



carter's[®]

Third Quarter Business Review

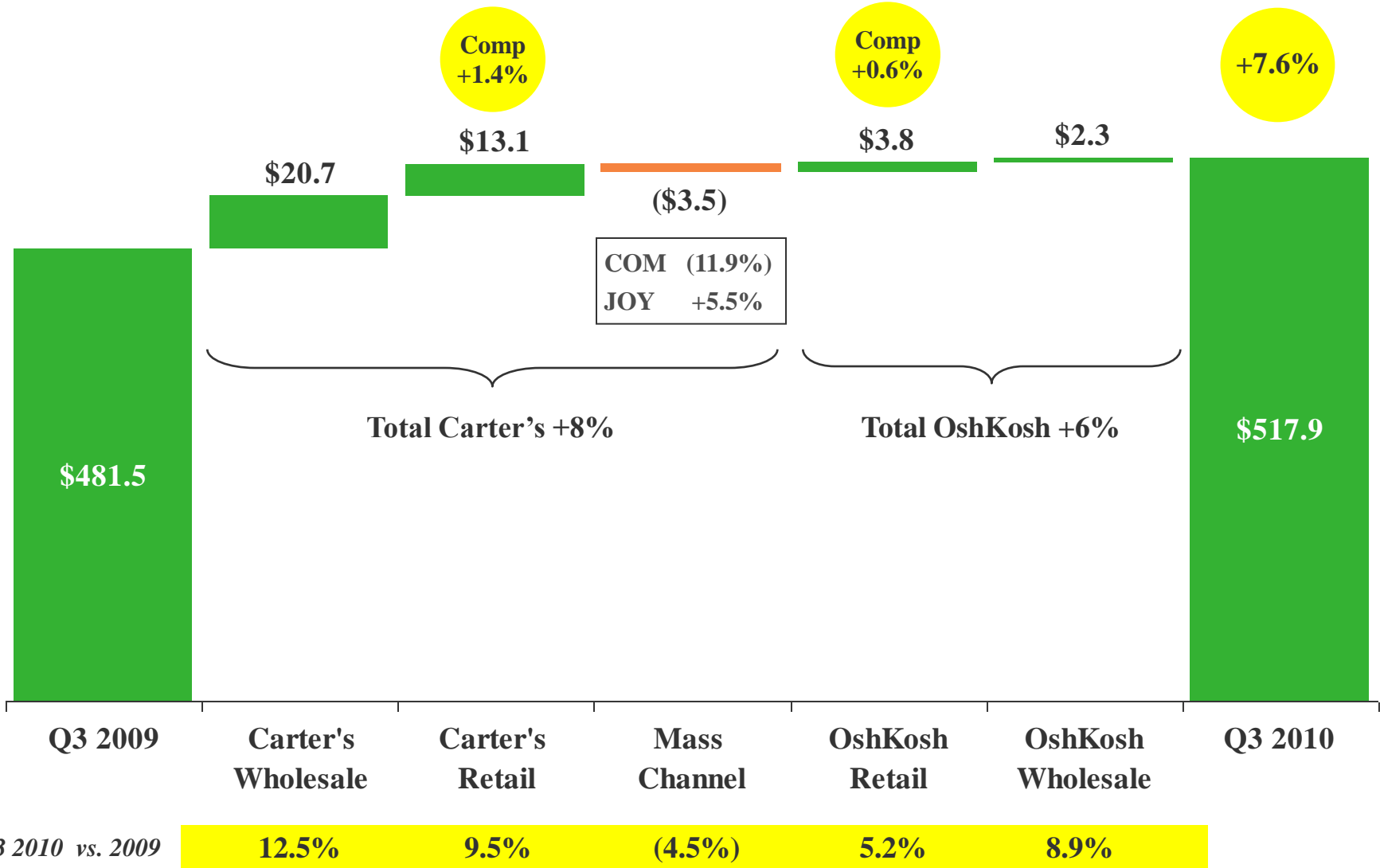
October 28, 2010

Third Quarter 2010 Highlights

- Net sales of \$518 million; up \$36 million or 8%
 - Continued strong performance at Carter's wholesale, +13% in Q3, +12% YTD
 - Consolidated retail sales +8% driven by new doors and eCommerce
 - Carter's comps up 1.4%, OshKosh comps up 0.6%
 - Mass channel sales decrease of \$4 million reflecting lower *Child of Mine* sales
- Gross margin down 130 bps primarily due to higher transportation costs
- EPS of \$0.83 versus \$0.84 last year
- Repurchased 1.8 million shares totaling \$44.1 million
- Closed on new Revolving Credit Facility subsequent to quarter end

