

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

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 178,494	\$ 299,358
Accounts receivable, net .....	240,561	202,471
Finished goods inventories .....	548,722	487,591
Prepaid expenses and other current assets .....	49,892	32,180
Deferred income taxes .....	—	35,486
Total current assets .....	1,017,669	1,057,086
Property, plant, and equipment, net .....	377,924	385,874
Tradenames, net .....	365,551	308,928
Goodwill .....	230,424	176,009
Customer relationships, net .....	47,996	—
Other assets .....	28,435	18,700
Total assets .....	<u>\$2,067,999</u>	<u>\$1,946,597</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 182,114	\$ 158,432
Other current liabilities .....	146,510	119,177
Total current liabilities .....	328,624	277,609
Long-term debt, net .....	617,306	580,376
Deferred income taxes .....	84,848	130,656
Other long-term liabilities .....	180,128	169,832
Total liabilities .....	1,210,906	1,158,473
Commitments and contingencies—Note 17		
Stockholders' equity:		
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at December 30, 2017 and December 31, 2016 .....	—	—
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 47,178,346 and 48,948,670 shares issued and outstanding at December 30, 2017 and December 31, 2016, respectively .....	472	489
Additional paid-in capital .....	—	—
Accumulated other comprehensive loss .....	(29,093)	(34,740)
Retained earnings .....	885,714	822,375
Total stockholders' equity .....	857,093	788,124
Total liabilities and stockholders' equity .....	<u>\$2,067,999</u>	<u>\$1,946,597</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 30, 2017	December 31, 2016	January 2, 2016
Net sales . . . . .	\$3,400,410	\$3,199,184	\$3,013,879
Cost of goods sold . . . . .	1,917,096	1,820,035	1,755,855
Gross profit . . . . .	1,483,314	1,379,149	1,258,024
Selling, general, and administrative expenses . . . . .	1,106,927	995,406	909,233
Royalty income . . . . .	(43,181)	(42,815)	(44,066)
Operating income . . . . .	419,568	426,558	392,857
Interest expense . . . . .	30,044	27,044	27,031
Interest income . . . . .	(345)	(563)	(500)
Other (income) expense, net . . . . .	(1,163)	4,007	(1,862)
Income before income taxes . . . . .	391,032	396,070	368,188
Provision for income taxes . . . . .	88,268	137,964	130,366
Net income . . . . .	<u>\$ 302,764</u>	<u>\$ 258,106</u>	<u>\$ 237,822</u>
Basic net income per common share . . . . .	\$ 6.31	\$ 5.13	\$ 4.55
Diluted net income per common share . . . . .	\$ 6.24	\$ 5.08	\$ 4.50
Dividend declared and paid per common share . . . . .	\$ 1.48	\$ 1.32	\$ 0.88

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 30, 2017	December 31, 2016	January 2, 2016
<b>Cash flows from operating activities:</b>			
Net income	\$ 302,764	\$ 258,106	\$ 237,822
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	81,796	71,522	61,982
Amortization of intangible assets	2,616	1,919	6,417
Adjustment and accretion of contingent considerations	(3,600)	—	809
Amortization of debt issuance costs	1,572	1,461	1,603
Non-cash stock-based compensation expense	17,549	16,847	17,029
Unrealized foreign currency exchange (gain) loss, net	(624)	33	4
Income tax benefit from stock-based compensation	—	(4,800)	(8,839)
Loss on disposal of property, plant, and equipment	1,572	1,167	870
Deferred income taxes	(54,892)	1,294	8,657
Effect of changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(18,046)	5,041	(23,837)
Inventories	(20,922)	(17,482)	(34,352)
Prepaid expenses and other assets	(21,339)	2,060	(3,496)
Accounts payable and other liabilities	41,175	32,061	43,318
Net cash provided by operating activities	329,621	369,229	307,987
<b>Cash flows from investing activities:</b>			
Capital expenditures	(69,473)	(88,556)	(103,497)
Acquisitions of businesses, net of cash acquired	(158,457)	—	—
Disposals of property, plant, and equipment	15	216	72
Net cash used in investing activities	(227,915)	(88,340)	(103,425)
<b>Cash flows from financing activities:</b>			
Payments of debt issuance costs	(2,119)	—	(1,628)
Borrowings under secured revolving credit facility	200,000	—	205,586
Payments on secured revolving credit facility	(163,965)	—	(205,237)
Repurchases of common stock	(188,762)	(300,445)	(110,290)
Payment of contingent consideration	—	—	(7,572)
Dividends paid	(70,914)	(66,355)	(46,028)
Income tax benefit from stock-based compensation	—	4,800	8,839
Withholdings of taxes from vesting of restricted stock	(5,753)	(8,673)	(12,651)
Proceeds from exercises of stock options	8,438	7,166	6,976
Net cash used in financing activities	(223,075)	(363,507)	(162,005)
Net effect of exchange rate changes on cash	505	767	(1,986)
Net (decrease) increase in cash and cash equivalents	(120,864)	(81,851)	40,571
Cash and cash equivalents, beginning of fiscal year	299,358	381,209	340,638
Cash and cash equivalents, end of fiscal year	\$ 178,494	\$ 299,358	\$ 381,209

See accompanying notes to the consolidated financial statements.