



**carter's®**  
*if they could just stay little*

**OSH KOSH**  
*B'gosh®*

**CL KING  
BEST IDEAS  
CONFERENCE**

**September 13, 2011**

## *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 July 28, 2011, which is available at [www.carters.com](http://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 third 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: 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 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 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 July 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.



**carter's**  
babies and kids

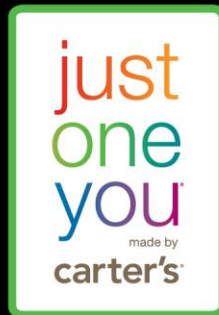
**OSHKOSH**  
*Bigosh*

- **Best known and trusted brands in young children's apparel**
- **#1 share of a large market**
- **Favorable demographics**
- **Long track record of profitable growth**
- **Broad distribution with additional growth opportunities**



# Leading Brands in Multiple Channels

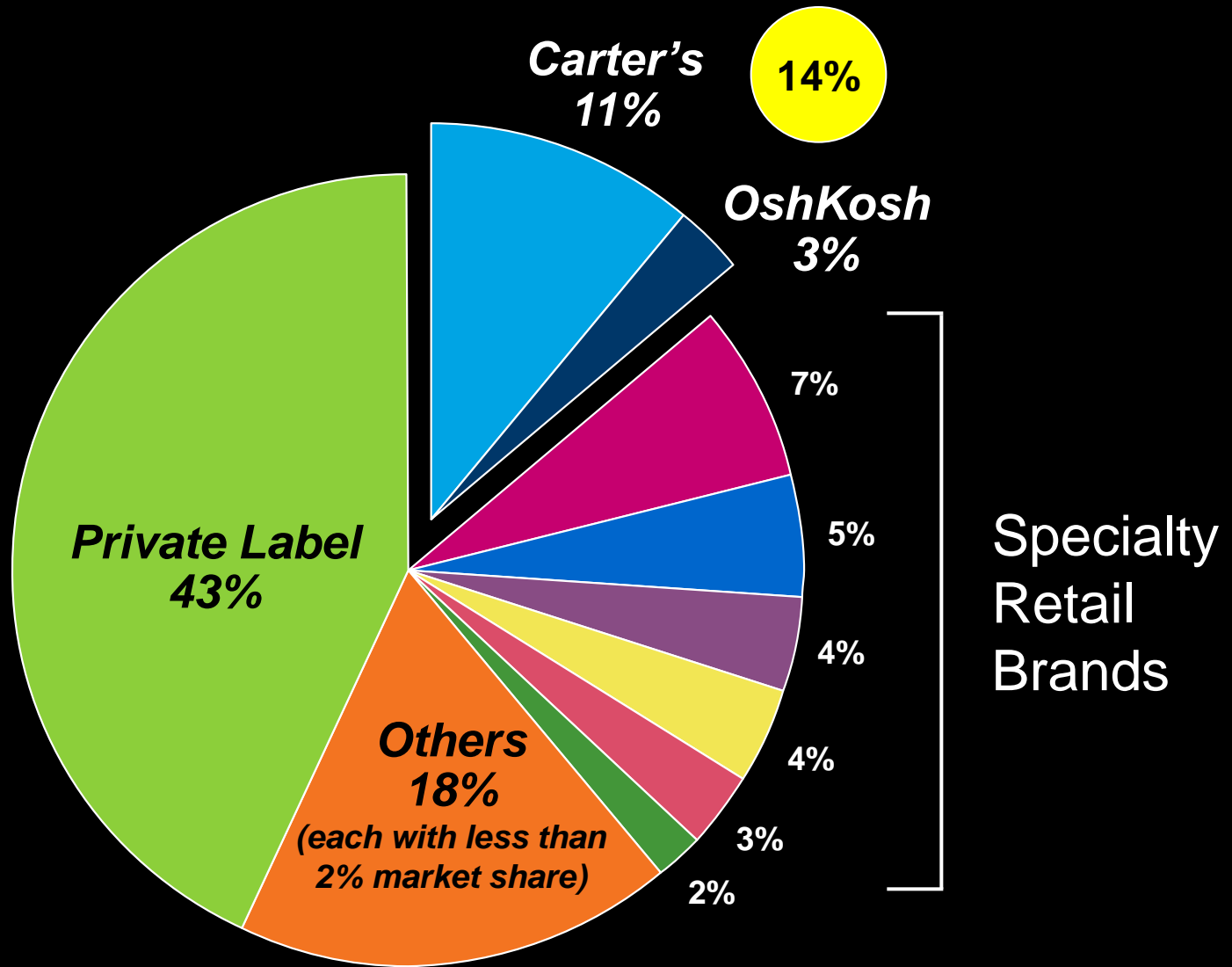
## BRANDS



## CHANNELS

- Wholesale
- Mass
- Retail
- eCommerce
- International

# Largest Share of a \$22 Billion Market



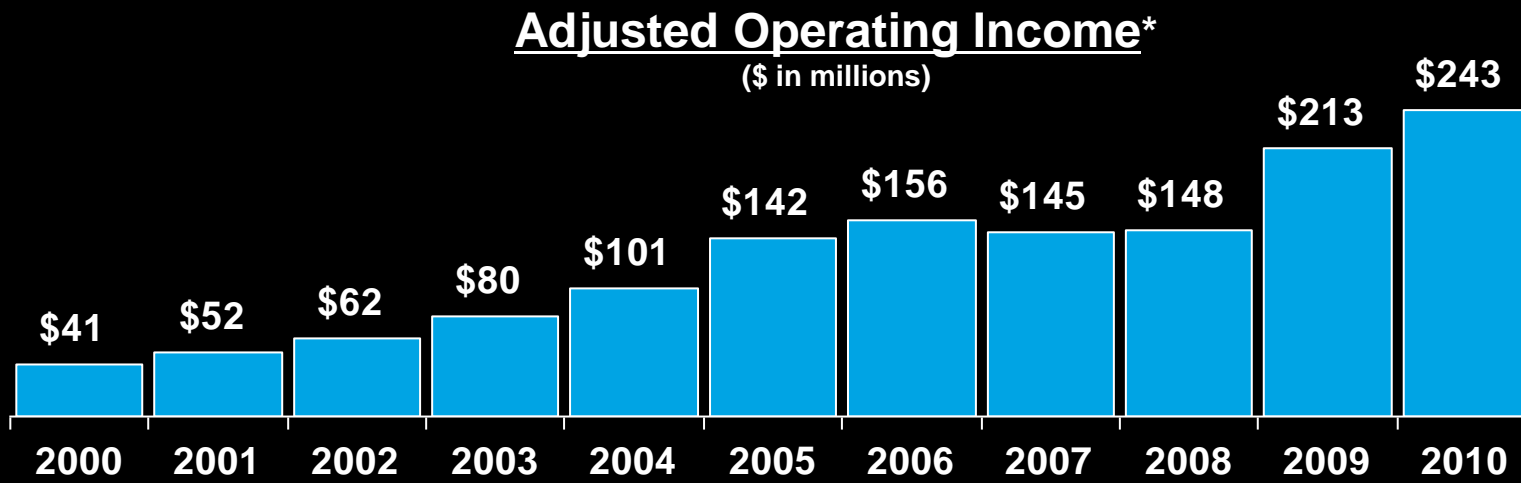
Source: NPD Fashionworld, Children's 0-7 apparel market share in the \$22.2 billion market - 12 months ending December 2010, includes mass channel  
Note: Carter's market share includes *Child of Mine* & *Just One You*



## *Favorable Demographics*

- **Over 4 million births annually in the U.S.**
  - **Record number of births in 2007 (4.3 million)**
  - **2008 – 2010 births remained above 4 million despite recession**
- **Approximately 40% of births are to first time moms**

