

carter's®

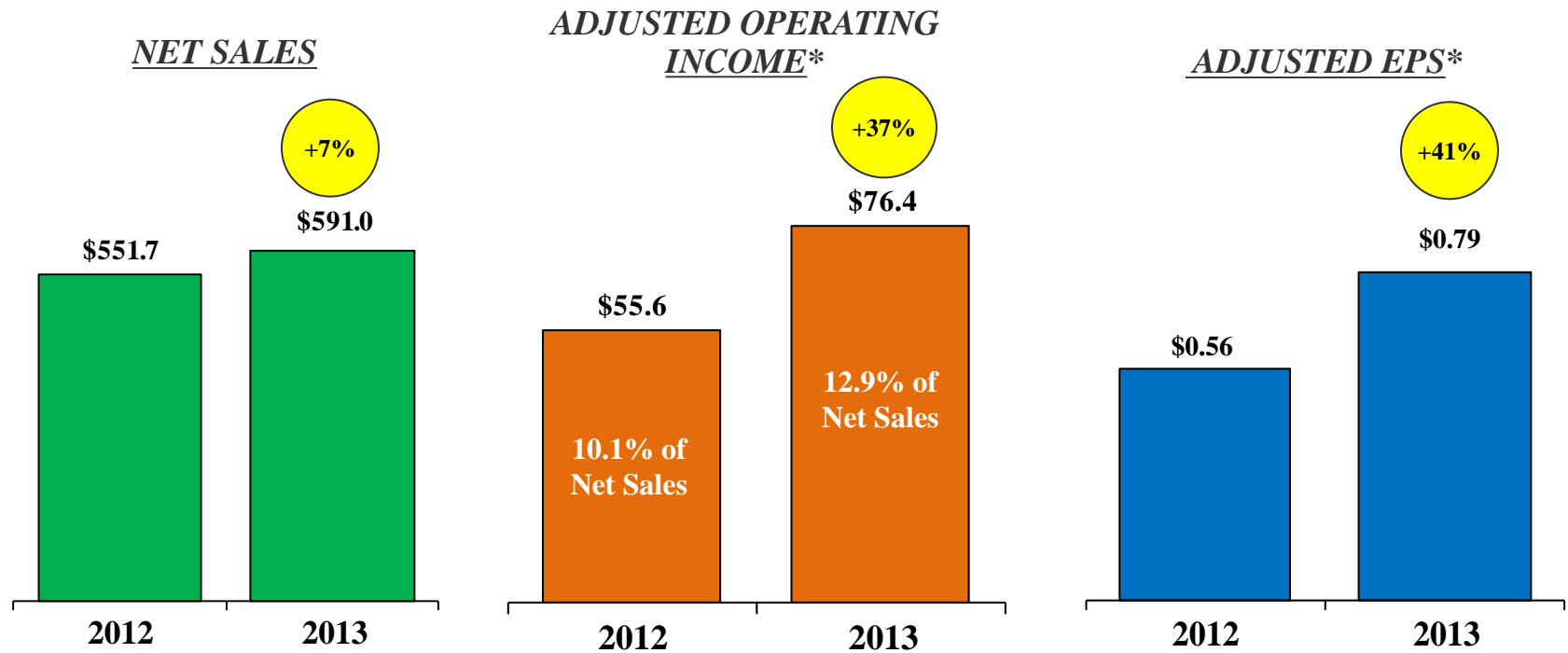
**First Quarter 2013
Business Update**

April 25, 2013



First Quarter Highlights

\$ in millions, except EPS

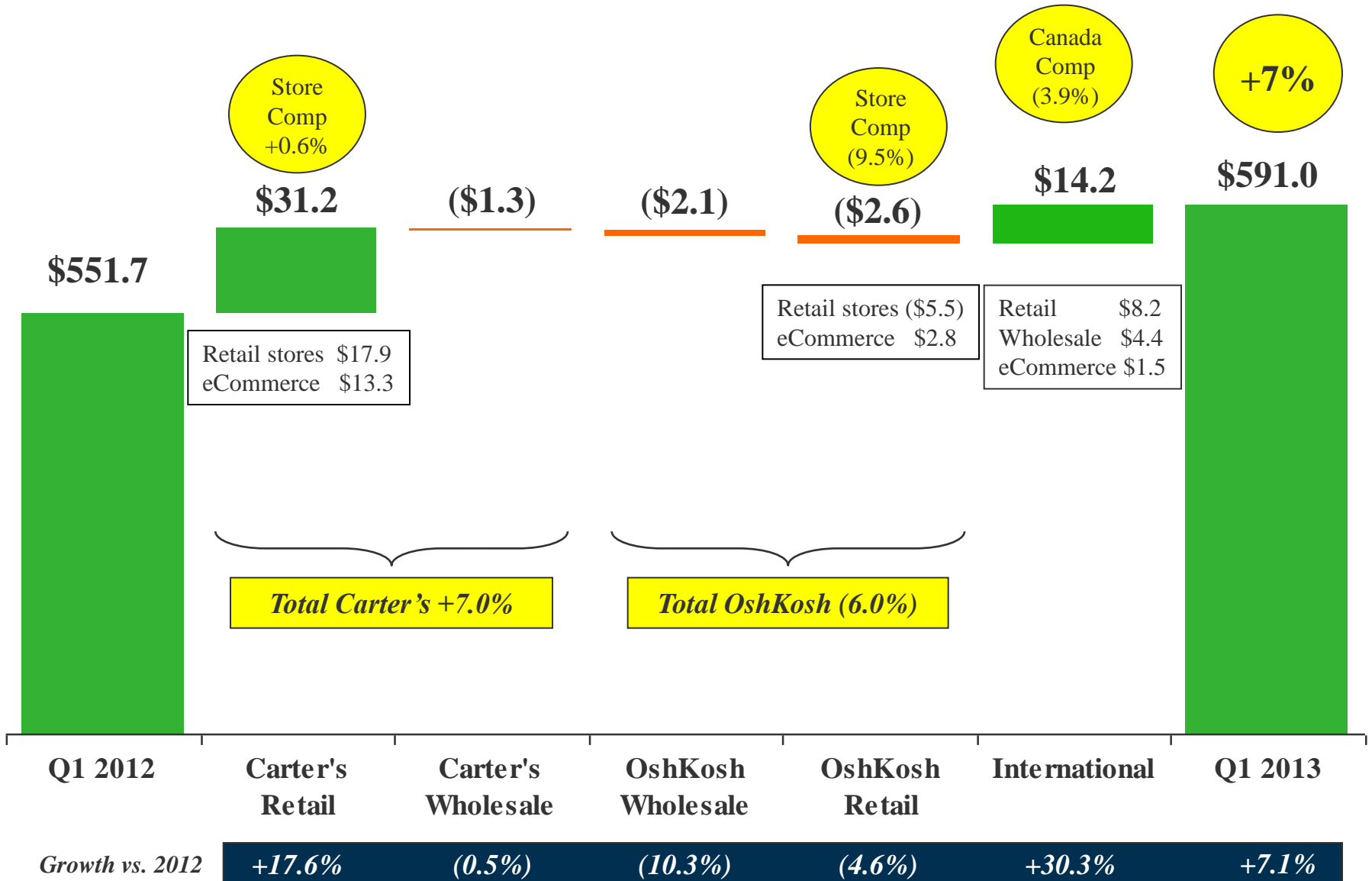


* Results are stated on an adjusted basis; see reconciliation to GAAP on page 5.

- Sales growth driven by *Carter's* Retail, eCommerce, and International businesses
 - U.S. net sales +5%
 - *Carter's* brands +7%
 - *OshKosh B'gosh* brand (6%)
 - International net sales +30%; 10% of total company sales
- Solid earnings growth

First Quarter 2013 Net Sales

\$ in millions



Note: Results may not be additive due to rounding.

First Quarter Adjusted Results*

\$ in millions, except EPS

	Q1 2013	% of sales	Q1 2012	% of sales	Increase (Decrease)
Net sales	\$591.0		\$551.7		7%
Gross profit	243.1	41.1%	194.7	35.3%	25%
Adjusted SG&A*	175.9	29.8%	147.9	26.8%	19%
Royalty income	(9.2)	(1.6%)	(8.8)	(1.6%)	5%
Adjusted operating income*	76.4	12.9%	55.6	10.1%	37%
Interest and other, net	1.7	0.3%	2.3	0.4%	(26%)
Adjusted income before taxes	74.7	12.6%	53.3	9.7%	40%
Income taxes	27.0	4.6%	19.7	3.6%	37%
Adjusted net income*	\$47.7	8.1%	\$33.7	6.1%	42%
Adjusted earnings per diluted share*	\$0.79		\$0.56		41%
Weighted average diluted share count	59.3		58.8		

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 5.
Note: Results may not be additive due to rounding.

