

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the**  
**Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)  
February 27, 2006

PHILLIPS-VAN HEUSEN CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation)

1-7572  
(Commission File Number)

13-1166910  
(IRS Employer Identification Number)

200 Madison Avenue, New York, New York 10016  
(Address of Principal Executive Offices)

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

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

---

**Item 1.01. Entry into a Material Definitive Agreement; Item 1.02. Termination of a Material Definitive Agreement; and Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

On February 27, 2006, Phillips-Van Heusen Corporation (the “Company”) issued a press release, a copy of which is attached as Exhibit 99.1 to this report, to announce that Emanuel Chirico, President and Chief Operating Officer of the Company, was succeeding Mark Weber as Chief Executive Officer, effective immediately.

Mr. Chirico, 48, had been President and Chief Operating Officer of the Company since June 14, 2005 and had been Executive Vice President and Chief Financial Officer from 1998 until his election as President and Chief Executive Officer. Mr. Chirico is also a director of the Company, as well as Dick’s Sporting Goods, Inc.

In connection with termination of Mr. Weber’s employment and pursuant to his employment agreement with the Company, Mr. Weber entered into a release agreement, a copy of which is attached to this report as Exhibit 10.1. The release agreement provides for mutual releases between Mr. Weber and the Company with respect to matters arising out of his employment with the Company and the termination thereof. Additionally, the Company delivered to Mr. Weber a letter confirming that his rights under his employment agreement and other plans and agreements would be determined as provided therein for a termination without cause. Mr. Weber and the Company also agreed in the letter that:

- (i) Mr. Weber, his wife and any dependent children will continue in the Company’s medical and dental plans, including the Executive Medical Plan, on the same basis (including the continuation of any employee contribution that he was paying as of February 27, 2006, subject to any rate adjustments imposed from time to time on active employees carrying the same coverage and in accordance with such other terms as may be in effect from time to time) until such time as he turns age 65;
- (ii) the non-solicitation provision under Mr. Weber’s employment agreement will be extended to three years;
- (iii) (a) no amounts deemed to be deferred compensation under Section 409A of the Internal Revenue Code (the “Code”) will be paid to Mr. Weber prior to September 1, 2006 so as to avoid the additional tax that would be imposed on Mr. Weber under Code Section 409A if such payments were made prior to such date, (b) all such amounts that would have otherwise been paid prior to September 1, 2006 will be paid on September 1, 2006, and (c) the Company will pay interest on all such amounts that would have otherwise been paid prior to September 1, 2006 at the 10-year T-bill rate as of January 2, 2006; and
- (iv) the Company will pay up to \$25,000 of legal fees incurred by Mr. Weber in connection with the termination of his employment. A copy of the Company’s letter is attached to this report as Exhibit 10.2.

The termination of Mr. Weber’s employment effectively terminated his employment agreement, dated as of March 3, 2005, with the Company, subject to certain post-termination

rights and obligations, including Mr. Weber's right to severance pay and his obligations pursuant to certain restrictive covenants. Under his employment agreement, Mr. Weber is entitled to severance in an amount equal to three times his average cash compensation (i.e., base salary and bonus) for the two most recent completed fiscal years of the Company in the event of a termination of employment without cause or for good reason (other than during the two-year period after a change in control). This severance is payable in accordance with the Company's payroll schedule in substantially equal installments, except with respect to the payments that would otherwise be payable prior to September 1, 2006 due to the effect of Section 409A of the Code, as discussed above. It is estimated that Mr. Weber will receive approximately \$8 million under this provision. The agreement also provides that during the period Mr. Weber's severance is paid, certain welfare benefits are continued for him (and members of his family, to the extent they were participating prior to termination for employment), but subject to cessation if Mr. Weber obtains replacement coverage from another employer (although there is no duty to seek employment or to mitigate). Mr. Weber is required to pay the active employee rate for such welfare benefits during the period severance is paid. In addition, all unvested outstanding stock options granted to Mr. Weber pursuant to the Company's stock option plans vested immediately and he has until the earlier of (x) three years from the termination date and (y) the scheduled expiration date of each option to exercise the outstanding stock options, other than options granted under the Company's 1987 Stock Option Plan, which are only exercisable up to 30 days after Mr. Weber's last day of employment (or the scheduled expiration thereof, if sooner). The agreement also includes certain restrictive covenants in favor of the Company, including provisions prohibiting the use of confidential information and solicitation of employees by Mr. Weber. Mr. Weber's employment agreement is attached as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2005.

