

TOMMY HILFIGER CORPORATION

2005 Annual Report

We accomplished many of our goals in fiscal 2005 and believe the Company is positioned for continued progress in fiscal 2006.





DEAR SHAREHOLDERS,

Last year we stated that our primary objective was to restore Tommy Hilfiger to a high-growth, high-return company. While we still have a significant amount to accomplish, this goal remains firmly in place. In fiscal 2005, we made considerable strides in achieving many of our objectives, including growing our European business, restructuring the U.S. wholesale operation, reinvigorating our product assortment, and evolving the Company into a multi-brand, multi-channel enterprise. These steps are crucial to positioning the Company for improved operating performance over the long term.

EUROPE: SOLID MARKET POSITIONING

One of our biggest success stories is our European division, where we continue to experience significant growth. In fiscal 2005, Europe grew at a very solid clip, as evidenced by an approximate 21% revenue increase in constant currency.

Growth continues to be multi-dimensional, fueled by revenue increases in new and existing wholesale accounts, an expanding retail base, and penetration in underserved markets such as Eastern Europe, Russia, France, and Scandinavia. Germany and Spain remain our largest markets, accounting for approximately 40% of our European sales.

In April 2005, we purchased our Italian distributor so that we would be better positioned to grow our presence in Italy. We believe there is a tremendous opportunity to capture increased share in both the retail and wholesale segments in this market.

We expect Tommy Hilfiger Europe to remain a primary growth vehicle in the upcoming year, as we benefit from premium brand positioning, a pan-European distribution strategy and highly experienced management team.

UNITED STATES: STEPS TO RESTORE GROWTH

A well-defined quality and value equation has contributed to the stronger performance in our U.S. Company stores. These stores produced positive same store comparables beginning in the third fiscal quarter, after several consecutive years of comparable store declines. We repositioned their merchandise mix by eliminating the young men's and juniors' departments, while intensifying the men's and women's assortments. We also improved inventory management so that goods are flowing more quickly to the sales floor. We expect these actions will continue to result in healthy margins and strong cash flows in fiscal 2006.

We recognize that a turnaround in the U.S. wholesale business has taken longer than we originally expected. Nonetheless, we've made numerous changes, which we expect will improve our performance. We appointed Lynn Shanahan, a 14-year

Company veteran, to the newly created role of Group President, U.S. Wholesale and Licensing. As a result, all relevant functions of the U.S. wholesale department store business – from product design to production to marketing to retail account services to domestic licensing – now directly fall under this position. We believe that this operating model, which closely mirrors the successful business structures in our European and Canadian divisions, will result in greater efficiencies, improved customer relations, increased accountability and, ultimately, increased profitability.

As previously announced, we closed the Young Men's Jeans division as of Fall 2005. Our decision reflects the stronger market demand for more sophisticated premium denim washes rather than promotional commodity jeans. We will concentrate our denim offering in the men's sportswear division. Men's sportswear will be comprised of an integrated offering of three collections – casual sportswear, denim, and dress casual.

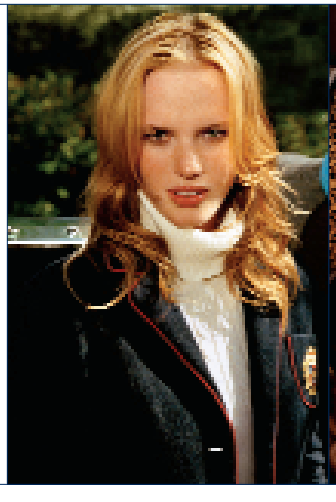
Additionally, we plan to launch Crest for women, a new dress casual collection, in Spring 2006. We believe this product line will offer a tremendous opportunity to meet our customers' needs, which are not presently addressed by our Tommy Hilfiger casual collection.

IMPROVED OPERATIONAL EFFICIENCIES

During the year, we announced the appointment of Bob Rosenblatt to the position of Chief Operating Officer and Group President. With 25 years experience in the retail business, Bob is a terrific addition to our team and great partner for us. He is focused on creating an efficient operating and sourcing platform to support disciplined and profitable future growth. Bob is also leading our efforts to develop and test new retail concepts.



Tommy Hilfiger Europe is positioned to achieve increased market share and growth over the next several years.





We have taken many steps to improve operating efficiencies throughout the year. The Company closed its Secaucus, New Jersey, distribution facility both to reduce excess capacity and to concentrate operations within distribution facilities that are in close proximity to each other. In addition, we relocated and consolidated the majority of our employees within New York City – design, production, merchandising, marketing and administrative functions – into the historic Starrett-Lehigh building. We believe this will improve efficiency, creativity and collaboration among teams.



