

carter's®

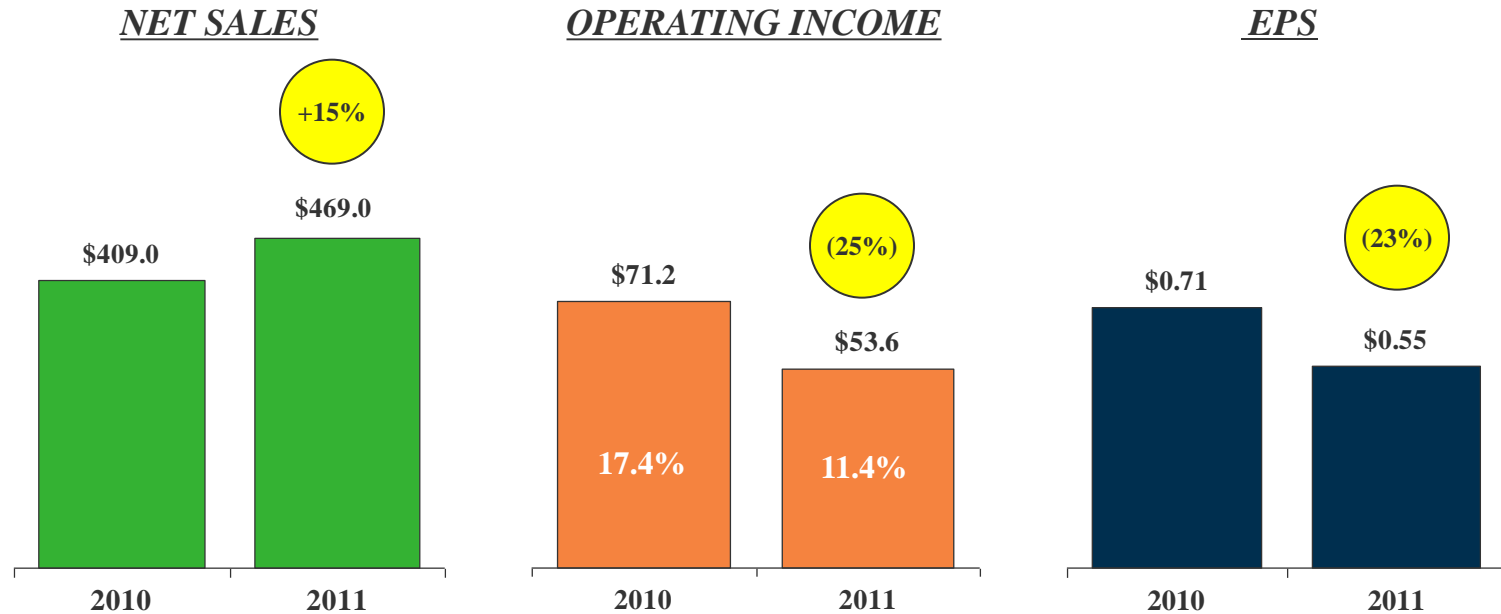


First Quarter 2011 Business Review

April 28, 2011

First Quarter Highlights

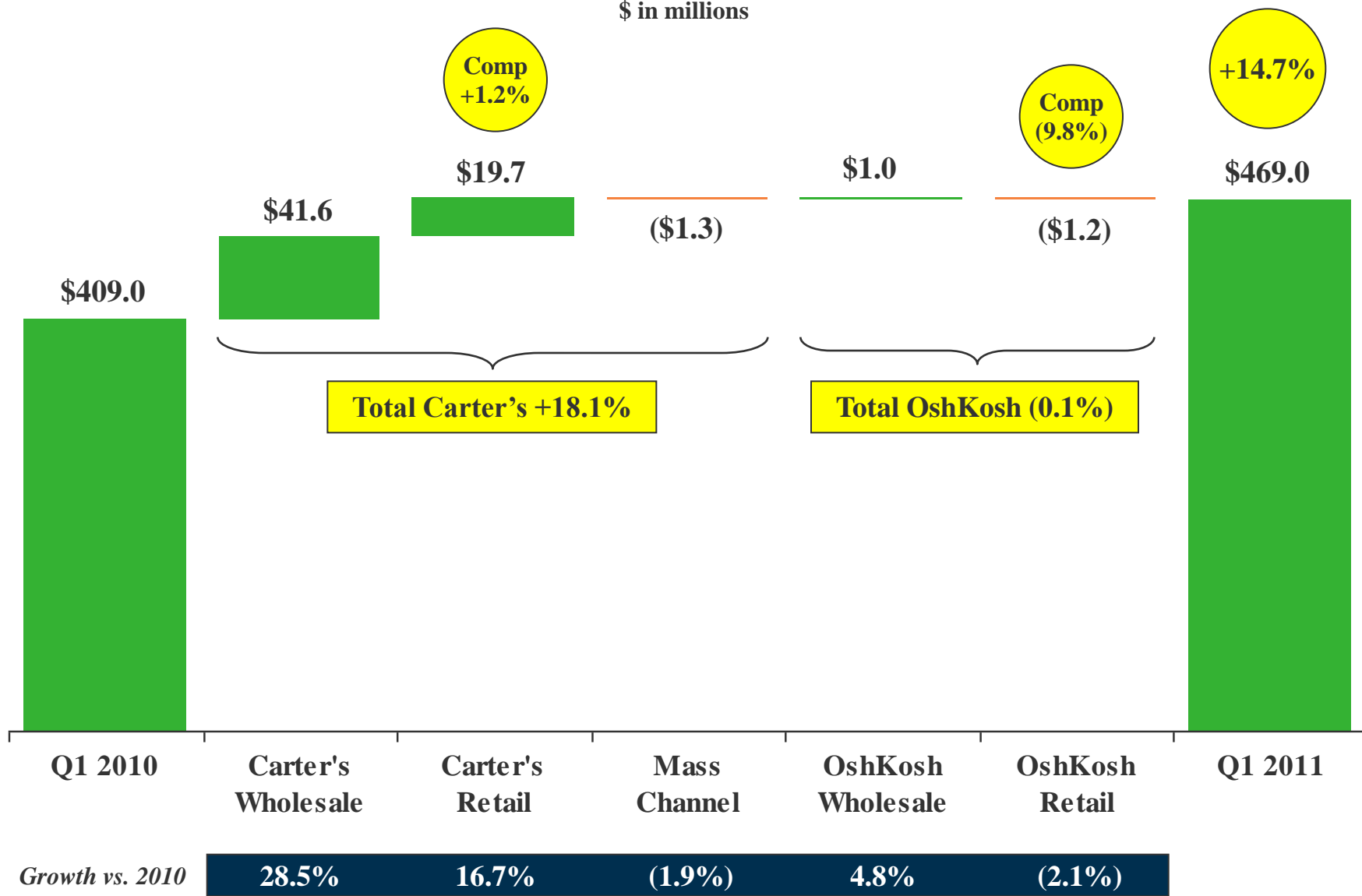
\$ in millions, except EPS



- **Strong net sales growth in a challenging environment**
- **Continued investment in growth initiatives**
 - New retail stores
 - eCommerce
- **Gross margin declined primarily due to higher product costs**
- **Strong balance sheet**

First Quarter Net Sales

\$ in millions



First Quarter Results

\$ in millions, except EPS

	Q1 2011	% of sales	Q1 2010	% of sales	Increase (Decrease)
Net sales	\$469.0		\$409.0		15%
Gross profit	157.8	33.6%	166.8	40.8%	(5%)
SG&A	113.5	24.2%	105.3	25.7%	8%
Royalty income	(9.3)	(2.0%)	(9.7)	(2.4%)	(3%)
Operating income	53.6	11.4%	71.2	17.4%	(25%)
Interest	1.9	0.4%	2.4	0.6%	(24%)
Income before taxes	51.8	11.0%	68.7	16.8%	(25%)
Income taxes	19.7	4.2%	25.9	6.3%	(24%)
Net income	\$32.1	6.8%	\$42.8	10.5%	(25%)
Earnings per diluted share	\$0.55		\$0.71		(23%)
Diluted share count	57.9		59.4		

Carter's First Quarter Wholesale Results

KEY METRICS

	Q1 2011 Growth
Net Sales	+28%
Units	+34%
Average Price	(4%)

HIGHLIGHTS

- Solid performance in a challenging retail environment
- Results reflect higher off-price sales and strong demand from many of our wholesale accounts
- Increase in units and decline in average price driven by off-price sales; excluding off-price sales, average prices up 3%
- Strongest over-the-counter performance in Baby and Playwear
- Seasonal Fall bookings planned up high single digits

Mass Channel First Quarter Results

KEY METRICS

	Q1 2011 Growth
Net Sales	(2%)
Units	(9%)
Average Price	+8%

HIGHLIGHTS

- **Child of Mine**



- Lower sales due to seasonal transition issues and timing of shipments

- **Just One You**



- Sales increases driven by higher productivity, increased space, and earlier demand than a year ago

