



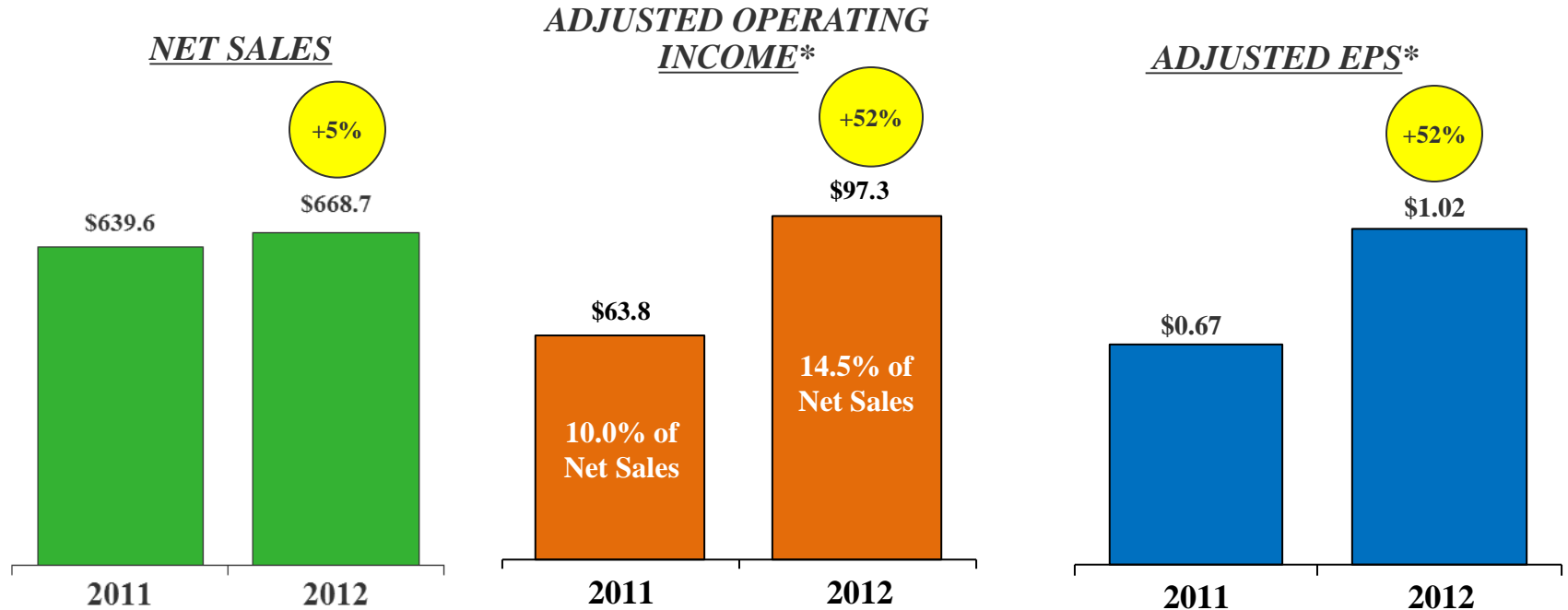
carter's®

Third Quarter 2012
Business Update

October 25, 2012

Third Quarter Highlights

\$ in millions, except EPS

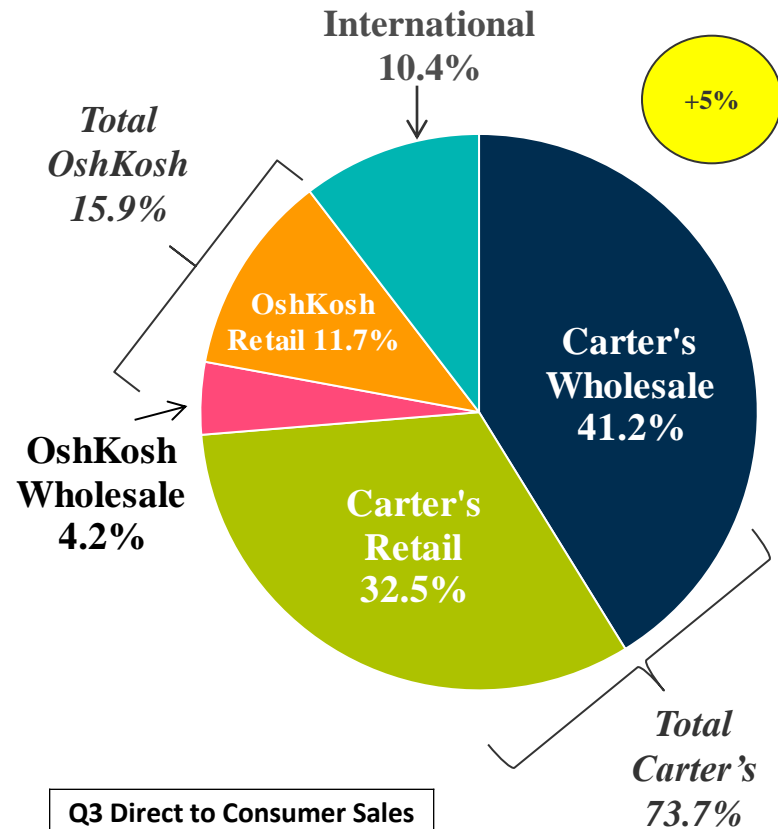


* Results are stated on an adjusted basis; see reconciliation to GAAP on page 9.

- Sales growth driven by *Carter's* Retail, eCommerce, and International businesses
 - U.S. net sales +3.3%
 - *Carter's* brands +4.1%
 - *OshKosh B'gosh* brand (0.6%)
 - International net sales +16.9%; 10.4% of total company sales
- Strong growth in earnings driven by gross margin expansion

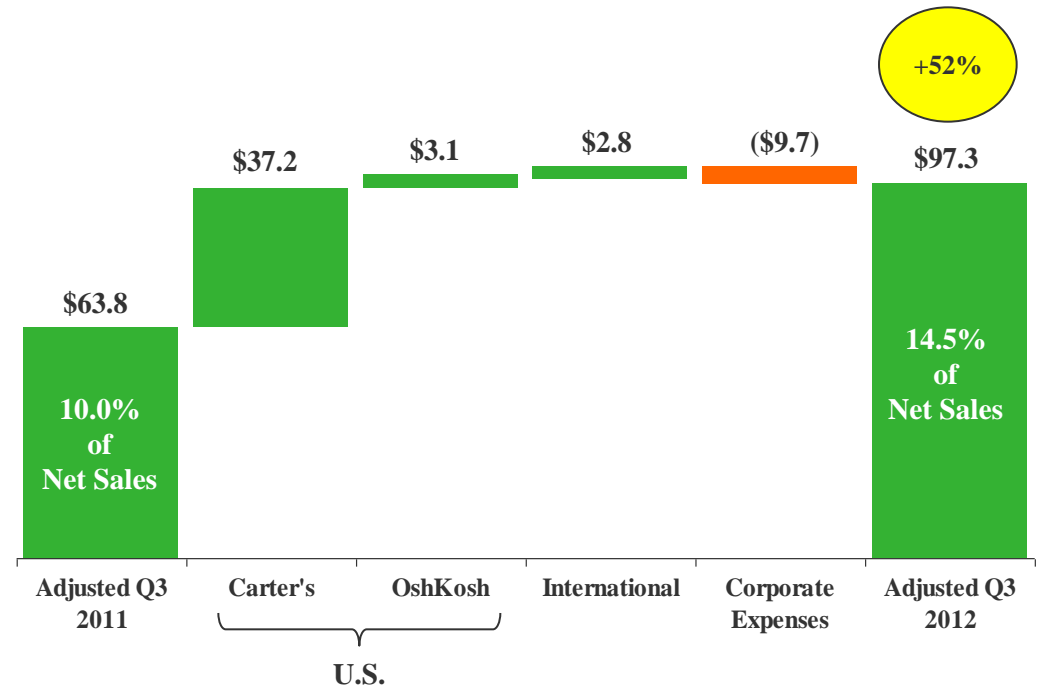
Third Quarter Highlights

Q3 2012 CONSOLIDATED NET SALES: \$669 million



| Q3 Direct to Consumer Sales | |
|-----------------------------|-------|
| % Consolidated Net Sales | |
| 2012 | 2011 |
| 50.0% | 46.3% |

