UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

Or

þ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For Fiscal year ended: January 1, 2017 **Commission File number: 01-14830**

GILDAN ACTIVEWEAR INC.
(Exact name of registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

2200, 2250, 2300
(Primary standard industrial classification code number, if applicable)

Not Applicable
(I.R.S. employer identification number, if applicable)

600 de Maisonneuve Boulevard West, Montreal, Quebec, Canada H3A 3J2, (514) 735-2023
(Address and telephone number of registrant's principal executive office)

Gildan USA Inc., 1980 Clements Ferry Road, Charleston, SC 29492, (843) 606-3600
(*Name, address and telephone number of agent for service in the United States*)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares	**New York Stock Exchange**
Rights to Purchase Common Shares	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

þ Annual Information Form þ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Common Shares:
230,239,296

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes o No o



GILDAN ACTIVEWEAR INC.

ANNUAL INFORMATION FORM

for the year ended January 1, 2017

February 24, 2017

GILDAN ACTIVEWEAR INC.

2016 ANNUAL INFORMATION FORM

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This Annual Information Form is dated February 24, 2017 and, except as otherwise indicated, the information contained herein is given as of February 24, 2017.

*Unless otherwise indicated, all dollar amounts set forth herein are expressed in U.S. dollars and all financial information set forth herein is prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**").*

Unless otherwise indicated, all references to share prices, trading volumes and per share measures are adjusted, on a retroactive basis, to reflect all stock splits.

In this Annual Information Form, "Gildan", the "Company" or the words "we", "our" and "us" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries.

The information appearing in the extracts of the documents listed below and specifically referred to in this Annual Information Form is incorporated herein by reference:

- *Audited Consolidated Financial Statements as at and for the fiscal year ended January 1, 2017 (the "**2016 Financial Statements**");*
- *Management's Discussion and Analysis for the fiscal year ended January 1, 2017 (the "**2016 Annual MD&A**"); and*
- *The latest Notice of Annual Meeting of Shareholders and Management Information Circular filed on SEDAR.*

The foregoing documents are available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov and on the Company's website at www.gildan.com/corporate.

This Annual Information Form contains certain forward-looking statements that are based on Gildan's current expectations, estimates, projections and assumptions and that were made by Gildan in light of its experience and its perception of historical trends. Results indicated in forward-looking statements may differ materially from the actual results. Please refer to the cautionary statement on pages 29 to 31 of this Annual Information Form for further explanation.

CORPORATE STRUCTURE

Name, Address and Incorporation

We were incorporated on May 8, 1984 pursuant to the *Canada Business Corporations Act* under the name of Textiles Gildan Inc. At our inception, we focused our activities on the manufacture of textiles and produced and sold finished fabric as a principal product-line. In 1992, we redefined our operating strategy and, by 1994, our operations focused exclusively on the manufacture and sale of activewear in the screenprint channel. In March 1995, we changed our name to Gildan Activewear Inc./Les Vêtements de Sports Gildan Inc. In 2005, we changed our French name to Les Vêtements de Sport Gildan Inc.

In June 1998, in conjunction with a planned initial public offering, we filed Articles of Amendment to, among other things, remove the private company restrictions contained in our charter documents and change the structure of our authorized share capital. On June 17, 1998, we completed our initial public offering of an aggregate of 3,000,000 Class A Subordinate Voting shares at Cdn$10.29 per share, on a pre-split basis, for total gross proceeds of Cdn$30,880,500.

On February 2, 2005, we filed Articles of Amendment in order to, among other things, (i) create a new class of common shares (the "**Common Shares**"), (ii) change each of the issued and outstanding Class A Subordinate Voting shares into one of the newly-created Common Shares, and (iii) remove the Class B Multiple Voting shares and the Class A Subordinate Voting shares as well as the rights, privileges, restrictions and conditions attaching thereto. On February 15, 2011, we filed Reinstated Articles of Incorporation in order to change the number of directors to a minimum of five and a maximum of twelve as determined by the directors from time to time and to appoint one or more directors in accordance with the law governing the Company.

Our principal executive offices and registered office are located at 600 de Maisonneuve Boulevard West, 33rd Floor, Montréal, Québec, Canada H3A 3J2, and our main telephone number at that address is (514) 735-2023.

Intercorporate Relationships

The following table indicates our principal subsidiaries, their jurisdiction of incorporation and the percentage of voting securities that we beneficially own or over which we exercise direct or indirect control:

Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities or Partnership Interests that Gildan held as at February 24, 2017
Gildan Activewear SRL	Barbados	100%
Gildan USA Inc.	Delaware	100%
Gildan Yarns, LLC	Delaware	100%
Gildan Honduras Properties, S. de R.L.	Honduras	100%
Gildan Apparel (Canada) LP	Ontario	100%
Gildan Hosiery Rio Nance, S. de R.L.	Honduras	100%
Gildan Activewear (UK) Limited	United Kingdom	100%
Gildan Activewear Honduras Textile Company, S. de R.L.	Honduras	100%
Gildan Activewear (Eden) Inc.	North Carolina	100%
Gildan Mayan Textiles, S. de R.L.	Honduras	100%
A.K.H., S. de R. L.	Honduras	100%

The subsidiaries that have been omitted do not represent individually more than 10% of the consolidated assets and 10% of the consolidated revenue of Gildan, or in the aggregate more than 20% of the total consolidated assets and the consolidated revenue as at and for the year ended January 1, 2017.

GENERAL DEVELOPMENT OF THE BUSINESS

The following section describes how our business has evolved in the last three completed fiscal years and lists key events that have influenced the development of our business.

Recent Developments

- On February 22, 2017, Gildan's Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of $0.0935 per Common Share payable on April 3, 2017 to shareholders of record on March 9, 2017.

- On February 22, 2017, the Company received approval from the Toronto Stock Exchange ("**TSX**") to renew its normal course issuer bid ("**NCIB**") commencing on February 27, 2017 to purchase for cancellation up to 11,512,267 Common Shares, representing approximately 5% of the Company's issued and outstanding Common Shares. As of February 17, 2017, the Company had 230,245,359 Common Shares issued and outstanding.

  Gildan is authorized to make purchases under the bid during the period from February 27, 2017 to February 28, 2018 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the New York Stock Exchange ("**NYSE**"), or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. Under the bid, Gildan may purchase up to a maximum of 131,732 shares daily through TSX facilities, which represents 25% of the average daily trading volume on the TSX for the most recently completed six calendar months. The price to be paid by Gildan for any Common Shares will be the market price at the time of the acquisition, plus brokerage fees, and purchases made under an issuer bid exemption order will be at a discount to the prevailing market price in accordance with the terms of the order.

- On February 22, 2017, the Company's Board of Directors approved a new shareholder rights plan (the "**Rights Plan**") which will become effective upon confirmation and approval by the shareholders of the Company at the annual meeting of shareholders to be held on May 4, 2017. The Rights Plan will ensure that the Company and its shareholders continue to receive the benefits associated with the Company's current shareholder rights plan, which is due to expire at the close of business on the date of the Company's upcoming annual meeting of shareholders. The Rights Plan is designed to ensure that all shareholders of the Company are treated fairly in connection with any take-over offer or other acquisition of control of the Company. The Rights Plan was not adopted in response to any specific proposal to acquire control of the Company, nor is the Board of Directors aware of any pending or threatened take-over bid for the Company. The Rights Plan is similar to plans recently adopted by other Canadian companies and approved by their shareholders, which include amendments to take into consideration the changes to the take-over bid rules that came into force in Canada on May 9, 2016. If approved by the shareholders, the Rights Plan will remain in effect until the close of business on the date of the Company's annual meeting of shareholders in 2020, with one renewal option subject to shareholder approval, and subject to earlier termination or expiration of the Rights Plan in accordance with its terms. A complete copy of the Rights Plan will be filed on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

- On February 8, 2017, the Company acquired the American Apparel® brand and certain assets from American Apparel, LLC, ("**American Apparel**") which voluntarily filed for Chapter 11 bankruptcy protection on November 14, 2016. The acquisition was effected through a court supervised auction during which Gildan

emerged as the successful bidder with a final cash bid of approximately $88 million. The American Apparel® brand will be a strong complementary addition to Gildan's growing brand portfolio. The acquisition provides the opportunity to grow American Apparel® sales by leveraging the Company's extensive printwear distribution networks in North America and internationally to drive further market share penetration in the fashion basics segment of these markets.

Developments in Fiscal 2016

- On February 23, 2016, Gildan's Board of Directors approved a 20% increase in the amount of the quarterly dividend and declared a cash dividend of $0.078 per Common Share payable each quarter of fiscal 2016 .

- On February 24, 2016, the Company received approval from the TSX to renew its NCIB, beginning February 26, 2016 and expiring February 25, 2017 to purchase for cancellation up to 12,192,814 outstanding Common Shares, representing approximately 5% of the Company's 243,856,289 issued and outstanding Common Shares. On July 26, 2016, the Company received approval from the TSX to amend its NCIB in order to increase the maximum number of Common Shares that may be repurchased to 20,727,784 Common Shares, representing 8.5% of the Company's issued and outstanding Common Shares or 8.6% of the public float as at February 19, 2016. No other terms of the NCIB were amended. During the twelve months ended January 1, 2017, the Company repurchased and cancelled a total of 13,775,248 Common Shares under the NCIB for a total cost of $394.4 million, of which a total of 4,025,000 Common Shares were repurchased by way of private agreements with arm's length third party sellers.

- On May 26, 2016, the Company acquired 100% of the equity interest of Alstyle Apparel, LLC and its subsidiaries ("**Alstyle**"), which constituted the apparel division of Ennis, Inc., for a total cash purchase price of $110 million. The acquisition of Alstyle expands Gildan's penetration in printwear markets in the U.S., Canada and Mexico and broadens and complements Gildan's position in the Western United States where Alstyle has a strong presence. With the acquisition, Gildan acquired Alstyle's manufacturing operations in Mexico which are expected to enhance Gildan's competitive positioning in the Mexican printwear and retail markets. Further, manufacturing operations in Mexico are expected to allow Gildan to take advantage of preferential trade agreements which provide duty-free access to markets in South America.

- During the second quarter of 2016, the Company raised $600 million of long-term debt in order to support its net debt leverage target of one to two times adjusted EBITDA. Gildan management and the Board of Directors believe that the Company can make effective use of its balance sheet within this targeted net debt leverage range which is expected to allow the Company to continue to pursue complementary acquisitions that can enhance its organic growth strategy as a priority use for cash, while also providing for return of capital to its shareholders through dividends and share repurchase programs.

- In August 2016, the Company acquired 100% of the equity interest of Peds Legwear Inc. (**Peds**") for a total consideration of $51.9 million, of which $47.9 million was paid at closing and a balance due of $4.0 million is expected to be paid within twelve months of closing. Peds is a marketer of quality foot apparel and legwear products, including ladies no-show liners, socks and sheer, and therapeutic hosiery sold mainly under the Peds® and MediPeds® brands to U.S. and Canadian retailers. The acquisition is expected to create revenue growth opportunities by leveraging Gildan's existing customer relationships to broaden the channels of distribution for the Peds® and MediPeds® brands and by extending these brands into Gildan's other product categories. In addition, Peds distribution into the footwear channel provides broader access in this channel for Gildan's brands and product portfolio.

Developments in Fiscal 2015

- Effective October 6, 2014, the Company changed its year-end to the Sunday closest to December 31, rather than the first Sunday following September 28. For purposes of its regulatory filings, the Company reported results for the fifteen-month transition period of October 6, 2014 through January 3, 2016 ("**Fiscal 2015**").

The Company's first twelve-month fiscal year on a calendar basis began on January 4, 2016 and ended on January 1, 2017 ("**Fiscal 2016**").

- In December 2014, the Company increased its bank credit facility from $800 million to $1 billion and extended the maturity date to April 2020 from January 2019, in order to provide the Company with financing flexibility to initiate a NCIB as well as to pursue potential future acquisition opportunities. The terms and conditions of the amended bank credit facility agreement were substantially unchanged.

- On December 3, 2014, Gildan's Board of Directors approved a 20% increase in the amount of the quarterly dividend and declared a cash dividend of $0.13 per Common Share (on a pre-split basis, or $0.065 per Common Share on a post-split basis) payable at each quarter of fiscal 2015 to shareholders of record.

- On December 4, 2014, the Company received approval from the TSX to implement a NCIB beginning December 8, 2014 and expiring December 7, 2015 to purchase for cancellation up to 6.1 million outstanding Common Shares (on a pre-split basis), representing approximately 5% of the Company's issued and outstanding Common Shares. As of November 30, 2014, the Company had 122,478,794 Common Shares issued and outstanding (on a pre-split basis). During fiscal 2015 period ended January 3, 2016, the Company repurchased and cancelled a total of 1,525,000 Common Shares (on a pre-split basis) under its NCIBs by way of private agreements with an arm's length third party seller.

- In December 2014, the Company implemented major strategic pricing actions for its Printwear business to reinforce its leadership position in the industry. The Company lowered base selling prices significantly and simplified its discount structure in order to be responsive to distributors and enhance their ability and visibility to plan their business, and position the Company to drive unit sales volume and earnings growth in calendar 2015 and beyond. The selling price reductions reflected the pass through of a portion of the expected cost savings from the Company's investments in new yarn-spinning facilities and other capital investment projects. The selling price reductions also reflected the reduction in the price of cotton that occurred in the latter half of calendar 2014, although the Company only began consuming year-over-year lower cost cotton in its cost of sales in the third fiscal quarter of 2015.

- Effective February 2, 2015, Donald C. Berg and Anne Martin-Vachon were appointed to the Company's Board of Directors. Mr. Berg is currently President of DCB Advisory Services, which provides consulting services to food and beverage companies ranging from multi-national conglomerates to start-up companies. Mr. Berg holds a Master of Business Administration from the Wharton School of Business and earned his Bachelor of Arts degree in accounting and business administration from Augustana College in Illinois. Ms. Martin-Vachon is currently President of The Shopping Channel, a division of Rogers Media and she currently serves on the Board of Directors of Retail Council of Canada, a not-for-profit industry-funded association representing more than 45,000 store fronts of all retail formats across Canada, including department, specialty, discount, and independent stores, and online merchants. Ms. Martin-Vachon holds a Master of Business Administration from McGill University and earned her Bachelor of Arts degree in business administration at the University of Québec in Trois-Rivières. With the addition of Mr. Berg and Ms. Martin-Vachon, Gildan's Board of Directors now comprises eight members, of which seven are independent of management.

- On February 4, 2015, the Board of Directors of the Company approved a share dividend of one Common Share for each issued and outstanding Common Share of the Company, which had the same effect as a two-for-one stock split of the Company's outstanding Common Shares. The Company's share dividend on the Common Shares was paid on March 27, 2015 to shareholders of record at the close of business on March 20, 2015 and was designated as an "eligible dividend" for Canadian tax purposes.

- During fiscal 2015, the Company signed a celebrity endorsement agreement with Blake Shelton, "Five-time and reigning CMA Male Vocalist of the Year" and coach of NBC's reality competition series, "The Voice". As

part of the endorsement agreement, Mr. Shelton is supporting and promoting Gildan® branded products through different consumer initiatives.

- As part of its strategy to gain market penetration in the fashion basics segment of the North American printwear channel, the Company added the Comfort Colors® brand to its Printwear brand portfolio through the acquisition, on March 2, 2015, of substantially all of the operating assets of a company operating under the Comfort Colors trade name ("**Comfort Colors**") for a total cash consideration of approximately $103 million. The acquired company was a leading supplier of garment-dyed undecorated basic T-shirts and sweatshirts for the North American printwear channel. The Comfort Colors® brand is highly recognized among consumers purchasing from college bookstores, specialty retail stores, and destination and resort shops. The addition of the Comfort Colors® brand complements the Company's brand offering and positioning within the fashion basics segment of the U.S. printwear channel and is expected to continue to gain penetration within this product segment.

- During fiscal 2015, the Company continued to make significant progress in its yarn spinning initiative. Production ramp-up of the Company's new open-end yarn-spinning facility in Salisbury, NC was essentially completed and production began in the Company's largest new yarn-spinning facility for the production of ring-spun yarn in Mocksville, NC. The Mocksville facility was essentially ramped up during 2016. In the second half of calendar 2015, the Company started to benefit from manufacturing cost savings related to its investments in yarn-spinning and other capital projects, which are expected to continue through 2017.

- On August 17, 2015, Rhodri J. Harries was appointed Executive Vice-President, Chief Financial and Administrative Officer succeeding retiring Executive Vice-President, Chief Financial and Administrative Officer Laurence G. Sellyn. Prior to joining the Company, Mr. Harries was the Chief Financial Officer of Rio Tinto Alcan since 2014, where he previously held the position of Chief Commercial Officer from 2009 to 2013. Mr. Harries joined Alcan in Montreal in 2004 as Vice President and Corporate Treasurer and remained with the company following its acquisition by Rio Tinto in 2007. Prior to joining Alcan, Mr. Harries spent 15 years in North America, Asia and Europe with General Motors, where he held successive positions of increasing responsibility in corporate finance, treasury and business development.

Developments in Fiscal 2014

- On November 20, 2013, Gildan's Board of Directors approved a 20% increase in the amount of the quarterly dividend and declared a cash dividend of $0.108 per Common Share (on a pre-split basis, or $0.054 per Common Share on a post-split basis) payable at each quarter of fiscal 2014 to shareholders of record.

- The Company made significant progress on its yarn-spinning manufacturing initiative, which it began during fiscal 2013. The refurbishment and modernization of the yarn-spinning facilities in Clarkton, NC and Cedartown, GA was completed. Operations at its two new facilities in Salisbury, NC began in fiscal 2014. The Company also began construction of a new yarn-spinning facility in Mocksville, NC.

- During fiscal 2014, the Company announced plans for textile capacity expansion with a new textile facility, Rio Nance 6, to be constructed and located at the Company's Rio Nance complex in Honduras. In light of the large textile facility in Mexico which the Company acquired as part of the Alstyle acquisition on May 26, 2016 and the Company's plans to increase the facility's capacity utilization and potential further expansion, the Company delayed its targeted timing for production start-up for the Rio Nance 6 facility.

- During fiscal 2014, the Company completed the production ramp-up of its Rio Nance 1 facility, which was modernized and refurbished during fiscal 2013 to improve its cost efficiency.

- On July 7, 2014, the Company acquired substantially all of the operating assets and assumed certain liabilities of Doris Inc. ("**Doris**"), a marketer and manufacturer of branded sheer hosiery, legwear and shapewear

products to retailers in Canada and the United States, for cash consideration of $101.7 million, plus additional contingent payments of up to $9.4 million. The acquisition provided Gildan with an established sales organization and a platform for retail distribution in Canada. In addition, the acquisition further enhanced and expanded the Company's consumer brand portfolio within its existing U.S. retail distribution network and further broadened the Company's retail distribution network in the United States due to Doris' strong presence in the food and drug channel. The acquisition also represented a first step in building a ladies' intimate apparel platform over time.

- Effective October 1, 2014, the Company extended its worldwide license for Mossy Oak® providing exclusive licensing rights for certain goods in relation to specified brands to Gildan for a term of ten years. The previous initial license agreement was for a three-year term.

