



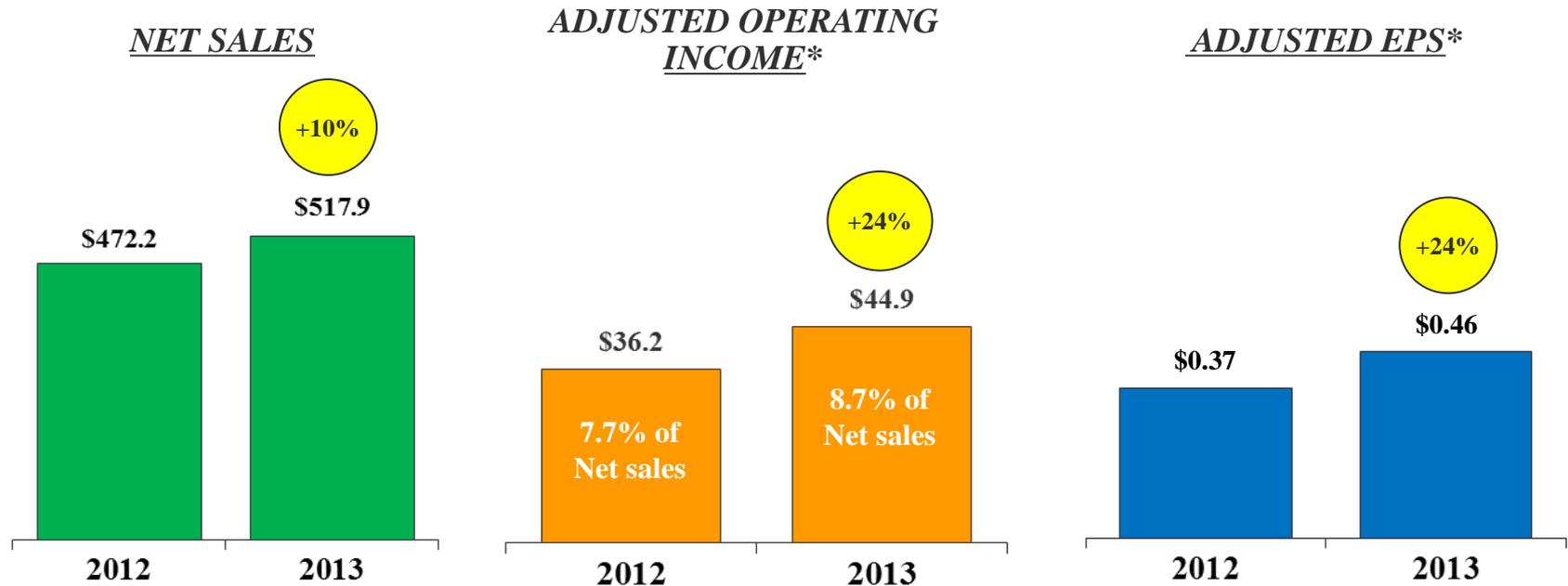
carter's, inc.