Third Quarter 2010 Sales

\$ in millions

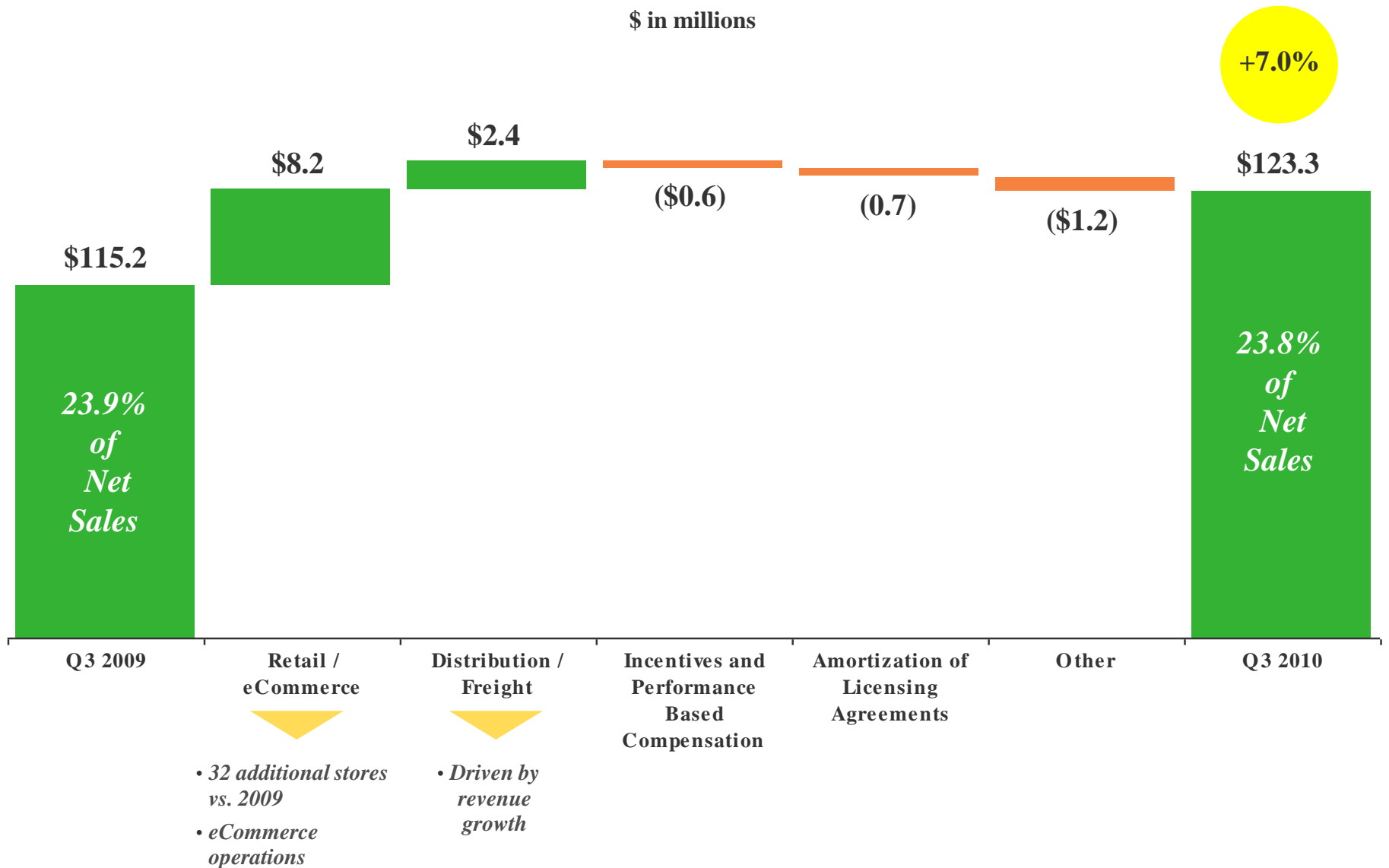


Third Quarter P&L

\$ in millions, except EPS

	Q3 2010	<i>% of sales</i>	Q3 2009	<i>% of sales</i>	Increase (Decrease)
Net sales	\$517.9		\$481.5		8%
Gross profit	192.8	37.2%	185.6	38.5%	4%
SG&A	123.3	23.8%	115.2	23.9%	7%
Royalty income	(10.4)	(2.0%)	(10.6)	(2.2%)	(2%)
Operating income	79.9	15.4%	81.0	16.8%	(1%)
Interest	1.6	0.3%	2.7	0.5%	(42%)
Income before taxes	78.3	15.1%	78.3	16.3%	
Income taxes	28.7	5.5%	28.9	6.0%	(1%)
Net income	\$49.7	9.6%	\$49.4	10.3%	1%
<i>Diluted share count</i>	59.0		58.6		
Earnings per diluted share	\$0.83		\$0.84		(1%)

