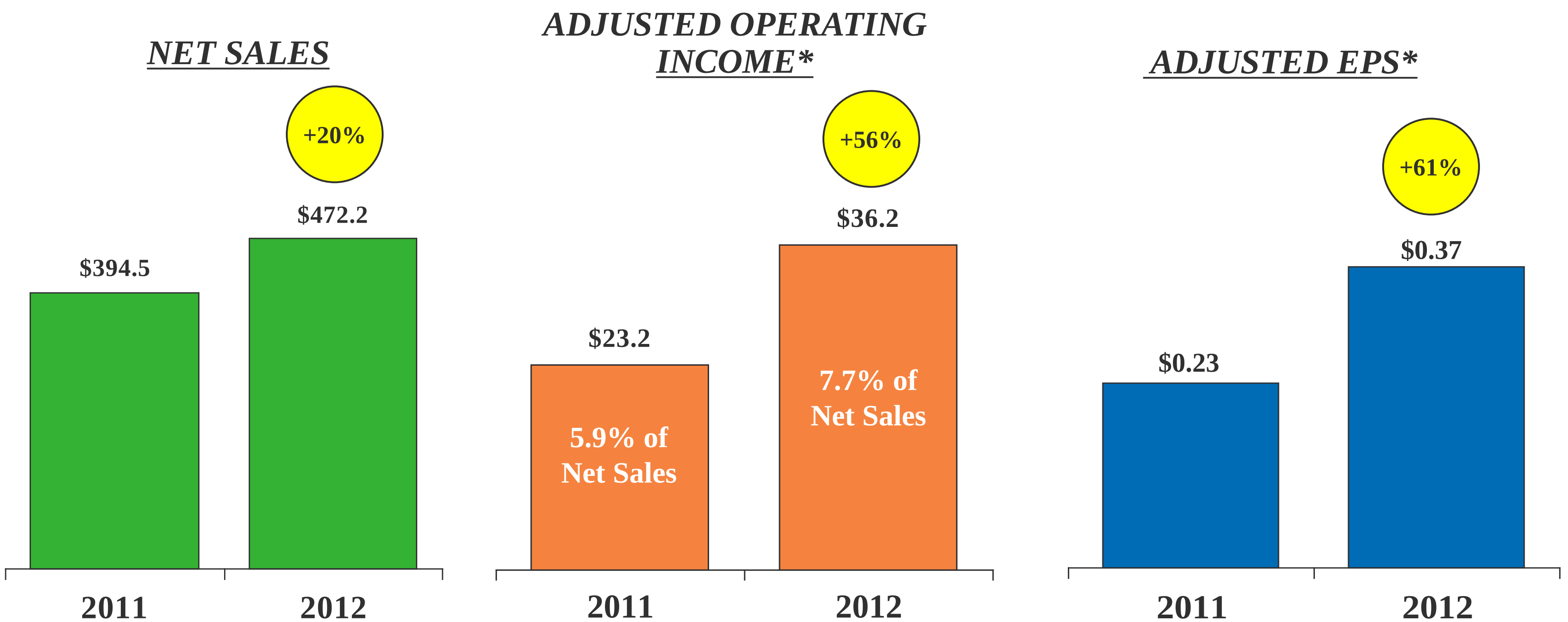
carter's®

Second Quarter 2012
Business Update
July 25, 2012

Second Quarter Highlights

$ in millions, except EPS

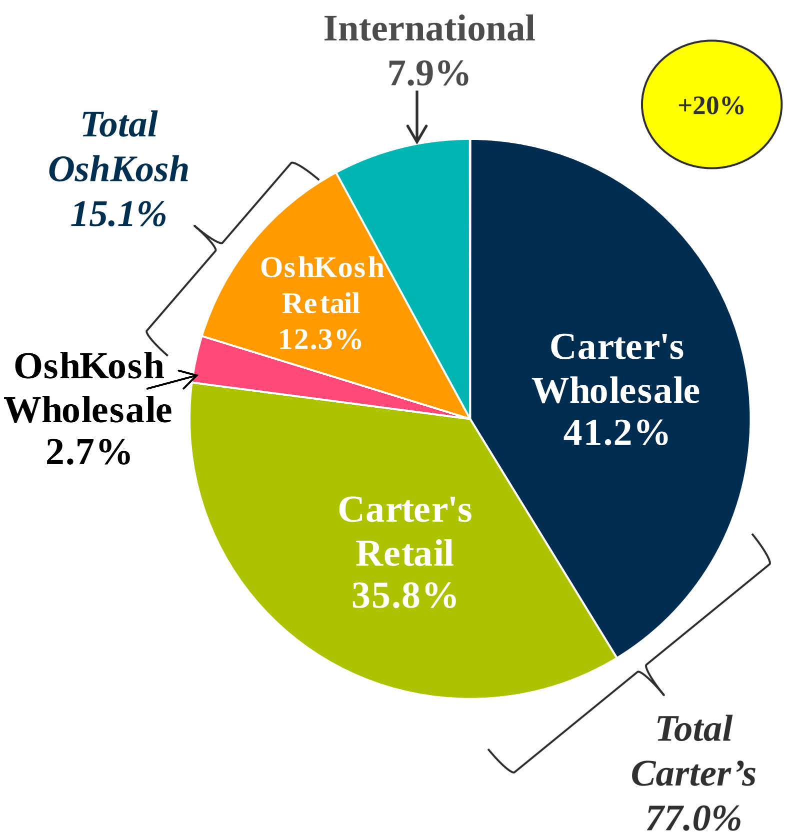


** Results are stated on an adjusted basis; see reconciliation to GAAP on page 9.*

- **Sales growth reflects strength of our product offerings and success of our multichannel growth strategies**
  - **U.S. net sales +12.3%**
    - ***Carter's* brands +15.3%**
    - ***OshKosh B'gosh* brand (1.0%)**
  - **International net sales $37.3 million (+$30.2 million); 7.9% of total company sales**
- **Strong growth in earnings driven by gross margin expansion and contribution of our growth initiatives**

