



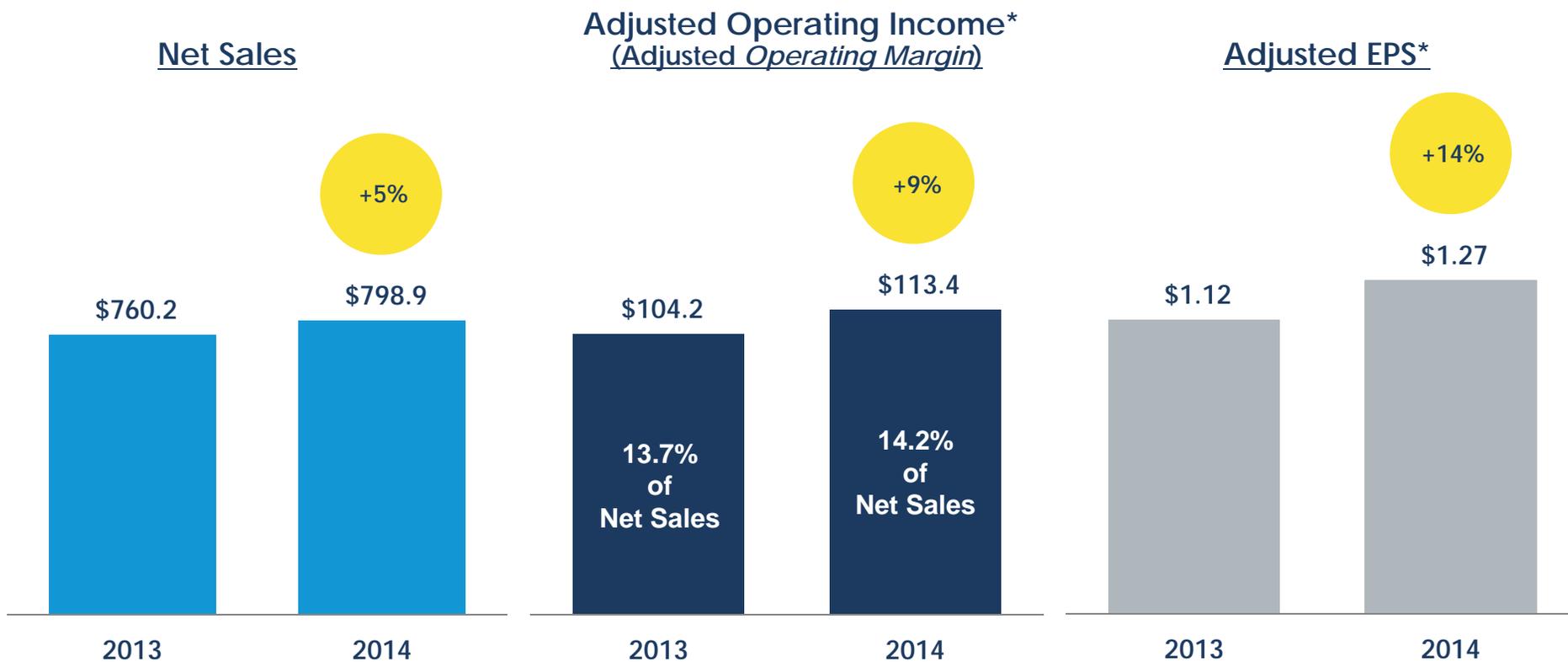
# **carter's, inc.**

**Third Quarter 2014  
Business Update**

.....  
October 23, 2014

# Third Quarter 2014 Highlights\*

\$ in millions, except EPS

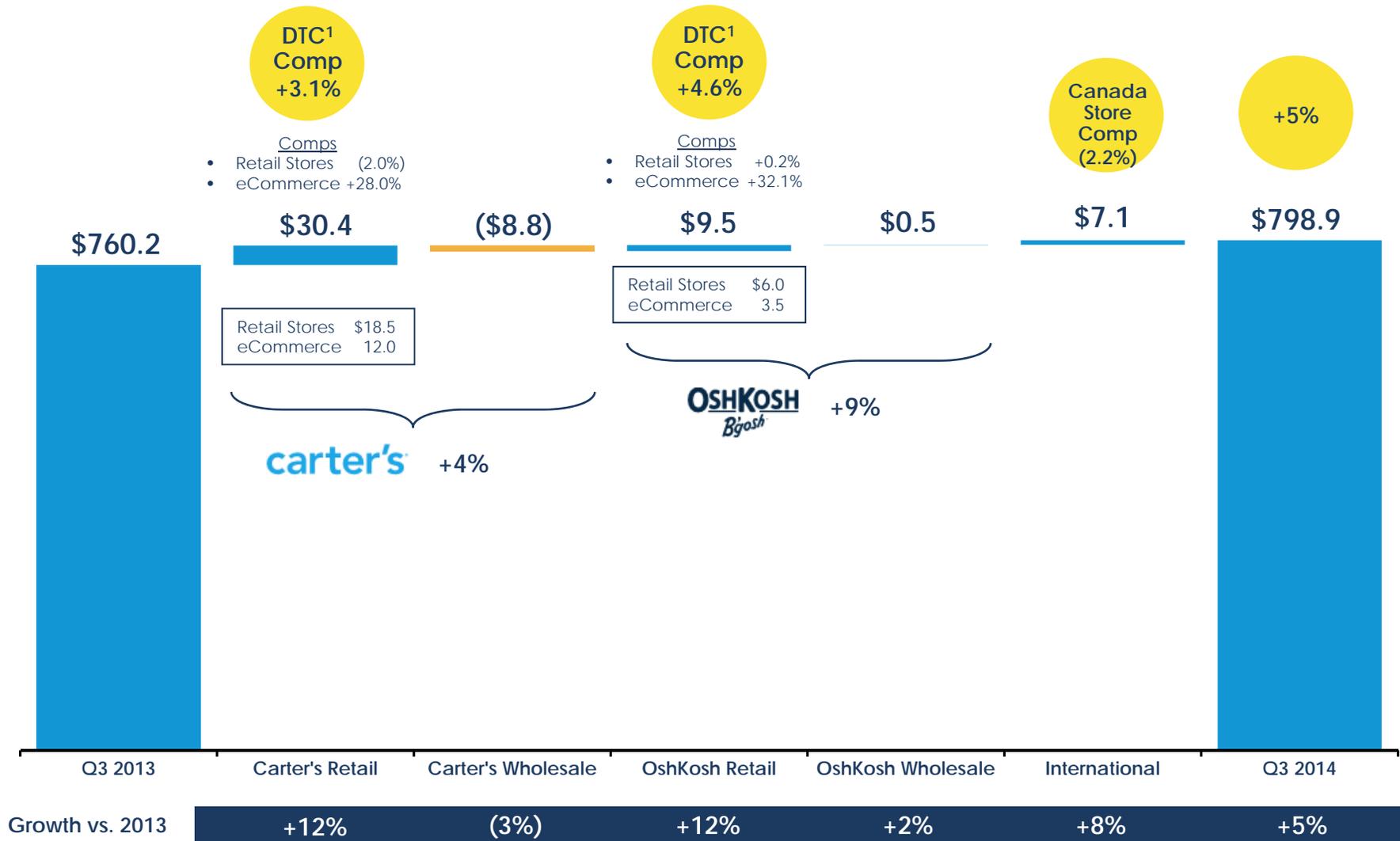


- Sales growth (+5%) driven by U.S. direct-to-consumer and international businesses
  - U.S. +5%
    - Carter's +4%
    - OshKosh +9%
  - International +8% (constant currency +12%)
- Adjusted EPS growth of 14%

\* Results are stated on an adjusted basis; see reconciliation to GAAP on page 34 & 39.

