adverse effect on our business, financial condition and results of operations:

political or labor instability in countries where contractors and suppliers are located;

political or military conflict involving the United States, which could cause a delay in the transportation of our products and raw materials to us and an increase in transportation costs;

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heightened terrorism security concerns, which could subject imported or exported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods or could result in decreased scrutiny by customs officials for counterfeit goods, leading to lost sales, increased costs for our anti-counterfeiting measures and damage to the reputation of our brands;

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a significant decrease in availability or increase in cost of raw materials, particularly petroleum-based synthetic fabrics, which are currently in high demand;

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disease epidemics and health-related concerns, such as the SARS outbreak and the mad cow and hoof-and-mouth disease outbreaks in recent years and concerns over an avian flu pandemic, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;

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the migration and development of manufacturers, which could affect where our products are or are planned to be produced;

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imposition of regulations, quotas and safeguards relating to imports and our ability to adjust timely to changes in trade regulations, which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and expertise needed;

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imposition of duties, taxes and other charges on imports;

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significant fluctuation of the value of the dollar against foreign currencies; and

restrictions on transfers of funds out of countries where our foreign licensees are located.

If our manufacturers fail to use acceptable ethical business practices, our business could suffer.

We require our manufacturers to operate in compliance with applicable laws, rules and regulations regarding working conditions, employment practices and environmental compliance. Additionally, we impose upon our business partners operating guidelines that require additional obligations in those areas in order to promote ethical business practices, and our staff and third parties we retain for such purposes periodically visit and monitor the operations of our independent manufacturers to determine compliance. However, we do not control our independent manufacturers or their labor and other business practices. If one of our manufacturers violates labor or other laws or implements labor or other business practices that are generally regarded as unethical in the United States, the shipment of finished products to us could be interrupted, orders could be cancelled, relationships could be terminated and our reputation could be damaged. Any of these events could have a material adverse effect on our revenue and, consequently, our results of operations.

Our reliance on independent manufacturers could cause delay and damage customer relationships.

In 2007, we relied upon independent third parties for all of our apparel and footwear products and approximately 67% of our neckwear. We do not have long-term contracts with any of our suppliers. A manufacturer's failure to ship products to us in a timely manner or to meet required quality standards could cause us to miss the delivery date requirements of our customers for those products. As a result, customers could cancel their orders, refuse to accept deliveries or demand reduced prices. Any of these actions taken by our customers could have a material adverse effect on our revenue and, consequently, our results of operations.

We are dependent on a limited number of distribution and neckwear manufacturing facilities. If one becomes inoperable, our business, financial condition and operating results could be negatively impacted.

We operate a limited number of distribution facilities, and approximately 33% of our neckwear is produced in only one facility that we lease. Our ability to meet the needs of our retail customers and of our own retail stores depends on the proper operation of our primary facilities. If any of our primary facilities were to shut down or otherwise become inoperable or inaccessible for any reason, we could have a substantial loss of inventory and/or disruptions of deliveries to our customers and our stores, and/or incur significantly higher costs and longer lead times associated with the distribution of our products during the time it takes to reopen or replace the facility. This could adversely

affect our business, financial condition and operating results.

A significant portion of our revenue is dependent on royalties and licensing.

In 2007, \$297.5 million, or 12.3%, of our revenue was derived from licensing royalties, advertising and other revenue, principally in our Calvin Klein Licensing segment. Royalty, advertising and other revenue from Calvin Klein's two largest licensing partners accounted for approximately 58% of its royalty, advertising and other revenue in 2007. We also derive licensing revenue from our *Van Heusen*, *IZOD*, *Bass*, *G.H. Bass & Co.* and *ARROW* brand names, as well as from the sublicensing of *Geoffrey Beene*, *BCBG Max Azria* and *BCBG Attitude*. Our three largest licensing partners accounted for approximately 29% of royalty, advertising and other revenue for these brand names as a group in 2007. The operating profit associated with our royalty, advertising and other revenue is significant because the operating expenses directly associated with administering and monitoring an individual licensing or similar agreement are minimal. Therefore, the loss of a significant licensing partner, whether due to the termination or expiration of the relationship, the cessation of the licensing partner's operations or otherwise (including as a result of financial difficulties of the partner), without an equivalent replacement, could materially affect our profitability.

While we generally have significant control over our licensing partners' products and advertising, we rely on our licensing partners for, among other things, operational and financial controls over their businesses. Our licensing partners' failure to successfully market licensed products or our inability to replace our existing licensing partners could materially and adversely affect our revenue both directly from reduced royalty and advertising and other revenue received and indirectly from reduced sales of our other products. Risks are also associated with a licensing partner's ability to:

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obtain capital;

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execute its business plans, including timely delivery of quality products;

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manage its labor relations;

maintain relationships with its suppliers;

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manage its credit risk effectively; and

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maintain relationships with its customers.

In addition, we rely on our licensing partners to preserve the value of our brands. Although we make every attempt to protect our brands through, among other things, approval rights over design, production quality, packaging, merchandising, distribution, advertising and promotion of our products, we cannot assure you that we can control the use by our licensing partners of each of our licensed brands. The misuse of our brands by a licensing partner could have a material adverse effect on our business, financial condition and results of operations. For example, Calvin Klein in the past has been involved in legal proceedings with Warnaco with respect to certain quality and distribution issues. As a result of our acquisition of Calvin Klein, Warnaco is entitled to control design and advertising related to the sale of underwear, intimate apparel and sleepwear products bearing the *Calvin Klein* marks, although to date, it continues to work with Calvin Klein's in-house advertising agency while exercising its rights with respect to design. We cannot assure you that Warnaco will continue to maintain the same standards of design and, if it assumes control, advertising previously maintained by Calvin Klein, although we believe they are generally obligated to do so.

Our retail stores are heavily dependent on the ability and desire of consumers to travel and shop.

Our retail stores are located principally in outlet malls, which are typically located in or near vacation destinations or away from large population centers where department stores and other traditional retailers are concentrated. As a result, fuel shortages, increased fuel prices, travel restrictions, travel concerns and other circumstances, including as a result of war, terrorist attacks or the perceived threat of war or terrorist attacks, which would lead to decreased travel, could have a material adverse affect on us. Other factors which could affect the success of our stores include:

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the location of the mall or the location of a particular store within the mall;

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the other tenants occupying space at the mall;

increased competition in areas where the outlet malls are located;

a downturn in the economy generally or in a particular area where an outlet mall is located; and

the amount of advertising and promotional dollars spent on attracting consumers to the malls.

We may be unable to protect our trademarks and other intellectual property rights.

Our trademarks and other intellectual property rights are important to our success and our competitive position. We are susceptible to others imitating our products and infringing on our intellectual property rights. Since our acquisition of Calvin Klein, we are more susceptible to infringement of our intellectual property rights, as the *Calvin Klein* brands enjoy significant worldwide consumer recognition, and the generally higher pricing of *Calvin Klein* branded products creates additional incentive for counterfeiters and infringers. Imitation or counterfeiting of our products or infringement of our intellectual property rights could diminish the value of our brands or otherwise adversely affect our revenue. We cannot assure you that the actions we have taken to establish and protect our trademarks and other intellectual property rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others. In addition, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other intellectual property rights of ours or in marks that are similar to ours or marks that we license and/or market or that we will be able to successfully resolve these types of conflicts to our satisfaction. In some cases, there may be trademark owners who have prior rights to our marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of the United States. In other cases, there may be holders who have prior rights to similar marks. For example, we were involved in a proceeding relating to a company's claim of prior rights to the *IZOD* mark in Mexico, and Calvin Klein was involved in a proceeding relating to a company's claim of prior rights to the *Calvin Klein* mark in Chile. We are currently involved in opposition and cancellation proceedings with respect to marks similar to some of our brands, both domestically and internationally.

Our success is dependent on the strategies and reputation of our licensors.

Our business strategy is to offer our products on a multiple brand, multiple channel and multiple price point basis. This strategy is designed to provide stability should market trends shift. As part of this strategy we license the names and brands of recognized designers and celebrities, including Kenneth Cole, Max Azria, Sean Diddy Combs (*Sean John*), Donald J. Trump, Michael Kors, Joseph Abboud, Donna Karan (*DKNY*), Tommy Hilfiger and Ike Behar. In entering into these license agreements, we target our products towards certain market segments based on consumer demographics, design, suggested pricing and channel of distribution in order to minimize competition between our

own products and maximize profitability. If any of our licensors determines to reposition a brand we license from them, introduce similar products under similar brand names or otherwise change the parameters of design, pricing, distribution, target market or competitive set, we could experience a significant downturn in that brand's business, adversely affecting our sales and profitability. In addition, as products may be personally associated with these designers and celebrities, our sales of those products could be materially and adversely affected if any of those individual's images, reputations or popularity were to be negatively impacted.

Our revenue and profit is cyclical and sensitive to general economic conditions, consumer confidence and spending patterns.

The apparel industry has historically been subject to substantial cyclical variations and is particularly affected by adverse trends in the general economy, with consumer spending tending to decline during recessionary periods. The success of our operations depends on consumer spending. Consumer spending is impacted by a number of factors, including actual and perceived economic conditions affecting disposable consumer income (such as unemployment, wages and salaries), business conditions, interest rates, availability of credit and tax rates in the general economy and in the international, regional and local markets where our products are sold. Any significant deterioration in general economic conditions or increases in interest rates could reduce the level of consumer spending and inhibit consumers use of credit. In addition, war, terrorist activity or the threat of war and terrorist activity could adversely affect consumer spending, and thereby have a material adverse effect on our financial condition and results of operations.

We face intense competition in the apparel industry.

