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CARTER'S, INC. REPORTS FIRST QUARTER 2011 RESULTS

- **NET SALES \$469 MILLION, UP 15%**
- **EARNINGS PER SHARE \$0.55, DOWN 23%**
- **SUPPLY CHAIN LEADERSHIP TRANSITION ANNOUNCED**

Atlanta, Georgia, April 28, 2011 / Business Wire -- Carter's, Inc. (NYSE:CRD), the largest branded marketer in the United States of apparel exclusively for babies and young children, today reported its first quarter 2011 results.

“Our first quarter sales reflect the strength of our *Carter's* brand product offering. The growth in sales is being driven by the national retailers, expansion of our retail stores, and the success of our eCommerce initiatives,” said Michael D. Casey, Chairman and Chief Executive Officer. “As expected, our profitability this year will be affected by the abnormal spike in cotton prices.”

First Quarter of Fiscal 2011 compared to First Quarter of Fiscal 2010

Consolidated net sales increased \$60.0 million, or 14.7%, to \$469.0 million. Net sales of the Company's *Carter's* brands increased \$60.1 million, or 18.1%, to \$392.4 million. Net sales of the Company's *OshKosh B'gosh* brand were comparable to the first quarter of fiscal 2010.

Operating income in the first quarter of fiscal 2011 was \$53.6 million, a decrease of \$17.5 million, or 24.6%, from \$71.2 million in the first quarter of fiscal 2010 primarily due to higher product costs.

Net income decreased \$10.7 million, or 25.0%, to \$32.1 million, or \$0.55 per diluted share, compared to \$42.8 million, or \$0.71 per diluted share, in the first quarter of fiscal 2010.

Cash flow from operations in the first quarter was \$9.3 million, a decrease of \$14.1 million, or 60.3%, from the first quarter of fiscal 2010 primarily due to decreased earnings and net changes in working capital.

Carter's Brand Businesses

Carter's wholesale sales increased \$41.6 million, or 28.5%, to \$187.9 million driven by higher sales in the off-price channel and strong over-the-counter performance of our product offerings.

Carter's retail segment sales increased \$19.7 million, or 16.7%, to \$137.9 million, driven by incremental sales of \$18.3 million generated by new store openings and eCommerce sales, and a comparable store sales increase of \$1.4 million, or 1.2%. We believe *Carter's* retail results were negatively impacted by poor weather and a later Easter holiday this year. In the first quarter of fiscal 2011, the Company opened ten *Carter's* retail stores and as of the end of the first quarter, operated 316 *Carter's* retail stores.

Carter's mass channel segment sales, which are comprised of sales of its *Child of Mine* brand and *Just One You* brand, decreased \$1.3 million, or 1.9%, to \$66.6 million. The decrease resulted from seasonal transition issues and timing of shipments of our *Child of Mine* brand, partially offset by increased sales of our *Just One You* brand resulting from increased productivity, additional floor space, and earlier demand than a year ago.

OshKosh B'gosh Brand Businesses

OshKosh retail segment sales decreased \$1.2 million, or 2.1%, to \$54.0 million, due to a comparable store sales decrease of \$5.2 million, or 9.8%, partially offset by incremental sales of \$4.7 million generated by new store openings and eCommerce sales. We believe *OshKosh* retail results were negatively impacted by poor weather and a later Easter holiday this year. In the first quarter of fiscal 2011, the Company opened two *OshKosh* retail stores and closed three and as of the end of the first quarter, operated 179 *OshKosh* retail stores.

OshKosh wholesale sales increased \$1.0 million, or 4.8%, to \$22.6 million driven by higher sales in the off-price channel.

Second Quarter 2011 Business Outlook

The Company expects net sales for the second quarter of fiscal 2011 to be up approximately 16% to 19%, and diluted earnings per share to be approximately \$0.10 to \$0.14 compared to \$0.32 in the second quarter of last year.