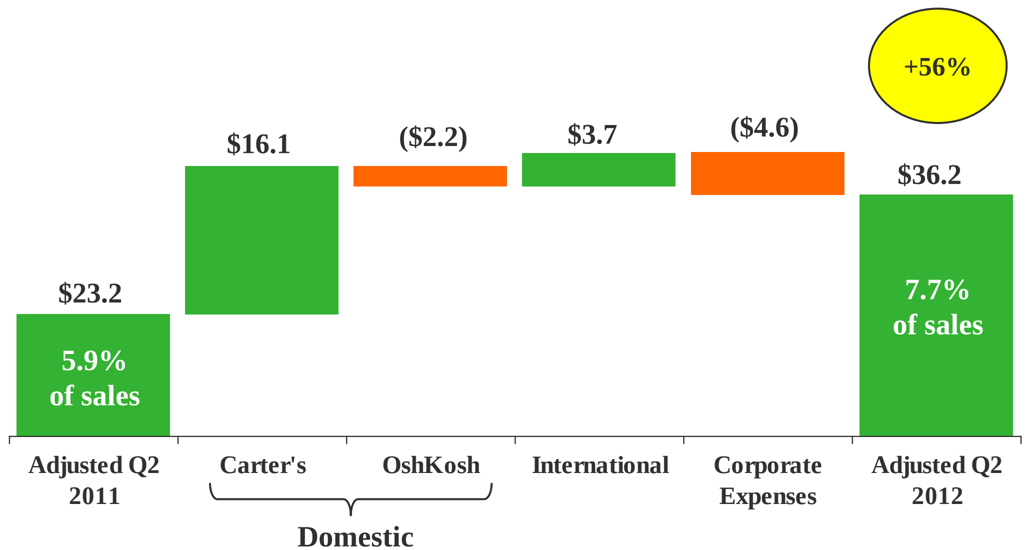
Second Quarter Highlights

Q2 2012 NET SALES: $472 million



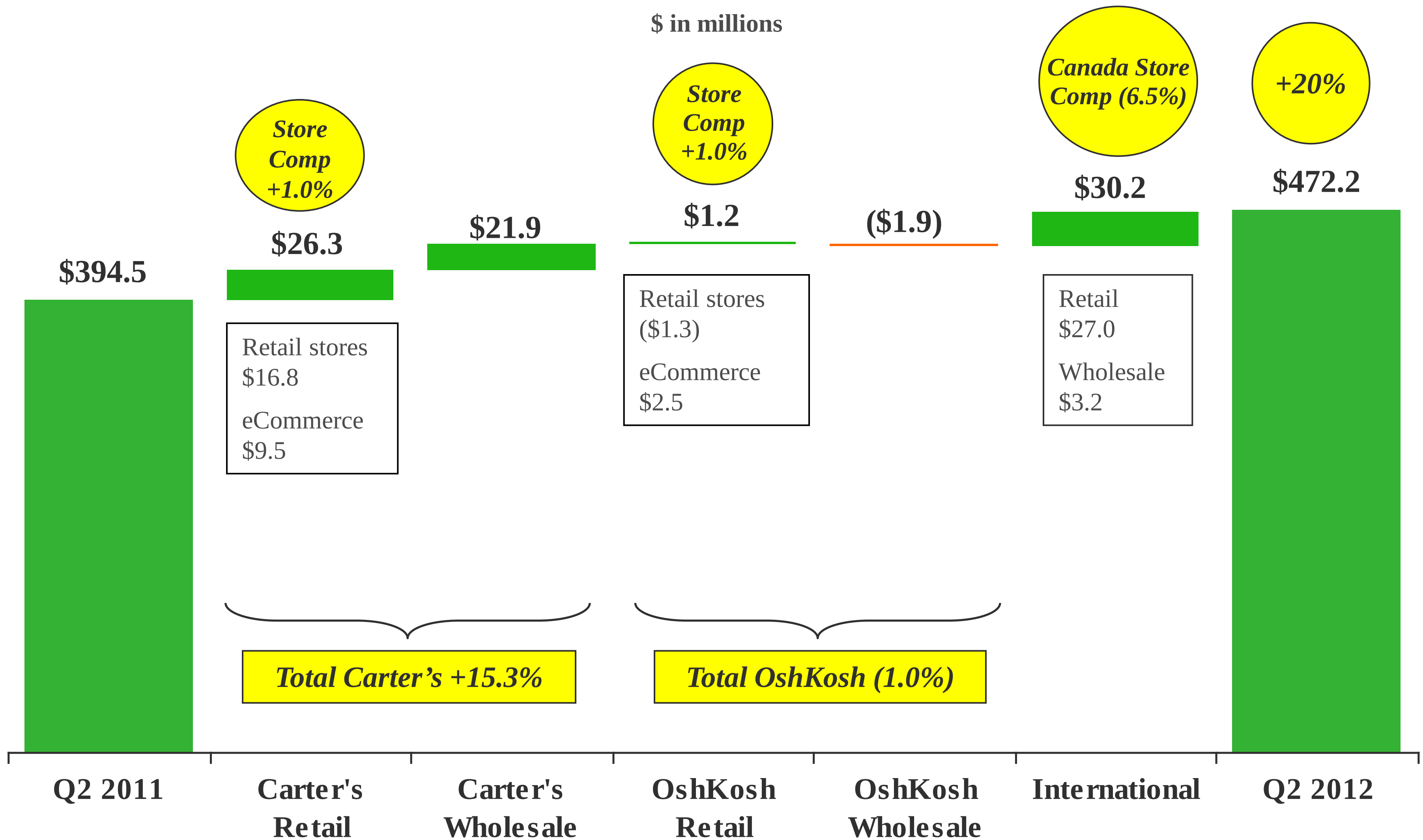
Q2 ADJUSTED OPERATING INCOME*

$ 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.