**Second Quarter 2013
Business Update**

July 25, 2013

Second Quarter Highlights

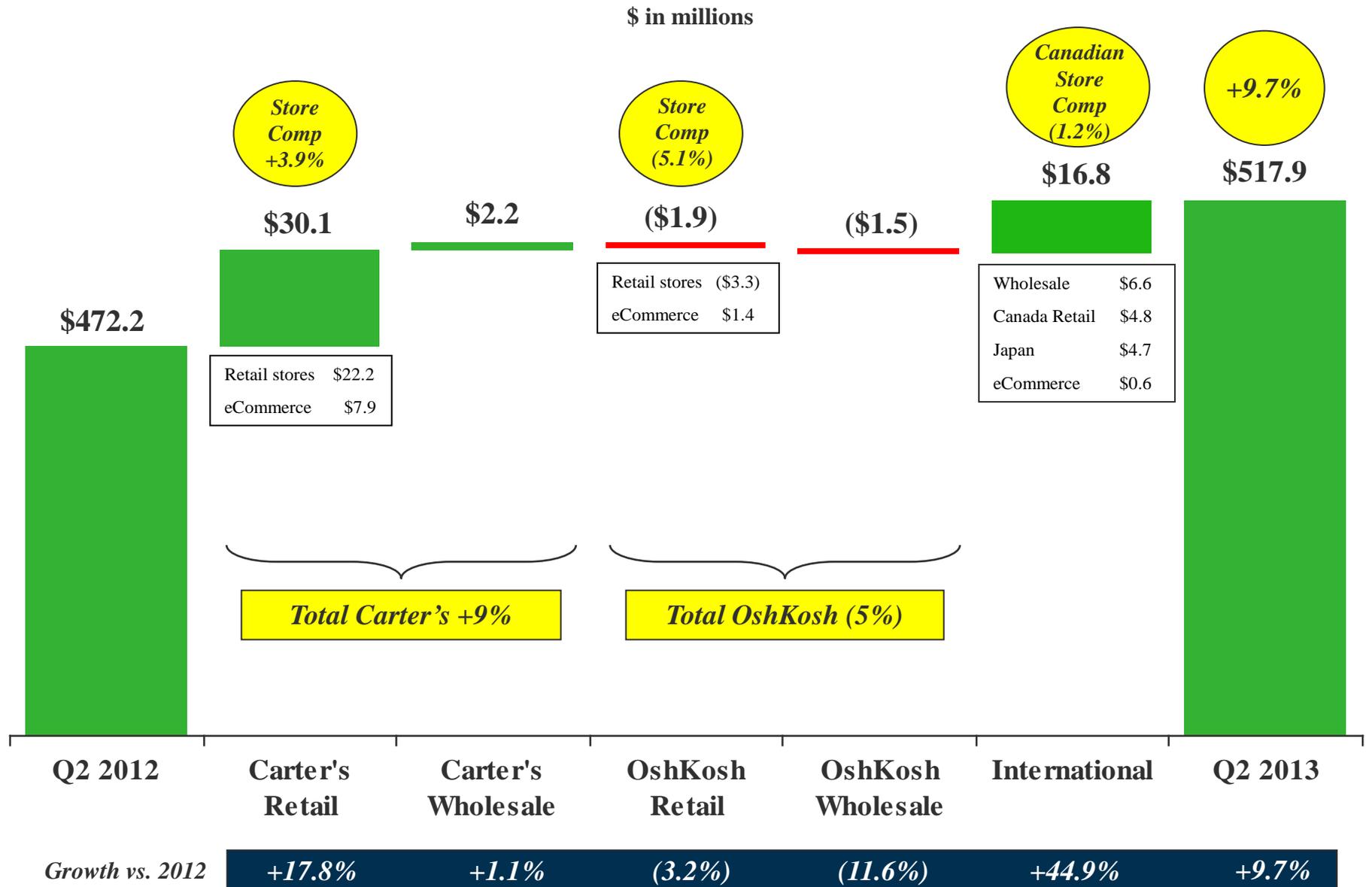
\$ in millions, except EPS



* 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 +7%
 - *Carter's* brands +9%
 - *OshKosh B'gosh* brand (5%)
 - International net sales +45%; 10% of total company sales
- Solid earnings growth driven by sales strength and gross margin expansion

Second Quarter 2013 Net Sales



Note: Results may not be additive due to rounding.

Second Quarter Adjusted Results*

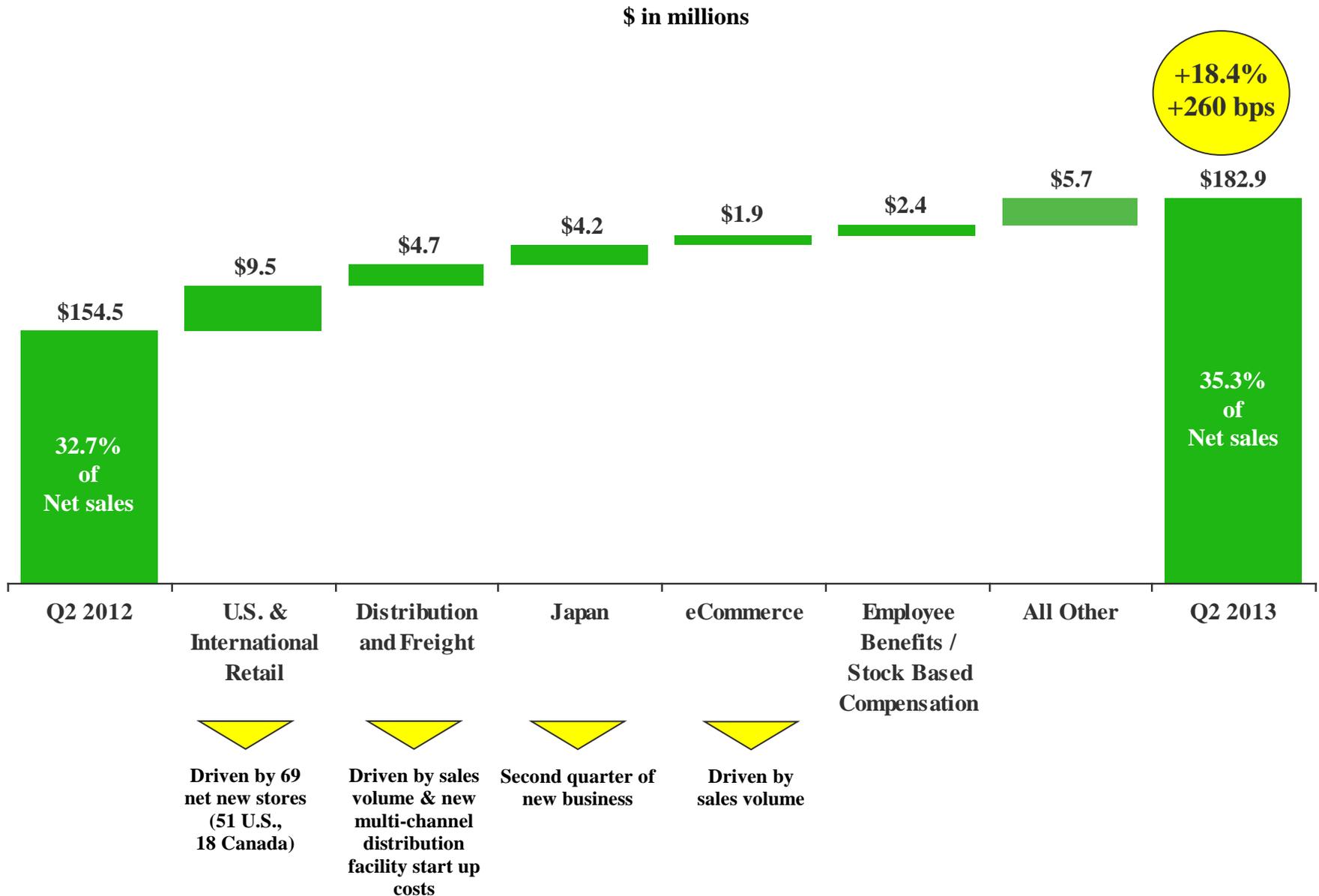
\$ in millions, except EPS

	Q2 2013	<i>% of Sales</i>	Q2 2012	<i>% of Sales</i>	Fav/ (Unfav)
Net sales	\$517.9		\$472.2		10%
Gross profit	220.2	42.5%	183.2	38.8%	20%
Adjusted SG&A*	182.9	35.3%	154.5	32.7%	(18%)
Royalty income	(7.5)	(1.4%)	(7.5)	(1.6%)	0%
Adjusted operating income*	44.9	8.7%	36.2	7.7%	24%
Interest and other, net	1.6	0.3%	1.5	0.3%	(4%)
Income taxes	15.6	3.0%	12.4	2.6%	(26%)
Adjusted net income*	\$27.7	5.3%	\$22.4	4.7%	24%
Adjusted diluted EPS*	\$0.46		\$0.37		24%
Weighted average shares outstanding	59.2		58.9		