Supply Chain Leadership Transition

As part of a planned succession process, the Company announced today that Christopher W. Rork will join the Company as Executive Vice President of Supply Chain effective May 9, 2011. Mr. Rork joins the Company from Levi Strauss & Co. where he has worked since 2007, most recently as Senior Vice President, Supply Chain Asia based in Hong Kong. Mr. Rork previously held various product development and supply chain positions with Ralph Lauren Childrenswear and Nickelodeon Stores. “Chris has extensive supply chain experience and will provide the leadership needed as our business continues to grow and evolve,” said Michael D. Casey. Mr. Rork succeeds Charles E. Whetzel, Jr., who is retiring from the Company after 19 years of service. “Charlie has made immeasurable contributions to Carter’s over his long and successful career with the Company. We wish him well and are very grateful for all he has done to help build and strengthen our business,” said Mr. Casey.

Conference Call

The Company will hold a conference call with investors to discuss first quarter results on April 28, 2011 at 8:30 a.m. Eastern Time. To participate in the call, please dial 913-981-5559. To listen to a live broadcast of the call on the internet, please log on to www.carters.com and select the “Q1 2011 Earnings Conference Call” link under the “Investor Relations” tab. The conference call will be simultaneously broadcast on the Company’s website at www.carters.com. Presentation materials for the call can be accessed on the Company’s website at www.carters.com by selecting the “Conference Calls & Webcasts” link under the “Investor Relations” tab. A replay of the call will be available shortly after the broadcast through May 7, 2011, at 719-457-0820, passcode 3738523. The replay will be archived on the Company’s website at the same location. For more information on Carter’s, Inc., please visit www.carters.com.

Cautionary Language

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to the Company's future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the second quarter of fiscal 2011 and fiscal 2011, or any other future period, assessment of the Company's performance and financial position, and drivers of the Company's sales and earnings growth. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Factors that could cause actual results to materially differ include: a decrease in sales to, or the loss of one or more of, the Company's key customers; the acceptance of the Company's products in the marketplace; changes in consumer preference and fashion trends; seasonal fluctuations in the children's apparel business; negative publicity; the risk that ongoing litigation may be adversely resolved and that ongoing litigation and investigations may result in substantial expenses; the breach of the Company's consumer databases; increased production costs; deflationary pricing pressures and customer acceptance of higher selling prices; a continued decrease in the overall level of consumer spending; the Company's dependence on foreign supply sources; failure of foreign supply sources to meet the Company's quality standards or regulatory requirements; the impact of governmental regulations and environmental risks applicable to the Company's business; the loss of a sourcing agent; increased competition in the baby and young children's apparel market; the ability of the Company to identify new retail store locations, and negotiate appropriate lease terms for the retail stores; the ability of the Company to adequately forecast demand, which could create significant levels of excess inventory; failure to achieve sales growth plans, cost savings, and other assumptions that support the carrying value of the Company's intangible assets; and the ability to attract and retain key individuals within the organization. Many of these risks are further described in the most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission under the headings "Risk Factors" and "Forward-Looking Statements." The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

CARTER'S, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except for share data)
(unaudited)

| | Three-month periods ended | |
|---|----------------------------------|--------------------------|
| | April 2, 2011 | April 3, 2010 |
| Net sales: | | |
| Carter's: | | |
| Wholesale | \$187,878 | \$146,258 |
| Retail | 137,862 | 118,139 |
| Mass Channel | <u>66,636</u> | <u>67,920</u> |
| Carter's net sales | <u>392,376</u> | <u>332,317</u> |
| OshKosh: | | |
| Retail | 53,994 | 55,145 |
| Wholesale | <u>22,630</u> | <u>21,587</u> |
| OshKosh net sales | <u>76,624</u> | <u>76,732</u> |
| Total net sales | 469,000 | 409,049 |
| Cost of goods sold | <u>311,194</u> | <u>242,239</u> |
| Gross profit | 157,806 | 166,810 |
| Selling, general, and administrative expenses | 113,501 | 105,295 |
| Royalty income | <u>(9,329)</u> | <u>(9,654)</u> |
| Operating income | 53,634 | 71,169 |
| Interest expense, net | <u>1,850</u> | <u>2,444</u> |
| Income before income taxes | 51,784 | 68,725 |
| Provision for income taxes | <u>19,661</u> | <u>25,900</u> |
| Net income | <u>\$ 32,123</u> | <u>\$ 42,825</u> |
| Basic net income per common share | \$ 0.56 | \$ 0.73 |
| Diluted net income per common share | \$ 0.55 | \$ 0.71 |