Second Quarter Net Sales



Growth vs. 2011	*+18%*	*+13%*	*+2%*	*(13%)*	*+100%*

Note: Results may not be additive due to rounding.

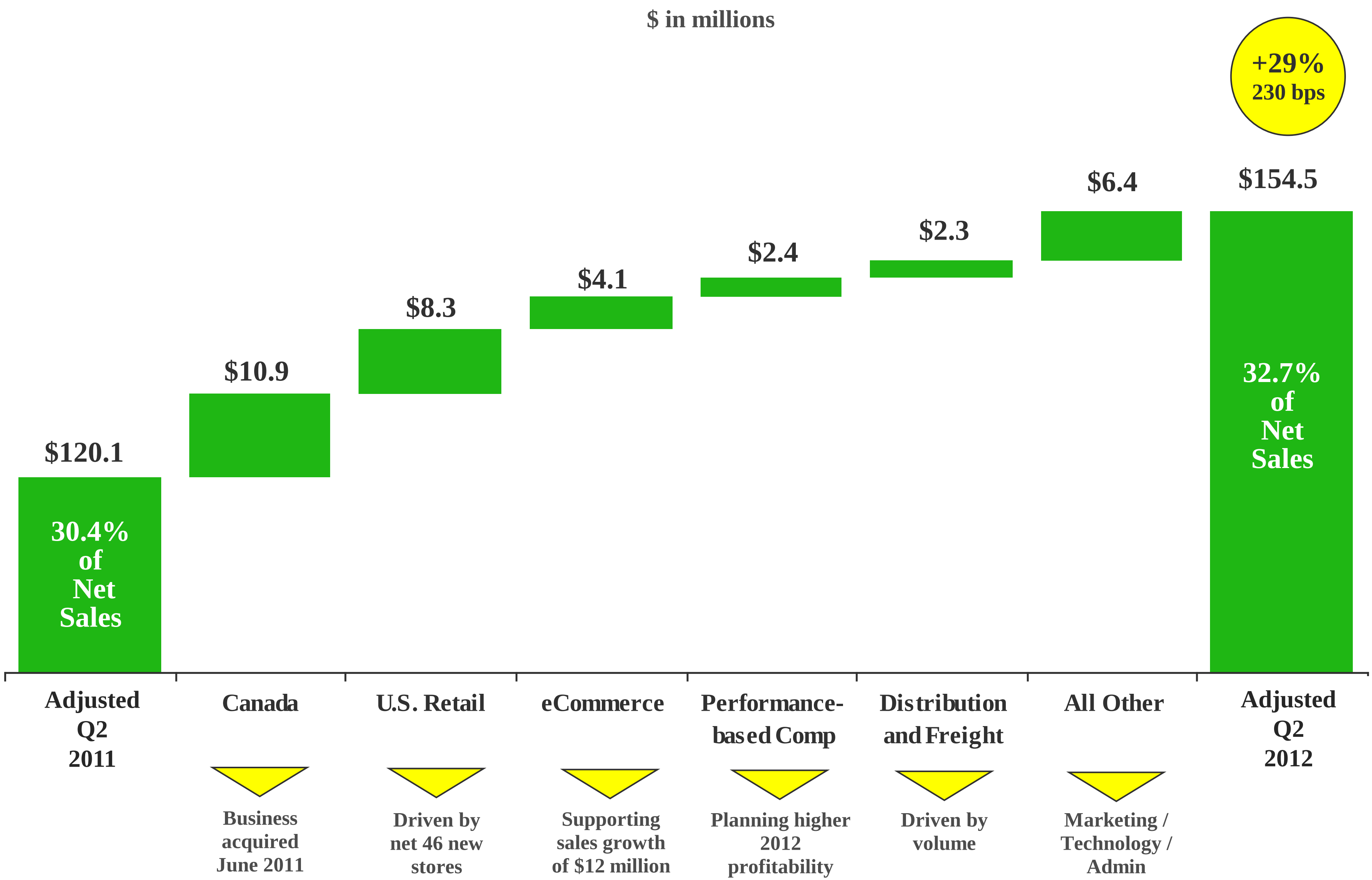
Second Quarter Adjusted Results

$ in millions, except EPS

	Q2 2012	*% of sales*	Q2 2011	*% of sales*	**Increase (Decrease)**
Net sales	**$472.2**		$394.5		**20%**
Gross profit	**183.2**	*38.8%*	135.0	*34.2%*	**36%**
Adjusted SG&A	**154.5**	*32.7%*	120.1	*30.4%*	**29%**
Royalty income	**(7.5)**	*(1.6%)*	(8.3)	*(2.1%)*	**(10%)**
Adjusted operating income	**36.2**	*7.7%*	23.2	*5.9%*	**56%**
Interest and other, net	**1.5**	*0.3%*	1.5	*0.4%*	
Income before taxes	**34.7**	*7.4%*	21.7	*5.5%*	**60%**
Income taxes	**12.4**	*2.6%*	8.3	*2.1%*	**49%**
Adjusted net income	**$22.4**	*4.7%*	$13.4	*3.4%*	**67%**
Adjusted earnings per diluted share	**$0.37**		$0.23		**61%**
Weighted average diluted share count	***59.0***		*58.1*		

- *Results are stated on an adjusted basis; see reconciliation to GAAP on page 9.*
- *Note: Results may not be additive due to rounding.*