Mr. Weber also was a director of the Company. Pursuant to his employment agreement, he resigned as a director effective simultaneously with the termination of his employment.

#### **ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(c) Exhibits:

<b>Exhibit</b>	<b>Description</b>
10.1	Release agreement, dated February 27, 2006, between Mark Weber and Phillips-Van Heusen Corporation.
10.2	Termination letter, dated February 27, 2006, from Phillips-Van Heusen Corporation to Mark Weber
99.1	Press Release, dated February 27, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILLIPS-VAN HEUSEN CORPORATION

By: /s/ Mark D. Fischer  
Mark D. Fischer, Vice President

Date: March 3, 2006

## RELEASE

1. Executive's Release. TO ALL TO WHOM THESE PRESENTS SHALL COME OR MAY CONCERN, KNOW THAT MARK WEBER (the "Releasor"), on behalf of himself and his heirs, executors, administrators and legal representatives, in consideration of the amounts paid as severance as set forth in Section 3(b) of the Amended and Restated Employment Agreement between the Releasor and PHILLIPS-VAN HEUSEN CORPORATION, dated as of March 3, 2005 (as the same may have been heretofore amended, the "Agreement") and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby irrevocably, unconditionally, generally and forever releases and discharges Phillips-Van Heusen Corporation, together with its current and former subsidiaries (the "Company"), each of its current and former officers, directors, employees, agents, representatives and advisors and their respective heirs, executors, administrators, legal representatives, receivers, affiliates, beneficial owners, successors and assigns (collectively, the "Releasees"), from, and hereby waives and settles, any and all, actions, causes of action, suits, debts, promises, damages, or any liability, claims or demands, known or unknown and of any nature whatsoever and which the Releasor ever had, now has or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Release arising directly or indirectly pursuant to or out of his employment with the Company or the termination of such employment (collectively, "Claims"), including, without limitation, any Claims (i) arising under any federal, state, local or other statutes, orders, laws, ordinances, regulations or the like that relate to the employment relationship and/or specifically that prohibit discrimination based upon age, race, religion, gender, national origin, disability, sexual orientation or any other unlawful bases, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the Civil Rights Acts of 1866 and 1871, as amended, the Americans with Disabilities Act of 1990, as amended, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act of 1993, the New Jersey Law Against Discrimination, as amended, the New York State and New York City Human Rights Laws, as amended, the laws of the States of New York and New Jersey, the City of New York and Somerset County, New Jersey relating to discrimination, as amended, and any and all applicable rules and regulations promulgated pursuant to or concerning any of the foregoing statutes; (ii) arising under or pursuant to any contract, express or implied, written or oral, including, without limitation, the Agreement; (iii) for wrongful dismissal or termination of employment; (iv) for tort, tortious or harassing conduct, infliction of mental or emotional distress, fraud, libel or slander; and (v) for damages, including, without limitation, punitive or compensatory damages or for attorneys' fees, expenses, costs, wages, injunctive or equitable relief. This Release shall not apply to any claim that the Releasor may have for a breach by the Company of Section 2(e), 3(b), 3(f)(iii), the no mitigation and offset provisions of Section 4, 5(e), 7(h) or 7(i) of the Agreement or the "CAP Agreement" or "EBP" (as such terms are defined in the Agreement) or any plan or program of the type referred to in Sections 2(b) and 2(c) of the Agreement in which the Releasor was a participant.