Carter's First Quarter Retail Results

KEY METRICS

	Q1 2011	Q1 2010
Sales	16.7%	15.9%
Comps	1.2%	8.1%
UPTs	4.6%	2.8%
Average Price	(1.4%)	2.0%
Transactions (#)	(1.8%)	3.1%
Inventory / Door	6.9%	(4.9%)

	Q1 2011	Q1 2010
<u>Store Count</u>		
Brand Stores	136	108
Outlet Stores	180	173
Total	316	281

HIGHLIGHTS

- Lower customer traffic driven by:
 - Bad weather, particularly in the Northeast region
 - Later Easter holiday
- Strong in-store metrics
 - Improved conversion
 - Higher UPTs
- AUR decline due to heavier mix of Fall product
- Opened 10 stores in Q1

Carter's Retail Store – Locust Grove, Georgia



OshKosh First Quarter Wholesale Results

KEY METRICS

	Q1 2011 Growth
Net Sales	+5%
Units	+5%
Average Price	- %

HIGHLIGHTS

- Spring selling
 - Good performance in Boys
 - Girls below expectations
- Fall bookings forecasted to increase high single digits

OshKosh First Quarter Retail Results

KEY METRICS

	Q1 2011	Q1 2010
Sales	(2.1%)	6.4%
Comps	(9.8%)	3.5%
UPTs	(0.9%)	6.5%
Average Price	(1.3%)	(2.9%)
Transactions (#)	(7.9%)	0.1%
Inventory / Door	6.3%	(8.2%)

	Q1 2011	Q1 2010
<u>Store Count</u>		
Brand Stores	20	12
Outlet Stores	159	160
Total	179	172

HIGHLIGHTS

- Lower customer traffic driven by:
 - Bad weather, particularly in the Northeast region
 - Higher concentration of stores in outlet centers
 - Later Easter holiday
- AUR decrease due to heavier sales mix of Fall product
- Opened 2 stores in Q1

OshKosh Mall Test Store – *Park Meadows; Denver, Colorado*



Opened November 2010

OshKosh Mall Test Store – Kenwood Towne Center; Cincinnati, Ohio



Opened February 2011

HIGHLIGHTS

- Building valuable customer relationships
 - 68% of first-time web buyers were new to file
 - Customers who shop on both our websites and in our stores shop more frequently and spend approximately 2x more than single channel customers
- Strong site traffic and sales momentum
 - over 7.8 million visits in Q1
- Continuing to expand online assortment and capabilities