Second Quarter Results – Adjusted SG&A



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

First Half Adjusted Results

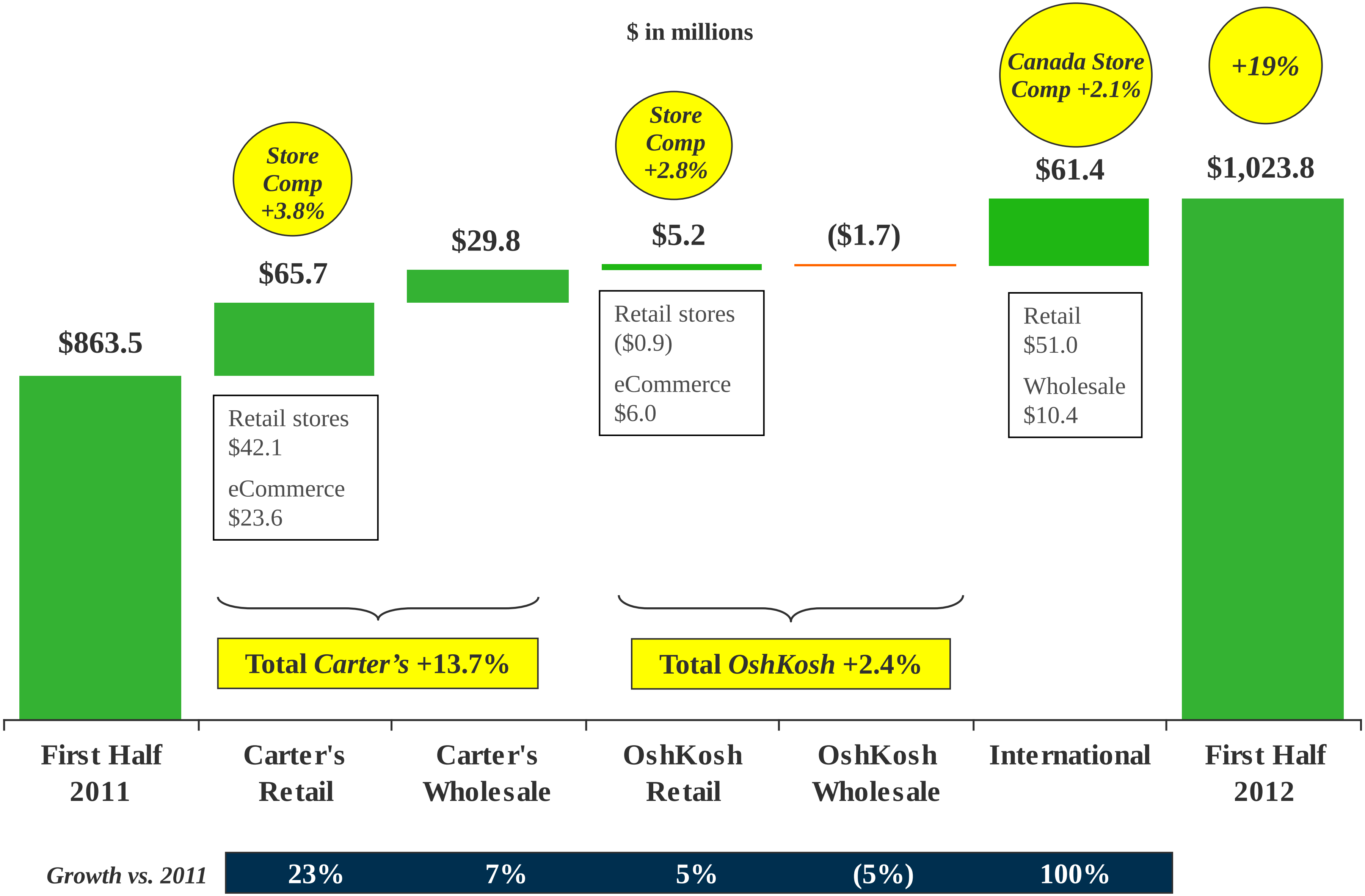
$ in millions, except EPS

	First Half 2012	*% of sales*	First Half 2011	*% of sales*	**Increase (Decrease)**
Net sales	**$1,023.8**		$863.5		**19%**
Gross profit	**378.0**	*36.9%*	293.1	*33.9%*	**29%**
Adjusted SG&A	**302.4**	*29.5%*	232.9	*27.0%*	**30%**
Royalty income	**(16.2)**	*(1.6%)*	(17.6)	*(2.0%)*	**(8%)**
Adjusted operating income	**91.8**	*9.0%*	77.9	*9.0%*	**18%**
Interest and other, net	**3.8**	*0.4%*	3.4	*0.4%*	**12%**
Income before taxes	**88.1**	*8.6%*	74.5	*8.6%*	**18%**
Income taxes	**32.0**	*3.1%*	28.3	*3.3%*	**13%**
Adjusted net income	**$56.0**	*5.5%*	$46.2	*5.3%*	**21%**
Adjusted earnings per diluted share	**$0.94**		$0.79		**19%**
Weighted average diluted share count	***58.9***		*58.0*		

- *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 Half Net Sales



Note: Results may not be additive due to rounding.

Reconciliation of GAAP to Adjusted Earnings – Second Quarter

$ in millions, except EPS

Second Quarter of Fiscal 2012	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
	Income Statement						Segment Reporting			
As reported (GAAP)	**$156.3**	*33.1%*	**$34.4**	*7.3%*	**$20.8**	**$0.35**	**$6.3**	*16.8%*	**($17.8)**	*(3.8%)*
Revaluation of contingent consideration *(a)*	(1.1)		1.1		1.1	0.01	1.1			
Facility closure-related costs *(b)*	(0.7)		0.7		0.5	0.01			0.7	
Total adjustments	(1.8)		1.8		1.6	0.02	1.1		0.7	
As adjusted *(d)*	**$154.5**	*32.7%*	**$36.2**	*7.7%*	**$22.4**	**$0.37**	**$7.3**	*19.7%*	**($17.1)**	*(3.6%)*

Second Quarter of Fiscal 2011	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
	Income Statement						Segment Reporting			
As reported (GAAP)	**$121.3**	*30.7%*	**$22.0**	*5.6%*	**$12.7**	**$0.22**	**$3.6**	*50.7%*	**($13.7)**	*(3.5%)*
Professional fees / other expenses *(c)*	(1.2)		1.2		0.7	0.01			1.2	
Total acquisition-related expenses	(1.2)		1.2		0.7	0.01	-		1.2	
As adjusted *(d)*	**$120.1**	*30.4%*	**$23.2**	*5.9%*	**$13.4**	**$0.23**	**$3.6**	*50.7%*	**($12.5)**	*(3.2%)*