Q3 ADJUSTED OPERATING INCOME* \$ in millions

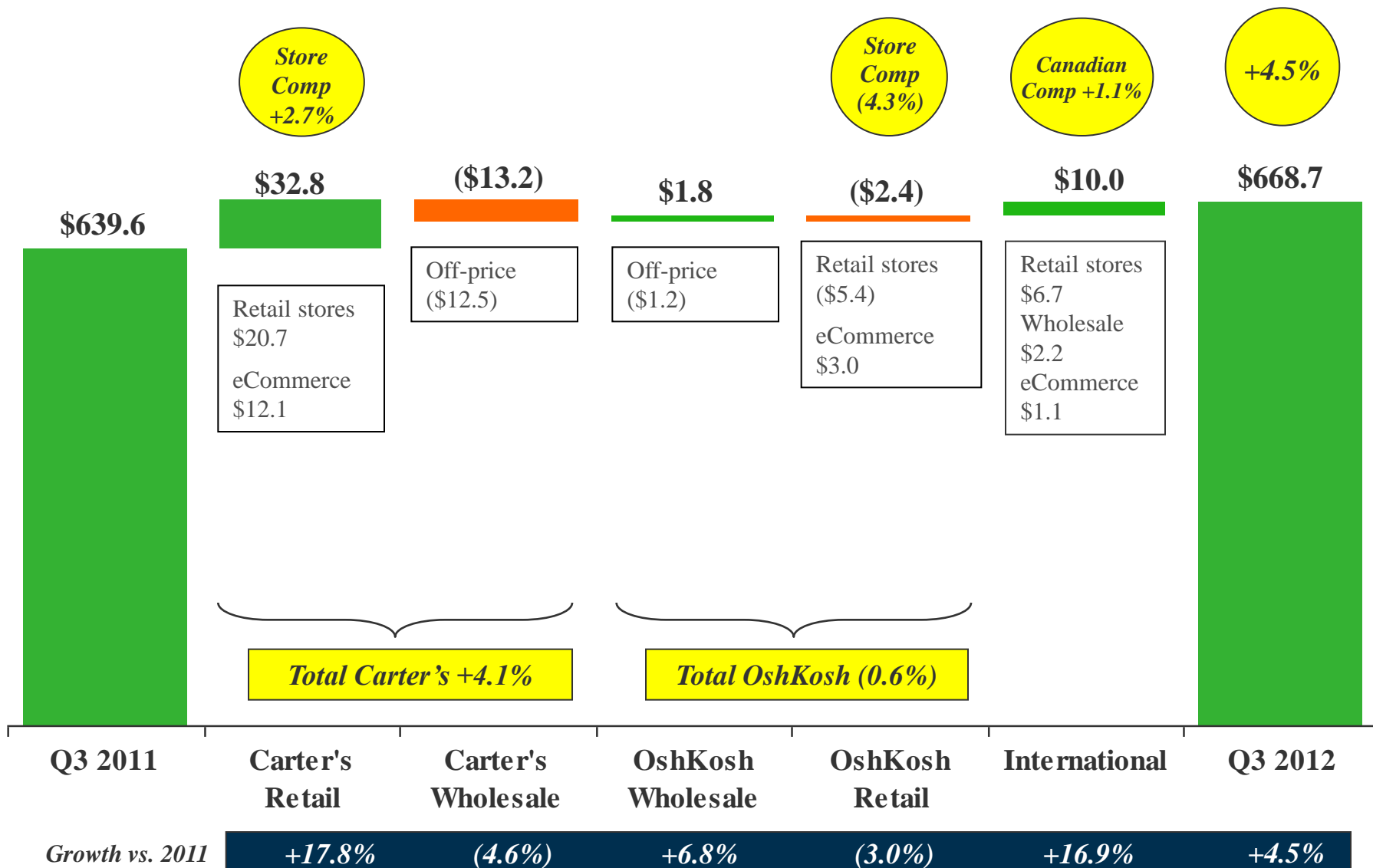


* Results are stated on an adjusted basis; see reconciliation to GAAP on page 9.

Note: Results may not be additive due to rounding.

Third Quarter 2012 Net Sales

\$ in millions



Note: Results may not be additive due to rounding.

Third Quarter Adjusted Results*

\$ in millions, except EPS

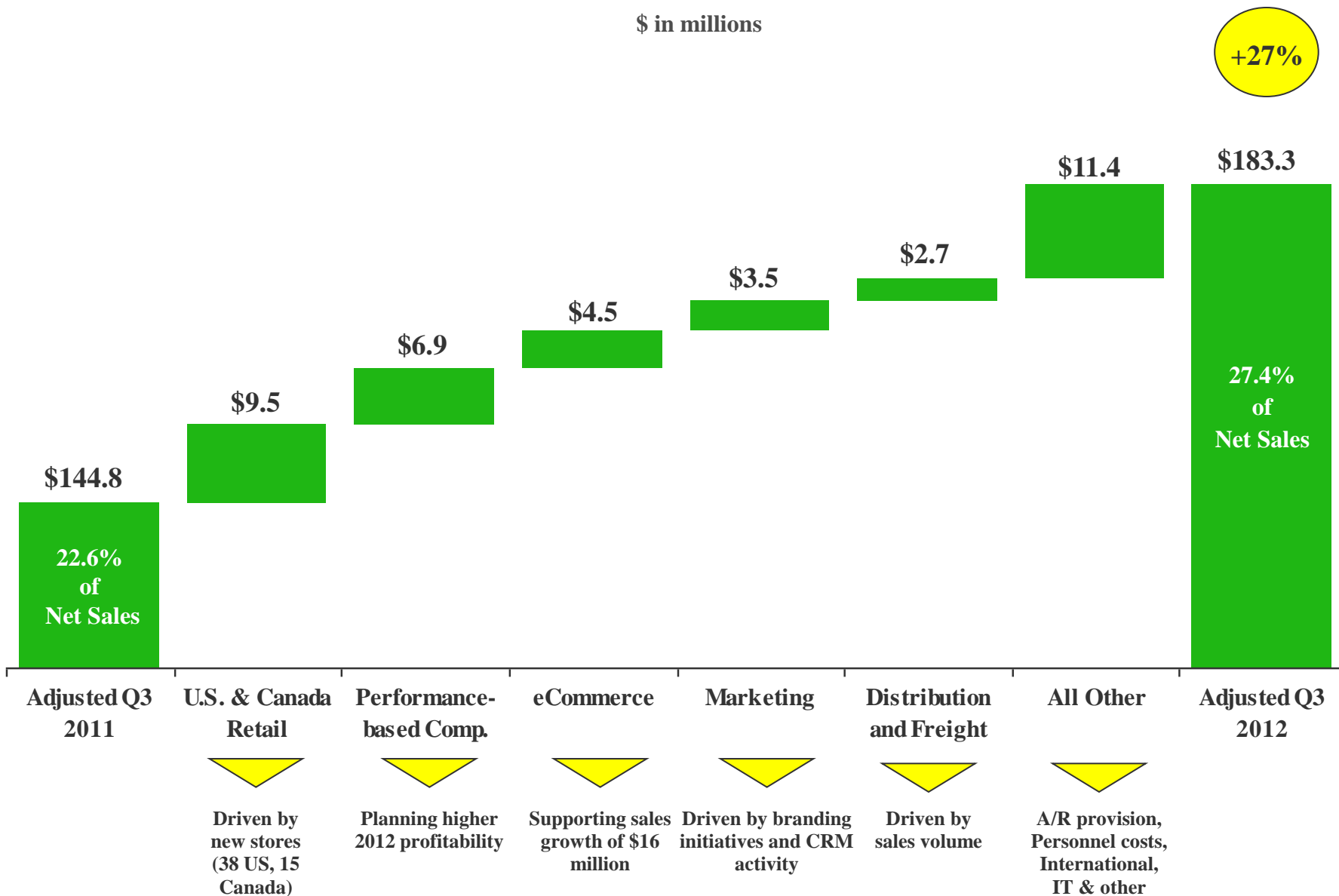
| | Q3 2012 | <i>% of sales</i> | Q3 2011 | <i>% of sales</i> | Increase (Decrease) |
|---|--------------------|-----------------------|--------------------|-----------------------|--------------------------------|
| Net sales | \$668.7 | | \$639.6 | | 5% |
| Adjusted gross profit* | 270.1 | 40.4% | 198.1 | 31.0% | 36% |
| Adjusted SG&A* | 183.3 | 27.4% | 144.8 | 22.6% | 27% |
| Royalty income | (10.5) | (1.6%) | (10.5) | (1.6%) | |
| Adjusted operating income* | 97.3 | 14.5% | 63.8 | 10.0% | 52% |
| Interest and other, net | 1.5 | 0.2% | 1.6 | 0.3% | (9%) |
| Income before taxes | 95.8 | 14.3% | 62.2 | 9.7% | 54% |
| Income taxes | 34.8 | 5.2% | 22.4 | 3.5% | 56% |
| Adjusted net income* | \$61.0 | 9.1% | \$39.8 | 6.2% | 53% |
| Adjusted earnings per diluted share* | \$1.02 | | \$0.67 | | 52% |
| <i>Weighted average diluted share count</i> | 59.2 | | 58.3 | | |