# Third Quarter 2014 Net Sales

\$ in millions



<sup>1</sup>Direct-to-Consumer ("DTC") Comparable sales is defined as the combination of retail store and eCommerce comparable sales.  
Note: Results may not be additive due to rounding.

# Third Quarter 2014 Adjusted Results\*



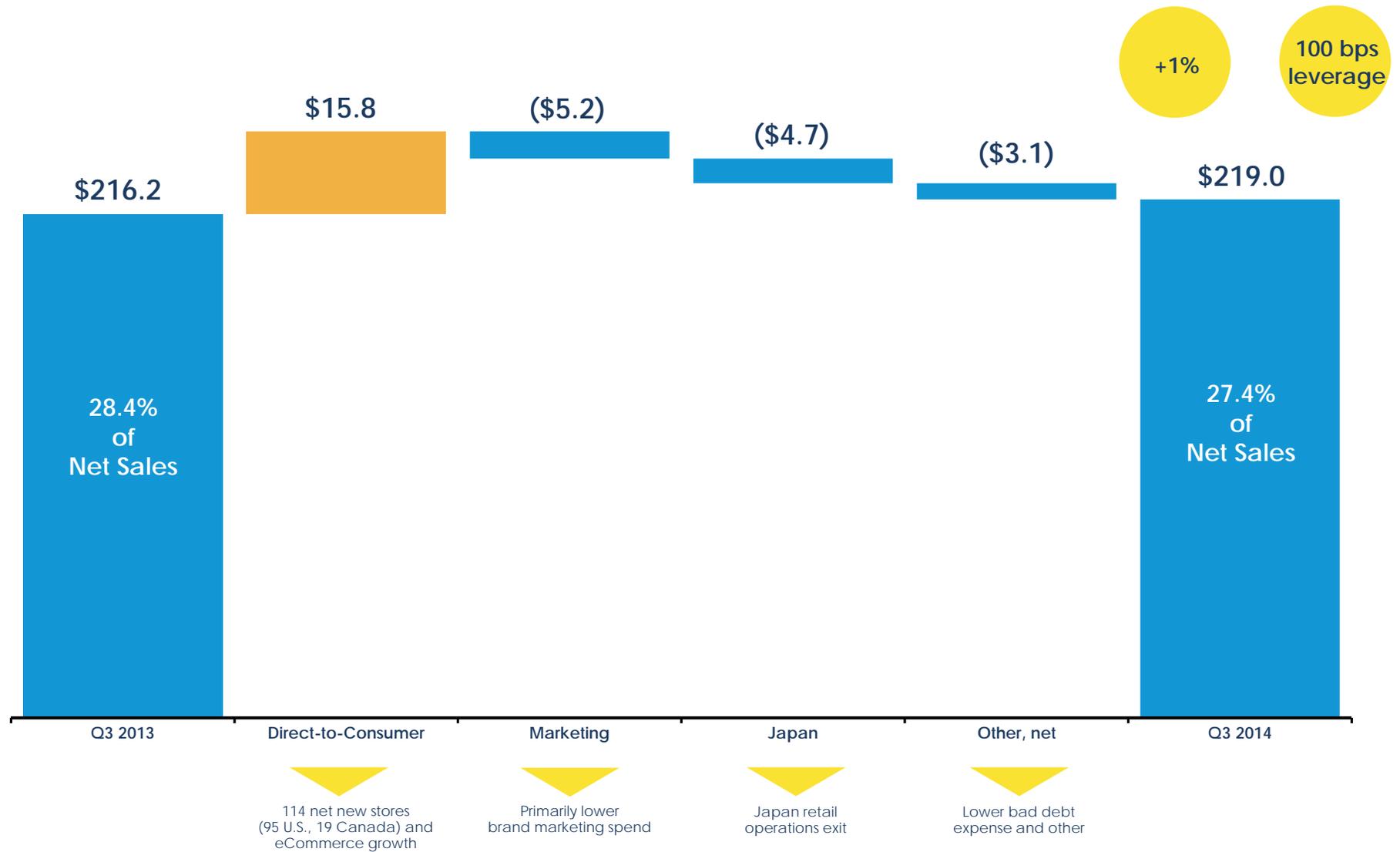
\$ in millions, except EPS

	<u>Q3 2014</u>	<i>% of Sales</i>	<u>Q3 2013</u>	<i>% of Sales</i>	<u>Increase / (Decrease)</u>
Net sales	\$798.9		\$760.2		5%
Gross profit	321.2	40.2%	309.6	40.7%	4%
Adjusted SG&A *	219.0	27.4%	216.2	28.4%	1%
Royalty income	(11.2)	(1.4%)	(10.7)	(1.4%)	5%
Adjusted operating income*	113.4	14.2%	104.2	13.7%	9%
Interest and other, net	8.1	1.0%	3.9	0.5%	106%
Income taxes	37.4	4.7%	35.2	4.6%	6%
Adjusted net income*	\$67.9	8.5%	\$65.0	8.5%	5%
Adjusted diluted EPS*	\$1.27		\$1.12		14%
Weighted average shares outstanding	52.8		57.4		(8%)
Adjusted EBITDA *	\$125.3	15.7%	\$114.6	15.1%	9%

\* Results are stated on an adjusted basis; see reconciliation to GAAP on pages 34 & 38.  
Note: Results may not be additive due to rounding.

# Third Quarter 2014 Adjusted SG&A\*

\$ in millions



\*Results are stated on an adjusted basis; see reconciliation to GAAP on page 34.  
Note: Results may not be additive due to rounding.

