



one world. one warnaco.

WARNACO INC

2006 Annual Report

Comparison of 4-Year Cumulative Total Return*

The Warnaco Group, Inc. compared to select indices



* \$100 invested on 2/5/03 in stock or on 1/31/03 in index-including reinvestment of dividends. Year ending December 31.

Financial Highlights

Results of Operations	Fiscal 2006	Fiscal 2005	Fiscal 2004
Net Revenues	\$1,827,486	\$1,475,735	\$1,406,408
Gross Profit	692,172	500,868	468,532
Gross Profit as a percentage of net revenues	37.9%	33.9%	33.3%
Selling, General and Administrative Expenses (SG&A)	551,064	388,366	368,640
SG&A as a percentage of net revenues	30.2%	26.3%	26.2%
Operating Income	\$ 130,312	\$ 107,422	\$ 98,741
Diluted Income per share:			
Income from continuing operations	\$ 1.57	\$ 1.19	\$ 1.05

Certain statements in this Annual Report may contain "forward-looking statements" as defined by the Securities and Exchange Commission (SEC). Such statements are not historical facts, but are predictions about the future which inherently involve risks and uncertainties, and these risks and uncertainties could cause actual results to differ from those contained in the forward-looking statements. Descriptions and discussions of these risks and uncertainties can be found in our annual and quarterly SEC filings.

The paper used for this annual report is certified by the Forest Stewardship Council and was manufactured using acid and chlorine-free pulp that came from well-managed forests and other controlled sources.



Dear Fellow Shareholders

Fiscal 2006 was a year of solid progress for Warnaco, marked by a number of notable accomplishments.

We advanced our long-term strategic objectives of building our global platform and growing our direct-to-consumer businesses. Specifically, we acquired and integrated the Calvin Klein® Jeans and related businesses in Europe and Asia and further expanded our reach by increasing our total international business from 29% of net revenues in Fiscal 2005 to 43% in Fiscal 2006. Additionally, our global sourcing initiative progressed, which led to improved gross margins. Finally, and most importantly, we focused on investing our resources on the brands in our portfolio that we believe have the greatest growth and profit potential. All of these measures were undertaken to enhance shareholder value by building a stronger platform for future growth.

Power Brands, Global Reach: The Keys to Success

We believe that sustainable, long-term growth is best achieved through the development of “power brands” and a corresponding worldwide business platform to support them. To accomplish this, we remain committed to enhancing our existing global business platform, expanding into new geographies, and growing our direct-to-consumer network.

Nowhere was the success of this strategy more evident than in the performance of our Calvin Klein businesses during the year. With global reach in major categories and a channel strategy that includes significant penetration in both wholesale and direct-to-consumer, our Calvin Klein Underwear, Jeans and related businesses collectively generated revenues in excess of \$1 billion.

Calvin Klein Underwear had a terrific year. Revenues grew 17% to nearly \$400 million worldwide, and we saw significant increases in penetration in both new and existing markets. The fall 2007 launch of *Steel*, our latest men’s offering supported by a marketing campaign featuring Oscar-nominated actor Djimon Honsou, is sure to create worldwide attention for this franchise. Over time, we believe that our focus on product innovation and standard-setting marketing will help us to achieve our near term goal of \$500 million in Calvin Klein Underwear revenues worldwide.

The integration of the acquired Calvin Klein Jeans and related businesses in Europe and Asia proceeded ahead of plan and contributed \$314 million to Warnaco’s Fiscal 2006 net revenues. The acquisition also accelerated the expansion of our international direct-to-consumer initiative and development of our global platform.

In the Americas, although retail consolidation negatively impacted the revenues of our Calvin Klein Jeans business, improvements in our merchandise mix and productivity more than made up for that loss of business and led to favorable financial results, including improved profitability.



A note from Non-Executive Chairman Charles R. Perrin

As in prior years, in Fiscal 2006 the Board played an active role in the overall governance of the Company. During the year, the Company faced some significant challenges, but with the oversight and support of the Board, management's deliberate execution of its strategies resulted in solid financial results and, importantly, laid the foundation for significant growth in the years ahead.

The Board discussed the Company's overall strategy at three meetings in 2006. From a strategic perspective, your Board supports management's international expansion initiatives, in our drive to become the premier global branded apparel company. Furthermore, the Board is strongly behind Joe and his team's key strategies of growing your Company by focusing on building power brands, leveraging our international platform, expanding geographically, and growing our direct-to-consumer presence.

During the year, the Board met 10 times, and its committees collectively met 28 times. We also added to our ranks with the addition of Nancy Reardon in July as our eighth independent representative. Nancy, currently the Senior Vice President and Chief Human Resources and Communications Officer at Campbell Soup Company, brings to our Board not only expertise in the fields of human resources and corporate communications, but also valuable experience in global business practices.