Competition is strong in the apparel industry. We compete with numerous domestic and foreign designers, brands, manufacturers and retailers of apparel, accessories and footwear, some of which are significantly larger or more diversified or have greater resources than we do. In addition, through their use of private label programs, we compete directly with our wholesale customers. We compete within the apparel industry primarily on the basis of:

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anticipating and responding to changing consumer tastes and demands in a timely manner and developing attractive, quality products;

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maintaining favorable brand recognition;

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appropriately pricing products and creating an acceptable value proposition for customers;

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providing strong and effective marketing support;

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ensuring product availability and optimizing supply chain efficiencies with third party manufacturers and retailers;
and

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obtaining sufficient retail floor space and effective presentation of our products at retail.

The failure to compete effectively or to keep pace with rapidly changing markets could have a material adverse effect on our business, financial condition and results of operations. In addition, if we misjudge the market for our products, we could be faced with significant excess inventories for some products and missed opportunities with others.

The loss of members of our executive management and other key employees could have a material adverse effect on our business.

We depend on the services and management experience of our executive officers who have substantial experience and expertise in our business. We also depend on other key employees involved in our licensing, design and advertising operations. Competition for qualified personnel in the apparel industry is intense, and competitors may use aggressive tactics to recruit our key employees. The unexpected loss of services of one or more of these individuals could materially adversely affect us.

Acquisitions may not be successful in achieving intended benefits and synergies.

One component of our growth strategy contemplates our making select acquisitions if appropriate opportunities arise. Prior to completing any acquisition, our management team identifies expected synergies, cost savings and growth opportunities. However, these benefits may not be realized due to, among other things:

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delays or difficulties in completing the integration of acquired companies or assets;

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higher than expected costs, lower than expected cost savings and/or a need to allocate resources to manage unexpected operating difficulties;

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diversion of the attention and resources of management;

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consumers' failure to accept product offerings by us or our licensees;

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inability to retain key employees in acquired companies; and

assumption of liabilities unrecognized in due diligence.

We cannot assure you that any acquisition will not have a material adverse impact on our financial condition and results of operations.

Provisions in our certificate of incorporation and our by-laws and Delaware General Corporate Law could make it more difficult to acquire us and may reduce the market price of our common stock.

Our certificate of incorporation and by-laws contain certain provisions, including provisions requiring supermajority voting (80% of the outstanding voting power) to approve certain business combinations with beneficial owners of 5% or more of our outstanding stock entitled to vote for election of directors, permitting the Board of Directors to fill vacancies on the Board and authorizing the Board of Directors to issue shares of preferred stock without approval of our stockholders. These provisions could also have the effect of deterring changes of control.

In addition, Section 203 of the Delaware General Corporate Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The general location, use, ownership status and approximate size of the principal properties which we currently occupy are set forth below:

Location	Use	Ownership Status	Approximate Area in Square Feet
New York, New York	Corporate, apparel and footwear administrative offices and showrooms	Leased	206,000
New York, New York	Calvin Klein administrative offices and showrooms	Leased	183,000
Bridgewater, New Jersey	Corporate, finance and retail administrative offices	Leased	234,000
Breinigsville, Pennsylvania	Warehouse and distribution center	Leased	220,000
Los Angeles, California	Warehouse and neckwear manufacturing facility	Leased	200,000
Jonesville, North Carolina	Warehouse and distribution center	Owned	747,000
Chattanooga, Tennessee	Warehouse and distribution center	Owned	451,000

Austell, Georgia	Warehouse and distribution center	Leased	421,000
Reading, Pennsylvania	Warehouse and distribution center	Owned	410,000
Schuylkill Haven, Pennsylvania	Warehouse and distribution center	Owned	251,000
Brinkley, Arkansas	Warehouse and distribution center	Owned	112,000
Hong Kong, China	Corporate administrative offices	Leased	65,000
Trento, Italy	Calvin Klein administrative offices and warehouse	Leased	20,000
Milan, Italy	Calvin Klein administrative offices and showroom	Leased	15,000

In addition, we lease certain other administrative/support offices and showrooms in various domestic and international locations. We also currently lease and operate approximately 750 retail stores in the United States.

Substantially all of our properties are subject to liens under our secured revolving credit facility.

Information with respect to minimum annual rental commitments under leases in which we are a lessee is included in Note 13, Leases, in the Notes to Consolidated Financial Statements included in Item 8 of this report.

Item 3. Legal Proceedings

We are a party to certain litigation which, in management's judgment based in part on the opinions of legal counsel, will not have a material adverse effect on our financial position.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of 2007, no matters were submitted to a vote of our security holders.

PART II

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

Certain information with respect to the market for our common stock, which is listed on the New York Stock Exchange, and the dividends declared on our common stock appear in the Notes to Consolidated Financial Statements included in Item 8 of this report under Note 10, Stockholders' Equity, on page F-20 and Selected Quarterly Financial Data, on page F-35. See Note 7, Long-Term Debt, in the Notes to Consolidated Financial Statements included in Item 8 of this report for a description of the restrictions to our paying dividends on our common stock. As of March 19, 2008, there were 797 stockholders of record of our common stock. The closing price of our common stock on March 19, 2008 was \$34.34.

ISSUER PURCHASES OF EQUITY SECURITIES ⁽¹⁾

<u>Period</u>	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
November 5, 2007 - December 2, 2007	-	\$ -	-	\$200,000,000
December 3, 2007 - January 6, 2008	4,748,700	38.58	4,748,700	16,817,704
January 7, 2008 - February 3, 2008	<u>468,950</u>	<u>35.86</u>	<u>468,950</u>	<u>2,072</u>
Total	<u>5,217,650</u>	<u>\$38.33</u>	<u>5,217,650</u>	<u>\$ 2,072</u>

⁽¹⁾ On November 30, 2007, our Board of Directors authorized us to repurchase up to \$200,000,000 of our outstanding common stock. The Board's authorization was effective through the end of fiscal 2008 and permitted us to effect the

purchases through open market purchases, privately negotiated transactions, including accelerated and guaranteed share repurchase agreements, and other means. Cash was used to fund all purchases in the open market, and all of the shares repurchased under the authorization were placed into treasury pending use for general corporate purposes. As of February 3, 2008, we deemed this share repurchase program to have been completed. Commission fees associated with these repurchases, which totaled approximately \$104,000, are not reflected in the table above.

The following performance graph and return to stockholders information shown below are provided pursuant to Item 201(e) of Regulation S-K promulgated under the Exchange Act. The graph and information are not deemed to be filed under the Exchange Act or otherwise subject to liabilities thereunder, nor are they to be deemed to be incorporated by reference in any filing under the Securities Act or Exchange Act unless we specifically incorporate them by reference.

The performance graph compares the yearly change in the cumulative total stockholder return on our Common Stock against the cumulative return of the Russell 2000 Index, the Russell Midcap Index and the S&P Apparel, Accessories and Luxury Goods Index for the five fiscal years ended February 3, 2008. We intend to use the Russell Midcap Index as the broad equity market index required under Item 201(e) to be used in the graph in future years in lieu of the Russell 2000 Index that we have used in prior years because our Common Stock is now reported as part of the Midcap Index and has been removed from the 2000 Index.

Value of \$100.00 invested after 5 years:

Our Common Stock	
Russell Midcap Index	\$375.32
Russell 2000 Index	\$225.47
S&P Apparel, Accessories and Luxury Goods Index	\$208.33
	\$153.90

Item 6. Selected Financial Data

Selected Financial Data appears under the heading **Ten Year Financial Summary** on pages F-39 and F-40.

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

References to the brand names *Calvin Klein Collection*, *ck Calvin Klein*, *Calvin Klein*, *Van Heusen*, *IZOD*, *Eagle*, *Bass*, *Geoffrey Beene*, *ARROW*, *BCBG Max Azria*, *BCBG Attitude*, *CHAPS*, *Sean John*, *Donald J. Trump Signature Collection*, *Kenneth Cole New York*, *Kenneth Cole Reaction*, *DKNY*, *Tommy Hilfiger*, *Nautica*, *Perry Ellis Portfolio*, *Ike Behar*, *Jones New York*, *Timberland* and to other brand names are to registered trademarks owned by us or licensed to us by third parties and are identified by italicizing the brand name.

References to our acquisition of CMI refer to our January 2008 acquisition of Confezioni Moda International S.r.L., which we refer to as CMI. CMI is the licensee of the *Calvin Klein Collection* apparel and accessories businesses.

References to our acquisition of Superba refer to our January 2007 acquisition of substantially all of the assets of Superba, Inc., a privately-held manufacturer and distributor of neckwear in the United States and Canada, which we refer to as Superba.

References to our acquisition of Arrow refer to our December 2004 acquisition of Cluett Peabody Resources Corporation and Cluett Peabody & Co., Inc., which companies we refer to collectively as Arrow.

References to our acquisition of Calvin Klein refer to our February 2003 acquisition of Calvin Klein, Inc. and certain affiliated companies, which companies we refer to collectively as Calvin Klein.

OVERVIEW

The following discussion and analysis is intended to help you understand us, our operations and our financial performance. It should be read in conjunction with our consolidated financial statements and the accompanying notes, which are included elsewhere in this report.

We are one of the largest apparel companies in the world, with a heritage dating back over 125 years. Our brand portfolio consists of nationally recognized brand names, including *Calvin Klein*, *Van Heusen*, *IZOD*, *ARROW*, *Bass* and *Eagle*, which are owned, and *Geoffrey Beene*, *Kenneth Cole New York*, *Kenneth Cole Reaction*, *BCBG Max Azria*, *BCBG Attitude*, *Sean John*, *CHAPS*, *Donald J. Trump Signature Collection*, *DKNY*, *Tommy Hilfiger*, *Nautica*, *Perry Ellis Portfolio*, *Ike Behar* and *Jones New York*, which are licensed.

