

carter's®

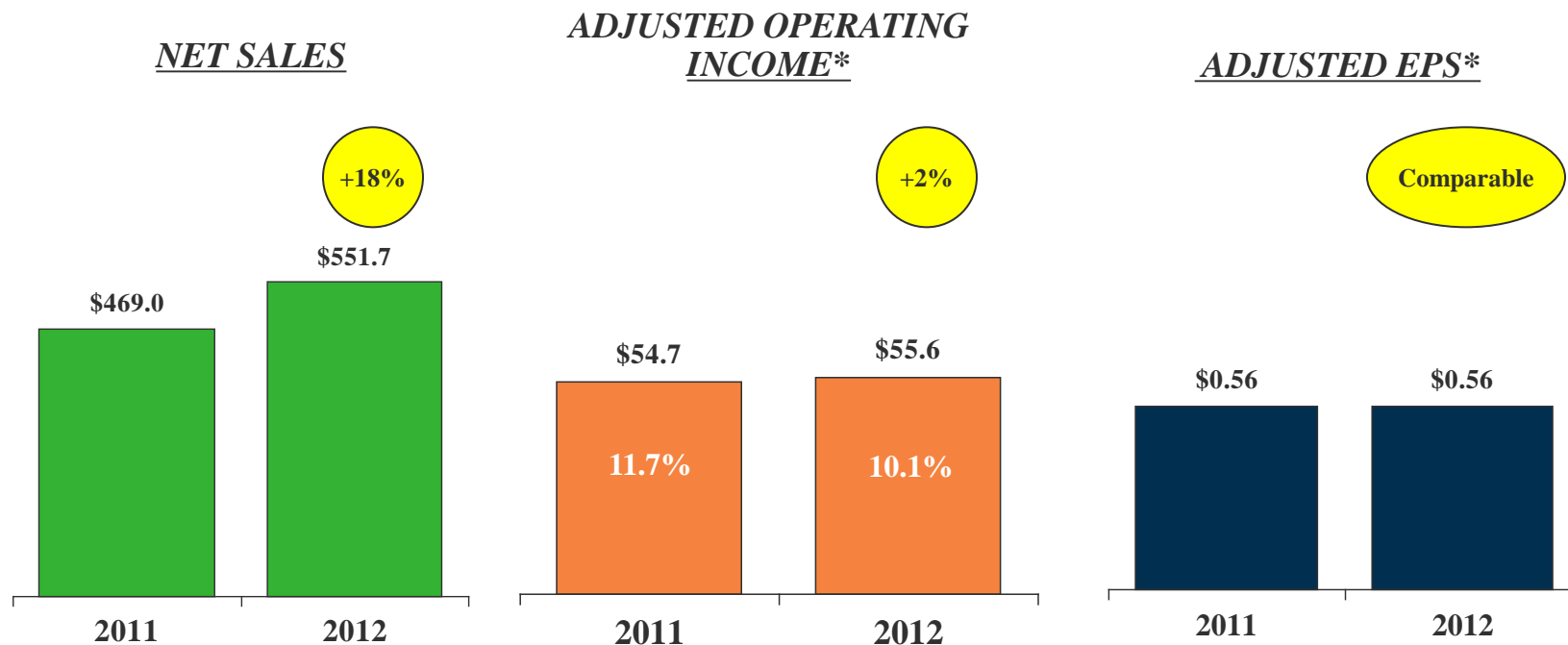
First Quarter 2012
Business Update

April 26, 2012



First Quarter Highlights

\$ in millions, except EPS



* Results are stated on an adjusted basis; see reconciliation to GAAP on page 7.

