



Sportswear



While the economic downturn and contraction in consumer spending impacted the Sportswear Group's revenue growth, its business model provided strong low double-digit operating margins. This was accomplished by aggressively managing inventory levels in the face of declining sales for its heritage brand offerings, coupled with the positive impact of the new *IZOD* women's and *Timberland* men's sportswear businesses and continued growth in *Calvin Klein* men's better sportswear.



Calvin Klein

Calvin Klein men's better sportswear continued to grow as a result of both increased penetration at existing doors and expansion into new doors, reaching 680 doors at year end. Total square footage at retail was 350,000 square feet as of the end of 2008, representing an increase of 8% over the prior year. The *Calvin Klein* men's better sportswear business continued to deliver double-digit operating income margin despite the difficult environment.

New Businesses

2008 was the first full year in-house for *IZOD* women's sportswear, and the business outpaced the performance within the women's moderate sportswear zone, generating a 13% increase in comparable door sales. Door count grew by 310 doors.

The *Timberland* men's outdoor-inspired sportswear line was launched in Fall 2008 and, despite the very difficult retail environment, exceeded its sales targets. The brand found most success by offering key items that carried a sharp value position, a focus that will continue in 2009.

Heritage Brands

Our heritage brands felt the most pressure during 2008, with sales declines in *IZOD*, *Van Heusen* and *ARROW* men's sportswear, as retailers reacted to the economic environment by significantly reducing open-to-buy and inventory levels. Despite the external environment, *Van Heusen* and *ARROW*

continued to be the number one and two best selling men's woven sport shirt brands and *IZOD* the number one best selling men's branded knit sport shirt within U. S. department and chain stores. In addition, *Van Heusen* was the best selling men's sportswear brand at JCPenney and *ARROW* was the number two men's sportswear brand in volume at Kohl's.

Marketing Initiatives

During the year, we continued to invest in our brands through the use of innovative and varied marketing initiatives:

- The *Timberland* men's sportswear launch was accompanied by a widely promoted "Dig It" environmentally-focused marketing campaign and concert series held in conjunction with The Timberland Company.
- 2008 was the first full year of our sponsorship of the *IZOD* Center in New Jersey, the fourth most heavily attended arena for sports, concerts and family entertainment in the U.S., and also marked the start of our sponsorship of the Indy Car Series and Firestone Indy Lights.
- We continued our *ARROW* brand's association with the Save Ellis Island Campaign, which featured such notable spokesmen as Joe Montana, Elliott Gould, Christian Slater and Michael Phelps, with swimmer Phelps appearing in campaign commercials shown on national TV and in cinemas around the time of the 2008 Summer Olympics.



ARROW
LEATHERS



IZOD

Calvin Klein



VAN HEUSEN

ARROW
LEATHERS

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VAN HEUSEN

IZOD

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