DESCRIPTION OF THE BUSINESS

Business Overview

Gildan is a leading manufacturer and marketer of quality branded basic family apparel, including T-shirts, fleece, sport shirts, underwear, socks, hosiery, and shapewear. We sell our products under a diversified portfolio of Company-owned brands, including the Gildan®, Gold Toe®, Anvil®, Comfort Colors®, American Apparel®, Alstyle®, Secret®, Silks®, Kushyfoot®, Secret Silky®, Therapy Plus™, Peds®, and MediPeds® brands. We also distribute some of our sock products through our exclusive U.S. sock license for the Under Armour® brand, and we also market a wide array of products through a global license for the Mossy Oak® brand. Our products are sold in two primary markets, namely the printwear and retail markets. We distribute our products in printwear markets in the U.S., Canada, Mexico, Europe, Asia-Pacific, and Latin America. In retail markets, we sell our products to a broad spectrum of retailers primarily in the U.S. and Canada and we also manufacture for select leading global athletic and lifestyle consumer brands.

Gildan owns and operates vertically-integrated, large-scale manufacturing facilities which are primarily located in Central America, the Caribbean Basin, North America, and Bangladesh. These facilities are strategically located to efficiently service the quick replenishment needs of our customers in the markets that we serve. With over 48,000 employees worldwide we operate with a strong commitment to industry-leading labour and environmental practices throughout our supply chain in accordance with our comprehensive corporate social responsibility program which is embedded in the Company's long-term business strategy .

Strategy and Objectives

Our growth strategy comprises the following four initiatives:

1. Continue to pursue additional printwear market penetration and opportunities

We intend to continue to leverage our vertical manufacturing platform, cost advantage, and distributor reach to continue to grow in the North American printwear market, including the faster-growing fashion basics and sports performance categories where our participation in these categories has not been as extensive as in the basics category. We are targeting further market penetration in printwear with brands well-positioned to compete in each product category and through new product introductions. In the basics category, we market our products under the Gildan® brand, the leading brand in this category, and the Alstyle® brand which we acquired in 2016. In the fashion basics segment, we market our products under the Anvil® brand featuring a more contemporary line of ring-spun products incorporating more fashion-oriented styles. We also sell products under the Comfort Colors® brand featuring garment-dyed activewear products allowing us to achieve a worn-in and weathered look and a soft and comfortable feel. On February 8, 2017, we added the American Apparel® brand to our portfolio of brands to enhance our positioning within the fashion basics segment of the printwear market. In the sports performance category, we market our products under our Gildan Performance® brand, featuring moisture wicking and anti-microbial properties for long-lasting comfort and performance, as well as the licensed New Balance® brand. We

are pursuing growth with new product introductions, including softer fabrics and blends, and expanding our global product offering in performance garments, ladies styles, sport shirts, and workwear.

We also intend to continue to expand our presence in international markets such as Europe, Asia-Pacific, and Latin America, which currently represent less than 10% of our total consolidated net sales, through product extensions, expanded distribution, and by leveraging our brands.

2. Continue penetration of retail market as a full-line supplier of branded family apparel

We continue to leverage our existing core competencies, successful business model, and competitive strengths to grow our sales to North American retailers. As in the printwear channel, success factors in penetrating the retail channel include consistent quality, competitive pricing, and fast and flexible replenishment, together with a commitment to sound practices in corporate social responsibility and environmental sustainability. Consumer brand recognition and appeal are also important factors in the retail market. We intend to leverage our current distribution with retailers, our manufacturing scale and expertise, and our ongoing marketing investment to support the further development of Company-owned and licensed brands to create additional sales growth opportunities in activewear, underwear, socks, sheer hosiery, legwear, and shapewear products. Although we are primarily focused on further developing our Company-owned and licensed brands, we are also building our relationships and growing our sales as a supply chain partner to a small number of select global athletic and lifestyle brands.

3. Continue to increase capacity to support our planned sales growth and generate manufacturing and distribution cost reductions

We plan to continue to increase capacity to support our planned sales growth. We are continuing to seek to optimize our cost structure by adding new low-cost capacity, investing in projects for cost-reduction and further vertical-integration, as well as for additional product quality enhancement.

4. Utilize free cash flow and balance sheet strength to enhance sales and earnings growth and shareholder returns

We have established a capital allocation framework intended to enhance sales and earnings growth and shareholder returns. Beyond our dividend, our first priority for the use of free cash flow and debt financing capacity is completing complementary strategic acquisitions which meet our criteria. We have developed criteria in evaluating acquisition opportunities around three main considerations: (1) strategic fit; (2) ease of integration; and (3) financial targets, including return on investment thresholds, based on our risk-adjusted cost of capital. Beyond dividends and acquisitions, when appropriate, we intend to use excess cash to repurchase shares. The Company has set forth a net debt leverage target ratio of one to two times adjusted EBITDA which it believes will provide an efficient capital structure and allow it to execute on all of its capital allocation priorities within this framework.

Our Operating Segments

The Company manages and reports its business under two operating segments, Printwear and Branded Apparel, each of which is a reportable segment for financial reporting purposes. Each segment has its own management that is accountable and responsible for the segment's operations, results, and financial performance. These segments are principally organized by the major customer markets they serve. The following summary describes the operations of each of the Company's operating segments.

Printwear segment

The Printwear segment, headquartered in Christ Church, Barbados, designs, manufactures, sources, markets, and distributes undecorated activewear products in large quantities primarily to wholesale distributors in printwear markets in over 55 countries across North America, Europe, Asia-Pacific, and Latin America. Through our Printwear segment, we sell mainly undecorated activewear products (blanks) primarily to wholesale distributors who sell our products to screenprinters, advertising specialty distributors, and embroiderers, who in turn decorate the products with designs and logos and sell the imprinted activewear into a highly diversified range of end-use markets. These include educational institutions, athletic dealers, event merchandisers, promotional product distributors, charitable

organizations, entertainment promoters, travel and tourism venues, and retailers. Our activewear products are used in a variety of daily activities by individuals and have various applications, including work and school uniforms and athletic team wear, and for various other purposes to convey individual, group, and team identity.

The following table summarizes the primary brands under which we market our products in the printwear channel:

Primary brands	Primary products
Gildan® Gildan Performance® Anvil® Comfort Colors®(1) American Apparel® Alstyle®(1) New Balance®(2)	Activewear: T-shirts, fleece, sport shirts

(1) Comfort Colors® and Alstyle® are registered trademarks in the U.S.
(2) Under license agreement for distribution rights in the U.S. and Canada.

Branded Apparel segment

The Branded Apparel segment, headquartered in Charleston, South Carolina, designs, manufactures, sources, markets, and distributes branded family apparel, which includes athletic, casual and dress socks, underwear, activewear, sheer hosiery, legwear, and shapewear products which are sold to retailers in the United States and Canada. We market our products primarily under our Company-owned and licensed brands. Although the main focus of the Company's growth strategy is the continued development of its Company-owned and licensed brands, the Company is also pursuing the opportunity to grow its sales as a supply chain partner to a small number of targeted global athletic and lifestyle brands, for which we manufacture and decorate products.

The following table summarizes the current retail distribution of various product categories under Company-owned and licensed brands:

Brand	Primary products	Retail distribution channels
Gildan®	Socks, underwear, activewear	Mass-market, regional department stores, craft channel, food and drug
Gildan Platinum® (1)	Socks, underwear, activewear	Regional department stores, national chains
Smart Basics®	Socks, underwear, activewear	Dollar store channel, food and drug
Gold Toe®	Socks, activewear	Department stores, national chains, price clubs
G® (1)	Socks, underwear, activewear	Department stores, national chains
PowerSox®	Athletic socks	Sports specialty, national chains, department stores
GT a Gold Toe brand™	Socks	Mass-market
Silver Toe®	Socks	National chains
Signature Gold by Goldtoe®	Socks	Mass-market
All Pro®	Athletic socks	Mass-market
Under Armour® (2)	Athletic socks	Sports specialty, national chains, department stores
Mossy Oak® (3)	Socks, activewear, underwear, loungewear, thermals, fleece	Sports specialty, national chains, mass-market, price clubs, dollar store channel, department stores
Secret® (1)	Sheer/pantyhose, tights/leggings, shapewear, underwear, intimate accessories, socks	Mass-market, department stores, food and drug
Silks® (1)	Sheer/pantyhose, tights/leggings	Department stores, national chains, price clubs
Therapy Plus® (1)	Legwear, foot solutions/socks	Mass-market, department stores, food and drug

Brand	Primary products	Retail distribution channels
Gildan®	Socks, underwear, activewear	Mass-market, regional department stores, craft channel, food and drug
Gildan Platinum® (1)	Socks, underwear, activewear	Regional department stores, national chains
Smart Basics®	Socks, underwear, activewear	Dollar store channel, food and drug
Gold Toe®	Socks, activewear	Department stores, national chains, price clubs
G® (1)	Socks, underwear, activewear	Department stores, national chains
PowerSox®	Athletic socks	Sports specialty, national chains, department stores
Kushyfoot® (1)	Legwear, foot solutions/socks	Food and drug
Secret Silky®	Sheer/pantyhose	Food and drug
Peds®	Socks, sheer/pantyhose, legwear	Mass-market, footwear
MediPeds®	Legwear, foot solutions/socks	Mass-market

(1) Gildan Platinum®, G®, and Kushyfoot® are registered trademarks in the U.S. Secret®, Silks®, and Therapy Plus® are registered trademarks in Canada.
(2) Under license agreement for socks only - with exclusive distribution rights in the U.S.
(3) Under license agreement - with worldwide distribution rights and exclusivity for certain product categories.

Competitive Environment

The markets for our products are highly competitive and we compete with domestic and international manufacturers or suppliers. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Among our competitive strengths is our expertise in designing, constructing, and operating large-scale, vertically-integrated, and strategically-located manufacturing hubs. This skill set and the continued significant capital investment we have made in our own vertically-integrated manufacturing infrastructure, which has surpassed industry average levels of investment, allow us to operate efficiently, remain cost-competitive, maintain consistent product quality, and provide a reliable supply chain with short production/delivery cycle times. Continued investment and innovations in our manufacturing processes have also allowed us to deliver enhanced product features, further improving the value proposition of our product offering to our customers. Consumer brand recognition and appeal are also important factors in the retail market. The Company is focused on further developing its brands and is continuing to make significant investments in marketing and advertising. Recognition for our high standards of environmental and social responsibility practices is also an important competitive advantage, particularly as this area is becoming an increasingly important consideration for our customers.

Printwear segment
Our primary competitors in North America include major apparel manufacturers such as Fruit of the Loom, Inc. ("**Fruit of the Loom**") and Russell Corporation ("**Russell**"), which are both subsidiaries of Berkshire Hathaway Inc. ("**Berkshire**"), as well as Hanesbrands Inc. ("**Hanesbrands**"). We also compete with smaller U.S.-based competitors, including Delta Apparel Inc., Color Image Apparel, Inc., Next Level Apparel, and Bella + Canvas, as well as Central American and Mexican manufacturers. In addition, we compete with private label brands sold by our customers. Competitors in the European printwear market include Fruit of the Loom and Russell, as well as competitors that do not have integrated manufacturing operations and source products from suppliers in Asia.

Branded Apparel segment
In the retail channel, we compete primarily with Hanesbrands, Berkshire subsidiaries, Fruit of the Loom, Russell and Garan Incorporated, as well as Renfro Corporation, Jockey International, Inc., Kayser Roth Corporation, and Spanx, Inc. In addition, we compete with brands of well-established U.S. fashion apparel and sportswear companies, as well as private label brands sold by our customers that source products for these brands primarily from Asian and other manufacturers.

Our Operations

Manufacturing

The vast majority of our products are manufactured in facilities that we own and operate. Our vertically-integrated manufacturing operations include capital-intensive yarn-spinning, textile, sock, and sheer hosiery manufacturing facilities, as well as labour-intensive sewing plants. At our yarn-spinning facilities, we convert cotton and other fibers into yarn. In our textile plants, we convert yarn into dyed and cut fabric, which is subsequently assembled into activewear and underwear garments primarily at sewing facilities which we operate in owned or leased premises. We also use third party sewing contractors, although to a lesser extent, to satisfy some of our sewing requirements. In our integrated sock manufacturing facilities, we convert yarn into finished socks. The majority of our sock production does not require sewing as the equipment used in our facilities knits the entire sock with a seamless toe closing operation. Our manufacturing facilities for sheer hosiery include knitting, dyeing, and packaging capabilities.

All of our yarn-spinning operations, which include five facilities, are in the United States where we manufacture the majority of the yarn used to produce our products. We also use third party yarn-spinning suppliers, primarily in the United States to satisfy the remainder of our yarn requirements. Our largest manufacturing hub is in Honduras, Central America, strategically located to efficiently serve the quick replenishment requirements of our markets. In Honduras we have textile, sock, and sewing operations. We operate three large-scale, vertically-integrated textile facilities at our Rio Nance complex in Honduras and we are currently developing an additional facility. We also own and operate another vertically-integrated textile facility in Honduras outside the Rio Nance complex. The majority of our sock production is also produced at our Rio Nance complex in two sock manufacturing facilities. With the acquisition of Peds in 2016, we now also own and operate a sock manufacturing facility in Hildebran, NC. The majority of the cut goods produced in the textile facilities in Central America are assembled in our sewing facilities located in Honduras and Nicaragua, mainly in leased premises. We also have screenprinting and decorating capabilities in Central America to support our sales to leading global athletic and lifestyle consumer brands. In the Caribbean Basin we operate a large-scale, vertically-integrated textile facility and two sewing facilities in the Dominican Republic, and also use dedicated third-party sewing contractors in Haiti. We also have a manufacturing hub in Mexico where we operate a large integrated textile, sewing, and distribution facility, as well as cut and sew facilities, which were acquired in 2016 as part of the Alstyle acquisition. We have increased capacity utilization at the Alstyle facility, with the capability to significantly expand the facility's textile production capacity for basics going forward. In Bangladesh we own and operate a smaller vertically-integrated manufacturing facility for the production of activewear dedicated primarily to servicing international markets. Garment dyeing operations are conducted in Honduras and also out of a small garment dyeing facility in the U.S. Sheer hosiery manufacturing is located in a facility in Canada. While we internally produce the majority of the products we sell, we also have sourcing capabilities to complement our large scale, vertically-integrated manufacturing.

The following table provides a summary of our primary manufacturing operations by geographic area:

	Canada	United States	Central America	Caribbean Basin	Mexico	Asia
Yarn-spinning facilities		■ Clarkton, NC ■ Cedartown, GA ■ Salisbury, NC - (2 facilities) ■ Mocksville, NC				
Textile facilities			■ Honduras (4 facilities)	■ Dominican Republic	■ Agua Prieta	■ Bangladesh
Garment dyeing facility		■ New Bedford, MA	■ Honduras			
Sewing facilities(1)			■ Honduras (4 facilities) ■ Nicaragua (3 facilities)	■ Dominican Republic (2 facilities)	■ Ensenada ■ Hermosillo ■ Agua Prieta	■ Bangladesh
Sock / Sheer manufacturing facilities	■ Montreal, QC	■ Hildebran, NC	■ Honduras (2 facilities)			

(1) We also use the services of third-party sewing contractors, primarily in Haiti, to support textile production from the Dominican Republic.

Sales, Marketing and Distribution

Our sales and marketing offices are responsible for customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and production planning, as well as inventory control and logistics for each of their respective operating segments.

Printwear segment
Our sales and marketing office servicing our global printwear markets is located in Christ Church, Barbados. We distribute our activewear products for the printwear markets primarily out of our main distribution centre in Eden, NC. We also have distribution centres in Honduras and in Mexico. In addition, we have leased distribution facilities primarily in the U.S. west coast, and we also use third-party warehouses in the U.S., Canada, Mexico, Colombia, Europe, and Asia.

Branded Apparel segment
Our primary sales and marketing office for our Branded Apparel segment is located in Charleston, South Carolina at the same location as our primary distribution centre servicing our retail customers. We also service some of our customers through our distribution centre in Honduras. In addition, we service retail customers from smaller distribution centres in North Carolina, South Carolina, and Canada. We also operate retail stores located in outlet malls throughout the Eastern United States.

Customers

We sell our products to customers requiring an efficient supply chain and consistent product quality for high-volume quick replenishment programs in the North American and international printwear markets and we are becoming a growing supplier to U.S. retailers. In our printwear markets we sell our products in over 55 countries across North America, Europe and the Asia-Pacific region, and Latin America, primarily to wholesale distributors and to a lesser extent to large screenprinters. Our products in the U.S. retail market are sold to a broad spectrum of retailers, including mass-market retailers, department stores, national and regional chains, sports specialty stores and price clubs. For Fiscal 2016, our sales totalled $2,585.1 million, of which $1,651.1 million were derived from our Printwear customers and $934.0 million from Branded Apparel customers. In Fiscal 2016, we sold our products in the United States, Canada and Europe and other international markets, which accounted for 87.2%, 4.6% and 8.2% of total sales, respectively. For a breakdown of our total sales by geographic market for each of the last two financial years, reference is made to note 25 to the 2016 Financial Statements, which note is incorporated herein by reference.

Our total customer base is composed of a relatively small number of significant customers. In Fiscal 2016, our largest customer accounted for 18.2% of our total sales, and our top ten customers accounted for 59.1% of our total sales in the retail and screenprint channels. Although we have long-term ongoing relationships with many of our customers, our contracts with our customers do not require them to purchase a minimum quantity of our products. Instead, we assess their projected requirements and then plan our production and marketing strategy accordingly.

Raw Materials

Cotton and polyester fibres are the main raw materials used in the manufacturing of our products. Cotton is used in the manufacturing of both 100% cotton yarns and blended yarns, while polyester is used in the manufacturing of both blended yarns and 100% polyester yarns. The cotton fibers used in the manufacturing of yarn in our internal yarn spinning facilities are typically purchased directly from cotton merchants for future delivery at pre-determined prices under contracts as deemed appropriate by management. Similarly, for the majority of the polyester fibers, pricing is negotiated directly with suppliers on an annual basis subject to the price variability of certain polyester components.

During Fiscal 2016, most of our yarn requirements for the production of our product-lines were met by our own five yarn-spinning facilities located in Cedartown, GA, Clarkton, NC, Salisbury, NC and Mocksville, NC and our long-term supply agreements with third-party suppliers. The yarn requirements for our Bangladesh operations are supplied by local and regional spinners. We expect that most of our yarn requirements will continue to be met by these sources.

The primary sources of energy consumed in our manufacturing facilities are (i) biomass, bunker fuel and natural gas, which are used to generate steam required in the production process, and (ii) electricity, which is used to power production equipment and air-conditioning. The bunker fuel used in our operations is supplied by local third-party suppliers, and the pricing is highly dependent on international market prices for bunker fuel. Natural gas is used in our operations in the Dominican Republic and Bangladesh, and is obtained from local third-party suppliers. The electricity requirements for our manufacturing complex in the Dominican Republic as well as our Mexican facilities are provided by the local public electricity company. Our Rio Nance complex in Honduras transitioned during 2016 from the public grid to a long-term private contract which is now providing over 90% of our electricity requirements. In both cases, electricity rates are variable and are largely related to underlying oil prices.