# Long Track Record of Profitable Growth

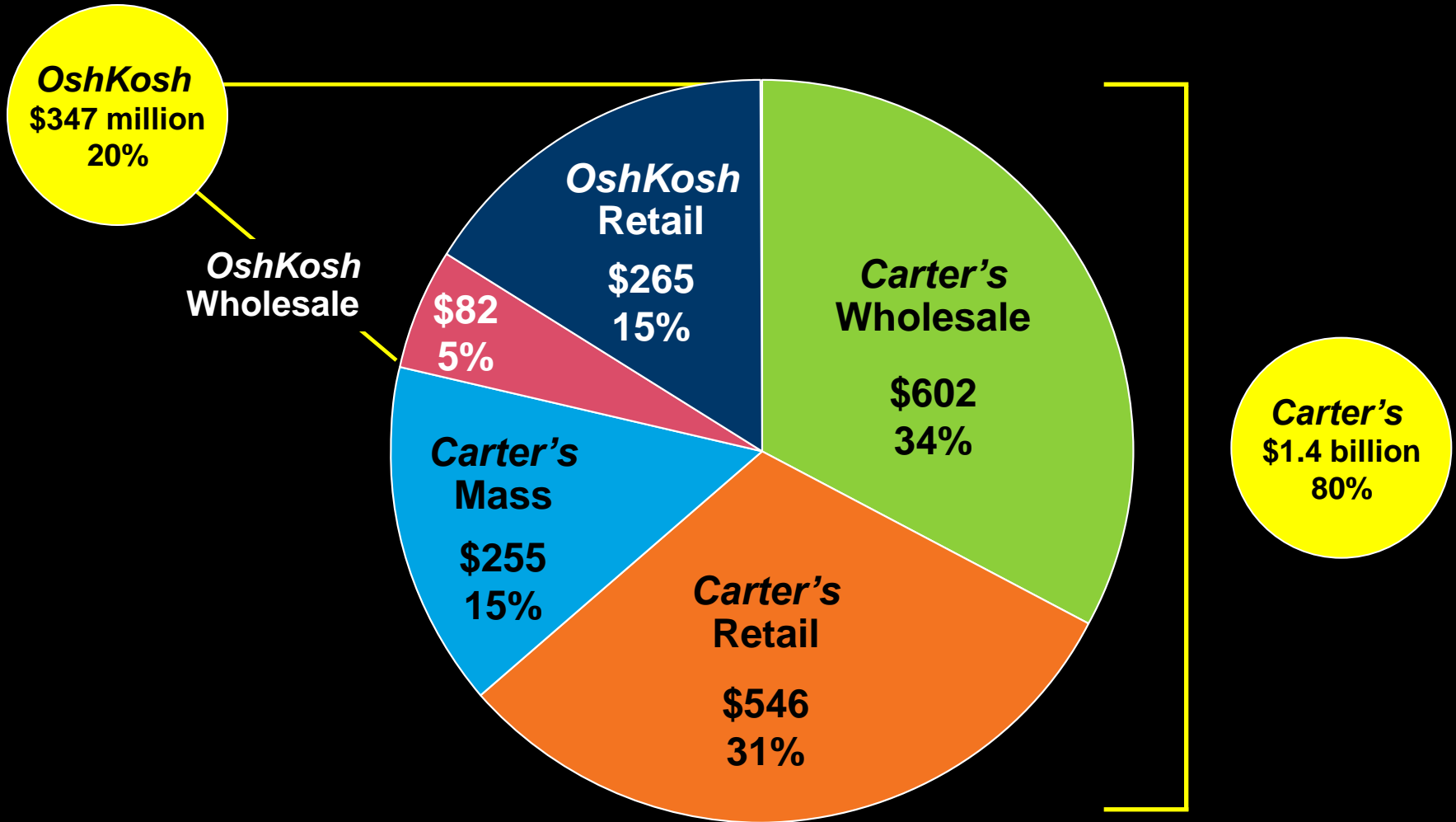


| margin* | 2000 | 2001 | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008 | 2009  | 2010  |
|---------|------|------|-------|-------|-------|-------|-------|-------|------|-------|-------|
|         | 8.7% | 9.9% | 10.6% | 11.3% | 12.3% | 12.6% | 11.7% | 10.4% | 9.9% | 13.4% | 13.9% |