Reconciliation of GAAP to Adjusted Earnings – First Quarter

\$ in millions, except EPS

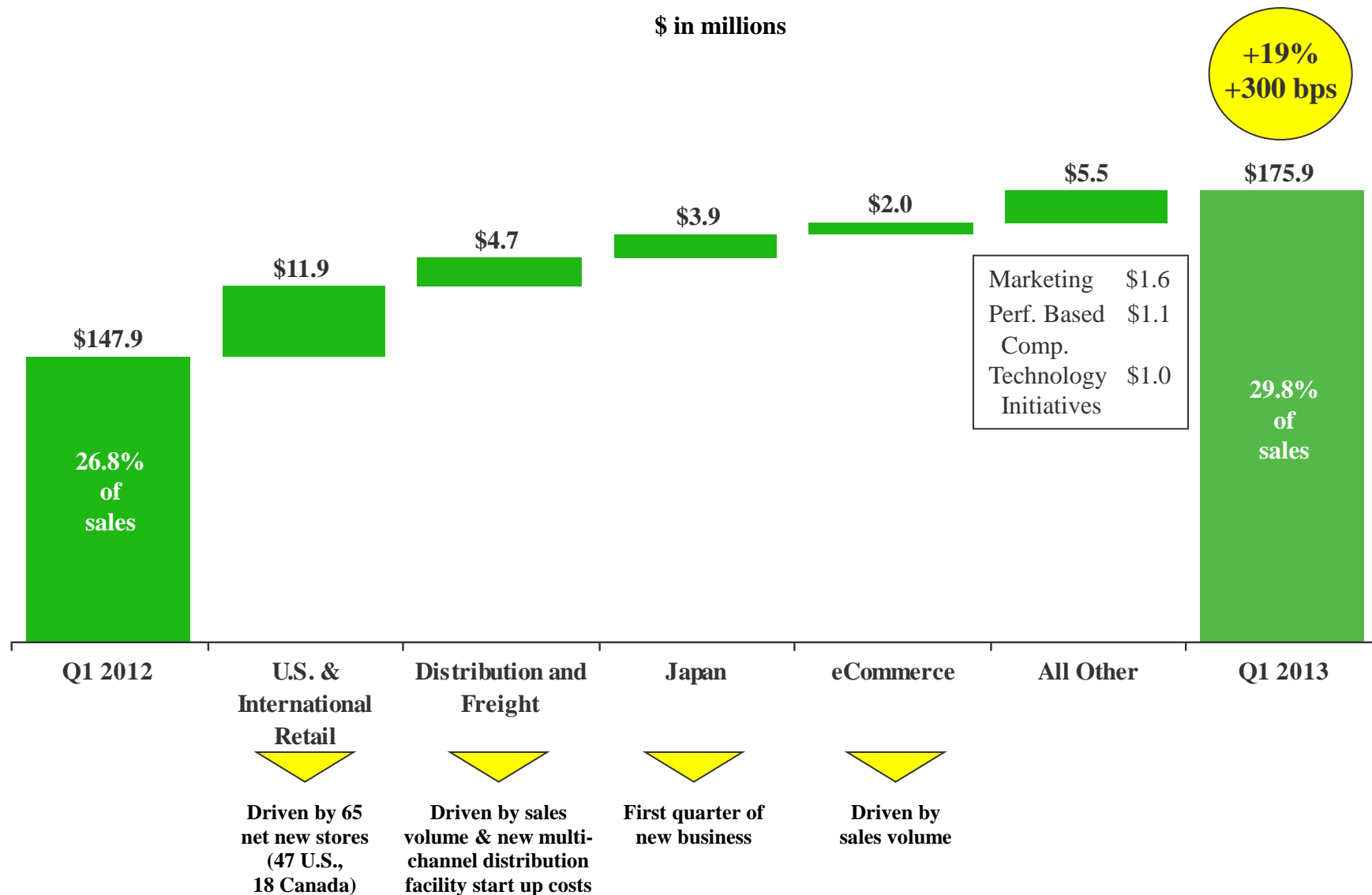
First Quarter of Fiscal 2013	Income Statement						Segment Reporting			
	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$185.4	31.4%	\$66.9	11.3%	\$41.4	\$0.69	\$5.0	8.2%	(\$25.7)	(4.4%)
Office consolidation costs (a)	(8.0)		8.0		5.1	0.09			8.0	
Revaluation of contingent consideration (b)	(0.9)		0.9		0.9	0.02	0.9			
Facility related closure costs (c)	(0.6)		0.6		0.4	0.01			0.6	
Total adjustments	(9.5)		9.5		6.3	0.11	0.9		8.6	
As adjusted (d)	\$175.9	29.8%	\$76.4	12.9%	\$47.7	\$ 0.79	\$5.9	9.7%	(\$17.2)	(2.9%)

First Quarter of Fiscal 2012	Income Statement						Segment Reporting			
	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$149.7	27.1%	\$53.8	9.8%	\$32.3	\$0.54	\$6.9	14.8%	(\$17.1)	(3.1%)
Revaluation of contingent consideration (b)	(0.7)		0.7		0.7	0.01	0.7			
Facility related closure costs (c)	(1.1)		1.1		0.7	0.01			1.1	
Total adjustments	(1.8)		1.8		1.4	0.02	0.7		1.1	
As adjusted (d)	\$147.9	26.8%	\$55.6	10.1%	\$33.7	\$0.56	\$7.6	16.3%	(\$16.0)	(2.9%)

- (a) Costs related to the office consolidation.
- (b) Revaluation of the contingent consideration liability associated with the June 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.
- (d) The Company has provided adjusted, non-GAAP financial measurements that present SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. 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.

