

FORM 10-Q
CARTER HOLDINGS, INC.
INDEX

	PAGE

PART I.	Financial Information
Item 1.	Financial Statements
	Condensed Consolidated Balance Sheets as of April 1, 2000 (unaudited) and January 1, 2000.....
	3
	Unaudited Condensed Consolidated Statements of Operations for the three-month periods ended April 1, 2000 and April 3, 1999.....
	4
	Unaudited Condensed Consolidated Statements of Cash Flows for the three-month periods ended April 1, 2000 and April 3, 1999.....
	5
	Notes to Condensed Consolidated Financial Statements (unaudited).....
	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....
	9
PART II.	Other Information.....
	12

CARTER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(unaudited)

	APRIL 1, 2000	JANUARY 1, 2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 7,296	\$ 3,415
Accounts receivable, net.....	31,117	34,405
Inventories.....	80,801	79,636
Prepaid expenses and other current assets.....	3,978	3,863
Assets held for sale.....	647	1,000
Deferred income taxes.....	9,298	10,276
	-----	-----
Total current assets.....	133,137	132,595
Property, plant and equipment, net.....	49,096	51,776
Assets held for sale.....	950	950
Tradenname, net.....	91,458	92,083
Cost in excess of fair value of net assets acquired, net.....	27,255	27,457
Deferred debt issuance costs, net.....	6,926	7,325
Other assets.....	5,362	2,758
	-----	-----
Total assets.....	\$ 314,184	\$ 314,944
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt.....	\$ 900	\$ 900
Accounts payable.....	20,842	19,532
Other current liabilities.....	26,539	28,692
	-----	-----
Total current liabilities.....	48,281	49,124
Long-term debt.....	161,400	161,400
Deferred income taxes.....	35,713	35,902
Other long-term liabilities.....	11,290	11,565
	-----	-----
Total liabilities.....	256,684	257,991
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Class A Stock, nonvoting; par value \$.01 per share; 775,000 shares authorized; 752,808 shares issued and outstanding; liquidation value of \$.001 per share...	45,168	45,168
Class C Stock, nonvoting; par value \$.01 per share; 500,000 shares authorized; 242,192 shares issued; liquidation value of \$.001 per share.....	14,532	14,532
Class C Treasury Stock, 31,017 shares at cost at April 1, 2000 and at January 1, 2000.....	(1,860)	(1,860)
Class D Stock, voting; par value \$.01 per share; 5,000 shares authorized, issued and outstanding.....	300	300
Common Stock, voting; par value \$.01 per share; 1,280,000 shares authorized; none issued or outstanding.....	--	--
Accumulated deficit.....	(640)	(1,187)
	-----	-----
Total stockholders' equity.....	57,500	56,953
	-----	-----
Total liabilities and stockholders' equity.....	\$ 314,184	\$ 314,944
	=====	=====

See accompanying notes to the condensed consolidated financial statements

CARTER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)
(unaudited)

	THREE-MONTH PERIOD ENDED	
	APRIL 1, 2000	APRIL 3, 1999
	-----	-----
Net sales.....	\$ 98,123	\$ 86,583
Costs of goods sold.....	61,554	56,544
	-----	-----
Gross profit.....	36,569	30,039
Selling, general and administrative expenses.....	30,851	28,042
	-----	-----
Operating income.....	5,718	1,997
Interest expense.....	4,790	5,240
	-----	-----
Income (loss) before income taxes.....	928	(3,243)
Income tax provision (benefit).....	381	(1,361)
	-----	-----
Net income (loss).....	\$ 547	\$ (1,882)
	=====	=====