\* Excludes non-recurring charges in certain years

# \$1.7 Billion in Sales in 2010

\$ in millions





# *Largest Supplier of Young Children's Apparel to the Largest Retailers*



- More than 15,000 points of distribution
- Focus on continued growth across portfolio
  - New doors
  - Additional space
  - Category growth
  - Online expansion
  - New accounts

# *Carter's at Kohl's*





# *Carter's at Belk (before)*





# *Carter's at Belk (after)*



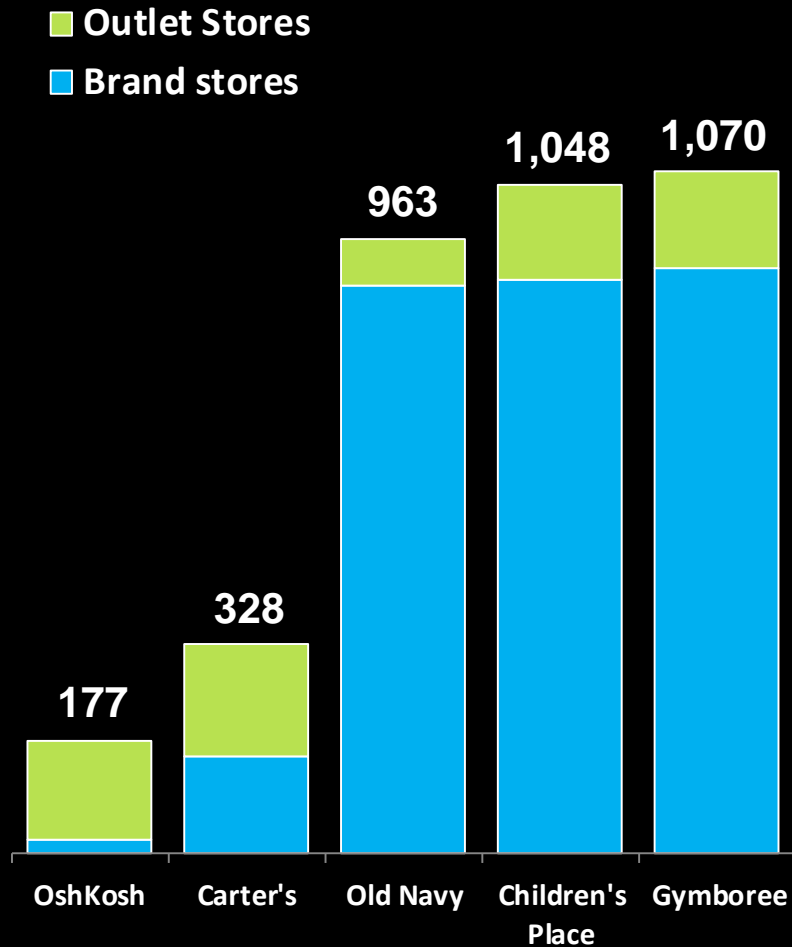


# Carter's at Target, Walmart





# Significant U.S. Retail Growth Opportunity



- Significant existing penetration in outlet locations
- Meaningful brand store growth opportunity over next several years
- Rolling out successful *Carter's* brand store format
- Testing *OshKosh B'gosh* mall store format

# *Carter's Brand Store – Milford, Connecticut*





# *Carter's Brand Store – Stamford, Connecticut*





# OshKosh Mall Store – Boston, Massachusetts



# eCommerce Growth Opportunity



- Significant growth opportunity still in its infancy
- Reinforcing Carter's, OshKosh brand positioning and strength
- Building valuable customer relationships
- Strong site traffic and sales momentum – \$100 million+ opportunity over next several years
- Continuing to expand online assortment and capabilities





## *International*

- **Presence 40+ countries**
  - 162 free-standing *OshKosh* stores
  - 29 co-branded *Carter's/OshKosh* stores
  - 6,000+ wholesale distribution points
- **Near-term focus**
  - **Canada**
  - **China**
  - **Brazil**