Biomass, derived from agricultural waste, is sourced from private third-party suppliers, and now provides a major portion of the energy for our operations in both the Dominican Republic and Honduras. We anticipate that our biomass consumption needs will increase progressively over the next few years. We have been operating a biomass steam generation system in the Dominican Republic since 2010, which has contributed to the reduction of the energy costs associated with our textile production in the Dominican Republic. Similarly, we began operating a biomass steam generation facility in Honduras during 2010 and are currently operating three such facilities at the Rio Nance complex in Honduras to support both of our sock manufacturing facilities as well as the majority of the steam requirements for our textile operations. The Company is planning to expand its production of steam from biomass to support additional textile capacity expansions as needed in the future.

We also purchase chemicals, dyestuffs and trims through a variety of suppliers. These products have historically been available in sufficient supply.

Management Information Systems

Our Enterprise Resource Planning ("**ERP**") system supports the majority of our operations in the areas of finance, manufacturing and customer service. This system is centralized and is accessed from all of our locations through secure networks. Our ERP system is linked to servers supporting both local processes and specialized applications, including payroll and distribution. Due to our increasing dependence on the availability of our computer systems to support our operations, we continue to implement initiatives to enhance our information technology ("**IT**")

processes and infrastructure based on the Information Technology Infrastructure Library, a framework of “best practices” approaches intended to facilitate the delivery of high-quality IT services.

The Gildan JD Edwards ERP World system has been in place since 1999. Since fiscal 2010, we have been implementing the newest release, Enterprise One, in a phased approach through our business units. The upgrade will facilitate the strategic objective of improving and modernizing system functionality and business agility. Additionally, our strategy has been to implement our ERP system in the businesses that have been added to the Gildan group through acquisitions, with a view to ensuring the most efficient operational and financial integration.

Seasonality and Other Factors Affecting the Variability of Results and Financial Condition

Our results of operations for interim and annual periods are impacted by the variability of certain factors, including, but not limited to, changes in end-use demand and customer demand, our customers’ decision to increase or decrease their inventory levels, changes in our sales mix, and fluctuations in selling prices and raw material costs. While our products are sold on a year-round basis, our business experiences seasonal changes in demand which result in quarterly fluctuations in operating results. Historically, consolidated net sales have been lowest in the last calendar quarter and highest in the second and third quarters of the calendar year, reflecting the seasonality of our operating segments’ net sales. For our Printwear segment, demand for T-shirts is lowest in the fourth calendar quarter, and highest in the second calendar quarter of the year when distributors purchase inventory for the peak summer selling season. Demand for fleece is typically highest, in advance of the fall and winter seasons, in the second and third calendar quarters of the year. For our Branded Apparel segment, sales are higher during the second half of the year, during the back-to-school period and the Christmas holiday selling season.

Historically, the seasonal sales trends of our business have resulted in fluctuations in our inventory levels throughout the year, in particular a build-up of T-shirt inventory levels in the fourth and first calendar quarters of the year.

Our results are also impacted by fluctuations in the price of raw materials and other input costs. Cotton and polyester fibers are the primary raw materials used in the manufacture of our products, and we also use chemicals, dyestuffs, and trims which we purchase from a variety of suppliers. Cotton prices are affected by consumer demand, global supply, which may be impacted by weather conditions in any given year, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable. While we enter into purchase contracts in advance of delivery and derivative financial instruments to establish firm prices for the cotton component of our yarn requirements, our realized cotton costs can fluctuate significantly between interim and annual reporting periods. Energy costs in our results of operations are also affected by fluctuations in crude oil, natural gas, and petroleum prices, which can also influence transportation costs and the cost of related items used in our business, such as polyester fibers, chemicals, dyestuffs, and trims.

Business acquisitions may affect the comparability of results. As noted in the table under “Summary of quarterly results”in section 5.6 of our 2016 Annual MD&A, the quarterly financial data reflects the acquisition of Peds effective August 22, 2016, the acquisition of Alstyle effective May 26, 2016, and the acquisition of Comfort Colors effective March 2, 2015. In addition, management decisions to consolidate or reorganize operations, including the closure of facilities, may result in significant restructuring costs in an interim or annual period. The effect of asset write-downs, including provisions for bad debts and slow moving inventories, can also affect the variability of our results. Subsection 5.4.4 entitled “Restructuring and acquisition-related costs” in our 2016 Annual MD&A contains a discussion of costs related to the Company’s restructuring activities and business acquisitions.

Our reported amounts for net sales, SG&A expenses and financial expenses/income are impacted by fluctuations in the U.S. dollar versus certain other currencies as described in the “Financial risk management” section of our 2016 Annual MD&A. The Company periodically uses derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

Trade Regulation

As a multinational corporation, we are affected by domestic tariffs, international trade legislation, as well as bilateral and multilateral trade agreements in the countries in which we operate, source and sell products. In order to remain globally competitive, we have situated our manufacturing facilities in strategic locations to benefit from various free trade agreements and preferential trade programs. Furthermore, management continuously monitors new developments and evaluates risks relating to duties, tariffs, and quotas that could impact our approach to global manufacturing and sourcing and makes adjustments as needed.

The United States has implemented several free trade agreements and trade preference programs to enhance trade with certain countries such as the North America Free Trade Agreement ("**NAFTA**"), the Dominican Republic-Central America-United States Free Trade Agreement ("**CAFTA-DR**"), the Caribbean Basin Trade Partnership Act and the Haitian Hemispheric Opportunity through Partnership Encouragement Act ("**HOPE**"), which allow qualifying textiles and apparel from participating countries duty-free access to the U.S. market.

The United States adopted CAFTA-DR and HOPE (as amended by HOPE II legislation in 2008 and by the Haitian Economic Lift Program legislation in 2010) to strengthen and develop U.S. economic relations and expand trade with Central America, the Dominican Republic and Haiti, where we have substantial manufacturing operations and activities.

In 2012, the United States implemented free trade agreements with South Korea, Colombia and Panama. In 2015, the United States concluded free trade negotiations with a group of countries under the umbrella of the Trans-Pacific Partnership ("**TPP**"). In January 2017, the new Administration of the United States issued a Presidential Memorandum directing the withdrawal of the United States from the TPP agreement. At this point there is uncertainty as to the future of the agreement. As a result of the U.S. withdrawal from the TPP, the remaining countries participating in the TPP are Australia, Brunei, Canada, Chile, Mexico, Malaysia, New Zealand, Peru, Singapore, Japan and Vietnam. Should the TPP agreement or any other new free trade agreement come into force in the future, this may negatively affect our competitive position in the various other countries in which we sell our products.

The new Administration in the United States has also indicated its intention to enter into discussion to renegotiate NAFTA which includes the United States, Canada and Mexico as participating countries to the agreement. The renegotiation of NAFTA, a U.S. withdrawal from NAFTA, or the movement to a bilateral agreement with Canada that would exclude Mexico could adversely impact the overall competitiveness of our Mexico and Canadian manufacturing supply chains.

In November 2013, the governments of Canada and Honduras formally signed a free trade agreement between the two countries which came into force on October 1, 2014. This agreement enables qualifying textiles and apparel from Honduras to benefit from duty-free access into the Canadian market. Canada also affords preferential tariff treatment to certain qualifying apparel articles from least developed countries, including Haiti, Cambodia and Bangladesh.

Imports into the Mexican market may qualify for trade preferences from various free trade agreements such as the Mexico-Costa Rica Free Trade Agreement, and the Mexico-Northern Triangle Regional Trade Agreement, which includes El Salvador, Guatemala, Nicaragua and Honduras as member countries.

The European Union has preferential trade agreements with other European countries and with countries outside of Europe. For example, the European Union maintains a Generalized System of Preferences ("**GSP**") and the Everything But Arms programs. These programs allow duty-free entry into the European Union of qualifying articles, including apparel, from developing countries such as Honduras and Nicaragua, and least developed countries, including Haiti and Bangladesh. Certain provisions further enhance duty-free access to the European Union of qualifying apparel articles, including, potentially, apparel articles from Pakistan, which could negatively impact our

competitive position in the European Union. The European Union also reinstated the GSP preference to Myanmar/Burma in 2013.

The European Union and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama signed in 2012 a comprehensive association agreement (the "**Association Agreement**") which includes a trade component allowing duty-free entry into the European Union of qualifying apparel articles. The Association Agreement supersedes the eligibility for the GSP trade preference of the signatory Central American countries. The European Union has reached similar agreements with Colombia and Peru. Other European Union trade agreements and preference programs are already in effect with Turkey, Mexico and several Caribbean states.

On June 23, 2016, the United Kingdom voted to leave the European Union. Following an exit of the United Kingdom from the European Union, Should the United Kingdom fail or delay ratify identical or similar agreements to the ones in effect in the European Union, this could adversely impact the competitiveness of our supply chain in servicing the United Kingdom.

Imports into the Colombian market are entitled to trade preference benefits under the Colombia-Northern Triangle Regional Trade Agreement, which includes El Salvador, Guatemala and Honduras as member countries.

In 2011, the People's Republic of China extended duty-free and quota-free trade benefits to Bangladesh under the Asia-Pacific Trade Agreement to include certain chief-weight cotton apparel articles made in Bangladesh.

Exports of wholly originating goods from Bangladesh into the commerce of Japan are also eligible for the duty-free trade preference entitlement under Japan's Generalized System of Preferences scheme.

Overall, new agreements or arrangements that further liberalize access to our key country markets could potentially adversely impact our competitiveness in those markets. Meanwhile, we are monitoring recent political developments in the United States that have raised questions about the United States' commitment to existing free trade agreements, such as NAFTA. The likelihood that any such agreements, measures or programs will be adopted, or that the agreements and preference programs around which we have built our manufacturing supply chain will be modified, repealed, or allowed to expire, and the extent of the impact of such changes on our business, cannot be determined with certainty.

Textile and apparel articles are generally not subject to specific export restrictions or licensing requirements in the countries where we manufacture and distribute goods. However, the creation of export licensing requirements, imposition of restrictions on export quantities or specification of minimum export pricing and/or export prices or duties could potentially have an adverse impact on our business. In addition, unilateral and multilateral sanctions and restrictions on dealings with certain countries and persons which are unpredictable, continue to emerge and evolve in response to international economic and political events, and could impact our trading relationships with vendors or customers.

Product Safety Regulation

We are subject to consumer product safety laws and regulations that could affect our business. In the United States, we are subject to the *Consumer Product Safety Act*, as amended by the *Consumer Product Safety Improvement Act* of 2008, the *Federal Hazardous Substances Act*, the *Flammable Fabrics Act*, the *Toxic Substances Control Act*, and rules and regulations enacted pursuant to these statutes. Such laws provide for substantial penalties for non-compliance. These statutes and regulations include requirements for testing and certification for flammability of textiles used in apparel, for lead content and lead in surface coatings in children's products, and for phthalate content in child care articles, including plasticized components of children's sleepwear. We are also subject to similar laws and regulations, and to additional warning and reporting requirements, in the various individual states in which our products are sold.

In Canada, we are subject to similar laws and regulations, the most significant of which are the *Hazardous Products Act* and the *Canada Consumer Product Safety Act*, which apply to manufacturers, importers, distributors, advertisers, and retailers of consumer products.

In the European Union, we are also subject to product safety regulations, the most significant of which are imposed pursuant to the *General Product Safety Directive*. We are also subject to similar laws and regulations in the other jurisdictions in which our products are sold.

Although we believe that we are in compliance in all material respects with applicable product safety laws and regulations in the jurisdictions in which we operate, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be reasonably determined.

Intellectual Property

Trademarks, trade names, and domain names, as well as related logos, designs and graphics, provide substantial value in the development and marketing of the Company's products and are important to our continued success. As a result of successive acquisitions over the past years, we now own a large portfolio of trademarks covering, among others, the Gildan, GoldToe, Anvil, Secret, Comfort Colors, Peds, Alstyle and American Apparel families of brands, with trademarks registered in Canada, in the U.S. and in many other countries where our products are manufactured and/or sold. In addition, we continue to expand registration of these marks internationally and we vigorously monitor and enforce the Company's intellectual property against infringement and violations where and to the extent legal, feasible and appropriate.

We have an exclusive license for Under Armour® branded socks in the U.S., as well as an exclusive worldwide license for certain Mossy Oak® brands in relation to designated apparel products. We also own a license for New Balance® branded basic, performance and fleece apparel in the U.S. and Canada for the printwear industry.

Corporate Social Responsibility

Our corporate social responsibility program encompasses four major areas of focus:

- ***People well-being**:* Commitment to industry-leading working conditions and labour practices at each of our worldwide locations;
- ***Community engagement**:* Commitment to our neighbours through dedicated support for youth and humanitarian aid;
- ***Environmental protection**:* Commitment to the development and implementation of leading and innovative solutions that reduce the environmental impact of our operations throughout our entire supply chain; and
- ***Product responsibility**:* Commitment to a responsible product line through sustainable solutions.

Effective September 8, 2016, Gildan was included in the Dow Jones Sustainability World Index ("**DJSI World**") for a fourth consecutive year and currently remains the only North American company to be named to DJSI World under the Textiles, Apparel and Luxury Goods sector. Gildan is also pleased to have been included for the first time, in the last year, in the Dow Jones Sustainability North America Index. The Dow Jones Sustainability Indices ("**DJSI**") track the financial performance of the leading sustainability-driven companies worldwide. These indices serve as benchmarks for investors who integrate sustainability considerations into their investment philosophy. The annual DJSI review is based on a thorough analysis of corporate economic, environmental and social performance carried out by RobecoSAM, an investment specialist focused exclusively on sustainability investing. The analysis covers issues such as supply chain standards and labour practices, environmental policy/management systems, corporate governance and risk management.

Social Compliance

We provide favourable working conditions for all our employees worldwide. All of Gildan's operations are governed by the Company's Code of Conduct, which is based on the International Labour Organization Conventions and which

also encompasses elements set forth by the Fair Labor Association ("**FLA**"), and the Worldwide Responsible Accredited Production ("**WRAP**"), as well as best practices commonly agreed upon in the area of corporate social responsibility.

We have implemented internal and external monitoring programs that allow us to verify compliance not only with local labour laws, but with internationally-recognized labour standards as well. Our social compliance monitoring is composed of both external third-party audits and internal monitoring audits. Internal audits are done on an unannounced basis while independent third-party monitors also regularly audit our plants, both on an announced and unannounced basis. During fiscal 2016, a total of 214 audits were performed in our facilities and in the facilities of our third-party contractors. 39% of these audits were carried out by external auditors, 64% of which were mandated by our customers.

In November 2003, we joined the FLA as a "Participating Company". The FLA is internationally recognized and respected as a non-profit organization whose goal is to promote adherence to international labour standards and to improve working conditions for employees worldwide. In 2007, Gildan became the first vertically-integrated apparel manufacturer to have its social compliance program accredited by the FLA.

All of our sewing facilities, including our vertically integrated textile and sewing facility in Bangladesh, as well as our contractors' facilities in Haiti, have been certified or are in the process of being certified by WRAP, an independent, non-profit organization dedicated to the promotion and certification of lawful, humane and ethical manufacturing throughout the world. WRAP, through independent third-party verification, certifies facilities that comply with its code of conduct. In addition, our sewing facilities in Nicaragua, as well as our contractors' facilities in Haiti, are members of the Better Work Programme, which is a comprehensive collaborative programme between the United Nation's International Labour Organization and the International Finance Corporation designed to improve working conditions and respect of labour rights of workers, and boost the competitiveness of apparel businesses. All of our third-party sewing contractors are contractually required to follow prescribed employment policies as well as our Code of Conduct.

Environmental Compliance

Gildan operates within the guidelines and practices set forth in its Corporate Environmental Policy and in its Environmental Code of Practice. The purpose of our Environmental Management System is to reduce our environmental impact and to preserve the external natural resources the Company utilizes. Innovative systems such as the biotop, a biological wastewater treatment system, and our biomass steam generation systems are some of the sustainable practices we have put in place. The Company monitors, controls and manages other environmental issues through policies which include, but are not limited to, recycling and creation of measures for waste prevention, minimization and recovery and the treatment at all stages of the production cycle including the off-site disposal of any hazardous waste.

Environmental audits are conducted on a regular basis in order to evaluate the efficiency and the effectiveness of our Environmental Management System. These audits help us ensure that our operations are compliant with local laws and regulations, as well as with our stringent internal standards. In 2016, we conducted 26 environmental audits at Gildan-owned facilities.

We are subject to various federal, state, local and other government environmental and occupational health and safety laws and regulations in the different jurisdictions in which we operate, concerning, among other things, wastewater discharges, air emissions, storm water flows, and solid waste disposal. Through our Corporate Environmental Policy, Environmental Code of Practice and Environmental Management System, we seek not only to comply with all applicable laws and regulations, but also to reduce our environmental footprint through waste prevention, recovery and treatment. Although we believe that we are currently in compliance in all material respects with the regulatory requirements of those jurisdictions in which our facilities are located, the extent of our liability, if any, for past failures to comply with laws, regulations and permits applicable to our operations cannot be reasonably determined. During fiscal 2013, Gildan was notified that a Gold Toe subsidiary has been identified as

one of numerous “potentially responsible parties” at a certain waste disposal site undergoing an investigation by the Pennsylvania Department of Environmental Protection under the Pennsylvania Hazardous Sites Cleanup Act and the Solid Waste Management Act. As a result of activities alleged to have occurred during the 1980’s, Gildan could be liable to contribute to the costs of any investigation or cleanup action which the site may require, although to date we have insufficient information from the authorities as to the potential costs of the investigation and cleanup to reasonably estimate Gildan’s share of liability for any such costs, if any.

In line with our commitment to the environment, as well as to the health and safety of our employees, we incur capital and other expenditures each year that are aimed at achieving compliance with current environmental standards. There can be no assurance that future changes in federal, state, local or other government regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional environmental remediation expenditures or result in a disruption to our supply chain that could have a adverse effect on our business.

For more information on our Gildan Genuine Stewardship program, you can visit www.genuinegildan.com.

Risk Factors

Please see the “Financial Risk Management”, “Critical Accounting Estimates and Judgments”, and the “Risks and Uncertainties” sections of our 2016 Annual MD&A beginning on page 29, page 34 and page 38, respectively, which are incorporated herein by reference.

Employees

Gildan employs over 48,000 employees worldwide. The Company has historically been able to operate in a productive manner in all of its manufacturing facilities without experiencing significant labour disruptions, such as strikes or work stoppages. Some of our employees are members of labour organizations and, since 2012, we are a party to collective bargaining agreements at four of our sewing facilities in Central America and a distribution center in the United States.

DIVIDEND POLICY

In December 2010, the Company announced the adoption of a dividend policy which aims to declare and pay cash dividends on a quarterly basis.

The Board of Directors considers several factors when reviewing dividend payments, including the Company’s present and future earnings, cash flows, capital requirements and future regulatory restrictions, while complying with laws governing the Company. There can be no assurance as to the amount or timing of dividends in the future.

For each of the three most recently completed financial years, the Company declared and paid dividends on its Common Shares as follows:

Date of Dividend Declaration	Amount of Dividend per Common Share
November 20, 2013	$0.054(1)
February 10, 2014	$0.054(1)
May 1, 2014	$0.054(1)
July 30, 2014	$0.054(1)
December 3, 2014	$0.065(1)
February 4, 2015	$0.065(1)
February 4, 2015	One Common Share, with the same effect as a two-for-one stock-split
May 13, 2015	$0.065
July 30, 2015	$0.065
November 11, 2015	$0.065

Date of Dividend Declaration	Amount of Dividend per Common Share
November 20, 2013	$0.054(1)
February 10, 2014	$0.054(1)
February 24, 2016	$0.078
May 4, 2016	$0.078
July 27, 2016	$0.078
November 3, 2016	$0.078

(1) Post-split adjusted.