Third Quarter 2010 SG&A



Third Quarter Business Segment Performance

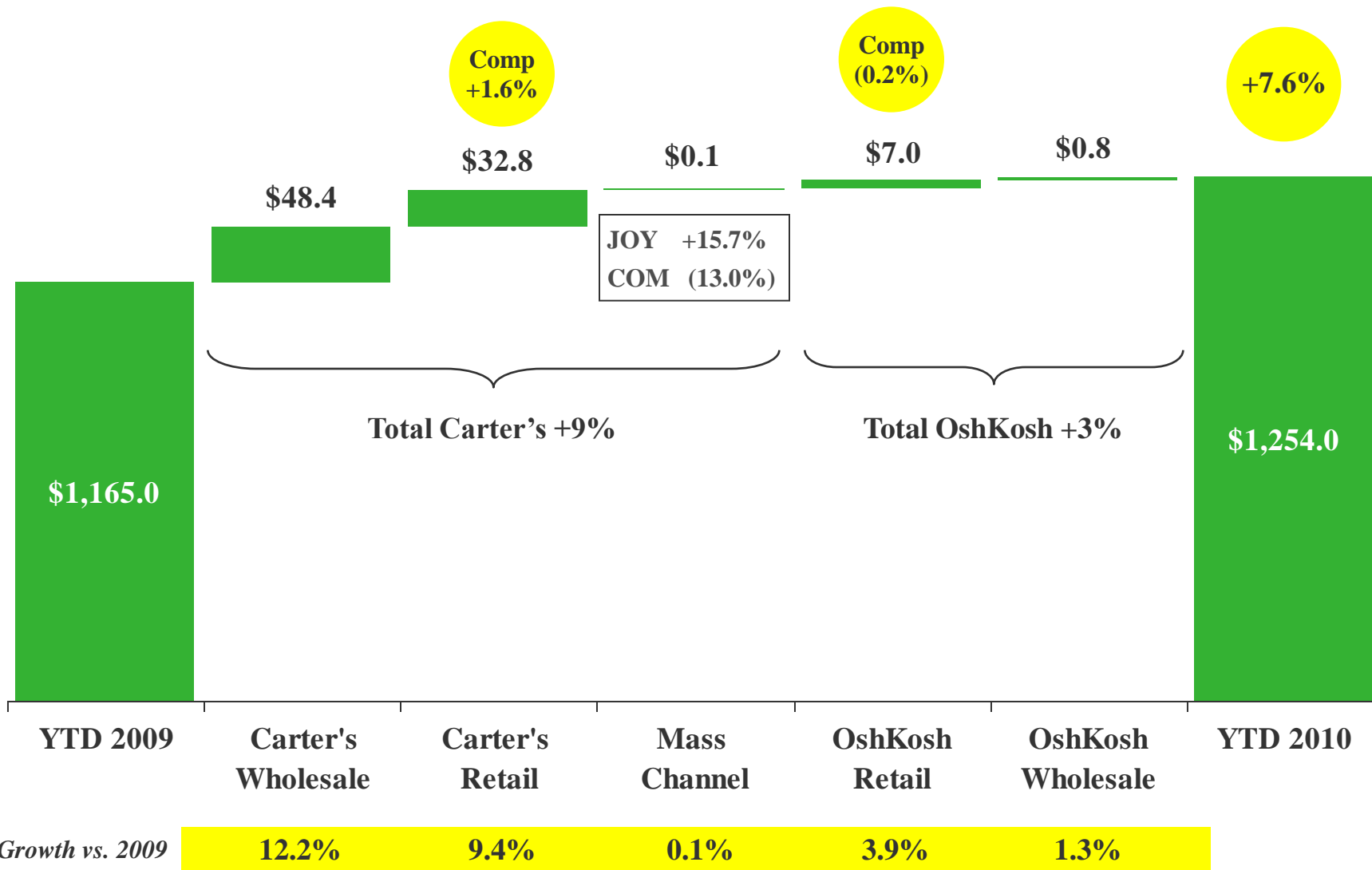
\$ in millions

	Net Sales			Operating Income (Loss)			Operating Margin		
	2010	2009	\$ Growth	2010	2009	\$ Growth	2010	2009	
<u>Carter's</u>									
Wholesale	\$186.4	\$165.7	\$20.7	\$39.8	\$37.7	\$2.1	21.4%	22.8%	
Retail	150.8	137.7	13.1	31.6	31.4	0.2	20.9%	22.8%	
Mass	75.1	78.6	(3.5)	8.4	13.7	(5.4)	11.1%	17.5%	
Total Carter's	\$412.3	\$382.0	\$30.3	\$79.8	\$82.8	(\$3.0)	19.4%	21.7%	(230) bps
<u>OshKosh</u>									
Wholesale	\$27.7	\$25.4	\$2.3	\$5.0	\$4.1	\$0.8	17.9%	16.2%	
Retail	77.9	74.1	3.8	9.4	10.8	(1.3)	12.1%	14.5%	
Mass				0.8	0.7	0.1	(a)	(a)	
Total OshKosh	\$105.6	\$99.5	\$6.1	\$15.1	\$15.6	(\$0.5)	14.3%	15.7%	(140) bps
Corporate expenses				(15.0)	(17.4)	2.4	(2.9%)	(3.6%)	
Total, as reported	\$517.9	\$481.5	\$36.4	\$79.9	\$81.0	(\$1.1)	15.4%	16.8%	(140) bps

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