EUROPE



UNITED STATES

In the second half of fiscal 2005, we also took measures to better align the expense infrastructure of the U.S. wholesale business with its current revenue base. We expect this streamlining, along with the new operating model in the U.S. wholesale division, will result in approximately $40 million of cost savings in fiscal 2006. These savings will be somewhat offset by our investment in retail stores for H Hilfiger and the development of the Karl Lagerfeld brand.

FOCUS ON NEW BUSINESS DEVELOPMENT

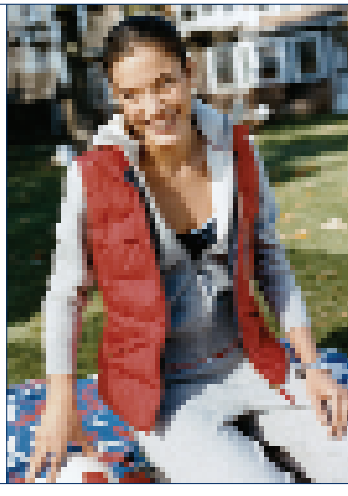
In January 2005, we acquired the Karl Lagerfeld trademarks and business. This is an important first step in our global expansion plan towards becoming a multi-brand, multi-channel enterprise. Our goal is to formally introduce the Lagerfeld brands in the U.S. during the second half of fiscal 2006. We believe the strength of the Lagerfeld name, combined with the power of our operational infrastructure, will enable the Company to penetrate multiple product categories within the upscale apparel segment over the next several years.

In reviewing our brand strategy, it became evident that the H Hilfiger line was not appropriately positioned within the department store channel. Within our own retail stores, this upscale line has been successful due to the control we exert over the assortment, sales staff and store environment. Therefore, we have decided to position H Hilfiger as a specialty store concept. H Hilfiger is part of an overall strategy to test various retail formats – between 5 and 10 stores – in the second half of fiscal 2006. We expect to rollout retail stores in a totally different way than we have done in the past. We have a clear focus on smaller formats, differentiated product, and have pro-





We are committed to reconnecting with the core Tommy Hilfiger customer and delivering product that epitomizes "fresh American style."



vided for capital investments and occupancy costs that will be consistent with a long-term and profitable, retail growth strategy.

In Fall 2004, we made our initial foray into the world of e-commerce with the launch of a micro site featuring watches, golf apparel and fragrance. We have since launched a new comprehensive e-commerce site with a much broader assortment of wholesale and licensing product. We are optimistic that e-commerce can be an important contributor to both revenue and profit over the next several years.

U.S. ATTORNEY INVESTIGATION

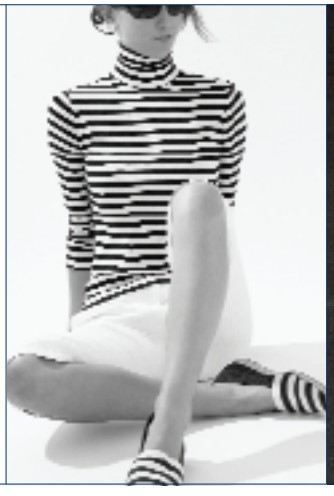
In late September 2004, the Company learned that the U.S. Attorney's Office ("USAO") had commenced an investigation into Tommy Hilfiger USA ("THUSA"), a wholly owned subsidiary of Tommy Hilfiger Corporation ("THC"). The investigation focused on the appropriateness of the buying office commission rate paid by THUSA to a non-USA subsidiary of the Company. We were pleased to announce in August 2005 that the Company had executed a non-prosecution agreement with the USAO, which concluded that criminal charges were not warranted, and therefore, the investigation was concluded. In connection with this resolution, THUSA agreed, among other things, to file amended tax returns for four years reflecting a reduced buying office commission rate and paid the IRS approximately $18.1 million of additional taxes and interest.

FISCAL 2005 FINANCIAL RESULTS

We are pleased to enclose a copy of our annual report on Form10-K, which includes our financial results for fiscal 2005.



Karl Lagerfeld and the H Hilfiger specialty store concept will serve as the blueprints for important growth vehicles in the years ahead.



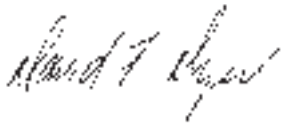


ENHANCING SHAREHOLDER VALUE

As we look ahead to fiscal 2006, our priorities are clear. We will allocate resources to sustain the positive momentum in Europe, to position the U.S. wholesale business for growth, to expand our retail presence, including new store concepts, to further develop the e-commerce platform, and to build our Karl Lagerfeld business.