CAPITAL STRUCTURE

First Preferred Shares

Issuance in Series

The First Preferred shares are issuable in series and the Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attaching to, the First Preferred shares of each series, subject to the limitations, if any, set out in the Articles of the Company.

Rank

The First Preferred shares rank senior to the Second Preferred shares and to the Common Shares with respect to the payment of dividends, return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of Gildan. The First Preferred shares in each series rank equally with the First Preferred shares of any other series.

Voting Rights

Unless the Articles otherwise provide with respect to any series of the First Preferred shares, the holders of the First Preferred shares are not entitled to receive any notice of or attend any meeting of the shareholders of Gildan and are not entitled to vote at any such meeting.

Second Preferred Shares

Issuance in Series

The Second Preferred shares are issuable in series and the Board of Directors has the right, from time to time, to fix the number of, and to determine the designation, rights, privileges, restrictions and conditions attaching to, the Second Preferred shares of each series subject to the limitations, if any, set out in the Articles of the Company.

Rank

The Second Preferred shares are subject and subordinate to the rights, privileges, restrictions and conditions attaching to the First Preferred shares. The Second Preferred shares rank senior to the Common Shares with respect to payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding-up of Gildan. The Second Preferred shares in each series rank equally with the Second Preferred shares of any other series.

Voting Rights

Unless the Articles otherwise provide with respect to any series of the Second Preferred shares, the holders of the Second Preferred shares are not entitled to receive any notice of or attend any meeting of the shareholders of Gildan and are not entitled to vote at any such meeting.

Common Shares

Following the conversion of all of the Company's Class B Multiple Voting shares into Class A Subordinate Voting shares, the Company's shareholders approved a special resolution on February 2, 2005 to amend the Company's Articles in order to change each of the issued and outstanding Class A Subordinate Voting shares into one newly-created Common Share and to remove the Class B Multiple Voting shares and the Class A Subordinate Voting shares.

The Common Shares are subject and subordinate to the rights, privileges, restrictions and conditions attaching to the First Preferred shares and the Second Preferred shares. Each holder of Common Shares shall have the right to receive any dividend declared by the Company and the right to receive the remaining property and assets of the Company on dissolution.

Each holder of Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of another particular class or series shall have the right to vote. Each Common Share entitles the holder thereof to one vote.

MARKET FOR SECURITIES

The Common Shares are listed on the NYSE and the TSX under the symbol "GIL". The Class A Subordinate Voting shares (now the Common Shares), which were issued at an offering price of $0.44 (Cdn$0.64), on a post-split basis, began trading on the TSX, the Montreal Exchange (the "**ME**") and the American Stock Exchange ("**AMEX**") on June 17, 1998. Prior to that date, there was no public market for the Class A Subordinate Voting shares. We delisted such shares from AMEX on August 31, 1999. On September 1, 1999, the Class A Subordinate Voting shares (now the Common Shares) commenced trading on the NYSE. As a result of a restructuring of Canada's stock exchanges, which took effect on December 7, 1999, we are no longer listed on the ME.

The table below shows the monthly price range per Common Share and the trading volume of the Common Shares for the fiscal year ended January 1, 2017 on the TSX (in Cdn$) and on the NYSE (in US$).

COMMON SHARES							
Toronto Stock Exchange (TSX)(1)				New York Stock Exchange (NYSE)(2)			
Month	High	Low	Trading Volume	Month	High	Low	Trading Volume
January 2016	39.31	35.04	14,079,249	January 2016	28.21	24.91	4,065,871
February 2016	35.65	31.24	16,482,635	February 2016	26.34	22.43	7,465,214
March 2016	39.83	35.12	15,354,352	March 2016	30.67	26.05	4,503,945
April 2016	40.47	38.20	13,542,744	April 2016	31.84	29.49	3,522,270
May 2016	41.00	37.14	14,607,813	May 2016	31.96	28.31	3,940,144
June 2016	39.62	35.28	12,256,209	June 2016	30.85	26.90	3,166,812
July 2016	41.48	37.99	12,431,266	July 2016	32.20	28.96	3,324,511
August 2016	39.21	37.41	9,141,606	August 2016	30.28	28.71	2,614,530
September 2016	38.98	35.90	9,738,939	September 2016	30.16	27.22	3,194,027
October 2016	36.70	34.27	9,229,444	October 2016	27.98	25.56	3,410,049
November 2016	37.49	32.99	14,471,351	November 2016	27.96	24.61	4,667,688
December 2016	37.40	34.01	13,189,114	December 2016	28.14	25.31	4,835,375

(1) The trading volumes do not reflect any trades done on alternative trading systems and only represent approximately 62% of all trades executed in Canada.
(2) The trading volumes do not reflect any trades done on alternative trading systems and only represent approximately 34% of all trades executed in United States.

DIRECTORS AND OFFICERS

Listed below is certain information about the current directors of Gildan. The directors have served in their respective capacities since their election and/or appointment and will continue to serve until the next annual meeting of shareholders or until a successor is duly elected.

Name and Municipality of Residence	Principal Occupation	Director Since
Glenn J. Chamandy Westmount, Québec, Canada	President and Chief Executive Officer of the Company	May 1984
William D. Anderson(4) Toronto, Ontario, Canada	Corporate Director	May 2006
Donald C. Berg(1)(2) Prospect, Kentucky, United States	President of DCB Advisory Services (consulting services to food and beverage companies)	February 2015
Russell Goodman(1)(3) Mont Tremblant, Québec, Canada	Corporate Director	December 2010
George Heller(2)(3) Toronto, Ontario, Canada	Corporate Director	December 2009
Anne Martin-Vachon(2)(3) Mississauga, Ontario, Canada	President of The Shopping Channel (television shopping service)	February 2015
Sheila O'Brien (1)(3) Calgary, Alberta, Canada	Corporate Director and President of Belvedere 1 Investments Ltd. (private investment company)	June 2005
Gonzalo F. Valdes-Fauli(1)(2) Key Biscayne, Florida, United States	Chairman of BroadSpan Capital LLC (investment banking firm)	October 2004

(1) Member of the Audit and Finance Committee.
(2) Member of the Corporate Governance and Social Responsibility Committee.
(3) Member of the Compensation and Human Resources Committee.
(4) Chairman of the Board.

Listed below is certain information about the executive officers of Gildan in office as of the date hereof.

Name and Municipality of Residence	Position Held Within the Company and Principal Occupation
Glenn J. Chamandy(1) Westmount, Québec, Canada	President, Chief Executive Officer and Director
Rhodri J. Harries(1) Westmount, Québec, Canada	Executive Vice-President, Chief Financial and Administrative Officer
Michael R. Hoffman St. Peter, Barbados	President, Printwear
Benito A. Masi Panama City, Panama	Executive Vice-President, Manufacturing
Eric R. Lehman Mt. Pleasant, South Carolina, United States	President, Branded Apparel

(1) Officer of the Company.

Glenn J. Chamandy is one of the founders of the Company and has devoted his entire career to building Gildan into an industry leader. Mr. Chamandy has been involved in various textile and apparel businesses for over thirty years. Prior to his appointment as President and Chief Executive Officer in August 2004, the position which he holds to this day, he served as a Co-Chief Executive Officer and Chief Operating Officer of Gildan.

William D. Anderson has had a career as a business leader in Canada spanning over thirty years. Mr. Anderson joined the Bell Canada organization in 1992, where, from 1998 to 2001, he served as Chief Financial Officer of BCE Inc., Canada's largest telecommunications company. From 2001 to 2005, Mr. Anderson served as President of BCE Ventures, the strategic investment unit of BCE Inc. and, from 2001 to 2007, he was the Chairman and Chief Executive Officer of Bell Canada International Inc., a subsidiary of BCE Inc. formed to invest in telecommunications operations outside Canada. Prior to joining the Bell Canada organization, Mr. Anderson was in public practice for nearly twenty years with the accounting firm KPMG LLP, where he was a partner for eleven years. Mr. Anderson also serves on the Board of Directors of Sun Life Financial Inc., an international financial services organization, where he is also the Chairman of the Audit and Conduct Review Committee as well as a member of the Risk Review Committee. Mr.

Anderson was educated at the University of Western Ontario and is a Fellow of the Institute of Chartered Accountants of Ontario and a Fellow of the Institute of Corporate Directors.

Donald C. Berg is President of DCB Advisory Services, providing consulting services to food and beverage companies ranging from multi-national conglomerates to start-up companies. Mr. Berg retired in April 2014 as Executive Vice President, Chief Financial Officer at Brown-Forman Corporation, a U.S. based producer and marketer of fine quality beverage alcohol brands and one of the largest companies in the global wine and spirits industry. Mr. Berg's career at Brown-Forman Corporation spanned over 25 years, where he held various executive positions including as President of its Advancing Markets Group, President of Brown-Forman Spirits Americas, the company's largest operating group, head of its corporate development and strategy functions and director of its mergers and acquisitions group. Prior to joining Brown-Forman, Mr. Berg has had a wide variety of finance, sales and marketing roles with respected national and international firms after beginning his career as a certified chartered public accountant with Ernst & Whinney. Mr. Berg is also a member of the Board of Directors of Meredith Corporation, a publicly-held media and marketing company, where he is also a member of the Audit Committee and the Finance Committee. He holds a Master of Business Administration from the Wharton School of Business and earned his Bachelor of Arts degree in accounting and business administration from Augustana College in Illinois.

Russell Goodman has had a 35 year career in business, serving as a corporate director since 2010. Mr. Goodman is presently a member of the Board of Directors and Governance and Nominating and Audit Committees of Metro Inc., a leader in the grocery and pharmaceutical distribution sectors in Canada. He is also a member of the Board of Directors, Chairman of the Audit Committee and member of the Compensation Commitee of Northland Power Inc., a leading global independent power producer. From 2010 to 2016, Mr. Goodman was a director of Whistler Blackcomb Holdings Inc., where he was chairman of the Audit and Special Committees. From 1998 to June 2011, Mr. Goodman was a partner of PricewaterhouseCoopers LLP, where he was a member of the Americas' and Canadian Leadership teams. During that period, he served as Managing Partner of Project Finance and Privatization for the Americas, Global Leader for Transportation Services, Managing Partner of the Montréal office and Canadian Managing Partner of the Transactions businesses. In the not-for-profit sector, Mr. Goodman has served on a number of boards, including Centraide of Greater Montreal where he was Vice Chairman of the Board, Pointe-à-Callière Museum Foundation, where he was Chairman of the Board and Alpine Canada. He also previously served as President of the Canadian Club of Montréal. He is a Fellow of the Order of Chartered Professional Accountants of Quebec and is certified by the Institute of Corporate Directors. Mr. Goodman was educated at McGill University.

George Heller has had a career as a business leader in the retail sector that spans over forty years. From 1999 to 2006, Mr. Heller served as President and Chief Executive Officer of the Hudson's Bay Company, Canada's largest diversified general merchandise retailer, operating more than 600 retail outlets in Canada under four banners: the Bay, Zellers, Home Outfitters and Fields. Prior to that, Mr. Heller was President and Chief Executive Officer of Zellers, the mass merchandise retailer of the Hudson's Bay Company and a leading Canadian mass merchandise department store. Mr. Heller has also held a number of other key positions in the retail industry, including as President and Chief Executive Officer of Kmart Canada, discount department stores, President, North America & Europe of Bata Industries Ltd., international footwear manufacturer, and Executive Vice-President of Woodwards Department Stores, a department store chain. Mr. Heller also served as President and Chief Executive Officer of the Victoria Commonwealth Games and was the President of the Commonwealth Games of Canada Foundation, a fundraising organization for amateur athletes, and was a member of its Board of Directors. Mr. Heller also serves on the Board of the Asia Pacific Foundation of Canada, a not-for-profit think-tank on Canada's relations with Asia, where he is Chair of the Investment Committee. Mr. Heller has acted since 2008 as Honorary Consul General of Thailand and as Honorary Trade Advisor to the Government of Thailand since 2000. Mr. Heller has received Honorary Doctorates from Ryerson University and the University of Victoria.

Anne Martin-Vachon is President of The Shopping Channel, a division of Rogers Media. She is responsible for driving the retailer's multiplatform strategy and overseeing all operations of the business. Prior to this, Ms. Martin-Vachon was Chief Merchandising, Planning and Programming Officer at HSN, Inc. a leading interactive multi-channel entertainment and lifestyle retailer. Before joining HSN, Ms. Martin-Vachon held various executive positions in the consumer packaged goods and retail industry, including as Chief Marketing Officer at Nordstrom, Inc., a leading

fashion specialty retailer operating 293 stores in 38 U.S. states, Chief Executive Officer at Lise Watier Cosmétiques, Inc., a Canadian-based beauty and skincare company, and Chief Marketing Officer at Bath & Body Works, LLC, which operates retail stores for personal care products. Ms. Martin-Vachon began her career at The Procter & Gamble Company, where she spent more than twenty years in a variety of leadership positions across the company's portfolio of beauty, personal care and household brands. She currently serves on the Board of Directors of Retail Council of Canada, a not-for-profit industry-funded association representing more than 45,000 store fronts of all retail formats across Canada, including department, specialty, discount, and independent stores, and online merchants. Ms. Martin-Vachon holds a Master of Business Administration from McGill University and earned her Bachelor of Arts degree in business administration at the University of Québec in Trois-Rivières.

Sheila O'Brien is a business advisor, corporate director and President of Belvedere 1 Investments Ltd. She has over thirty years' experience in the oil and gas, pipeline and petrochemical sectors in Canada, the United States and Europe. She has held executive positions in the areas of human resources, investor relations, public affairs and government relations with Amoco International, Petro-Canada and Nova Chemicals Corporation. She created and implemented an innovative workforce restructuring program based on the dignity of the employee, which was designated a Worldwide Best Practice by Watson Wyatt International Consultancy. In addition, she has been active in the not-for-profit sector, having served on over 25 boards of directors, dealing primarily with human rights, women's rights and giving voice to marginalized members of society, and is the founder of several enduring community events celebrating the accomplishments of women. She was invested in the Order of Canada in 1998 and was awarded the Diamond Jubilee Medal in 2012 for community service. She has served on the boards of directors of TransForce Income Fund, Canada's largest trucking enterprise, publicly-traded and headquartered in Montréal, Skye Resources, a Vancouver-based, publicly-traded nickel mining company with assets in Guatemala, CFM Majestic, a Mississauga-based publicly-traded fireplace manufacturing company, and Advantage Oil & Gas Ltd., an Alberta-based publicly-traded oil and natural gas company. She currently serves on the Board of Directors of PPP Canada, a federal crown corporation with a mandate to improve the delivery of public infrastructure. Ms. O'Brien is the co-author of three books "An Extraordinary West – A Narrative Exploration of Western Canada's Future" published in November 2010, "Catching a Rising Tide – A Western Energy Vision for Canada" published in November 2011 and "A Place to Call Home" published in November 2012. She is a graduate of the MTC program at the University of Western Ontario, and completed a one-year sabbatical on creativity and innovation at various U.S. schools in 1990.

Gonzalo F. Valdes-Fauli is Chairman of the Board of BroadSpan Capital LLC, an investment banking firm specializing in financial advisory services. Mr. Valdes-Fauli retired from Barclays Bank PLC, a major UK-based global bank, in 2001, where he held the position of Vice-Chairman, Barclays Capital, and Group Chief Executive Officer, Latin America. Mr. Valdes-Fauli also serves on the Board of Directors of The Blue Foundation, a health insurance provider wholly owned by the Blue Cross and Blue Shield of Florida, and was Chairman of the Board of Republic Bank of Dominican Republic, a financial services provider, until November 2007. He is Trustee Emeritus of the University of Miami and Spring Hill College in Mobile, Alabama. Mr. Valdes-Fauli holds a Master's Degree in international finance from Thunderbird Graduate School for International Management.

Rhodri J. Harries joined Gildan as Executive Vice-President, Chief Financial and Administrative Officer in August 2015. Prior to joining Gildan, Mr. Harries served as the Chief Financial Officer of Rio Tinto Alcan since 2014, where previously he held the position of Chief Commercial Officer from 2009 to 2013. Mr. Harries joined Alcan in Montréal in 2004 as the Vice President and Corporate Treasurer and remained with the company following its acquisition by Rio Tinto in 2007. Prior to joining Alcan, Mr. Harries spent 15 years in North America, Asia and Europe with General Motors, where he held successive positions of increasing responsibility in corporate finance, treasury and business development.

Michael R. Hoffman joined Gildan in October 1997. He served as Vice-President, Sales and Marketing for the international division until his appointment as President of Printwear in February 2001. Prior to joining Gildan, Mr. Hoffman was employed by Fruit of the Loom, Inc., where he last served as Divisional Vice-President of the Activewear Division.

Benito A. Masi has been involved in apparel manufacturing in North America for over thirty years. He joined Gildan in 1986, and since then has held various positions in the Company. He was appointed Vice-President, Apparel Manufacturing in February 2001 and his title was changed to Vice-President, Corporate Apparel Operations in September 2003. In August 2004, he was appointed Executive Vice-President, Apparel Manufacturing and was appointed Executive Vice-President, Manufacturing in January 2005.

Eric R. Lehman joined Gildan in December 2006 as Executive Vice-President, Supply Chain. In November 2008, Mr. Lehman's responsibilities were expanded to include information technology and operational excellence and his title changed to Executive Vice-President, Supply Chain, Information Technology and Operational Excellence until his appointment as President of Branded Apparel in January 2011. He has over twenty years of experience in the supply chain function with major national apparel brands. Prior to joining Gildan, Mr. Lehman was employed by Russell Corporation, where he last served as Vice-President of Supply Chain. Prior to that, he held senior supply chain planning positions at both Fruit of the Loom, Inc. and the Hanes Division of Sara Lee Corporation.

As at February 23, 2017, the executive officers and directors of the Company as a group beneficially own 3,967,700 Common Shares, which represents 1.72% of the voting rights attached to all Common Shares.

AUDIT AND FINANCE COMMITTEE DISCLOSURE

Mandate of the Audit and Finance Committee

The mandate of the Audit and Finance Committee is included herewith as Appendix A.

Composition of the Audit and Finance Committee

The Audit and Finance Committee is composed of four independent and financially literate directors, as such terms are defined under Canadian and U.S. securities laws and regulations, and in accordance with the NYSE Corporate Governance Standards. Their education and experience relevant to the performance of their responsibilities as members of the Audit and Finance Committee are as follows:

Donald Berg – Mr. Berg is President of DBC Advisory Services, providing consulting services to food and beverage companies. Mr. Berg retired in April 2014 as Executive Vice President, Chief Financial Officer at Brown-Forman Corporation. Prior to joining Brown-Forman, Mr. Berg has had a wide variety of finance roles with respected national and international firms after beginning his career as a certified chartered public accountant with Ernst & Whinney. Mr. Berg is also a member of the Audit Committee and Finance Committee of Meredith Corporation. He holds a Master of Business Administration from the Wharton School of Business and earned his Bachelor of Arts degree in accounting and business administration from Augustana College in Illinois.