In 2007, we will continue to partner with management to ensure that Warnaco has the necessary resources for profitable growth. As always, we value your input and welcome communications from you at Board@Warnaco.com.

Going forward, we believe there are additional opportunities to grow all of our Calvin Klein businesses, as we leverage our scale, exploit synergies among our businesses internationally and enter new markets.

Speedo®, the "power brand" that anchors our Swimwear Group, continued to set the pace, generating strong operating margins. Speedo remains the dominant brand in competitive swimming and a leader in innovation. Nowhere was this more evident than at the 2007 FINA World Championships, where 63% of all medals won and 12 of the 15 world records set at that event were done so by athletes wearing Speedo, including an astonishing 7 gold medals and 5 world records from Team Speedo's Michael Phelps.

Lejaby®, our aspirational European lingerie brand, also produced positive results, with increases in revenue, operating income, and share penetration in its largest market, France. Our retail partners are enthusiastically supporting the launch of our Spring 2007 full figure initiative, *Elixir*. Additionally, at our US intimate apparel division, our long-term turnaround strategies showed signs of success, where Warner's® gained modest market share and increased sales by 6% and Olga® maintained its market share in mid-tier stores, and was re-introduced in the department store channel with the launch of *Olga's Christina*.

Building a Stronger Company

While we were pleased with our overall performance, the year was not without its challenges, and there is clearly more work to be done.

Chaps® net revenues declined by 6% to \$196 million. Results for the brand were impacted by an investigation into accounting irregularities and a subsequent restatement of prior period results, which were discovered internally and addressed in a manner exemplary of our Company's high professional and ethical standards.

We believe the Chaps brand has significant equity, and it remains an important resource in our portfolio, with the potential for near-term improvement in profitability. This will be accomplished through improved product offerings, increased penetration of higher margin merchandise categories, better pricing and fewer markdowns. We made measurable progress in the fourth quarter of Fiscal 2006 and we're optimistic that the brand will return to double-digit profitability in the future.

We are also taking steps to improve our designer swimwear businesses. In the beginning of the year, we faced challenges with shipping, re-orders and order cancellations due to the introduction of a new systems infrastructure. Today, those

“We are committed to enhancing shareholder value and our actions and our energies are directed toward that objective.”

problems have been resolved and the new system is working well, allowing that Group’s leadership, including talented new colleagues in management and design, to focus on bringing to market innovative product offerings that are the hallmark of Warnaco Swimwear.

Shaping Our Future

We continue to be optimistic about our future. We have a strong portfolio of brands, led by our global Calvin Klein businesses, and a dedicated and motivated team.

One of our key goals is to grow our international revenues to over 50% of our total business. To achieve this, we are building our international direct-to-consumer business and further developing our regional and country platforms. Investments in our global sourcing initiative, as well as the recruitment, training and development of talented and motivated personnel worldwide, will also serve us well.

In 2007 and beyond, we intend to further strengthen our business by continuing to critically assess our portfolio to ensure that we have the optimal platform for growth. Additionally, we will also explore new business and acquisition opportunities that complement our core competencies and offer compelling global growth potential.


We are committed to enhancing shareholder value and our actions and our energies are directed toward that objective. We believe we are well positioned for continued profitable growth in 2007 and beyond. We have clear objectives and—thanks to the hard work and support of our more than 10,000 associates around the world—we are well on our way to achieving them.

Sincerely,



Joseph R. Gromek
President and Chief Executive Officer





We are capitalizing on opportunities to build on Warnaco's strengths... sharpening our brands, increasing margins, improving sourcing, extending our international presence...and now directly operating more than 600 Calvin Klein points of retail distribution.

opportunity



over 600
Calvin Klein
retail locations

We added 354 new Calvin Klein stores and concessions during Fiscal 2006 and now directly operate more than 600 retail locations around the world.

leadership

\$1.8
billion

Warnaco revenues grew by 24% in Fiscal 2006, to \$1.8 billion, and earnings per share from continuing operations rose by 32%.





43% international

International revenues increased from 29% of net revenues in Fiscal 2005 to 43% in Fiscal 2006, as we advanced toward our goal of 50%.

With breadth, style and quality, Warnaco's brands are the catalyst for a bright and upbeat lifestyle, for men and women who care about how they look and feel...a state of mind for people who know how to enjoy the fun of living well.

lifestyle







Warnaco's brands are legendary icons of excellence...an extraordinarily valuable portfolio of names instantly recognized around the world for their leadership and the statements they make about the men and women who wear them.

brands







sportswear

-Calvin Klein Jeans -Chaps

It was a transitional year for the Sportswear Group. We increased our international presence, diversified our revenue stream and enhanced our expansion potential.

