

A baby with light hair and blue eyes is sitting on a white, textured rug. The baby is wearing a grey zip-up hoodie with horizontal orange stripes and dark-colored pants. On the left chest of the hoodie, there is a black logo featuring a guitar and the words "ROCK STAR". The background is a bright, out-of-focus indoor setting with large windows and greenery.

carter's[®]

Fourth Quarter / Fiscal 2011

Business Update

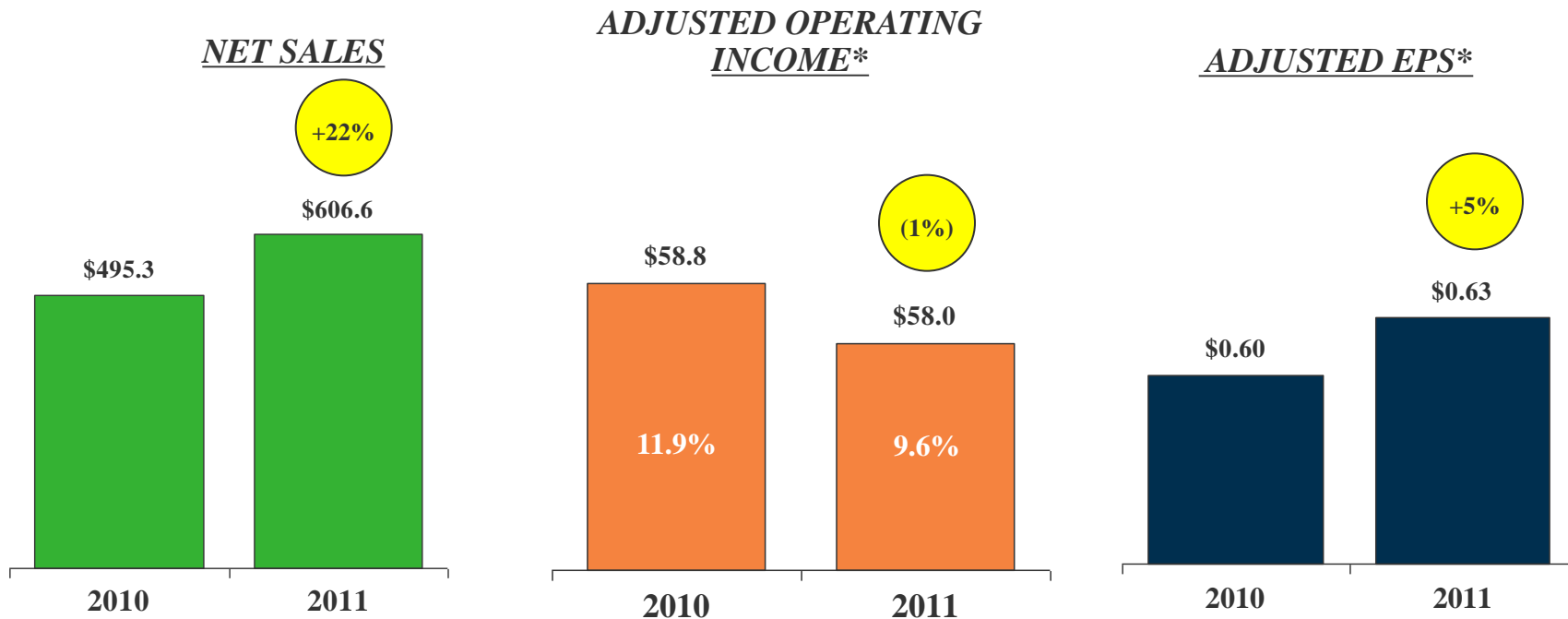
February 29, 2012



Fourth Quarter 2011 Results

Fourth Quarter 2011 Highlights

\$ in millions, except EPS



* Results for 2011 are stated on an adjusted basis; see reconciliation to GAAP on page 11.

- **Sales growth in every channel of distribution**
 - U.S. net sales +13%
 - *Carter's* brands net sales +14%
 - *OshKosh B'gosh* brand net sales +11%
 - International sales \$54 million (+\$46 million); 9% of total company sales
- Achieved adjusted operating margin of 9.6% despite meaningful product cost increase

Fourth Quarter 2011 Highlights – *Carter's*

KEY METRICS

HIGHLIGHTS

U.S. Retail Stores

		Q4 Growth vs. LY
Total Retail Store Sales*		+19%
Comparable Stores:		
Sales		+7.2%
UPTs		(1.1%)
Average Price		+8.7%
Number of Transactions		(0.2%)
Unit Inventory per Door		(5.7%)
Brand stores	180	
Outlet stores	179	
Total	<u>359</u>	

+53 net stores
FY11

eCommerce

	Q4	Growth vs. LY
<i>\$ in millions</i>		
Carter's Net Sales	\$20.1	\$13.0

U.S. Wholesale

	Q4 Growth vs. LY
Net Sales	+5%
Units	(4%)
Average Prices	+10%

- Strong comp sales performance +7.2%
- Good progress in raising AURs
- Strongest performance in Baby and Boys Playclothes product categories
- All regions, store types posted comp gains
- Promotional activity comparable to LY
- Continued strong eCommerce growth
- Improvement in all Key Performance Indicators – traffic, conversion, average order value
- Good growth across all brands – *Carter's*, *Just One You*, *Child of Mine*
- Good over-the-counter sales performance with stronger AURs