# Q3 YTD 2014 Adjusted Results\*



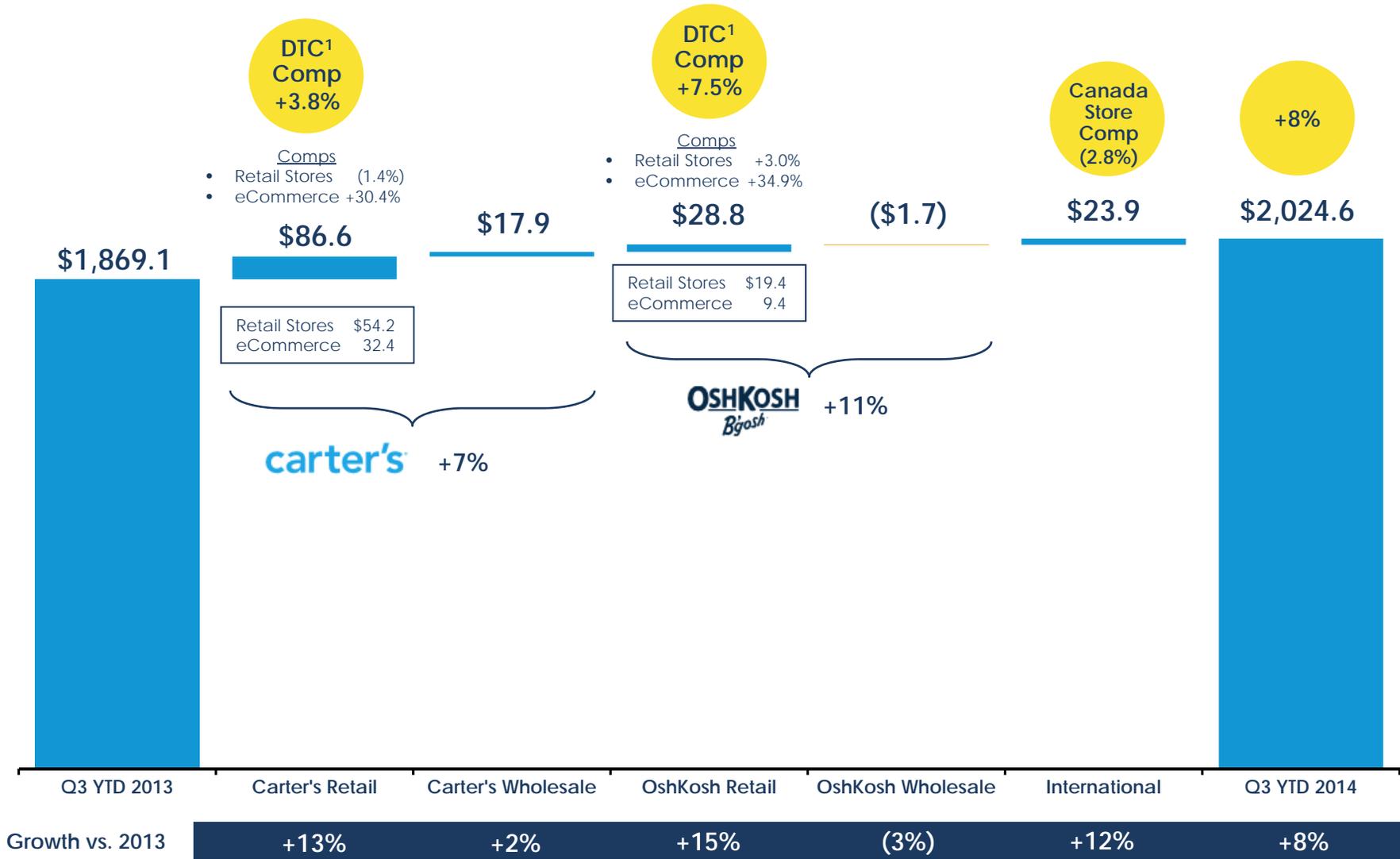
\$ in millions, except EPS

	First Three Quarters 2014	% of Sales	First Three Quarters 2013	% of Sales	Increase / (Decrease)
Net sales	\$2,024.6		\$1,869.1		8%
Gross profit	827.4	40.9%	773.0	41.4%	7%
Adjusted SG&A*	614.3	30.3%	575.0	30.8%	7%
Royalty income	(29.3)	(1.4%)	(27.4)	(1.5%)	7%
Adjusted operating income*	242.4	12.0%	225.4	12.1%	8%
Interest and other, net	22.0	1.1%	7.2	0.4%	206%
Income taxes	79.4	3.9%	77.9	4.2%	2%
Adjusted net income*	\$140.9	7.0%	\$140.4	7.5%	0%
Adjusted diluted EPS*	\$2.61		\$2.36		10%
Weighted average shares outstanding	53.3		58.6		(9%)
Adjusted EBITDA*	\$282.6	14.0%	\$256.9	13.7%	10%

\* Results are stated on an adjusted basis; see reconciliation to GAAP on pages 36 & 38.  
Note: Results may not be additive due to rounding.

# Q3 YTD 2014 Net Sales

\$ in millions



<sup>1</sup> Direct-to-Consumer ("DTC") Comparable sales is defined as the combination of retail store and eCommerce comparable sales.  
 Note: Results may not be additive due to rounding.

# Balance Sheet and Cash Flow

\$ in millions

		2014	2013
<b>Balance Sheet</b> (at Q3 end)	Cash	\$133.6	\$201.8
	Accounts receivable	232.5	245.6
	Inventory	519.4	440.4
	Accounts payable	117.3	158.6
	Long-term debt	586.0	586.0

		2014	2013
<b>Cash Flow</b> (Q3 YTD)	Operating Cash Flow	\$24.9	\$63.5
	Capital Expenditures	(83.6)	(129.6)
	Free Cash Flow	(\$58.7)	(\$66.2)

- Strong liquidity**

- \$134 million cash on hand
- \$183 million revolver availability

- Inventory increase of +18% reflects higher product costs and business growth**

- Units +9% vs. Q3 2013
- Inventory increase consistent with our prior forecast
- Anticipate Q4 ending inventory more in line with sales growth

- Significant share repurchase in quarter (\$27 million); \$63 million Q3 YTD**

- Ending share count -9% vs. LY
- ~\$200 million remains under current \$300 million authorizations
- Open market purchases:<sup>1</sup>

2014	Shares	Average Price	Total
Q1	21,600	\$76.32	\$1,648,428
Q2	477,551	\$72.10	34,431,415
Q3	367,948	\$72.54	26,689,986
Q4 QTD	68,300	\$78.61	5,369,120
YTD	935,399	\$72.84	\$68,138,949

- Dividend payment of \$10 million in Q3 (\$0.19/share)**

- \$30 million cash dividends paid YTD

- Lower operating cash flow vs. LY reflects unfavorable movements in net working capital**

- Change reflects business growth, higher product costs, and differences in timing of payments

Note: Results may not be additive due to rounding.

<sup>1</sup> Through 10/22/14



## Business Segment Performance

# Third Quarter 2014 Business Segment Performance



\$ in millions

	Net Sales			Adjusted Operating Income (Loss)*			Adjusted Operating Margin*	
	2014	2013	\$ Growth	2014	2013	\$ Growth	2014	2013
Carter's Wholesale (a)	\$310	\$319	(\$9)	\$56	\$57	(\$1)	18.0%	17.8%
Carter's Retail (b)	281	251	30	55	48	7	19.4%	18.9%
Total Carter's	\$591	\$570	\$22	\$110	\$104	\$6	18.6%	18.3%
OshKosh Wholesale	25	25	1	2	5	(2)	8.9%	18.9%
OshKosh Retail (b)	91	82	10	5	5	(0)	5.8%	6.5%
Total OshKosh	\$117	\$106	\$10	\$8	\$10	(\$2)	6.5%	9.4%
International (c)(d)	\$91	\$84	\$7	\$16	\$15	\$1	18.0%	18.3%
Total before corporate expenses	\$799	\$760	\$39	\$134	\$130	\$4	16.8%	17.1%
Corporate expenses (d)				(\$21)	(\$26)	\$5	(2.6%)	(3.4%)
Total (d)	\$799	\$760	\$39	\$113	\$104	\$9	14.2%	13.7%

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

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

(c) Includes international retail, eCommerce and wholesale sales. Adjusted operating income includes international licensing income.

(d) See reconciliation of reported (GAAP) results to adjusted results.