* 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 Adjusted SG&A*



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

First Half Adjusted Results*

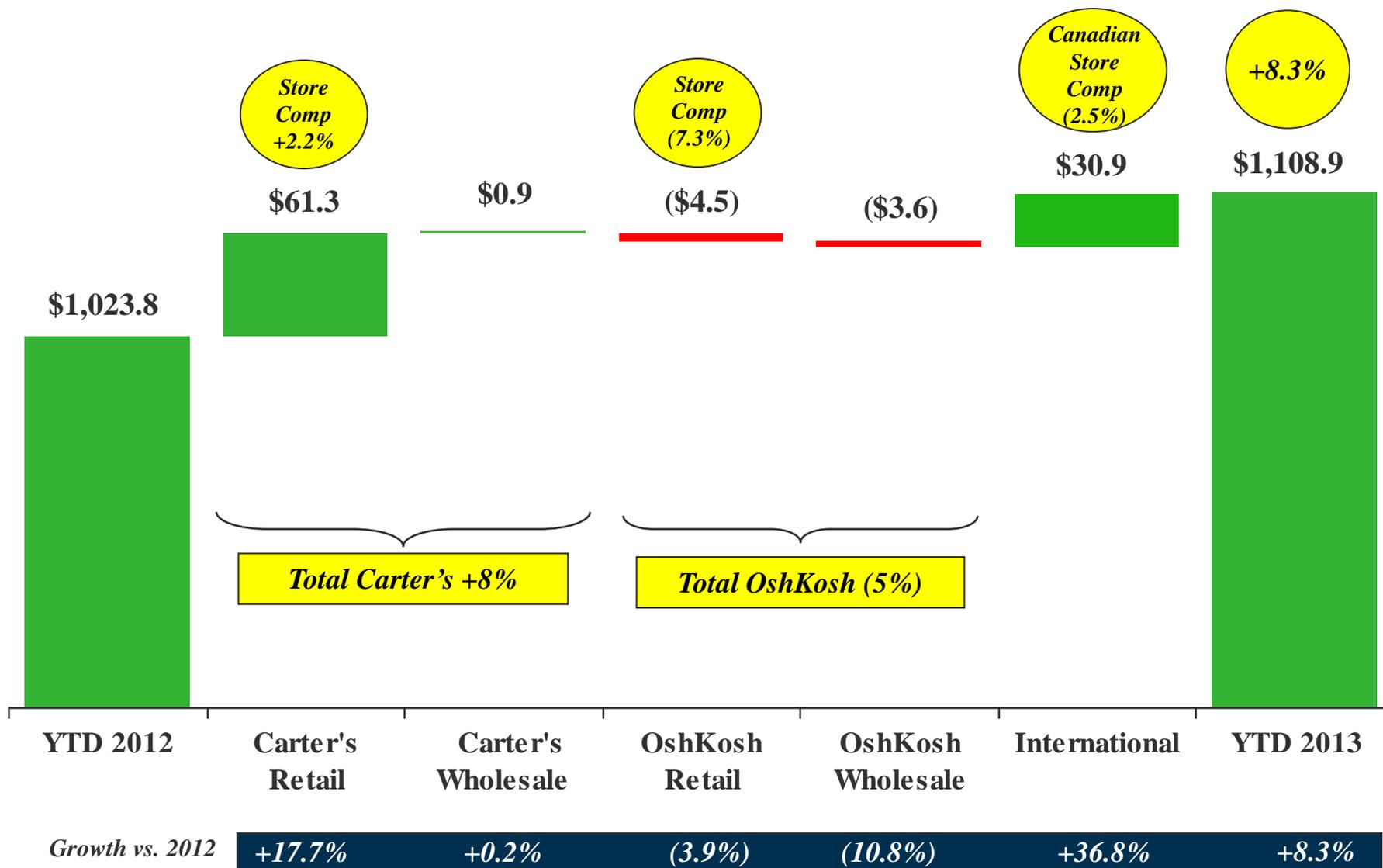
\$ in millions, except EPS

	1H 2013	<i>% of Sales</i>	1H 2012	<i>% of Sales</i>	Fav/ (Unfav)
Net sales	\$1,108.9		\$1,023.8		8%
Gross profit	463.3	41.8%	378.0	36.9%	23%
Adjusted SG&A*	358.8	32.4%	302.4	29.5%	(19%)
Royalty income	(16.7)	(1.5%)	(16.2)	(1.6%)	3%
Adjusted operating income*	121.3	10.9%	91.8	9.0%	32%
Interest and other, net	3.3	0.3%	3.8	0.4%	14%
Income taxes	42.6	3.8%	32.0	3.1%	(33%)
Adjusted net income*	\$75.4	6.8%	\$56.0	5.5%	35%
Adjusted diluted EPS*	\$1.26		\$0.94		34%
Weighted average shares outstanding	59.2		58.8		

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 10.
Note: Results may not be additive due to rounding.