(a) Revaluation of the contingent consideration liability associated with the Company's June 2011 acquisition of Bonnie Togs.
(b) Costs related to closure of a distribution facility located in Hogansville, Georgia including severance and related benefits and accelerated depreciation.
(c) Professional service fees related to the Company's June 2011 acquisition of Bonnie Togs.
(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 has excluded $1.8 million and $1.2 million in acquisition-related expenses from these results for the three-month periods ended June 30, 2012 and July 2, 2011, respectively. 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 Half

$ in millions, except EPS

	Income Statement						Segment Reporting			
First Half of Fiscal 2012	**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)	**$306.0**	*29.9%*	**$88.2**	*8.6%*	**$53.1**	**$0.89**	**$13.7**	*16.3%*	**($35.0)**	*(3.4%)*
Revaluation of contingent consideration *(a)*	(1.8)		1.8		1.8	0.03	1.8			
Facility closure-related costs *(b)*	(1.8)		1.8		1.2	0.02			1.8	
Total adjustments	(3.6)		3.6		2.9	0.05	1.8		1.8	
As adjusted *(d)*	**$302.4**	*29.5%*	**$91.8**	*9.0%*	**$56.0**	**$0.94**	**$15.5**	*18.5%*	**($33.1)**	*(3.2%)*

	Income Statement						Segment Reporting			
First Half of Fiscal 2011	**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)	**$235.1**	*27.2%*	**$75.7**	*8.8%*	**$44.8**	**$0.76**	**$8.6**	*38.0%*	**($25.0)**	*(2.9%)*
Professional fees / other expenses *(c)*	(2.2)		2.2		1.4	0.03			2.2	
Total acquisition-related expenses	(2.2)		2.2		1.4	0.03	-		2.2	
As adjusted *(d)*	**$232.9**	*27.0%*	**$77.9**	*9.0%*	**$46.2**	**$0.79**	**$8.6**	*38.0%*	**($22.8)**	*(2.6%)*

(a) Revaluation of the contingent consideration liability associated with the Company's June 2011 acquisition of Bonnie Togs.
(b) Costs related to closure of a distribution facility located in Hogansville, Georgia including severance and related benefits and accelerated depreciation.
(c) Professional service fees related to the Company's June 2011 acquisition of Bonnie Togs.
(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 has excluded $3.6 million and $2.2 million in acquisition-related expenses from these results for the six-month periods ended June 30, 2012 and July 2, 2011, respectively. 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.

Balance Sheet and Cash Flow

Balance Sheet
(at Q2)

$ in millions

	2012	2011
Cash	$237.6	$86.7
Accounts Receivable	$131.9	$124.7
Inventories	$377.9	$458.1
Accounts Payable	$120.9	$119.4
Long-Term Debt	$186.0	$236.0

Cash Flow
(Year to Date)

	2012	2011
Operating Cash Flow	$89.9	($86.3)
CapEx	(37.7)	(16.1)
Free Cash Flow	$52.2	($102.4)

HIGHLIGHTS

- Strong balance sheet and liquidity
- Improved inventory position driven by inventory management and supply chain initiatives, lower product costs, partially offset by business growth; total units down 8% vs. LY
- Paid down $50 million of debt under revolving credit facility
- Operating cash flow increase (+$176 million) driven by favorable net changes in working capital
- Majority of capital expenditures relate to domestic and international retail store growth and new distribution center

Business Segment Performance

Second 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)*	**$195**	**$173**	**$22**	**$36**	**$20**	**$16**	**18.5%**	**11.8%**
Carter's Retail *(b)*	**169**	**143**	**26**	**20**	**19**	**1**	**11.8%**	**13.6%**
Total Carter's	$364	$316	$48	$56	$40	$16	15.4%	12.6%
OshKosh Wholesale *(c)*	**$13**	**$15**	**($2)**	**($1)**	**($2)**	**$1**	**(4.5%)**	**(13.6%)**
OshKosh Retail *(b)*	**58**	**57**	**1**	**(9)**	**(6)**	**(4)**	**(16.0%)**	**(10.0%)**
Total OshKosh	$71	$72	($1)	($10)	($8)	($2)	(13.9%)	(10.7%)
Adjusted International *(d)(e)*	**$37**	**$7**	**$30**	**$7**	**$4**	**$4**	**19.7%**	**50.7%**
Adjusted corporate expenses *(e)*				**(17)**	**(13)**	**(5)**	**(3.6%)**	**(3.2%)**
Total, as adjusted *(e)*	**$472**	**$394**	**$78**	**$36**	**$23**	**$13**	**7.7%**	**5.9%**

(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 includes 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.

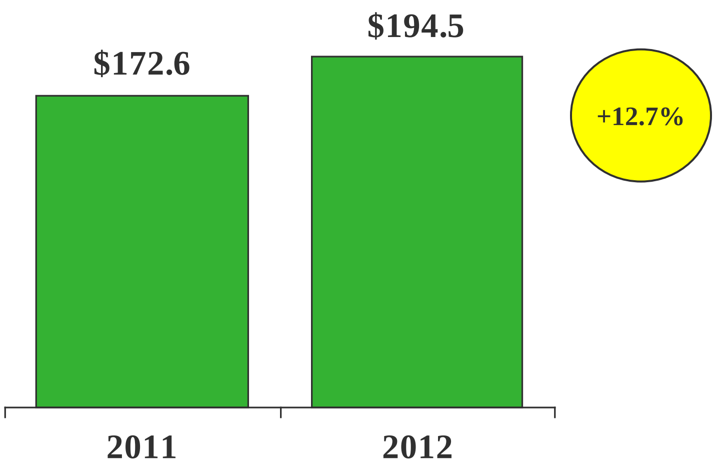
(e) See reconciliation of reported (GAAP) results to results as adjusted on page 9.

Note: Results may not be additive due to rounding.

