



carter's[®]
made with love

Business Review

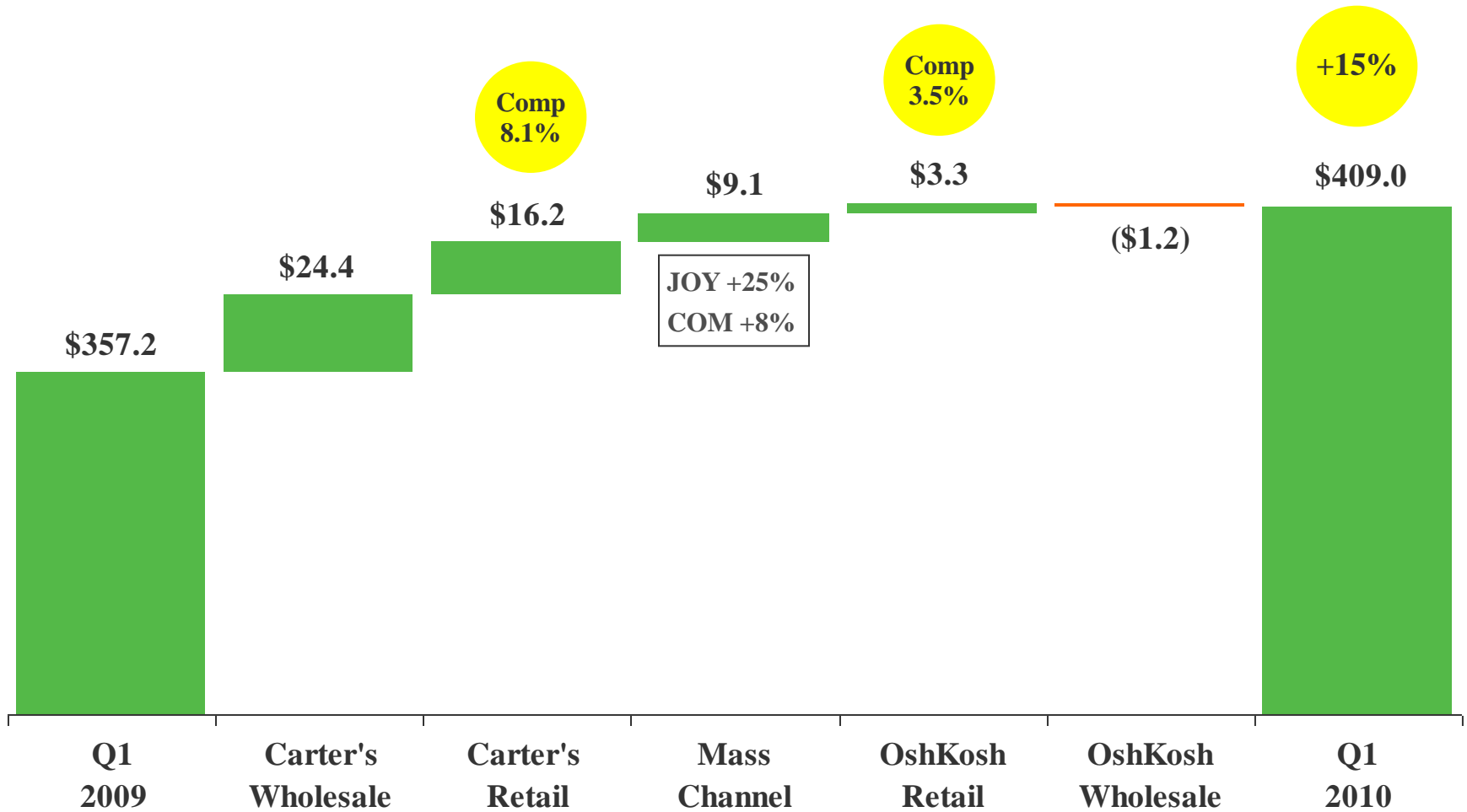
April 28, 2010

First Quarter 2010 Highlights

- Net sales of \$409 million, +15% to last year
 - Carter's wholesale +20%, reflecting strong over-the-counter selling and earlier than planned demand
 - Consolidated retail +13% (Carter's comps +8.1%; OshKosh comps +3.5%)
 - Mass channel +15%, reflecting strong over-the-counter selling and earlier than planned demand
- Gross margin +500 bps driven by higher product margins in all channels
- SG&A leverage of +210 bps (25.7% vs. 27.8%)
- EPS of \$0.71 versus \$0.28 last year (100%+)
 - +87% versus last year adjusted EPS of \$0.38