First Half 2013 Net Sales

\$ in millions



Note: Results may not be additive due to rounding.

First Half 2013 Adjusted Business Segment Performance

\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2013	2012	\$ Growth	2013	2012	\$ Growth	2013	2012
Carter's Wholesale (a)	\$445	\$444	\$1	\$81	\$76	\$6	18.3%	17.0%
Carter's Retail (b)	408	346	61	73	50	23	17.9%	14.6%
Total Carter's	\$853	\$790	\$62	\$155	\$126	\$28	18.1%	16.0%
OshKosh Wholesale	\$29	\$33	(\$4)	\$3	\$1	\$3	11.8%	2.1%
OshKosh Retail (b)	112	116	(5)	(11)	(17)	6	(10.0%)	(14.3%)
Total OshKosh	\$141	\$149	(\$8)	(\$8)	(\$16)	\$8	(5.4%)	(10.7%)
Adjusted International (c)(d)	\$115	\$84	\$31	\$14	\$15	(\$1)	12.4%	17.6%
Adjusted corporate expenses (d)				(40)	(33)	(7)	(3.6%)	(3.2%)
Total, as adjusted (d)	\$1,109	\$1,024	\$85	\$121	\$92	\$29	10.9%	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 sales.

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

(d) See reconciliation of reported (GAAP) results to adjusted results on pg. 10.

Second Quarter 2013 Reconciliation of Reported to Adjusted Earnings

\$ in millions, except EPS

Second Quarter of Fiscal 2013	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
							International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$195.0	37.7%	\$32.7	6.3%	\$19.7	\$0.33	\$7.4	13.6%	(\$33.8)	(6.5%)
Office consolidation costs (a)	(10.2)		10.2		6.4	0.10			10.2	
Revaluation of contingent consideration (b)	(1.0)		1.0		1.0	0.02	1.0			
Amortization of tradenames (c)	(1.0)		1.0		0.6	0.01			1.0	
	<u>(12.1)</u>		<u>12.1</u>		<u>8.0</u>	<u>0.13</u>	<u>1.0</u>		<u>11.1</u>	
As adjusted (e)	\$182.9	35.3%	\$44.9	8.7%	\$27.7	\$0.46	\$8.3	15.4%	(\$22.6)	(4.4%)

Second Quarter of Fiscal 2012	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
							International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$156.3	33.1%	\$34.4	7.3%	\$20.8	\$0.35	\$6.1	16.4%	(\$17.8)	(3.8%)
Revaluation of contingent consideration (b)	(1.1)		1.1		1.1	0.01	1.1			
Facility closure costs - Hogansville DC (d)	(0.7)		0.7		0.5	0.01			0.7	
	<u>(1.8)</u>		<u>1.8</u>		<u>1.6</u>	<u>0.02</u>	<u>1.1</u>		<u>0.7</u>	
As adjusted (e)	\$154.5	32.7%	\$36.2	7.7%	\$22.4	\$0.37	\$7.2	19.3%	(\$17.1)	(3.6%)

(a) Costs related to the office consolidation.

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

(c) Amortization of H.W. Carter and Sons tradenames.

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

(e) 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 an alternative 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.

First Half 2013 Reconciliation of Reported to Adjusted Earnings

\$ in millions, except EPS

First Half of Fiscal 2013	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
							International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$380.4	34.3%	\$99.7	9.0%	\$61.1	\$1.02	\$12.3	10.7%	(\$59.5)	(5.4%)
Office consolidation costs (a)	(18.2)		18.2		11.4	0.19			18.2	
Revaluation of contingent consideration (b)	(1.9)		1.9		1.9	0.03	1.9			
Amortization of tradenames (c)	(1.0)		1.0		0.6	0.01			1.0	
Facility closure costs - Hogansville DC (d)	(0.6)		0.6		0.4	0.01			0.6	
	<u>(21.6)</u>		<u>21.6</u>		<u>14.3</u>	<u>0.24</u>	<u>1.9</u>		<u>19.7</u>	
As adjusted (e)	\$358.8	32.4%	\$121.3	10.9%	\$75.4	\$1.26	\$14.2	12.4%	(\$39.8)	(3.6%)

First Half of Fiscal 2012	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
							International Operating Income	% of segment net sales	Corporate Operating Expenses	% of segment net sales
As reported (GAAP)	\$306.0	29.9%	\$88.2	8.6%	\$53.1	\$0.89	\$13.0	15.5%	(\$35.0)	(3.4%)
Revaluation of contingent consideration (b)	(1.8)		1.8		1.8	0.03	1.8			
Facility closure costs - Hogansville DC (d)	(1.8)		1.8		1.2	0.02			1.8	
	<u>(3.6)</u>		<u>3.6</u>		<u>2.9</u>	<u>0.05</u>	<u>1.8</u>		<u>1.8</u>	
As adjusted (e)	\$302.4	29.5%	\$91.8	9.0%	\$56.0	\$0.94	\$14.8	17.6%	(\$33.1)	(3.2%)

(a) Costs related to the office consolidation.

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

(c) Amortization of H.W. Carter and Sons tradenames.