September Year to Date Sales

\$ in millions



September Year to Date P&L

	\$ in millions, except EPS				
	YTD 2010	% of sales	YTD 2009	% of sales	Increase (Decrease)
Net sales	\$1,254.0		\$1,165.0		8%
Gross profit	489.9	39.1%	438.0	37.6%	12%
SG&A	333.1	26.6%	314.2	27.0%	6%
Royalty income	(27.7)	(2.2%)	(26.9)	(2.3%)	3%
Workforce reduction and facility write-down and closure costs			11.4	0.9%	
Operating income	184.5	14.7%	139.3	12.0%	32%
Interest	6.7	0.5%	8.6	0.8%	(22%)
Income before taxes	177.8	14.2%	130.7	11.2%	36%
Income taxes	66.2	5.3%	48.1	4.1%	38%
Net income	\$111.6	8.9%	\$82.6	7.1%	35%
Earnings per diluted share (GAAP)	\$1.86		\$1.41		32%
Adjusted net income (a)	\$111.6	8.9%	\$90.4	7.8%	23%
Adjusted earnings per diluted share (a)	\$1.86		\$1.54		21%
Diluted share count	59.4		58.1		

(a) Results are stated on an adjusted basis; see reconciliation of reported (GAAP) results to results as adjusted on page 9.