First Quarter 2010 Sales

\$ in millions



Q1 Growth vs. 2009

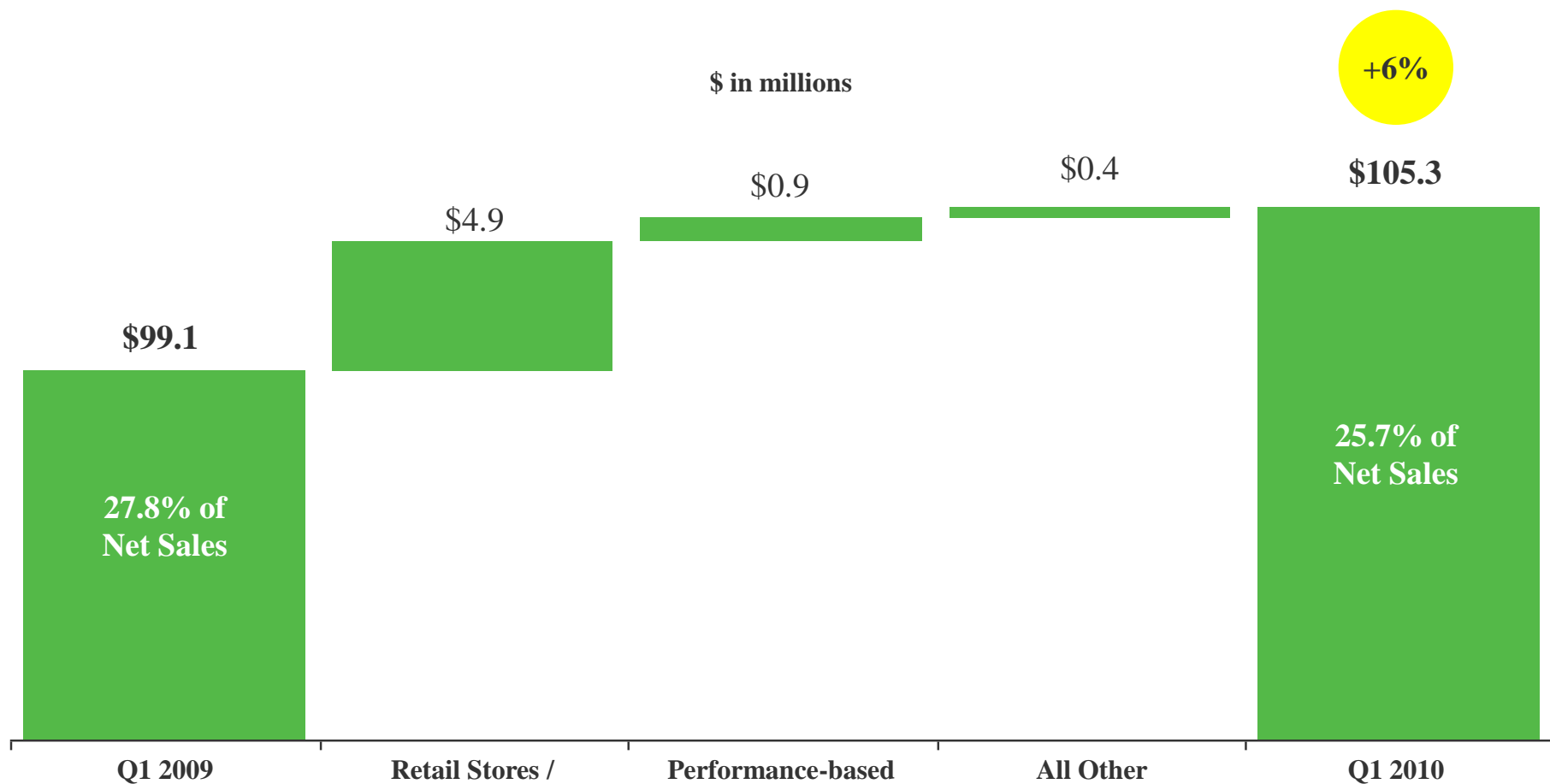


First Quarter P&L

	\$ in millions, except EPS				
	Q1 2010	<i>% of sales</i>	Q1 2009	<i>% of sales</i>	Increase (Decrease)
Net sales	\$409.0		\$357.2		15%
Gross profit	166.8	40.8%	127.7	35.8%	31%
SG&A	105.3	25.7%	99.1	27.8%	6%
Royalty income	(9.7)	(2.3%)	(8.8)	(2.5%)	10%
Workforce reduction and facility closure costs			8.4	2.4%	
Operating income	71.2	17.4%	28.9	8.1%	+100%
Interest	2.4	0.6%	3.2	0.9%	(23%)
Income before taxes	68.7	16.8%	25.8	7.2%	+100%
Income taxes	25.9	6.3%	9.2	2.6%	+100%
Net income	\$42.8	10.5%	\$16.6	4.6%	+100%
Diluted share count	59.4		57.7		
Earnings per diluted share (GAAP)	\$0.71		\$0.28		+100%
Adjusted net income (a)	\$42.8	10.5%	\$22.1	6.2%	94%
Adjusted earnings per diluted share (a)	\$0.71		\$0.38		87%

(a) See reconciliation of reported (GAAP) results to results as adjusted on page 6.

First Quarter 2010 SG&A



- 28 additional stores vs. 2009
- Retail achieved SG&A leverage in Q1
- eCommerce launch in Q1 2010

- Higher level of earnings

Reconciliation of Adjusted First Quarter Earnings

\$ in millions, except EPS

<u>First Quarter Fiscal 2010</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Diluted EPS</u>	<u>First Quarter Fiscal 2009</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Diluted EPS</u>
Income, as reported (GAAP)	\$71.2	\$42.8	\$0.71	Income, as reported (GAAP)	\$28.9	\$16.6	\$0.28
				Distribution facility closure costs (a)	3.3	2.1	0.04
				Accelerated depreciation (b)	0.3	0.2	--
				Asset impairment (c)	1.8	1.1	0.02
				Workforce reduction (d)	3.3	2.1	0.04
	<u>-</u>	<u>-</u>	<u>-</u>		<u>8.7</u>	<u>5.5</u>	<u>0.10</u>
Income, as adjusted (e)	\$71.2	\$42.8	\$0.71	Income, as adjusted (e)	\$37.6	\$22.1	\$0.38