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 9.

Note: Results may not be additive due to rounding.

Third Quarter Results – Adjusted SG&A*

\$ in millions



+27%

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 9.

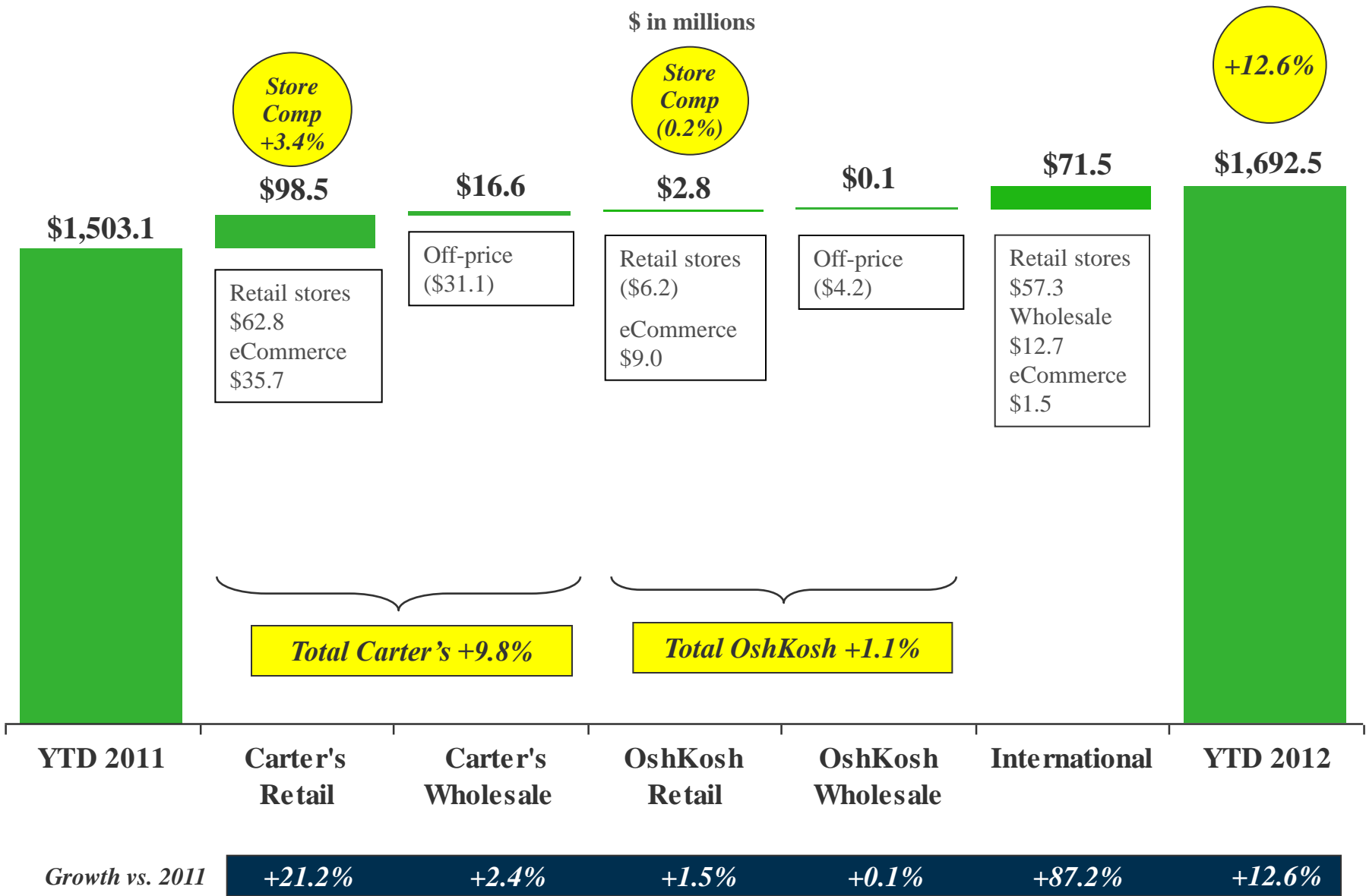
First Nine Months Adjusted Results*

| | \$ in millions, except EPS | | | | |
|--------------------------------------|----------------------------|---------------|---------------|---------------|------------------------|
| | YTD 2012 | % of sales | YTD 2011 | % of sales | Increase (Decrease) |
| Net sales | \$1,692.5 | | \$1,503.1 | | 13% |
| Adjusted gross profit* | 648.1 | 38.3% | 491.2 | 32.7% | 32% |
| Adjusted SG&A* | 485.7 | 28.7% | 377.6 | 25.1% | 29% |
| Royalty income | (26.7) | (1.6%) | (28.1) | (1.9%) | (5%) |
| Adjusted operating income* | 189.1 | 11.2% | 141.7 | 9.4% | 33% |
| Interest and other, net | 5.3 | 0.3% | 5.0 | 0.3% | 6% |
| Income before taxes | 183.8 | 10.9% | 136.7 | 9.1% | 35% |
| Income taxes | 66.9 | 4.0% | 50.7 | 3.4% | 32% |
| Adjusted net income* | \$117.0 | 6.9% | \$86.0 | 5.7% | 36% |
| Adjusted earnings per diluted share* | \$1.96 | | \$1.46 | | 34% |
| Weighted average diluted share count | 59.0 | | 58.1 | | |

* Results are stated on an adjusted basis; see reconciliation to GAAP basis on page 10.

