carter's

Fourth Quarter / Fiscal 2010 Update

March 2, 2011

Agenda

Fourth Quarter / Fiscal 2010 Results

2011 Outlook and Key Priorities

Appendix

Forward-looking Statements and Other Information

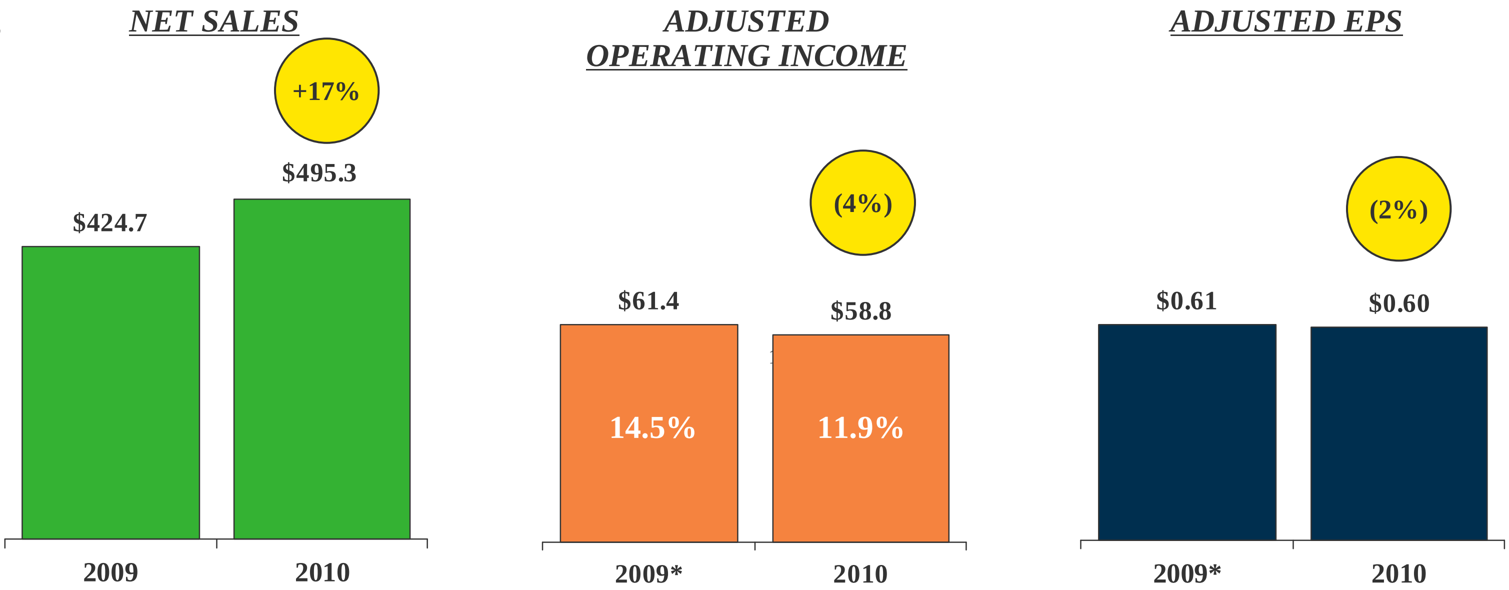
Results provided in this presentation are preliminary and unaudited. This presentation should be read in conjunction with the audio broadcast or transcript of the Company's earnings call, held on March 2, 2011, which is available at www.carters.com. Also, this presentation contains forward-looking statements 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 first 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 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 March 2, 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.

Fourth Quarter Results

Fourth Quarter Highlights

$ in millions, except EPS

Consolidated Results



** See page 12 for reconciliation.*

Wholesale / Mass

	Growth over Q4 2009		
	Carter's Wholesale	Mass Channel	OshKosh Wholesale
Net Sales	+25%	+23%	+2%
Units	+23%	+28%	+21%
Average Prices	+2%	(4%)	(15%)

Retail Stores / eCommerce

	Growth over Q4 2009	
	Carter's	OshKosh
Net Sales	+17%	+1%
Comps	+4.7%	(6.0%)
UPTs	+4.2%	(0.1%)
Average Price	--	(0.8%)
Number of Transactions	+0.6%	(5.2%)
Inventory per Door	+2.6%	+13.7%

	Year-End Store Count			
	Carter's	OshKosh	Total	vs. 2009
Brand stores	126	19	145	+26%
Outlet stores	180	161	341	+3%
	306	180	486	+9%