(a) Costs associated with the closure of the Company's Barnesville, Georgia distribution facility.

(b) Charges (included in selling, general, and administrative expenses) related to the closure of the Company's Barnesville, Georgia distribution facility.

(c) Charges associated with the closure of the Company's Oshkosh, Wisconsin facility.

(d) Severance charges associated with the reduction in the Company's corporate workforce.

(e) The Company has provided adjusted, non-GAAP financial measurements that present 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.

First Quarter Business Segment Performance

\$ in millions

	Net Sales			Operating Income (Loss)			Operating Margin		
	2010	2009	\$ Growth	2010	2009	\$ Growth	2010	2009	
<u>Carter's</u>									
Wholesale	\$146.3	\$121.8	\$24.4	\$40.3	\$23.1	\$17.2	27.6%	19.0%	
Retail	118.1	101.9	16.2	26.1	16.6	9.6	22.1%	16.3%	
Mass	67.9	58.8	9.1	12.8	8.1	4.7	18.8%	13.8%	
Total Carter's	\$332.3	\$282.6	\$49.7	\$79.2	\$47.8	\$31.4	23.8%	16.9%	+690bps
<u>OshKosh</u>									
Wholesale	\$21.6	\$22.8	(\$1.2)	\$3.6	\$1.4	\$2.2	16.6%	6.2%	
Retail	55.1	51.8	3.3	2.0	(0.3)	2.3	3.6%	(0.6%)	
Mass				0.8	0.7	0.1	(b)	(b)	
Total OshKosh	\$76.7	\$74.6	\$2.1	\$6.3	\$1.8	\$4.5	8.2%	2.4%	+580bps
Corporate expenses				(14.4)	(20.7)	6.3	(3.5%)	(5.8%)	
Total, as reported	\$409.0	\$357.2	\$51.9	\$71.2	\$28.9	\$42.2	17.4%	8.1%	
Workforce reduction and facility closure costs (a)					8.7	(8.7)		2.4%	
Total, as adjusted	\$409.0	\$357.2	\$51.9	\$71.2	\$37.6	\$33.5	17.4%	10.5%	+690bps

(a) These reconciling items are included in Corporate expenses above. See reconciliation of reported (GAAP) results to results as adjusted on page 6.

(b) Not applicable - OshKosh Mass channel operating income represents royalty income.