* Excludes eCommerce sales, see page 21 for reconciliation

Fourth Quarter 2011 Highlights – OshKosh

KEY METRICS

HIGHLIGHTS

U.S. Retail Stores

	<u>Q4 Growth vs. LY</u>
Total Retail Store Sales*	+6%
Comparable Stores:	
Sales	+6.9%
UPTs	+2.4%
Average Price	+5.1%
Number of Transactions	(0.7%)
Unit Inventory per Door	(3.4%)

Brand stores	19
Outlet stores	151
Total	<u>170</u>

(10) net stores FY11

eCommerce

<i>\$ in millions</i>	<u>Q4</u>	<u>Growth vs. LY</u>
OshKosh Net Sales	\$7.2	\$4.6

U.S. Wholesale

	<u>Q4 Growth vs. LY</u>
Net Sales	+6%
Units	(7%)
Average Prices	+14%

- Strongest quarterly comp sales performance of the year +6.9%
- All regions posted comp gains, led by East
- Girls and Boys Playclothes delivered the strongest product performance
- Closed six underperforming stores in Q4; closed 13 total during 2011
- Promotional activity comparable to LY
- Continued strong eCommerce growth
- Improvement in all Key Performance Indicators – traffic, conversion, average order value
- Fall 2011 over-the-counter sales at top accounts +3% vs. last year with stronger AURs
- Inventories positioned well

* Excludes eCommerce sales, see page 21 for reconciliation

Fourth Quarter 2011 Highlights – International

KEY METRICS

\$ in millions

		<u>Q4</u>	<u>Growth vs. LY</u>
Retail	Net Sales	\$36.0	NA
Wholesale	Net Sales	\$18.3	+\$10.3
Royalty Income	Royalty Income	\$1.5	(\$1.2)

HIGHLIGHTS

- Strong Canadian performance
 - Q4 retail store comp +5.0% driven by OshKosh brand (comp +24%)
- Opened one *Carter's/OshKosh* store in Q4; opened 12 in 2011
- Strong wholesale sales in international markets
 - Strongest contributors to growth:
 - Canada
 - U.S.-based multi-national retailers
 - Middle East
- Q4 decline driven by loss of royalty income from former licensee Bonnie Togs

Fourth Quarter 2011 – Consolidated Income Statement*

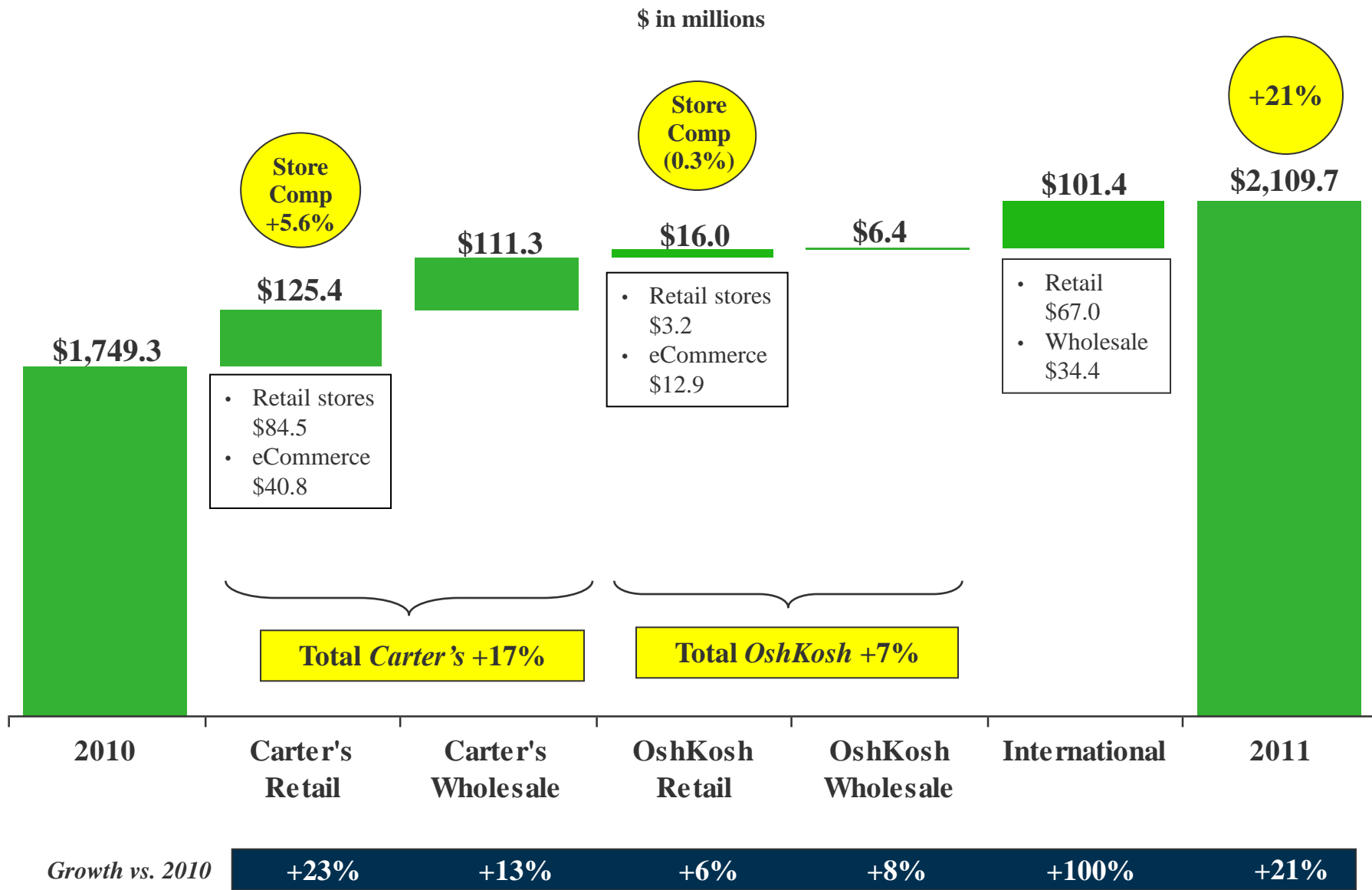
	\$ in millions, except EPS				Increase (Decrease)
	Q4 2011	% of sales	Q4 2010	% of sales	
Net sales	\$606.6		\$495.3		22%
Adjusted gross profit	207.5	34.2%	184.0	37.2%	13%
Adjusted SG&A	158.6	26.2%	135.1	27.3%	17%
Royalty income	(9.2)	(1.5%)	(9.9)	(2.0%)	(7%)
Adjusted operating income	58.0	9.6%	58.8	11.9%	(1%)
Interest and other, net	1.6	0.3%	3.2	0.6%	(50%)
Income before taxes	56.4	9.3%	55.6	11.2%	1%
Income taxes	19.2	3.2%	20.7	4.2%	(7%)
Adjusted net income	\$37.3	6.1%	\$34.9	7.0%	7%
Adjusted earnings per diluted share	\$0.63		\$0.60		5%
Weighted average diluted share count	58.6		57.8		