- **Sales growth in every channel of distribution**
 - U.S. net sales +11.3%
 - *Carter's* brands net sales +12.4%
 - *OshKosh B'gosh* brand net sales +5.7%
 - International net sales \$46.7 million (+\$31.3 million); 8.5% of total company sales
- **Gross margin improvement driven by strong product performance and the contribution of our pricing and growth initiatives**

First Quarter 2012 Net Sales



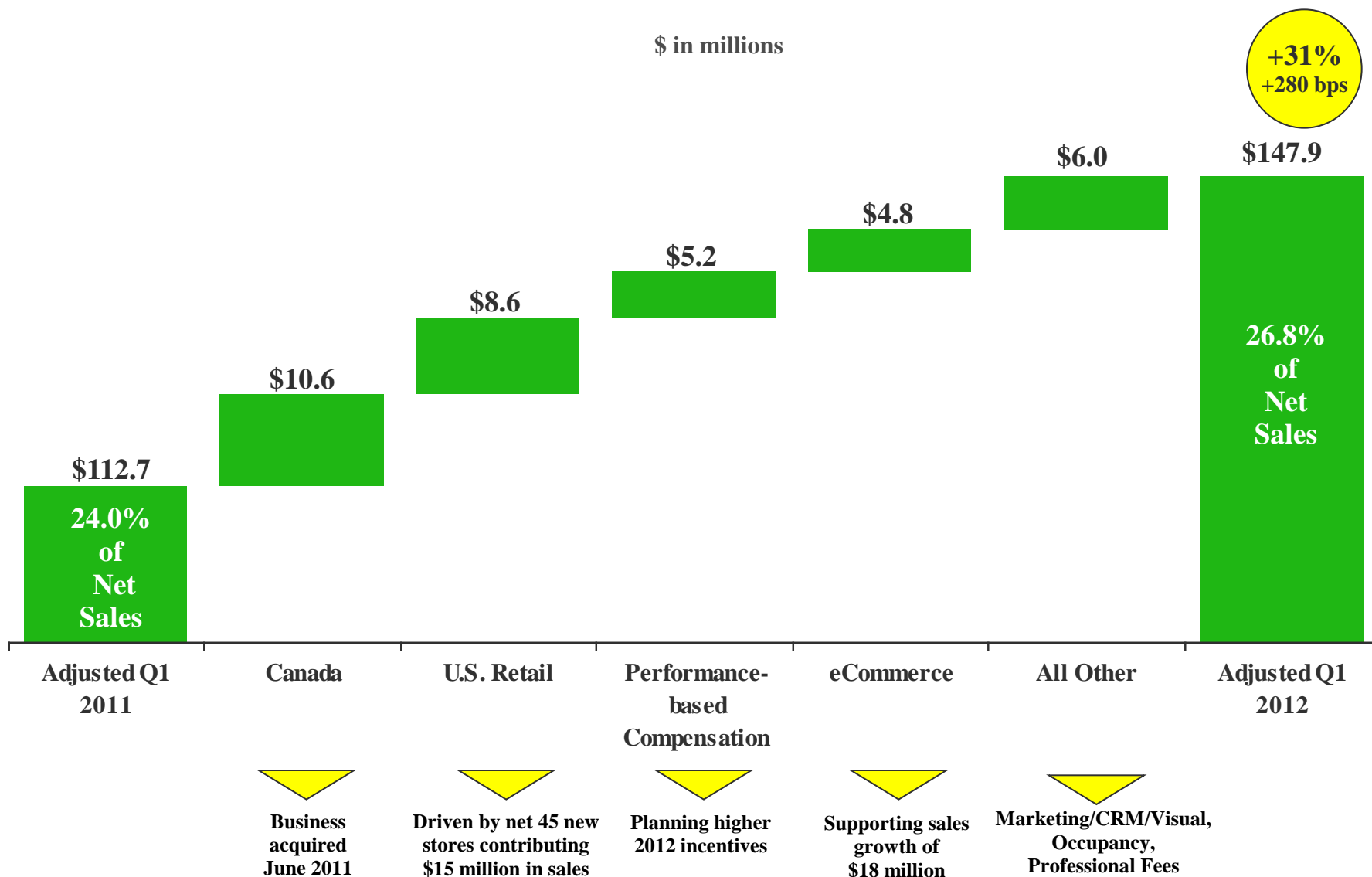
Note: Results may not be additive due to rounding.