The Releasor agrees not to file, assert or commence any Claims against any Releasee with any federal, state or local court or any administrative or regulatory agency or body. The Releasor represents and warrants that there has been no assignment or other transfer of any interest in any Claim which the Releasor may have against the Releasees, or any of them, and the Releasor agrees to indemnify and hold the Releasees, and each of them, harmless from any Claims, or other liability, demands, damages, costs, expenses and attorneys' fees incurred by the Releasees, or any of them, as a result of any person asserting any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the Releasor under this indemnity. The Releasor agrees that if he hereafter commences, joins in, or in any manner seeks relief through any suit arising out of, based upon, or relating to any Claim released hereunder, or in any manner asserts against the Releasees, or any of them, any Claim released hereunder, then the Releasor shall pay to the Releasees, and each of them, in addition to any other damages caused to the Releasees thereby, all attorneys' fees incurred by the Releasees in defending or otherwise responding to said suit or Claim. The Releasor hereby waives any right to, and agrees not to, seek reinstatement of his employment with the Company or any Releasee. The Releasor acknowledges that the amounts to be paid to him under Section 3(b) of the Agreement include benefits, monetary or otherwise, which the Releasor has not earned or accrued, or to which he is not already entitled.

The Releasor acknowledges that he was advised by the Company to consult with his attorney concerning the waivers contained in this Release, that he has consulted with counsel, and that the waivers the Releasor has made herein are knowing, conscious and with full appreciation that he is forever foreclosed from pursuing any of the rights so waived. The Releasor has a period of 21 days from the date on which a copy of this Release has been delivered to him to consider whether to sign it. In addition, in the event that the Releasor elects to sign and return to Phillips-Van Heusen Corporation a copy of this Release, the Releasor has a period of seven days (the "Revocation Period") following the date of such return to revoke this Release, which revocation must be in writing and delivered to Phillips-Van Heusen Corporation, 200 Madison Avenue, New York, New York 10016, Attention: General Counsel, within the Revocation Period. This Release, and the Releasor's right to receive the amounts to be paid to him under Section 3(b), shall not be effective or enforceable until the expiration of the Revocation Period without the Releasor's exercise of his right of revocation.

2. Company's Release TO ALL TO WHOM THESE PRESENTS SHALL COME OR MAY CONCERN, KNOW THAT, for and in consideration of the obligations upon the Releasor as set forth in the Agreement, and for other good and valuable consideration, the Company hereby (on its own behalf and that of its affiliates, divisions and predecessors and successors and the directors and officers of the Company in their capacity as such (collectively, the "Releasing Entities")) releases the Releasor and his heirs, executors, successors and assigns (the "Executive Released Parties") of and from all debts, obligations, promises, covenants, collective bargaining obligations, agreements, contracts, endorsements, bonds, controversies, suits, claims or causes of every kind and nature whatsoever, arising out of, or related to, his employment with the Company and its affiliates, his separation from employment with the Company and its affiliates or

derivative of the Releasor's employment, which the Releasing Entities now have or may have against the Executive Released Parties, whether known or unknown, by reason of facts which have occurred on or prior to the date that the Company has signed this Release; provided, however, that nothing contained in this Release shall release the Executive Released Parties from any claim or form of liability arising out of acts or omissions by the Releasor which constitute a violation of the criminal or securities laws of any applicable jurisdiction or for which the Releasor would not be indemnified under applicable law. Notwithstanding anything else herein to the contrary, this Release shall not affect the obligations of the Releasor set forth in the Agreement or any other obligations that by their terms are to be performed after the date hereof by the Releasor.

3. No Amendment. This Release shall not be amended, supplemented or otherwise modified in any way except in a writing signed by the Releasor and Phillips-Van Heusen Corporation.
4. Governing Law. This Release shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without reference to its principles of conflict of laws.

February 27, 2006

/s/ Mark Weber

Date

MARK WEBER

PHILLIPS-VAN HEUSEN CORPORATION

February 27, 2006

By /s/ Mark D. Fischer

Date

STATE OF NEW YORK )  
 )ss.:  
COUNTY OF NEW YORK )

On the 27th day of February in the year 2006 before me, the undersigned personally appeared Mark Weber, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

\_\_\_\_\_  
Notary Public

STATE OF NEW YORK )  
 )ss.:  
COUNTY OF NEW YORK )

On the 27th day of February in the year 2006 before me, the undersigned personally appeared \_\_\_\_\_ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity, and that by his/her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

\_\_\_\_\_  
Notary Public

February 27, 2006

Mr. Mark Weber  
Chief Executive Officer  
Phillips-Van Heusen Corporation  
200 Madison Avenue  
New York, New York 10016

Dear Mark:

This letter memorializes our understanding regarding the termination of your employment with Phillips-Van Heusen Corporation ("PVH").