Our results in 2007 were strong despite the macroeconomic challenges that impacted the overall retail environment. These results built on the positive trends and strong performance we have experienced since 2004 and included recording revenue and net income at record levels. Our strong performance over the past few years also provided us with sufficient cash flow to fund a \$200 million stock repurchase in the interest of returning value to our stockholders.

Our historical business strategy has been to manage and market a portfolio of nationally recognized brands at multiple price points and across multiple channels of distribution. We believe this strategy reduces our reliance on any one demographic group, merchandise preference or distribution channel. We have expanded this strategy, including through our acquisitions of Calvin Klein in February 2003 and Arrow in December 2004. These acquisitions not only provided us with brands that offer additional distribution channel and price point opportunities in our traditional categories of dress shirts and sportswear, thus building on our historical strategy, but also provided us with established international licensing businesses which do not require capital investments. These acquisitions have also provided us with growth opportunities in extending these brands through licensing into additional product categories and jurisdictions, as well as by providing us with some protection against general downturns in the U.S. economy. Our acquisition in January 2007 of Superba's established neckwear business advances our historical strategy by adding a product category that can be leveraged into the strategy and is complementary to our heritage dress shirt business. This presents us with opportunities to grow and enhance the performance of both businesses by providing us with the ability to produce all of the neckwear for our owned brands over time and to leverage the design, merchandising and selling capabilities of both businesses to offer our customers a cohesive and comprehensive portfolio of branded dress shirts and neckwear. Our business strategy was further supported by our assumption of the wholesale *IZOD* women's sportswear collection, which was previously a licensed business. During the second quarter of 2007, we assumed responsibility for the development and sale of the line, which allowed us to expand our operations for the first time to include the wholesale distribution of women's sportswear.

Our financial results in 2007 were driven by the continued strength of our *Calvin Klein* brand, through the growth of existing businesses and entry into new businesses, both directly by us and through licensees in the U.S. and abroad. Approximately 25% of our total earnings before interest and taxes is derived from international sources, driven by the significant international component of our Calvin Klein licensing business. Additionally, the performance of our new neckwear and *IZOD* women's sportswear businesses contributed to our revenue and earnings increases. This demonstrates the effectiveness of our business strategy, as the positive performance of these businesses offset the negative impact that the overall soft retail environment had on our sportswear and heritage brand retail businesses.

We intend to continue to build upon our business strategy by implementing new initiatives that provide us with the opportunity to promote our products and to fill product and brand portfolio needs. This is evidenced by our opening of *Calvin Klein* specialty retail stores in premier malls in the U.S., which are intended to serve as a platform for showcasing the totality of the *Calvin Klein* white label better product. We opened five of these stores during 2007 and plan to open another five stores during 2008. In addition, we have entered into a licensing arrangement with The Timberland Company to design, source and market men's and women's casual sportswear under the *Timberland* brand in North America. We will assume the management of the men's apparel line, which is currently produced by The Timberland Company, for the Fall 2008 season and currently plan to launch a women's line for Spring 2010. *Timberland* is an authentic outdoor traditional brand targeted to the department and specialty store channels of distribution that we believe has a unique positioning that will complement our existing portfolio of sportswear brands and enable us to reach a broader spectrum of consumers.

We intend to continue to expand our operations globally, through direct marketing by us and through partnerships with licensees. We recently expanded our wholesale operations to include sales of certain of our products to department and specialty stores throughout Canada and parts of Europe, and have entered into many license agreements with partners across the globe for our brands.

Our strong earnings and positive cash flow over the past few years enabled us to return value to our stockholders through a \$200 million stock repurchase program, which was completed during the fourth quarter of 2007. In addition, during 2007, we continued to invest heavily in the marketing of our brands by spending a record \$153 million on advertising (funded partially by licensees and other partners). We also made significant investments in people and infrastructure for existing and new businesses, including through the expansion of our office facilities both domestically and internationally. After funding these investments and the stock repurchase with cash on hand, we ended 2007 with \$270 million in cash and a strong balance sheet with significant credit availability, which we believe enables us to continue to explore licensing and acquisition opportunities that will enhance our business strategy and promote our future growth.

RESULTS OF OPERATIONS

Operations Overview

We generate net sales from (i) the wholesale distribution of men's dress shirts, men's sportswear, neckwear (beginning in the fourth quarter of 2006) and women's sportswear (beginning in the second quarter of 2007); and (ii) the sale, through approximately 750 company-operated retail stores, of apparel, footwear and accessories under the brand names *Van Heusen*, *IZOD*, *Geoffrey Beene*, *Bass* and *Calvin Klein*. Our stores principally operate in an outlet format. We also operate a full price store located in New York City under the *Calvin Klein Collection* brand, in which we principally sell men's and women's high-end collection apparel and accessories, soft home furnishings and tableware. In the third quarter of 2007, we began operating a limited number of specialty retail stores in premier malls in the United States under the *Calvin Klein* brand, in which we principally sell men's and women's better apparel and accessories.

We generate royalty, advertising and other revenue from fees for licensing the use of our trademarks. Calvin Klein royalty, advertising and other revenue, which comprised 89% of total royalty, advertising and other revenue in 2007, is derived under licenses and other arrangements for a broad array of products, including jeans, underwear, fragrances, eyewear, watches and home furnishings.

Gross profit on total revenue is total revenue less cost of goods sold. Included as cost of goods sold are costs associated with the production and procurement of product, including inbound freight costs, purchasing and receiving costs, inspection costs, internal transfer costs and other product procurement related charges. Because there is no cost of goods sold associated with royalty, advertising and other revenue, 100% of such revenue is included in gross profit. As a result, our gross profit may not be comparable to that of other entities.

Selling, general and administrative expenses include all other expenses, excluding interest and income taxes. Salaries and related fringe benefits is the largest component of selling, general and administrative expenses, comprising 47% of such expenses in 2007. Rent and occupancy for offices, warehouses and retail stores is the next largest expense, comprising 21% of selling, general and administrative expenses in 2007.

The following table summarizes our results of operations in 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
(dollars in millions, except per share amounts)			
Net sales			
	\$2,127.7	\$1,849.2	\$1,697.3
Royalty revenue	214.4	182.3	158.8
Advertising and other revenue	<u>83.0</u>	<u>59.1</u>	<u>52.8</u>
Total revenue	<u>2,425.2</u>	<u>2,090.6</u>	<u>1,908.8</u>
Gross profit	1,191.0	1,029.9	891.1
<i>% of total revenue</i>	49.1%	49.3%	46.7%
Selling, general and administrative expenses	882.5	796.6	684.2
<i>% of total revenue</i>	36.4%	38.1%	35.8%
Gain on sale of investments, net	<u>3.3</u>	<u>32.0</u>	<u>-</u>
Income before interest and taxes	311.8	265.3	206.8
Interest expense	33.8	34.3	34.4

Interest income	<u>16.7</u>	<u>17.4</u>	<u>5.8</u>
Income before taxes	294.8	248.4	178.3
Income tax expense	<u>111.5</u>	<u>93.2</u>	<u>66.6</u>
Net income	<u>\$ 183.3</u>	<u>\$ 155.2</u>	<u>\$ 111.7</u>
Diluted net income per common share	<u>\$ 3.21</u>	<u>\$ 2.64</u>	<u>\$ 1.85</u>

Net Sales

Our net sales in 2007 increased to \$2,127.7 million from \$1,849.2 million in 2006 and \$1,697.3 million in 2005. Our 2007 net sales increase of \$278.5 million over 2006 net sales was due principally to:

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the addition of \$153.2 million of net sales attributable to growth in our Wholesale Dress Furnishings segment, resulting principally from sales of our new neckwear division that we created in connection with our January 2007 acquisition of Superba;

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the addition of \$73.3 million of net sales attributable to growth in our Wholesale Sportswear and Related Products segment, driven primarily by the addition of sales associated with our assumption of the *IZOD* women's sportswear business in the second quarter of 2007, as well as growth in our *Calvin Klein* sportswear business; and

the addition of \$52.0 million of net sales attributable to growth in our retail segments, primarily driven by comparable store sales growth of approximately 1% in our outlet retail business and the opening of *Calvin Klein* and other outlet retail stores. The year-to-year comparative results of our retail segments were negatively impacted by approximately \$10.0 million as a result of an extra week of revenue in the prior year, as 2006 included 53 weeks of operations. We believe that 2007 comparable store sales are more appropriately compared with 2006 excluding the impact of the extra week of revenue. The impact of the extra week of revenue was a decrease in comparable store sales of 2%. Therefore, excluding the impact of the extra week of revenue in 2006, our outlet retail divisions would have achieved comparable store sales growth of approximately 3%.

Our 2006 net sales increase of \$151.9 million over 2005 net sales was due principally to the net effect of the items described below.

Net sales *increases* in 2006 included:

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the addition of \$111.6 million of net sales attributable to growth in our retail segments, driven by an increase of approximately 9% in comparable store sales and the opening of additional *Calvin Klein* outlet retail stores in premium outlet malls. Included in our net sales increase was approximately \$10.0 million in additional revenue from the extra week (53rd week) in 2006. Excluding the extra week of revenue, our outlet retail divisions achieved comparable store sales growth of approximately 8%; and

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the addition of \$63.5 million of net sales attributable to growth in our Wholesale Sportswear and Related Products segment, driven by increases across all of our wholesale sportswear divisions, particularly *Calvin Klein* men's better sportswear.

Net sales *decreases* in 2006 included:

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a \$23.2 million sales decrease in our Wholesale Dress Furnishings segment, resulting principally from door closings associated with the 2005 acquisition by Federated Department Stores, Inc. (now known as Macy's, Inc.) of The May Department Stores Company.