Russell Goodman – Mr. Goodman is the Chairman of the Audit and Finance Committee and a corporate director. He was previously a senior partner of PricewaterhouseCoopers LLP, where he served successively as Managing Partner of Project Finance and Privatization for the Americas, Managing Partner of the Montréal office, and Canadian Managing Partner of the Transactions business. Prior to this, Mr. Goodman served for twenty-one years with Price Waterhouse LLP, including eleven years as a partner. He is presently a member of the Board of Directors and Audit Committee of Metro Inc. He is also Chairman of the Audit Committee of Northland Power Inc. He was Chairman of the Audit Committee and a member of the Human Resources Committee of Whistler Blackcomb Holdings Inc. from 2010 to 2016. He is a Fellow of the Order of Chartered Professional Accountants of Quebec and is certified by the Institute of Corporate Directors. Mr. Goodman was educated at McGill University.

Sheila O'Brien – Ms. O'Brien is a business advisor, corporate director and President of Belvedere 1 Investments Ltd. She has over thirty years' experience in the oil and gas, pipeline and petrochemical sectors in Canada, the United States and Europe. She has held executive positions in the areas of human resources, investor relations, public affairs and government relations with Amoco International, Petro-Canada and Nova Corporation. Ms. O'Brien has served on the Boards of Directors of TransForce Income Fund, Skye Resources, and CFM Majestic. She currently

serves on the Board of Directors of PPP Canada. As Chair of Gildan's Compensation and Human Resources Committee, Ms. O'Brien is required to sit on the Audit and Finance Committee.

Gonzalo F. Valdes-Fauli – Mr. Valdes-Fauli is the Chairman of BroadSpan Capital LLC, an investment banking firm specializing in financial advisory services. He retired from Barclays Bank PLC in 2001, where he held the position of Vice-Chairman, Barclays Capital, and served as Group Chief Executive Officer of Barclays Bank Latin America from 1988 to 2001. Mr. Valdes-Fauli also served as Chairman of the Board of Republic Bank of Dominican Republic until November 2007. Mr. Valdes-Fauli has more than thirty years of experience in finance and holds a Master's Degree in international finance from Thunderbird Graduate School for International Management.

Pre-Approval of Non-Audit Services

In accordance with the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec (CPA)* independence standards for auditors, the *Sarbanes-Oxley Act of 2002* and rules of the U.S. Securities and Exchange Commission, the Company is restricted from engaging its external auditor to provide certain non-audit services to the Company and its subsidiaries, including bookkeeping or other services related to the accounting records or financial statements, information technology services, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit. The Company does engage its external auditor from time to time to provide certain non-audit services other than the restricted services. All non-audit services must be specifically pre-approved by the Audit and Finance Committee.

External Auditor Service Fees

The aggregate fees billed by KPMG LLP ("**KPMG**"), the Company's external auditor, for various audit-related and non-audit services rendered for the fiscal years 2016 and 2015 were as follows:

Audit Fees — The aggregate audit fees billed by KPMG were Cdn$2,427,000 for Fiscal 2016 and Cdn$2,327,000 for Fiscal 2015. These services consisted of professional services rendered for the annual audit of the Company's consolidated financial statements and the quarterly reviews of the Company's interim financial statements, consultation concerning financial reporting and accounting standards, and services provided in connection with statutory and regulatory filings or engagements. The fees for the annual audit of the Company's consolidated financial statements include fees relating to KPMG's audit of the effectiveness of the Company's internal control over financial reporting.

Audit-Related Fees — The aggregate audit-related fees billed by KPMG were Cdn$404,000 for Fiscal 2016 and Cdn$322,000 for Fiscal 2015. These services consisted of due diligence services relating to business acquisitions and also translation services in both years. Such due diligence services related primarily to financial accounting and internal control issues.

Tax Fees — The aggregate tax fees billed by KPMG were Cdn$1,274,000 for Fiscal 2016 and Cdn$1,001,000 for Fiscal 2015. These services consisted of tax compliance, including assistance with the preparation and review of tax returns, the preparation of annual transfer pricing studies and tax advisory services relating to domestic and international taxation.

All Other Fees — The aggregate fees billed by KPMG for all other professional services rendered were Cdn$40,000 for Fiscal 2016 and Cdn$125,000 for Fiscal 2015.

LEGAL PROCEEDINGS

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a material adverse effect on the financial position or results of operations of the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Computershare Investor Services Inc. having offices in Montréal and Toronto at which the register of transfer of the Common Shares is held. The co-transfer agent and co-registrar of the Company is Computershare Trust Company, N.A., having an office in Golden, Colorado.

MATERIAL CONTRACTS

Other than the agreements entered into during the normal course of business, the only material agreements entered into in fiscal 2016, or before fiscal 2016 and which are still in force, are the following:

- The Shareholder Rights Plan Agreement approved by the Board of Directors on December 1, 2010, ratified by the Company's shareholders at the annual shareholders' meeting on February 9, 2011 and which was subsequently submitted to the Company's shareholders for renewal at the annual shareholders meeting on February 6, 2014. This agreement will expire at the close of business on May 4, 2017, the date of the Company's next annual meeting of shareholders. This agreement was filed through SEDAR on December 3, 2010.

INTERESTS OF EXPERTS

KPMG, the external auditor of the Company, reported on the 2016 Financial Statements, which were filed with the securities regulatory authorities. KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Company under all relevant U.S. professional and regulatory standards.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Information Form constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation and regulations, and are subject to important risks, uncertainties, and assumptions. This forward-looking information includes, amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. In particular, information appearing under the heading "Strategy and objectives" contain forward looking statements. Forward-looking statements generally can be identified by the use of conditional or forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "project", "assume", "anticipate", "plan", "foresee", "believe", or "continue", or the negatives of these terms or variations of them or similar terminology. We refer you to the Company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the risks described under the "Financial risk management", "Critical accounting estimates and judgments", and "Risks and uncertainties" sections of our 2016 Annual MD&A for a discussion of the various factors that may affect the Company's future results. Material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection are also set out throughout this document.

Forward-looking information is inherently uncertain and the results or events predicted in such forward-looking information may differ materially from actual results or events. Material factors, which could cause actual results or events to differ materially from a conclusion, forecast or projection in such forward-looking information, include, but are not limited to:

- our ability to implement our growth strategies and plans, including achieving market share gains, obtaining and successfully introducing new sales programs, implementing new product introductions, increasing capacity, implementing cost reduction initiatives, and completing and successfully integrating acquisitions, including the Alstyle, Peds, and American Apparel acquisitions;
- the intensity of competitive activity and our ability to compete effectively;

- adverse changes in general economic and financial conditions globally or in one or more of the markets we serve;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit contractually to minimum quantity purchases;
- our ability to anticipate, identify or react to changes in consumer preferences and trends;
- our ability to manage production and inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton, polyester fibres, dyes and other chemicals;
- our dependence on key suppliers and our ability to maintain an uninterrupted supply of raw materials and finished goods;
- the impact of climate, political, social and economic risks in the countries in which we operate or from which we source production;
- disruption to manufacturing and distribution activities due to such factors as operational issues, disruptions in transportation logistic functions, labour disruptions, political or social instability, bad weather, natural disasters, pandemics and other unforeseen adverse events;
- changes to international trade legislation that the Company is currently relying on in conducting its manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- compliance with applicable environmental, tax, trade, employment, health and safety, anti-corruption, privacy and other laws and regulations in the jurisdictions in which we operate;
- operational problems with our information systems as a result of system failures, viruses, security and cyber security breaches, disasters, and disruptions due to system upgrades or the integration of systems;
- adverse changes in third party licensing arrangements and licensed brands;
- our ability to protect our intellectual property rights;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;
- negative publicity as a result of actual, alleged or perceived violations of labour and environmental laws or international labour standards, or unethical labour or other business practices by the Company or one of its third-party contractors;
- our dependence on key management and our ability to attract and/or retain key personnel;
- changes to and failure to comply with consumer product safety laws and regulations;
- changes in accounting policies and estimates;
- exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices;
- the adverse impact of any current or future legal and regulatory actions; and
- an actual or perceived breach of data security.

These factors may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made, may have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset write-downs, asset impairment losses or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's future financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date hereof, and we do not undertake any obligation to update publicly or to revise any of the included forward-

looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under the Company's equity compensation plans is contained in the management proxy circular for its most recent annual meeting of security holders that involve the election of directors. Additional financial information is provided in the 2016 Financial Statements and the 2016 Annual MD&A for its most recently completed financial year, both of which are incorporated herein by reference.

Copies of these documents and additional information relating to Gildan may be found on the SEDAR website at www.sedar.com and the EDGAR website at www.sec.gov and may also be obtained upon request to the Secretary of Gildan at the following address:

600 de Maisonneuve Boulevard West, 33rd Floor
Montréal, Québec
H3A 3J2
Telephone: (514) 735-2023

The documents mentioned above, as well as Gildan's news releases, are also available on the Company's website at www.gildan.com.

APPENDIX A - MANDATE OF THE AUDIT AND FINANCE COMMITTEE

The following description of the mandate of the Audit and Finance Committee of the Company complies with applicable Canadian laws and regulations, such as the rules of the Canadian Securities Administrators, and with the disclosure and listing requirements of the Toronto Stock Exchange (collectively, the "**Canadian Corporate Governance Standards**"), as they exist on the date hereof. In addition, this mandate complies with applicable U.S. laws, such as the *Sarbanes-Oxley Act of 2002*, and rules and regulations adopted thereunder, and with the New York Stock Exchange's corporate governance standards (collectively, the "**US Corporate Governance Standards**"), as they exist on the date hereof. The mandate of the Audit and Finance Committee of the Company (the "**Audit Committee**") shall be reviewed annually by the Board in order to ensure on-going compliance with such standards.

1. Membership and Quorum

- a minimum of three directors;
- only "independent" (as contemplated by Canadian Corporate Governance Standards and US Corporate Governance Standards) directors shall be appointed, the whole as determined by the Board; no affiliate of the Company or any of its subsidiaries (including any person who, directly or indirectly, controls or is controlled by, or is under common control with the Company, or any director, executive officer, partner, member, principal or designee of such affiliate) may serve on the Audit Committee; a member of the Audit Committee shall receive no compensation from the Company or any of its affiliates other than compensation as a director and committee member of the Company; prohibited compensation includes fees paid, directly or indirectly, for services as a consultant or as legal or financial advisor, regardless of the amount;
- each member must be "financially literate" (as contemplated by Canadian Corporate Governance Standards and US Corporate Governance Standards), as determined by the Board;
- at least one member must be an "audit committee financial expert" (as contemplated by US Corporate Governance Standards), as determined by the Board;
- members of the Audit Committee shall be appointed annually by the Board upon recommendation of the Company's Corporate Governance Committee; such members may be removed or replaced, and any vacancies on the Audit Committee shall be filled by the Board upon recommendation of the Company's Corporate Governance Committee; membership on the Audit Committee shall automatically end at such time the Board determines that a member ceases to be "independent" as determined in the manner set forth above;
- the chair of the Compensation and Human Resources Committee of the Company is a member of the Audit Committee;
- quorum of majority of members.

2. Frequency and Timing of Meetings

- normally contemporaneously with the Company's Board meetings;
- at least four times a year and as necessary.

3. Mandate

The responsibilities of the Audit Committee include the following:

(a) Overseeing financial reporting

- monitoring the integrity and quality of the Company's accounting and financial reporting process, disclosure controls and procedures, and systems of internal control, through independent discussions with management, the external auditors and the internal auditors;
- reviewing, with management and the external auditors, the annual audited consolidated financial statements of the Company and accompanying information, including the report of the auditors thereon to be included in the Annual Report of the Company, the Company's MD&A disclosure and annual earnings press release, prior to their release, filing and distribution;
- reviewing, with management and the external auditors, condensed interim consolidated financial statements of the Company and accompanying information, including the Company's MD&A disclosure and quarterly earnings press release, prior to their release, filing and distribution;
- reviewing, with management and where appropriate, the external auditors, the financial information contained in prospectuses, offering memoranda, Annual Information Forms, Management Proxy Circulars, Forms 6-K (including Supplemental Disclosure) and 40-F and any other document required to be disclosed or filed by the Company before their public disclosure or filing with regulatory authorities in Canada or the United States of America;
- reviewing, with management, the type, presentation, controls and processes relating to financial information to be included in earnings press releases and other documents required to be filed with regulatory authorities in Canada or the United States of America (including earnings guidance and other material forward-looking information, as well as any use of pro-forma or non-GAAP information);
- reviewing, with management, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, such as annual reports and investor presentations, and periodically assessing the adequacy of those procedures;
- reviewing, with the external auditors and management, the quality, appropriateness and disclosure of the Company's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
- reviewing any analysis or other written communications prepared by management or external auditors setting forth significant financial reporting issues, including the method used to account for significant unusual transactions or events and disclosures relating thereto, critical accounting estimates and judgments made in connection with the preparation of the financial statements, the analyses of the effect of alternative acceptable accounting policy choices, and the disclosure of sensitive matters such as related party transactions;
- reviewing the external auditors' quarterly review engagement report;
- overseeing the procedures to review management certifications filed with applicable securities regulators;
- reviewing the potential impact of any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial

position or operating results of the Company and the appropriateness of the disclosure thereof in the documents reviewed by the Audit Committee;

- overseeing the procedures to monitor the public disclosure of information by the Company;
- reviewing the Company's disclosure policy on a regular basis;
- reviewing the results of the external audit, any significant problems encountered in performing the audit, and management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.

(b) Monitoring risk management and internal controls

- receiving periodically management's report assessing the adequacy and effectiveness of the Company's disclosure controls and procedures;
- receiving periodically management's reports assessing the adequacy and effectiveness of the Company's systems of internal control over financial reporting and reviewing the report of the auditors thereon;
- reviewing insurance coverage (annually and as may otherwise be appropriate);
- overseeing the processes in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities;
- reviewing the Company's policies and parameters regarding hedging activity and derivatives contracts entered into by management in order to address risks associated with foreign exchange fluctuations, commodity prices, interest rates and any other risks where the Company enters into derivatives contracts;
- assisting the Board with the oversight of the Company's compliance with, and reviewing the Company's processes for complying with, applicable legal and regulatory requirements;
- overseeing the confidential, anonymous procedures for the receipt, retention and treatment of complaints or concerns received by the Company regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters;
- requesting the performance of any specific audit, as required.

(c) Monitoring internal auditors

- ensuring that the head of internal audit has a functional reporting relationship with the Audit Committee;
- overseeing the access by internal auditors to all levels of management in order to carry out their duties;
- regularly monitoring the internal audit function's performance, its responsibilities, staffing and budget;
- approving the appointment and termination of the Company's chief internal auditor;
- ensuring the ongoing accountability of the internal audit function to the Audit Committee and to the Board.

(d) Monitoring external auditors

- performing annual evaluations and periodic comprehensive evaluations of the performance of the external auditors, including assessing their qualifications and compensation as well as the quality and independence of their audits;

- monitoring at least annually the results of the periodic regulatory and professional quality-control examinations of the quality of the external audits;
- recommending the retention and, if appropriate, the removal of external auditors (both subject to shareholder approval);
- overseeing all relationships between the external auditors and the Company including, determining which non-audit services the external auditors are prohibited from providing, approving, or pre-approving policies defining audit and permitted non-audit services provided by the external auditors, overseeing the disclosure of all audit and permitted non-audit services provided by the external auditors, and reviewing the total amount of fees paid by the Company to the external auditors for all audit and non-audit services;
- overseeing the direct reporting and accountability of the external auditors to the Audit Committee and to the Board;
- directly overseeing the work of the external auditors, including the resolution of any disagreement between them and management regarding accounting and financial reporting;
- discussing with the external auditors the quality and not just the acceptability of the Company's accounting principles, including (i) critical accounting policies and practices used, (ii) critical accounting estimates and matters involving significant uncertainty, (iii) alternative treatments of financial information that have been discussed with management, the ramification of their use and the treatment preferred by the external auditors, as well as (iv) other material written communications between the Company and the external auditors with respect thereto;
- reviewing at least annually, representations by the external auditors describing their internal quality-control procedures;
- reviewing at least annually, the external auditors' representations as to independence and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;
- reviewing hiring policies for employees or former employees of the Company's firm of external auditors;
- overseeing the rotation of lead, concurring and other audit partners.

(e) Reviewing financings

- reviewing the adequacy of the Company's financing, including terms and conditions and related hedging of all new material financing arrangements and compliance therewith.

(f) Evaluating the performance of the Audit Committee

- overseeing the existence of processes to annually evaluate the performance of the Audit Committee.

Because of the Audit Committee's demanding role and responsibilities, the Board chair, together with the Corporate Governance Committee chair, reviews any invitation to Audit Committee members to join the audit committee of another publicly-listed entity. Where a member of the Audit Committee simultaneously serves on the audit committee of more than three public companies, including the Company, the Board determines whether such simultaneous service impairs the ability of such member to effectively serve on the Audit Committee and either requires a correction to the situation or discloses in the Company's Management Proxy Circular that there is no such impairment.

As appropriate, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors and set and pay their compensation, and so advise the Board chair and, if appropriate, the external auditors; the Audit Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. In addition, the Company will provide appropriate funding for the Audit Committee, including the payment of all outside legal, accounting and other advisors retained by the Audit Committee.

The internal auditors and the external auditors will have at all times a direct line of communication with the Audit Committee. In addition, each meets separately with the Audit Committee, without management, at least once a quarter, during which the Company's financial statements and control environment must be discussed. Furthermore, at least once a quarter, and more frequently as required, the Audit Committee meets separately with management. Finally, at each regularly-scheduled and special meeting, the Audit Committee meets without management or any non-independent directors present.

The Audit Committee reports annually to the Board on the adequacy of its mandate. In addition, the chair of the Audit Committee reports regularly to the Board on the business of the Audit Committee.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's responsibility to ensure the Company's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members may have financial experience, they do not have the obligation to act as auditors or to perform auditing, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditors and the external auditors. Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Company by the external auditors. The Audit Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Company's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles.

* * * * * * *

A. Undertaking

Gildan Activewear Inc. (the "**Registrant**" or "**Company**") undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Securities and Exchange Commission ("**SEC**"), and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in such securities.

B. Consent to Service of Process

The Registrant has previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X in connection with the Class A Subordinate Voting Shares (now Common Shares).

C. Evaluation of disclosure controls and procedures

Our disclosure controls and procedures (as such term is defined in the Securities Exchange Act of 1934 (the " **Exchange Act**"), as amended, Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of, and with the participation of, our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 40-F. For the year ended January 1, 2017, management's evaluation of the effectiveness of its disclosure controls and procedures excluded the disclosure controls and procedures of the acquired businesses of Alstyle Apparel, LLC ("Alstyle") and Peds Legwear, Inc. ("Peds"), acquired by the Registrant on May 26, 2016 and August 22, 2016, respectively, the results of which are included in the audited annual consolidated financial statements of the Registrant for the year ended January 1, 2017, to the extent Alstyle's and Peds' disclosure controls and procedures are subsumed by internal control over financial reporting. The consolidated results of the Registrant for the year ended January 1, 2017 included net sales of $118.6 million and net earnings of $1.8 million relating to Alstyle's and Peds' results of operations since they were acquired. Alstyle and Peds accounted for $133.9 million of current assets, $66.1 million of non-current assets, $28.0 million of current liabilities, and $2.4 million of non-current liabilities in the Company's audited consolidated statement of financial position as at January 1, 2017.

Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of such period.

D. Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our principal executive officer and our principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of January 1, 2017, based on the framework set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). Based on that evaluation, which excluded the evaluation of internal control over financial reporting of Alstyle and Peds as described above, our principal executive officer and our principal financial officer concluded that our internal control over financial reporting was effective as of that date.

E. Report of the registered public accounting firm.

KPMG LLP ("**KPMG**"), an independent registered public accounting firm, that audited and reported on our financial statements attached as Exhibit 99.2 to this Annual Report on Form 40-F, has issued a report on the effectiveness of our internal control over financial reporting as of January 1, 2017. The report is included on page 3 of the financial statements attached as Exhibit 99.2 to this Annual Report on Form 40-F.

F. Changes in internal controls over financial reporting.

There have been no changes that occurred during the period beginning on January 4, 2016 and ended on January 1, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

G. Audit Committee Financial Experts

The Registrant's board of directors has determined that it has at least three (3) audit committee financial experts serving on its Audit and Finance Committee. Mr. Donald C. Berg, Mr. Russell Goodman, and Mr. Gonzalo F. Valdes-Fauli have been determined to be such audit committee financial experts and are independent, as that term is defined by the New York Stock Exchange's listing standards applicable to the Registrant. The SEC has indicated that the designation of Mr. Berg, Mr. Goodman, and Mr. Valdes-Fauli as audit committee financial experts does not make Mr. Berg, Mr. Goodman, and Mr. Valdes-Fauli "experts" for any purpose, impose any duties, obligations or liability on Mr. Berg, Mr. Goodman, and Mr. Valdes-Fauli that are greater than those imposed on members of the Audit and Finance Committee and Board of Directors who do not carry this designation or affect the duties, obligations or liability of any other member of the Audit and Finance Committee.

H. Code of Ethics

In 2016, the Registrant adopted a new Code of Ethics (the "**Code of Ethics**") that applies to all employees and officers, including its principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics built on the Registrant's prior Code of Ethics and Code of Conduct, adopted in 2010, by including additional information on the procedures for reporting possible violations of the Code of Ethics, updated discussion of the Registrant's corporate social responsibility objectives and anti-corruption policies and procedures, and new policies on the responsible use of social media by employees. The Code of Ethics is attached as Exhibit 99.6 to this Report on Form 40-F, is available at the Registrant's website, http://www1.gildan.com/corporate/IR/corporateGovernance.cfm, and is available, without charge, in print to any shareholder who requests it.

I. Principal Accountant Fees and Services

In addition to retaining KPMG to report upon the annual consolidated financial statements of the Registrant, the Registrant retained KPMG to provide various audit-related and non-audit services in fiscal 2016. The aggregate fees billed for professional services by KPMG for each of the last two (2) fiscal years, were as follows:

Audit Fees - The aggregate audit fees billed by KPMG were Cdn $ 2,427,000 for the fiscal year ended January 1, 2017 (" **Fiscal 2016**") and Cdn $ 2,327,000 for the fifteen-month period ended January 3, 2016 (" **Fiscal 2015**"). These services consisted of professional services rendered for the annual audit of the Company's consolidated financial statements and the quarterly reviews of the Company's interim financial statements, consultation concerning financial reporting and accounting standards, and services provided in connection with statutory and regulatory filings or engagements. The fees for the annual audit of the Company's consolidated financial statements include fees relating to KPMG's audit of the effectiveness of the Company's internal control over financial reporting.

Audit-Related Fees - The aggregate audit-related fees billed by KPMG were Cdn $ 404,000 for Fiscal 2016 and Cdn $ 322,000 for Fiscal 2015. These services consisted of due diligence services relating to business acquisitions and also

translation services in both years. Such due diligence services related primarily to financial accounting and internal control issues.

Tax Fees - The aggregate tax fees billed by KPMG were Cdn $ 1,274,000 for Fiscal 2016 and Cdn $ 1,001,000 for Fiscal 2015. These services consisted of tax compliance, including assistance with the preparation and review of tax returns, assistance regarding income, capital and sales tax audits, the preparation of annual transfer pricing studies, and tax advisory services relating to domestic and international taxation.

All Other Fees - The aggregate fees billed by KPMG for all other professional services rendered were Cdn $40,000 for Fiscal 2016 and Cdn $125,000 for Fiscal 2015.

All fees billed to the Registrant by KPMG in Fiscal 2016 were pre-approved by the Registrant's Audit and Finance Committee pursuant to the procedures and policies set forth in the Audit and Finance Committee mandate and pursuant to applicable legislation. The mandate of the Audit and Finance Committee is available on the Registrant's website at www1.gildan.com/corporate/IR/corporateGovernance.cfm.

In Fiscal 2016 and Fiscal 2015, the Company's Audit and Finance Committee did not approve any audit-related, tax or other services pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

J. Off-Balance Sheet Arrangements

Operating Leases and Commitments

The Registrant has no commitments that are not reflected in its balance sheets except for purchase obligations, minimum annual lease payments under operating leases which are primarily for premises and minimum royalty payments, which are included in the table of contractual obligations on page 32 of its Management's Discussion and Analysis (see Exhibit 99.1) (the "**MD&A**"). As disclosed in Note 23(b) to the Registrant's Consolidated Financial Statements (see Exhibit 99.2), the Registrant has issued financial guarantees, irrevocable standby letters of credit and surety bonds primarily from various servicing agreements amounting to $53.8 million at January 1, 2017.

K. Tabular Disclosure of Contractual Obligations

See page 32 of Exhibit 99.1.

L. Corporate Governance Guidelines

The Registrant has adopted Corporate Governance Guidelines as well as mandates for its board of directors and each of its three committees which are available at the Registrant's Internet website, http://www1.gildan.com/corporate/IR/corporateGovernance.cfm, and are available in print to any shareholder who requests them.

M. Identification of the Audit Committee

The Registrant has a separately-designated standing audit committee, known as the Audit and Finance Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Registrant's Audit and Finance Committee are Mr. Donald C. Berg, Mr. Russell Goodman, Ms. Sheila O'Brien, and Mr. Gonzalo F. Valdez-Fauli. Please refer to the section of our Annual Information Form entitled "Audit and Finance Committee Disclosure", incorporated by reference herein, for additional information.

N. Summary of Significant Differences from NYSE Corporate Governance Rules

The Registrant is committed to adopting and adhering to corporate governance practices that either meet or exceed applicable Canadian and U.S. corporate governance standards. As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange ("**TSX**") and the New York Stock Exchange (" **NYSE**"), the Registrant complies with all applicable rules adopted by the Canadian Securities Administrators as well as the rules of the U.S. Securities and Exchange Commission giving effect to the provisions of the U.S. Sarbanes-Oxley Act of 2002.

Although many of the NYSE Corporate Governance Standards (the " **NYSE Standards**") do not apply to the Registrant, it nevertheless voluntarily complies with most of the NYSE Standards. In fact, the Registrant's corporate governance

practices differ significantly in only one respect from those required of U.S. domestic issuers under the NYSE Standards, which is with respect to the approval of equity compensation plans. The NYSE Standards require shareholder approval of all equity compensation plans and material revisions to such plans, regardless of whether the securities to be delivered under such plans are newly issued or purchased on the open market, subject to a few limited exceptions. The TSX Rules, however, do not require shareholder approval in all those circumstances. Hence, only the creation or material amendments to equity compensation plans that provide for new issuances of securities are subject to shareholder approval. The Registrant has in place plans which did not require the approval of its shareholders under the TSX Rules but which could have required the approval of its shareholders under the NYSE Standards as applicable to U.S. domestic issuers.

O. Our Website is Not Part of this Annual Report

All references in this Annual Report on Form 40-F to websites are inactive textual references, and information contained in or otherwise accessible through the websites mentioned in this Annual Report on Form 40-F does not form part of this Annual Report on Form 40-F.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

DATED: February 24, 2017

GILDAN ACTIVEWEAR INC.

/s/ Lindsay Matthews
Name: Lindsay Matthews
Title: Vice-President, General Counsel and Corporate Secretary

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EXHIBIT INDEX

Exhibit No.	Description
99.1	Management's Discussion and Analysis of the Registrant for the year ended January 1, 2017
99.2	Audited comparative consolidated financial statements of the Registrant as at and for the year ended January 1, 2017
99.3	Consent of KPMG LLP
99.4	Officers' Certifications Required by Rule 13a-14(a) or Rule 15d-14(a)
99.5	Officers' Certifications Required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
99.6	Code of Ethics

GILDAN®

2016 REPORT TO SHAREHOLDERS

February 24, 2017

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1.0 PREFACE

In this Management's Discussion and Analysis (MD&A), "Gildan", the "Company", or the words "we", "us", and "our" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries.

On December 4, 2014, the Company announced that it would be transitioning to a new fiscal year-end in 2015. As a result of this transition, the Company's year-end is now the Sunday closest to December 31, rather than the first Sunday following September 28. For purposes of its regulatory filings, the Company's reported results for fiscal 2015 included the15-month transition period from October 6, 2014 through January 3, 2016. The Company's first 12-month fiscal year on a calendar basis began on January 4, 2016 and ended on January 1, 2017.

This MD&A comments on our operations, financial performance and financial condition as at and for the 12-month fiscal year ended January 1, 2017 (Fiscal 2016) and the 15-month transition period ended January 3, 2016 (Fiscal 2015). All amounts in this MD&A are in U.S. dollars, unless otherwise noted. For a complete understanding of our business environment, trends, risks and uncertainties and the effect of accounting estimates on our results of operations and financial condition, this MD&A should be read in conjunction with Gildan's audited annual consolidated financial statements for the year ended January 1, 2017 and the related notes.

In preparing this MD&A, we have taken into account all information available to us up to February 24, 2017, the date of this MD&A. The audited annual consolidated financial statements and this MD&A were reviewed by Gildan's Audit and Finance Committee and were approved and authorized for issuance by our Board of Directors.

All financial information contained in this MD&A and in the audited annual consolidated financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), except for certain information discussed in the section entitled "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

All earnings per share and share data in this MD&A are on a post-split basis, reflecting the effect of the two-for-one stock split of the Company's outstanding common shares by way of a share dividend that took effect on March 27, 2015.

Additional information about Gildan, including our 2016 Annual Information Form, is available on our website at www.gildan.com, on the SEDAR website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission website (which includes the Annual Report on Form 40-F) at www.sec.gov.

2.0 CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this MD&A constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation and regulations, and are subject to important risks, uncertainties, and assumptions. This forward-looking information includes, amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. In particular, information appearing under the headings "Our business - Our operations", "Strategy and objectives", "Liquidity and capital resources - Long-term debt and net indebtedness", and "Outlook" contain forward looking statements. Forward-looking statements generally can be identified by the use of conditional or forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "project", "assume", "anticipate", "plan", "foresee", "believe", or "continue", or the negatives of these terms or variations of them or similar terminology. We refer you to the Company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the risks described under the "Financial risk management", "Critical accounting estimates and judgments", and "Risks and uncertainties" sections of this MD&A for a discussion of the various factors that may affect the Company's future results. Material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection are also set out throughout this document.

Forward-looking information is inherently uncertain and the results or events predicted in such forward-looking information may differ materially from actual results or events. Material factors, which could cause actual results or events to differ materially from a conclusion, forecast or projection in such forward-looking information, include, but are not limited to:

- our ability to implement our growth strategies and plans, including achieving market share gains, obtaining and successfully introducing new sales programs, implementing new product introductions, increasing capacity, implementing cost reduction initiatives, and completing and successfully integrating acquisitions, including the Alstyle, Peds, and American Apparel acquisitions;
- the intensity of competitive activity and our ability to compete effectively;
- changes in general economic and financial conditions globally or in one or more of the markets we serve;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit to minimum quantity purchases;
- our ability to anticipate, identify, or react to changes in consumer preferences and trends;
- our ability to manage production and inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton, polyester fibers, dyes, and other chemicals;
- our reliance on key suppliers and our ability to maintain an uninterrupted supply of raw materials and finished goods;
- the impact of climate, political, social and economic risks in the countries in which we operate or from which we source production;
- disruption to manufacturing and distribution activities due to such factors as operational issues, disruptions in transportation logistic functions, labour disruptions, political or social instability, bad weather, natural disasters, pandemics, and other unforeseen adverse events;
- compliance with applicable trade, competition, taxation, environmental, health and safety, product liability, employment, patent and trademark, corporate and securities, licensing and permits, data privacy, bankruptcy, anti-corruption, and other laws and regulations in the jurisdictions in which we operate;
- changes to domestic tariffs and international trade legislation that the Company is currently relying on in conducting its manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- changes to and failure to comply with consumer product safety laws and regulations;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;
- negative publicity as a result of actual, alleged, or perceived violations of labour and environmental laws or international labour standards, or unethical labour or other business practices by the Company or one of its third-party contractors;
- changes in third party licensing arrangements and licensed brands;
- our ability to protect our intellectual property rights;
- operational problems with our information systems as a result of system failures, viruses, security and cyber security breaches, disasters, and disruptions due to system upgrades or the integration of systems;
- an actual or perceived breach of data security;
- our reliance on key management and our ability to attract and/or retain key personnel;
- changes in accounting policies and estimates; and
- exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, and interest rate risk, as well as risks arising from commodity prices.

These factors may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made, may have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset write-downs, asset impairment losses or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's future financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date hereof, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

3.0 OUR BUSINESS

Recent Developments

Acquisition of the American Apparel® brand

On February 8, 2017, the Company acquired the American Apparel® brand and certain assets from American Apparel, LLC, (American Apparel) which filed for Chapter 11 bankruptcy protection on November 14, 2016. The acquisition was effected through a court supervised auction during which Gildan emerged as the successful bidder with a final cash bid of approximately $88 million. The American Apparel® brand will be a strong complementary addition to Gildan's growing brand portfolio. The acquisition provides the opportunity to grow American Apparel® sales by leveraging the Company's extensive printwear distribution networks in North America and internationally to drive further market share penetration in the fashion basics segment of these markets. Results from the sale of products under the American Apparel® brand will be included in the Printwear segment.

3.1 Overview

Gildan is a leading manufacturer and marketer of quality branded basic family apparel, including T-shirts, fleece, sport shirts, underwear, socks, hosiery, and shapewear. We sell our products under a diversified portfolio of Company-owned brands, including the Gildan®, Gold Toe®, Anvil®, Comfort Colors®, American Apparel®, Alstyle®, Secret®, Silks®, Kushyfoot®, Secret Silky®, Therapy Plus™, Peds®, and MediPeds® brands. We also distribute some of our sock products through our exclusive U.S. sock license for the Under Armour® brand, and we also market a wide array of products through a global license for the Mossy Oak® brand. Our products are sold in two primary markets, namely the printwear and retail markets. We distribute our products in printwear markets in the U.S., Canada, Mexico, Europe, Asia-Pacific, and Latin America. In retail markets, we sell our products to a broad spectrum of retailers primarily in the U.S. and Canada and we also manufacture for select leading global athletic and lifestyle consumer brands.

Gildan owns and operates vertically-integrated, large-scale manufacturing facilities which are primarily located in Central America, the Caribbean Basin, North America, and Bangladesh. These facilities are strategically located to efficiently service the quick replenishment needs of our customers in the markets that we serve. With over 48,000 employees worldwide we operate with a strong commitment to industry-leading labour and environmental practices throughout our supply chain in accordance with our comprehensive corporate social responsibility program which is embedded in the Company's long-term business strategy.

3.2 Our operating segments

The Company manages and reports its business under two operating segments, Printwear and Branded Apparel, each of which is a reportable segment for financial reporting purposes. Each segment has its own management that is accountable and responsible for the segment's operations, results, and financial performance. These segments are principally organized by the major customer markets they serve. The following summary describes the operations of each of the Company's operating segments.

3.2.1 Printwear segment

The Printwear segment, headquartered in Christ Church, Barbados, designs, manufactures, sources, markets, and distributes undecorated activewear products in large quantities primarily to wholesale distributors in printwear markets in over 55 countries across North America, Europe, Asia-Pacific, and Latin America. Through our Printwear segment, we sell mainly undecorated activewear products (blanks) primarily to wholesale distributors who sell our products to screenprinters, advertising specialty distributors, and embroiderers, who in turn decorate the products with designs and logos and sell the imprinted activewear into a highly diversified range of end-use markets. These include educational institutions, athletic dealers, event merchandisers, promotional product distributors, charitable organizations, entertainment promoters, travel and tourism venues, and retailers. Our activewear products are used in a variety of daily activities by individuals and have various applications, including work and school uniforms and athletic team wear, and for various other purposes to convey individual, group, and team identity.

The following table summarizes the primary brands under which we market our products in the printwear channel:

Primary brands	Primary products
Gildan® Gildan Performance® Anvil® Comfort Colors®(1) American Apparel® Alstyle®(1) New Balance®(2)	Activewear: T-shirts, fleece, sport shirts

(1) Comfort Colors® and Alstyle® are registered trademarks in the U.S.
(2) Under license agreement for distribution rights in the U.S. and Canada.

3.2.2 Branded Apparel segment

The Branded Apparel segment, headquartered in Charleston, South Carolina, designs, manufactures, sources, markets, and distributes branded family apparel, which includes athletic, casual and dress socks, underwear, activewear, sheer hosiery, legwear, and shapewear products which are sold to retailers in the United States and Canada. We market our products primarily under our Company-owned and licensed brands. Although the main focus of the Company's growth strategy is the continued development of its Company-owned and licensed brands, the Company is also pursuing the opportunity to grow its sales as a supply chain partner to a small number of targeted global athletic and lifestyle brands, for which we manufacture and decorate products.

The following table summarizes the current retail distribution of various product categories under Company-owned and licensed brands:

Brand	Primary products	Retail distribution channels
Gildan®	Socks, underwear, activewear	Mass-market, regional department stores, craft channel, food and drug
Gildan Platinum® (1)	Socks, underwear, activewear	Regional department stores, national chains
Smart Basics®	Socks, underwear, activewear	Dollar store channel, food and drug
Gold Toe®	Socks, activewear	Department stores, national chains, price clubs
G® (1)	Socks, underwear, activewear	Department stores, national chains
PowerSox®	Athletic socks	Sports specialty, national chains, department stores
GT a Gold Toe brand™	Socks	Mass-market
Silver Toe®	Socks	National chains
Signature Gold by Goldtoe®	Socks	Mass-market
All Pro®	Athletic socks	Mass-market
Under Armour® (2)	Athletic socks	Sports specialty, national chains, department stores
Mossy Oak® (3)	Socks, activewear, underwear, loungewear, thermals, fleece	Sports specialty, national chains, mass-market, price clubs, dollar store channel, department stores
Secret® (1)	Sheer/pantyhose, tights/leggings, shapewear, underwear, intimate accessories, socks	Mass-market, department stores, food and drug
Silks® (1)	Sheer/pantyhose, tights/leggings	Department stores, national chains, price clubs
Therapy Plus® (1)	Legwear, foot solutions/socks	Mass-market, department stores, food and drug
Kushyfoot® (1)	Legwear, foot solutions/socks	Food and drug
Secret Silky®	Sheer/pantyhose	Food and drug
Peds®	Socks, sheer/pantyhose, legwear	Mass-market, footwear
MediPeds®	Legwear, foot solutions/socks	Mass-market

(1) Gildan Platinum®, G®, and Kushyfoot® are registered trademarks in the U.S. Secret®, Silks®, and Therapy Plus® are registered trademarks in Canada.
(2) Under license agreement for socks only - with exclusive distribution rights in the U.S.
(3) Under license agreement - with worldwide distribution rights and exclusivity for certain product categories.