Your employment with the Company will terminate effective immediately. For purposes of your employment agreement dated March 3, 2005 (the "Employment Agreement"), the CAP Agreement (as defined in the Employment Agreement), the EBP (as defined in the Employment Agreement), any other plan or program of PVH or any of its subsidiaries (together, the "Company") in which you participate, or any other valid and existing agreement or arrangement between you and the Company, your employment will be treated as having been terminated without "cause" (as defined in the applicable plan, program, agreement or arrangement). Therefore, you will be entitled to receive all of the compensation and benefits, and other Company obligations to you, under the Employment Agreement, the CAP Agreement, the EBP and such all other plans, programs, agreements and arrangements in the event of a termination without cause.

In addition, you and the Company have agreed as follows:

1. After the period during which severance is paid under the Employment Agreement, you, your current spouse and any dependent children will continue to be eligible to participate in the Company's medical and dental plans, including the Executive Medical Plan, on the same basis (including the continuation of any employee contribution that you were paying as of today, subject to any rate adjustments imposed from time to time on active employees carrying the same coverage and in accordance with such other terms as may be in effect from time to time) as you were participating as of today. Such coverage will continue until such time as you turn age 65, at which time you will be entitled to the benefits under the Company's retiree medical benefit plan, as then in effect.
2. That notwithstanding the provisions of Section 5(d) of the Employment Agreement, you will not, for a period of three years following the date hereof, for any reason, hire or solicit to hire, whether on your own behalf or on behalf of any individual, corporation, limited liability company, partnership or other entity (other than the Company), any employee of the Company or any individual who had left the employ of the Company within 12 months of the date hereof. In addition, during such three-year period, you will not, directly or indirectly, encourage or induce any employee of the Company to leave the Company's employ.

3. Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), would result in the imposition of additional tax on you if payment of the Severance Amount (as defined in the Employment Agreement) and certain other amounts that are deemed to be deferred compensation under Section 409A of the Code were to be paid to you commencing immediately following the termination of your employment. Therefore, the first installment of the Severance Amount will be paid on September 1, 2006 and will be in an amount equal to the amount that would have been paid if the Severance Amount had been paid ratably during the six-month period following the date of termination. In addition, interest will accrue at the 10-year T-bill rate as of January 2, 2006 (*i.e.*, 4.37% per annum), on all payments (whether of a portion of the Severance Amount or other deferred compensation) not paid to you prior to September 1, 2006 so as to avoid the additional tax on you that would be imposed on you under Code Section 409A if such payments were made prior to such date.
4. To pay your reasonable legal fees arising in connection with the termination of your employment with PVH, up to \$25,000

Sincerely,

PHILLIPS-VAN HEUSEN CORPORATION

By /s/ Mark D. Fischer  
Mark D. Fischer  
Vice President, General Counsel and Secretary

**PHILLIPS-VAN HEUSEN CORPORATION**  
**200 Madison Avenue**  
**New York NY 10016**

**Press Contact:**

**Marcia Horowitz, Rubenstein Associates**  
**212 843 8014**

**Investors/Analysts Contact:**

**Michael Shaffer, EVP, Finance, PVH**  
**212 381 3523**

**PHILLIPS-VAN HEUSEN ANNOUNCES EMANUEL CHIRICO SUCCEEDS MARK WEBER AS CEO AND  
INCREASES 2005 AND 2006 EARNINGS GUIDANCE**

NEW YORK, NY, February 27, 2006 – Phillips-Van Heusen Corporation (NYSE: PVH) announced today that its Board of Directors has named Emanuel Chirico Chief Executive Officer of the Company. Mr. Chirico, 48, who had been the Company's President and Chief Operating Officer, succeeds Mark Weber, who has left the Company effective today by agreement with the Board. In order to ensure a smooth transition, Bruce Klatsky, the Company's former CEO and current Chairman of the Board, has agreed to stand for re-election to the Board and to continue as Chairman.

