



We do not consider ourselves immune from the significant challenges presented by the global economic downturn. We do see, however, that in these uncertain times, our retail partners and ultimate consumers are more comfortable aligning themselves with a well known global brand with a strong reputation, one that addresses multiple lifestyle needs by offering a broad selection of quality products in apparel, footwear, accessories, cosmetics and home products. We continue to build upon our existing businesses and carefully introduce innovative merchandise, brand-appropriate extensions and complementary new product lines in order to enhance our offering and extend both our product and geographic reach.

As a testament to this, in 2008, we, directly and through licensees, successfully introduced a branded e-commerce site, men's and women's golf apparel, and women's performancewear, as well as a furniture line exclusive to Macy's. While these are not necessarily large volume businesses, they demonstrate strategic opportunities to further extend the *Calvin Klein* lifestyle.

We continue to advance our strategy for growing the *Calvin Klein* brands globally. We also continue to leverage the power of the *Calvin Klein* brands around the world with attention-getting advertising and promotions. We believe these combined actions will enable retail sales of *Calvin Klein* branded product to increase to \$7 billion over the next two to three years.

Certainly 2008 was an unprecedented year, and we believe that the global brand strategy and positioning that we have put in place – coupled with the strength of the *Calvin Klein* brand name around the world – is contributing to our success during these difficult economic times.

We developed a brand pyramid to provide a focused, consistent approach to global brand growth and development with each of the *Calvin Klein* brands – *Calvin Klein Collection*, *ck Calvin Klein* and *Calvin Klein* – occupying a distinct marketing identity and position. We believe this approach has enabled us to exploit development opportunities more efficiently and effectively. The development of the *Calvin Klein* brands over a broad range of products and price points and with worldwide distribution also serves as a buffer against weakness in a particular region or particular product category. Calvin Klein licensing segment revenues increased by 13% to \$300 million and operating income increased 20% to \$154 million.

# Calvin Klein



This past year was another milestone year for Calvin Klein, even in light of the difficult global economic environment.

As the *Calvin Klein* brand celebrated its 40th year in business, the products sold under it achieved a record \$5.8 billion in global retail sales volume. Total points of sale increased and now include over 700 *Calvin Klein* retail store locations around the world, with plans for the opening of approximately 100 additional freestanding stores in 2009.



## Calvin Klein Collection

*Calvin Klein Collection* is the luxury tier of the Calvin Klein brand pyramid and is strategically important for its “halo” positioning, setting the tone for all other *Calvin Klein* brand businesses around the world. The highest profile *Calvin Klein Collection* product lines are apparel and accessories, which we operate in-house, thereby enabling us to better control the image and growth of this important business. Calvin Klein is committed to the continued expansion of the *Calvin Klein Collection* brand’s presence at retail by leveraging the image, creative talent and consumer recognition behind the brand, with the support of Calvin Klein’s strong, on-going marketing and public relations initiatives.

The *Calvin Klein Collection* creative directors continue to be recognized among the most talented designers in the industry. 2008 marked the second time that our women’s Collection creative director, Francisco Costa, received the prestigious Womenswear Designer of the Year award from the Council of Fashion Designers of America (CFDA). Recently, his counterpart, Italo Zucchelli, the men’s Collection creative director, received his second nomination for the CFDA’s Menswear Designer of the Year award. The winner will be announced in June 2009.

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

Calvin Klein  
collection



## ck Calvin Klein

The bridge brand, *ck Calvin Klein*, continues to grow and thrive. In 2008, sales of this brand exceeded \$1 billion at retail. Much of this growth is attributable to the expanding presence of full-price, freestanding retail stores, as well as shop-in-shops across Europe and Asia operated by our experienced retail partners. Total stores open has grown from three in 2003

to 62 by the end of 2008, with 43 of those located in Asia and the balance in Europe. Though this impressive development has been swift, significant opportunity remains and additional stores are planned, as is the expansion of the number of freestanding *ck Calvin Klein Accessories* stores, which began opening last year.

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

ck  
Calvin Klein



## Calvin Klein

Last year, sales of our existing and new lines of *Calvin Klein* brand products exceeded \$4 billion at retail globally. These offerings – including offerings under the iconic *Calvin Klein Jeans* and *Calvin Klein Underwear* brands – continue to garner greater market share at retail, as we successfully and gradually expand the *Calvin Klein* brand tier with additional categories and entry into new markets around the world. Examples of such expansion during 2008 include the opening of over 100 new freestanding stores around the world, including *Calvin Klein Jeans* and *Calvin Klein Underwear* stores operated by licensees and stores added to our own U.S. specialty retail and outlet retail operations.

We know that consumers respond positively to the *Calvin Klein* lifestyle environment and we work hard to maintain that brand aesthetic at all points of sale. This past year, in the U.S., we launched new product categories, a dynamic e-commerce website and completed the roll-out of 10 *Calvin Klein* specialty retail stores. The website and specialty stores provide complementary distribution to the brand’s more than 15,000 combined points of sale in U.S. department stores and serve as the definitive expression of the *Calvin Klein* brand lifestyle for the consumer.

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

Calvin Klein