Balance Sheet and Cash Flow

\$ in millions

		2010	2009
Balance Sheet	Cash	\$365.9	\$186.8
	Inventories	143.1	153.9
	Term Loan	333.6	337.2
	Leverage Ratio	1.21x	1.78x
Cash Flow	Operating Cash Flow	\$23.4	\$35.2
	Capex	(8.2)	(10.8)
	Free Cash Flow	<u>\$15.2</u>	<u>\$24.4</u>

- Healthy balance sheet
 - Strong liquidity position
 - Excellent inventory quality
- No revolver borrowings
 - \$116 million available
- Term loan
 - LIBOR +150 bps
 - Matures July 2012
 - \$135 million covered by interest rate hedge agreements
 - Effective interest rate
 - 3.04% vs. 3.88% LY

Carter's Wholesale Results

KEY METRICS

(Change vs. LY)

Q1 Growth

Net Sales

+20%

Units

+18%

Average Price

+2%

First half
net sales
growth
forecasted
~ +10%

HIGHLIGHTS

- Spring 2010 product strategies driving good over-the-counter selling performance
- Achieved sales growth in each of Carter's product markets: baby, sleepwear, and playwear
- Customers' inventories continue to be well positioned to achieve season selling plans
- Forecasting mid-to-high single digit increase in net sales for Fall

Little Layette



Bon-Ton – Mix, Match, and Play Presentation



Mass Channel Results

KEY METRICS

(Change vs. LY)

Q1 Growth

Net Sales

+15%

Units

+18%

Average Price

(2%)

First half
net sales
forecasted
~ (2%)

HIGHLIGHTS

- Sales growth at both Target and Walmart in Q1
- Over-the-counter performance has been generally strong across both brands
- Target business continues to deliver double-digit sales growth, driven by the addition of new programs, as well as increased productivity
- Expect Mass Channel net sales will be flat to slightly positive for the year

KEY METRICS

(Change vs. LY)

Q1 Growth

Net Sales

(5%)

Units

(9%)

Average Price

+4%

First half
net sales
growth
forecasted
~ +2%

HIGHLIGHTS

- Lower off-price sales drove decrease in net sales versus last year
- Spring 2010 product performing well
- Fiscal 2010 sales planned flat

Bon-Ton – OshKosh Wall Presentation



Carter's Retail Results

KEY METRICS

(Change vs. LY)

	Q1 2010	Q1 2009
Sales	15.9%	18.0%
Comps	8.1%	5.2%
Transactions (#)	3.1%	2.3%
UPTs	2.8%	(0.2%)
Average Prices	2.0%	3.1%
Inventory/Door	(4.9%)	(8.9%)
Brand Stores	108	90
Outlet Stores	<u>173</u>	<u>170</u>
Total Stores	<u>281</u>	<u>260</u>

HIGHLIGHTS

- Strong and consistent revenue and margin growth
- Increases across all key performance indicators
- Positive performance across all product categories
- Inventory well positioned with a cleaner mix of in-season product
- Opened 5 stores in Q1

OshKosh Retail Results

KEY METRICS

(Change vs. LY)

	Q1 2010	Q1 2009
Sales	6.4%	16.8%
Comps	3.5%	11.1%
UPTs	6.5%	(3.5%)
Transactions (#)	0.1%	5.1%
Average Prices	(2.9%)	9.5%
Inventory/Door	(8.2%)	(15.3%)
Brand Stores	12	9
Outlet Stores	<u>160</u>	<u>156</u>
Total Stores	<u><u>172</u></u>	<u><u>165</u></u>

HIGHLIGHTS

- Strong sales and operating margin improvement
- Acceleration in number of units sold
- Strong response to marketing collateral
- Clean mix of inventory entering Q2
- Opened 2 stores in Q1

Carter's Summer Catazine

\$5
\$7
\$9
sale

carter's
babies and kids

bubble print 1-piece sizes nb-24m **SALE \$15** MSRP \$25

pink 2-piece rash guard sizes 2t-6x **SALE \$19.20** MSRP \$32

floral 2-piece tankini sizes 2t-6x **SALE \$19.20** MSRP \$32

40% off swimwear

carter's
babies and kids

\$10 off
any purchase of \$50 or more
Valid April 21-May 31, 2010

Prices are subject to change. Availability varies by store location. Carter's is a registered trademark of The William Carter Company.