Fourth Quarter Results

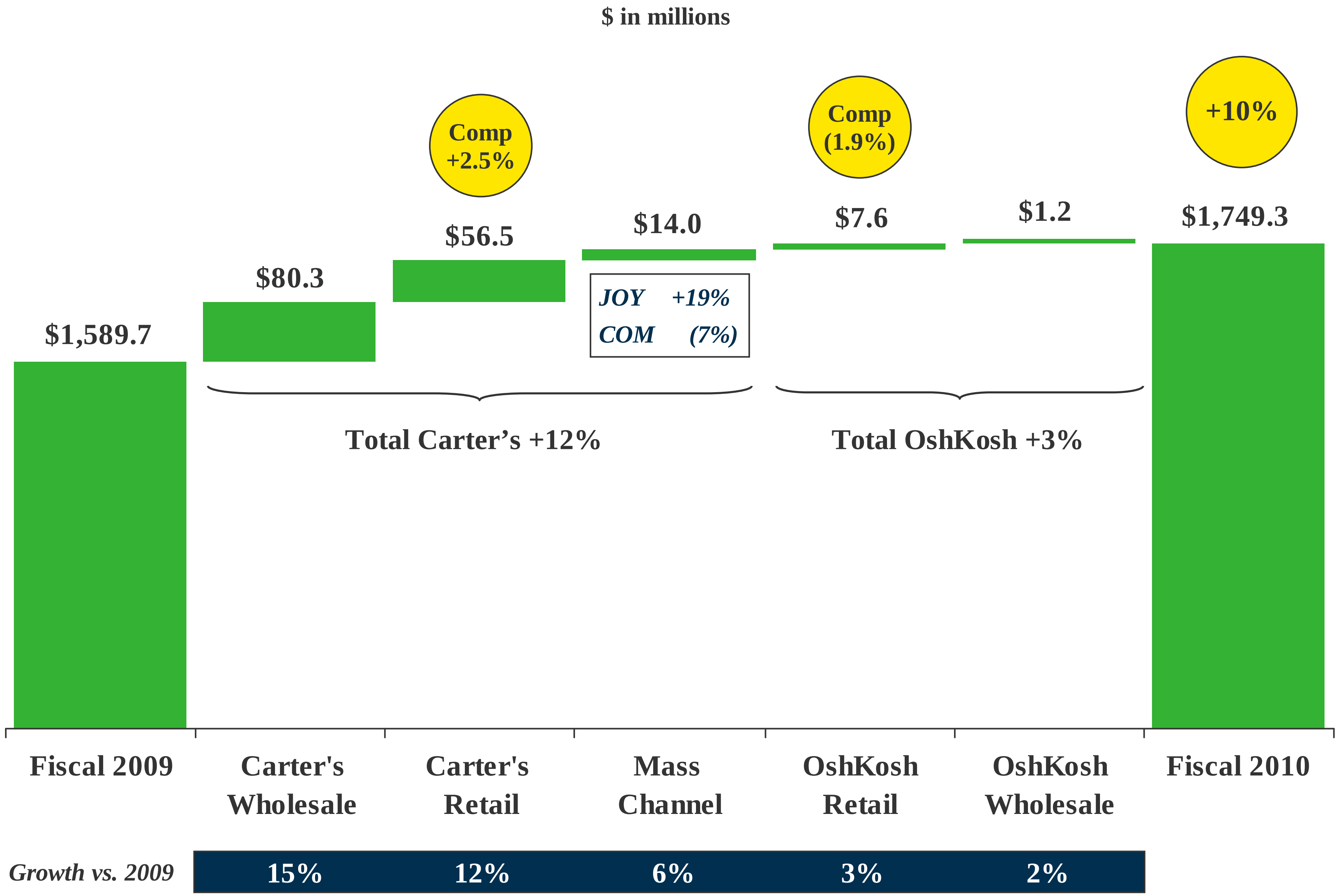
$ in millions, except EPS

	Q4 2010	*% of sales*	Q4 2009 ***(a)***	*% of sales*	**Increase (Decrease)**
Net sales	**$495.3**		$424.7		**17%**
Gross profit	**184.0**	*37.2%*	166.4	*39.2%*	**11%**
SG&A	**135.1**	*27.3%*	114.5	*27.0%*	**18%**
Royalty income	**(9.9)**	*(2.0%)*	(9.6)	*(2.2%)*	**4%**
Operating income	**58.8**	*11.9%*	61.4	*14.5%*	**(4%)**
Interest	**3.2**	*0.6%*	3.2	*0.8%*	**(1%)**
Income before taxes	**55.6**	*11.2%*	58.2	*13.7%*	**(5%)**
Income taxes	**20.7**	*4.2%*	22.0	*5.2%*	**(6%)**
Adjusted net income	**$34.9**	*7.0%*	$36.2	*8.5%*	**(4%)**
Adjusted earnings per diluted share	**$0.60**		$0.61		**(2%)**
Diluted share count	***57.8***		*58.9*		

(a) Results are stated on an adjusted basis; see reconciliation of reported (GAAP) results to results as adjusted on page 12.