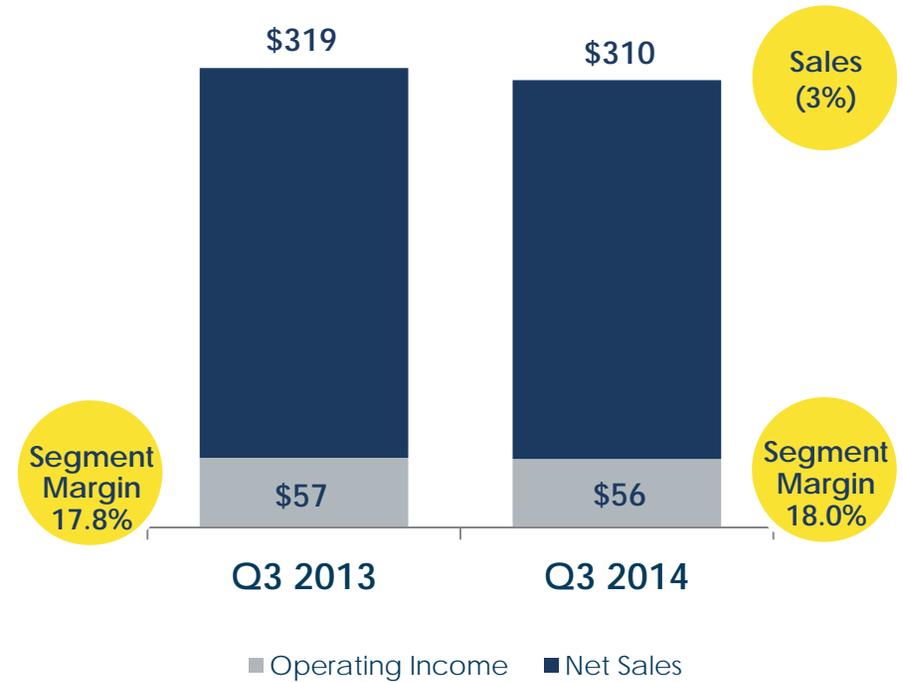
\* Results are stated on an adjusted basis; see reconciliation to GAAP on page 34.

Note: Results may not be additive due to rounding.



\$ in millions

**Segment Net Sales & Operating Income**



- Net sales decrease reflects previously-disclosed decline in fall seasonal bookings with an individual wholesale customer, partially offset by sales growth in the balance of the portfolio
- Segment margin reflects, in part, lower bad debt and lower marketing expenses
- Full year net sales outlook: low single-digit growth
- Spring 2015 seasonal bookings planned up modestly vs. 2014

# Macy's – Herald Square, NYC



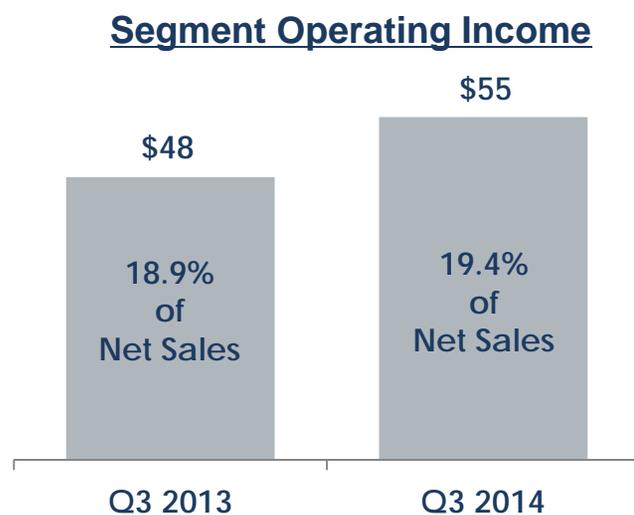
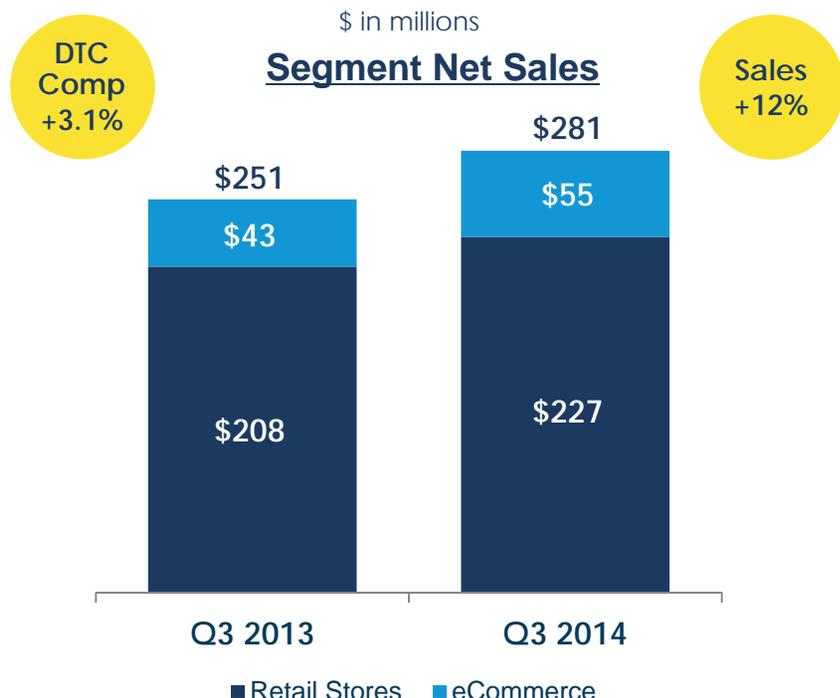


# Macy's – Herald Square, NYC

carter's | OSHKOSH  
B'gosh







## Retail Stores

- Total sales +8.9%
  - Opened 17 new stores and closed 1 in Q3
- Comp sales (2.0%) vs. +0.5% LY
  - Comp reflects decline in traffic partially offset by improved conversion rate
  - Central and Southeast region comped positive
  - Baby strongest performing category
- Q3 ending store count: 525
  - 312 Brand
  - 169 Outlet
  - 44 Side-by-Side<sup>1</sup>

## eCommerce

- Continued strong growth, +28%, with operating margin expansion
- Q3 net sales 19% of retail segment sales (vs. 17% LY)

## Segment Operating Income

- Segment margin reflects increased eCommerce contribution and distribution and marketing expense leverage

<sup>1</sup> Comprised of 24 Brand stores and 20 Outlet stores  
 Note: Results may not be additive due to rounding.



*dream  
deal*

1-piece fleece pjs  
SALE  
\$10-\$15  
12m-7  
MSRP \$20-\$30

2 | Visit [carter.com/stores](http://carter.com/stores) or call 877-333-0118 to find a store near you.



starting at **\$10** **1-piece fleece pajamas**  
America's Best-Selling Sleepwear Come to Carter's  
for the widest selection of high-quality pjs at a great value!  
Shop the entire collection at [carter.com/pjshop](http://carter.com/pjshop).