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

(e) 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 an alternative 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

\$ in millions

HIGHLIGHTS

Balance Sheet (at Q2 end)

	2013	2012
Cash	\$312.1	\$237.6
Accounts receivable	133.3	131.9
Inventory	429.2	377.9
Other assets	537.5	497.6
Accounts payable	199.6	120.9
Long-term debt	186.0	186.0

Cash Flow (First Half)

	2013	2012
Operating Cash Flow	\$69.8	\$89.9
CapEx	(70.6)	(37.7)
Free Cash Flow	(\$0.7)	\$52.2

- Strong liquidity
 - \$312 million cash on hand
 - \$174 revolver availability
- Inventory dollars up in support of strong planned second half sales and store openings
- Other assets increase reflects acquisition of H.W. Carter and Sons tradenames for \$38 million
 - Assets to be amortized on an accelerated basis over 3 years
- CapEx reflects growth and infrastructure investments, including:
 - New multi-channel distribution center
 - U.S. / International retail stores
 - Technology initiatives
- Repurchased 433,402 shares in Q2 for \$28.8 million (average price/share \$66.49)
 - YTD repurchased \$46.2 million (703,902 shares @ average price \$65.62)

Acquisition of Tradenames

Transaction

- Acquired worldwide rights to *Carter's Watch The Wear* and *H.W. Carter & Sons* brands
- Purchase price \$38 million (cash)
 - Asset acquisition transaction only; no liabilities assumed
 - Value of tradenames to be amortized on an accelerated basis over three years
 - Purchase price <1% of current CRI market capitalization

Strategic Rationale

- Strengthens the *Carter's* brand
 - Reduce possible consumer confusion
 - Control quality and distribution of products carrying the *Carter's* name
- Facilitates expansion in key international markets where *Carter's*, Inc. did not have trademark priority



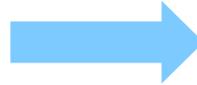
Capital Structure Review – Guiding Principles

- Maintain prudent liquidity



- Target cash on hand and revolver availability equal to approximately one year of EBITDA (currently approximately \$350 million)

-
- Prioritize investment in high-return, organic growth opportunities



- Continue investment in high-return businesses such as Carter's retail stores and eCommerce

-
- Selectively pursue bolt-on, tuck-in acquisitions to supplement growth



- Disciplined criteria to critically evaluate opportunities

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- Improve efficiency of capital structure



- Add a reasonable amount of new leverage
 - Maintain financial flexibility
 - Maintain favorable credit rating

-
- Return excess capital to shareholders



- Target returning 50% of annual free cash flow to shareholders via dividends and share repurchases

Second Quarter Adjusted Business Segment Performance

\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2013	2012	\$ Growth	2013	2012	\$ Growth	2013	2012
Carter's Wholesale (a)	\$197	\$195	\$2	\$31	\$35	(\$4)	15.9%	18.2%
Carter's Retail (b)	199	169	30	33	20	13	16.7%	11.8%
Total Carter's	\$396	\$364	\$32	\$65	\$55	\$9	16.3%	15.2%
OshKosh Wholesale	\$11	\$13	(\$1)	\$1	\$0	\$1	6.0%	0.5%
OshKosh Retail (b)	56	58	(2)	(6)	(9)	3	(10.8%)	(16.0%)
Total OshKosh	\$68	\$71	(\$3)	(\$5)	(\$9)	\$4	(8.0%)	(13.0%)
Adjusted International (c)(d)	\$54	\$37	\$17	\$8	\$7	\$1	15.4%	19.3%
Adjusted corporate expenses (d)				(23)	(17)	(6)	(4.4%)	(3.6%)
Total, as adjusted (d)	\$518	\$472	\$46	\$45	\$36	\$9	8.7%	7.7%

(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 sales.

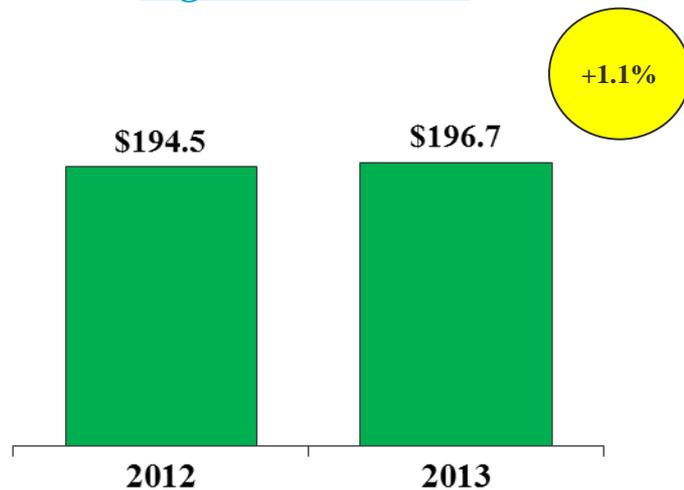
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(d) See reconciliation of reported (GAAP) results to adjusted results on pg. 9.

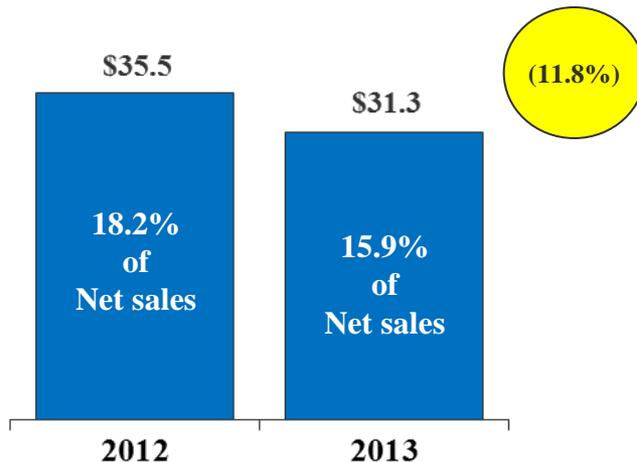
Second Quarter Highlights – *Carter's* Wholesale