* Adjusted 2011 results are reconciled to GAAP on page 11.



Fiscal 2011 Results

Fiscal 2011 – Net Sales



Note: Results may not be additive due to rounding.

Fiscal 2011 – Consolidated Income Statement*

\$ in millions, except EPS

	2011	% of sales	2010	% of sales	Increase (Decrease)
Net sales	\$2,109.7		\$1,749.3		21%
Adjusted gross profit	697.8	33.1%	673.9	38.5%	4%
Adjusted SG&A	535.4	25.4%	468.2	26.8%	14%
Royalty income	(37.3)	(1.8%)	(37.6)	(2.1%)	(1%)
Adjusted operating income	199.7	9.5%	243.3	13.9%	(18%)
Interest and other, net	6.6	0.3%	9.9	0.6%	(33%)
Income before taxes	193.1	9.2%	233.4	13.3%	(17%)
Income taxes	69.9	3.3%	86.9	5.0%	(20%)
Adjusted net income	\$123.2	5.8%	\$146.5	8.4%	(16%)
Adjusted earnings per diluted share	\$2.09		\$2.46		(15%)
Weighted average diluted share count	58.2		59.0		

* Adjusted 2011 results are reconciled to GAAP on page 11.

Reconciliation of GAAP to Adjusted Earnings

\$ in millions, except EPS

Fourth Quarter of Fiscal 2011	Income Statement							Segment Reporting				
	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$206.7	34.1%	\$160.9	26.5%	\$55.0	9.1%	\$34.8	\$0.59	\$10.7	19.8%	(\$17.1)	(2.8%)
Acquisition-related expenses: (a)												
Amortization of fair value step-up of inventory	0.7				0.7		0.5	0.01	0.7			
Revaluation of contingent consideration			(1.5)		1.5		1.5	0.02	1.5			
Professional fees / other expenses			(0.8)		0.8		0.5	0.01			0.8	
Total acquisition-related expenses	<u>0.7</u>		<u>(2.2)</u>		<u>3.0</u>		<u>2.5</u>	<u>0.04</u>	<u>2.2</u>		<u>0.8</u>	
As adjusted (b)	\$207.5	34.2%	\$158.6	26.2%	\$58.0	9.6%	\$37.3	\$0.63	\$12.9	23.8%	(\$16.3)	(2.7%)