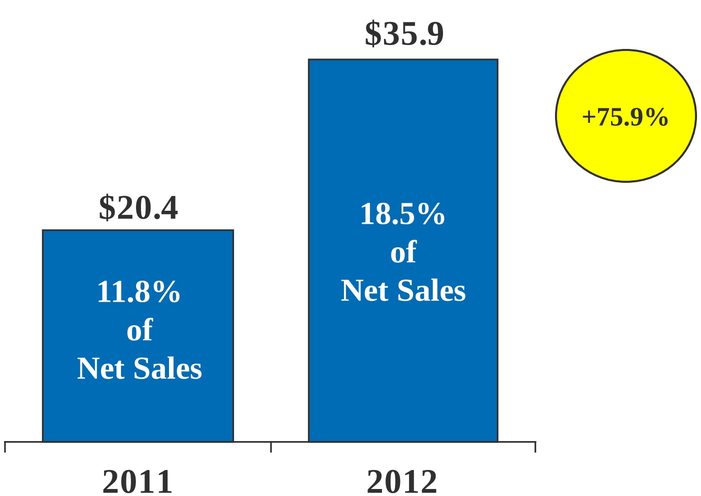
Second Quarter 2012 Highlights – *Carter's* Wholesale

$ in millions

Segment Net Sales



Segment Operating Income



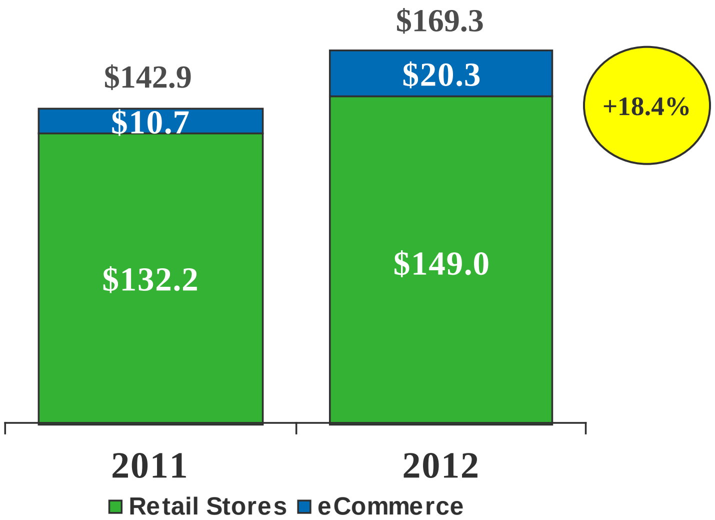
HIGHLIGHTS

- Good sales growth across all brands – *Carter's*, *Child of Mine*, *Just One You*, and *Precious Firsts*
- Spring '12 product over-the-counter sales up vs. LY, driven by pricing improvements
- Operating margin improvement reflects solid demand, inventory management, and improving product cost trend
- Spring '13 bookings planned up approximately 5% with growth in all brands

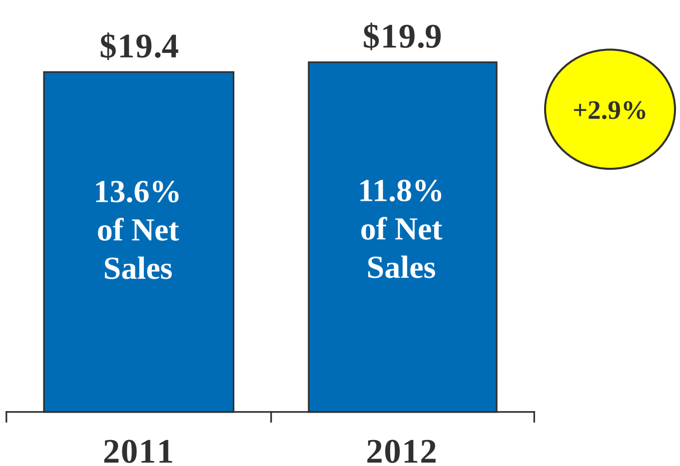
Second Quarter 2012 Highlights – *Carter's* Retail

$ in millions

Segment Net Sales



Segment Operating Income



HIGHLIGHTS

Retail Stores

- Comp sales +1.0% vs. +8.1% LY
- Product performance, inventory management, pricing and promotional strategies drove higher AUR
- Strongest performance in Baby and Girls Playclothes
- Opened 16 stores in Q2, +57 stores vs. LY
- Q2 ending store count 385 (209 Brand, 176 Outlet)

eCommerce

- Continued strong eCommerce growth
- Improvement in all Key Performance Indicators – traffic, conversion, average order value

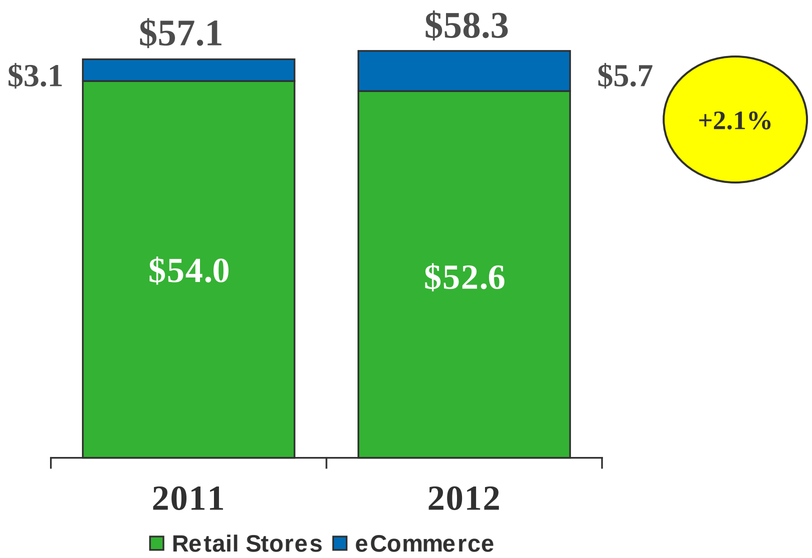
Segment Operating Income

- Retail Segment operating margin decline reflects higher product costs, new door growth, and eCommerce expenses