\$ in millions

Segment Net Sales



Segment Operating Income



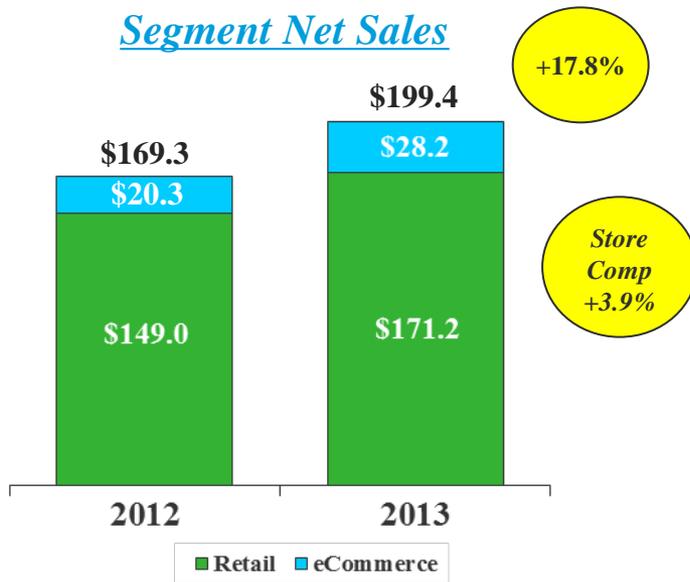
HIGHLIGHTS

- First half net sales comparable to LY
 - Significant Spring 2013 pre-ships fell into December 2012
 - Differences between CRI and Retailers' fiscal calendars
 - Expect second half net sales to grow high single-digits; full year outlook: + mid single-digits
- Season-to-date Spring over-the-counter selling up low single-digits at our major national customers
- Spring 2014 seasonal bookings up low to mid-single digits
- Elevating in-store floor presentations at multiple national retailers in second half of 2013

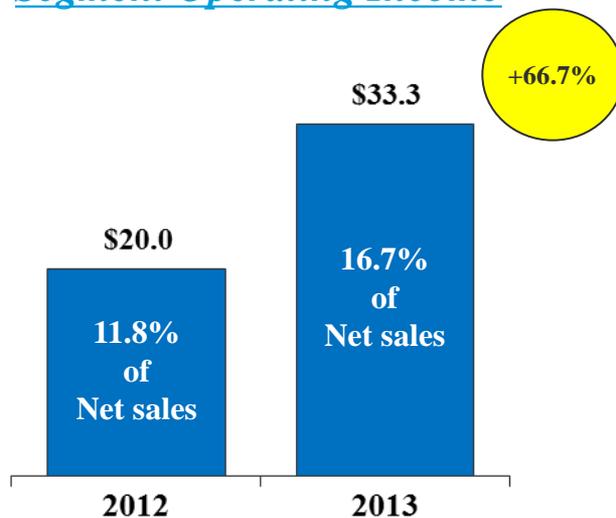
Second Quarter Highlights – *Carter's* Retail

\$ in millions

Segment Net Sales



Segment Operating Income



HIGHLIGHTS

Retail Stores

- Comp sales +3.9% vs. +1.0% LY
- Strength in Playwear, Swimwear, & Accessories
- Opened 15 net new stores in Q2, +53 stores vs. LY
- Q2 ending store count 438
 - 260 Brand
 - 178 Outlet
- On track to open 65 new stores in 2013

eCommerce

- Continued solid eCommerce growth, +39%
- Q2 net sales 16% of retail store sales
- eCommerce operating margin >20%

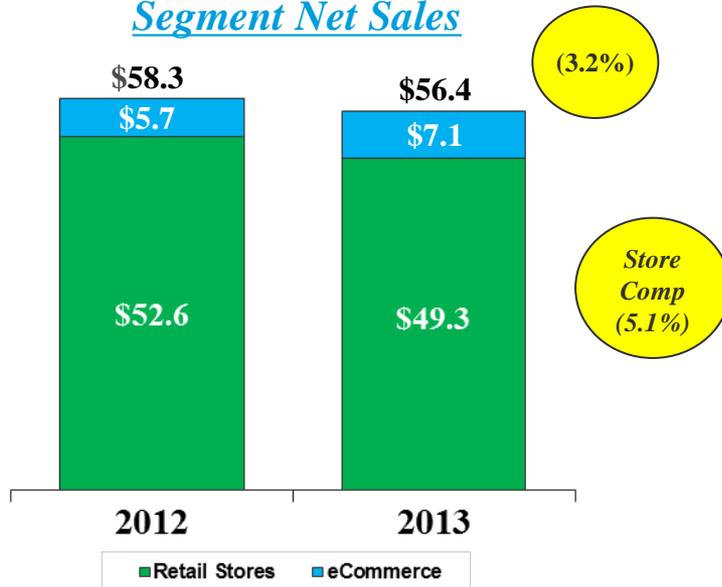
Segment Operating Income

- Profit improvement reflects strong product performance and stronger gross margin

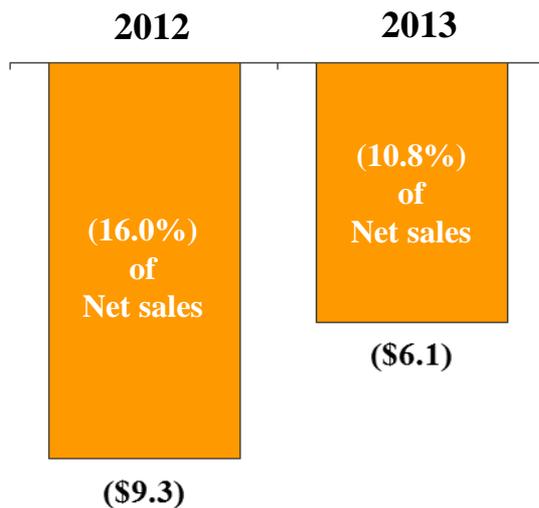
Second Quarter Highlights – *OshKosh* Retail