First Quarter Adjusted Results

	\$ in millions, except EPS				Increase (Decrease)
	Q1 2012	% of sales	Q1 2011	% of sales	
Net sales	\$551.7		\$469.0		18%
Gross profit	194.7	35.3%	158.1	33.7%	23%
Adjusted SG&A	147.9	26.8%	112.7	24.0%	31%
Royalty income	(8.8)	(1.6%)	(9.3)	(2.0%)	(6%)
Adjusted operating income	55.6	10.1%	54.7	11.7%	2%
Interest and other, net	2.3	0.4%	1.9	0.4%	22%
Income before taxes	53.3	9.7%	52.8	11.3%	1%
Income taxes	19.7	3.6%	20.0	4.3%	(2%)
Adjusted net income	\$33.7	6.1%	\$32.8	7.0%	3%
Adjusted earnings per diluted share	\$0.56		\$0.56		
Weighted average diluted share count	58.8		57.9		

- Results are stated on an adjusted basis; see reconciliation to GAAP on page 7
- Note: Results may not be additive due to rounding.

First Quarter 2012 Results – Adjusted SG&A*



• Results are stated on an adjusted basis; see reconciliation to GAAP on page 7

First Quarter Adjusted Business Segment Performance

\$ in millions

	Net Sales			Operating Income (Loss)			Operating Margin	
	2012	2011	\$ Growth	2012	2011	\$ Growth	2012	2011
Carter's Wholesale (a)	\$249	\$242	\$8	\$40	\$37	\$3	16.1%	15.4%
Carter's Retail (b)	177	138	39	31	27	4	17.2%	19.3%
Total Carter's	\$427	\$379	\$47	\$71	\$64	\$7	16.6%	16.8%
OshKosh Wholesale (c)	\$20	\$20	\$0	\$0	\$2	(\$1)	0.6%	7.8%
OshKosh Retail (b)	58	54	4	(7)	(5)	(2)	(12.9%)	(10.0%)
Total OshKosh	\$78	\$74	\$4	(\$7)	(\$4)	(\$4)	(9.4%)	(5.2%)
Adjusted International (d)(e)	\$47	\$15	\$31	\$8	\$5	\$3	17.5%	32.2%
Adjusted corporate expenses (e)				(16)	(10)	(6)	(2.9%)	(2.2%)
Total, as adjusted (e)	\$552	\$469	\$83	\$56	\$55	\$1	10.1%	11.7%

(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) Operating income and operating margin includes 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 7

(e) See reconciliation of reported (GAAP) results to results as adjusted on page 7

Note: Results may not be additive due to rounding.

Reconciliation of GAAP to Adjusted Earnings

\$ in millions, except EPS

	Income Statement						Segment Reporting			
	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
First Quarter of Fiscal 2012										
As reported (GAAP)	\$149.7	27.1%	\$53.8	9.8%	\$32.3	\$0.54	\$7.5	16.0%	(\$17.1)	(3.1%)
Revaluation of contingent consideration (a)	(0.7)		0.7		0.7	0.01	0.7			
Facility closure-related costs (b)	(1.1)		1.1		0.7	0.01			1.1	
Total non-recurring expenses	(1.8)		1.8		1.4	0.02	0.7		1.1	
As adjusted (d)	\$147.9	26.8%	\$55.6	10.1%	\$33.7	\$0.56	\$8.2	17.5%	(\$16.0)	(2.9%)

	Income Statement						Segment Reporting			
	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
First Quarter of Fiscal 2011										
As reported (GAAP)	\$113.8	24.3%	\$53.6	11.4%	\$32.1	\$0.55	\$5.0	32.2%	(\$11.3)	(2.4%)
Acquisition-related expenses (c)	(1.0)		1.0		0.7	0.01			1.0	
Total non-recurring expenses	(1.0)		1.0		0.7	0.01	-		1.0	
As adjusted (d)	\$112.7	24.0%	\$54.7	11.7%	\$32.8	\$0.56	\$5.0	32.2%	(\$10.3)	(2.2%)

(a) Revaluation of the contingent consideration liability associated with the Company's June 2011 acquisition of Bonnie Togs.

(b) Costs related to closure of a distribution facility located in Hogansville, Georgia including severance and related benefits and accelerated depreciation.

(c) Professional service fees related to the Company's acquisition of Bonnie Togs, a children's apparel retailer based in Toronto, Canada.