# International Stores

## China



## Indonesia



## Thailand



## United Arab Emirates





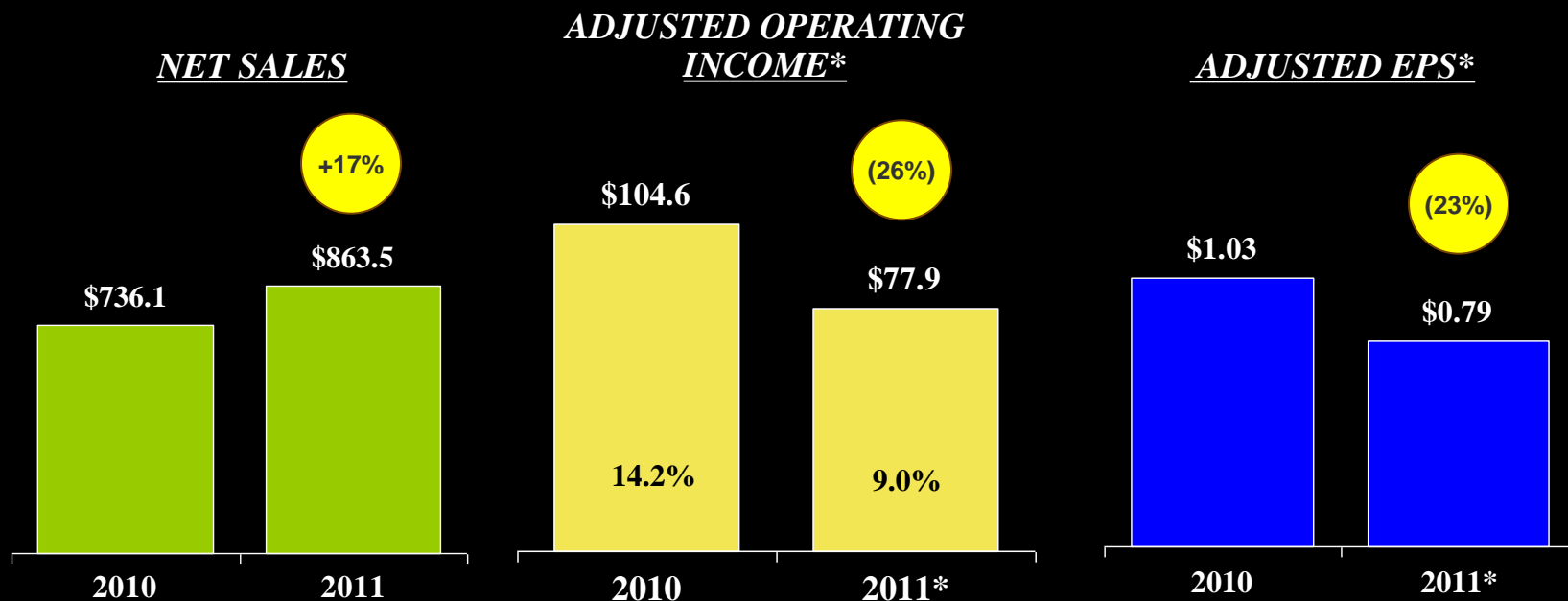
# *Canadian Growth Opportunity*



- **Acquired Bonnie Togs June 2011**
- **Large, attractive market**
- **Quality management team**
- **Opportunity to add ~100 stores over the next five years**
- **Additional growth opportunities in wholesale/mass, eCommerce**

# First Half 2011 Highlights

\$ in millions, except EPS



\* Results are stated on an adjusted basis

- Strong overall sales growth in first half
  - Carter's brand net sales +20%
  - OshKosh B'gosh brand net sales +7%
- Profitability decline primarily due to higher product costs
- Acquired Canadian retailer, accelerating our international growth

## *In Summary...*

- **Best known and trusted brands in children's apparel**
- **Broad reach – multiple brands in multiple channels**
- **Favorable demographics**
- **Attractive domestic and international growth opportunities**