Note: Results may not be additive due to rounding.

First Quarter Results – Adjusted SG&A*



*Results are stated on an adjusted basis; see reconciliation to GAAP on page 5.

Balance Sheet and Cash Flow

HIGHLIGHTS

\$ in millions

Balance Sheet (at Q1 end)

	2013	2012
Cash	\$397.6	\$300.5
Accounts Receivable	\$178.4	\$178.7
Inventories	\$284.5	\$265.7
Accounts Payable	\$97.9	\$67.6
Long-Term Debt	\$186.0	\$236.0

Cash Flow (Q1 YTD)

	2013	2012
Operating Cash Flow	\$53.1	\$82.4
CapEx	(31.4)	(16.4)
Free Cash Flow	\$21.7	\$66.0

- Strong balance sheet and liquidity
- Increased inventory position vs. LY to support business growth
- Solid operating cash flow
- CapEx reflects growth and infrastructure investments, including:
 - New multi-channel distribution center
 - U.S. / International retail stores
 - Technology initiatives
- Q1 share repurchases totaled \$9 million (156,600 shares); YTD through 4/24/13 totaled \$18 million (307,600 shares)*

* Executed pursuant to a trading plan that meets the safe harbor requirements of Rule 10b5-1 of the Securities Act of 1933.

First Quarter Adjusted Business Segment Performance

\$ in millions

	Net Sales			Operating Income (Loss)			Operating Margin		bps
	2013	2012	\$ Growth	2013	2012	\$ Growth	2013	2012	Growth / (Decline)
Carter's Wholesale (a)	\$248	\$249	(\$1)	\$50	\$40	\$10	20.2%	16.1%	
Carter's Retail (b)	208	177	31	40	31	9	19.1%	17.2%	
Total Carter's	\$457	\$427	\$30	\$90	\$71	\$19	19.7%	16.6%	310 bps
OshKosh Wholesale	\$18	\$20	(\$2)	\$3	\$1	\$2	15.4%	3.1%	
OshKosh Retail (b)	55	58	(3)	(5)	(7)	2	(9.2%)	(12.7%)	
Total OshKosh	\$74	\$78	(\$5)	(\$2)	(\$7)	\$4	(3.1%)	(8.6%)	550 bps
International (c)(d)	\$61	\$47	\$14	\$6	\$8	(\$2)	9.7%	16.3%	(660) bps
Corporate expenses (d)				(17)	(16)	(1)	(2.9%)	(2.9%)	
Total (d)	<u>\$591</u>	<u>\$552</u>	<u>\$39</u>	<u>\$76</u>	<u>\$56</u>	<u>\$21</u>	<u>12.9%</u>	<u>10.1%</u>	280 bps

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

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

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

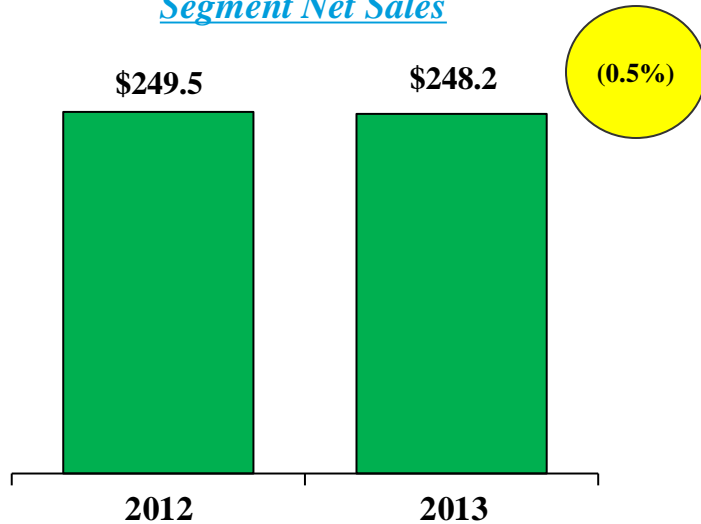
(d) See reconciliation of reported (GAAP) results to results as adjusted on page 5.

Note: Results may not be additive due to rounding.