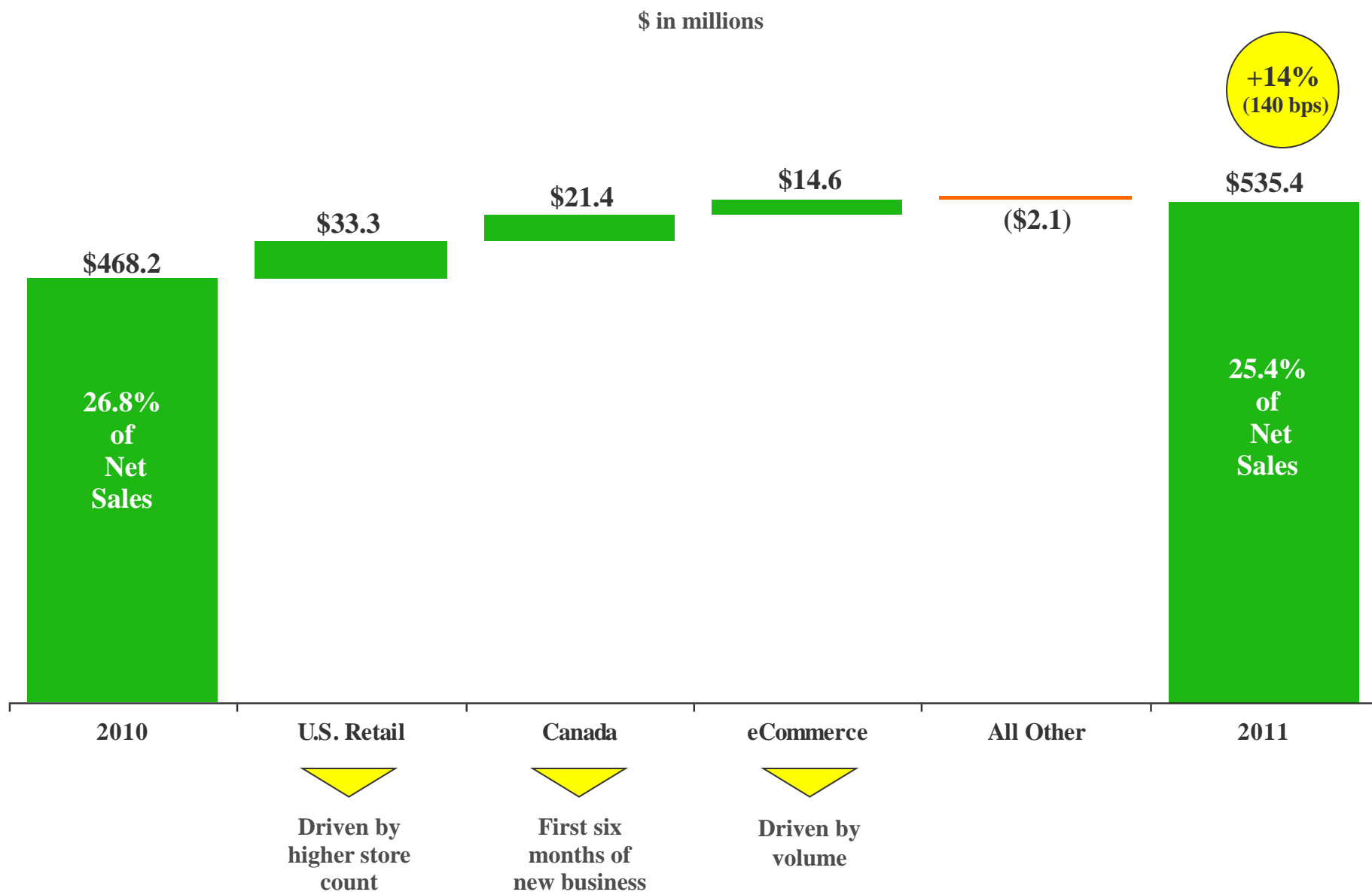
Twelve Months of Fiscal 2011	Income Statement							Segment Reporting				
	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$691.2	32.8%	\$541.0	25.6%	\$187.5	8.9%	\$114.0	\$1.94	\$27.3	20.0%	(\$54.3)	(2.6%)
Acquisition-related expenses: (a)												
Amortization of fair value step-up of inventory	6.7				6.7		4.8	0.08	6.7			
Revaluation of contingent consideration			(2.5)		2.5		2.5	0.04	2.5			
Professional fees / other expenses			(3.0)		3.0		1.9	0.03			3.0	
Total acquisition-related expenses	<u>6.7</u>		<u>(5.5)</u>		<u>12.2</u>		<u>9.2</u>	<u>0.15</u>	<u>9.2</u>		<u>3.0</u>	
As adjusted (b)	\$697.8	33.1%	\$535.4	25.4%	\$199.7	9.5%	\$123.2	\$2.09	\$36.4	26.7%	(\$51.3)	(2.4%)

(a) Expenses related to the Company's acquisition of Canadian retailer Bonnie Togs.

(b) The Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company has excluded \$3.0 million and \$12.2 million in acquisition-related expenses from these results for the three and twelve-month periods ended December 31, 2011, respectively. The Company believes these adjustments provide a meaningful comparison of the Company's results. The adjusted, non-GAAP financial measurements should not be considered as alternatives to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.

Note: Results may not be additive due to rounding.

Fiscal 2011 – Adjusted SG&A*



* 2011 results are stated on an adjusted basis; see reconciliation to GAAP on page 11.

Fiscal 2011 – Adjusted Business Segment Performance

\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2011	2010	\$ Growth	2011	2010	\$ Growth	2011	2010
Carter's Wholesale (a)	\$939	\$828	\$111	\$120	\$152	(\$33)	12.7%	18.4%
Carter's Retail (b)	672	546	125	106	113	(7)	15.8%	20.7%
Total Carter's	\$1,611	\$1,374	\$237	\$226	\$266	(\$40)	14.0%	19.3%
OshKosh Wholesale (c)	\$82	\$75	\$6	(\$1)	\$4	(\$5)	(1.8%)	5.1%
OshKosh Retail (b)	281	265	16	(9)	19	(29)	(3.4%)	7.3%
Total OshKosh	\$363	\$340	\$22	(\$11)	\$23	(\$34)	(3.0%)	6.8%
Adjusted International (d)(e)	136	35	101	36	17	19	26.7%	48.6%
Adjusted corporate expenses (e)				(51)	(62)	11	(2.4%)	(3.6%)
Total, as adjusted (e)	\$2,110	\$1,749	\$360	\$200	\$243	(\$44)	9.5%	13.9%