Reconciliation of Adjusted Year to Date Earnings

\$ in millions, except EPS

<u>First Nine Months Fiscal 2010</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Diluted EPS</u>	<u>First Nine Months Fiscal 2009</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Diluted EPS</u>
Income, as reported (GAAP)	\$184.5	\$111.6	\$1.86	Income, as reported (GAAP)	\$139.3	\$82.6	\$1.41
				Workforce reduction (a)	5.5	3.5	0.06
				Distribution facility closure costs (b)	3.3	2.1	0.04
				Asset impairment charges (c)	1.8	1.1	0.01
				Accelerated depreciation (d)	1.0	0.6	0.01
				Facility write-down (e)	0.7	0.5	0.01
	<u>-</u>	<u>-</u>	<u>-</u>		<u>12.3</u>	<u>7.8</u>	<u>0.13</u>
Income, as adjusted (f)	<u>\$184.5</u>	<u>\$111.6</u>	<u>\$1.86</u>	Income, as adjusted (f)	<u>\$151.6</u>	<u>\$90.4</u>	<u>\$1.54</u>

(a) Severance charges and other benefits associated with the reduction in the Company's corporate workforce.

(b) Costs associated with the closure of the Company's Barnesville, Georgia distribution facility, including \$1.7 million in severance and other benefits, \$1.1 million in asset impairment charges, and \$0.5 million in other closure costs.

(c) Asset impairment charges associated with the closure of the Company's Oshkosh, Wisconsin facility.

(d) Accelerated depreciation charges (included in selling, general, and administrative expenses) related to the closure of the Company's Barnesville, Georgia distribution facility.

(e) Charges related to the write-down of the carrying value of the Company's White House, Tennessee distribution facility.

(f) The Company has provided adjusted, non-GAAP financial measurements that present 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.

September Year to Date Business Segment Performance

\$ in millions

	Net Sales			Operating Income (Loss)			Operating Margin		
	2010	2009	\$ Growth	2010	2009	\$ Growth	2010	2009	
<u>Carter's</u>									
Wholesale	\$443.9	\$395.6	\$48.4	\$103.5	\$81.1	\$22.4	23.3%	20.5%	
Retail	382.6	349.8	32.8	76.4	64.5	11.9	20.0%	18.5%	
Mass	181.8	181.7	0.1	28.0	30.6	(2.6)	15.4%	16.8%	
Total Carter's	\$1,008.3	\$927.0	\$81.3	\$207.9	\$176.2	\$31.7	20.6%	19.0%	+160 bps
<u>OshKosh</u>									
Wholesale	\$60.7	\$59.9	\$0.8	\$6.2	\$3.6	\$2.6	10.2%	6.0%	
Retail	185.1	178.1	7.0	10.5	11.2	(0.7)	5.7%	6.3%	
Mass				2.0	1.9	0.2	(b)	(b)	
Total OshKosh	\$245.7	\$238.0	\$7.7	\$18.7	\$16.7	\$2.0	7.6%	7.0%	+60 bps
Corporate expenses				(42.1)	(53.6)	11.5	(3.4%)	(4.6%)	
Total, as reported	\$1,254.0	\$1,165.0	\$89.0	\$184.5	\$139.3	\$45.2	14.7%	12.0%	
Workforce reduction and facility write-down and closure costs(a)					12.3	(12.3)		1.1%	
Total, as adjusted	\$1,254.0	\$1,165.0	\$89.0	\$184.5	\$151.6	\$32.8	14.7%	13.0%	+170 bps

(a) These reconciling items are included in Corporate expenses above. See reconciliation of reported (GAAP) results to results as adjusted on page 9.

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

Balance Sheet and Cash Flow

		\$ in millions	
		2010	2009
Balance Sheet	Cash	\$182.3	\$214.3
	Accounts Receivable	171.5	127.9
	Inventories	263.8	223.5
	Term Loan	232.2	335.4
	Leverage Ratio	0.8	1.5
Cash Flow	Operating Cash Flow	\$5.2	\$61.1
	Capex	(29.5)	(25.8)
	Free Cash Flow	<u>(\$24.3)</u>	<u>\$35.4</u>

- Strong liquidity position
- Increased working capital at quarter end
 - Accounts receivable increase due to heavier end of quarter shipments
 - Inventory increase to support strong sales demand and increased Spring 2011 product costs
- Repurchased \$50 million, or 2.1 million shares to date at an average price of \$24.29
 - \$58.9 million authorization remaining
- Secured new 5-year, \$375 million revolving credit facility in October
 - Utilized \$236 million of facility to pay off existing term debt and pay transaction costs and expenses