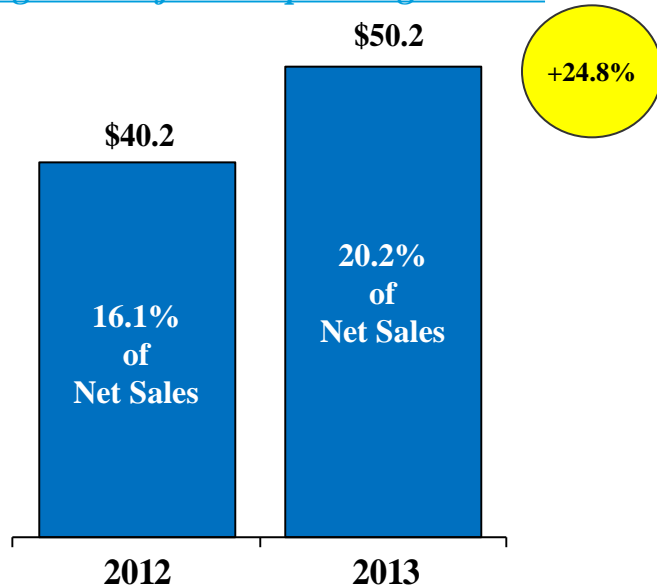
First Quarter Highlights – *Carter's* Wholesale

\$ in millions

Segment Net Sales



Segment Adjusted Operating Income



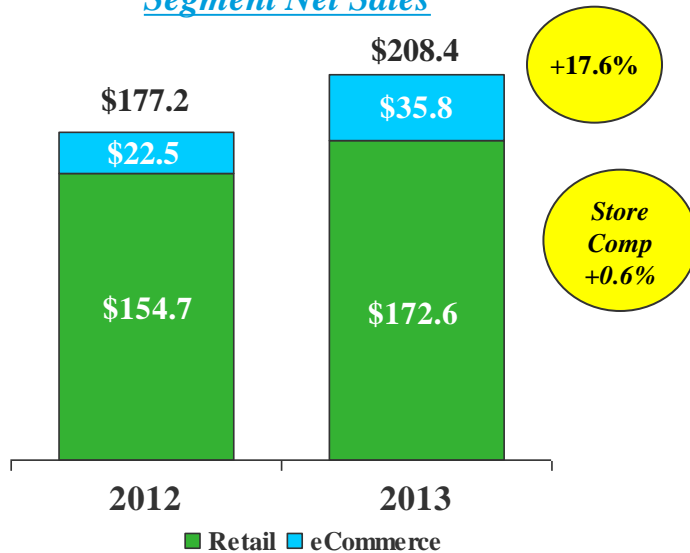
HIGHLIGHTS

- Net sales comparable vs. LY; off-price channel sales declined \$5.3 million (54%)
- Spring season-to-date over-the-counter sales and AURs comparable vs. LY across major national retail customers
- Operating margin improvement driven by lower product costs and sales mix
- Fall 2013 bookings planned up mid to high-single digits
- Forecasting full year 2013 net sales growth up mid-single digits

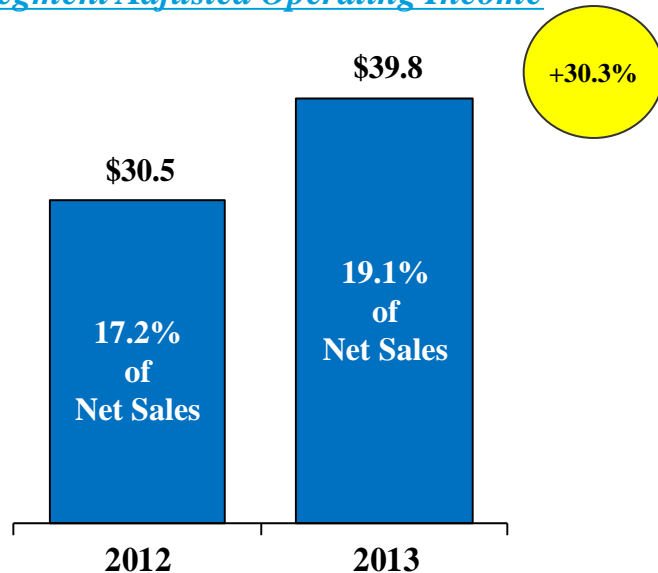
First Quarter Highlights – *Carter's* Retail

\$ in millions

Segment Net Sales



Segment Adjusted Operating Income



HIGHLIGHTS

Retail Stores

- Comp sales +0.6% vs. +6.7% LY
- Strength in Baby, Sleepwear & Accessories
- Opened 10 net new stores in Q1, +51 stores vs. LY
- Q1 ending store count 423
 - 245 Brand
 - 178 Outlet
- Plan to open ~60 new stores in 2013

eCommerce

- Continued solid eCommerce growth, +59%
- Q1 net sales 21% of retail store sales
- eCommerce operating margin >20%