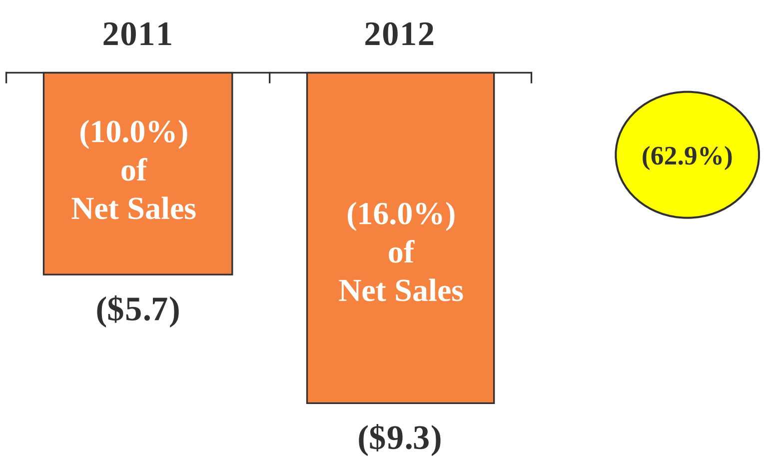
Second Quarter 2012 Highlights – *OshKosh* Retail

$ in millions

Segment Net Sales



Segment Operating Loss



HIGHLIGHTS

Retail Stores

- Comp sales +1.0% vs. +2.2% LY
- Product performance, inventory management, pricing and promotional strategies drove higher AUR
- Strongest comp contribution from Girls Playclothes, Baby, and Sleepwear
- Opened one store in Q2, operating 11 fewer stores vs. LY reflecting store portfolio management initiative
- Q2 ending store count 166 (18 Brand/Mall, 148 Outlet)

eCommerce

- Continued strong eCommerce growth
- Improvement in all Key Performance Indicators – traffic, conversion, average order value

Segment Operating Loss

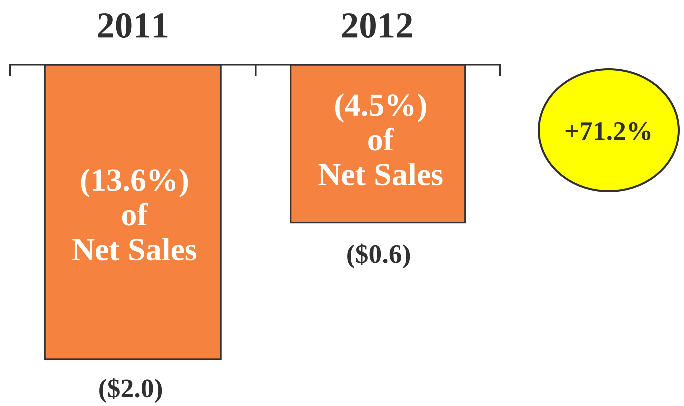
- Decline driven largely by higher product costs and brand investments (talent, systems and marketing)

Second Quarter 2012 Highlights – *OshKosh* Wholesale

$ in millions

Segment Net Sales

Segment Operating Income



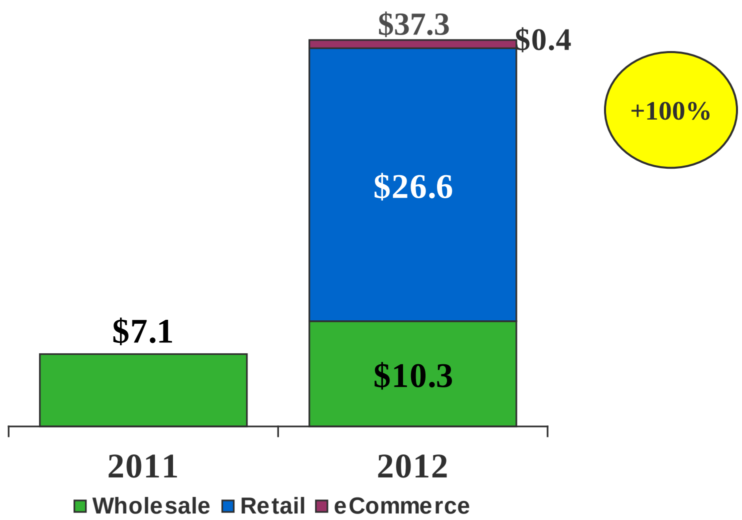
HIGHLIGHTS

- Sales decline principally driven by lower off-price channel sales
  - Regular price net sales declined 4%
- Spring product over-the-counter sales down vs. LY
  - AUR growth in the mid-teens
  - Girls product category outperforming Boys
- Full year regular price sales planned comparable to LY
- Operating margin improvement reflects greater mix of regular price sales
- Spring ’13 bookings planned down ~7%, reflecting lower off-price sales

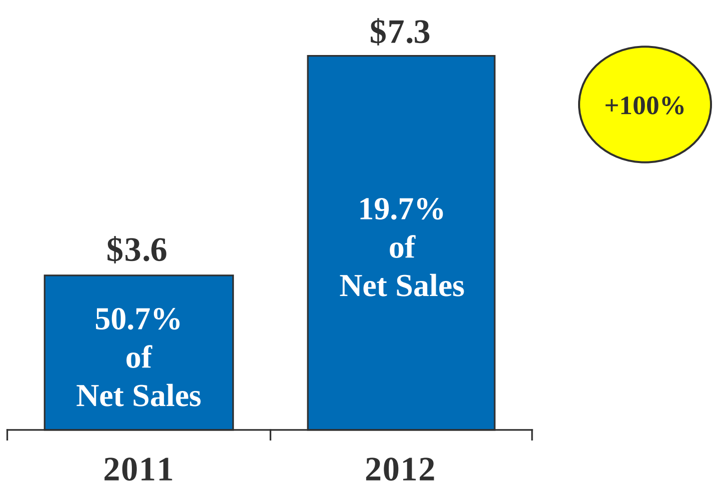
Second Quarter 2012 Highlights – *International*