Fiscal 2010 Results

Fiscal 2010 Net Sales - Growth in Every Segment



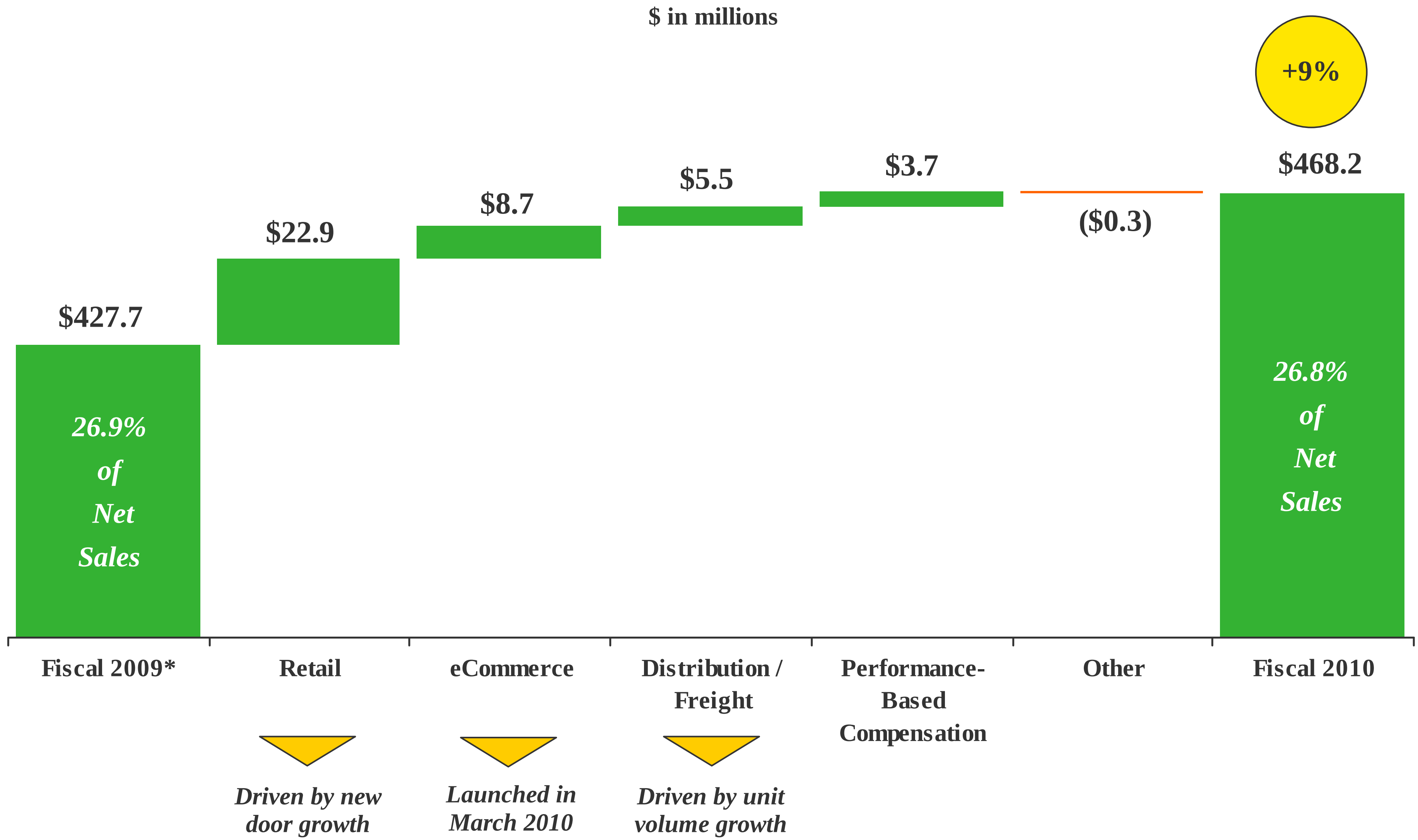
Fiscal 2010 Results

$ in millions, except EPS

	2010	% of sales	2009 *(a)*	% of sales	Increase (Decrease)
Net sales	**$1,749.3**		$1,589.7		**10%**
Gross profit	**673.9**	*38.5%*	604.4	*38.0%*	**12%**
SG&A	**468.2**	*26.8%*	427.7	*26.9%*	**9%**
Royalty income	**(37.6)**	*(2.1%)*	(36.4)	*(2.3%)*	**3%**
Operating income	**243.3**	*13.9%*	213.0	*13.4%*	**14%**
Interest	**9.9**	*0.6%*	11.8	*0.7%*	**(16%)**
Income before taxes	**233.4**	*13.3%*	201.3	*12.7%*	**16%**
Income taxes	**86.9**	*5.0%*	74.6	*4.7%*	**16%**
Adjusted net income	**$146.5**	*8.4%*	$126.6	*8.0%*	**16%**
Adjusted earnings per diluted share	**$2.46**		$2.15		**14%**
Diluted share count	***59.0***		*58.3*		

(a) Results are stated on an adjusted basis; see reconciliation of reported (GAAP) results to results as adjusted on page 12.

Fiscal 2010 SG&A



**Results exclude $1.0 million in accelerated depreciation related to a facility closure.*

Fiscal 2010 Business Segment Performance

$ in millions

	Net Sales			Operating Income (Expenses)			Operating Margin		
	2010	**2009**	**$ Growth**	**2010**	**2009**	**$ Growth**	**2010**	**2009**	
Carter's									
Wholesale	$601.6	$521.3	$80.3	$130.4	$103.7	$26.7	21.7%	19.9%	
Retail ***(a)***	546.2	489.7	56.5	115.1	97.3	17.8	21.1%	19.9%	
Mass	254.8	240.8	14.0	33.6	40.2	(6.6)	13.2%	16.7%	
Total Carter's	$1,402.6	$1,251.9	$150.8	$279.1	$241.3	**$37.8**	19.9%	19.3%	**+60 bps**
OshKosh									
Wholesale	$81.7	$80.5	$1.2	$6.0	$7.0	($1.0)	7.3%	8.7%	
Retail ***(a)***	264.9	257.3	7.6	17.5	21.5	(4.0)	6.6%	8.4%	