(d) The Company has provided adjusted, non-GAAP financial measurements that present selling, general, & administrative expenses, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. These adjustments, which the Company does not believe to be indicative of on-going business trends, are excluded from these calculations. 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.

Balance Sheet and Cash Flow

\$ in millions

Balance Sheet

	Q1 2012	Q1 2011
Cash	\$300.5	\$248.9
Accounts Receivable	\$178.7	\$160.1
Inventories	\$265.7	\$217.5
Accounts Payable	\$67.6	\$53.1
Long-Term Debt	\$236.0	\$236.0

- Strong balance sheet and liquidity
- Accounts receivable increase driven by higher sales
- Inventory increase driven primarily by higher product costs, timing of launches, addition of Canada, partially offset by improved inventory management (+10% unit growth, comparable units excluding Canada)

Cash Flow (Year to Date)

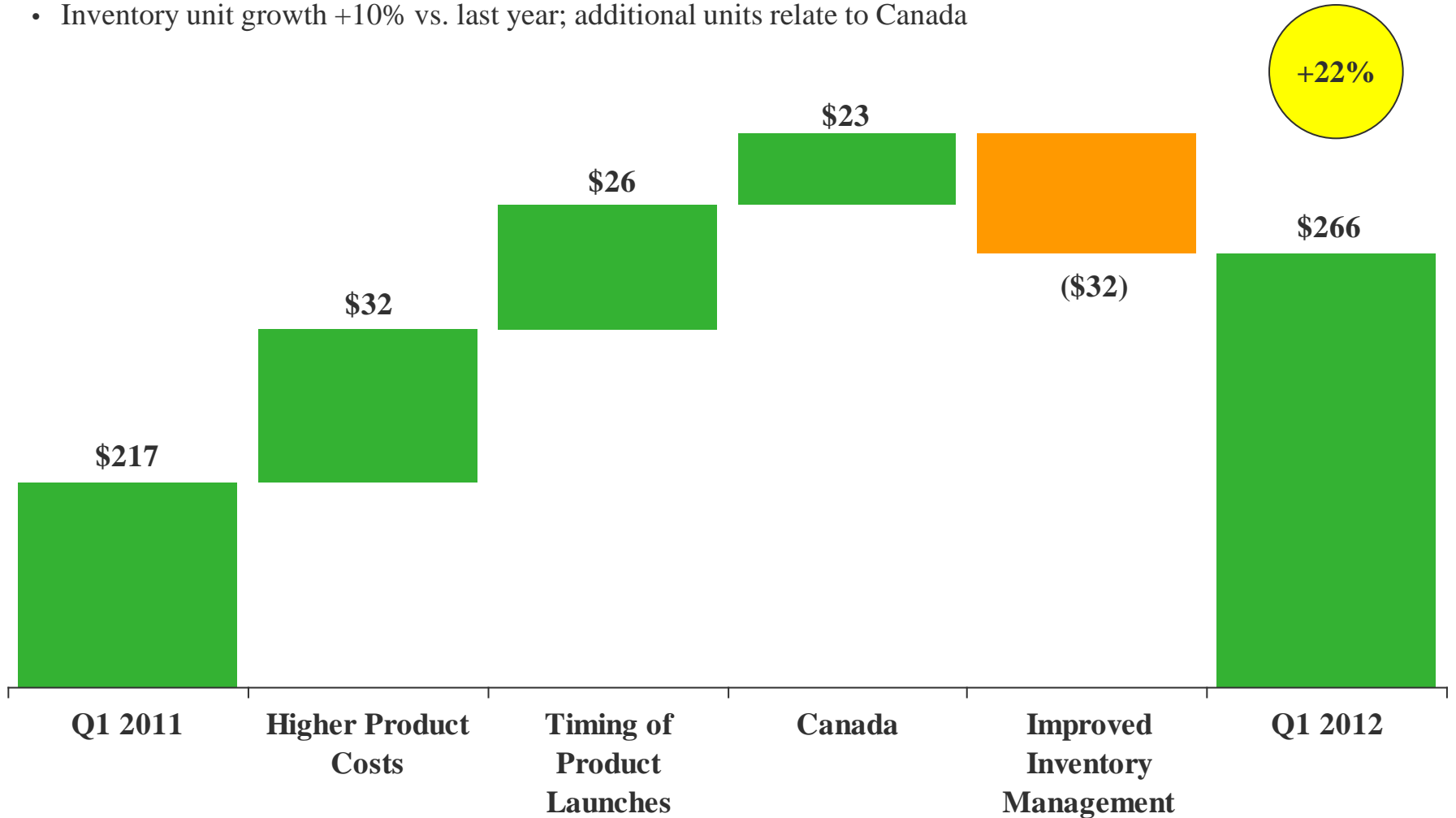
	Q1 2012	Q1 2011
Operating Cash Flow	\$82.4	\$9.3
CapEx	(16.4)	(6.8)
Free Cash Flow	<u>\$66.0</u>	<u>\$2.5</u>

