

**CARTER'S, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands, except for share data)

	<u>December 31, 2016</u>	<u>January 2, 2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 299,358	\$ 381,209
Accounts receivable, net .....	202,471	207,570
Finished goods inventories .....	487,591	469,934
Prepaid expenses and other current assets .....	32,180	37,815
Deferred income taxes .....	35,486	34,080
Total current assets .....	1,057,086	1,130,608
Property, plant, and equipment, net .....	385,874	371,704
Tradenames and other intangible assets, net .....	308,928	310,848
Goodwill .....	176,009	174,874
Other assets .....	18,700	15,620
Total assets .....	<u>\$1,946,597</u>	<u>\$2,003,654</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 158,432	\$ 157,648
Other current liabilities .....	119,177	105,070
Total current liabilities .....	277,609	262,718
Long-term debt, net .....	580,376	578,972
Deferred income taxes .....	130,656	128,838
Other long-term liabilities .....	169,832	158,075
Total liabilities .....	1,158,473	1,128,603
Commitments and contingencies—Note 17		
Stockholders' equity:		
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at December 31, 2016 and January 2, 2016 .....	—	—
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 48,948,670 and 51,764,309 shares issued and outstanding at December 31, 2016 and January 2, 2016, respectively .....	489	518
Additional paid-in capital .....	—	—
Accumulated other comprehensive loss .....	(34,740)	(36,367)
Retained earnings .....	822,375	910,900
Total stockholders' equity .....	788,124	875,051
Total liabilities and stockholders' equity .....	<u>\$1,946,597</u>	<u>\$2,003,654</u>

See accompanying notes to the consolidated financial statements.

**CARTER'S, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(dollars in thousands, except per share data)

	For the fiscal years ended		
	December 31, 2016 (52 Weeks)	January 2, 2016 (52 Weeks)	January 3, 2015 (53 Weeks)
Net sales . . . . .	\$3,199,184	\$3,013,879	\$2,893,868
Cost of goods sold . . . . .	1,820,035	1,755,855	1,709,428
Gross profit . . . . .	1,379,149	1,258,024	1,184,440
Selling, general, and administrative expenses . . . . .	995,406	909,233	890,251
Royalty income . . . . .	(42,815)	(44,066)	(39,156)
Operating income . . . . .	426,558	392,857	333,345
Interest expense . . . . .	27,044	27,031	27,653
Interest income . . . . .	(563)	(500)	(403)
Other expense (income), net . . . . .	4,007	(1,862)	3,189
Income before income taxes . . . . .	396,070	368,188	302,906
Provision for income taxes . . . . .	137,964	130,366	108,236
Net income . . . . .	<u>\$ 258,106</u>	<u>\$ 237,822</u>	<u>\$ 194,670</u>
Basic net income per common share . . . . .	\$ 5.13	\$ 4.55	\$ 3.65
Diluted net income per common share . . . . .	\$ 5.08	\$ 4.50	\$ 3.62
Dividend declared and paid per common share . . . . .	\$ 1.32	\$ 0.88	\$ 0.76

Form 10-K

See accompanying notes to the consolidated financial statements.

**CARTER'S, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	For the fiscal years ended		
	December 31, 2016 (52 Weeks)	January 2, 2016 (52 Weeks)	January 3, 2015 (53 Weeks)
Cash flows from operating activities:			
Net income	\$ 258,106	\$ 237,822	\$ 194,670
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	71,522	61,982	58,487
Amortization of tradenames	1,919	6,417	16,437
Accretion of contingent consideration	—	809	1,348
Amortization of debt issuance costs	1,461	1,603	1,533
Non-cash stock-based compensation expense	16,847	17,029	17,598
Unrealized foreign currency exchange loss, net	33	4	2,378
Income tax benefit from stock-based compensation	(4,800)	(8,839)	(4,700)
Loss on disposal of property, plant, and equipment	1,167	870	1,157
Deferred income taxes	1,294	8,657	3,911
Effect of changes in operating assets and liabilities:			
Accounts receivable, net	5,041	(23,837)	8,405
Inventories	(17,482)	(34,352)	(32,151)
Prepaid expenses and other assets	2,060	(3,496)	(2,719)
Accounts payable and other liabilities	32,061	43,318	16,043
Net cash provided by operating activities	369,229	307,987	282,397
Cash flows from investing activities:			
Capital expenditures	(88,556)	(103,497)	(103,453)
Acquisition of tradenames	—	—	(3,550)
Proceeds from sale of property, plant, and equipment	216	72	2,271
Net cash used in investing activities	(88,340)	(103,425)	(104,732)
Cash flows from financing activities:			
Payments of debt issuance costs	—	(1,628)	(177)
Borrowings under secured revolving credit facility	—	205,586	—
Payments on secured revolving credit facility	—	(205,237)	—
Repurchases of common stock	(300,445)	(110,290)	(82,099)
Payment of contingent consideration	—	(7,572)	(8,901)
Dividends paid	(66,355)	(46,028)	(40,477)
Income tax benefit from stock-based compensation	4,800	8,839	4,700
Withholdings of taxes from vesting of restricted stock	(8,673)	(12,651)	(4,548)
Proceeds from exercise of stock options	7,166	6,976	9,064
Net cash used in financing activities	(363,507)	(162,005)	(122,438)
Net effect of exchange rate changes on cash	767	(1,986)	(1,135)
Net (decrease) increase in cash and cash equivalents	(81,851)	40,571	54,092
Cash and cash equivalents, beginning of fiscal year	381,209	340,638	286,546
Cash and cash equivalents, end of fiscal year	\$ 299,358	\$ 381,209	\$ 340,638

See accompanying notes to the consolidated financial statements.