See accompanying notes to the condensed consolidated financial statements

CARTER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	THREE-MONTH PERIOD ENDED	
	APRIL 1, 2000	APRIL 3, 1999
Cash flows from operating activities:		
Net income (loss).....	\$ 547	\$ (1,882)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization.....	4,134	4,063
Amortization of debt issuance costs.....	399	410
Deferred tax provision (benefit).....	789	(107)
Effect of changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable.....	3,288	7,078
Inventories.....	(1,165)	(12,139)
Prepaid expenses and other assets.....	117	(1,109)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities.....	5,645	(2,264)
Net cash provided by (used in) operating activities.....	13,754	(5,950)
Cash flows from investing activities:		
Capital expenditures.....	(635)	(733)
Issuance of loan.....	(4,336)	--
Proceeds from loan.....	1,500	--
Proceeds from sale of property, plant and equipment.....	6	8
Proceeds from assets held for sale.....	194	--
Net cash used in investing activities.....	(3,271)	(725)
Cash flows from financing activities:		
Proceeds from revolving line of credit.....	17,050	29,300
Payments of revolving line of credit.....	(17,050)	(22,100)
Payment on capital lease obligation.....	(226)	--
Repurchase of Capital Stock.....	--	(137)
Other.....	(6,376)	(945)
Net cash (used in) provided by financing activities.....	(6,602)	6,118
Net increase (decrease) in cash and cash equivalents.....	3,881	(557)
Cash and cash equivalents, beginning of period.....	3,415	3,986
Cash and cash equivalents, end of period.....	\$ 7,296	\$ 3,429

See accompanying notes to the condensed consolidated financial statements

CARTER HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1--BASIS OF PREPARATION:

In the opinion of management, the accompanying unaudited condensed consolidated financial statements of Carter Holdings, Inc. ("Holdings") and its subsidiaries (the "Company") contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position of the Company as of April 1, 2000, and the results of its operations and cash flows for the three-month periods ended April 1, 2000 and April 3, 1999. Operating results for the three-months ended April 1, 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending December 30, 2000. The accompanying condensed consolidated balance sheet of the Company as of January 1, 2000 has been derived from the audited consolidated financial statements included in the Company's fiscal 1999 Annual Report on Form 10-K.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission and the instructions to Form 10-Q. The accounting policies followed by the Company are set forth in its Annual Report on Form 10-K in the Notes to the Company's consolidated financial statements for the fiscal year ended January 1, 2000.

NOTE 2--THE COMPANY:

Carter Holdings, Inc. is a holding company whose primary asset consists of an investment in 100% of the outstanding capital stock of The William Carter Company, Inc. ("Carter's").

The Company is a manufacturer and marketer of premier branded childrenswear under the CARTER'S and CARTER'S CLASSICS labels. The Company manufactures its products in plants located in the southern United States, Costa Rica, the Dominican Republic and Mexico. The Company also sources its products through contractual arrangements throughout the world. Products are manufactured for wholesale distribution to major domestic retailers and for the Company's 146 retail outlet stores that market its brand name merchandise and certain products manufactured by other companies. The Company's retail operations represented approximately 44% of its consolidated net sales in the first quarter of 2000 and approximately 41% in the first quarter of 1999.

NOTE 3--INVENTORIES:

Inventories consisted of the following (\$000):

	APRIL 1, 2000	JANUARY 1, 2000
	-----	-----
Finished goods.....	\$ 57,565	\$ 57,695
Work in process.....	15,332	13,842
Raw materials and supplies.....	7,904	8,099
	-----	-----
Total.....	\$ 80,801	\$ 79,636
	=====	=====

CARTER HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

NOTE 4--RELATED PARTY TRANSACTION:

In January 2000, a loan to an officer in the amount of \$4.3 million was issued, a portion of the proceeds of which were used by the officer to repay a previous loan from the Company in the amount of \$1.5 million. The \$1.5 million loan was scheduled to be repaid in October 2001. The January 2000 loan is payable in annual installments of \$600,000 commencing on March 31, 2002, and thereafter on each anniversary thereof until such principal amount and all accrued and unpaid interest thereon has been repaid. The loan has recourse and is collateralized by the officer's stock in Holdings and bears interest at the average rate paid by the Company under the revolving portion of its senior credit facility. The loan is prepayable with proceeds of any disposition of the officer's stock in Holdings.