\$ in millions

Segment Net Sales



Segment Operating Loss



HIGHLIGHTS

Retail Stores

- Comp sales (5.1%)
- No openings or closings in Q2
- Q2 ending store count: 164
 - 20 Brand/Mall
 - 144 Outlet
- Plan to open 19 stores in 2013 (18 side-by-sides)

eCommerce

- Continued good eCommerce growth, +25%
- Q2 net sales 14% of retail store sales
- Mid-single digit operating margin

Segment Operating Loss

- Substantial improvement in profitability due to improved gross margin and higher contribution from eCommerce

Carter's / OshKosh – U.S. Side-by-Side Store Format Initiative

Woodstock, GA



COMMENTS

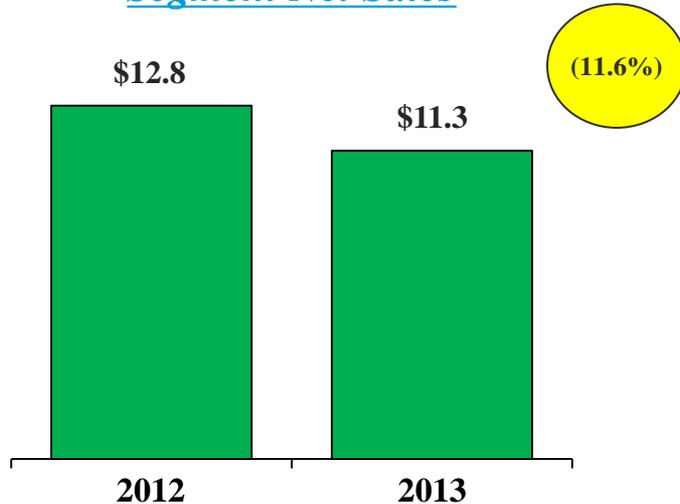
- Testing variation of co-branded model which has been successfully executed in Canada:
 - Two separate stores with “pass through” between them
 - Customers can shop both stores / brands and check-out in either store
- Builds upon *Carter's* store traffic, leverages construction and operating expenses
- Anticipate having 25 side-by-side format stores by year-end
 - 18 new store openings
 - Converting 7 existing stores



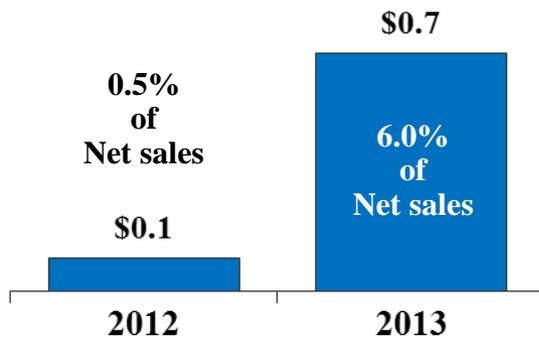
Second Quarter Highlights – *OshKosh* Wholesale

\$ in millions

Segment Net Sales



Segment Operating Income



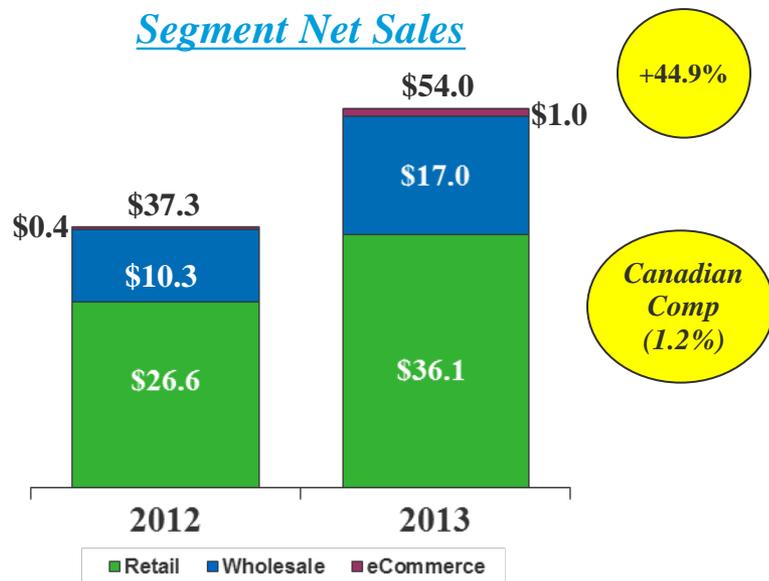
HIGHLIGHTS

- Significant improvement in profitability principally due to product cost improvements and rationalizing less profitable volume
- Spring 2014 bookings planned down high single digits reflecting continued focus on higher value relationships
- Annual sales planned down ~8%, with good improvement in profitability

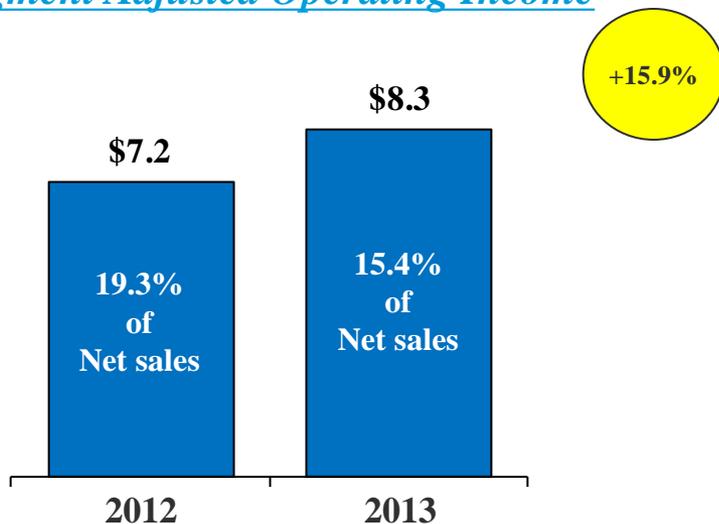
Second Quarter Highlights – International