We would like to thank each of our employees for their hard work, dedication and commitment during this challenging period. Their efforts have been critical to the success of the initiatives that we have implemented this year. And to our shareholders, your continued support has been truly appreciated.

Sincerely,



DAVID F. DYER
CHIEF EXECUTIVE OFFICER AND PRESIDENT



THOMAS J. HILFIGER
HONORARY CHAIRMAN OF THE BOARD AND PRINCIPAL DESIGNER



NEW BUSINESS DEVELOPMENT

"Fashion is about change, and it suits me perfectly well. It's not what you did, but what you will do".

– Karl Lagerfeld

TOMMY HILFIGER CORPORATION DIRECTORS

Back Row, left to right:

David Tang
Founder of China Clubs (Hong Kong, Beijing and Singapore) and Shanghai Tang Stores

David F. Dyer
Chief Executive Officer and President
Tommy Hilfiger Corporation

Thomas J. Hilfiger
Honorary Chairman of the Board and Principal Designer
Tommy Hilfiger Corporation

Joel J. Horowitz
Non-Executive Chairman of the Board

Front Row, left to right:

Mario L. Baeza
Founder of Baeza & Co.
Chairman of TCW / Latin America Partners, L.L.C.

Robert T. T. Sze
Former Partner of PriceWaterhouse Hong Kong
Director of Asia Satellite Telecommunications Holdings Limited

Jerri L. DeVard
Senior Vice President, Brand Management and Marketing Communications of Verizon Communications

Clinton V. Silver
Former Deputy Chairman and Managing Director of Marks & Spencer plc



TOMMY HILFIGER CORPORATION EXECUTIVE OFFICERS

David F. Dyer
Chief Executive Officer and President

Thomas J. Hilfiger
Honorary Chairman of the Board and Principal Designer

Joel J. Horowitz
Non-Executive Chairman of the Board

Robert Rosenblatt
Chief Operating Officer, Group President

James Gallagher
Executive Vice President, General Counsel

Theophlius Killion
Executive Vice President, Human Resources

Joseph Scirocco
Executive Vice President, Chief Financial Officer

Quentin Walsh
Senior Vice President, Corporate Controller

TOMMY HILFIGER CORPORATION EXECUTIVE COMMITTEE AND SUBSIDIARY MANAGEMENT

EXECUTIVE COMMITTEE

David F. Dyer
Chief Executive Officer and President (THC and THUSA)

Thomas J. Hilfiger
Honorary Chairman of the Board and Principal Designer (THC and THUSA)

Robert Rosenblatt
Chief Operating Officer (THC and THUSA), Group President (THUSA)

James Gallagher
Executive Vice President, General Counsel (THC and THUSA)

Theophlius Killion
Executive Vice President, Human Resources (THC and THUSA)

Joseph Scirocco
Executive Vice President, Chief Financial Officer (THC and THUSA)

Fred Gehring
Chief Executive Officer, Tommy Hilfiger Europe

Howard J. Starr
President and Chief Executive Officer, Tommy Hilfiger Canada

Lynn Shanahan
Group President, U.S. Wholesale and Licensing (THUSA)

Gary Sheinbaum
President, Retail (THUSA)

Ann Acierno
Executive Vice President, New Business Development (THUSA)

SUBSIDIARY MANAGEMENT

Alan Abramowicz
Chief Financial Officer and Corporate Counsel, Tommy Hilfiger Canada

Michael Arts
Senior Vice President, Brand Direction, Tommy Hilfiger Europe

Daniel Grieder
Senior Vice President, Wholesale, Tommy Hilfiger Europe

Ludo Onnink
Chief Financial Officer, Tommy Hilfiger Europe

JoAnne Bies
President, Worldwide Production (THUSA)

Christopher I. Nakatani
President, Childrenswear, Underwear and Retail Account Services (THUSA)

Eric Singleton
Chief Information Officer (THUSA)

Patricia Stensrud
President, Womenswear (THUSA)

R. Guy Vickers
President, Tommy Hilfiger Corporate Foundation (THUSA)

Allan Zwerner
President, Menswear (THUSA)

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Mellon Investor Services LLC
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Ridgefield Park, NJ 07660

Financial Information
Copies of our Annual Report on Form 10-K and other filings with the Securities and Exchange Commission may be obtained without charge through our website, www.tommy.com or by contacting:

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212-840-8888

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Cheung Sha Wan, Kowloon
Hong Kong

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