Note: Results may not be additive due to rounding.

First Nine Months 2012 Net Sales



Note: Results may not be additive due to rounding.

Reconciliation of GAAP to Adjusted Earnings – Third Quarter

\$ in millions, except EPS

| | Income Statement | | | | | | | | Segment Reporting | | | |
|---|------------------|--------------|----------------|--------------|------------------|--------------|---------------|---------------|--------------------------------|------------------------|------------------------------|------------------------|
| | Gross Margin | % of sales | 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 |
| Third Quarter of Fiscal 2012 | | | | | | | | | | | | |
| As reported (GAAP) | \$270.1 | 40.4% | \$185.2 | 27.7% | \$95.4 | 14.3% | \$59.4 | \$0.99 | \$16.6 | 24.0% | (\$22.9) | (3.4%) |
| Revaluation of contingent consideration (a) | | | (1.1) | | 1.1 | | 1.1 | 0.02 | 1.1 | | | |
| Facility closure-related costs (b) | | | (0.8) | | 0.8 | | 0.5 | 0.01 | | | 0.8 | |
| Total adjustments | - | | (1.9) | | 1.9 | | 1.6 | 0.03 | 1.1 | | 0.8 | |
| As adjusted (d) | \$270.1 | 40.4% | \$183.3 | 27.4% | \$97.3 | 14.5% | \$61.0 | \$1.02 | \$17.7 | 25.6% | (\$22.1) | (3.3%) |

| | Income Statement | | | | | | | | Segment Reporting | | | |
|---|------------------|--------------|----------------|--------------|------------------|--------------|---------------|---------------|--------------------------------|------------------------|------------------------------|------------------------|
| | Gross Margin | % of sales | 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 |
| Third Quarter of Fiscal 2011 | | | | | | | | | | | | |
| As reported (GAAP) | \$192.1 | 30.0% | \$145.8 | 22.8% | \$56.8 | 8.9% | \$34.4 | \$0.58 | \$7.9 | 13.4% | (\$12.5) | (2.0%) |
| Amortization of fair value step-up of inventory | 5.9 | | | | 5.9 | | 4.3 | 0.07 | 5.9 | | | |
| Revaluation of contingent consideration (a) | | | (1.0) | | 1.0 | | 1.0 | 0.02 | 1.0 | | | |
| Professional fees / other expenses (c) | | | (0.1) | | 0.1 | | | | | | 0.1 | |
| Total adjustments | 5.9 | | (1.1) | | 7.0 | | 5.3 | 0.09 | 7.0 | | 0.1 | |
| As adjusted (d) | \$198.1 | 31.0% | \$144.8 | 22.6% | \$63.8 | 10.0% | \$39.8 | \$0.67 | \$14.9 | 25.1% | (\$12.4) | (1.9%) |

- (a) Revaluation of the contingent consideration liability associated with the June 2011 acquisition of Bonnie Togs.
- (b) Costs related to closure of a distribution facility located in Hogansville, Georgia including severance and related benefits, accelerated depreciation, and other closure costs.
- (c) Professional service fees related to the June 2011 acquisition of Bonnie Togs.
- (d) The Company has provided adjusted, non-GAAP financial measurements that present gross margin, 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.

Reconciliation of GAAP to Adjusted Earnings – First Nine Months

\$ in millions, except EPS

| | Income Statement | | | | | | | | Segment Reporting | | | |
|---|------------------|--------------|----------------|--------------|------------------|--------------|----------------|---------------|--------------------------------|------------------------|------------------------------|------------------------|
| | Gross Margin | % of sales | 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 |
| First Nine Months of Fiscal 2012 | | | | | | | | | | | | |
| As reported (GAAP) | \$648.1 | 38.3% | \$491.2 | 29.0% | \$183.6 | 10.8% | \$112.5 | \$1.88 | \$30.4 | 19.8% | (\$57.9) | (3.4%) |
| Revaluation of contingent consideration (a) | | | (2.9) | | 2.9 | | 2.9 | 0.05 | 2.9 | | | |
| Facility closure-related costs (b) | | | (2.6) | | 2.6 | | 1.6 | 0.03 | | | 2.6 | |
| Total adjustments | - | | (5.5) | | 5.5 | | 4.5 | 0.08 | 2.9 | | 2.6 | |
| As adjusted (d) | \$648.1 | 38.3% | \$485.7 | 28.7% | \$189.1 | 11.2% | \$117.0 | \$1.96 | \$33.3 | 21.7% | (\$55.3) | (3.3%) |

| | Income Statement | | | | | | | | Segment Reporting | | | |
|---|------------------|--------------|----------------|--------------|------------------|-------------|---------------|---------------|--------------------------------|------------------------|------------------------------|------------------------|
| | Gross Margin | % of sales | 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 |
| First Nine Months of Fiscal 2011 | | | | | | | | | | | | |
| As reported (GAAP) | \$485.2 | 32.3% | \$380.9 | 25.3% | \$132.4 | 8.8% | \$79.2 | \$1.35 | \$16.5 | 20.2% | (\$37.5) | (2.5%) |
| Amortization of fair value step-up of inventory | 5.9 | | | | 5.9 | | 4.3 | 0.07 | 5.9 | | | |
| Revaluation of contingent consideration (a) | | | (1.0) | | 1.0 | | 1.0 | 0.02 | 1.0 | | | |
| Professional fees / other expenses (c) | | | (2.3) | | 2.3 | | 1.4 | 0.02 | | | 2.3 | |
| Total adjustments | 5.9 | | (3.3) | | 9.2 | | 6.7 | 0.11 | 7.0 | | 2.3 | |
| As adjusted (d) | \$491.2 | 32.7% | \$377.6 | 25.1% | \$141.7 | 9.4% | \$86.0 | \$1.46 | \$23.5 | 28.6% | (\$35.2) | (2.3%) |

- (a) Revaluation of the contingent consideration liability associated with the June 2011 acquisition of Bonnie Togs.
- (b) Costs related to closure of a distribution facility located in Hogansville, Georgia including severance and related benefits, accelerated depreciation, and other closure costs.
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Note: Results may not be additive due to rounding.