CARTER'S, INC.
BUSINESS SEGMENT RESULTS
(unaudited)

| (dollars in thousands) | For the three-month periods ended | | | |
|--|-----------------------------------|---------------|------------------|---------------|
| | April 2, 2011 | % of Total | April 3, 2010 | % of Total |
| <u>Net sales:</u> | | | | |
| Carter's: | | | | |
| Wholesale | \$187,878 | 40.1% | \$146,258 | 35.7% |
| Retail (a) | 137,862 | 29.4% | 118,139 | 28.9% |
| Mass Channel | <u>66,636</u> | <u>14.2%</u> | <u>67,920</u> | <u>16.6%</u> |
| Carter's total net sales | <u>392,376</u> | <u>83.7%</u> | <u>332,317</u> | <u>81.2%</u> |
| OshKosh: | | | | |
| Retail (a) | 53,994 | 11.5% | 55,145 | 13.5% |
| Wholesale | <u>22,630</u> | <u>4.8%</u> | <u>21,587</u> | <u>5.3%</u> |
| OshKosh total net sales | <u>76,624</u> | <u>16.3%</u> | <u>76,732</u> | <u>18.8%</u> |
| Total net sales | <u>\$469,000</u> | <u>100.0%</u> | <u>\$409,049</u> | <u>100.0%</u> |
| <u>Operating income (loss):</u> | | | | |
| Carter's: | | | | |
| Wholesale | \$ 34,707 | 18.5% | \$ 40,297 | 27.6% |
| Retail (a) | 27,353 | 19.8% | 26,143 | 22.1% |
| Mass Channel | <u>5,445</u> | 8.2% | <u>12,794</u> | 18.8% |
| Carter's operating income | <u>67,505</u> | 17.2% | <u>79,234</u> | 23.8% |
| OshKosh: | | | | |
| Retail (a) | (6,073) | (11.2%) | 1,963 | 3.6% |
| Wholesale | 2,625 | 11.6% | 3,593 | 16.6% |
| Mass Channel (b) | <u>808</u> | -- | <u>766</u> | -- |
| OshKosh operating (loss) income | <u>(2,640)</u> | (3.4%) | <u>6,322</u> | 8.2% |
| Segment operating income | 64,865 | 13.8% | 85,556 | 20.9% |
| Corporate expenses (c) | <u>(11,231)</u> | (2.4%) | <u>(14,387)</u> | (3.5%) |
| Total operating income | <u>\$ 53,634</u> | 11.4% | <u>\$ 71,169</u> | 17.4% |

(a) Includes eCommerce results.

(b) OshKosh mass channel consists of a licensing agreement with Target Stores. Operating income consists of royalty income, net of related expenses.

(c) Corporate expenses generally include expenses related to incentive compensation, stock-based compensation, executive management, severance and relocation, finance, building occupancy, information technology, certain legal fees, consulting, and audit fees.