(a) Includes U.S. wholesale sales of Carter's, Child of Mine, Just One You, and Precious Firsts

(b) Includes U.S. retail stores and eCommerce results

(c) Adjusted operating results include Genuine Kids net royalty income

(d) Net sales include international retail and wholesale sales. Adjusted operating income includes international licensing income. Presented on adjusted basis; see reconciliation of adjustments on page 11

(e) See reconciliation of reported (GAAP) results to results as adjusted on page 11

Balance Sheet and Cash Flow

\$ in millions

Balance Sheet

	2011	2010
Cash	\$233.5	\$247.4
Accounts Receivable	\$157.8	\$121.5
Inventories	\$347.2	\$298.5
Long-Term Debt	\$236.0	\$236.0
Lease Adjusted Leverage Ratio	2.3x	1.9x

Cash Flow

Operating Cash Flow	\$81.1	\$85.8
CapEx	(45.5)	(39.8)
Free Cash Flow	<u>\$35.6</u>	<u>\$46.0</u>

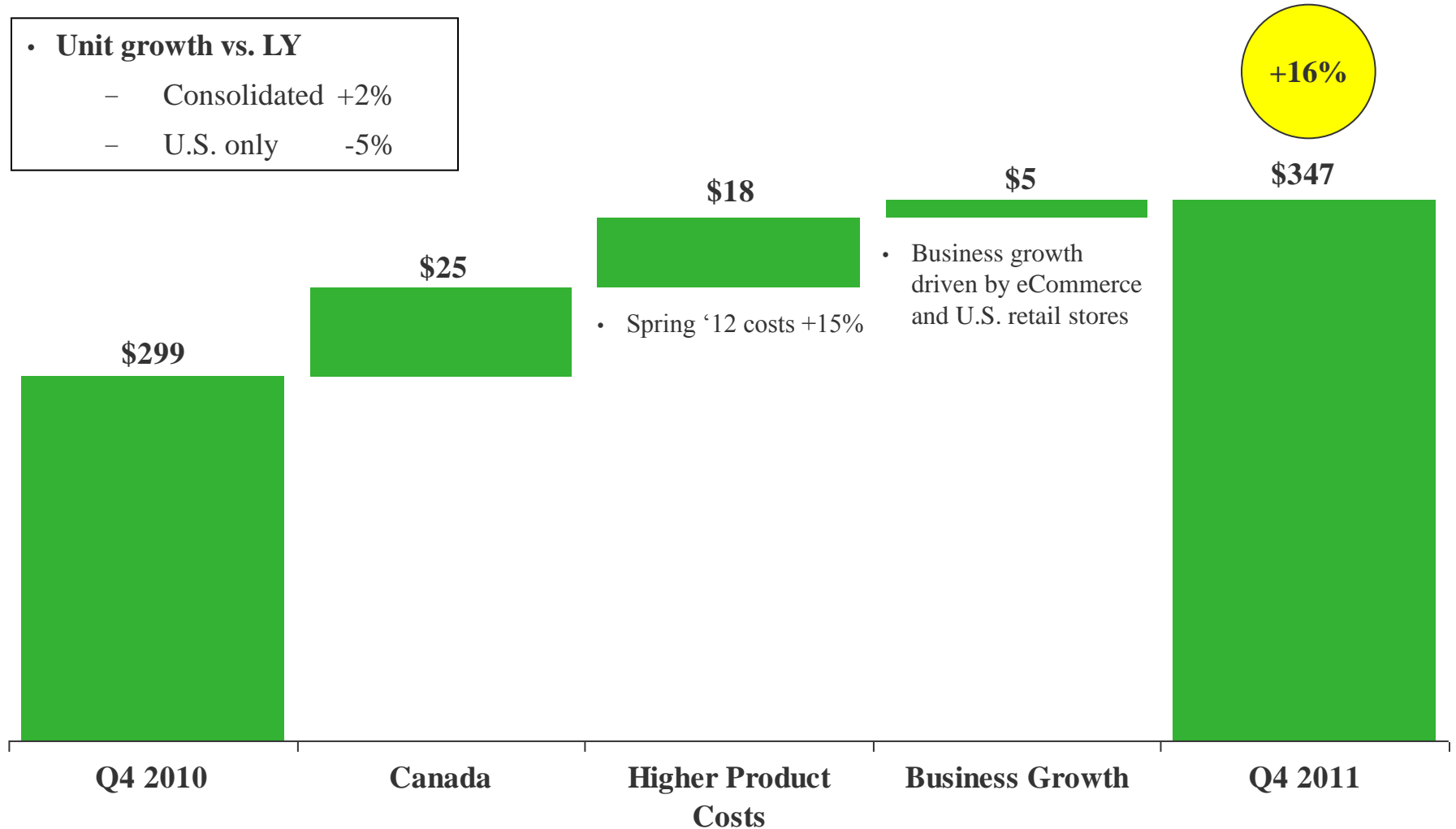
- Strong balance sheet and liquidity
- Inventory increase driven primarily by Canada acquisition and higher product costs. U.S. ending units down 5%
- Accounts receivable increase driven by higher sales
- Strong year of investment, particularly in U.S. retail store growth