Our net sales in fiscal 2008 are expected to increase approximately 6% to 7% due principally to growth in our existing businesses, particularly our *Calvin Klein* men's sportswear and outlet retail businesses, as well as the impact of a full year of sales from our *IZOD* women's sportswear business. Sales are also expected to increase as a result of our *Timberland* men's sportswear line, which will launch for Fall 2008, the expected opening of *Calvin Klein* specialty retail stores in premier malls in the United States, and our January 2008 acquisition of CMI, the licensee of our *Calvin Klein Collection* apparel and accessories businesses.

Royalty, Advertising and Other Revenue

Royalty, advertising and other revenue increases over the prior year were \$56.0 million and \$29.9 million in 2007 and 2006, respectively. These increases were primarily attributable to our Calvin Klein Licensing segment. Approximately 93% of the growth in Calvin Klein royalty, advertising and other revenue in 2007 was attributable to growth from existing licenses, with the remaining 7% generated through new licenses. These increases were due, in part, to continued strength in fragrances, particularly in 2007, which experienced the successful launches of the new men's and women's *ckIN2U* fragrance lines and the new *Calvin Klein MAN* fragrance line, as well as continued strength in sales of both the men's and women's *euphoria* fragrance lines. In addition, jeans and underwear experienced significant international and domestic growth which, combined with the success of licensed product categories introduced over the past four years, further contributed to the revenue increase.

We currently expect that royalty, advertising and other revenue will increase approximately 10% in our Calvin Klein Licensing segment in fiscal 2008 as a result of growth in the businesses of existing licensees, as well as royalties generated under new license agreements. Royalty, advertising and other revenue in our other segments is expected to be relatively flat in fiscal 2008.

Gross Profit on Total Revenue

The following table shows our revenue mix between net sales and royalty, advertising and other revenue, as well as our gross profit as a percentage of total revenue for 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net sales	87.7%	88.4%	88.9%
Royalty, advertising and other revenue	12.3%	11.6%	11.1%
Gross profit as a % of total revenue	49.1%	49.3%	46.7%

Gross profit as a percentage of total revenue decreased 20 basis points in 2007, due principally to the net effect of the items described below:

Gross margin improved due to:

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strong product sell-throughs in our wholesale dress shirt business throughout the year and in our outlet retail business during the first half of the year, which yielded more full-price selling; and

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a change in revenue mix, as royalty, advertising and other revenue, which does not carry a cost of sales and has a gross profit percentage of 100%, increased as a percentage of total revenue.

Gross margin declined due to:

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a change in sales mix, as net sales attributable to our wholesale businesses, which typically have lower gross margins than our retail businesses, increased as a percentage of our total net sales, due to faster sales growth in our wholesale businesses. The faster revenue growth in our wholesale businesses was due, in part, to the addition of sales associated with our new neckwear and *IZOD* women's sportswear businesses; and

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increased promotional selling in our wholesale sportswear business, which was negatively affected throughout the year by the overall weak retail environment and by the unseasonably warm weather that was experienced in much of the United States during September and October of 2007.

Gross profit as a percentage of total revenue increased 260 basis points in 2006 due principally to strong product sell-throughs, which yielded more full-price selling. Also contributing to the increase was a change in revenue mix, as (i) net sales attributable to our outlet retail businesses, which have higher gross margins than our wholesale

businesses, increased as a percentage of our total net sales in 2006; and (ii) royalty, advertising and other revenue increased as a percentage of total revenue in 2006. Royalty, advertising and other revenue does not carry a cost of sales, and as such, the gross profit percentage of such revenue is 100%.

We currently expect that the gross profit on total revenue percentage will decrease approximately 50 to 60 basis points in fiscal 2008 compared to 2007, as gross margin growth attributable to our *Calvin Klein* businesses is expected to be more than offset by gross margin declines in our heritage brand wholesale and retail outlet businesses due principally to additional promotional selling.

Selling, General and Administrative (SG&A) Expenses

Our SG&A expenses were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
(dollars in millions)			
SG&A expenses	\$882.5	\$796.6	\$684.2
% of total revenue	36.4%	38.1%	35.8%

SG&A expenses in 2007 were \$882.5 million, or 36.4% of total revenue, compared to \$796.6 million or 38.1% of total revenue, in 2006. The 170 basis point decrease was due principally to the growth in our wholesale businesses mentioned above, as our wholesale businesses typically have lower expense rates than our retail businesses. The \$85.9 million increase in SG&A expenses in 2007 included: (i) additional expenses of approximately \$33.0 million related to operating our recently-acquired neckwear business; (ii) increased expenses of \$25.8 million in our Wholesale Sportswear and Related Products segment and our retail segments principally to support the sales growth previously mentioned; (iii) an increase in advertising expenditures of \$19.9 million; and (iv) start-up costs of approximately \$15.0 million associated with our *Timberland* wholesale sportswear business and *Calvin Klein* specialty retail stores. Also impacting the change in SG&A expenses for 2007 compared to the prior year was the absence of costs incurred in 2006 of: (i) \$11.3 million associated with the closing of our manufacturing facility in Ozark, Alabama in the second quarter of 2006; and (ii) \$10.5 million in severance and other separation costs associated with the departure in the first quarter of 2006 of Mark Weber, our former Chief Executive Officer.

SG&A expenses in 2006 were \$796.6 million, or 38.1% of total revenue, compared to \$684.2 million, or 35.8% of total revenue, in 2005. The \$112.4 million increase in SG&A expenses in 2006 included: (i) increased advertising expenditures of \$26.8 million; (ii) \$11.3 million in costs associated with the closing of our manufacturing facility in Ozark, Alabama in May 2006; (iii) \$10.5 million in severance and other separation costs associated with the February

2006 departure of Mark Weber,

our former Chief Executive Officer; and (iv) \$6.9 million of noncash stock-based compensation expense resulting from the requirement to expense stock-based compensation beginning in 2006. Please see Note 11, Stock-Based Compensation, in the Notes to Consolidated Financial Statements included in Item 8 of this report for a further discussion of our stock-based compensation expense and related information. Also contributing to the increase were: (i) increased operating expenses in our Retail Apparel and Related Products, Retail Footwear and Related Products, and Wholesale Sportswear and Related Products segments to support the sales growth previously mentioned, including from operating additional *Calvin Klein* outlet retail stores; and (ii) increased corporate and other expenses, including medical expenses due to increased claims in 2006. Partially offsetting these items were expense savings in 2006 of approximately \$9.0 million due to the closure at the end of 2005 of our *Calvin Klein Collection* stores in Dallas and Paris.

Our fiscal 2008 SG&A expenses as a percentage of total revenue is currently expected to increase approximately 60 to 70 basis points, due primarily to the addition of expenses associated with our *Calvin Klein* specialty retail stores, as our retail businesses typically have higher expense rates than our wholesale businesses.

Gain on Sale of Investments

We sold, in the first quarter of 2006, minority interests held by one of our subsidiaries in certain entities that operate the licenses and related wholesale and retail businesses of *Calvin Klein* jeans and accessories in Europe and Asia and the *ck Calvin Klein* bridge line of sportswear and accessories in Europe. The sale resulted in a pre-tax gain of \$32.0 million in 2006, which was net of related fees, an amount held in escrow and the carrying value of the investments. Our share of the proceeds being held in escrow represented security for indemnification of certain potential losses incurred by the purchaser, as well as other adjustments to the purchase price. During 2007, \$3.3 million was released to us from escrow. We recorded this release of escrow as an additional gain. We received in fiscal 2008 a distribution of \$1.9 million representing our share of the amount that remained in escrow, and will record the release of such amount as an additional gain.

Interest Expense and Interest Income

The majority of our interest expense relates to our fixed rate long-term debt. As a result, variances in our net interest expense tend to be driven by changes in interest income and, to a lesser extent, costs related to our revolving credit facility.

Interest expense decreased to \$33.8 million in 2007 from \$34.3 million in 2006. Interest income decreased to \$16.7 million in 2007 from \$17.4 million in 2006. The interest income decline was due principally to a decrease in our cash

position in the fourth quarter of 2007 as a result of the completion of our \$200.0 million stock repurchase.

Interest expense decreased to \$34.3 million in 2006 from \$34.4 million in 2005. Interest income increased to \$17.4 million in 2006 from \$5.8 million in 2005. The interest income increase was due to an increase in our average cash position throughout the year and an increase in investment rates of return over the prior year.

Interest expense is expected to be relatively flat in fiscal 2008 as compared with 2007, while interest income is expected to decrease approximately \$7.0 million as a result of a decrease in our average cash position during the year due principally to our use of cash to fund our \$200.0 million stock repurchase, combined with a reduction in interest rates.

Income Taxes

Income tax expense as a percentage of pre-tax income was as follows:

<u>2007</u>	<u>2006</u>	<u>2005</u>
37.8%	37.5%	37.3%

We adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48) in the first quarter of 2007.

We currently anticipate that our fiscal 2008 tax expense as a percentage of pre-tax income will be between 36.5% and 37.0%. It is possible that our estimated full year rate could change from discrete events arising from specific transactions, audits by tax authorities or the receipt of new information. Under FIN 48, additional volatility in our tax rate may occur in the future, either from quarter to quarter, or from year to year, due to events or new information that causes us to re-evaluate our unrecognized tax benefits.