Balance Sheet and Cash Flow

HIGHLIGHTS

Balance Sheet (at Q3 End)

| | \$ in millions | |
|---------------------|----------------|------------|
| | Q3 2012 | Q3 2011 |
| Cash | \$254.3 | \$81.6 |
| Accounts Receivable | \$200.2 | \$214.6 |
| Inventories | \$375.1 | \$386.0 |
| Accounts Payable | \$115.0 | \$83.5 |
| Long-Term Debt | \$186.0 | \$236.0 |

Cash Flow (Year to Date)

| | Q3 2012 | Q3 2011 |
|---------------------|------------|------------|
| Operating Cash Flow | \$129.2 | (\$85.8) |
| CapEx | (59.8) | (29.2) |
| Free Cash Flow | \$69.4 | (\$115.0) |

- Strong balance sheet and liquidity
- Improved inventory position driven by lower product costs, partially offset by business growth (units +10% vs. LY)
- Paid down \$50 million of debt under revolving credit facility in Q2
- Operating cash flow increase (+\$215 million) driven by favorable net changes in working capital and higher earnings
- Majority of capital expenditures relate to domestic & international retail store growth and new distribution center



Business Segment Performance

Third Quarter Adjusted Business Segment Performance

\$ in millions

| | Net Sales | | | Operating Income (Loss) | | | Operating Margin | |
|--|--------------|--------------|--------------|----------------------------|-------------|--------------|---------------------|--------------|
| | 2012 | 2011 | \$ Growth | 2012 | 2011 | \$ Growth | 2012 | 2011 |
| Carter's Wholesale (a) | \$276 | \$289 | (\$13) | \$53 | \$33 | \$20 | 19.3% | 11.4% |
| Carter's Retail (b) | 217 | 184 | 33 | 43 | 26 | 17 | 19.8% | 14.1% |
| Total Carter's | \$493 | \$473 | \$20 | \$96 | \$59 | \$37 | 19.5% | 12.5% |
| OshKosh Wholesale (c) | \$28 | \$26 | \$2 | \$2 | \$1 | \$1 | 6.8% | 1.9% |
| OshKosh Retail (b) | 78 | 80 | (2) | 3 | 2 | 2 | 4.4% | 2.1% |
| Total OshKosh | \$106 | \$107 | (\$1) | \$5 | \$2 | \$3 | 5.0% | 2.1% |
| Adjusted International (d)(e) | \$69 | \$59 | \$10 | \$18 | \$15 | \$3 | 25.6% | 25.1% |
| Adjusted corporate expenses (e) | | | | (22) | (12) | (10) | (3.3%) | (1.9%) |
| Total, as adjusted (e) | \$669 | \$640 | \$29 | \$97 | \$64 | \$33 | 14.5% | 10.0% |

(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) Operating income and operating margin include Genuine Kids net royalty income.

(d) Net sales include international retail, eCommerce, and wholesale sales. Adjusted operating income includes international licensing income. Presented on adjusted basis; see reconciliation of adjustments on page 9.

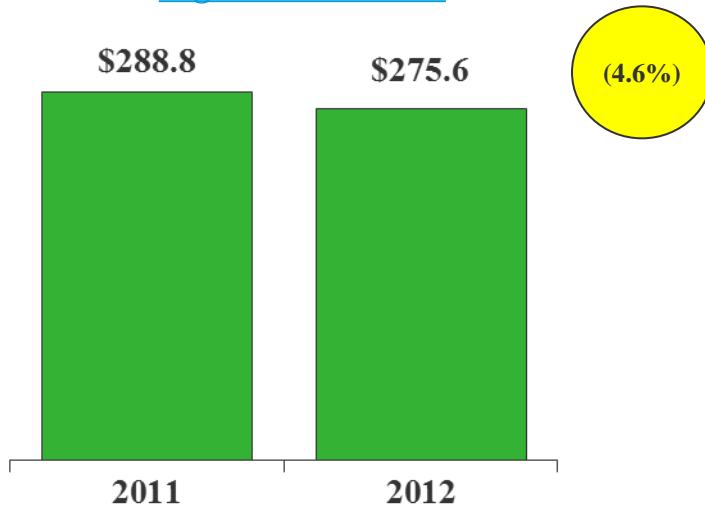
(e) See reconciliation of reported (GAAP) results to results as adjusted on page 9.

Note: Results may not be additive due to rounding.

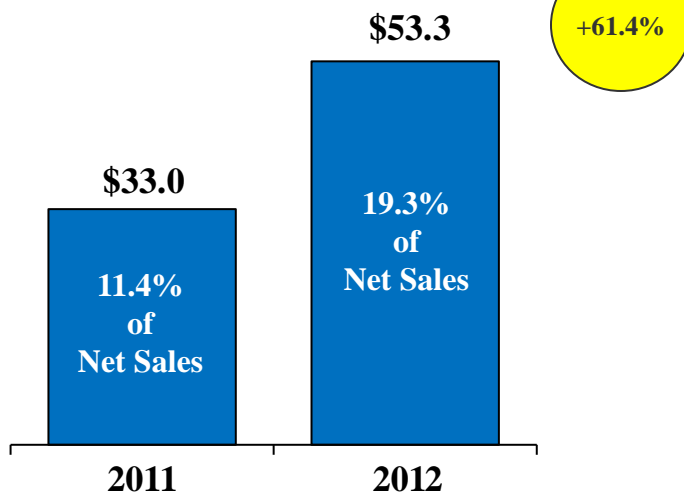
Third Quarter Highlights – *Carter's* Wholesale

\$ in millions

Segment Net Sales



Segment Operating Income



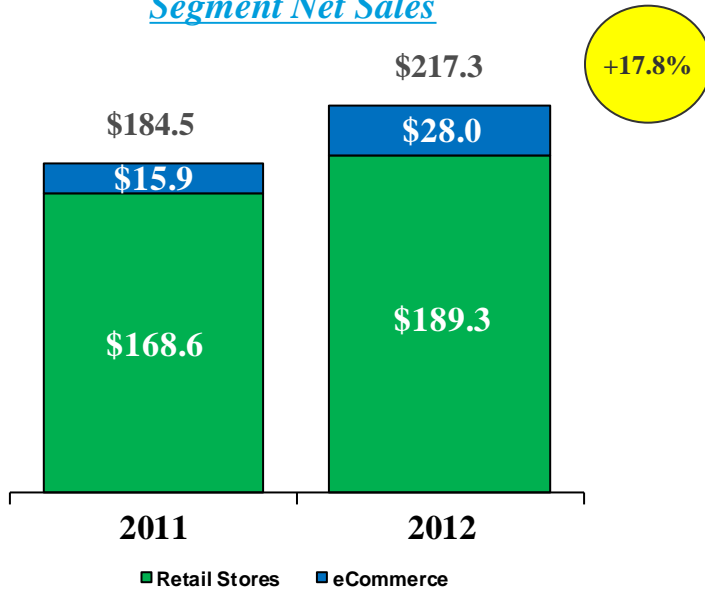
HIGHLIGHTS

- Sales decline reflects meaningful reduction in off-price sales and timing of product launches
 - Off-price sales declined 77%
 - Anticipate full year segment net sales growth in the low to mid-single digit range
- Fall season-to-date over-the-counter sales performance up mid-single digits vs. LY across major national customers
- Operating margin improvement driven by lower product costs and reduced off-price sales
- Spring '13 bookings planned up approximately 6%

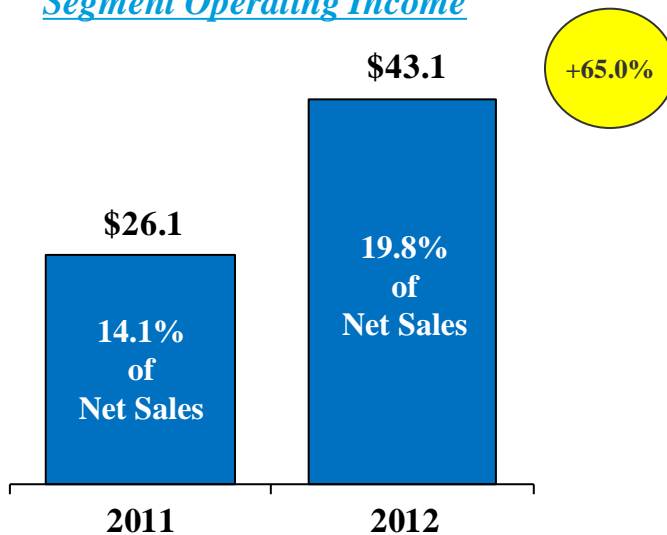
Third Quarter Highlights – *Carter's* Retail