- Operating cash flow increase driven by favorable net working capital changes
- Majority of capital expenditures relate to U.S. retail growth

First Quarter Results - Ending Net Inventory vs. LY

\$ in millions

- Inventory unit growth +10% vs. last year; additional units relate to Canada





Business Segment Performance

Carter's Wholesale Results

KEY METRICS

Net Sales

Units

Average Prices

**Q1 Growth
vs. LY**

+3%

(7%)

+11%

HIGHLIGHTS

- Results reflect strong demand across all brands: *Child of Mine*, *Carter's*, and *Just One You*, partially offset by lower off-price sales
 - Regular price net sales growth of +13% and unit growth of +5%
 - Solid over-the-counter sales performance driven by strong baby and playwear product categories
- Seasonal Fall bookings planned up low-to-mid single digits

Carter's U.S. Retail Segment Results

KEY METRICS

HIGHLIGHTS

U.S. Retail Stores

	Q1 Growth	
	2012	2011
Total Retail Store Sales*	+19.5%	+9.8%
Comparable Stores:		
Sales	+6.7%	+1.2%
Average Price	+11.4%	(1.4%)
Number of Transactions	+2.6%	(1.8%)
UPTs	(6.6%)	+4.6%
Inventory per Door		
Cost	(14.4%)	+6.9%
Units	(27.4%)	+2.6%
Brand stores	194	+13 net stores YTD
Outlet stores	178	
Total	372	

- Strong comparable store performance
- Strong performance from all product categories
- Successful pricing and promotional strategies drove higher AUR
- Positive comps across all store types with the largest contribution coming from Brand stores (52% of total doors)
- Inventory reduction a result of supply chain optimization initiatives

eCommerce

	Q1	Growth vs. LY
<i>\$ in millions</i>		
Carter's eCommerce Net Sales	\$22.5	\$14.1

- Continued strong eCommerce growth
- Improved in all Key Performance Indicators – traffic, conversion, average order value

* Excludes eCommerce sales; see page 19 for reconciliation

KEY METRICS

	Q1 Growth vs. LY
Net Sales	+1%
Units	(16%)
Average Prices	+20%

HIGHLIGHTS

- Regular price net sales growth of +10%, units down 5%
- Spring over-the-counter sales up 8% compared to last year
 - Improved performance in the Girls product category
 - Continued good performance in Boy
- Fall bookings forecasted to decrease low single digits
- Full year net sales excluding off-price planned comparable to LY

OshKosh U.S. Retail Segment Results

KEY METRICS

HIGHLIGHTS

U.S. Retail Stores

	Q1 Growth	
	2012	2011
Total Retail Store Sales*	+0.9%	(6.7%)
Comparable Stores:		
Sales	+4.7%	(9.8%)
Average Price	+11.7%	(1.3%)
Number of Transactions	(0.3%)	(7.9%)
UPTs	(6.0%)	(0.9%)
Inventory per Door		
Cost	+16.2%	+6.3%
Units	(3.9%)	+0.7%