Revenues grew significantly and operating profit rose by more than 20%. A major contributing factor was the acquisition of the Calvin Klein Jeans businesses in Europe and Asia. In the Americas, Calvin Klein Jeans' new product assortments enhanced selling floor presentations and helped increase retail sell-through rates, which contributed to a substantial improvement in profitability.

We also made meaningful progress increasing our direct-to-consumer penetration. We ended Fiscal 2006 with approximately 300 points of Calvin Klein Jeans retail distribution and we are well positioned for additional growth in coming years.

The Chaps business, despite challenges in the early part of the year, maintains strong brand equity with both our retail partners and consumers. We believe the continued development of product that supports the aesthetic and quality of the brand will position us for improved profitability.

In 2007 our strategies are well defined. We will provide superior products, optimize our channels of distribution and identify further operational efficiencies, all of which should drive improved operating results.



intimate apparel

-Body Nancy Ganz -Calvin Klein Underwear -Lejaby -Olga -Olga's Christina -Warner's

The Intimate Apparel group had a very good year. We successfully executed our strategies and reaped the benefits with significant top and bottom line growth.

Calvin Klein Underwear, which remains the number one designer underwear brand worldwide, led the charge with market share gains in both men's and women's. With a broader geographic reach and an expanded direct-to-consumer initiative, we continued to deliver innovative product such as 365 and Perfectly Fit to our customers around the globe.

We also furthered the turnaround strategies in our other intimate apparel brands. Our operational issues were resolved and our service levels were on a par with industry standard. Our Warner's brand gained market share, Olga maintained share in the mid-tier as we repositioned it to full figure and we launched Olga's Christina exclusively in department stores. Rounding out the group, Lejaby delivered solid results with increases in revenue and operating income.

We enter 2007 with a good deal of momentum and a clear plan in place to continue our progress. Our focus going forward is on further developing our international retail platform and increasing the success rate of our new products with more emphasis on consumer research, innovative use of new technologies, and further differentiating our brands from our competitors through impactful marketing.



swimwear

-Anne Cole -Calvin Klein -Catalina -Cole of California -Michael Kors -Nautica -Speedo

In Fiscal 2006, Swimwear Group revenues increased while operating income fell. As the largest provider of swimwear in the United States, we are not satisfied with these results and have identified opportunities to deliver measurable improvement in the years ahead.

Speedo®, driven by an everlasting spirit of innovation, maintained a leadership position in competitive swim. Authentic innovative products led to strong sales in the sporting goods channel and through our unique team dealer distribution program.

In early 2007, Speedo announced the launch of Fastskin FS-PRO, a new lightweight speed suit for the competitive swim marketplace. The 2007 FINA World Swimming Championships highlighted not only the success of the new FS-PRO suit but also the relationship that Speedo enjoys, through sponsorship, with the leading athletes in the sport. Michael Phelps, wearing FS-PRO, became the first person to win seven gold medals at a single world championship, breaking five world records in the process. Teammates Natalie Coughlin and Katie Hoff also added to the excitement breaking four world records on their way to winning five gold medals.

During the year, our designer brands were favorably positioned in their respective channels of distribution. Our department store brands—Anne Cole®, Calvin Klein, Michael Kors® and Nautica®—ranked among the top 25 and remained an important resource for our department store customers. Catalina® maintained a leadership position in its mass channel of distribution and we provided swimwear for several key mass and mid-tier retail partners. The financial performance of our designer brands in Fiscal 2006, however, did not meet our expectations. Our leadership team has identified steps and begun implementing initiatives to restore profitability through gross margin expansion and disciplined cost control.

In 2007, we are expecting improved performance for the Swimwear Group. We have initiatives underway to enhance the performance in our designer brands and we will take advantage of the momentum in Speedo as we begin to gear up for the 2008 Beijing Olympics.

one warnaco



over
10,000
associates

No matter what the job or where,
Warnaco men and women work
as one to make the whole more
than the sum of all our parts.



>20
countries

Warnaco's consistent excellence is recognized and respected in a growing number of countries around the world.



>10
languages

Warnaco's universal qualities translate to people everywhere, no matter what the language or the culture.



corporate directory

BOARD OF DIRECTORS

Charles R. Perrin^{1,2,3}

Non-Executive Chairman of the Board
The Warnaco Group, Inc.
Former Chairman and
Chief Executive Officer
Avon Products, Inc.
Duracell International

Joseph R. Gromek

President and Chief Executive Officer
The Warnaco Group, Inc.

David A. Bell^{2,3}

Chairman Emeritus
The Interpublic Group of Companies

Robert A. Bowman^{1,2}

President and Chief Executive Officer
Major League Baseball Advanced Media
(MLB.com)

Richard Karl Goeltz^{1,3}

Former Vice Chairman and
Chief Financial Officer
American Express Company

Sheila A. Hopkins^{1,2}

Vice President and General Manager
Professional Oral Care, N.A.
Colgate-Palmolive Company

Nancy A. Reardon^{1,2}

Senior Vice President and
Chief Human Resources and
Communications Officer
Campbell Soup Company

Donald L. Seeley^{1,3}

Director
Applied Investment Management
Program
University of Arizona
Former Vice Chairman and
Chief Financial Officer
True North Communications

Cheryl Nido Turpin^{2,3}

Former President
Limited Stores,
a division of Limited Brands, Inc.