“Mark Weber has made tremendous contributions to PVH during his 33-year career with the Company, including his seven years as President and Chief Operating Officer prior to becoming CEO,” said Mr. Klatsky, “He leaves having played a major role in creating the healthy and prosperous company we have today, including being responsible for the integration of Calvin Klein into PVH. We are very grateful for his service and wish him the best in his future endeavors.”

Mr. Chirico has been with PVH for 13 years and was the Company's Chief Financial Officer for seven years before becoming President and COO last year.

“Manny Chirico is very well qualified to serve as PVH's chief executive officer, having been a key player in the expansion and growth of our Company during a particularly dynamic, active and successful period. He will continue to oversee an experienced and dedicated team of seasoned executives who have produced extraordinary results over the last three years. He understands and is committed to our business strategy and has demonstrated leadership and vision that will serve us well as PVH plans for the future and faces new challenges and opportunities,” said Mr. Klatsky.



## Revised Guidance

The Company also announced it is increasing its guidance for fiscal years 2005 and 2006.

For 2005, it is estimating that diluted net income per share will be at least \$1.99, and may be somewhat higher, excluding the costs associated with the Company's secondary offering in July 2005. The Company had previously announced guidance of \$1.97 to \$1.99, excluding secondary offering costs. The Company is estimating that GAAP diluted net income per share for fiscal year 2005 will be at least \$1.80, and may be somewhat higher. For the fourth quarter 2005, the Company estimates diluted net income per share will be at least \$0.37. (Please see attached schedule for a reconciliation of GAAP to non-GAAP full year diluted earnings per share estimates.) The Company's 2005 earnings per share guidance does not include the impact of expensing stock options. The Company estimates that if stock options were expensed in 2005, the impact would be approximately \$0.15 per share under the provisions of SFAS 123, which would reduce the Company's 2005 earnings per share guidance to \$1.84, excluding secondary offering costs.

The Company is also increasing its fiscal year 2006 diluted earnings per share guidance to a range of \$2.11 to \$2.18, or an increase of about 15% to 19% over the \$1.84 projected for 2005. The projections for 2006 exclude the estimated one time pre-tax gain of \$30 million associated with the sale by the Company's Calvin Klein, Inc. subsidiary of its minority interests in certain entities that operated various Calvin Klein jeans and sportswear businesses in Europe and Asia, which would be offset in part by certain expenses incurred as a result of Mr. Weber's departure. 2006 earnings per share includes the impact of expensing stock options as required under the provisions of SFAS 123R, which the Company currently estimates will be approximately \$0.12 to \$0.13 per share.

Phillips-Van Heusen Corporation is one of the world's largest apparel companies. It owns and markets the Calvin Klein brand worldwide. It is the world's largest shirt company and markets a variety of goods under its own brands, Van Heusen, Calvin Klein, IZOD, Arrow, and G.H. Bass & Co., and its licensed brands Geoffrey Beene, Kenneth Cole New York, Kenneth Cole Reaction, BCBG Max Azria, BCBG Attitude, MICHAEL Michael Kors, Sean Jean, Chaps, and Donald J. Trump Signature Collection.



**SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:** Forward-looking statements in this press release including, without limitation, statements relating to the Company's future revenues and earnings, 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) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the levels of sales of the Company's apparel and footwear products, both to its wholesale customers and in its retail stores, and the levels of sales of the Company's licensees at wholesale and retail, and the extent of discounts and promotional pricing in which the Company and its licensees 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, repositionings of brands by the Company's licensors and other factors; (iii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory, including the Company's ability to realize revenue growth from developing and growing Calvin Klein; (iv) the Company's operations and results could be affected by quota restrictions and the imposition of safeguard controls (which, among other things, could limit the Company's 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), the Company's ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where the Company's 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 the Company's 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 the Company with no substantial adverse effect on the acquired entity's or the Company's existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (vii) the failure of the Company's licensees to market successfully licensed products or to preserve the value of the Company's brands, or their misuse of the Company's brands and (viii) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

This press release includes certain non-GAAP financial measures, as defined under SEC rules. A reconciliation of these measures is included below.