NOTE 5--TREASURY STOCK TRANSACTIONS:

There were no treasury stock transactions during the quarter ended April 1, 2000. During the quarter ended April 3, 1999, the Company repurchased 2,289 shares of its Class C stock owned by a former employee of Carter's for cash payments of approximately \$137,000. In addition, during the quarter ended April 3, 1999, an employee of the Company was issued 1,000 shares of Class C stock from shares repurchased for \$60.00 per share. This transaction involved no cash proceeds, and the Company recognized \$60,000 as compensation expense.

NOTE 6--ENVIRONMENTAL MATTERS:

The Company is subject to various federal, state and local laws that govern activities or operations that may have adverse environmental effects. Noncompliance with these laws and regulations can result in significant liabilities, penalties and costs. From time to time, operations of the Company have resulted or may result in noncompliance with or liability pursuant to environmental laws. The Company is in the process of resolving a potential environmental claim associated with waste deposited at or near a landfill in Lamar County, Georgia in the 1970's. In 1999, the Company established a reserve to provide for its share of the total estimated costs required to resolve this matter which are estimated to be less than \$1.0 million. However, there can be no assurance that this estimate will prove accurate. Generally, compliance with environmental laws has not had a material impact on the Company's operations, but there can be no assurance that future compliance with such laws will not have a material adverse effect on the Company or its operations.

NOTE 7--SEGMENT INFORMATION:

The Company's two reportable segments are "Retail" and "Wholesale and Other". The Company generally sells the same products in each business segment. The Company evaluates the performance of its Retail segment based on, among other things, its earnings before interest, taxes, depreciation and amortization expenses ("EBITDA"). The Retail segment's EBITDA is determined on a direct contribution basis only and does not include allocations of all costs incurred to support Retail operations. Retail EBITDA, therefore, does not reflect the actual results which would be derived if such allocations were made. EBITDA shown in the accompanying table for the Wholesale and Other segment is an amount determined by deduction based on consolidated EBITDA. The Wholesale and Other segment includes all other revenue and expenses of the Company not directly related to the Retail segment and is not a measurement used by management in its decision-making process.

CARTER HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(unaudited)

NOTE 7--SEGMENT INFORMATION: (CONTINUED)

The table below presents certain segment information for the periods indicated (\$000):

	RETAIL -----	WHOLESALE AND OTHER -----	TOTAL -----
THREE MONTHS ENDED APRIL 1, 2000:			
Sales.....	\$ 42,819	\$ 55,304	\$ 98,123
EBITDA.....	\$ 9,156	\$ 696	\$ 9,852
THREE MONTHS ENDED APRIL 3, 1999:			
Sales.....	\$ 35,207	\$ 51,376	\$ 86,583
EBITDA.....	\$ 6,221	\$ (161)	\$ 6,060

A reconciliation of total segment EBITDA to total consolidated income (loss) before income taxes is presented below (\$000):

	THREE MONTHS ENDED -----	
	APRIL 1, 2000	APRIL 3, 1999
	-----	-----
Total EBITDA for reportable segments.....	\$ 9,852	\$ 6,060
Depreciation and amortization expense.....	(4,134)	(4,063)
Interest expense.....	(4,790)	(5,240)
Consolidated income (loss) before income taxes.....	\$ 928	\$ (3,243)
	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS. THE COMPANY UNDERTAKES NO OBLIGATION TO RELEASE PUBLICLY ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF ANTICIPATED OR UNANTICIPATED EVENTS.

RESULTS OF OPERATIONS

THREE-MONTHS ENDED APRIL 1, 2000 COMPARED TO THREE-MONTHS ENDED APRIL 3, 1999

In the first quarter of fiscal 2000, consolidated net sales increased \$11.5 million (13.3%) to \$98.1 million from \$86.6 million in the first quarter of fiscal 1999. The Company's wholesale sales increased \$3.9 million (7.6%) to \$55.3 million in the first quarter of 2000 from \$51.4 million in the first quarter of 1999. The increase in wholesale sales was primarily due to the performance of baby basics and sleepwear products. In the first quarter of 2000, the Company began to realize the benefit from several changes made in 1999 to expand its offshore sourcing capabilities and increase the value of its products to the consumer.