\$5
\$7
\$9
sale

lime green & zebra print bloomer set sizes 3m-24m **SALE \$9** MSRP \$18

pink & orange paisley bloomer set sizes 3m-24m **SALE \$9** MSRP \$18

blue & green plaid sunsuit sizes 3m-24m **SALE \$7** MSRP \$16

terry floral sunsuit sizes 3m-24m **SALE \$7** MSRP \$16

lime green flower tank sizes 12m-6x **SALE \$7** MSRP \$12-\$14

plaid short sizes 12m-6x **SALE \$9** MSRP \$12-\$14

brown & orange striped dress sizes 2t-6x **SALE \$9** MSRP \$18-\$20

carter's
summer savings

lime green jeep polo sizes 3m-5t **SALE \$9** MSRP \$16

brown "big fish" muscle tee sizes 3m-5t **SALE \$5** MSRP \$12

brown striped dinosaur tee sizes 3m-7 **SALE \$5** MSRP \$12-\$14

khaki cargo short sizes 3m-7 **SALE \$9** MSRP \$16-\$18

plaid board short sizes 3m-7 **SALE \$9** MSRP \$16-\$18

orange knit short sizes 3m-7 **SALE \$5** MSRP \$12-\$14

blue shark polo sizes 3m-7 **SALE \$9** MSRP \$16-\$18

orange wave polo sizes 3m-7 **SALE \$9** MSRP \$16-\$18

plaid pull-on short sizes 3m-7 **SALE \$7** MSRP \$12-\$14

hibiscus print board short sizes 3m-7 **SALE \$9** MSRP \$16-\$18

OshKosh Summer Catazine

UP TO 50% OFF

**READY, SET, PLAY!
SALE**

**OSHKOSH
B'gosh.**

THE GENUINE DEAL.

\$5
BABY B'GOSH
TOPS & BOTTOMS

\$10 OFF
ANY PURCHASE OF \$50 OR MORE
Valid April 21 - May 31, 2010

**OSHKOSH
B'gosh.**

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UP TO 50% OFF

Flip Flops SALE 2 for \$10
or 90 each
MSRP \$8
Sizes S, M, L, XL

White Fashion Top SALE Starting at \$9.90
MSRP \$15-\$20
Sizes 2-12

Pink Canvas Skort SALE Starting at \$10.90
MSRP \$15-\$22
Sizes 2-12

Sandals SALE Starting at \$10.90
MSRP \$15
Sizes 13-3

Blue Fashion Top SALE Starting at \$9.90
MSRP \$15-\$20
Sizes 2-12

White Canvas Short SALE Starting at \$13.90
MSRP \$22-\$26
Sizes 2-12

Blue Rib Tank and Tassel Knit Skirt SALE Starting at \$8.40
MSRP \$14-\$18
Size 2-12

Sunglasses SALE Starting at \$6
MSRP \$10-\$17
Size S, M, L

Baby B'gosh

Infant Boy Romper SALE \$8
MSRP \$15
Size 3m-24m

Swim Hat SALE \$5
MSRP \$12-\$14
Size 12m-7

Infant Sandals SALE \$12
MSRP \$20
Sizes 0-4

Sunglasses SALE \$6
MSRP \$15-\$18
Sizes S, M, L

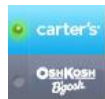
Swimwear SALE Starting at \$11
MSRP \$22-\$30
Size 3m-12

Painter Hat SALE \$5
MSRP \$12-\$14
Size 12m-7

Lime Striped Polo SALE \$9
MSRP \$18-\$20
Size 2-7

Fluid Cargo Short SALE \$9
MSRP \$18-\$20
Size 2-7

\$9
POLOS & CARGO SHORTS



carter's®

baby
nb-24m

toddler
2t-5t

kid
4-6x/7

gift
shop

store
locator

wish
list



[Register](#) | [Login](#) | [Track My Order](#)

big deals for little ones



\$5

shop \$5 deals for baby

\$7

shop \$7 deals for baby

\$9

shop \$9 deals for baby

sale!

celebrate the savings



sign up for the celebration club

follow us:

[carter's on Facebook](#)

take a look at what's
new in our stores



OSHKOSH
B'gosh.