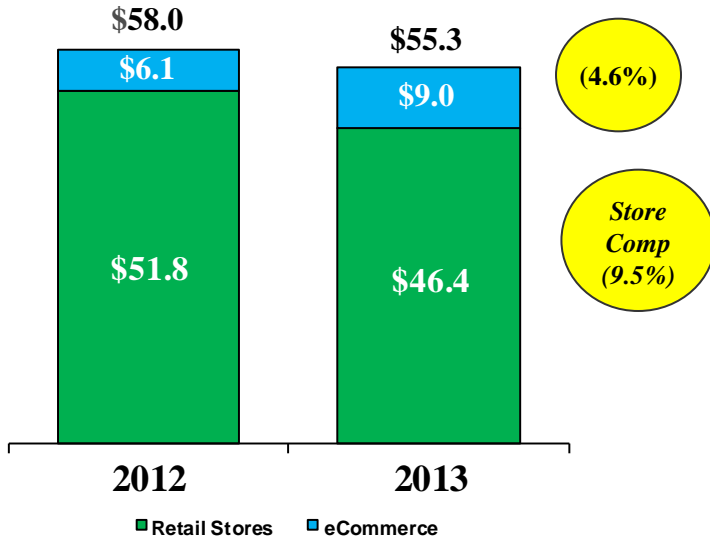
Segment Operating Income

- Profit improvement reflects strong sales growth and lower product costs

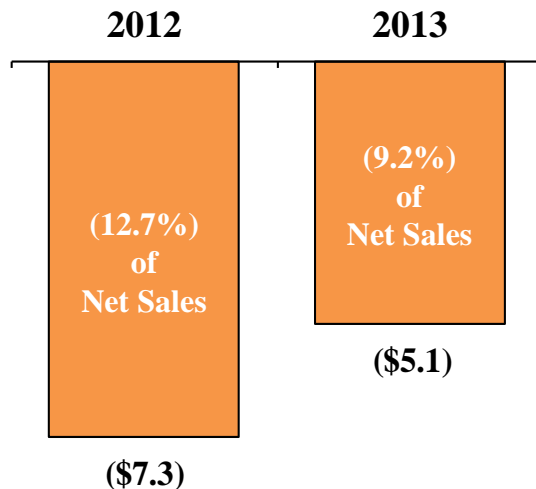
First Quarter Highlights – *OshKosh* Retail

\$ in millions

Segment Net Sales



Segment Adjusted Operating Income



HIGHLIGHTS

Retail Stores

- Comp sales (9.5%)
- Closed 4 stores in Q1; operating 4 fewer (2%) stores vs. LY
- Q1 ending store count: 164
 - 20 Brand/Mall
 - 144 Outlet
- Plan to open ~15 stores in 2013

eCommerce

- Continued good eCommerce growth, +46%
- Q1 net sales 19% of retail store sales
- Achieved mid-teens operating margin

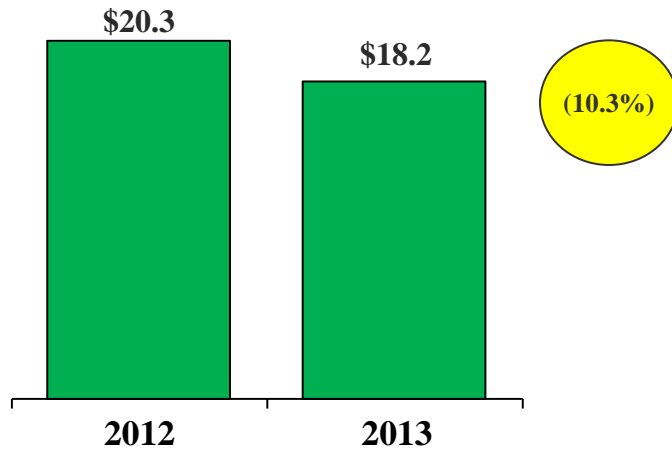
Segment Operating Income

- Profit improvement reflects improved product offering, lower product costs, and more profitable promotions

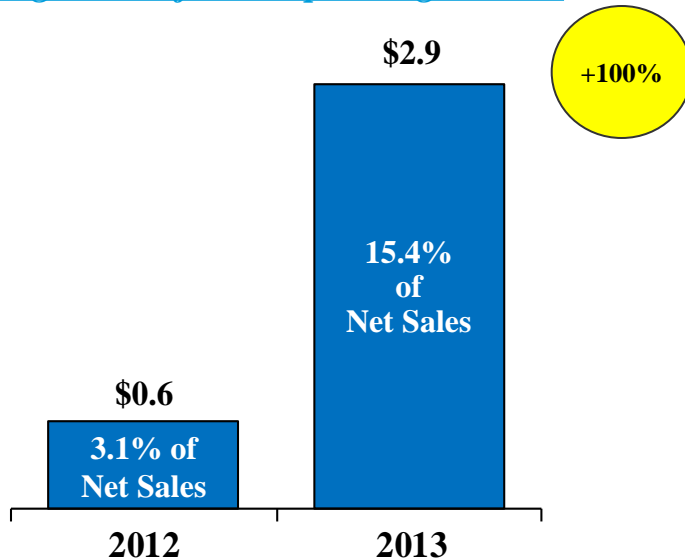
First Quarter Highlights – *OshKosh* Wholesale