Enjoy FREE shipping on orders of \$75 or more at [carter.com](http://carter.com) | 3



give the gift of  
**sweet dreams**

We believe that all children deserve a storybook bedtime every night. Partner with Carter's and the Pajama Program to collect new pjs and books for children in need. Learn more at [carter.com/pajamaprogram](http://carter.com/pajamaprogram)



**40%**  
off

**Christmas Pajamas** Wish for merry and bright pjs to make the holidays dreamy for kids of all ages.



1-piece fleece pjs  
**SALE**  
\$12-\$18  
12m-7  
MSRP\*\*120-130

2-piece pjs  
**SALE**  
\$12-\$22<sup>BD</sup>  
12m-7  
MSRP\*\*120-130

fleece gown  
**SALE**  
\$15<sup>BD</sup>  
2y-10  
MSRP\*\*20

**50%  
off**

Don't miss it! Our classic styles create coordinated looks for memorable family photos (at picture-perfect prices)!



woven bodysuits  
**SALE \$11**  
3m-24m  
MSRP \$22

woven shirts  
**SALE \$12-\$14**  
2t-12  
MSRP \$24-\$28

pants  
**SALE \$13-\$16**  
3m-12  
MSRP \$26-\$32

sweaters  
**SALE \$15-\$18**  
3m-12  
MSRP \$30-\$36

belts  
**SALE \$9**  
25% off MSRP  
3-8 years  
MSRP \$12

shoes  
**SALE \$25<sup>50</sup>-\$33**  
25% off MSRP  
5-12  
MSRP \$34-\$44

3-pack socks  
**SALE**  
Buy one, get  
one FREE  
3m-6 years  
MSRP \$14

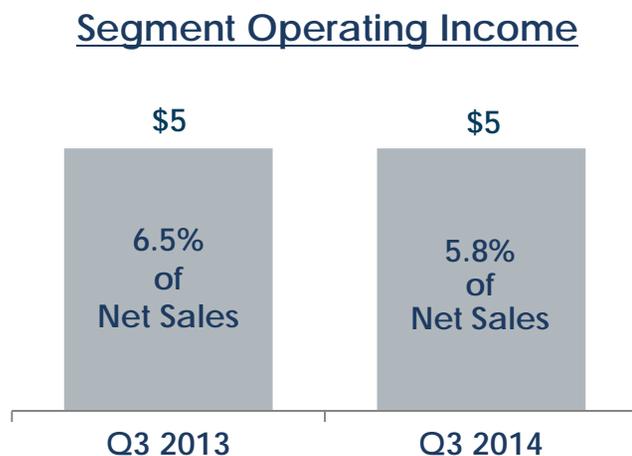
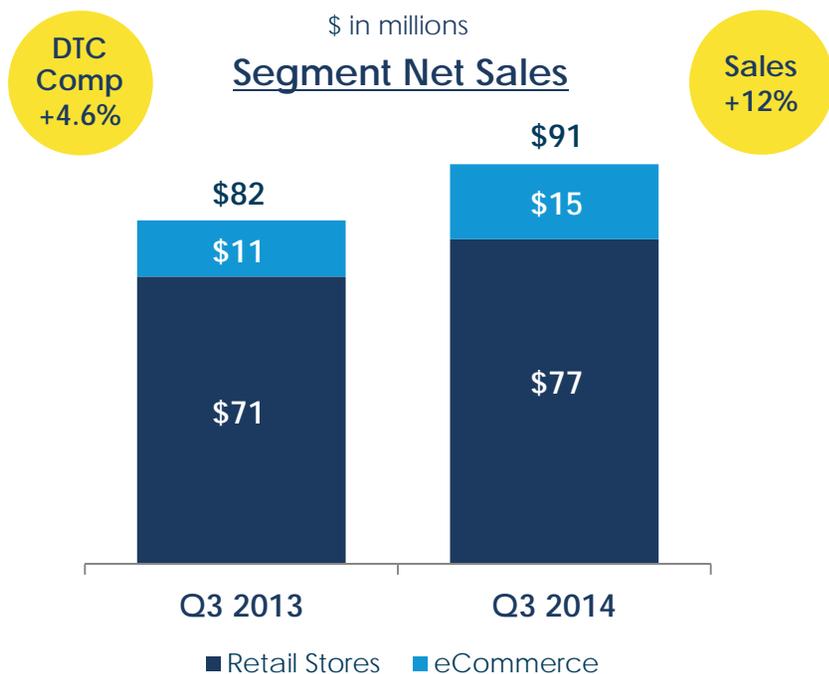
**capture  
the moment**



holiday dresses  
**SALE \$19-\$21**  
nb-6x  
MSRP \$26-\$42

8 | Visit [carters.com/stores](http://carters.com/stores) or call 877-333-0118 to find a store near you.

\*Shoes and accessories 25% off.



## Retail Stores

- Total sales +8.5%
  - Opened 10 new stores and closed 2 in Q3
  - All new stores in Side-by-Side format
- Comp sales +0.2% vs. +1.0% LY
  - Comp reflects higher conversion rate offset by lower traffic
  - Central, West and Great Lakes regions comped positive
  - Side-by-Side format stores achieved high single-digit comps
- Q3 ending store count: 195
  - 19 Brand
  - 132 Outlet
  - 44 Side-by-Side<sup>1</sup>

## eCommerce

- Continued strong growth, +32%
- Q3 net sales 16% of retail segment sales (vs. 13% LY)

## Segment Operating Income

- Segment margin decline reflects increased product costs, partially offset by improved pricing and expense leverage

<sup>1</sup> Comprised of 24 Brand stores and 20 Outlet stores  
 Note: Results may not be additive due to rounding.





**BE  
MERRY  
*and*  
BRIGHT**

Colorful, comfy  
cords are a  
girl's best friend.

- SPARKLE TEES  
SALE \$11-13  
SIZES 6-12  
MSRP\* \$22-26
- SKINNY CORDS  
SALE \$17-19  
SIZES 6-12  
MSRP\* \$34-38
- FAIR ISLE CARDIGANS  
SALE \$20-22  
SIZES 6-12  
MSRP\* \$40-44
- DENIM JACKETS  
SALE \$22  
SIZES 4-12  
MSRP\* \$44
- BRACELETS  
SALE \$3.50-8.75  
MSRP\* \$5-12.50
- BELTS  
SALE \$8.40  
SIZES S, M, L  
MSRP\* \$14
- HAT & MITTEN/  
HAT & GLOVE SETS  
SALE \$16.80  
SIZES INFANT, TODDLER, 4-6x, 7-12  
MSRP\* \$28
- SHOES & BOOTS  
SALE \$26.60-28  
SIZES 5-12, 13-1  
MSRP\* \$38-40



FREE SHIPPING ONLINE WITH YOUR PURCHASE OF \$75 OR MORE AT OSHKOSH.COM 7



**\$14**  
TRIPLE JUMPER PANTS

Shop outerwear and cold weather accessories at [oshkosh.com/brrr](http://oshkosh.com/brrr)

TRIPLE JUMPER PANTS  
SALE \$14  
sizes 6m-12  
MSRP\* \$26-32

THERMAL TEES  
SALE \$10-12  
sizes 6m-12  
MSRP\* \$20-24

PUFFER JACKETS  
SALE \$35-42.50  
sizes 12-24m, 2-5t, 6-12  
MSRP\* \$70-85

HAT & MITTEN/  
HAT & GLOVE SETS  
SALE \$16.80  
sizes infant, toddler,  
4-7, 8-12  
MSRP\* \$38

HIGH-TOP SNEAKERS  
SALE \$25.20  
sizes 5-12  
MSRP\* \$36

## the TRIPLE JUMPER PANT

Trimmed with a soft jersey lining, pull-on waist and ease in the knees.