First Quarter Business Segment Performance

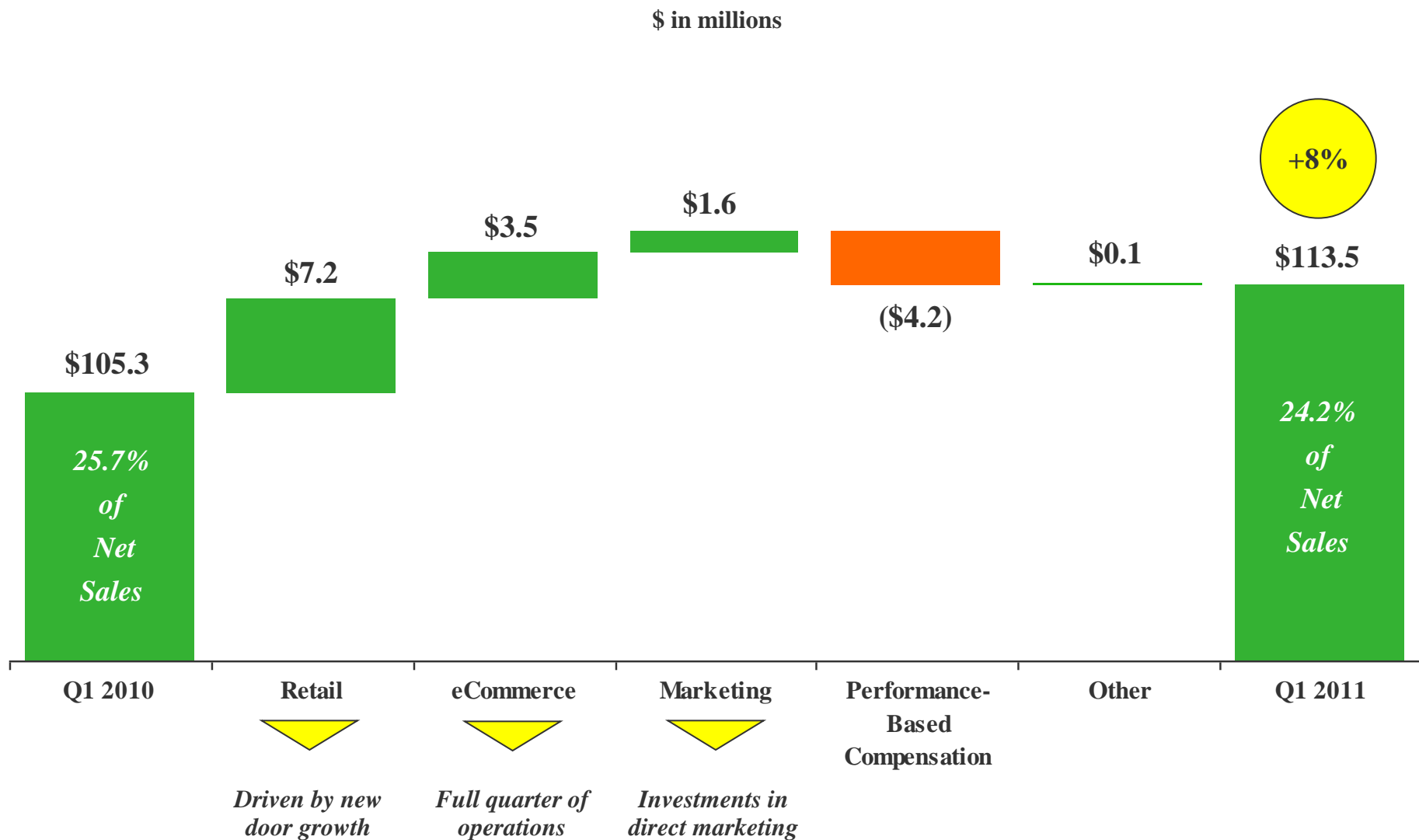
\$ in millions

	Net Sales			Operating Income (Loss)			Operating Margin		
	2011	2010	\$ Growth	2011	2010	\$ Growth	2011	2010	
<u>Carter's</u>									
Wholesale	\$188	\$146	\$42	\$35	\$40	(\$6)	18.5%	27.6%	
Retail (a)	138	118	20	27	26	1	19.8%	22.1%	
Mass	67	68	(1)	5	13	(7)	8.2%	18.8%	
Total Carter's	\$392	\$332	\$60	\$68	\$79	(\$12)	17.2%	23.8%	(660) bps
<u>OshKosh</u>									
Wholesale	\$23	\$22	\$1	\$3	\$4	(\$1)	11.6%	16.6%	
Retail (a)	54	55	(1)	(6)	2	(8)	(11.2%)	3.6%	
Mass				1	1	0	(b)	(b)	
Total OshKosh	\$77	\$77	(\$0)	(\$3)	\$6	(\$9)	(3.4%)	8.2%	(1160) bps
Corporate expenses				(11)	(14)	3	(2.4%)	(3.5%)	
Total, as reported	\$469	\$409	\$60	\$54	\$71	(\$18)	11.4%	17.4%	(600) bps

(a) Includes eCommerce results

(b) Not applicable - OshKosh Mass channel operating income represents royalty income

First Quarter SG&A



Balance Sheet and Cash Flow

\$ in millions

	2011	2010	
Balance Sheet	Cash	\$248.9	\$365.9
	Accounts Receivable	\$160.1	\$118.9
	Inventories	\$217.5	\$143.1
	Long-Term Debt	\$236.0	\$333.6
	Lease Adjusted Leverage Ratio	2.0x	2.1x
Cash Flow	Operating Cash Flow	\$9.3	\$23.4
	CapEx	(6.8)	(8.2)
	Free Cash Flow	\$2.5	\$15.2

- Strong liquidity position
- Accounts receivable increase due to higher wholesale sales and timing of shipments
- Inventory increase was driven by higher product costs, planned growth, and longer lead times
- CapEx spending primarily represents new *Carter's* retail stores



Outlook

2011 Outlook

Second Quarter 2011

- Net Sales \$380 to \$390 million
- EPS \$0.10 to \$0.14
- Key issues:
 - Higher product costs vs. 2010
 - Smallest sales and earnings quarter of the year