Mass				3.1	2.8	0.2	***(b)***	***(b)***	
Total OshKosh	$346.6	$337.8	$8.8	$26.6	$31.4	**($4.8)**	7.7%	9.3%	**(160) bps**
Corporate expenses				(62.4)	(77.1)	14.6	(3.6%)	(4.8%)	
Total, as reported	**$1,749.3**	**$1,589.7**	**$159.6**	**$243.3**	**$195.6**	**$47.6**	**13.9%**	**12.3%**	
Workforce reduction, investigation-related expenses, and other ***(c)***					17.4	(17.4)		1.1%	
Total, as adjusted	**$1,749.3**	**$1,589.7**	**$159.6**	**$243.3**	**$213.0**	**$30.2**	**13.9%**	**13.4%**	**+50 bps**

(a) Includes eCommerce results.

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

(c) These reconciling items are included in Corporate expenses above. See reconciliation of reported (GAAP) results to results as adjusted on page 12.

Reconciliation of Adjusted Earnings

$ in millions, except EPS

Fourth Quarter of Fiscal 2009	Operating Income	Net Income	Diluted EPS
Income, as reported (GAAP)	**$56.3**	**$33.0**	**$0.56**
Investigation expenses (a)	5.7	3.6	0.06
Net asset impairment (b)	(0.6)	(0.4)	(0.01)
	5.1	3.2	0.05
Income, as adjusted (g)	**$61.4**	**$36.2**	**$0.61**

Fiscal 2009	Operating Income	Net Income	Diluted EPS
Income, as reported (GAAP)	**$195.6**	**$115.6**	**$1.97**
Investigation expenses (a)	5.7	3.6	0.06
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	--
	17.4	11.0	0.18
Income, as adjusted (g)	**$213.0**	**$126.6**	**$2.15**

(a) Professional service fees related to the Company's investigation of customer margin support.

(b) Asset impairment charges associated with the closure and sale 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.