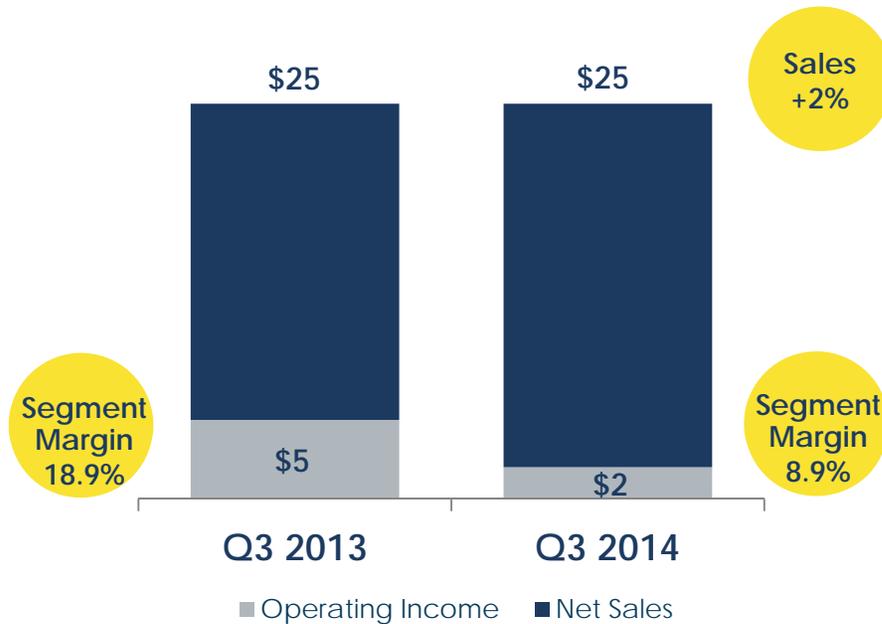
FREE SHIPPING ONLINE WITH YOUR PURCHASE OF \$75 OR MORE AT OSHKOSH.COM 19





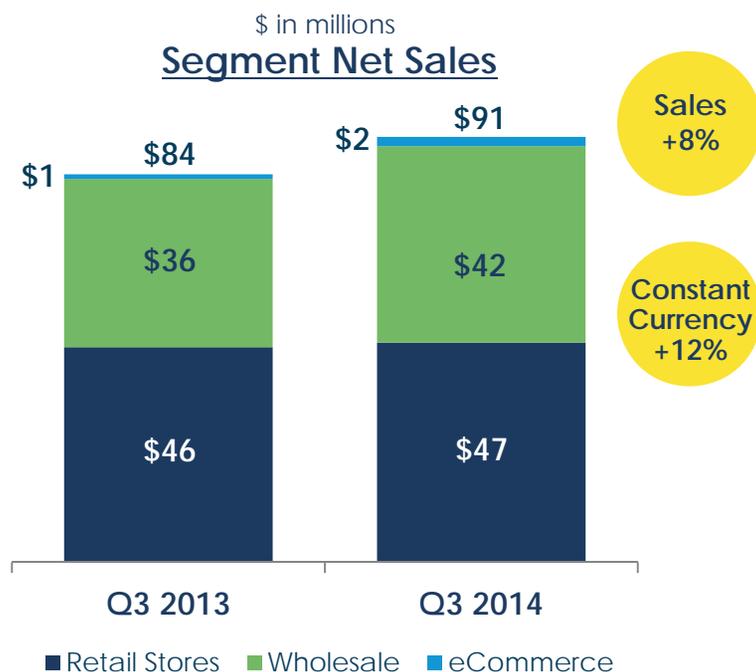
\$ in millions

## Segment Net Sales & Operating Income

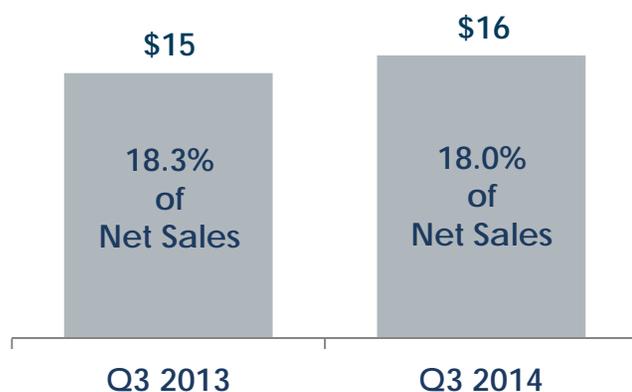


- Net sales up modestly vs. LY
- Segment margin decline reflects primarily higher product costs, inventory provisions, and distribution expenses
- Full year net sales outlook: comparable to LY
- Improved Spring 2015 bookings outlook: comparable to 2014 (vs. previously down high-single digits)

# Third Quarter 2014 Highlights – International



### Segment Adjusted Operating Income<sup>1</sup>



### Retail Stores

- Canada
  - Total sales +10.6%
  - Opened 5 new stores in Q3; ending store count 115
  - Store comp (2.2%) vs. (3.6%) LY, reflecting traffic decline partially offset by improved conversion rate
  - *Carter's* and *OshKosh B'gosh* brand growth offset by lower sales due to exit of Bonnie Togs legacy private label brands
- Japan
  - \$3.9 million net sales contribution LY; exit substantially completed in Q1 2014

### Wholesale

- Continued strong growth, +15%
- Sales increase reflects growth with multi-national retailers in Canada and other markets

### eCommerce

- Growth driven by Canada website launch (July 2014)

### Segment Operating Margin

- Segment margin reflects higher product costs in Canada, in part due to unfavorable foreign exchange rate movements, partially offset by SG&A leverage as a result of Japan exit

<sup>1</sup> Results are stated on an adjusted basis; see reconciliation to GAAP on pages 34 & 39.  
Note: Results may not be additive due to rounding.





## Q4 2014

- Net sales growth of approximately 10% to 12%
- Adjusted EPS growth of approximately 20% to 25% (vs. \$1.02 LY)

## Fiscal Year 2014

- Net sales growth of approximately 8% to 10%
- Adjusted EPS growth of approximately 14% to 16% (vs. \$3.37 LY)
- New retail store openings: <sup>1</sup>
  - Carter's 61
  - OshKosh 27
  - Canada 23
- Operating Cash Flow \$200 to \$225 million
- CapEx approximately \$100 to \$110 million



<sup>1</sup> Carter's store count includes 1 relocation; OshKosh store count includes 3 relocations. Only stores that are removed from the comp base when relocated are included in the new store count.

thank you.





# Third Quarter 2014 Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	September 27, 2014	September 28, 2013
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	52,356,122	56,908,631
Dilutive effect of equity awards	470,842	531,514
Diluted number of common and common equivalent shares outstanding	52,826,964	57,440,145

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$ 65,886	\$ 56,570	\$ 67,933	\$ 64,993
Income allocated to participating securities	(887)	(759)	(914)	(873)
Net income available to common shareholders	\$64,999	\$55,811	\$67,019	\$64,119
Basic net income per common share	\$1.24	\$0.98	\$1.28	\$1.13
Diluted net income per common share:				
Net income	\$ 65,886	\$ 56,570	\$67,933	\$64,993
Income allocated to participating securities	(880)	(753)	(908)	(866)
Net income available to common shareholders	\$65,006	\$55,817	\$67,026	\$64,126
Diluted net income per common share	\$1.23	\$0.97	\$1.27	\$1.12

(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 per share data excluding the adjustments discussed above. The Company has excluded \$2.0 million and \$8.4 million in after-tax net expenses from these results for the third fiscal quarters of 2014 and 2013, respectively.

Note: Results may not be additive due to rounding.