Fiscal 2011 – Ending Net Inventory vs. LY

\$ in millions

- **Unit growth vs. LY**

- Consolidated +2%
- U.S. only -5%





2012 Outlook

2012 Outlook

Fiscal 2012

- Net sales growth +8% to 10%
- Adjusted EPS \$2.40 to \$2.50 (growth of +15% to 20%) compared to adjusted EPS of \$2.09 in 2011
- Earnings expected to decline in first half, grow in second half due to continued cost pressures in 1H that improve in 2H
 - Estimated change in product costs vs. LY

<u>Spring 2012</u>	<u>Fall 2012</u>
+ ~15%	- ~10%
- New Retail Stores: Carter's ~60; OshKosh ~5; Canada ~18
- CapEx expected to be approximately \$90 to \$100 million (~4% of net sales)
 - Driven by new retail door growth and infrastructure investments
- Operating cash flow \$180 to \$190 million

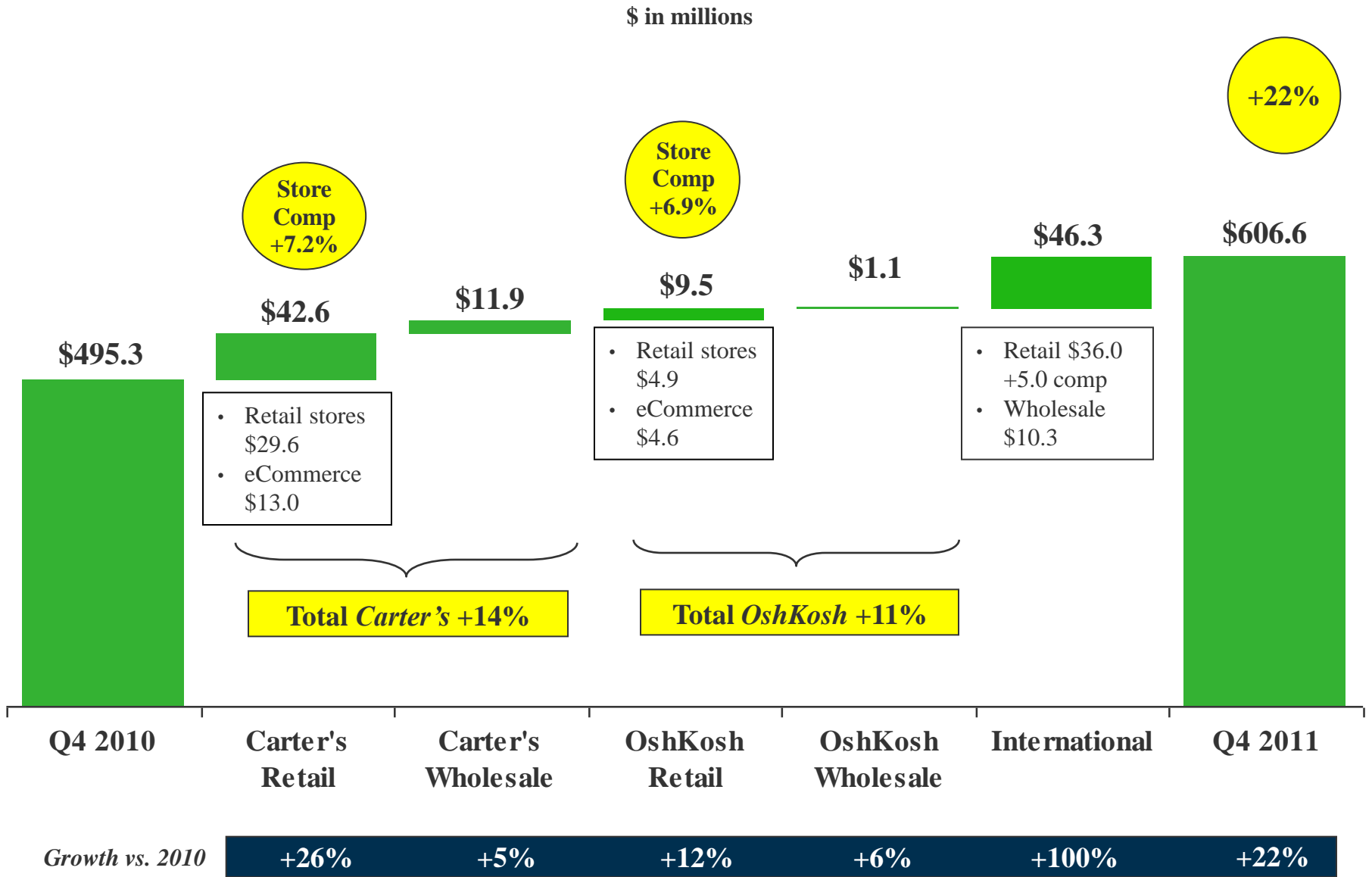
First Quarter 2012

- Net Sales growth of +11% to 13%
- Adjusted EPS \$0.38 to \$0.43 (compared to adjusted EPS \$0.56 Q1 2011)
- Considerations:
 - Higher product costs vs. 2011
 - SG&A investment in growth businesses & infrastructure
 - Lower Canadian profit contribution 1H vs. 2H
 - Typically 2nd smallest sales quarter of the year