Fiscal 2011

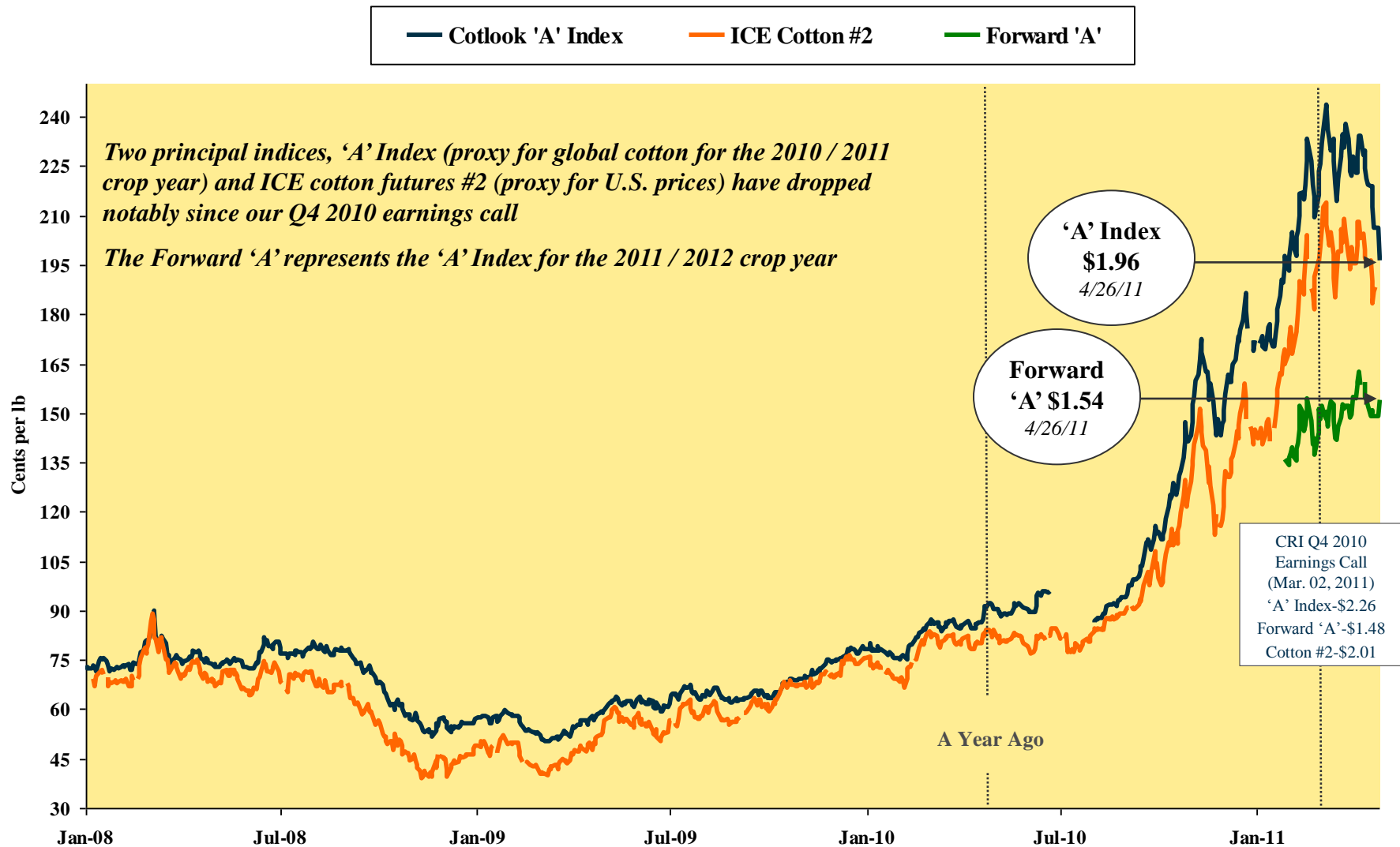
- Earnings expected to decline due to significantly higher product costs

	<u>Spring 2011</u>	<u>Fall 2011</u>	<u>Spring 2012</u>
- Increase in product costs	+ ~12%	+ ~25%	TBD
- New Retail Stores: Carter's 55; OshKosh 4
- Inventory expected to be higher throughout the year due to planned growth and higher product costs; units planned comparable to year end
- CapEx expected to be approximately \$50 million



Appendix

Cotton Price Trend



Breaks in the price curves represent dates where indices were not reported

Source: ⁽¹⁾ Cotton Outlook and ⁽²⁾ ICE

Forward-looking Statements and Other Information

Results provided in this presentation are preliminary and unaudited. This presentation should be read in conjunction with the audio broadcast or transcript of the Company's earnings call, held on April 28, 2011, which is available at www.carters.com. Also, this presentation 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 Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission under the heading "Risk Factors" and "Forward-Looking Statements." All information is provided as of April 28, 2011. The Company undertakes no obligation to publicly update or revise any forward-looking statements or other information, whether as a result of new information, future events, or otherwise.