# Third Quarter 2014 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Third Quarter of Fiscal 2014	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$321.2</b>	<b>40.2%</b>	<b>\$221.9</b>	<b>27.8%</b>	<b>\$110.5</b>	<b>13.8%</b>	<b>\$65.9</b>	<b>\$1.23</b>	<b>\$15.9</b>	<b>17.4%</b>	<b>(\$23.2)</b>	<b>(2.9%)</b>
Revaluation of contingent consideration (a)	-		(0.4)		0.4		0.4	0.01	0.4		-	
Facility related closures (b)	-		(0.2)		0.2		0.1	-	-		0.2	
Amortization of tradenames (c)	-		(2.3)		2.3		1.4	0.03	-		2.3	
	-		(2.9)		2.9		2.0	0.04	0.4		2.5	
<b>As adjusted</b>	<b>\$321.2</b>	<b>40.2%</b>	<b>\$219.0</b>	<b>27.4%</b>	<b>\$113.4</b>	<b>14.2%</b>	<b>\$67.9</b>	<b>\$1.27</b>	<b>\$16.4</b>	<b>18.0%</b>	<b>(\$20.7)</b>	<b>(2.6%)</b>

Third Quarter of Fiscal 2013	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$309.6</b>	<b>38.9%</b>	<b>\$229.3</b>	<b>30.2%</b>	<b>\$91.1</b>	<b>12.0%</b>	<b>\$56.6</b>	<b>\$0.97</b>	<b>\$14.9</b>	<b>17.8%</b>	<b>(\$38.1)</b>	<b>(5.0%)</b>
Office consolidation costs (d)	-		(5.9)		5.9		3.7	0.06	-		5.9	
Revaluation of contingent consideration (a)	-		(0.5)		0.5		0.5	0.01	0.5		-	
Facility related closures (b)	-		(0.4)		0.4		0.3	-	-		0.4	
Amortization of tradenames (c)	-		(6.3)		6.3		4.0	0.07	-		6.3	
	-		(13.1)		13.1		8.4	0.14	0.5		12.6	
<b>As adjusted</b>	<b>\$309.6</b>	<b>38.9%</b>	<b>\$216.2</b>	<b>28.4%</b>	<b>\$104.2</b>	<b>13.7%</b>	<b>\$65.0</b>	<b>\$1.12</b>	<b>\$15.4</b>	<b>18.4%</b>	<b>(\$25.5)</b>	<b>(3.4%)</b>

- (a) Revaluation of the contingent consideration liability associated with the Company's 2011 acquisition of Bonnie Togs.
- (b) Costs associated with the closure of the Company's distribution facility in Hogansville, Georgia.
- (c) Amortization of acquired H.W. Carter tradenames.
- (d) Costs associated with office consolidation including severance, relocation, accelerated depreciation, and other charges.

Note: Results may not be additive due to rounding.

# Q3 YTD 2014 Reconciliation of Net Income Allocable to Common Shareholders



	Three Fiscal Quarters Ended	
	September 27, 2014	September 28, 2013
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	52,788,217	57,982,401
Dilutive effect of equity awards	476,893	614,045
Diluted number of common and common equivalent shares outstanding	<u>53,265,110</u>	<u>58,596,446</u>

	Three Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$ 126,079	\$ 117,659	\$ 140,919	\$ 140,371
Income allocated to participating securities	(1,707)	(1,566)	(1,910.64)	(1,871.08)
Net income available to common shareholders	<u>\$124,373</u>	<u>\$116,093</u>	<u>\$139,009</u>	<u>\$138,500</u>
Basic net income per common share	2.36	2.00	2.63	2.39
Diluted net income per common share:				
Net income	\$ 126,079	\$ 117,659	\$ 140,919	\$ 140,371
Income allocated to participating securities	(1,695)	(1,553)	(1,897)	(1,854)
Net income available to common shareholders	<u>\$124,384</u>	<u>\$116,106</u>	<u>\$139,022</u>	<u>\$138,517</u>
Diluted net income per common share	\$2.34	\$1.98	\$2.61	\$2.36

(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 per share data excluding the adjustments discussed above. The Company has excluded \$14.8 million and \$22.7 million in after-tax net expenses from these results for the first three fiscal quarters of 2014 and 2013, respectively.

Note: Results may not be additive due to rounding.

# Q3 YTD 2014 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Third Quarter YTD 2014	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$828.4</b>	<b>40.9%</b>	<b>\$638.3</b>	<b>31.5%</b>	<b>\$219.3</b>	<b>10.8%</b>	<b>\$126.1</b>	<b>\$2.34</b>	<b>\$27.0</b>	<b>12.1%</b>	<b>(\$83.1)</b>	<b>(4.1%)</b>
Office consolidation costs (a)	-		(6.6)		6.6		4.2	0.08	-		6.6	
Revaluation of contingent consideration (b)	-		(0.9)		0.9		0.9	0.02	0.9		-	
Facility related closures (c)	-		(0.9)		0.9		0.5	0.01	-		0.9	
Amortization of tradenames (d)	-		(14.2)		14.2		8.9	0.16	-		14.2	
Japan retail operations exit (e)	(1.0)		(1.5)		0.5		0.3	0.01	0.5		-	
	<u>(1.0)</u>		<u>(24.0)</u>		<u>23.0</u>		<u>14.8</u>	<u>0.28</u>	<u>1.4</u>		<u>21.6</u>	
<b>As adjusted</b>	<b>\$827.4</b>	<b>40.9%</b>	<b>\$614.3</b>	<b>30.3%</b>	<b>\$242.4</b>	<b>12.0%</b>	<b>\$140.9</b>	<b>\$2.61</b>	<b>\$28.4</b>	<b>12.8%</b>	<b>(\$61.5)</b>	<b>(3.0%)</b>

Third Quarter YTD 2013	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$773.0</b>	<b>41.4%</b>	<b>\$609.6</b>	<b>32.6%</b>	<b>\$190.8</b>	<b>10.2%</b>	<b>\$117.7</b>	<b>\$1.98</b>	<b>\$25.8</b>	<b>13.0%</b>	<b>(\$96.8)</b>	<b>(5.2%)</b>
Office consolidation costs (a)	-		(24.1)		24.1		15.2	0.26	-		24.1	
Revaluation of contingent consideration (b)	-		(2.3)		2.3		2.3	0.04	2.3		-	
Facility related closures (c)	-		(1.0)		1.0		0.6	0.01	-		1.0	
Amortization of tradenames (d)	-		(7.3)		7.3		4.6	0.08	-		7.3	
	<u>-</u>		<u>(34.7)</u>		<u>34.7</u>		<u>22.7</u>	<u>0.4</u>	<u>2.3</u>		<u>32.3</u>	
<b>As adjusted</b>	<b>\$773.0</b>	<b>41.4%</b>	<b>\$575.0</b>	<b>30.8%</b>	<b>\$225.4</b>	<b>12.1%</b>	<b>\$140.4</b>	<b>\$2.36</b>	<b>\$28.2</b>	<b>14.2%</b>	<b>(\$64.5)</b>	<b>(3.5%)</b>

- (a) Costs associated with office consolidation including severance, relocation, accelerated depreciation, and other charges.
- (b) Revaluation of the contingent consideration liability associated with the Company's 2011 acquisition of Bonnie Togs.
- (c) Costs associated with the closure of the Company's distribution facility in Hogansville, Georgia.
- (d) Amortization of acquired H.W. Carter tradenames.
- (e) Costs incurred to wind-down the retail business in Japan.

Note: Results may not be additive due to rounding.