# *Appendix*



# Appendix (1 of 2)

## GAAP to Adjusted Operating Income Reconciliation (\$ in millions)

|  | 2000    | 2001    | 2002    | 2003    | 2004    | 2005      | 2006      | 2007      | 2008      | 2009      | 2010      | CAGR  |
|--|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| Net Sales  | \$463.4 | \$518.5 | \$579.5 | \$703.8 | \$822.7 | \$1,119.3 | \$1,333.9 | \$1,404.0 | \$1,494.5 | \$1,589.7 | \$1,749.3 | 14.2% |
| Operating income - as reported (GAAP)                                  | \$40.5  | \$31.7  | \$60.6  | \$74.6  | \$100.6 | \$119.2   | \$155.6   | (\$14.2)  | \$140.0   | \$195.6   | \$243.3   | 19.6% |
| Workforce reduction  |         |         |         |         |         |           |           |           |           | 5.5       |           |       |
| Barnesville, GA distribution center closure costs                      |         |         |         |         |         |           |           |           |           | 3.3       |           |       |
| OshKosh, WI office asset impairment charges                            |         |         |         |         |         |           |           |           |           | 1.2       |           |       |
| Professional fees associated with customer support investigation       |         |         |         |         |         |           |           |           |           | 5.7       |           |       |
| OshKosh intangible asset impairment                                    |         |         |         |         |         |           |           | 154.9     |           |           |           |       |
| Executive retirement charges   |         |         |         |         |         |           |           |           | 5.3       |           |           |       |
| White House, TN distribution center closure costs and asset write-down |         |         |         |         |         |           |           | 5.3       | 2.6       | 0.7       |           |       |
| Mexican sewing facility closure charges                                |         |         |         |         |         | 6.8       |           |           |           |           |           |       |
| Costa Rican sewing facility closure charges                            |         |         |         | 1.0     | 0.6     |           |           |           |           |           |           |       |
| Accelerated depreciation on facility closures                          |         |         |         | 1.3     |         | 1.6       |           | 2.1       |           | 1.0       |           |       |
| Berkshire Partners management fee termination                          |         |         |         | 2.6     |         |           |           |           |           |           |           |       |
| Write-off of IPO expenses  |         |         | 0.9     |         |         |           |           |           |           |           |           |       |
| Barnesville, GA textile facility closure charges and write-down        |         |         | 0.2     |         |         |           |           |           |           |           |           |       |
| Barnesville, GA print facility closure charges and write-down          |         | 2.7     |         |         |         |           |           |           |           |           |           |       |
| Harlingen, TX sewing facility closure charges                          |         | 1.3     |         |         |         |           |           |           |           |           |           |       |
| Berkshire Partners acquisition related expenses                        |         | 11.3    |         |         |         |           |           |           |           |           |           |       |
| Inventory step-up expense  |         | 4.5     |         |         |         | 13.9      |           |           |           |           |           |       |
| Reversal of performance-related stock-based compensation               |         |         |         |         |         |           |           | (2.7)     |           |           |           |       |
|  |         | 19.8    | 1.1     | 4.9     | 0.6     | 22.3      |           | 159.6     | 7.9       | 17.4      |           |       |
| Operating income - as adjusted   | \$40.5  | \$51.6  | \$61.6  | \$79.6  | \$101.2 | \$141.5   | \$155.6   | \$145.4   | \$147.9   | \$213.0   | \$243.3   | 19.6% |
| Operating margin %   | 8.7%    | 9.9%    | 10.6%   | 11.3%   | 12.3%   | 12.6%     | 11.7%     | 10.4%     | 9.9%      | 13.4%     | 13.9%     |       |

# Appendix (2 of 2)

## Reconciliation of GAAP to Adjusted Earnings

(\$ in millions, except EPS)

| <b>First Half of Fiscal 2011</b>  | <b>Operating<br/>Income</b> | <b>Net<br/>Income</b> | <b>Diluted<br/>EPS</b> |
|-----------------------------------|-----------------------------|-----------------------|------------------------|
| <b>Income, as reported (GAAP)</b> | <b>\$75.7</b>               | <b>\$44.8</b>         | <b>\$0.76</b>          |
| Acquisition-related expenses (a)  | 2.2                         | 1.4                   | 0.03                   |
| <b>Income, as adjusted (b)</b>    | <b>\$77.9</b>               | <b>\$46.2</b>         | <b>\$0.79</b>          |

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

(b) 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.





*Thank You!*