Committees of the Board

1 Audit Committee

2 Compensation Committee

3 Nominating and Corporate
Governance Committee

CORPORATE OFFICERS

Joseph R. Gromek

President and Chief Executive Officer

Lawrence R. Rutkowski

Executive Vice President
Chief Financial Officer

Helen McCluskey

President—Intimate Apparel Group

Frank Tworecke

President—Sportswear Group

Dwight Meyer

President—Global Sourcing,
Distribution and Logistics

Stanley P. Silverstein

Executive Vice President—
International Strategy and
Business Development

Jay A. Galluzzo

Senior Vice President—
Corporate Development
General Counsel and Secretary

Elizabeth Wood

Senior Vice President,
Human Resources

SHAREHOLDER INFORMATION

Corporate Office

The Warnaco Group, Inc.
501 Seventh Avenue
New York, NY 10018
Telephone: (212) 287-8000

Annual Meeting

The annual meeting of shareholders
will be held on Tuesday, May 15,
2007, at 10:00 am EDT:

The Warnaco Group, Inc.
501 Seventh Avenue
New York, NY 10018

Registrar & Transfer Agent

Wells Fargo Corporate Trust
Sixth & Marquette
Minneapolis, MN 55479
Telephone: (800) 468-9716

Annual and 10-K Reports

A copy of the Company's annual
report to the Securities and
Exchange Commission on Form 10-K
is available to shareholders without
charge. Your written request should
be directed to:

Investor Relations
The Warnaco Group, Inc.
501 Seventh Avenue
New York, NY 10018
investorrelations@warnaco.com

Stock Data

The common stock of The Warnaco
Group, Inc. is traded on the
NASDAQ stock exchange under the
trading symbol WRNC.

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281



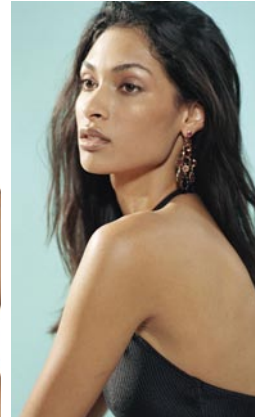
NAUTICA



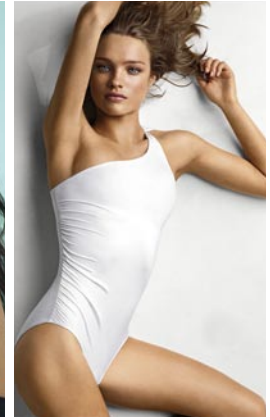
CHAPS
EST. 1978



warner's



catalina



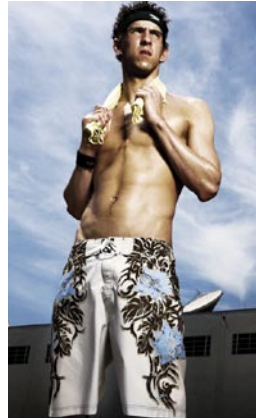
Calvin Klein
swimwear



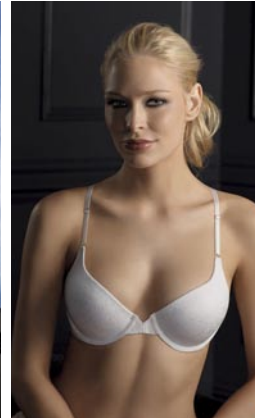
Calvin Klein
underwear



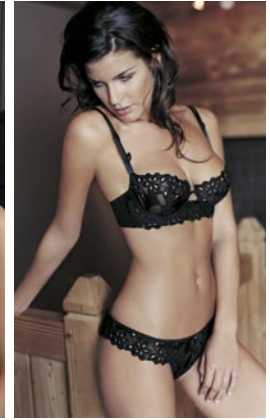
MICHAEL KORS



speedo



Olga



lejaby



CHAPS
DENIM



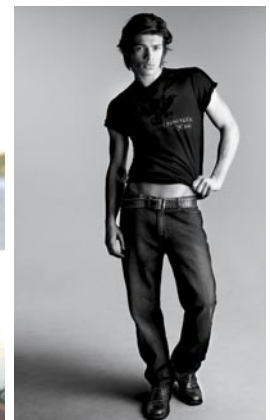
BoDY
NANCY GANZ



ANNE COLE
COLLECTION



ROsurel



Calvin Klein Jeans

WARNACO INC

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