# Q3 YTD 2014 Business Segment Performance



\$ in millions

	Net Sales			Adjusted Operating Income (Loss)*			Adjusted Operating Margin*	
	2014	2013	\$ Growth	2014	2013	\$ Growth	2014	2013
Carter's Wholesale (a)	\$781	\$764	\$17	\$133	\$139	(\$6)	17.1%	18.2%
Carter's Retail (b)	745	659	87	138	120	17	18.5%	18.3%
Total Carter's	\$1,527	\$1,423	\$104	\$271	\$260	\$11	17.8%	18.3%
OshKosh Wholesale	52	54	(2)	5	8	(3)	9.8%	15.6%
OshKosh Retail (b)	223	194	29	(1)	(6)	6	(0.4%)	(3.3%)
Total OshKosh	\$275	\$248	\$27	\$4	\$2	\$2	1.5%	0.8%
International (c)(d)	\$223	\$198	\$25	\$28	\$28	\$0	12.8%	14.2%
Total before corporate expenses	\$2,025	\$1,869	\$156	\$304	\$290	\$14	15.0%	15.5%
Corporate expenses (d)				(\$61)	(\$64)	\$3	(3.0%)	(3.5%)
Total (d)	\$2,025	\$1,869	\$156	\$242	\$225	\$17	12.0%	12.1%

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

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

(c) Includes international retail, eCommerce and wholesale sales. Adjusted operating income includes international licensing income.

(d) See reconciliation of reported (GAAP) results to adjusted results.

\* Results are stated on an adjusted basis; see reconciliation to GAAP on page 36.

Note: Results may not be additive due to rounding.

# Reconciliation of Net Income to Adjusted EBITDA



	\$ in millions				Four Fiscal
	Fiscal Quarter Ended		Three Fiscal Quarters		Quarters
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013	Ended September 27, 2014
Net income	\$65.9	\$56.6	\$126.1	\$117.7	\$168.8
Interest expense	6.8	4.1	20.6	6.7	27.4
Interest income	-	(0.1)	(0.3)	(0.5)	(0.5)
Tax expense	36.5	30.6	71.2	65.9	94.4
Depreciation and Amortization	15.4	17.4	57.0	43.3	82.2
<b>EBITDA</b>	<b>\$124.6</b>	<b>\$108.5</b>	<b>\$274.6</b>	<b>\$233.0</b>	<b>\$372.3</b>
<b>Adjustments to EBITDA</b>					
Office consolidation costs (a)	\$ -	\$5.3	\$6.5	\$20.9	\$15.0
Revaluation of contingent consideration (b)	0.4	0.5	0.9	2.3	1.4
Facility related closures (c)	0.2	0.3	0.9	0.5	1.5
Japan retail operations exit (d)	-	-	(0.3)	-	3.8
<b>Adjusted EBITDA</b>	<b>\$125.3</b>	<b>\$114.6</b>	<b>\$282.6</b>	<b>\$256.9</b>	<b>\$393.9</b>

(a) Costs associated with office consolidation including severance, relocation, and other charges. These amounts exclude costs related to accelerated depreciation as such amounts are included in the total of depreciation and amortization above.

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

(c) Costs related to the closure of a distribution facility located in Hogansville, GA, announced in the first quarter of fiscal 2012. These amounts exclude costs related to accelerated depreciation as such amounts are included in the total of depreciation and amortization above.

(d) Costs incurred to exit the Company's retail business in Japan. First three fiscal quarters and four fiscal quarters ended September 27, 2014 also reflect a favorable recovery of inventory. These amounts exclude costs related to accelerated depreciation as such amounts are included in the total of depreciation and amortization above.

Note: Results may not be additive due to rounding.

# Reconciliation of Net Sales to Constant Currency Net Sales |

\$ in millions

	Fiscal Quarter Ended		Change vs. Prior Year	
	September 27, 2014	September 28, 2013	\$	%
<b>Carter's, Inc.</b>				
Reported Net Sales	\$798.9	\$760.2	\$38.8	5.1%
Foreign currency translation impact	2.9	-	2.9	0.4%
<b>Adjusted Net Sales on a constant currency basis</b>	<b>\$801.8</b>	<b>\$760.2</b>	<b>\$41.7</b>	<b>5.5%</b>
<b>International Segment</b>				
Reported Net Sales	\$91.2	\$84.1	\$7.1	8.5%
Foreign currency translation impact	2.9	-	2.9	3.4%
<b>Adjusted Net Sales on a constant currency basis</b>	<b>\$94.1</b>	<b>\$84.1</b>	<b>\$10.0</b>	<b>11.9%</b>
	Three Fiscal Quarters Ended		Change vs. Prior Year	
	September 27, 2014	September 28, 2013	\$	%
<b>Carter's, Inc.</b>				
Reported Net Sales	\$2,024.6	\$1,869.1	\$155.6	8.3%
Foreign currency translation impact	9.7	-	9.7	0.5%
<b>Adjusted Net Sales on a constant currency basis</b>	<b>\$2,034.4</b>	<b>\$1,869.1</b>	<b>\$165.3</b>	<b>8.8%</b>
<b>International Segment</b>				
Reported Net Sales	\$222.9	\$199.0	\$23.9	12.0%
Foreign currency translation impact	9.7	-	9.7	4.9%
<b>Adjusted Net Sales on a constant currency basis</b>	<b>\$232.6</b>	<b>\$199.0</b>	<b>\$33.6</b>	<b>16.9%</b>

Note: Displayed percentages may reflect net sales rounding limitations. Results may not be additive due to rounding

# 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 23, 2014, 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 future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the fourth quarter of fiscal 2014 and fiscal year 2014, 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 risks of: losing one or more major customers or vendors or financial difficulties for one or more of our major customers or vendors; the Company's products not being accepted in the marketplace; changes in consumer preference and fashion trends; negative publicity; the Company failing to protect its intellectual property; the breach of the Company's consumer databases, systems or processes; incurring costs in connection with cooperating with regulatory investigations and proceedings; increased leverage, not being able to repay its indebtedness and being subject to restrictions on operations by the Company's debt agreements; increased pressure on margins; increased production costs; deflationary pricing pressures; decreases in the overall level of consumer spending; disruptions resulting from the Company's dependence on foreign supply sources; the Company's foreign supply sources not meeting the Company's quality standards or regulatory requirements; disruptions in the Company's supply chain, including distribution centers or in-sourcing capabilities or otherwise, and including the risk of slow-downs, disruptions or strikes in the event that a new agreement between the port through which we source substantially all of our products and International Longshore and Warehouse Union is not reached in a timely manner; the loss of the Company's principal product sourcing agent; increased competition in the baby and young children's apparel market; the Company being unable to identify new retail store locations or negotiate appropriate lease terms for the retail stores; the Company not adequately forecasting demand, which could, among other things, 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; not attracting and retaining key individuals within the organization; failure to properly manage strategic projects; failure to implement needed upgrades to the Company's information technology systems; disruptions resulting from the Company's transition of distribution functions to its new Braselton facility and not achieving planned efficiencies; being unsuccessful in expanding into international markets and failing to successfully manage legal, regulatory, political and economic risks of international operations, including maintaining compliance with worldwide anti-bribery laws; incurring substantial costs as a result of various claims or pending or threatened lawsuits; and the failure to declare future quarterly dividends. Many of these risks are further described in the most recently filed Quarterly Report on Form 10-Q and other reports filed with the Securities and Exchange Commission under the headings "Risk Factors" and "Forward-Looking Statements." All information is provided as of October 23, 2014. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.