$ in millions

Segment Net Sales



Segment Operating Income



HIGHLIGHTS

Retail Stores

- Canadian stores contributed $26.6 million to Q2 sales
  - Comp store sales (-6.5%)
  - Co-branded stores comped +4.8% in Q2
- Opened four *Carter's/OshKosh* stores in Q2 (eight YTD); on track to open a total of 18 stores in 2012

Wholesale

- Wholesale growth driven by Canada
- Anticipate full year growth of ~20%

eCommerce

- Launched international shipping capabilities in Q2

Segment Operating Income

- Decline in operating margin reflects acquisition of former licensee in Canada

Outlook

Outlook

Third Quarter 2012

- Net sales: mid single-digit percentage growth vs. LY
  - Forecasted growth led by *Carter's* retail, eCommerce, and International
- Adjusted EPS: growth of approximately +25% to +30% vs. $0.67 LY

Full Year Fiscal 2012

- Reaffirming previous sales and EPS expectations
  - Net sales: growth of approximately +9% to +11% vs. LY
  - Adjusted EPS: growth of approximately +20% to +25% vs. $2.09 LY
- New retail stores: *Carter's* 63, *OshKosh* 7, Canada 18
  - Store closings: *Carter's* (7), *OshKosh* (13)
- Full year CapEx of approximately $90 to $100 million
- Full year operating cash flow $180 to $200 million range

Appendix

First Half 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)*	**$444**	**$414**	**$30**	**$76**	**$58**	**$19**	**17.2%**	**13.9%**
Carter's Retail *(b)*	**346**	**281**	**66**	**50**	**46**	**4**	**14.6%**	**16.4%**
Total Carter's	$790	$695	$95	$127	$104	$23	16.0%	14.9%
OshKosh Wholesale *(c)*	**$33**	**$35**	**($2)**	**($0)**	**($0)**	**($0)**	**(1.4%)**	**(1.2%)**
OshKosh Retail *(b)*	**116**	**111**	**5**	**(17)**	**(11)**	**(6)**	**(14.4%)**	**(10.0%)**
Total OshKosh	$149	$146	$3	($17)	($12)	($6)	(11.5%)	(7.9%)
Adjusted International *(d)(e)*	**$84**	**$23**	**$61**	**$16**	**$9**	**$7**	**18.5%**	**38.0%**
Adjusted corporate expenses *(e)*				(33)	(23)	(10)	(3.2%)	(2.6%)
Total *(e)*	**$1,024**	**$863**	**$160**	**$92**	**$78**	**$14**	**9.0%**	**9.0%**

(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 includes 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.

Second Quarter –
Reconciliation of Net Income Allocable to Common Shareholders

	For the second quarter ended	
	June 30, 2012	July 2, 2011
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	58,200,702	57,320,717
Dilutive effect of unvested restricted stock	170,495	96,845
Dilutive effect of stock options	676,321	635,425
Diluted number of common and common equivalent shares outstanding	59,047,518	58,052,987

	For the second quarter ended			
	As reported on a GAAP Basis		As adjusted (a)	
$ in thousands, except EPS	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Basic net income per common share:				
Net income	$20,805	$12,659	$22,353	$13,402
Income allocated to participating securities	(281)	(140)	(302)	(148)
Net income available to common shareholders	$20,524	$12,519	$22,051	$13,254
Basic net income per common share	$0.35	$0.22	$0.38	$0.23
Diluted net income per common share:				
Net income	$20,805	$12,659	$22,353	$13,402
Income allocated to participating securities	(278)	(139)	(299)	(147)
Net income available to common shareholders	$20,527	$12,520	$22,054	$13,255
Diluted net income per common share	$0.35	$0.22	$0.37	$0.23

(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 $0.7 million in after-tax expenses from these results for the three-month periods ended June 30, 2012 and July 2, 2011, respectively.

First Half–
Reconciliation of Net Income Allocable to Common Shareholders

	For the first half ended June 30, 2012	For the first half ended July 2, 2011
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	58,128,989	57,185,008
Dilutive effect of unvested restricted stock	174,134	101,921
Dilutive effect of stock options	645,174	665,797
Diluted number of common and common equivalent shares outstanding	58,948,297	57,952,726

	For the first half ended			
	As reported on a GAAP Basis		As adjusted (a)	
$ in thousands, except EPS	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Basic net income per common share:				
Net income	$53,080	$44,782	$56,021	$46,176
Income allocated to participating securities	(718)	(497)	(758)	(512)
Net income available to common shareholders	$52,362	$44,285	$55,263	$45,664
Basic net income per common share	$0.90	$0.77	$0.95	$0.80
Diluted net income per common share:				
Net income	$53,080	$44,782	$56,021	$46,176
Income allocated to participating securities	(711)	(491)	(750)	(506)
Net income available to common shareholders	$52,369	$44,291	$55,271	$45,670
Diluted net income per common share	$0.89	$0.76	$0.94	$0.79

(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 $2.9 million and $1.4 million in after-tax expenses from these results for the six-month periods ended June 30, 2012 and July 2, 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 July 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 third 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 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 successfully integrate Bonnie Togs into our existing business and realize growth opportunities and other benefits from the acquisition; failure to achieve sales growth plans, cost savings, and other assumptions that support the carrying value of the Company's intangible assets; and the ability to attract and retain key individuals within the organization. Many of these risks are further described in the Company's most recently filed Quarterly Report on Form 10-Q and other reports filed with the Securities and Exchange Commission under the heading "Risk Factors" and "Forward-Looking Statements." All information is provided as of July 25, 2012. The Company undertakes no obligation to publicly update or revise any forward-looking statements or other information, whether as a result of new information, future events, or otherwise.


CAMP
OSHKOSH