BOY
2t - 12

Girl
2t - 12

Baby
B'gosh.
nb - 24m

OKBG
FAVES

STORE
LOCATOR

WISH
LIST



[Register](#) | [Login](#) | [Track My Order](#)

RACE INTO SUMMER FUN



New fancy-free
**summer
dresses**



\$6 & up
boy's athletic wear



Oh, baby!
easy summer outfits



**FREE
SHIPPING**

on all orders
of \$50 or more

★ [Join the Preferred Customer Club](#)
email address [JOIN NOW](#)

FOLLOW US: 
OshKosh B'gosh on Facebook

Take a look at what's
new in our stores

eCommerce In-Store Marketing





We expect:

For the second quarter...

- Net sales up low single digits
- Adjusted EPS flat to down slightly

For the full year...

- Net sales up mid to high single digits
- Adjusted EPS +15% - 20%
- CapEx approximately \$40 - \$45 million

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 28, 2010, 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 future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the second quarter of fiscal 2010 and fiscal 2010 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: a decrease in sales to, or the loss of one or more of, the Company's key customers; increased competition in the baby and young children's apparel market; the acceptance of the Company's products in the marketplace; deflationary pricing pressures; the Company's dependence on foreign supply sources; failure of the Company's foreign supply sources to meet its quality standards or regulatory requirements; negative publicity; leverage, which increases the Company's exposure to interest rate risk and could require the Company to dedicate a substantial portion of its cash flow to repay debt principal; an inability to access suitable financing due to the current economic environment; a continued decrease in the overall value of the United States equity markets due to the current economic environment; a continued decrease in the overall level of consumer spending; changes in consumer preference and fashion trends; seasonal fluctuations in the children's apparel business; the impact of governmental regulations and environmental risks applicable to the Company's business; the risk that ongoing litigation and investigations may be resolved adversely; the breach of the Company's consumer database; the ability of the Company to adequately forecast demand, which could create significant levels of excess inventory; the ability of the Company to identify new retail store locations, and negotiate appropriate lease terms for the retail stores; the ability to attract and retain key individuals within the organization; failure to achieve sales growth plans, cost savings, and other assumptions that support the carrying value of the Company's intangible assets; and the Company's inability to remediate its material weaknesses. Many of these risks are further described in the Company's most recently filed Annual Report on Form 10-K 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 April 28, 2010. 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.

Appendix



Reconciliation of Adjusted Earnings

\$ in millions, except EPS

<u>Second Quarter of Fiscal 2009</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Diluted EPS</u>	<u>Fiscal 2009</u>	<u>Operating Income</u>	<u>Net Income</u>	<u>Diluted EPS</u>
Income, as reported (GAAP)	\$29.4	\$16.6	\$0.28	Income, as reported (GAAP)	\$195.6	\$115.6	\$1.97
Workforce reduction (a)	2.2	1.4	0.02	Workforce reduction (a)	5.5	3.5	0.06
Distribution facility closure costs (b)	--	--	--	Distribution facility closure costs (b)	3.3	2.1	0.04
Net asset impairment (c)	--	--	--	Net asset impairment (c)	1.2	0.8	0.01
Accelerated depreciation (d)	0.7	0.4	0.01	Accelerated depreciation (d)	1.0	0.6	0.01
Facility write-down (e)	0.7	0.5	0.01	Facility write-down (e)	0.7	0.4	--
Investigation expenses (f)	--	--	--	Investigation expenses (f)	5.7	3.6	0.06
	<u>3.6</u>	<u>2.3</u>	<u>0.04</u>		<u>17.4</u>	<u>11.0</u>	<u>0.18</u>
Income, as adjusted (g)	<u>\$33.0</u>	<u>\$18.9</u>	<u>\$0.32</u>	Income, as adjusted (g)	<u>\$213.0</u>	<u>\$126.6</u>	<u>\$2.15</u>

(a) Severance charges and other benefits associated with the reduction in the Company's corporate workforce.

(b) Costs associated with the closure of the Company's Barnesville, Georgia distribution facility, including \$1.7 million in severance and other benefits, \$1.1 million in asset impairment charges, and \$0.5 million in other closure costs.

(c) Asset impairment charges associated with the closure of the Company's Oshkosh, Wisconsin facility net of the gain from the sale of this facility.

(d) Accelerated depreciation charges (included in selling, general, and administrative expenses) related to the closure of the Company's Barnesville, Georgia distribution facility.

(e) Charges related to the write-down of the carrying value of the Company's White House, Tennessee distribution facility.

(f) Professional service fees related to the investigation of customer accommodations.

(g) The Company has provided adjusted, non-GAAP financial measurements that present 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.

