

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

	<u>December 29, 2018</u>	<u>December 30, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 170,077	\$ 178,494
Accounts receivable, net	258,259	240,561
Finished goods inventories	574,226	548,722
Prepaid expenses and other current assets	40,396	52,935
Total current assets	1,042,958	1,020,712
Property, plant, and equipment, net	350,437	377,924
Tradenames, net	365,692	365,551
Goodwill	227,101	230,424
Customer relationships, net	44,511	47,996
Other assets	28,159	28,435
Total assets	<u>\$2,058,858</u>	<u>\$2,071,042</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 199,076	\$ 182,114
Other current liabilities	128,345	149,134
Total current liabilities	327,421	331,248
Long-term debt, net	593,264	617,306
Deferred income taxes	87,347	84,944
Other long-term liabilities	181,393	180,128
Total liabilities	1,189,425	1,213,626
Commitments and contingencies—Note 18		
Stockholders' equity:		
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at December 29, 2018 and December 30, 2017	—	—
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 45,629,014 and 47,178,346 shares issued and outstanding at December 29, 2018 and December 30, 2017, respectively	456	472
Accumulated other comprehensive loss	(40,839)	(29,093)
Retained earnings	909,816	886,037
Total stockholders' equity	869,433	857,416
Total liabilities and stockholders' equity	<u>\$2,058,858</u>	<u>\$2,071,042</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 year ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net sales	\$3,462,269	\$3,400,504	\$3,198,543
Cost of goods sold	1,964,786	1,917,150	1,820,024
Gross profit	1,497,483	1,483,354	1,378,519
Royalty income, net	38,930	43,181	42,815
Selling, general, and administrative expenses	1,144,980	1,106,928	995,406
Operating income	391,433	419,607	425,928
Interest expense	34,569	30,044	27,044
Interest income	(527)	(345)	(563)
Other (income) expense, net	1,416	(1,164)	4,007
Income before income taxes	355,975	391,072	395,440
Provision for income taxes	73,907	88,224	137,731
Net income	<u>\$ 282,068</u>	<u>\$ 302,848</u>	<u>\$ 257,709</u>
Basic net income per common share	\$ 6.06	\$ 6.31	\$ 5.12
Diluted net income per common share	\$ 6.00	\$ 6.24	\$ 5.08
Dividend declared and paid per common share	\$ 1.80	\$ 1.48	\$ 1.32

See accompanying notes to the consolidated financial statements.

CARTER'S, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	For the fiscal year ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Cash flows from operating activities:			
Net income	\$ 282,068	\$ 302,848	\$ 257,709
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant, and equipment	85,936	81,796	71,522
Amortization of intangible assets	3,717	2,616	1,919
Adjustment and accretion of contingent considerations	—	(3,600)	—
Amortization of debt issuance costs	1,746	1,572	1,461
Non-cash stock-based compensation expense	14,673	17,549	16,847
Unrealized foreign currency exchange loss (gain), net	271	(624)	33
Provisions for doubtful accounts receivable from customers	15,801	4,663	562
Income tax benefit from stock-based compensation	—	—	(4,800)
Loss on disposal of property, plant, and equipment	995	1,572	1,167
Deferred income taxes	(1,018)	(54,936)	1,061
Effect of changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(34,448)	(22,709)	4,479
Inventories	(30,646)	(20,922)	(17,482)
Prepaid expenses and other assets	12,121	(21,791)	1,141
Accounts payable and other liabilities	4,982	41,587	33,610
Net cash provided by operating activities	<u>356,198</u>	<u>329,621</u>	<u>369,229</u>
Cash flows from investing activities:			
Capital expenditures	(63,783)	(69,473)	(88,556)
Acquisitions of businesses, net of cash acquired	96	(158,457)	—
Disposals of property, plant, and equipment	<u>380</u>	<u>15</u>	<u>216</u>
Net cash used in investing activities	<u>(63,307)</u>	<u>(227,915)</u>	<u>(88,340)</u>
Cash flows from financing activities:			
Payments of debt issuance costs	(968)	(2,119)	—
Borrowings under secured revolving credit facility	290,000	200,000	—
Payments on secured revolving credit facility	(315,000)	(163,965)	—
Repurchases of common stock	(193,028)	(188,762)	(300,445)
Dividends paid	(83,717)	(70,914)	(66,355)
Income tax benefit from stock-based compensation	—	—	4,800
Withholdings of taxes from vesting of restricted stock	(6,830)	(5,753)	(8,673)
Proceeds from exercises of stock options	<u>10,597</u>	<u>8,438</u>	<u>7,166</u>
Net cash used in financing activities	<u>(298,946)</u>	<u>(223,075)</u>	<u>(363,507)</u>
Net effect of exchange rate changes on cash	<u>(2,362)</u>	<u>505</u>	<u>767</u>
Net (decrease) increase in cash and cash equivalents	(8,417)	(120,864)	(81,851)
Cash and cash equivalents, beginning of fiscal year	<u>178,494</u>	<u>299,358</u>	<u>381,209</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 170,077</u>	<u>\$ 178,494</u>	<u>\$ 299,358</u>

See accompanying notes to the consolidated financial statements.