Net Income per Common Share

Our calculation of net income per common share in 2005 was impacted by the voluntary conversion of a portion of our Series B convertible preferred stock by the holders of such stock into shares of our common stock. Such shares of common stock were subsequently sold in a registered offering by the holders. We made an inducement payment to the preferred stockholders of \$1.75 for each share of common stock sold, or an aggregate of \$12.9 million, and incurred certain costs, totaling \$1.3 million in connection with these transactions. The inducement payment was based on the net present value of the dividends that we would have been obligated to pay the preferred stockholders through the earliest date on which it was estimated that we would have had the right to convert the convertible preferred stock, net of the net present value of the dividends payable over the same period on the shares of common stock into which the convertible preferred stock was convertible. The portion of the convertible preferred stock that was converted was considered separately from the portion of the convertible preferred stock that was not converted for purposes of our net income per common share calculation in accordance with accounting principles generally accepted in the United States. Further, the aggregate \$14.2 million inducement payment and offering costs was treated similar to a preferred stock dividend and attributed to the portion of the convertible preferred stock that was converted.

Our calculation of net income per common share in 2006 was impacted by the voluntary conversion in May 2006 of all of the remaining outstanding shares of the Series B convertible preferred stock by the holders of such stock into shares of common stock. The holders sold the majority of such shares in a registered common stock offering. We made an inducement payment to the preferred stockholders of \$0.88 for each share of common stock received upon conversion, or an aggregate of \$10.2 million, and incurred certain costs, totaling \$0.7 million in connection with these transactions. The inducement payment was based on the net present value of the dividends that we would have been obligated to pay the preferred stockholders through the earliest date on which it was estimated that we would have had the right to convert the convertible preferred stock, net of the net present value of the dividends payable over the same period on the shares of common stock into which the convertible preferred stock was convertible. The aggregate \$10.9 million inducement payment and offering costs was treated similar to a preferred stock dividend and attributed to the convertible preferred stock for purposes of our net income per common share calculation in accordance with accounting principles generally accepted in the United States.

Note 15, *Net Income per Common Share*, in the Notes to Consolidated Financial Statements included in Item 8 of this report includes a further explanation and the calculations of basic and diluted net income per common share.

LIQUIDITY AND CAPITAL RESOURCES

Generally, our principal source of cash is from operations, and our principal uses of cash are for capital expenditures, contingent purchase price payments and dividends.

Operations

Cash provided by operating activities was \$221.0 million in 2007, compared to \$254.5 million in 2006. This decrease was due principally to changes in working capital, including an increase in accounts receivable, due, in part, to the revenue growth exhibited by our wholesale and licensing businesses in the latter part of the fourth quarter of 2007. In addition, our balance sheet at the end of 2007 includes the impact of our new *IZOD* women's sportswear and *Calvin Klein* specialty retail businesses. Partially offsetting this cash decrease was a \$66.4 million increase in net income adjusted for depreciation, amortization, stock-based compensation expense, impairments and the gains on the sale of investments.

Capital Expenditures

Our capital expenditures paid in cash in 2007 were \$94.7 million, compared with \$46.2 million in 2006. This increase was due to: (i) additional office space, warehouse and distribution facility expansion and information technology spending, both domestically and internationally, to allow our infrastructure to support the sales growth and new businesses mentioned previously; and (ii) the build out of *Calvin Klein* specialty retail stores. We currently expect capital expenditures in fiscal 2008 to be approximately \$100.0 million as we continue to build our infrastructure and open *Calvin Klein* specialty retail stores.

Contingent Purchase Price Payments

In connection with our acquisition of Calvin Klein, we are obligated to pay Mr. Calvin Klein contingent purchase price payments through 2017 based on 1.15% of total worldwide net sales of products bearing any of the *Calvin Klein* brands. Such contingent purchase price payments are recorded as additions to goodwill and totaled \$37.5 million in 2007. We currently expect that such payments will be \$38.0 million to \$40.0 million in fiscal 2008, and will continue to increase moderately thereafter.

In connection with the Superba acquisition, we are obligated to pay Superba contingent purchase price payments if the earnings of the acquired business exceed certain targets in fiscal 2007, 2008 and 2009. The maximum payout that Superba can receive is \$15.0 million, \$25.0 million and \$30.0 million with respect to earnings in fiscal 2007, 2008 and 2009, respectively. Any such contingent purchase price payments are payable 90 days after the applicable fiscal year end and are recorded as additions to goodwill. We expect to pay Superba \$15.0 million in fiscal 2008 based on the estimated 2007 earnings, as defined in the underlying asset purchase agreement, achieved by the acquired business.

Dividends

Our common stock, which as of February 3, 2008 is the only class of stock outstanding, currently pays annual dividends totaling \$0.15 per share.

Cash dividends on our common stock totaled \$8.5 million for the full year 2007.

In connection with our acquisition of Calvin Klein, we issued \$250.0 million of Series B convertible preferred stock. During the second quarter of 2006, the holders of our Series B convertible preferred stock voluntarily converted all of the remaining outstanding shares of Series B convertible preferred stock into 11.6 million shares of our common stock. The holders subsequently sold a majority of such shares in a registered common stock offering. We made an inducement payment to the preferred stockholders of \$0.88 for each share of common stock received upon conversion, or an aggregate of \$10.2 million in connection with the conversion, and incurred certain costs, totaling \$0.7 million, specifically related to the registered common stock offering. The inducement payment was based on the net present value of the dividends that we would have been obligated to pay the preferred stockholders through the earliest date on which it was estimated that we would have had the right to convert the Series B convertible preferred stock, net of the net present value of the dividends payable over the same period on the shares of common stock into which the Series B convertible preferred stock was convertible. The aggregate \$10.9 million inducement payment and offering costs was treated similar to a preferred stock dividend under accounting principles generally accepted in the United States.

We project that cash dividends on our common stock in fiscal 2008 will be \$7.7 million to \$7.8 million based on our current dividend rate, the number of shares of our common stock outstanding at February 3, 2008 and our estimates of stock issuances in connection with our stock-based compensation in fiscal 2008. This decrease compared to 2007 is primarily attributable to the \$200.0 million share repurchase program discussed below, which is expected to result in a lower number of shares of our common stock being outstanding in fiscal 2008 as compared to 2007.

Share Repurchase Program

Our Board of Directors authorized us in November 2007 to repurchase up to \$200.0 million of our outstanding common stock through the end of fiscal 2008. In the fourth quarter of 2007, we repurchased 5.2 million shares of our common stock at a cost of \$200.0 million, excluding commissions. As of the end of 2007, we deemed this share repurchase program to have been completed.

Cash Flow Summary

Our net cash outflow in 2007 was \$96.2 million, which included \$200.0 million used to complete the stock repurchase mentioned previously. Excluding the repurchase, our cash flow would have been \$103.8 million.

Cash flow in fiscal 2008 will be impacted by various other factors in addition to those noted above in this *Liquidity and Capital Resources* section. For example, in connection with our 2007 acquisition of CMI, we received a net cash payment of approximately \$18.0 million in fiscal 2008, which is subject to adjustment. Please see Note 3, *Acquisition of CMI*, in the Notes to Consolidated Financial Statements included in Item 8 of this report for a further description of this transaction. In addition, the exercise of stock options provided \$12.6 million of cash in 2007. We currently estimate such amount to be lower in fiscal 2008.

We currently expect to generate \$80.0 million to \$90.0 million of cash flow in fiscal 2008. There can be no assurance that this estimate will prove to be accurate. Unforeseen events, including changes in our net income, working capital requirements or other items, including acquisitions and equity transactions, could occur, which could cause our cash flow to vary significantly from this estimate.

Financing Arrangements

Our capital structure as of February 3, 2008 was as follows:

	(in millions)
Long-term debt	\$399.6
Stockholders' equity	\$956.3

We believe our capital structure provides a secure base to support our current operations and our planned growth in the future. There are no maturities of our long-term debt until 2011.

For near-term liquidity, in addition to our cash balance, we have a \$325.0 million secured revolving credit facility that provides for revolving credit borrowings, as well as the issuance of letters of credit. We may, at our option, borrow and repay amounts up to a maximum of \$325.0 million for revolving credit borrowings and the issuance of letters of credit, which may be increased by us under certain conditions by up to \$100.0 million, with a sublimit of \$50.0 million for standby letters of credit and with no sublimit on trade letters of credit. Based on our working capital projections, we believe that our borrowing capacity under this facility provides us with adequate liquidity for our peak seasonal needs for the foreseeable future. During 2007, we had no revolving credit borrowings under the facility, and the maximum amount of letters of credit outstanding was \$142.4 million. As of February 3, 2008, we had \$107.9 million of outstanding letters of credit under this facility. We currently do not expect to have any revolving credit borrowings under the facility in fiscal 2008.

All obligations under the secured revolving credit facility are secured by liens on substantially all of our assets and the assets of our domestic subsidiaries and a pledge of all of the equity interests in all of our domestic subsidiaries. Our secured revolving credit facility requires us to maintain certain financial covenants, including a minimum level of availability under the secured revolving credit facility. If such minimum level is not maintained, we are then required to maintain a minimum ratio of (i) earnings before interest, taxes, depreciation, amortization and rent (EBITDAR) less capital expenditures paid in cash; cash dividends and cash distributions; Federal, state, local and foreign income taxes paid in cash; and management fees paid during the period to (ii) fixed charge expense for the period, which consists of principal payments of debt, cash interest expense and rent expense (as such terms are defined in the secured revolving credit facility).

Our secured revolving credit facility also contains covenants that, subject to specified exceptions, may restrict or limit our ability to:

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sell or dispose of assets, including equity interests;

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make loans, advances or guarantees;

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make investments;

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declare and pay dividends;

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engage in transactions with affiliates;

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incur additional debt, prepay or modify existing debt;

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incur liens;

.

engage in businesses that are not in a related line of business; and

merge with or acquire other companies, liquidate or dissolve.