Balance Sheet and Cash Flow

$ in millions

		2010	2009
Balance Sheet	Cash	$247.4	$335.0
	Accounts Receivable	$121.5	$82.1
	Inventories	$298.5	$214.0
	Long-Term Debt	$236.0	$334.5
	Lease Adjusted Leverage Ratio	1.9	2.4
Cash Flow	Operating Cash Flow	$85.8	$188.9
	CapEx	(39.8)	(33.6)
	Free Cash Flow	$46.0	$155.3

- Strong liquidity position
- Increased working capital at year end
  - Accounts receivable increase due to significant shipments near quarter end
  - Inventory increase due to higher product costs, planned growth, and increased lead times
- Repurchased $50 million, or 2.1 million shares, at an average price of $24.29
  - $58.9 million authorization remaining
- Secured new 5-year, $375 million revolving credit facility in October

2011 Outlook and Key Priorities

2011 Outlook

First Quarter 2011

- Net Sales $450.0 to $460.0 million (sales growth +10% to 13%)
- EPS $0.45 to $0.50 (earnings down 37% to 30%)
- Key issues:
  - Higher product costs vs. 2010
  - Difficult comparison to record first quarter 2010 performance
  - Timing of later Easter Holiday in 2011 (April 24, 2011 vs. April 4, 2010)

Fiscal 2011

- Earnings expected to decline due to significantly higher product costs
  - Estimated increase in product costs

	Spring 2011	Fall 2011	Spring 2012
Estimated 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
- CapEx expected to be approximately $50 million