Included in wholesale sales are off-price sales to the secondary market which decreased \$1.8 million (32.5%) to \$3.7 million in the first quarter of 2000 from \$5.5 million in the first quarter of 1999. Off-price sales were 3.8% of total sales in the first quarter of 2000 compared to 6.4% in the first quarter of 1999.

The Company's retail store sales were \$42.8 million for the first quarter of 2000, which represented an increase of \$7.6 million (21.6%) compared to the first quarter of 1999. Comparable store sales increased 16.6% in the first quarter of 2000. Sales in all product categories increased in the first quarter of 2000 including playwear revenue which increased 31.2% compared to 1999. During the first quarter of 2000, the Company opened one and closed one retail outlet store. There were 146 outlet stores operating as of April 1, 2000 compared to 144 as of April 3, 1999. The Company plans to open seven stores and close nine stores in the balance of 2000.

The Company's gross profit increased \$6.5 million (21.7%) to \$36.6 million in the first quarter of 2000 from \$30.0 million in the first quarter of 1999. Gross profit as a percentage of net sales in the first quarter of 2000 increased to 37.3% from 34.7% in the first quarter of 1999. The increase in gross profit is primarily attributed to the higher volume of wholesale and retail sales, a lower mix of off-price sales and a higher level of product sourced offshore.

Selling, general and administrative expenses for the first quarter of 2000 increased 10.0% to \$30.9 million from \$28.0 million in the first quarter of 1999. Selling, general and administrative expenses as a percentage of net sales decreased to 31.4% in the first quarter of 2000 from 32.4% in the first quarter of 1999. The improvement in selling, general and administrative expenses as a percentage of net sales is attributed to the higher level of sales in the first quarter of 2000.

Operating income for the first quarter of 2000 increased \$3.7 million to \$5.7 million compared to income of \$2.0 million in the first quarter of 1999. This increase reflects the changes in gross profit and selling, general and administration expenses described above.

Interest expense in the first quarter of 2000 decreased 8.6% to \$4.8 million from \$5.2 million in the first quarter of 1999. This decrease is attributed to lower average revolver borrowings during the first quarter of 2000. Average revolver borrowings during the first quarter of 2000 were \$2.6 million compared to \$28.8 million in the first quarter of 1999. At April 1, 2000, outstanding debt aggregated \$162.3 million compared to \$194.8 million at April 3, 1999.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS: (CONTINUED)

The Company recorded an income tax provision of \$0.4 million in the first quarter of 2000 compared to an income tax benefit of \$1.4 million in the first quarter of 1999. The Company's effective tax rate was approximately 41% during the first quarter of 2000. The effective tax rate in the first quarter of 1999 was 42%.

As a result of the factors described above, the Company reported net income of approximately \$0.5 million in the first quarter of 2000 compared to a net loss of approximately \$1.9 million in the first quarter of 1999.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

The Company has financed its working capital, capital expenditures and debt service requirements primarily through internally generated cash flow and funds borrowed under the Company's revolving credit facility.

Net accounts receivable at April 1, 2000 were \$31.1 million compared to \$27.8 million at April 3, 1999. Due to the seasonal nature of the Company's operations, the net accounts receivable balance at April 1, 2000 is not comparable to the net accounts receivable balance at January 1, 2000.

Inventories at April 1, 2000 were \$80.8 million compared to \$113.5 million at April 3, 1999. This 29% decrease reflects the management disciplines and measurements implemented in 1999 to rationalize the use of fabrics and to improve manufacturing processes which increased productivity and reduced cycle times. Due to the seasonal nature of the Company's operations, inventories at April 1, 2000 are not comparable to inventories at January 1, 2000.

The Company invested \$0.6 million and \$0.7 million in capital expenditures during the first quarter of 2000 and 1999, respectively. The Company plans to invest a total of \$20.0 million in capital expenditures in 2000. Areas for investment include fixturing of key customers, information technology and retail outlet store openings and remodeling.