\$ in millions

Segment Net Sales



Segment Adjusted Operating Income



HIGHLIGHTS

Retail Stores

- Canada
 - Sales +20% vs. LY
 - Co-branded comp +3.9%; BT comp (7.2%)
 - Q2 ending store count: 91 (58 co-branded)
 - Plan to open 22 co-branded stores in 2013 (12 planned in H2)
- Japan
 - Q2 sales of \$4.7 million

Wholesale

- Sales +64% vs. LY, driven by growth with U.S. multi-national retailers

Segment Operating Income

- Segment operating income +16% vs. LY, reflecting growth in wholesale and Canadian retail businesses
 - Japan loss ~\$1 million

Carter's / OshKosh Co-branded Store – Quebec





Outlook

Third Quarter 2013

- Sales and EPS expectations
 - Net sales: growth of approximately 12% vs. LY
 - Adjusted EPS: low single digit growth vs. \$1.02 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% to 17% (vs. \$2.85 LY)
- New retail stores: *Carter's* 65, *OshKosh* 19, Canada 22
 - Store closings: *Carter's* (5), *OshKosh* (5), Canada (2)
- 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 \$175 million



Appendix

Second Quarter – Reconciliation of Net Income Allocable to Common Shareholders

	<u>For the second quarter ended</u>	
	<u>June 29, 2013</u>	<u>June 30, 2012</u>
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	58,567,558	58,200,702
Dilutive effect of equity awards	588,622	676,321
Diluted number of common and common equivalent shares outstanding	<u>59,156,180</u>	<u>58,877,023</u>

	<u>For the second quarter ended</u>			
	<u>As reported on a GAAP Basis</u>		<u>As adjusted (a)</u>	
	<u>June 29, 2013</u>	<u>June 30, 2012</u>	<u>June 29, 2013</u>	<u>June 30, 2012</u>
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$19,673	\$20,805	\$27,668	\$22,353
Income allocated to participating securities	(265)	(271)	(375)	(291)
Net income available to common shareholders	<u>\$19,408</u>	<u>\$20,534</u>	<u>\$27,293</u>	<u>\$22,062</u>
Basic net income per common share	\$0.33	\$0.35	\$0.47	\$0.38
Diluted net income per common share:				
Net income	\$19,673	\$20,805	\$27,668	\$22,353
Income allocated to participating securities	(263)	(268)	(372)	(288)
Net income available to common shareholders	<u>\$19,410</u>	<u>\$20,537</u>	<u>\$27,296</u>	<u>\$22,065</u>
Diluted net income per common share	\$0.33	\$0.35	\$0.46	\$0.37

(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 \$8.0 million and \$1.6 million in after-tax expenses from these results for the second quarter ended June 29, 2013 and June 30, 2012, respectively.

Reconciliation of Net Income Allocable to Common Shareholders

	For the first half ended	
	June 29, 2013	June 30, 2012
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	58,519,286	58,128,989
Dilutive effect of equity awards	648,072	645,174
Diluted number of common and common equivalent shares outstanding	<u>59,167,358</u>	<u>58,774,163</u>

	For the first half ended			
	As reported on a GAAP Basis		As adjusted (a)	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$61,088	\$53,080	\$75,378	\$56,021
Income allocated to participating securities	(811)	(651)	(1,002)	(687)
Net income available to common shareholders	<u>\$60,277</u>	<u>\$52,429</u>	<u>\$74,376</u>	<u>\$55,334</u>
Basic net income per common share	\$1.03	\$0.90	\$1.27	\$0.95
Diluted net income per common share:				
Net income	\$61,088	\$53,080	\$75,378	\$56,021
Income allocated to participating securities	(803)	(644)	(992)	(680)
Net income available to common shareholders	<u>\$60,285</u>	<u>\$52,436</u>	<u>\$74,386</u>	<u>\$55,341</u>
Diluted net income per common share	\$1.02	\$0.89	\$1.26	\$0.94

(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 \$14.3 million and \$2.9 million in after-tax expenses from these results for the first half ended June 29, 2013 and June 30, 2012, respectively.

Third Quarter 2012 Reconciliation of Reported to Adjusted Earnings

\$ in millions, except EPS

Third Quarter of Fiscal 2012	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS
As reported (GAAP)	\$185.2	27.7%	\$95.4	14.3%	\$59.4	\$0.99
Revaluation of contingent consideration (a)	(1.1)		1.1		1.1	0.02
Facility closure costs - Hogansville DC (b)	(0.8)		0.8		0.5	0.01
	(1.9)		1.9		1.6	0.03
As adjusted (c)	\$183.3	27.4%	\$97.3	14.5%	\$61.0	\$1.02

(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. 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 an alternative 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.

Fiscal Year 2012 Reconciliation of Reported to Adjusted Earnings

\$ in millions, except EPS

Fiscal 2012	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS
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 costs - Hogansville DC (c)	(3.1)		3.1		1.9	0.03
	<u>(13.1)</u>		<u>13.1</u>		<u>9.6</u>	<u>0.16</u>
As adjusted (d)	\$700.1	29.4%	\$275.1	11.5%	\$170.7	\$ 2.85

(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 an alternative 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 July 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 third 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; incurring costs in connection with cooperating with regulatory investigations and proceedings; 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 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 July 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.



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