\$ in millions

Segment Net Sales



Segment Adjusted Operating Income



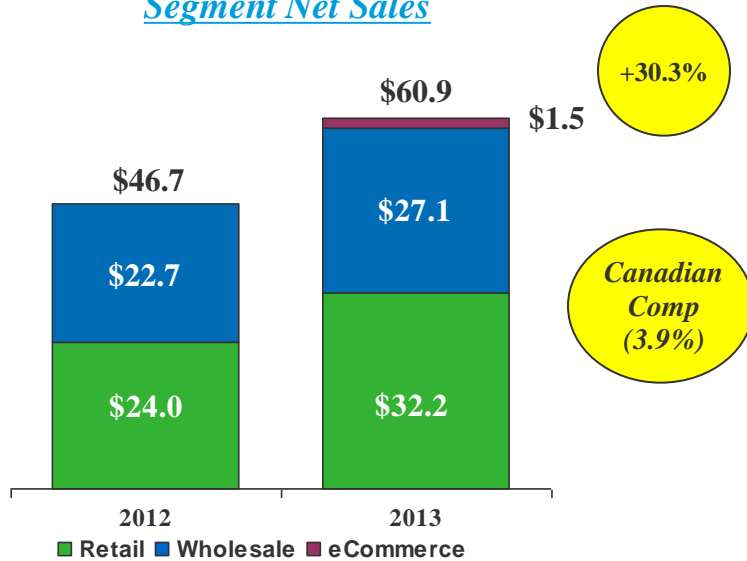
HIGHLIGHTS

- Sales performance reflects lower up-front bookings in the off-price channel
- Significant improvement in profitability reflecting greater mix of regular price sales and lower product costs
- Fall 2013 bookings planned down ~12%
- Annual sales planned down ~\$5 million (7%)

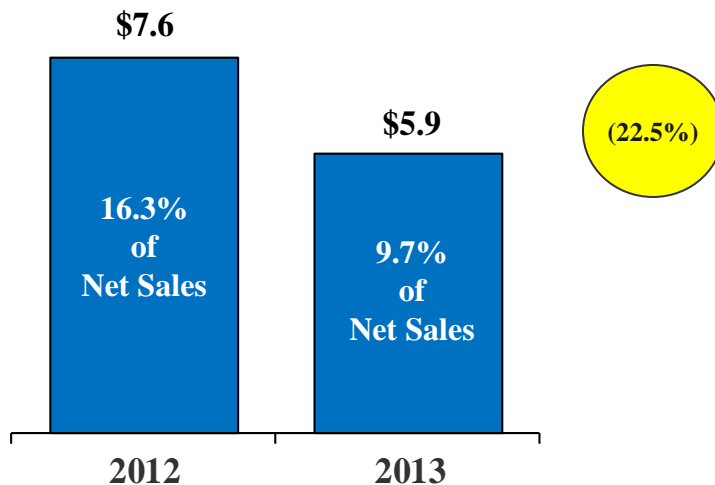
First Quarter Highlights – International

\$ in millions

Segment Net Sales



Segment Adjusted Operating Income



HIGHLIGHTS

Retail Stores

- Canadian retail store net sales +20% vs. LY; comp (3.9%)
 - *Carter's/OshKosh* stores comp +2.8%
- Opened six *Carter's/OshKosh* stores, closed one Bonnie Togs store
- Converted two legacy Bonnie Togs stores to co-branded format
- Canada Q1 ending store count: 87
 - 54 *Carter's/OshKosh*
 - 33 Bonnie Togs
- Plan to open ~20 *Carter's/OshKosh* stores in 2013
- New Japanese business contributed \$3.5 million in net sales

Wholesale

- Sales +20% vs. LY, reflecting growth with multi-national retailers

Segment Operating Income

- Segment operating income (22%) vs. LY, reflecting investment in new Japanese business

Carter's / OshKosh Cobranded Store – Quebec, Canada



Mosaic Mall, Hankyu Department Store - Japan



Mosaic Mall, Hankyu Department Store - Japan





Outlook

2013 Outlook

Second Quarter 2013

- Net sales: growth of approximately 10% vs. LY
- Adjusted EPS: growth of approximately 14% (vs. \$0.37 LY)

Full Year Fiscal 2013

- Sales and EPS expectations
 - Net sales: growth of approximately 8% to 10% vs. LY
 - Adjusted EPS: growth of approximately 15% (vs. \$2.85 LY)
- New retail stores: *Carter's* 60, *OshKosh* 15, Canada 20
 - Store closings: *Carter's* (5), *OshKosh* (5), Canada (1)
- Full year CapEx approximately \$200 million
 - Investments in new distribution center, retail store growth and remodels, technology initiatives to support business expansion, and new Atlanta headquarters facility
- Full year operating cash flow approximately \$195 million to \$205 million