3.3 Our operations

3.3.1 Manufacturing

The vast majority of our products are manufactured in facilities that we own and operate. Our vertically-integrated manufacturing operations include capital-intensive yarn-spinning, textile, sock, and sheer hosiery manufacturing facilities, as well as labour-intensive sewing plants. At our yarn-spinning facilities, we convert cotton and other fibers into yarn. In our textile plants, we convert yarn into dyed and cut fabric, which is subsequently assembled into activewear and underwear garments primarily at sewing facilities which we operate in owned or leased premises. We also use third party sewing contractors, although to a lesser extent, to satisfy some of our sewing requirements. In our integrated sock manufacturing facilities, we convert yarn into finished socks. The majority of our sock production does not require sewing as the equipment used in our facilities knits the entire sock with a seamless toe closing operation. Our manufacturing facilities for sheer hosiery include knitting, dyeing, and packaging capabilities.

All of our yarn-spinning operations, which include five facilities, are in the United States where we manufacture the majority of the yarn used to produce our products. We also use third party yarn-spinning suppliers, primarily in the United States to satisfy the remainder of our yarn requirements. Our largest manufacturing hub is in Honduras, Central America, strategically located to efficiently serve the quick replenishment requirements of our markets. In Honduras we have textile, sock, and sewing operations. We operate three large-scale, vertically-integrated textile facilities at our Rio Nance complex in Honduras and we are currently developing an additional facility. We also own and operate another vertically-integrated textile facility

in Honduras outside the Rio Nance complex. The majority of our sock production is also produced at our Rio Nance complex in two sock manufacturing facilities. With the acquisition of Peds in 2016, we now also own and operate a sock manufacturing facility in Hildebran, NC. The majority of the cut goods produced in the textile facilities in Central America are assembled in our sewing facilities located in Honduras and Nicaragua, mainly in leased premises. We also have screenprinting and decorating capabilities in Central America to support our sales to leading global athletic and lifestyle consumer brands. In the Caribbean Basin we operate a large-scale, vertically-integrated textile facility and two sewing facilities in the Dominican Republic, and also use dedicated third-party sewing contractors in Haiti. We also have a manufacturing hub in Mexico where we operate a large integrated textile, sewing, and distribution facility, as well as cut and sew facilities, which were acquired in 2016 as part of the Alstyle acquisition, as described in section 5.2 of this MD&A. We have increased capacity utilization at the Alstyle facility, with the capability to significantly expand the facility's textile production capacity for basics going forward. In Bangladesh we own and operate a smaller vertically-integrated manufacturing facility for the production of activewear dedicated primarily to servicing international markets. Garment dyeing operations are conducted in Honduras and also out of a small garment dyeing facility in the U.S. Sheer hosiery manufacturing is located in a facility in Canada. While we internally produce the majority of the products we sell, we also have sourcing capabilities to complement our large scale, vertically-integrated manufacturing.

The following table provides a summary of our primary manufacturing operations by geographic area:

	Canada	United States	Central America	Caribbean Basin	Mexico	Asia
Yarn-spinning facilities		■ Clarkton, NC ■ Cedartown, GA ■ Salisbury, NC - (2 facilities) ■ Mocksville, NC				
Textile facilities			■ Honduras (4 facilities)	■ Dominican Republic	■ Agua Prieta	■ Bangladesh
Garment dyeing facility		■ New Bedford, MA	■ Honduras			
Sewing facilities[1]			■ Honduras (4 facilities) ■ Nicaragua (3 facilities)	■ Dominican Republic (2 facilities)	■ Ensenada ■ Hermosillo ■ Agua Prieta	■ Bangladesh
Sock / Sheer manufacturing facilities	■ Montreal, QC	■ Hildebran, NC	■ Honduras (2 facilities)			

(1) We also use the services of third-party sewing contractors, primarily in Haiti, to support textile production from the Dominican Republic.

3.3.2 Sales, marketing and distribution

Our sales and marketing offices are responsible for customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and production planning, as well as inventory control and logistics for each of their respective operating segments.

Printwear segment

Our sales and marketing office servicing our global printwear markets is located in Christ Church, Barbados. We distribute our activewear products for the printwear markets primarily out of our main distribution centre in Eden, NC. We also have distribution centres in Honduras and in Mexico. In addition, we have leased distribution facilities primarily in the U.S. west coast, and we also use third-party warehouses in the U.S., Canada, Mexico, Colombia, Europe, and Asia.

Branded Apparel segment

Our primary sales and marketing office for our Branded Apparel segment is located in Charleston, South Carolina at the same location as our primary distribution centre servicing our retail customers. We also service some of our customers through our distribution centre in Honduras. In addition, we service retail customers from smaller distribution centres in North Carolina, South Carolina, and Canada. We also operate retail stores located in outlet malls throughout the Eastern United States.

3.3.3 Employees and corporate office

We currently employ over 48,000 employees worldwide. Our corporate head office is located in Montreal, Canada.

3.4 Competitive environment

The markets for our products are highly competitive and we compete with domestic and international manufacturers or suppliers. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Among our competitive strengths is our expertise in designing, constructing, and operating large-scale, vertically-integrated, and strategically-located manufacturing hubs. This skill set and the continued significant capital investment we have made in our own vertically-integrated manufacturing infrastructure, which has surpassed industry average levels of investment, allow us to operate efficiently, remain cost-competitive, maintain consistent product quality, and provide a reliable supply chain with short production/delivery cycle times. Continued investment and innovations in our manufacturing processes have also allowed us to deliver enhanced product features, further improving the value proposition of our product offering to our customers. Consumer brand recognition and appeal are also important factors in the retail market. The Company is focused on further developing its brands and is continuing to make significant investments in marketing and advertising. Recognition for our high standards of environmental and social responsibility practices is also an important competitive advantage, particularly as this area is becoming an increasingly important consideration for our customers.

3.4.1 Printwear segment

Our primary competitors in North America include major apparel manufacturers such as Fruit of the Loom, Inc. (Fruit of the Loom) and Russell Corporation (Russell), which are both subsidiaries of Berkshire Hathaway Inc. (Berkshire), as well as Hanesbrands Inc. (Hanesbrands). We also compete with smaller U.S.-based competitors, including Delta Apparel Inc., Color Image Apparel, Inc., Next Level Apparel, and Bella + Canvas, as well as Central American and Mexican manufacturers. In addition, we compete with private label brands sold by our customers. Competitors in the European printwear market include Fruit of the Loom and Russell, as well as competitors that do not have integrated manufacturing operations and source products from suppliers in Asia.

3.4.2 Branded Apparel segment

In the retail channel, we compete primarily with Hanesbrands, Berkshire subsidiaries, Fruit of the Loom, Russell and Garan Incorporated, as well as Renfro Corporation, Jockey International, Inc., Kayser Roth Corporation, and Spanx, Inc. In addition, we compete with brands of well-established U.S. fashion apparel and sportswear companies, as well as private label brands sold by our customers that source products for these brands primarily from Asian and other manufacturers.

4.0 STRATEGY AND OBJECTIVES

Our growth strategy comprises the following four initiatives:

4.1 Continue to pursue additional printwear market penetration and opportunities

We intend to continue to leverage our vertical manufacturing platform, cost advantage, and distributor reach to continue to grow in the North American printwear market, including the faster-growing fashion basics and sports performance categories where our participation in these categories has not been as extensive as in the basics category. We are targeting further market penetration in printwear with brands well-positioned to compete in each product category and through new product introductions. In the basics category, we market our products under the Gildan® brand, the leading brand in this category, and the Alstyle® brand which we acquired in 2016. In the fashion basics segment, we market our products under the Anvil® brand featuring a more contemporary line of ring-spun products incorporating more fashion-oriented styles. We also sell products under the Comfort Colors® brand featuring garment-dyed activewear products allowing us to achieve a worn-in and weathered look and a soft and comfortable feel. On February 8, 2017, we added the American Apparel® brand to our portfolio of brands to enhance our positioning within the fashion basics segment of the printwear market. In the sports performance category, we market our products under our Gildan Performance® brand, featuring moisture wicking and anti-microbial properties for long-lasting comfort and performance, as well as the licensed New Balance® brand. We are pursuing growth with new product introductions, including softer fabrics and blends, and expanding our global product offering in performance garments, ladies styles, sport shirts, and workwear.

We also intend to continue to expand our presence in international markets such as Europe, Asia-Pacific, and Latin America, which currently represent less than 10% of our total consolidated net sales, through product extensions, expanded distribution, and by leveraging our brands.

2016 highlights

- On May 26, 2016, we acquired Alstyle Apparel, LLC and its subsidiaries (Alstyle) and added the Alstyle® brand as part of our basics product offering. The acquisition expanded Gildan's penetration in printwear markets in the U.S., particularly in the Western U.S. where Alstyle has a strong presence. It also broadened distribution in Canada and Mexico. As part of the acquisition, Gildan gained manufacturing operations in Mexico which are expected to enhance Gildan’s competitive positioning in the Mexican printwear and retail markets. Further, Alstyle's manufacturing operations provide additional textile capacity to support further sales growth and offer the opportunity to leverage preferential trade agreements which provide duty-free access to markets in South America.
- During 2016, we achieved double digit unit sales volume growth in fashion and performance basics, as well as in international printwear markets.

4.2 Continue penetration of retail market as a full-line supplier of branded family apparel

We continue to leverage our existing core competencies, successful business model, and competitive strengths to grow our sales to North American retailers. As in the printwear channel, success factors in penetrating the retail channel include consistent quality, competitive pricing, and fast and flexible replenishment, together with a commitment to sound practices in corporate social responsibility and environmental sustainability. Consumer brand recognition and appeal are also important factors in the retail market. We intend to leverage our current distribution with retailers, our manufacturing scale and expertise, and our ongoing marketing investment to support the further development of Company-owned and licensed brands to create additional sales growth opportunities in activewear, underwear, socks, sheer hosiery, legwear, and shapewear products. Although we are primarily focused on further developing our Company-owned and licensed brands, we are also building our relationships and growing our sales as a supply chain partner to a small number of select global athletic and lifestyle brands.

2016 highlights

- The Branded Apparel business drove market share expansion in Gildan® branded men's socks and underwear and achieved improved in-store placement for Gildan® branded men's underwear. Gildan® brand market share for the quarter ended December 31, 2016 in the men's underwear category was 9.2%, up 210 basis points compared to the same period last year. In the men's sock category, the Gildan® brand moved into the number one position in this category during 2016 and market share for the fourth quarter was 22.1%, up 220 basis points compared to the corresponding quarter in 2015.
- In August 2016, we acquired 100% of the equity interest of Peds Legwear Inc. (Peds), a marketer of quality foot apparel and legwear products, including ladies no-show liners, socks and sheer, and therapeutic hosiery sold mainly under the Peds® and MediPeds® brands to U.S. and Canadian retailers. The acquisition is expected to create revenue growth opportunities by leveraging Gildan's existing customer relationships to broaden the channels of distribution for the Peds®

and MediPeds® brands and by extending these brands into Gildan's other product categories. In addition, Peds distribution into the footwear channel provides broader access in this channel for Gildan's brands and product portfolio.

4.3 Continue to increase capacity to support our planned sales growth and generate manufacturing and distribution cost reductions

We plan to continue to increase capacity to support our planned sales growth. We are continuing to seek to optimize our cost structure by adding new low-cost capacity, investing in projects for cost-reduction and further vertical-integration, as well as for additional product quality enhancement.

2016 highlights
- We essentially completed the ramp up of our largest new yarn-spinning facility for the production of ring-spun yarn in Mocksville, NC.
- During 2016, the Company continued to generate cost reductions from its capital investments in yarn-spinning and other capital projects.
- With the acquisition of Alstyle in 2016, we acquired manufacturing operations in Mexico. We are targeting to achieve synergies as we align production operations at Alstyle's manufacturing facilities in Mexico with Gildan's standardized manufacturing processes, and through the optimization of capacity. Further, the existing large textile facility in Mexico provides the opportunity to develop additional capacity at a lower rate of capital spending.

4.4 Utilize free cash flow and balance sheet strength to enhance sales and earnings growth and shareholder returns

We have established a capital allocation framework intended to enhance sales and earnings growth and shareholder returns. Beyond our dividend, our first priority for the use of free cash flow and debt financing capacity is completing complementary strategic acquisitions which meet our criteria. We have developed criteria in evaluating acquisition opportunities around three main considerations: (1) strategic fit; (2) ease of integration; and (3) financial targets, including return on investment thresholds, based on our risk-adjusted cost of capital. Beyond dividends and acquisitions, when appropriate, we intend to use excess cash to repurchase shares. The Company has set forth a net debt leverage target ratio of one to two times adjusted EBITDA which it believes will provide an efficient capital structure and allow it to execute on all of its capital allocation priorities within this framework.

2016 highlights
- As discussed in the “Strategy and Objectives” section of this MD&A under sections 4.1 and 4.2, the Company completed two acquisitions during 2016.
- During the second quarter of 2016, the Company raised $600 million of long-term debt in order to support its net debt leverage target of one to two times adjusted EBITDA.
- During 2016, the Company generated close to $400 million in free cash flow and returned $470 million to shareholders through dividends and share repurchases. At the end of 2016 the Company's net debt leverage ratio was 1.0 times adjusted EBITDA.
- On February 22, 2017, the Board of Directors approved a 20% increase in the amount of the quarterly dividend compared to the dividend of the prior quarter.

We are subject to a variety of business risks that may affect our ability to maintain our current market share and profitability, as well as our ability to achieve our short and long-term strategic objectives. These risks are described under the “Financial risk management” and “Risks and uncertainties” sections of this MD&A.

5.0 OPERATING RESULTS

As discussed in section 1.0 of this MD&A, the Company changed its year end in fiscal 2015 to the Sunday closest to December 31, rather than the first Sunday following September 28. This MD&A comments on our operations, financial performance and financial condition as at and for the 12-month fiscal year ended January 1, 2017 (Fiscal 2016) and the 15-month transition period ended January 3, 2016 (Fiscal 2015). Fiscal 2014 refers to the 12-month fiscal year ended October 5, 2014.

5.1 Non-GAAP financial measures

We use non-GAAP financial measures (non-GAAP measures) to assess our operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We use non-GAAP measures including adjusted net earnings, adjusted diluted EPS,

adjusted operating income, adjusted operating margin, adjusted EBITDA, free cash flow, total indebtedness, net indebtedness (cash in excess of total indebtedness), and net debt leverage ratio to measure our performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe such measures provide meaningful information on the Company's financial condition and financial performance.

We refer the reader to section 17.0 entitled "Definition and reconciliation of non-GAAP financial measures" in this MD&A for the definition and complete reconciliation of all non-GAAP measures used and presented by the Company to the most directly comparable IFRS measures.

5.2 Business acquisitions

We completed two business acquisition in fiscal 2016, and one in fiscal 2015, which are described below. The Company accounted for these acquisitions using the acquisition method in accordance with IFRS 3, Business Combinations, and the results of each acquisition have been consolidated with those of the Company from the respective dates of acquisition. The Company has determined the fair value of the assets acquired and liabilities assumed based on management's best estimate of their fair values and taking into account all relevant information available at the time of acquisition. Please refer to note 5 to the 2016 audited annual consolidated financial statements for a summary of the amounts recognized for the assets acquired and liabilities assumed at the dates of acquisitions.

5.2.1 Peds

On August 22, 2016, the Company acquired a 100% interest in Peds for total consideration of $51.9 million (net of cash acquired and income tax liabilities assumed), of which $47.9 million was paid at closing and a balance due of $4.0 million is expected to be paid within twelve months of closing. Excluding the income tax liabilities and certain non-operational liabilities assumed, the gross consideration was $55.0 million. The acquisition was financed by the utilization of the Company's long-term bank credit facilities. Peds is a marketer of quality foot apparel and legwear products, including ladies no-show liners, socks and sheer, and therapeutic hosiery sold mainly under the Peds® and MediPeds® brands to U.S. and Canadian retailers. The acquisition is expected to create revenue growth opportunities by leveraging Gildan's existing customer relationships to broaden the channels of distribution for the Peds® and MediPeds® brands and by extending these brands into Gildan's other product categories. In addition, Peds' current distribution into the footwear channel provides broader access in this channel for Gildan's brands and product portfolio.

The audited annual consolidated financial statements for the fiscal year ended January 1, 2017 include the results of Peds from August 22, 2016 to January 1, 2017. The results of Peds are included in the Branded Apparel segment.

5.2.2 Alstyle

On May 26, 2016, the Company acquired a 100% interest in Alstyle for cash consideration of $110 million. The acquisition was financed by the utilization of the Company's long-term bank credit facilities. Alstyle manufactures and markets activewear products such as T-shirts and fleece, the majority of which are sold under the Alstyle® brand. Alstyle sells its products to screenprinters, embellishers, and mass-marketers largely in the U.S., as well as in Canada and Mexico. Its manufacturing and distribution operations include a large-scale textile manufacturing facility and cut and sew facilities in Mexico, as well as distribution centers located in the U.S., Canada, and Mexico. The acquisition of Alstyle expands Gildan's penetration in printwear markets in the U.S., Canada, and Mexico, and broadens and complements Gildan's position in the Western United States where Alstyle has a strong presence.

The audited annual consolidated financial statements for the fiscal year ended January 1, 2017 include the results of Alstyle from May 26, 2016 to January 1, 2017. The results of Alstyle are included in the Printwear segment.

5.2.3 Comfort Colors

On March 2, 2015, the Company acquired substantially all of the operating assets of a company operating under the Comfort Colors trade name for cash consideration of $103.3 million. The transaction also resulted in the effective settlement of $8.4 million of trade accounts receivable from Comfort Colors prior to the acquisition. The acquisition was financed by the utilization of the Company's revolving long-term bank credit facility. Comfort Colors is a leading supplier of garment-dyed undecorated basic T-shirts and sweatshirts for the North American printwear market. The Comfort Colors® brand is highly recognized among consumers purchasing from college bookstores, specialty retail stores, and destination and resort shops. The acquisition of Comfort Colors reinforces Gildan's strategy to increase its penetration of the growing fashion basics segment of the North American printwear market.

The audited annual consolidated financial statements for the 15-month fiscal period ended January 3, 2016 include the results of Comfort Colors from March 2, 2015 to January 3, 2016. The results of Comfort Colors are included in the Printwear segment.

