



Calvin Klein

2007 marked another successful and dynamic year for Calvin Klein. The business out-performed our financial goals as global retail sales volume increased to an all-time high of approximately \$5.4 billion – or almost double the retail sales achieved in 2003, the year we acquired Calvin Klein. Since then, we have used our core competencies to expand the product offerings under the *Calvin Klein* brands and to bring these new offerings and existing product lines into additional channels of distribution and geographic markets.



Calvin



Calvin Klein
collection

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“2007 marked another successful and dynamic year for Calvin Klein.”

The expansion to thousands of points of sale, over 500 freestanding stores, and a presence in over 100 countries, has enabled us to realize significant growth over the past five years. Much of the growth of Calvin Klein is attributable to the launch of new businesses and the expansion of existing ones in established markets such as the United States, Europe, Japan, and Hong Kong. We have also worked to identify appropriate emerging markets and regional distribution partners in these areas to oversee the brands' entrance and intensification in those developing marketplaces. These regions – specifically, China, Korea, Vietnam, India, Russia, and the Middle East – already play an important role in our strategy and offer significant opportunity for future growth and the expansion of the global presence of the *Calvin Klein* brands. Additionally, we believe that our strategic initiative to expand the global reach of the *Calvin Klein* brands also positions us to weather shifts in individual market economies. In 2007, 46% of Calvin Klein's global retail sales came from the United States, while the rest of the world represented 54% of the total. We expect the international component of the business to continue to grow more rapidly than the U.S. portion and help us reach a projected total global retail sales level of approximately \$7 billion in the next two to three years.

Calvin Klein's brand equity has never been higher. Consumer recognition for the *Calvin Klein* brands remains very high around the world and published research confirms that the brands' image is robust, consistent, and desirable among the most significant consumer demographic groups and markets globally.

Specifically, in 2007, *Calvin Klein* achieved top ranking in three important consumer studies. Again this year, *Women's Wear Daily's* annual *WWD100* brand survey named *Calvin Klein* the #1 designer brand among American consumers and notes that the “fashion house's dominance is testimony to the brand equity that Calvin Klein himself built.” In a comprehensive survey published in *Time's Style & Design* entitled “The Luxury Survey: An In-depth Report on How U.S. ‘Millennials’ Look at Luxury,” *Calvin Klein* ranked #1 in the categories of “Best-Known Brands” and “Brand Interest & Ownership.” Specifically, *Calvin Klein* was recognized as a “Best-Known Brand” by 92% of the “Baby Boomers” and 84% of “Millennials” (considered to be the next generation of luxury consumers, and are defined as individuals born between 1980 and 2000). This generation is now second in size only to the “Baby Boomers.” Additionally, a survey published by the influential *Nielsen Group*, polled 25,000 on-line consumers in 48 countries on the world's most coveted luxury brands. *Calvin Klein* and *Chanel* tied at #2 (after *Gucci*) when respondents were asked which brand they would choose to buy if money were no object. As the research was conducted globally, there was also a special mention that *Calvin Klein* was additionally recognized by Latin American consumers as one of their most sought after brands.

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1: *WWD100* reprinted courtesy of *Women's Wear Daily*

2: *Time's Style & Design* reprinted courtesy of Time, Inc.

Calvin Klein Collection

2007 marked the year that Calvin Klein reinforced its commitment to the long-term objective of building the *Calvin Klein Collection* brand into one of the world's top global luxury businesses. In January 2008, we brought the *Calvin Klein Collection* business back in-house by acquiring the worldwide licensee of the brand for apparel and accessories, thereby enabling us to operate these businesses directly. This move reunites these businesses with the brand's in-house creative directors – Francisco Costa (women's Collection), Italo Zucchelli (men's Collection), and Ulrich Grimm (men's and women's Collection shoes and accessories) – who are among the most talented designers in the business today and were hand-picked by Mr. Klein to carry forth the legacy of the brand. The success of the *Calvin Klein Collection* businesses is important for maintaining the brand's "halo" position, which sets the tone for all other *Calvin Klein* brand businesses around the world.

Designer apparel, outerwear, dress shirts, neckwear, eyewear, handbags, socks, footwear

ck Calvin Klein

ck Calvin Klein, the bridge brand, represented over \$1.0 billion in global retail sales in 2007 and continues to grow and thrive. Much of this growth is attributable to the expanding presence of full-price, freestanding retail stores, as well as shop-in-shops, across Europe, Asia, and Japan operated by experienced retail partners. Since 2003, the total number of stores open has grown from three to 58 as of the end of 2007, with 38 of those located in Asia. We currently estimate that by the end of 2010 at least 40 additional stores will be opened.

2007 also saw the launch and roll-out of *ck Calvin Klein beauty*, the brand's prestige color cosmetics line. Produced under license by Markwins, the line complements the apparel and accessories offering of this lifestyle brand and was available in over 2000 points of sale globally at the end of 2007. The roll-out of the cosmetics line has been initially concentrated in Europe and Asia to complement the existing distribution of the *ck Calvin Klein* line of apparel and accessories.

Bridge sportswear, outerwear, suits, dress shirts, neckwear, socks, hosiery, footwear, handbags, eyewear, watches, jewelry, cosmetics

Calvin Klein

Over the past three years, sales of the legacy and new *Calvin Klein* better products have soared to over \$4.2 billion at retail. The *Calvin Klein* brand tier now covers products in over 20 categories and those products are now available in more than 15,000 points of sale in department stores across the United States. Across all of our *Calvin Klein* businesses, the focus is to build existing businesses, to continue the introduction of new products, and to improve productivity and regular price selling.

As demonstrated in the licensed freestanding stores around the world and our healthy outlet retail business in the United States, consumers respond positively to the *Calvin Klein* lifestyle environment. Based upon the success of the *Calvin Klein* brand at retail and to provide us with a platform to promote the better brand through a broad lifestyle presentation, in 2007 we initiated a test of five full-price *Calvin Klein* specialty retail stores, which were opened during the later part of the year. These stores serve as the definitive expression of the *Calvin Klein* brand lifestyle and help further define the brand to the consumer, while providing us with a potential new growth opportunity using this complementary distribution channel. We plan to have an additional five full-price specialty stores open by the end of 2008.

Better sportswear, outerwear, suits, dresses, dress shirts, neckwear, formalwear, jeanswear, underwear, performance, sport, golf, children's, socks, hosiery, footwear, swimwear, handbags, eyewear, watches, fragrance, home

Calvin Klein
collection



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