Upon the occurrence of an event of default under our secured revolving credit facility, the lenders may cease making loans, terminate the secured revolving credit facility and declare all amounts outstanding to be immediately due and payable. The secured revolving credit facility specifies a number of events of default (many of which are subject to applicable grace periods), including, among others, the failure to make timely principal and interest payments or to satisfy the covenants, including the financial covenants described above.

In addition, we are subject to similar covenants and restrictions in connection with our long-term debt agreements. As of February 3, 2008, we were in compliance with all financial and non-financial covenants.

During 2007, Standard & Poor's raised our corporate credit rating to BBB-, with a stable outlook. During the year, Moody's affirmed our long term corporate credit rating of Ba2, but revised its outlook to positive from stable. Our credit ratings of BBB- from Standard & Poor's and Ba2 from Moody's contribute to our ability to successfully access capital markets. Given our capital structure and our projections for future profitability and cash flow, we believe we could obtain additional financing, if necessary, for refinancing our long-term debt, or, if opportunities present themselves, future acquisitions. Although we believe we could obtain such financing, due to the current state of credit markets, there can be no assurance that such financing could be obtained on terms as favorable to us as our current financings or otherwise on terms satisfactory to us. Furthermore, as credit markets are constantly changing, there can be no assurance that such financing, if needed, could be obtained at such time as a need arises or that it would be available to us on terms satisfactory to us.

Contractual Obligations

The following table summarizes, as of February 3, 2008, our contractual cash obligations by future period:

<u>Description</u>	<u>Total Obligations</u>	<u>Payments Due by Period</u>			<u>Thereafter</u>
		<u>2008</u>	<u>2009-2010</u>	<u>2011-2012</u>	
		(in millions)			
Long-term debt		\$ -	\$ -	\$150.0	
	\$ 400.0				\$250.0
Interest payments on long-term debt		30.8	61.6	40.3	
	219.3				86.6
Operating leases ⁽¹⁾		105.6	160.8	97.0	
	562.8				199.4
Inventory purchase commitments		276.5	-	-	
	276.5				-
Minimum contractual royalty payments ⁽²⁾		19.0	30.2	18.0	
	67.2				-

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Non-qualified supplemental defined benefit plan ⁽³⁾		1.3	2.9	3.2	
	26.7				19.3
Severance payments		<u>3.1</u>	<u>0.2</u>	<u>-</u>	
	<u>3.3</u>				<u>-</u>
Total contractual cash obligations		\$436.3	\$255.7	\$308.5	
	\$1,555.8				\$555.3

(1)

Includes store operating leases, which generally provide for payment of direct operating costs in addition to rent. The obligation amounts listed include future minimum lease payments and exclude such direct operating costs.

(2)

We currently anticipate that future payments required under our license agreements on an aggregate basis will exceed significantly the contractual minimums shown in the table.

(3)

We have an unfunded non-qualified supplemental defined benefit plan covering 22 current and retired executives under which the participants will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with us, the participant has been in such plan for at least 10 years and has attained age 55.

Not included in the above table are contingent purchase price payments we are obligated to pay Mr. Calvin Klein through 2017 based on 1.15% of total worldwide net sales of products bearing any of the *Calvin Klein* brands. Such payments were \$37.5 million in 2007. Also not included in the above table are contingent purchase price payments we are obligated to pay Superba if the earnings of the acquired business exceed certain targets in fiscal 2007, 2008 and 2009. The maximum payout that Superba can receive is \$15.0 million, \$25.0 million and \$30.0 million with respect to earnings in fiscal 2007, 2008 and 2009, respectively. We expect to pay Superba \$15.0 million in fiscal 2008 based on the estimated 2007 earnings, as defined in the underlying asset purchase agreement, achieved by the acquired business.

Not included in the above table are contributions to our defined benefit qualified pension plans, or payments to employees and retirees in connection with our supplemental pension and postretirement health plans. Contractual cash obligations for these plans cannot be determined due to the number of assumptions required to estimate our future

benefit obligations, including return on assets, discount rate and future compensation increases. The liabilities associated with these plans are presented in Note 8, Retirement and Benefit Plans, in the Notes to Consolidated Financial Statements included in Item 8 of this report.

Not included in the above table are \$71.5 million of net potential cash obligations associated with unrecognized tax benefits due to the high degree of uncertainty regarding the timing of future cash outflows associated with such obligations. Please refer to Note 9, *Income Taxes*, in the Notes to Consolidated Financial Statements included in Item 8 of this report for further information related to unrecognized tax benefits.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have a material current effect, or that are reasonably likely to have a material future effect, on our financial position, changes in financial position, revenue, expenses, results of operations, liquidity, capital expenditures or capital resources.

MARKET RISK INTEREST AND EXCHANGE RATE SENSITIVITY

Financial instruments held by us include cash equivalents and long-term debt. Interest rates on our long-term debt are fixed. Therefore, a change in rates generally would not have an effect on our interest expense. Note 7, *Long-Term Debt*, in the Notes to Consolidated Financial Statements included in Item 8 of this report outlines the principal amounts, interest rates, fair values and other terms required to evaluate the expected sensitivity of interest rate changes on the fair value of our fixed rate long-term debt. Cash and cash equivalents held by us are affected by short-term interest rates. Therefore, a change in short-term interest rates would have an impact on our interest income. Given our balance of cash and cash equivalents as of February 3, 2008, the effect of a 50 basis point change in short-term interest rates on our interest income would be approximately \$1.3 million annually.

Principally all of our revenue and expenses are currently denominated in United States dollars. However, certain of our operations and license agreements expose us to fluctuations in foreign currency exchange rates, primarily the rate of exchange of the United States dollar against the Euro, the Yen and the Canadian dollar. Our principal exposure to changes in exchange rates for the United States dollar results from our licensing businesses. Many of our license agreements require the licensee to report sales to us in the licensee's local currency, but to pay us in United States dollars based on the exchange rate as of the last day of the contractual selling period. Thus, while we are not exposed to exchange rate gains and losses between the end of the selling period and the date we collect payment, we are exposed to exchange rate changes during and up to the last day of the selling period. During times of a strengthening United States dollar, our foreign royalty revenue will be negatively impacted, and during times of a weakening United States dollar, our foreign royalty revenue will be favorably impacted.

A secondary exposure to changes in exchange rates for the United States dollar results from our foreign wholesale operations. Our wholesale operations include sales of certain of our products to department and specialty stores

throughout Canada and parts of Europe. Sales for these foreign operations are both generated and collected in foreign currency, which exposes us to foreign exchange gains and losses between the date of the sale and the date we collect payment. As with our licensing business, the results of these operations will be negatively impacted during times of a strengthening United States dollar and favorably impacted during times of a weakening United States dollar.

Not all foreign license agreements expose us to foreign exchange risk. Many of our foreign license agreements specify that contractual minimums be paid in United States dollars. Thus, for these foreign license agreements where the licensee's sales do not exceed contractual minimums, the licensee assumes the risk of changes in exchange rates and we do not.

Somewhat mitigating our exposure to changes in the exchange rate for the Euro is our Calvin Klein administrative office in Milan, Italy. Our acquisition of CMI is expected to further mitigate our exposure to changes in the exchange rate for the Euro, as the acquired business has certain operations in Italy. During times of a strengthening United States dollar against the Euro, the expenses associated with these business operations will be favorably impacted, and during times of a weakening United States dollar against the Euro, the expenses associated with these business operations will be negatively impacted.

SEASONALITY

Our business generally follows a seasonal pattern. Our wholesale businesses tend to generate higher levels of sales and income in the first and third quarters, as the selling of Spring and Fall merchandise to our customers occurs at higher levels as these selling seasons begin. Our retail businesses tend to generate higher levels of sales and income in the third and fourth quarters, due to the back to school and holiday selling seasons. Royalty, advertising and other revenue tends to be earned somewhat evenly throughout the year, although the third quarter has the highest level of royalty revenue due to higher sales by licensees in advance of the holiday season.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, Fair Value Measurements, in September 2006. This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands disclosures about the use of fair value measurements. We adopted FASB Statement No. 157 prospectively as of the beginning of our fiscal year 2008 for all financial assets and liabilities and for non-financial assets and liabilities measured at fair value on a recurring basis (at least annually). For all other non-financial assets and liabilities, we will adopt FASB Statement No. 157 as of the beginning of our fiscal year 2009. We are currently evaluating the impact that the adoption of FASB Statement No. 157 will have on our consolidated results of operations and financial position.

The FASB issued FASB Statement No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R), in September 2006. This statement requires a company to: (i) recognize the overfunded or underfunded status of a defined benefit pension or other postretirement plan as an asset or a liability in its statement of financial position; (ii) recognize gains and losses that have not yet been recognized through net periodic benefit cost in comprehensive income, net of income tax effects; and (iii) measure the funded status of defined benefits and other postretirement plans as of the date of a company's fiscal year end. We adopted FASB Statement No. 158 as of the end of our fiscal year 2006, except for the requirement to measure the funded status of retirement benefit plans as of a company's fiscal year end, which is effective for our fiscal year 2008. We do not expect the adoption in our fiscal year 2008 of the final requirement of FASB Statement No. 158 to change the measurement date for the funded status of the plan to our year end date to have a material impact on our consolidated results of operations or financial position.

The FASB issued FASB Statement No. 141R, Business Combinations, to replace FASB Statement No. 141 in December 2007. FASB Statement No. 141R establishes the principles and requirements for accounting for business combinations. Under the new standard, the acquirer must recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree, primarily measured at their fair values as of the acquisition date. Contingent consideration will be recognized at fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled. Any acquisition related costs will be recognized separately from the acquisition and expensed as incurred. We will adopt FASB Statement No. 141R on a prospective basis for business combinations for which the acquisition date is on or after February 2, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies, which applies to all acquisitions, including those prior to February 2, 2009. Early adoption of FASB Statement No. 141R is not permitted. We are currently evaluating the impact that the adoption of FASB Statement No. 141R will have on our consolidated results of operations and financial position.