\$ in millions

Segment Net Sales



Segment Operating Income



HIGHLIGHTS

Retail Stores

- Comp sales +2.7% vs. +5.5% LY
 - Avg. transaction value +1.3%, transactions +1.4%
- Product performance, pricing and promotional strategies, and inventory management drove improved AUR
- Strongest performance in Girls and Boys Playclothes
- Opened 15 stores in Q3, +47 stores vs. LY
- Q3 ending store count: 398 (223 Brand, 175 Outlet)

eCommerce

- Continued strong eCommerce growth (+76%)
- Improvement in all Key Performance Indicators – traffic, conversion, average order value, AUR

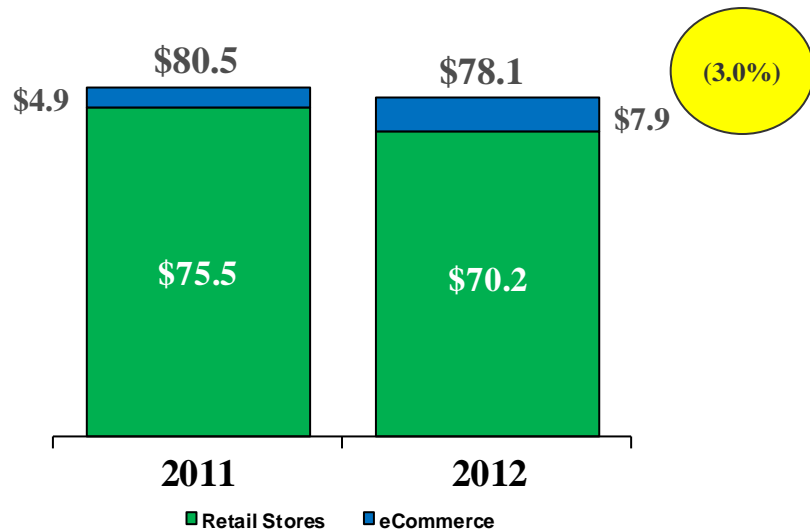
Segment Operating Income

- Operating margin expansion driven by lower product costs and AUR gains, partially offset by new store expansion costs

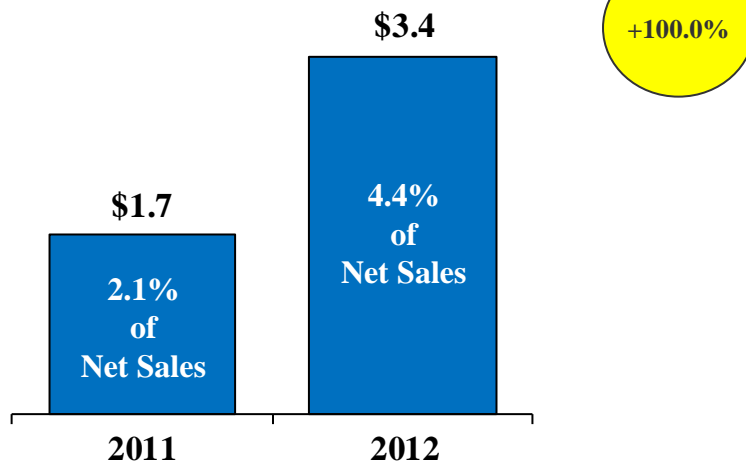
Third Quarter Highlights – *OshKosh* Retail

\$ in millions

Segment Net Sales



Segment Operating Income



HIGHLIGHTS

Retail Stores

- Comp sales (4.3%)
 - Avg. transaction value (0.6%), transactions (3.7%)
- Product performance, pricing and promotional strategies, and inventory management drove improved AUR
- Continued momentum in Girls Playclothes
- Opened two stores in Q3; operating nine fewer stores vs. LY reflecting store portfolio management initiative
- Q3 ending store count: 167 (19 Brand/Specialty, 148 Factory)

eCommerce

- Continued strong eCommerce growth (+60%)

Segment Operating Income

- Focus remains on profitability
- Margin improvement driven by favorable product costs and AUR gains

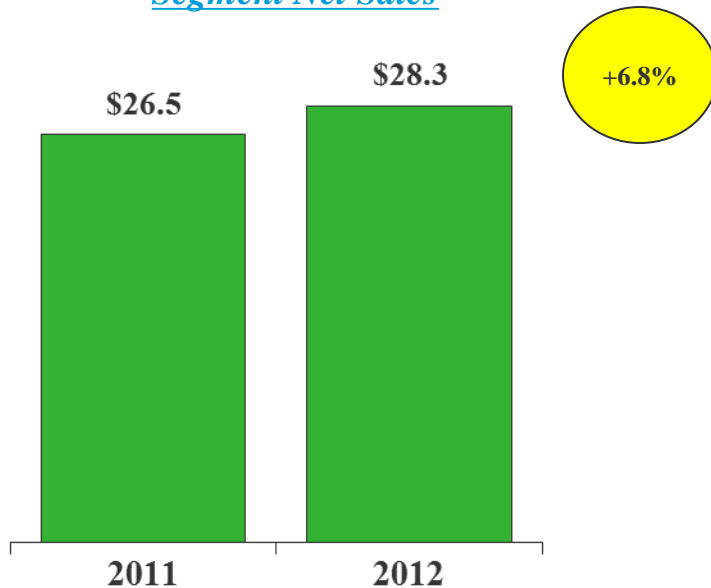
New OshKosh Specialty Store – Mall of Georgia



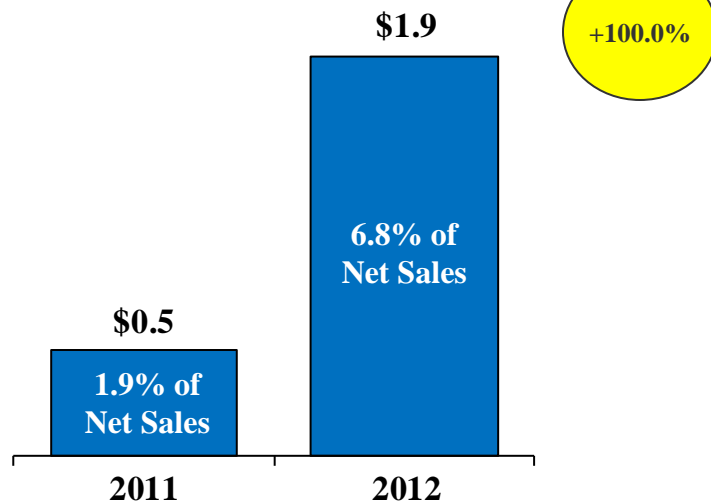
Third Quarter Highlights – *OshKosh* Wholesale