At April 1, 2000, the Company had \$162.3 million of debt outstanding, consisting of \$100.0 million of 10 3/8% Series A Senior Subordinated Notes, \$20.0 million of 12% Series B Senior Subordinated Notes and \$42.3 million in term loan borrowings. There were no revolver borrowings under the Senior Credit Facility, exclusive of approximately \$9.8 million of outstanding letters of credit. At April 1, 2000, the Company had approximately \$55.2 million of financing available under the revolving credit portion of the Senior Credit Facility.

The Company believes that cash generated from operations, together with availability under the revolving credit portion of the Senior Credit Facility, will be adequate to meet its debt service requirements, capital expenditures and working capital needs for the foreseeable future, although no assurance can be given in this regard.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS: (CONTINUED)

EFFECTS OF INFLATION

The Company is affected by inflation primarily through the purchase of raw material, increased operating costs and expenses and higher interest rates. The effects of inflation on the Company's operations have not been material in recent years.

SEASONALITY

The Company experiences seasonal fluctuations in its sales and profitability, with generally lower sales and gross profit in the first and second quarters of its fiscal year. The Company believes that seasonality of sales and profitability is a factor that affects the baby and children's apparel industry generally and is primarily due to retailers' emphasis on price reductions in the first quarter and promotional retailers' and manufacturers' emphasis on closeouts of prior year's product lines. Accordingly, the results of operations for the three-month period ended April 1, 2000 are not indicative of the results to be expected for the full year.

MARKET RISKS

In the operation of its business, the Company has market risk exposures to sourcing products internationally, raw material prices and interest rates. Each of these risks and the Company's strategies to manage the exposure is discussed below.

The Company currently sources approximately 90% of its production through its offshore facilities as well as contractors. As a result, the Company may be adversely affected by political instability resulting in the disruption of trade from foreign countries in which the Company's manufacturing facilities are located, the imposition of additional regulations relating to imports, duties, taxes and other charges on imports, any significant decreases in the value of the dollar against foreign currencies and restrictions on the transfer of funds. These and other factors could result in the interruption of production in offshore facilities or a delay in the receipt of the products by the Company in the United States. The Company's future performance may be subject to such factors, which are beyond the Company's control, and there can be no assurance that such factors would not have a material adverse effect on the Company's financial condition and results of operations.

The principal raw materials used by the Company are finished fabrics and trim materials. These materials are available from a number of suppliers. Prices for these materials are affected by changes in market demand and there can be no assurance that prices for these and other raw materials will not increase in the near future.

The Company's operating results are subject to risk from interest rate fluctuations on debt which carries variable interest rates. At April 1, 2000, outstanding debt aggregated \$162.3 million, of which \$42.3 million bore interest at a variable rate, so that an increase of 1% in the applicable rate would increase the Company's annual interest expense by \$423,000.

PART II--OTHER INFORMATION:

ITEM 1. LEGAL PROCEEDINGS:

From time to time, the Company has been involved in various legal proceedings. Management believes that all such litigation is routine in nature and incidental to the conduct of its business, and that none of such litigation, if resolved adversely to the Company, would have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 2. CHANGES IN SECURITIES:

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES:

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

None

ITEM 5. OTHER INFORMATION:

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
*27	Financial Data Schedule.

* Filed herewith

(b) Reports on Form 8-K

No report was filed by the Registrant during the quarter ended April 1, 2000.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARTER HOLDINGS, INC.

Date: May 16, 2000

/s/ FREDERICK J. ROWAN, II

Frederick J. Rowan, II
CHAIRMAN OF THE BOARD OF DIRECTORS,
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: May 16, 2000

/s/ MICHAEL D. CASEY

Michael D. Casey
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

3-MOS

DEC-30-2000
JAN-02-2000
APR-01-2000
7,296
0
33,221
2,104
80,801
133,137
81,702
32,606
314,184
48,281
161,400
0
0
0
57,500
314,184
98,123
61,554
98,123
61,554
30,851
0
4,790
928
381
547
0
0
0
547
0
0