The FASB issued FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51, in December 2007. FASB Statement No. 160 establishes accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FASB Statement

No. 160 requires that a noncontrolling interest in a subsidiary be displayed in the consolidated statement of financial position as a separate component of equity and that consolidated net income include the net income attributable to any noncontrolling interest. We will adopt FASB Statement No. 160 prospectively as of the beginning of our fiscal year 2009. We do not expect the adoption of FASB Statement No. 160 to have any impact on our consolidated results of operations or financial position.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. Our significant accounting policies are outlined in Note 1, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in Item 8 of this report. We believe that the following are the more critical judgmental areas in the application of our accounting policies that currently affect our financial position and results of operations:

Sales allowances and returns

We have arrangements with many of our department and specialty store customers to support their sales of our products. We establish accruals which, based on a review of the individual customer arrangements and the expected performance of our products in their stores, we believe will be required to satisfy our sales allowance obligations. We also establish accruals, which are based on historical data and authorized amounts, that we believe are necessary to provide for inventory returns. It is possible that the accrual estimates could vary from actual results, which would require adjustment to the allowance and returns accruals.

Inventories

Inventories related to our wholesale operations, comprised principally of finished goods, are stated at the lower of cost or market. Inventories related to our retail operations, comprised entirely of finished goods, are stated at the lower of average cost or market using the retail inventory method. Under the retail inventory method, the valuation of inventories at

cost is calculated by applying a cost-to-retail ratio to the retail value of inventories. Permanent and point of sale markdowns, when recorded, reduce both the retail and cost components of inventory on hand so as to maintain the already established cost-to-retail relationship. Based on a review of current business trends, inventory agings and discontinued merchandise categories, a further adjustment to inventory is recorded to reflect additional markdowns which are estimated to be necessary to liquidate existing clearance inventories and reduce inventories to the lower of cost or market. We believe that all inventory writedowns required at February 3, 2008 have been recorded. If market conditions were to change, it is possible that the required level of inventory reserves would need to be adjusted.

Asset impairments

In each of the last three years, we determined that the long-lived assets in various outlet retail stores and certain other locations were not recoverable, which resulted in us recording impairment charges. In order to calculate the impairment charges, we estimated the related undiscounted future cash flows and the fair value of each asset. The undiscounted future cash flows for each asset were estimated using current sales trends and other assumptions. If different assumptions had been used for future sales trends, the recorded impairment charges could have been significantly higher or lower. Note 14, Asset Impairments, Activity Exit Costs and Other Charges, in the Notes to Consolidated Financial Statements included in Item 8 of this report includes a further discussion of the circumstances surrounding the impairments and the assumptions related to the impairment charges.

Allowance for doubtful accounts

Accounts receivable as shown on our Consolidated Balance Sheets is net of an allowance for doubtful accounts. An allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable and assessments of collectibility based on historic trends, the financial position of our customers and an evaluation of economic conditions. Any significant changes to the above factors could impact our allowance for doubtful accounts.

Income taxes

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. FASB Statement No. 109, Accounting for Income Taxes, requires that deferred tax assets be evaluated for future realization and reduced by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience and expectations of future taxable income by taxing jurisdiction, the carryforward periods available to us for tax reporting purposes and other relevant factors.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. In the first quarter of 2007, we adopted the provisions of FIN 48. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with FASB

Statement No. 109. The first step is to evaluate the tax position for recognition by determining if available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Our actual results could differ materially from our current estimates.

Goodwill and other intangible assets

Goodwill and other indefinite-lived intangible assets are tested for impairment based on fair value. These tests are performed annually, at the beginning of the third quarter of each fiscal year, and between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Performance of the goodwill impairment tests requires significant judgments regarding the allocation of net assets to the reporting unit level, which is the level at which the impairment tests are required. The determination of whether an impairment exists also depends on, among other factors, the estimated fair value of the reporting units, which itself depends in part on market conditions. An impairment loss could have a material adverse impact on our financial position and results of operations.

Pension benefits

Included in the calculations of expense, assets and liabilities for our pension plans are various assumptions, including return on assets, discount rate and future compensation increases. Note 8, Retirement and Benefit Plans, in the Notes to Consolidated Financial Statements included in Item 8 of this report sets forth the significant rate assumptions used in performing certain calculations related to our pension plans. Actual results could differ from these assumptions, which would require adjustments to our asset and liability balances and could result in volatility in our future pension expense.

Stock-based compensation

We adopted FASB Statement No. 123R, Share-Based Payment, in the first quarter of 2006. FASB Statement No. 123R requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. We use the Black-Scholes-Merton option pricing model to determine the fair value of our stock options. This model uses assumptions that include the

risk free interest rate, expected volatility, expected dividend yield and expected life of the options. The fair value of restricted stock units is determined based on the number of shares granted and the quoted price of our common stock on the date of grant. The value of our stock-based awards is recognized as expense over the service period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, employee class and historical experience. Actual results and future estimates may differ substantially from our current estimates.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information with respect to Quantitative and Qualitative Disclosures About Market Risk appears under the heading Market Risk Interest and Exchange Rate Sensitivity in Item 7.

Item 8. Financial Statements and Supplementary Data

See page F-1 of this report for a listing of the consolidated financial statements and supplementary data included in this report.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the

effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management's report on internal control over financial reporting and our independent registered public accounting firm's audit report on our assessment of our internal control over financial reporting can be found on pages F-36 and F-37.

On January 30, 2008, we completed our acquisition of CMI. Due to the close proximity of the acquisition date to the date of management's assessment of the effectiveness of internal control over financial reporting, management excluded the CMI business from its assessment of internal control over financial reporting.

As of February 3, 2008 and for the year ended February 3, 2008, total assets and total revenue of CMI represented 1.4% and 0.0%, respectively of our consolidated assets and revenue.

Changes in Internal Control over Financial Reporting

We did not identify any changes in our internal control over financial reporting during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information with respect to Directors of the Registrant is incorporated herein by reference to the section entitled Election of Directors in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008. Information with respect to compliance by our officers and directors with Section 16(a) of the Securities Exchange Act is incorporated herein by reference to the section entitled Section 16(a) Beneficial Ownership Reporting Compliance in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008. Information with respect to our executive officers is contained in the section entitled Executive Officers of the Registrant in Part I, Item 1 of this report. Information with respect to our Audit Committee Financial Expert and our Code of Ethics is incorporated herein by reference to the section entitled Election of Directors in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008.

Item 11. Executive Compensation

Information with respect to Executive Compensation is incorporated herein by reference to the sections entitled Executive Compensation, Compensation Committee Report, Compensation Discussion and Analysis and Compensation Committee Interlocks and Insider Participation in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008.

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

Information with respect to the Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information is incorporated herein by reference to the sections entitled Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance under Equity Compensation Plans in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information with respect to Certain Relationships and Related Transactions and Director Independence is incorporated herein by reference to the sections entitled Election of Directors and Director Compensation in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008.

Item 14. Principal Accounting Fees and Services

Information with respect to Principal Accounting Fees and Services is incorporated herein by reference to the section entitled Ratification of the Appointment of Auditors in our proxy statement for the Annual Meeting of Stockholders to be held on June 19, 2008.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a)(1) See page F-1 for a listing of the consolidated financial statements included in Item 8 of this report.
- (a)(2) See page F-1 for a listing of consolidated financial statement schedules submitted as part of this report.
- (a)(3) The following exhibits are included in this report:

Exhibit Number

- 2.1 Stock Purchase Agreement, dated December 17, 2002, among Phillips-Van Heusen Corporation, Calvin Klein, Inc., Calvin Klein (Europe), Inc., Calvin Klein (Europe II) Corp., Calvin Klein Europe S.r.l., CK Service Corp., Calvin Klein, Barry Schwartz, Trust for the Benefit of the Issue of Calvin Klein, Trust for the Benefit of the Issue of Barry Schwartz, Stephanie Schwartz-Ferdman and Jonathan Schwartz (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 20, 2002). The registrant agrees to furnish supplementally a copy of any omitted schedules to the Commission upon request.
- 3.1 Certificate of Incorporation (incorporated by reference to Exhibit 5 to our Annual Report on Form 10-K for the fiscal year ended January 29, 1977).
- 3.2 Amendment to Certificate of Incorporation, filed June 27, 1984 (incorporated by reference to Exhibit 3B to our Annual Report on Form 10-K for the fiscal year ended February 3, 1985).
- 3.3 Certificate of Designation of Series A Cumulative Participating Preferred Stock, filed June 10, 1986 (incorporated by reference to Exhibit A of the document filed as Exhibit 3 to our Quarterly Report on Form 10-Q for the period ended May 4, 1986).
- 3.4 Amendment to Certificate of Incorporation, filed June 2, 1987 (incorporated by reference to Exhibit 3(c) to our Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
- 3.5 Amendment to Certificate of Incorporation, filed June 1, 1993 (incorporated by reference to Exhibit 3.5 to our Annual Report on Form 10-K for the fiscal year ended January 30, 1994).
- 3.6 Amendment to Certificate of Incorporation, filed June 20, 1996 (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the period ended July 28, 1996).
- 3.7 Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on February 26, 2003).
- 3.8 Corrected Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation, dated April 17, 2003 (incorporated by reference to Exhibit 3.9 to our Annual Report on Form 10-K for the fiscal year ended February 2, 2003).