Carter's Wholesale Results

KEY METRICS

	Q3 Growth	YTD Growth
Net Sales	+13%	+12%
Units	+14%	+10%
Average Price (Net)	(1%)	+2%

HIGHLIGHTS

- Strong Q3 replenishment trends driven by *Little Layette* performance
- Projecting solid Q4 revenue growth driven in part by higher demand for Spring 2011 products
- Spring 2011 bookings up mid teens

Mass Channel Results

KEY METRICS

	Q3 Growth	YTD Growth
Net Sales	(4%)	-- %
Units	-- %	+3%
Average Price (Net)	(5%)	(3%)

HIGHLIGHTS

- Q3 net sales decline largely due to merchandising assortment changes and timing of *Child of Mine* shipments
- Projecting strong Q4 net sales growth driven by both *Just One You* and *Child of Mine*
- Spring 2011 bookings up low double digits

OshKosh Wholesale Results

KEY METRICS

	Q3 Growth	YTD Growth
Net Sales	+9%	+1%
Units	+11%	(2%)
Average Price (Net)	(2%)	+3%

HIGHLIGHTS

- Year-to-date sales comparable to last year
- Projecting fiscal 2010 net sales comparable to fiscal 2009
- Spring 2011 bookings up approximately 10%

Carter's Retail Results

KEY METRICS

	Q3 Growth	YTD Growth
Sales	9.5%	9.4%
Comps	1.4%	1.6%
UPTs	3.8%	2.4%
Average Price	(4.5%)	(0.9%)
Transactions (#)	2.3%	0.1%
Inventory / Door	(1.0%)	
Brand stores	122	
Outlet stores	175	
Total stores	<u>297</u>	

HIGHLIGHTS

- Improved traffic trends since Q2
- Strong response to playclothes product
- Strong performance in the West and South regions
- Difficult prior year comparisons
- Effective marketing strategy
- Opened 21 stores YTD through Q3

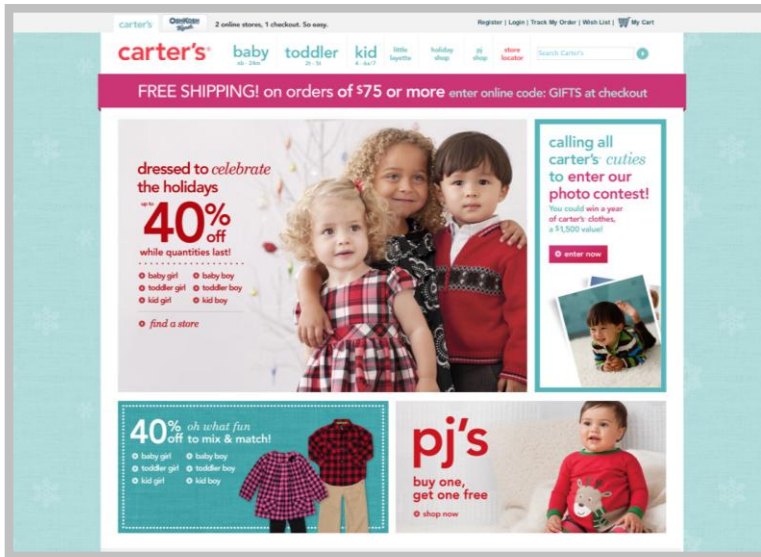
OshKosh Retail Results

KEY METRICS

	Q3 Growth	YTD Growth
Sales	5.2%	3.9%
Comps	0.6%	(0.2%)
UPTs	2.6%	3.5%
Average Price	(5.2%)	(3.1%)
Transactions (#)	3.5%	(0.4%)
Inventory / Door	6.5%	
Brand stores	17	
Outlet stores	160	
Total stores	177	

HIGHLIGHTS

- Improved traffic trends since Q2
- Conversion rate improved by 8%
- Strong performance in the West region
- Effective marketing collateral
- Cleaner mix of inventory going into Q4
- Opened 8 stores YTD through Q3