Appendix

First Quarter – Reconciliation of Net Income Allocable to Common Shareholders

	For the first quarters ended	
	March 30, 2013	March 31, 2012
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	58,467,804	58,057,275
Dilutive effect of unvested restricted stock	181,030	178,708
Dilutive effect of stock options	696,374	604,735
Diluted number of common and common equivalent shares outstanding	<u>59,345,208</u>	<u>58,840,718</u>

	For the first quarters ended			
	As reported on a GAAP Basis		As adjusted (a)	
	March 30, 2013	March 31, 2012	March 30, 2013	March 31, 2012
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$41,415	\$32,275	\$47,709	\$33,668
Income allocated to participating securities	602	443	694	462
Net income available to common shareholders	<u>\$40,813</u>	<u>\$31,832</u>	<u>\$47,015</u>	<u>\$33,206</u>
Basic net income per common share	\$0.70	\$0.55	\$0.80	\$0.57
Diluted net income per common share:				
Net income	\$41,415	\$32,275	\$47,709	\$33,668
Income allocated to participating securities	595	438	686	457
Net income available to common shareholders	<u>\$40,820</u>	<u>\$31,837</u>	<u>\$47,023</u>	<u>\$33,211</u>
Diluted net income per common share	\$0.69	\$0.54	\$0.79	\$0.56

(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 the information above excluding \$6.3 million and \$1.4 million in after-tax expenses from these results for the three-month periods ended March 30, 2013 and March 31, 2012, respectively.

Reconciliation of GAAP to Adjusted Earnings – Second Quarter 2012

\$ in millions, except EPS

<u>Second Quarter of Fiscal 2012</u>	<u>SG&A</u>	<u>% of sales</u>	<u>Operating Income</u>	<u>% of sales</u>	<u>Net Income</u>	<u>Diluted EPS</u>
As reported (GAAP)	\$156.3	33.1%	\$34.4	7.3%	\$20.8	\$0.35
Revaluation of contingent consideration (a)	(1.1)		1.1		1.1	0.01
Facility closure-related costs (b)	(0.7)		0.7		0.5	0.01
Total adjustments	(1.8)		1.8		1.6	0.02
As adjusted (c)	\$154.5	32.7%	\$36.2	7.7%	\$22.4	\$0.37

(a) Revaluation of the contingent consideration liability associated with the June 2011 acquisition of Bonnie Togs.

(b) Costs related to the closure of a distribution facility located in Hogansville, GA, announced in the first quarter of fiscal 2012.

(c) The Company has provided adjusted, non-GAAP financial measurements that present SG&A, 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.

Reconciliation of GAAP to Adjusted Earnings – Fiscal Year 2012

\$ in millions, except EPS

<u>Fiscal 2012</u>	<u>SG&A</u>	<i>% of</i> <u>sales</u>	<u>Operating</u> <u>Income</u>	<i>% of</i> <u>sales</u>	<u>Net</u> <u>Income</u>	<u>Diluted</u> <u>EPS</u>
As reported (GAAP)	\$713.2	29.9%	\$262.0	11.0%	\$161.2	\$2.69
Office consolidation costs (a)	(6.4)		6.4		4.0	0.07
Revaluation of contingent consideration (b)	(3.6)		3.6		3.6	0.06
Facility closure-related costs (c)	(3.1)		3.1		1.9	0.03
Total adjustments	<u>(13.1)</u>		<u>13.1</u>		<u>9.6</u>	<u>0.16</u>
As adjusted (d)	<u>\$700.1</u>	29.4%	<u>\$275.1</u>	11.5%	<u>\$170.7</u>	<u>\$ 2.85</u>

(a) Costs related to the office consolidation.

(b) Revaluation of the contingent consideration liability associated with the June 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.

(d) The Company has provided adjusted, non-GAAP financial measurements that present SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. 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 April 25, 2013, 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 outlook and future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the second quarter of fiscal 2013, and fiscal year 2013, 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; 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; 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; disruption to the Company's eCommerce business or distribution facilities due to the planned transition or otherwise; disruptions in the Company's supply chain or in-sourcing capabilities resulting from sourcing through a single port or otherwise; 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 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; charges related to the consolidation of certain Company offices into a new headquarters facility in Atlanta, Georgia being greater than estimated; the office consolidation not being completed during the expected time frame; the Company not achieving the expected benefits of the office consolidation; 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 world-wide anti-bribery laws. Many of these risks are further described in the most recently filed Annual Report on Form 10-K 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 April 25, 2013. 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.