Appendix

Fourth Quarter 2011 – Net Sales



Fourth Quarter 2011 – Adjusted Business Segment Performance

\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2011	2010	\$ Growth	2011	2010	\$ Growth	2011	2010
Carter's Wholesale (a)	\$236	\$224	\$12	\$29	\$30	(\$1)	12.3%	13.3%
Carter's Retail (b)	206	164	43	34	38	(4)	16.3%	23.3%
Total Carter's	\$442	\$388	\$55	\$63	\$68	(\$5)	14.2%	17.5%
OshKosh Wholesale (c)	\$21	\$20	\$1	(\$1)	(\$1)	(\$1)	(6.0%)	(3.1%)
OshKosh Retail (b)	89	80	9	(0)	8	(8)	(0.2%)	9.5%
Total OshKosh	\$110	\$99	\$11	(\$1)	\$7	(\$8)	(1.2%)	7.1%
Adjusted International (d)(e)	54	8	46	13	4	9	23.8%	51.6%
Adjusted corporate expenses (e)				(16)	(20)	4	(2.7%)	(4.1%)
Total, as adjusted (e)	\$607	\$495	\$111	\$58	\$59	(\$1)	9.6%	11.9%

(a) Includes U.S. wholesale sales of Carter's, Child of Mine, Just One You, and Precious Firsts

(b) Includes U.S. retail stores and eCommerce results

(c) Adjusted operating results include Genuine Kids net royalty income

(d) Net sales include international retail and wholesale sales. Adjusted operating income includes international licensing income. Presented on adjusted basis; see reconciliation of adjustments on page 11

(e) See reconciliation of reported (GAAP) results to results as adjusted on page 11

Fourth Quarter 2011 – Retail Store and eCommerce Net Sales

	\$ in millions		Variance	
	Q4		\$	%
	2011	2010		
Carter's Retail Segment Sales:				
Retail	\$186	\$157	\$30	18.9%
eCommerce	20	7	13	185.6%
Total Carter's	\$206	\$164	\$43	26.1%

OshKosh Retail Segment Sales:				
Retail	\$82	\$77	\$5	6.3%
eCommerce	7	3	5	174.8%
Total OshKosh	\$89	\$80	\$9	11.9%

	Full Year		Variance	
	2011	2010	\$	%
Carter's Retail Segment Sales:				
Retail	\$617	\$532	\$85	15.9%
eCommerce	55	14	41	286.9%
Total Carter's	\$672	\$546	\$125	22.9%

OshKosh Retail Segment Sales:				
Retail	\$263	\$260	\$3	1.2%
eCommerce	18	5	13	253.0%
Total OshKosh	\$281	\$265	\$16	6.0%

Fourth Quarter – Reconciliation of Net Income Allocable to Common Shareholders

	<u>For the fourth quarter ended</u>	
	<u>December 31, 2011</u>	<u>January 1, 2011</u>
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	57,955,394	57,003,785
Dilutive effect of unvested restricted stock	180,569	134,533
Dilutive effect of stock options	486,570	696,635
Diluted number of common and common equivalent shares outstanding	<u>58,622,533</u>	<u>57,834,953</u>

	<u>For the fourth quarter ended</u>			
	<u>As reported on a GAAP Basis</u>		<u>As adjusted (a)</u>	
	<u>December 31, 2011</u>	<u>January 1, 2011</u>	<u>December 31, 2011</u>	<u>January 1, 2011</u>
<i>\$ in millions, except EPS</i>				
Basic net income per common share:				
Net income	\$34,785	\$34,894	\$37,257	\$34,894
Income allocated to participating securities	(367)	(292)	(393)	(292)
Net income available to common shareholders	<u>\$34,418</u>	<u>\$34,602</u>	<u>\$36,864</u>	<u>\$34,602</u>
Basic net income per common share	\$0.59	\$0.61	\$0.64	\$0.61
Diluted net income per common share:				
Net income	\$34,785	\$34,894	\$37,257	\$34,894
Income allocated to participating securities	(364)	(289)	(389)	(289)
Net income available to common shareholders	<u>\$34,421</u>	<u>\$34,605</u>	<u>\$36,868</u>	<u>\$34,605</u>
Diluted net income per common share	\$0.59	\$0.60	\$0.63	\$0.60

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present the information above excluding \$3.0 million in acquisition-related expenses from these results for the three-month period ended December 31, 2011.

Full Year –

Reconciliation of Net Income Allocable to Common Shareholders

	For fiscal years ended	
	December 31, 2011	January 1, 2011
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	57,513,748	58,135,868
Dilutive effect of unvested restricted stock	129,262	117,708
Dilutive effect of stock options	571,907	762,473
Diluted number of common and common equivalent shares outstanding	<u>58,214,917</u>	<u>59,016,049</u>

	For the fiscal years ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
<i>\$ in millions, except EPS</i>				
Basic net income per common share:				
Net income	\$114,016	\$146,472	\$123,229	\$146,472
Income allocated to participating securities	(1,211)	(1,203)	(1,309)	(1,203)
Net income available to common shareholders	<u>\$112,805</u>	<u>\$145,269</u>	<u>\$121,920</u>	<u>\$145,269</u>
Basic net income per common share	\$1.96	\$2.50	\$2.12	\$2.50
Diluted net income per common share:				
Net income	\$114,016	\$146,472	\$123,229	\$146,472
Income allocated to participating securities	(1,199)	(1,188)	(1,296)	(1,188)
Net income available to common shareholders	<u>\$112,817</u>	<u>\$145,284</u>	<u>\$121,933</u>	<u>\$145,284</u>
Diluted net income per common share	\$1.94	\$2.46	\$2.09	\$2.46

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present the information above excluding \$12.2 million in acquisition-related expenses from these results for the twelve-month period ended December 31, 2011.