HIGHLIGHTS

- Sites launched March 2010
- Traffic and sales exceeding plan
 - Over 3 million unique visitors in Q3, up 50% over Q2
- Building valuable customer relationships
 - 60% of buyers are new to file
 - Multi-channel buyers spend 2.5 times more than single channel buyers
- Expanding our online assortment in Q4
 - Carter's – 80% of retail assortment growing to 100%
 - OshKosh – 65% of retail growing to 100%
- Investing in our online brand experience
 - Product Shops (e.g., Halloween, sleepwear, denim)
 - Gift Cards Online



2010 Outlook

We expect:

Fourth Quarter 2010

- Fourth quarter net sales up mid to high teens
- Fourth quarter adjusted diluted earnings per share down low teens to high single digits
- Ending inventory up approximately 25%

Full Year 2010

- Net sales up approximately 10%
- Adjusted EPS up 12 to 14%
- CapEx approximately \$40 million

First Half 2011

- Net sales expected to increase approximately 10%
- Product costs expected to increase approximately 11%
- First half 2011 gross margin expected to be lower than first half 2010

Fiscal 2011

- Full year operating margin could decline substantially

Appendix



Reconciliation of Adjusted Earnings

\$ in millions, except EPS

Fourth Quarter of Fiscal 2009	Operating Income	Net Income	Diluted EPS	Fiscal 2009	Operating Income	Net Income	Diluted EPS
Income, as reported (GAAP)	\$56.3	\$33.0	\$0.56	Income, as reported (GAAP)	\$195.6	\$115.6	\$1.97
Investigation expenses (a)	5.7	3.6	0.06	Investigation expenses (a)	5.7	3.6	0.06
Net asset impairment (b)	(0.6)	(0.4)	(0.01)	Net asset impairment (b)	1.2	0.8	0.01
				Workforce reduction (c)	5.5	3.5	0.06
				Distribution facility closure costs (d)	3.3	2.1	0.04
				Accelerated depreciation (e)	1.0	0.6	0.01
				Facility write-down (f)	0.7	0.4	--
	5.1	3.2	0.05		17.4	11.0	0.18
Income, as adjusted (g)	\$61.4	\$36.2	\$0.61	Income, as adjusted (g)	\$213.0	\$126.6	\$2.15

(a) Professional service fees related to the investigation of customer accommodations.

(b) Asset impairment charges associated with the closure of the Company's Oshkosh, Wisconsin facility net of the gain from the sale of this facility.

(c) Severance charges and other benefits associated with the reduction in the Company's corporate workforce.

(d) Costs associated with the closure of the Company's Barnesville, Georgia distribution facility.

(e) Accelerated depreciation charges (included in selling, general, and administrative expenses) related to the closure of the Company's Barnesville, Georgia distribution facility.

(f) Charges related to the write-down of the carrying value of the Company's White House, Tennessee distribution facility.

(g) The Company has provided adjusted, non-GAAP financial measurements that present 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.

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 October 28, 2010, 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 fourth quarter of fiscal 2010, fiscal 2010, the first half 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; increased competition in the baby and young children's apparel market; the acceptance of the Company's products in the marketplace; deflationary pricing pressures; increases in supply chain costs, such as cotton, labor, and transportation costs, which may adversely affect net sales, cost of goods sold, and other items; the Company's dependence on foreign supply sources; failure of the Company's foreign supply sources to meet its quality standards or regulatory requirements; negative publicity; leverage, which increases the Company's exposure to interest rate risk and could require the Company to dedicate a substantial portion of its cash flow to repay debt principal; an inability to access suitable financing due to the current economic environment; a continued decrease in the overall value of the United States equity markets due to the current economic environment; a continued decrease in the overall level of consumer spending; changes in consumer preference and fashion trends; seasonal fluctuations in the children's apparel business; the impact of governmental regulations and environmental risks applicable to the Company's business; the risk that ongoing litigation and investigations may be resolved adversely; the breach of the Company's consumer database; the ability of the Company to adequately forecast demand, which could create significant levels of excess inventory; the ability of the Company to identify new retail store locations, and negotiate appropriate lease terms for the retail stores; the ability to attract and retain key individuals within the organization; failure to achieve sales growth plans, cost savings, and other assumptions that support the carrying value of the Company's intangible assets; and the Company's inability to remediate its material weaknesses. 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 October 28, 2010. 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.