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

###

## Reconciliation of GAAP to non-GAAP Full Year Diluted Earnings per Share Estimates

Set forth below is the Company's reconciliation of its 2005 full year GAAP diluted net income per common share estimate to diluted net income per common share excluding the costs associated with the Company's secondary common stock offering in July 2005. Such costs include (a) an inducement payment of \$1.75 per share of common stock sold in the secondary common stock offering, or an aggregate of \$12.9 million, based on the net present value of the dividends that the Company would have been obligated to pay the holders of the Series B convertible preferred stock through the earliest date on which it is estimated that the Company would have the right to convert the Series B convertible preferred stock, net of the net present value of the dividends payable on the shares of common stock into which the Series B convertible preferred stock was convertible over the same period and (b) certain costs, totaling \$ 1.3 million, incurred by the Company in connection with the secondary common stock offering to sell 7,344 shares of common stock on behalf of the holders.

Also set forth below is the Company's reconciliation of its 2006 full year GAAP diluted net income per common share estimate to diluted net income per common share excluding the estimated one time pre-tax gain of \$30 million associated with the sale by the Company's Calvin Klein, Inc. subsidiary of its minority interests in certain entities that operated various Calvin Klein jeans and sportswear businesses in Europe and Asia.

The Company believes that investors often look at ongoing operations as a measure of assessing performance and as a basis for comparing past results against future results. Therefore, the Company believes presenting its results excluding the inducement and offering costs for its 2005 full year earnings estimate and the one time gain associated with the sale of minority interests in certain entities for its 2006 full year earnings estimate provides useful information to investors because this allows investors to make decisions based on the ongoing operations of the enterprise. The Company uses its results excluding the inducement and offering costs and the one time gain associated with the sale of minority interests to discuss its business with investment institutions, the Company's Board of Directors and others. Such results are also the basis for certain incentive compensation calculations.

(In thousands, except per share data)

## Reconciliation of GAAP to non-GAAP 2005 Earnings per Share Estimate

	GAAP Earnings	Adjustments <sup>(1)</sup>	Results Excluding Inducement and Offering Costs
Net income	\$109,500		\$109,500
Less:			
Preferred dividends on converted preferred stock	2,051	\$ (2,051) <sup>(2)</sup>	
Inducement payment and offering costs	<u>14,205</u>	<u>(14,205)<sup>(3)</sup></u>	<u>          </u>
Net income available to common stockholders for diluted net income per common share	<u>\$ 93,244</u>	<u>\$ 16,256</u>	<u>\$109,500</u>
Shares outstanding:			
Weighted average common shares outstanding	38,297		38,297
Impact of dilutive stock options and warrants	1,832		1,832
Impact of assumed convertible preferred stock conversion	11,566		11,566
Impact of converted preferred stock	<u>          </u>	<u>3,347<sup>(4)</sup></u>	<u>3,347</u>
Total shares outstanding for calculation	<u>51,695</u>	<u>3,347</u>	<u>55,042</u>
Diluted net income per common share	<u>\$ 1.80</u>		<u>\$ 1.99</u>

<sup>(1)</sup> Adjustments are to present the Company's diluted EPS computation as if the inducement payment and offering costs had not been incurred. Eliminating such costs requires an EPS recalculation when applying the if-converted method of calculating diluted net income per common share.

<sup>(2)</sup> Elimination of dividends on converted preferred stock due to eliminating the inducement payment and offering costs.

<sup>(3)</sup> Elimination of inducement payment and offering costs associated with converted preferred shares.

<sup>(4)</sup> Additional shares which would have been included in the EPS computation under the if-converted method if the inducement payment and offering costs had not been incurred.

## **Reconciliation of GAAP to non-GAAP 2006 Earnings per Share Estimate**

Estimated diluted net income per common share under GAAP	\$2.44 - \$2.51
<b><u>Gain on Sale of Investment:</u></b>	
Deduct one time pre-tax gain of \$30 million (\$19 million after-tax) associated with the sale of minority interests in certain entities	<u>0.33</u> <sup>(1)</sup>
Estimated diluted net income per common share excluding the above item (non-GAAP)	<u>\$2.11 - \$2.18</u>

<sup>(1)</sup> This would be offset in part by certain expenses incurred as a result of Mr. Weber's departure.