- 3.9 Certificate of Amendment of Certificate of Incorporation, filed June 29, 2006 (incorporated by reference to Exhibit 3.9 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 3.10 Certificate Eliminating Reference to Series B Convertible Preferred Stock from Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 12, 2007 (incorporated by reference to Exhibit 3.10 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 3.11 Certificate Eliminating Reference To Series A Cumulative Participating Preferred Stock From Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K, filed on September 28, 2007).
- 3.12 By-laws of Phillips-Van Heusen Corporation, as amended through September 27, 2007 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on September 28, 2007).
- 4.1 Specimen of Common Stock certificate (incorporated by reference to Exhibit 4 to our Annual Report on Form 10-K for the fiscal year ended January 31, 1981).

- 4.2 Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.01 to our Registration Statement on Form S-3 (Reg. No. 33-50751) filed on October 26, 1993).
- 4.3 First Supplemental Indenture, dated as of October 17, 2002 to Indenture dated as of November 1, 1993 between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.15 to our Quarterly Report on Form 10-Q for the period ended November 3, 2002).
- 4.4 Second Supplemental Indenture, dated as of February 12, 2002 to Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K, filed on February 26, 2003).
- 4.5 Indenture, dated as of May 5, 2003, between Phillips-Van Heusen Corporation and SunTrust Bank, as Trustee (incorporated by reference to Exhibit 4.13 to our Quarterly Report on Form 10-Q for the period ended May 4, 2003).
- 4.6 Indenture, dated as of February 18, 2004 between Phillips-Van Heusen Corporation and SunTrust Bank, as Trustee (incorporated by reference to Exhibit 4.14 to our Annual Report on Form 10-K for the fiscal year ended February 1, 2004).
- *10.1 Phillips-Van Heusen Corporation Capital Accumulation Plan (incorporated by reference to our Current Report on Form 8-K filed on January 16, 1987).
- *10.2 Phillips-Van Heusen Corporation Amendment to Capital Accumulation Plan (incorporated by reference to Exhibit 10(n) to our Annual Report on Form 10-K for the fiscal year ended February 2, 1987).
- *10.3 Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10(1) to our Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
- *10.4 Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q for the period ending October 29, 1995).
- *10.5 Phillips-Van Heusen Corporation Supplemental Defined Benefit Plan, dated January 1, 1991, as amended and restated effective as of January 1, 2005 (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended November 4, 2007).
- *10.6 Phillips-Van Heusen Corporation Supplemental Savings Plan, effective as of January 1, 1991 and amended and restated effective as of January 1, 2005 (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the period ended November 4, 2007).
- *10.7 Phillips-Van Heusen Corporation 1997 Stock Option Plan, effective as of April 29, 1997, as amended through September 21, 2006 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended October 29, 2006).
- *10.8 Phillips-Van Heusen Corporation 1997 Stock Option Plan option certificate (incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005).
- *10.9 Phillips-Van Heusen Corporation 2000 Stock Option Plan, effective as of April 27, 2000, as amended through September 21, 2006 (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended October 29, 2006).

- *10.10 Phillips-Van Heusen Corporation 2000 Stock Option Plan option certificate (incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005).
- *10.11 Phillips-Van Heusen Corporation 2003 Stock Option Plan, effective as of May 1, 2003, as amended through September 21, 2006 (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the period ended October 29, 2006).
- *10.12 Phillips-Van Heusen Corporation 2003 Stock Option Plan option certificate (incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005).

- 10.13 Warrant, issued on February 12, 2003, by Phillips-Van Heusen Corporation to the Calvin Klein 2001 Revocable Trust (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.14 Investors Rights Agreement, dated as of February 12, 2003, by and among Phillips-Van Heusen Corporation and the Investors listed therein (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K, filed on February 26, 2003); Amendment to Investors Rights Agreement, dated as of May 8, 2006, by and among Phillips-Van Heusen Corporation and the Investors named therein (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 12, 2006).
- *10.15 Employment Agreement, dated as of March 4, 2003, between Mark Weber and Phillips-Van Heusen Corporation; Amended and Restated Employment Agreement, dated as of March 3, 2005, between Mark Weber and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005); Release Agreement, dated as of February 27, 2006, between Mark Weber and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 3, 2006); and Termination Letter, dated as of February 27, 2006, from Phillips-Van Heusen Corporation to Mark Weber (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 3, 2006).
- *10.16 Employment Agreement, dated as of March 4, 2003, between Emanuel Chirico and Phillips-Van Heusen Corporation; Amended and Restated Employment Agreement, dated as of March 3, 2005, between Emanuel Chirico and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005); First Amendment to Amended and Restated Employment Agreement, dated as of September 25, 2007, between Emanuel Chirico and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended November 4, 2007).
- *10.17 Employment Agreement, dated as of March 4, 2003, between Allen Sirkin and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005); Amended and Restated Employment Agreement, dated as of June 14, 2007, between Allen Sirkin and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- *10.18 Employment Agreement, dated as of March 4, 2003, between Francis K. Duane and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005); Amended and Restated Employment Agreement, dated as of June 14, 2007, between Francis K. Duane and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- *10.19 Employment Agreement, dated as of March 4, 2003, between Michael Zaccaro and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2005); Amended and Restated Employment Agreement, dated as of June 14, 2007, between Michael Zaccaro and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.10 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 10.20 Amended and Restated Revolving Credit Agreement, dated as of December 15, 2004, among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com inc., G.H. Bass Franchises Inc., CD Group Inc., PVH CK Stores, Inc., PVH Ohio, Inc., PVH Michigan, Inc.,

PVH Pennsylvania, Inc., PVH Wholesale New Jersey, Inc., PVH Retail Management Company and the lender parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, Joint Lead Arranger and Sole Bookrunner, Fleet Retail Group, Inc., as Joint Lead Arranger and Co-Syndication Agent, Sun Trust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and General Electric Capital Corporation, as Co-Documentation Agent (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on December 16, 2004).

- 10.21 Conversion Agreement, dated as of July 14, 2005, by and among Phillips-Van Heusen Corporation and the Investors listed therein (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on July 20, 2005).
- 10.22 Stock Purchase Agreement, dated as of December 20, 2005, by and among Warnaco, Inc., Fingen Apparel N.V., Fingen S.p.A., Euro Cormar S.p.A. and Calvin Klein, Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 22, 2005).

- *10.23 Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, effective as of April 21, 2005 (incorporated by reference to Exhibit A to our Definitive Schedule 14A, filed on May 2, 2005).
- *10.24 Phillips-Van Heusen Corporation Long-Term Incentive Plan, effective as of April 21, 2005 (incorporated by reference to Exhibit B to our Definitive Schedule 14A, filed on May 2, 2005).
- *10.25 Employment Agreement, dated as of January 1, 2004, between P. Thomas Murry and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.44 to our Annual Report on Form 10-K for the fiscal year ended January 29, 2006); Amended and Restated Employment Agreement, dated as of June 14, 2007, between P. Thomas Murry and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- *10.26 Employment Agreement, dated as of March 4, 2003, between Michael Shaffer and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.45 to our Annual Report on Form 10-K for the fiscal year ended January 29, 2006); Amended and Restated Employment Agreement, dated as of June 14, 2007, between Michael Shaffer and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- *10.27 Phillips-Van Heusen Corporation 2006 Stock Incentive Plan, effective as of April 27, 2006, as amended through September 21, 2006 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended October 29, 2006); Phillips-Van Heusen Corporation 2006 Stock Incentive Plan, effective as of April 27, 2006, as amended through May 3, 2007 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 10.28 Conversion Agreement, dated as of May 9, 2006, by and among Phillips-Van Heusen Corporation and the Selling Stockholders named therein (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 15, 2006).
- *10.29 Form of Stock Option Agreement for Directors under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on June 16, 2006); Revised Form of Stock Option Agreement for Directors under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 10.30 Asset Purchase Agreement, dated October 11, 2006, among Phillips-Van Heusen Corporation, Superba, Inc. and A. Mervyn Mandelbaum (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K/A, filed on October 13, 2006).
- *10.31 Form of Stock Option Agreement for Associates under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on April 11, 2007); Revised Form of Stock Option Agreement for Associates under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- *10.32 Form of Restricted Stock Unit Agreement for Associates under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on April 11, 2007); Revised Form of Restricted Stock Unit Agreement for Associates under the Phillips-Van Heusen Corporation 2006 Corporation Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended May 6, 2007).

- *10.33 Form of Performance Share Award Agreement under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 8, 2007).

- 10.34 Second Amended and Restated Revolving Credit Agreement, dated as of July 10, 2007, among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com inc., G.H. Bass Franchises Inc., CD Group Inc., PVH CK Stores, Inc., PVH Ohio, Inc., PVH Michigan, Inc., PVH Pennsylvania, Inc., PVH Wholesale New Jersey, Inc., PVH Retail Management Company, PVH Superba/Insignia Neckwear, Inc. and the lender parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Securities Inc., as Joint Lead Arranger and Sole Bookrunner, Bank of America, N.A., as Joint Lead Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, Wachovia Bank, National Association, as Co-Documentation Agent, and The CIT Group/Commercial Services, Inc., as Co-Documentation Agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on July 16, 2007).
- *10.35 Form of Restricted Stock Unit Agreement for Directors under the Phillips-Van Heusen Corporation 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the period ended August 5, 2007).
- *10.36 Schedule of Non-Management Directors Fees, effective June 19, 2007 (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the period ended November 4, 2007).
- +21 Phillips-Van Heusen Subsidiaries.
- +23 Consent of Independent Registered Public Accounting Firm.
- +31.1 Certification of Emanuel Chirico, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- +31.2 Certification of Michael Shaffer, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- +32.1 Certification of Emanuel Chirico, Chairman and Chief Executive Officer, pursuant to Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. Section 1350.
- +32.2 Certification of Michael Shaffer, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. Section 1350.

*

Management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(a)(3) of this report.

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Filed herewith.

Exhibits 32.1 and 32.2 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the l