CARTER'S, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share data)
(unaudited)

| | April 2, 2011 | January 1, 2011 | April 3, 2010 |
|---|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 248,871 | \$ 247,382 | \$ 365,865 |
| Accounts receivable, net | 160,057 | 121,453 | 118,888 |
| Finished goods inventories, net | 217,458 | 298,509 | 143,125 |
| Prepaid expenses and other current assets | 19,650 | 17,372 | 10,439 |
| Deferred income taxes | 26,667 | 31,547 | 26,352 |
| Total current assets | 672,703 | 716,263 | 664,669 |
| Property, plant, and equipment, net | 92,553 | 94,968 | 85,783 |
| Tradenames | 305,733 | 305,733 | 305,733 |
| Goodwill | 136,570 | 136,570 | 136,570 |
| Deferred debt issuance costs, net | 3,155 | 3,332 | 2,189 |
| Licensing agreements, net | -- | -- | 957 |
| Other assets | 322 | 316 | 307 |
| Total assets | <u>\$1,211,036</u> | <u>\$1,257,182</u> | <u>\$1,196,208</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Current maturities of long-term debt | \$ -- | \$ -- | \$ 3,503 |
| Accounts payable | 53,077 | 116,481 | 40,689 |
| Other current liabilities | 49,640 | 66,891 | 54,230 |
| Total current liabilities | 102,717 | 183,372 | 98,422 |
| Long-term debt | 236,000 | 236,000 | 330,145 |
| Deferred income taxes | 112,453 | 113,817 | 109,018 |
| Other long-term liabilities | 46,873 | 44,057 | 41,935 |
| Total liabilities | 498,043 | 577,246 | 579,520 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at April 2, 2011, January 1, 2011, and April 3, 2010 | -- | -- | -- |
| Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized, 57,761,103, 57,493,567, and 59,390,706 shares issued and outstanding at April 2, 2011, January 1, 2011, and April 3, 2010, respectively | 578 | 575 | 594 |
| Additional paid-in capital | 211,531 | 210,600 | 252,990 |
| Accumulated other comprehensive loss | (1,890) | (1,890) | (3,900) |
| Retained earnings | 502,774 | 470,651 | 367,004 |
| Total stockholders' equity | 712,993 | 679,936 | 616,688 |
| Total liabilities and stockholders' equity | <u>\$1,211,036</u> | <u>\$1,257,182</u> | <u>\$1,196,208</u> |

CARTER'S, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in thousands)
(unaudited)

| | For the three-month periods ended | |
|---|--|--------------------------|
| | April 2, 2011 | April 3, 2010 |
| Cash flows from operating activities: | | |
| Net income | \$ 32,123 | \$ 42,825 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,130 | 7,882 |
| Amortization of debt issuance costs | 177 | 280 |
| Non-cash stock-based compensation expense | 2,151 | 1,690 |
| Income tax benefit from exercised stock options | (407) | (8,263) |
| Loss (gain) on disposal/sale of property, plant, and equipment | 100 | (181) |
| Deferred income taxes | 3,353 | 5,469 |
| Effect of changes in operating assets and liabilities: | | |
| Accounts receivable | (38,604) | (36,794) |
| Inventories | 81,051 | 70,875 |
| Prepaid expenses and other assets | (2,284) | 673 |
| Accounts payable and other liabilities | <u>(76,496)</u> | <u>(61,028)</u> |
| Net cash provided by operating activities | <u>9,294</u> | <u>23,428</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (6,813) | (8,223) |
| Proceeds from sale of property, plant, and equipment | <u>--</u> | <u>286</u> |
| Net cash used in investing activities | <u>(6,813)</u> | <u>(7,937)</u> |
| Cash flows from financing activities: | | |
| Payments on term loan | -- | (875) |
| Income tax benefit from exercised stock options | 407 | 8,263 |
| Withholdings from vesting of restricted stock | (1,406) | (517) |
| Proceeds from exercise of stock options | <u>7</u> | <u>8,462</u> |
| Net cash (used in) provided by financing activities | <u>(992)</u> | <u>15,333</u> |
| Net increase in cash and cash equivalents | 1,489 | 30,824 |
| Cash and cash equivalents, beginning of period | <u>247,382</u> | <u>335,041</u> |
| Cash and cash equivalents, end of period | <u>\$248,871</u> | <u>\$365,865</u> |