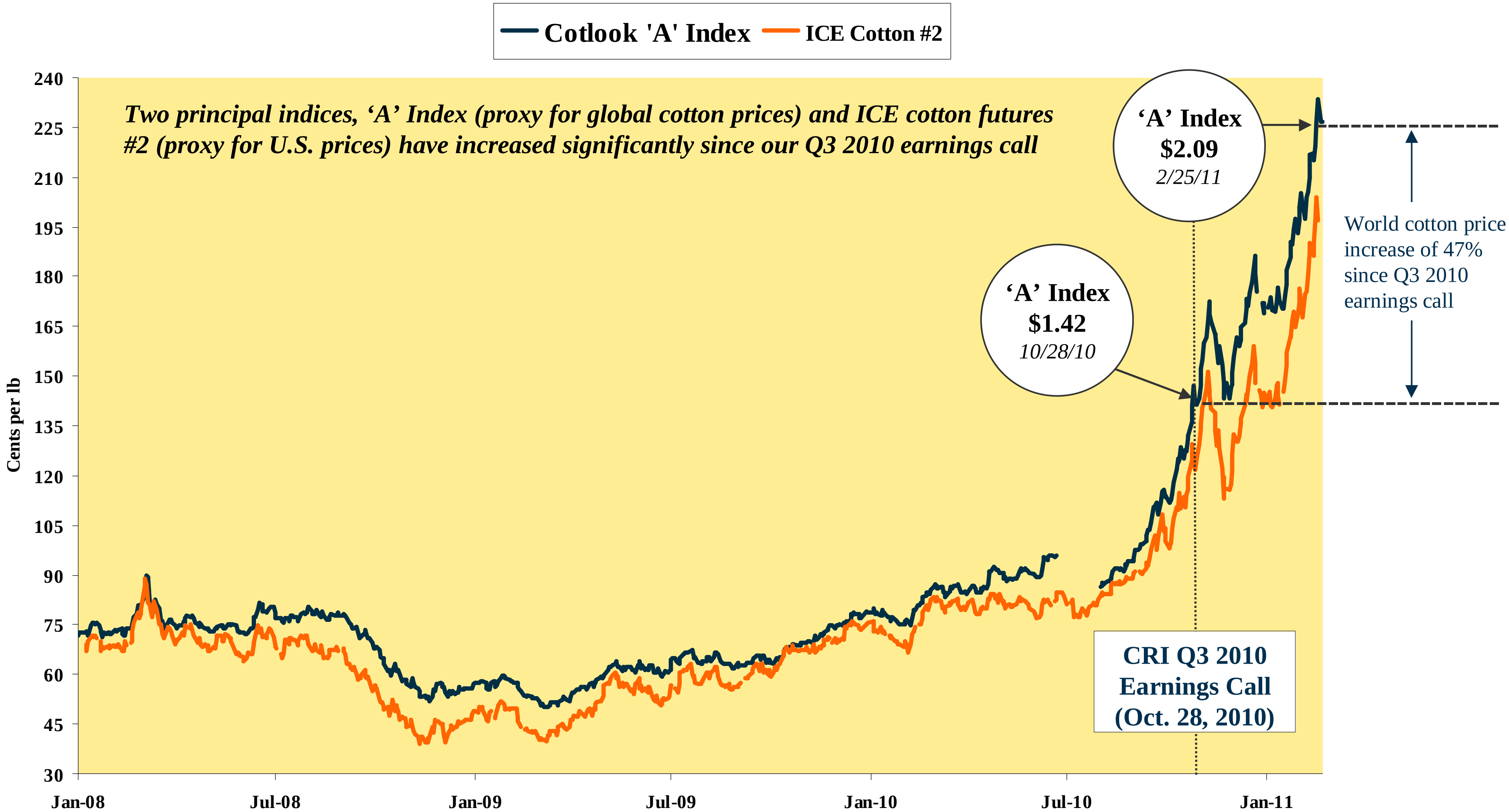
Our Key Priorities

- Lead the market in product value
- Strengthen our brand presentation
- Extend the reach of our brands
- Improve profitability

Appendix

Cotton Price Trend

As of February 25, 2011, the world price for cotton (the Cotlook ‘A’ Index) has risen 47% since our Q3 2010 earnings call, and has significantly impacted our expectations for 2011 product cost



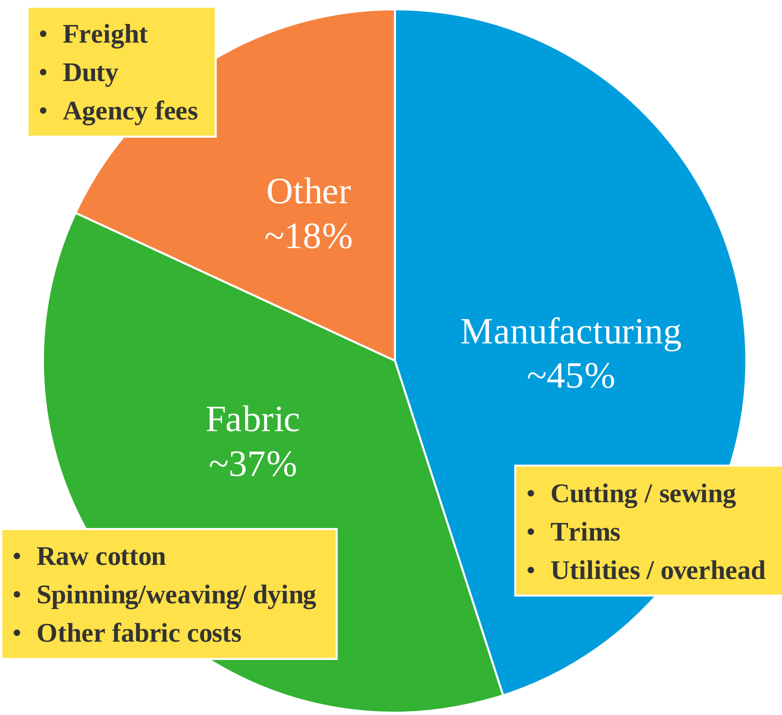
Breaks in the price curves represent dates where indices were not reported

Source: [1] Cotton Outlook and [2] ICE

Cotton at Carter's

2010 Estimated Components of Product Costs

Product costs have historically represented the majority of our cost of goods sold



Estimated Raw Cotton as a % of COGS	
Historically	**Current Estimate**
10-15%	15-20%

Hypothetical Product Cost Increase Example

		Estimated Unit Cost	Hypothetical Cost Increase	Revised Unit Cost
Fabric ~37%	**Raw Cotton ~11%**	$0.40	**+ 110%**	$0.85
	Other fabric costs	0.90	+ 20%	1.08
Manuf ~45%	Manufacturing	1.60	+ 13%	1.81
Other ~18%	Other product costs	0.60	+ 19%	0.71
	Total Product Cost	$3.50	+ 27%	$4.45

Gross Margin Impact

		After Product Cost Inflation			
	Previous	**With No Price Increase**	**10% Price Increase**	**20% Price Increase**	**30% Price Increase**
Sales price	$6.00	$6.00	$6.60	$7.20	$7.80
Unit cost	(3.50)	(4.45)	(4.45)	(4.45)	(4.45)
Unit gross profit	$2.50	$1.55	$2.15	$2.75	$3.35
Gross Margin	41.7%	25.9%	32.6%	38.2%	43.0%
bps deterioration		(1,581 bps)	(907 bps)	(345 bps)	+130 bps

- Maintaining margin rate would require an increase of ~27% in sales price
- Maintaining margin $ would require an increase of ~16% in sales price