Reconciliation of GAAP to Adjusted Earnings – First Quarter 2011

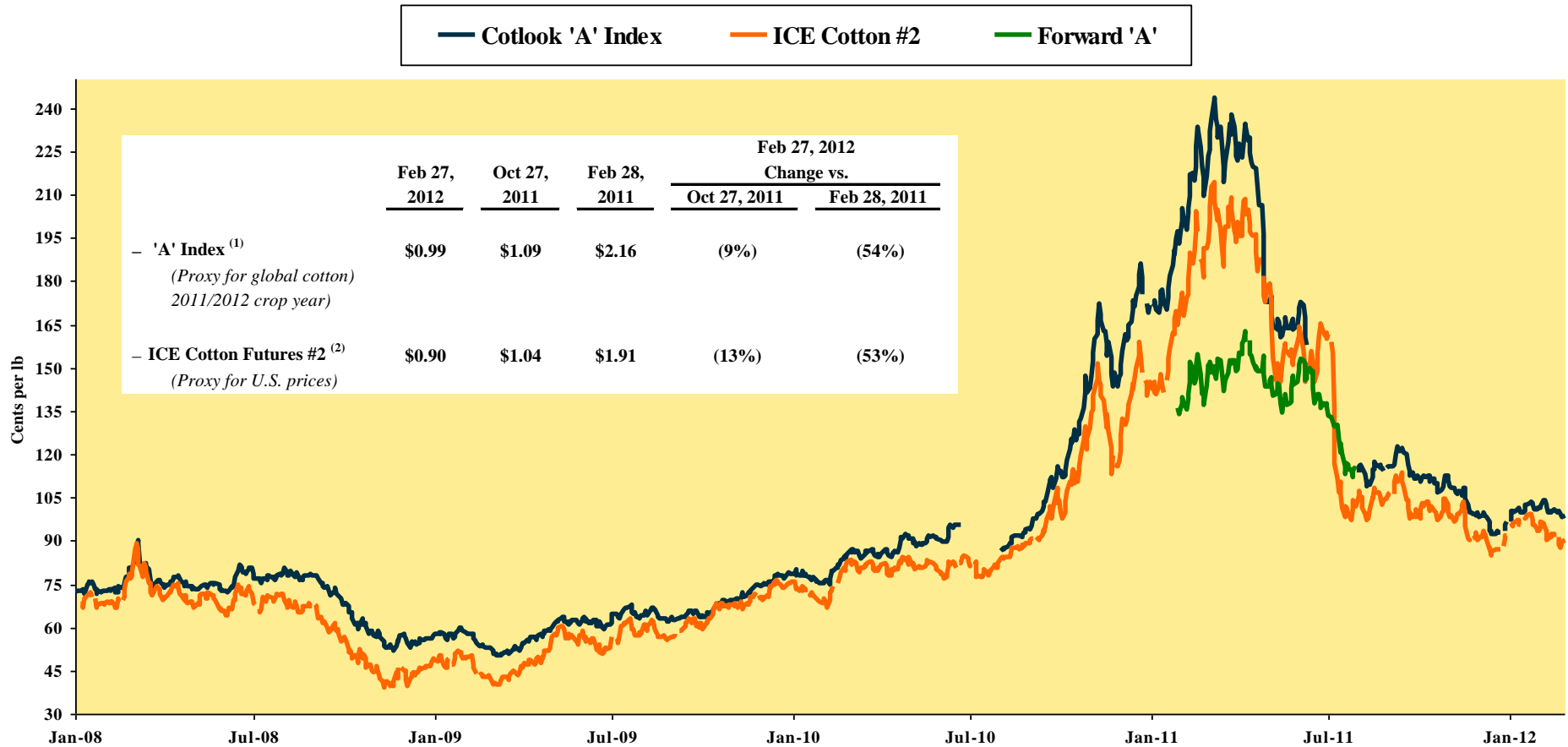
\$ in millions, except EPS

First Quarter of Fiscal 2011	Income Statement					
	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS
As reported (GAAP)	\$113.5	24.2%	\$53.6	11.4%	\$32.1	\$0.55
Acquisition-related expenses: (a)						
Professional fees / other expenses	(1.0)		1.0		0.7	0.01
Total acquisition-related expenses	(1.0)		1.0		0.7	0.01
As adjusted (b)	\$112.5	24.0%	\$54.7	11.7%	\$32.8	0.56

(a) Expenses related to the Company's acquisition of Canadian retailer Bonnie Togs.

(b) The Company has provided adjusted, non-GAAP financial measurements that present SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company has excluded \$1.0 million in acquisition-related expenses from these results for the three-month period ended April 2, 2011, respectively. The Company believes these adjustments provide a meaningful comparison of the Company's results. The adjusted, non-GAAP financial measurements should not be considered as alternatives to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.

Cotton Price Trend



Source: ⁽¹⁾ Cotton Outlook and ⁽²⁾ ICE. Breaks in the price curves represent dates where indices were not reported

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 February 29, 2012, 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 outlook and future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the first quarter of fiscal 2012, and fiscal 2012, 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: 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 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 its 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; disruption to our eCommerce business; the loss of a product 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 successfully integrate Bonnie Togs into our existing business and realize growth opportunities and other benefits from the acquisition; 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 Quarterly Report on Form 10-Q 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 February 29, 2012. 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.