Brand stores	18
Outlet stores	150
Total	168

(2) net stores YTD

\$ in millions

	Q1	Growth vs. LY
OshKosh eCommerce Net Sales	\$6.1	\$3.5

- Strong comparable store performance
- Successful pricing and promotional strategies drove higher AUR
- Improved trend in Girls product performance
- Positive comps across all store types
- More aggressive management of store portfolio – 2 closures in Q1, 12 in LTM
- Continue to test mall stores
- Continued strong eCommerce growth
- Improved in all Key Performance Indicators – traffic, conversion, average order value

eCommerce

First Quarter 2012 Highlights – International

KEY METRICS

HIGHLIGHTS

\$ in millions

		<u>Q1</u>	<u>Growth vs. LY</u>
Retail	Net Sales	\$24.0	n/a
Wholesale	Net Sales	\$22.7	+ \$7.2
Royalty Income	Royalty Income	\$1.8	(\$0.5)
Operating Segment Totals	Total Segment Sales	\$46.7	\$31.3
	Adjusted operating income *	\$8.2	\$3.2
	Adjusted operating margin *	17.5%	(14.8%)

- Strong Canadian performance
 - Q1 retail store comp +13.6% driven by *Carter's* brand (comp +34.4%)
 - Opened four *Carter's/OshKosh* stores in Q1; plan to open total of 18 stores in 2012
-
- Strong wholesale sales in international markets
 - Growth driven by: Canada, U.S.-based multi-national retailers, and South America
 - Focus on expanding relationships with existing partners, adding new partners in key markets
-
- Q1 decline driven by loss of royalty income from former licensee Bonnie Togs

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 7



Outlook

Second Quarter 2012

- Net sales growth of approximately +20% vs. LY
- Forecasted growth to be led by Canada, *Carter's* retail, and eCommerce
- Adjusted EPS of approximately \$0.26 to \$0.30

Full Year Fiscal 2012

- Raised sales and EPS expectations
 - Net sales growth of approximately +9% to +11% vs. LY
 - Adjusted EPS of approximately +20% to +25% vs. LY
- New retail stores: *Carter's* 63, OshKosh 7, Canada 18
- Full year CapEx of approximately \$90 to \$100 million
- Full year operating cash flow upper end of \$180 to \$200 million range



Appendix

Retail Store and eCommerce Net Sales

\$ in millions

	Q1		Variance	
	2012	2011	\$	%
Carter's Retail Segment Sales:				
Retail	\$154.7	\$129.5	\$25.3	19.5%
eCommerce	22.5	8.4	14.1	167.6%
Total Carter's	\$177.2	\$137.9	\$39.3	28.5%
OshKosh Retail Segment Sales:				
Retail	\$51.8	\$51.4	\$0.5	0.9%
eCommerce	6.1	2.6	3.5	134.3%
Total OshKosh	\$58.0	\$54.0	\$4.0	7.4%

Note: Results may not be additive due to rounding.

First Quarter – Reconciliation of Net Income Allocable to Common Shareholders

	For the first quarter ended	
	March 31, 2012	April 2, 2011
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	58,057,275	57,049,228
Dilutive effect of unvested restricted stock	178,708	141,851
Dilutive effect of stock options	604,735	694,932
Diluted number of common and common equivalent shares outstanding	<u>58,840,718</u>	<u>57,886,011</u>

	For the first quarter ended			
	As reported on a GAAP Basis		As adjusted (a)	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$32,275	\$32,123	\$33,668	\$32,777
Income allocated to participating securities	(443)	(364)	(462)	(372)
Net income available to common shareholders	<u>\$31,832</u>	<u>\$31,759</u>	<u>\$33,206</u>	<u>\$32,405</u>
Basic net income per common share	\$0.55	\$0.56	\$0.57	\$0.57
Diluted net income per common share:				
Net income	\$32,275	\$32,123	\$33,668	\$32,777
Income allocated to participating securities	(438)	(360)	(457)	(367)
Net income available to common shareholders	<u>\$31,837</u>	<u>\$31,763</u>	<u>\$33,211</u>	<u>\$32,410</u>
Diluted net income per common share	\$0.54	\$0.55	\$0.56	\$0.56

(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 \$1.4 million and \$0.7 million in after-tax non-recurring expenses from these results for the three-month periods ended March 31, 2012 and April 2, 2011, respectively.

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 26, 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 second quarter of 2012, and fiscal year 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, distribution facilities, or in-sourcing capabilities; 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 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 26, 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.