\$ in millions

Segment Net Sales



Segment Operating Income



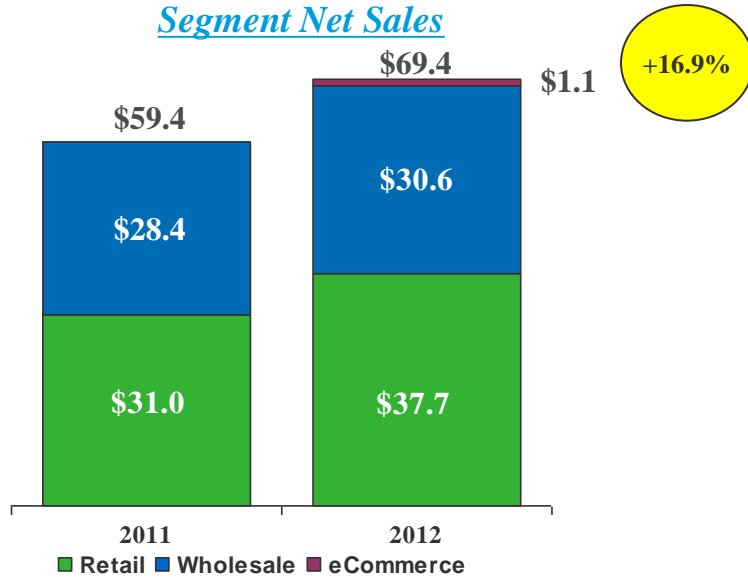
HIGHLIGHTS

- Sales growth reflects higher regular price sales
 - Off-price net sales declined 45%
- Fall season-to-date over-the-counter sales down vs. LY
 - AUR comparable YOY
 - Girls product category outperforming Boys
- Full year net sales planned down vs. LY due to decline in off-price sales
- Continued focus on profitability – operating margin improvement driven by greater mix of regular price sales and lower product costs
- Spring '13 bookings planned up approximately 4%
 - Increase vs. prior update reflects new account wins

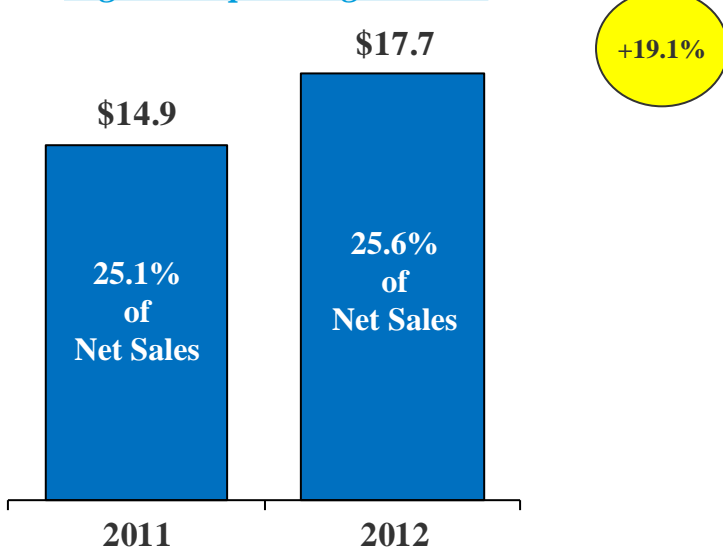
Third Quarter Highlights – *International*

\$ in millions

Segment Net Sales



Segment Operating Income



HIGHLIGHTS

Retail Stores

- Canadian retail store net sales +22% vs. LY; comp +1.1%
 - Co-branded stores comped +11.6%
- Opened six *Carter's/OshKosh* stores in Q3 (14 YTD); plan to open a total of 18 stores in 2012

Wholesale

- Wholesale net sales +8%, principally driven by Mexico and Central & South America

eCommerce

- First full quarter of international shipping (launched Q2)
- Highest demand from Canada, Russia, Hong Kong

Segment Operating Income

- Operating margin improvement driven by lower product costs



Outlook

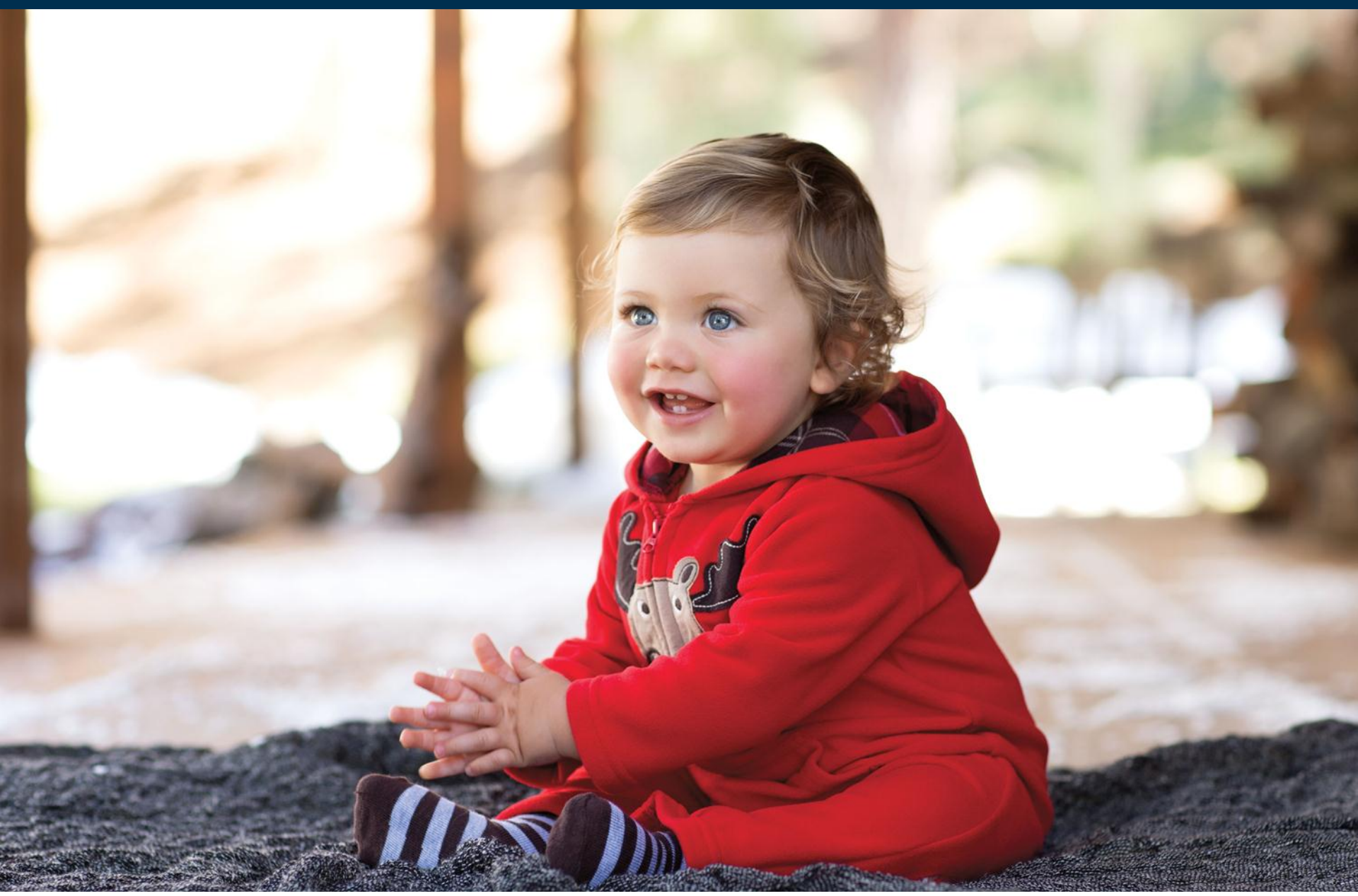
Outlook

Fourth Quarter 2012

- Net sales: growth of approximately +10% vs. LY
 - Forecasted growth led by eCommerce, *Carter's* Wholesale and Retail, and International
- Adjusted EPS: approximately \$0.81 (vs. \$0.63 LY)

Full Year Fiscal 2012

- Raising previous sales and EPS expectations
 - Net sales: growth of approximately +12% vs. LY
 - Adjusted EPS: approximately \$2.77 (vs. \$2.09 LY)
- New retail stores: *Carter's* 63, *OshKosh* 8, Canada 18
 - Store closings: *Carter's* (9), *OshKosh* (13)
- Full year CapEx approximately \$90 million
- Full year operating cash flow range \$180 to \$200 million



Appendix

First Nine Months Adjusted Business Segment Performance

\$ in millions

| | Net Sales | | | Operating Income (Loss) | | | Operating Margin | |
|--|----------------|----------------|--------------|----------------------------|--------------|--------------|---------------------|-------------|
| | 2012 | 2011 | \$ Growth | 2012 | 2011 | \$ Growth | 2012 | 2011 |
| Carter's Wholesale (a) | \$720 | \$703 | \$17 | \$130 | \$91 | \$39 | 18.0% | 12.9% |
| Carter's Retail (b) | 564 | 465 | 98 | 94 | 72 | 21 | 16.6% | 15.5% |
| Total Carter's | \$1,283 | \$1,168 | \$115 | \$223 | \$163 | \$60 | 17.4% | 13.9% |
| OshKosh Wholesale (c) | \$61 | \$61 | \$ -- | \$2 | \$0 | \$1 | 2.5% | 0.1% |
| OshKosh Retail (b) | 194 | 192 | 3 | (13) | (9) | (4) | (6.9%) | (4.9%) |
| Total OshKosh | \$256 | \$253 | \$3 | (\$12) | (\$9) | (\$3) | (4.7%) | (3.7%) |
| Adjusted International (d)(e) | \$153 | \$82 | \$71 | \$33 | \$23 | \$10 | 21.7% | 28.6% |
| Adjusted corporate expenses (e) | | | | (55) | (35) | (20) | (3.3%) | (2.3%) |
| Total, as adjusted (e) | \$1,692 | \$1,503 | \$189 | \$189 | \$142 | \$47 | 11.2% | 9.4% |

(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) Operating income and operating margin include Genuine Kids net royalty income.

(d) Net sales include international retail, eCommerce, and wholesale sales. Adjusted operating income includes international licensing income. Presented on adjusted basis; see reconciliation of adjustments on page 10.

(e) See reconciliation of reported (GAAP) results to results as adjusted on page 10.

Note: Results may not be additive due to rounding.

Third Quarter – Reconciliation of Net Income Allocable to Common Shareholders

| | <u>For the third quarter ended</u> | |
|---|------------------------------------|----------------------------|
| | <u>September 29, 2012</u> | <u>October 1, 2011</u> |
| Weighted-average number of common and common equivalent shares outstanding: | | |
| Basic number of common shares outstanding | 58,267,398 | 57,729,572 |
| Dilutive effect of unvested restricted stock | 189,203 | 121,633 |
| Dilutive effect of stock options | 693,526 | 464,846 |
| Diluted number of common and common equivalent shares outstanding | <u>59,150,127</u> | <u>58,316,051</u> |

| | <u>For the third quarter ended</u> | | | |
|--|------------------------------------|----------------------------|-------------------------------|----------------------------|
| | <u>As reported on a GAAP Basis</u> | | <u>As adjusted (a)</u> | |
| | <u>September 29, 2012</u> | <u>October 1, 2011</u> | <u>September 29, 2012</u> | <u>October 1, 2011</u> |
| <i>\$ in thousands, except EPS</i> | | | | |
| Basic net income per common share: | | | | |
| Net income | \$59,378 | \$34,449 | \$60,963 | \$39,791 |
| Income allocated to participating securities | (775) | (385) | (796) | (444) |
| Net income available to common shareholders | <u>\$58,603</u> | <u>\$34,064</u> | <u>\$60,167</u> | <u>\$39,347</u> |
| Basic net income per common share | \$1.01 | \$0.59 | \$1.03 | \$0.68 |
| Diluted net income per common share: | | | | |
| Net income | \$59,378 | \$34,449 | \$60,963 | \$39,791 |
| Income allocated to participating securities | (766) | (382) | (787) | (441) |
| Net income available to common shareholders | <u>\$58,612</u> | <u>\$34,067</u> | <u>\$60,176</u> | <u>\$39,350</u> |
| Diluted net income per common share | \$0.99 | \$0.58 | \$1.02 | \$0.67 |

(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 \$1.6 million and \$5.3 million in after-tax expenses from these results for the three-month periods ended September 29, 2012 and October 1, 2011, respectively.

First Nine Months – Reconciliation of Net Income Allocable to Common Shareholders

| | <u>For the nine months ended</u> | |
|---|----------------------------------|----------------------------|
| | <u>September 29, 2012</u> | <u>October 1, 2011</u> |
| Weighted-average number of common and common equivalent shares outstanding: | | |
| Basic number of common shares outstanding | 58,175,125 | 57,366,529 |
| Dilutive effect of unvested restricted stock | 179,816 | 108,577 |
| Dilutive effect of stock options | 663,749 | 599,805 |
| Diluted number of common and common equivalent shares outstanding | <u>59,018,690</u> | <u>58,074,911</u> |

| | <u>For the nine months ended</u> | | | |
|--|------------------------------------|----------------------------|-------------------------------|----------------------------|
| | <u>As reported on a GAAP Basis</u> | | <u>As adjusted (a)</u> | |
| | <u>September 29, 2012</u> | <u>October 1, 2011</u> | <u>September 29, 2012</u> | <u>October 1, 2011</u> |
| <i>\$ in thousands, except EPS</i> | | | | |
| Basic net income per common share: | | | | |
| Net income | \$112,458 | \$79,231 | \$116,983 | \$85,967 |
| Income allocated to participating securities | (1,470) | (890) | (1,530) | (966) |
| Net income available to common shareholders | <u>\$110,988</u> | <u>\$78,341</u> | <u>\$115,454</u> | <u>\$85,001</u> |
| Basic net income per common share | \$1.91 | \$1.37 | \$1.98 | \$1.48 |
| Diluted net income per common share: | | | | |
| Net income | \$112,458 | \$79,231 | \$116,983 | \$85,967 |
| Income allocated to participating securities | (1,454) | (881) | (1,512) | (956) |
| Net income available to common shareholders | <u>\$111,004</u> | <u>\$78,350</u> | <u>\$115,471</u> | <u>\$85,011</u> |
| Diluted net income per common share | \$1.88 | \$1.35 | \$1.96 | \$1.46 |

(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 \$4.5 million and \$6.7 million in after-tax expenses from these results for the nine-month periods ended September 29, 2012 and October 1, 2011, respectively.

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 25, 2012, 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 fourth quarter of fiscal 2012, and fiscal year 2012, or any other future period, assessment of the Company's performance and financial position, and drivers of the Company's sales and earnings growth. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Factors that could cause actual results to materially differ include: the acceptance of the Company's products in the marketplace; changes in consumer preference and fashion trends; seasonal fluctuations in the children's apparel business; negative publicity; the breach of the Company's consumer databases; increased production costs; deflationary pricing pressures and customer acceptance of higher selling prices; a continued decrease in the overall level of consumer spending; the Company's dependence on its foreign supply sources; failure of its 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; disruption to our eCommerce business, distribution facilities, or in-sourcing capabilities; the loss of a product 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; the ability to attract and retain key individuals within the organization; the risk that actual charges related to the consolidation of the company's Shelton, Connecticut-based operations with the company's Atlanta, Georgia-based operations could be greater than estimated as the consolidation is implemented, the risk that this office consolidation may not be completed during the expected time frame or at all due to the delay on securing, or inability to secure, suitable facilities or other reasons, and the risk that the company may not achieve the expected benefits of the office consolidation as a result of business disruption or other factors. 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 25, 2012. 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.

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