5.3 Selected annual information

(in $ millions, except per share amounts or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015** **$**	**%**	Variation 2015-2014 $	%
		(15 months)					
Net sales	**2,585.1**	2,959.2	2,360.0	**(374.1)**	**(12.6)%**	599.2	25.4 %
Gross profit	**719.7**	730.1	658.7	**(10.4)**	**(1.4)%**	71.4	10.8 %
SG&A expenses	**336.4**	388.0	286.0	**(51.6)**	**(13.3)%**	102.0	35.7 %
Restructuring and acquisition-related costs	**11.7**	14.9	3.2	**(3.2)**	**(21.5)%**	11.7	n.m.
Operating income	**371.5**	327.2	369.4	**44.3**	**13.5 %**	(42.2)	(11.4)%
Adjusted operating income[1]	**383.2**	342.1	372.6	**41.1**	**12.0 %**	(30.5)	(8.2)%
Adjusted EBITDA[1]	**523.8**	488.5	468.3	**35.3**	**7.2 %**	20.2	4.3 %
Financial expenses	**19.7**	17.8	2.9	**1.9**	**10.7 %**	14.9	n.m.
Income tax expense	**5.2**	4.5	7.0	**0.7**	**15.6 %**	(2.5)	(35.7)%
Net earnings	**346.6**	304.9	359.6	**41.7**	**13.7 %**	(54.7)	(15.2)%
Adjusted net earnings[1]	**356.3**	317.8	362.0	**38.5**	**12.1 %**	(44.2)	(12.2)%
Basic EPS	**1.47**	1.26	1.48	**0.21**	**16.7 %**	(0.22)	(14.9)%
Diluted EPS	**1.47**	1.25	1.46	**0.22**	**17.6 %**	(0.21)	(14.4)%
Adjusted diluted EPS[1]	**1.51**	1.30	1.47	**0.21**	**16.2 %**	(0.17)	(11.6)%
Gross margin	**27.8%**	24.7%	27.9%	**n/a**	**3.1 pp**	n/a	(3.2) pp
SG&A expenses as a percentage of sales	**13.0%**	13.1%	12.1%	**n/a**	**(0.1) pp**	n/a	1.0 pp
Operating margin	**14.4%**	11.1%	15.7%	**n/a**	**3.3 pp**	n/a	(4.6) pp
Adjusted operating margin [1]	**14.8%**	11.6%	15.8%	**n/a**	**3.2 pp**	n/a	(4.2) pp
Total assets	**2,990.1**	2,834.3	2,593.0	**155.8**	**5.5 %**	241.3	9.3 %
Total non-current financial liabilities	**600.0**	380.9	163.0	**219.1**	**57.5 %**	217.9	133.7 %
Annual cash dividends declared per common share	**0.312**	0.325	0.216	**(0.013)**	**(4.0)%**	0.109	50.5 %

n.m. = not meaningful

n/a = not applicable

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

5.4 Consolidated operating review

5.4.1 Net sales

(in $ millions)	**2016**	2015	2014	**Variation 2016-2015** **$**	**%**	Variation 2015-2014 $	%
		(15 months)					
Segmented net sales							
Printwear	**1,651.1**	1,794.8	1,559.5	**(143.7)**	**(8.0)%**	235.3	15.1%
Branded Apparel	**934.0**	1,164.5	800.4	**(230.5)**	**(19.8)%**	364.1	45.5%
Total net sales	**2,585.1**	2,959.3	2,359.9	**(374.2)**	**(12.6)%**	599.4	25.4%

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Fiscal 2016 compared to Fiscal 2015

The $374 million decrease in net sales was mainly due to the inclusion of three additional months of sales in fiscal 2015, which was a 15-month transition period due to the Company's change in fiscal year end. On a calendar year basis, net sales for 2016 were up $16.5 million compared to same period last year due to the approximate $119 million impact of the Alstyle and Peds acquisitions, the benefit of positive point of sales (POS) growth in Printwear, and organic sales growth in Branded Apparel excluding the exit of private label programs. The impact of these positive factors more than offset lower Printwear net selling prices, lower retailer inventory replenishment, the non-recurrence of distributor inventory re-stocking in 2015 and the planned exit of approximately $65 million in retailer private label programs combined with unfavourable foreign currency exchange and product-mix.

Net sales for fiscal 2016 were essentially in line with the Company's previous sales guidance of approximately $2.6 billion, provided on November 3, 2016, with Branded Apparel sales impacted by retailer inventory reductions in the fourth quarter.

Fiscal 2015 compared to Fiscal 2014

The increase in consolidated net sales for the 15-month transition period ended January 3, 2016 compared to fiscal 2014 was primarily attributable to an additional three months of sales included in fiscal 2015 amounting to $543.8 million. Excluding this impact, the remaining increase in sales in fiscal 2015 compared to fiscal 2014 was mainly due to higher sales in Branded Apparel, including the acquisition of Doris Inc. (Doris), partially offset by lower net sales in Printwear. Despite higher unit sales volumes in Printwear, including the impact of the acquisition of Comfort Colors, Printwear net sales declined due to lower net selling prices, including a $48 million distributor inventory devaluation discount in the first quarter of fiscal 2015, and the decline in the value of foreign currencies relative to the U.S. dollar. Excluding the impact of the extra quarter, the acquisitions of Doris and Comfort Colors contributed incremental year-over-year sales of approximately $95 million, taking into account that the acquisitions of Doris and Comfort Colors occurred on July 7, 2014 and March 2, 2015, respectively.

5.4.2 Gross profit

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
Gross profit	**719.7**	730.1	658.7	**(10.4)**	71.4
Gross margin	**27.8%**	24.7%	27.9%	**3.1 pp**	(3.2) pp

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Consolidated gross profit is the result of our net sales less cost of sales. Gross margin reflects gross profit as a percentage of sales. Our cost of sales includes all raw material costs, manufacturing conversion costs, including manufacturing depreciation expense, sourcing costs, inbound freight and inter-facility transportation costs, and outbound freight to customers. Cost of sales also includes the costs of purchased finished goods, costs relating to purchasing, receiving and inspection activities, manufacturing administration, third-party manufacturing services, sales-based royalty costs, insurance, inventory write-downs, and customs and duties. Our reporting of gross profit and gross margin may not be comparable to these metrics as reported by other companies, since some entities include warehousing and handling costs, and/or exclude depreciation expense, outbound freight to customers and royalty costs from cost of sales.

Fiscal 2016 compared to fiscal 2015

Gross margin increased by 310 basis points in fiscal 2016, mainly due to significantly lower margin realized during the fiscal quarter ended January 4, 2015, which was the first of the five fiscal quarters in fiscal 2015. The low gross margin of 11.0% in that quarter was primarily due to a $48 million distributor inventory devaluation discount and the impact of consuming high-cost inventories relating to the integration of new retail programs in fiscal 2014. The gross margin in the first fiscal quarter of 2015 accounted for 210 basis points of the 310 basis point improvement in gross margin in 2016 compared to fiscal 2015. The remaining 100 basis point increase, which reflects the increase in gross margin on a calendar year basis, was due to lower raw material costs and the benefit of manufacturing cost savings in fiscal 2016, partially offset by the impact of lower net selling prices and unfavourable foreign currency exchange.

Fiscal 2015 compared to fiscal 2014

Gross margins decreased by 320 basis points in fiscal 2015 mainly due to lower Printwear net selling prices, including the distributor inventory devaluation discount in the first quarter of fiscal 2015, the consumption of high-cost inventories in the first six months of fiscal 2015 which included transitional manufacturing costs related to the integration of new retail programs during fiscal 2014, the effect of the decline in international currencies relative to the U.S. dollar, and unfavourable product-mix. The negative impact of these factors was partially offset by lower manufacturing costs mainly related to cost savings from our investments in new yarn-spinning and other capital projects and lower cotton and purchased input costs. As explained

in section 5.6.1 in this MD&A, gross margins in the first nine months of fiscal 2015 reflected the misalignment between the timing of lower Printwear net selling prices and the benefit of lower manufacturing and cotton costs. Gross margins for the fifth quarter of fiscal 2015 were 240 basis points higher than the first 12 months of fiscal 2015, mainly due to sequentially lower cotton costs.

5.4.3 Selling, general and administrative expenses

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
SG&A expenses	**336.4**	388.0	286.0	**(51.6)**	102.0
SG&A expenses as a percentage of sales	**13.0%**	13.1%	12.1%	**(0.1) pp**	1.0 pp

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Fiscal 2016 compared to fiscal 2015

The decrease in selling, general and administrative expenses (SG&A) in fiscal 2016 compared to fiscal 2015 was mainly due to the additional three months of expenses included in fiscal 2015. On a calendar year basis, SG&A expenses in 2016 increased by $28 million compared to 2015 mainly due to the Alstyle and Peds acquisitions in 2016 and higher variable compensation expenses. Although SG&A expenses as a percentage of sales in fiscal 2016 were essentially flat compared to the 2015 15-month transition period, the SG&A percentage for fiscal 2015 included the impact of an abnormally high SG&A percentage in the first of the five fiscal quarters due to the low level of Printwear net sales in that quarter, which accounted for 110 basis points of SG&A expenses for the 15-month period. On a calendar year basis, SG&A expenses as a percentage of net sales increased by 100 basis points in 2016 compared to the same period in 2015, mainly attributable to lower organic sales, and higher variable compensation expenses, partially offset by the favourable impact of the weaker Canadian dollar on head office expenses.

Fiscal 2015 compared to fiscal 2014

The increase in selling, general and administrative (SG&A) expenses for the 15-month transition period ended January 3, 2016 compared to fiscal 2014 was mainly due to an additional three months of expenses included in fiscal 2015, the impact of the acquisitions of Doris and Comfort Colors, increased advertising and marketing expenses, higher legal and professional fees, and higher volume-driven distribution expenses, partially offset by the favourable impact of the weaker Canadian dollar on corporate head office expenses. As a percentage of sales, SG&A expenses for the 15-month transition period ended January 3, 2016 were 13.1%, up from 12.1% in fiscal 2014 mainly due to the decline in Printwear sales in the first quarter of fiscal 2015, which included the distributor inventory devaluation discount, higher marketing and advertising expenses in Branded Apparel and the impact of the Doris acquisition.

5.4.4 Restructuring and acquisition-related costs

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
Employee termination and benefit costs	**5.0**	5.0	0.5	**—**	4.5
Loss on settlement on wind-up of defined benefit pension plan	—	—	1.9	—	(1.9)
Exit, relocation and other costs	**7.9**	8.5	0.4	**(0.6)**	8.1
Loss on disposal of PPE related to exit activities	**1.1**	0.2	—	**0.9**	0.2
Loss (gain) on disposal or transfer of assets held for sale	**0.6**	(1.0)	(0.3)	**1.6**	(0.7)
Remeasurement of contingent consideration in connection with a business acquisition	**(6.2)**	1.1	—	**(7.3)**	1.1
Acquisition-related transaction costs	**3.3**	1.1	0.8	**2.2**	0.3
Restructuring and acquisition-related costs	**11.7**	14.9	3.3	**(3.2)**	11.6

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Restructuring and acquisition-related costs are comprised of costs directly related to the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction, exit and integration costs incurred pursuant to business acquisitions.

Restructuring and acquisition-related costs in fiscal 2016 related primarily to costs incurred in connection with the integration of acquired businesses, including the integrations of the more recent Alstyle and Peds acquisitions, the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution, and administrative functions, and costs incurred in connection with the rationalization of our retail store outlets as part of our overall direct to consumer channel strategy. Restructuring and acquisition-related costs also included transaction costs related to the acquisitions of Alstyle and Peds. Restructuring and acquisition-related costs were partially offset by a gain on the re-measurement of the fair value of contingent consideration in connection with the Doris acquisition as described in note 14(a) to the audited annual consolidated financial statements for the year ended January 1, 2017.

Restructuring and acquisition-related costs in fiscal 2015 related primarily to costs incurred in connection with the integration of acquired businesses, including the integrations of the Doris and Comfort Colors acquisitions, and the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution and administrative functions, and screenprinting operations. Restructuring and acquisition-related costs also included transaction costs related to the acquisition of the operating assets of Comfort Colors as well as costs incurred in connection with the consolidation of sewing operations.

Restructuring and acquisition-related costs in fiscal 2014 relate primarily to a loss incurred on the final settlement on the wind-up of the former Gold Toe defined benefit pension plan, and transaction costs incurred in connection with the acquisition of the operating assets of Doris.

5.4.5 Operating income and adjusted operating income

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
Operating income	**371.5**	327.2	369.4	**44.3**	(42.2)
Adjustment for:					
Restructuring and acquisition-related costs	**11.7**	14.9	3.2	**(3.2)**	11.7
Adjusted operating income[(1)]	**383.2**	342.1	372.6	**41.1**	(30.5)
Operating margin	**14.4%**	11.1%	15.7%	**3.3 pp**	(4.6) pp
Adjusted operating margin[(1)]	**14.8%**	11.6%	15.8%	**3.2 pp**	(4.2) pp

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.
Certain minor rounding variances exist between the consolidated financial statements and this summary.

Fiscal 2016 compared to fiscal 2015

Operating income in fiscal 2016 increased by $44.3 million compared to the 2015 15-month transition period due mainly to an operating loss of $40.3 million incurred in the first of five fiscal quarters of 2015. On a calendar year basis, operating income in 2016 reflected a slight increase of $4.0 million compared to the same period in 2015, as higher gross profit was essentially offset by higher SG&A expenses. Operating margin of 14.4% in fiscal 2016 was up from 11.1% in the 2015 15-month transition period. The comparable period was impacted by the $40.3 million operating loss in the first of five fiscal quarters of 2015. On a calendar year basis, operating margin in 2016 was 14.4%, essentially at the same level of the 14.3% operating margin in 2015.

Fiscal 2015 compared to fiscal 2014

Operating income in fiscal 2015 declined compared to fiscal 2014 despite an additional three months of operating income amounting to $70.7 million included in fiscal 2015. Excluding the impact of the additional three months of operating results in fiscal 2015, operating income decreased by $112.9 million compared to fiscal 2014 due to lower operating margins primarily as a result of the strategic pricing actions in Printwear taken in December 2014 which contributed to the net operating loss in the first fiscal quarter of 2015 and a misalignment of the timing between Printwear selling price reductions and cost reductions as noted in section 5.4.2 of this MD&A. In addition, Branded Apparel operating margins were down compared to fiscal 2014 due to the consumption of high-cost inventories in the first six months of fiscal 2015 and higher marketing and advertising expenses in fiscal 2015 compared to last year. The decline in operating income also reflected higher restructuring and acquisition-related costs compared to fiscal 2014.

5.4.6 Financial expenses, net

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
Interest expense on financial liabilities recorded at amortized cost	**12.6**	8.6	2.1	**4.0**	6.5
Bank and other financial charges	**6.3**	4.7	3.3	**1.6**	1.4
Interest accretion on discounted provisions	**0.3**	0.4	0.3	**(0.1)**	0.1
Foreign exchange loss (gain)	**0.4**	4.0	(2.8)	**(3.6)**	6.8
Financial expenses, net	**19.6**	17.7	2.9	**1.9**	14.8

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Fiscal 2016 compared to fiscal 2015

The increase in net financial expenses in fiscal 2016 was due to higher interest expense as a result of higher borrowing levels and higher effective interest rates on our long-term debt. In addition, higher bank and other financial charges were due to the amortization of financing fees incurred in connection with the new debt issuances in fiscal 2016, and discount fees related to the sales of trade accounts receivables. These factors were partially offset by the impact of the additional three months included in fiscal 2015, and lower foreign exchange losses in calendar 2016 compared to same period last year.

Fiscal 2015 compared to fiscal 2014

The increase in net financial expenses in fiscal 2015 compared to fiscal 2014 was due to higher interest expense, as a result of higher borrowing levels from our revolving long-term bank credit facility and the impact of an additional three months in fiscal 2015. In addition, the Company incurred a foreign exchange loss in fiscal 2015 mainly due to the unfavourable revaluation of net monetary assets denominated in foreign currencies, compared to a foreign exchange gain in fiscal 2014.

5.4.7 Income taxes

The Company's average effective tax rate, including and excluding the impact of restructuring and acquisition-related costs, is calculated as follows:

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
Earnings before income taxes	**351.8**	309.4	366.5	**42.4**	(57.1)
Income tax expense	**5.2**	4.5	7.0	**0.7**	(2.5)
Average effective income tax rate	**1.5%**	1.5%	1.9%	**0.0 pp**	(0.4) pp
Earnings before income taxes and restructuring and acquisition-related costs	**363.6**	324.3	369.8	**39.3**	(45.5)
Income tax expense excluding tax recoveries on restructuring and acquisition-related costs[1]	**7.2**	6.5	7.8	**0.7**	(1.3)
Average effective income tax rate, excluding the impact of restructuring and acquisition-related costs	**2.0%**	2.0%	2.1%	**0.0 pp**	(0.1) pp

(1) Tax recoveries on restructuring and acquisition-related costs are presented in the reconciliation of net earnings to adjusted net earnings in section 5.4.8 in this MD&A.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Fiscal 2016 compared to fiscal 2015

The income tax expense and average effective income tax rate for fiscal 2016 are comparable to the respective amounts for fiscal 2015. The income tax expense for both years is net of tax recoveries and adjustments related to prior taxation years of $4.8 million for fiscal 2016 and $5.1 million for fiscal 2015, and an income tax recovery of $2.0 million related to restructuring and acquisition-related costs for both years. The average effective tax rate for fiscal 2016, excluding the impact of restructuring and acquisition-related costs, was 2.0%, compared to the Company's previously forecasted effective tax rate of 5%. The lower than anticipated average effective tax rate was mainly due to the lower than expected operating income in Branded Apparel which is subject to a higher effective tax rate, the recognition of favourable tax adjustments in the fourth quarter of

fiscal 2016, including the recognition of a portion of the adjustments relating to prior taxation years, and the recognition of a deferred tax asset to the extent of the acquired deferred tax liabilities resulting from the Peds acquisition.

Fiscal 2015 compared to fiscal 2014

The income tax expense for fiscal 2015 included an income tax recovery of $2.0 million related to restructuring and acquisition-related costs, compared to $0.8 million in fiscal 2014. The average effective income tax rate, excluding the impact of restructuring and acquisition-related costs, was 2.0% in fiscal 2015 compared to 2.1% in fiscal 2014. The income tax expense for fiscal 2015 is net of adjustments related to prior taxation years, and the income tax expense for fiscal 2014 reflected an income tax recovery relating to the recognition of a deferred tax asset to the extent of the acquired deferred tax liabilities resulting from the Doris acquisition.

5.4.8 Net earnings, adjusted net earnings, and earnings per share measures

(in $ millions, or otherwise indicated)	**2016**	2015	2014	**Variation 2016-2015**	Variation 2015-2014
		(15 months)			
Net earnings	**346.6**	304.9	359.6	**41.7**	(54.7)
Adjustments for:					
Restructuring and acquisition-related costs	**11.7**	14.9	3.2	**(3.2)**	11.7
Income tax recovery on restructuring and acquisition-related costs	**(2.0)**	(2.0)	(0.8)	**—**	(1.2)
Adjusted net earnings[1]	**356.3**	317.8	362.0	**38.5**	(44.2)
Basic EPS	**1.47**	1.26	1.48	**0.21**	(0.22)
Diluted EPS	**1.47**	1.25	1.46	**0.22**	(0.21)
Adjusted diluted EPS[1]	**1.51**	1.30	1.47	**0.21**	(0.17)

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Fiscal 2016 compared to fiscal 2015

The $41.7 million increase in net earnings and the $38.5 million increase in adjusted net earnings in fiscal 2016 compared to the 2015 15-month transition period was mainly due to the $41.2 million net loss in the first of the five fiscal quarters in 2015. The increase in diluted EPS and adjusted diluted EPS was mainly due to the net loss and adjusted net loss incurred in the first fiscal quarter of 2015, which had a per share impact of $0.17 and $0.15, respectively.

On a calendar year basis, net earnings and adjusted net earnings for 2016 were essentially flat compared to the same period in 2015, as a slightly higher operating income and slightly lower income taxes were offset by higher financial expenses. Adjusted diluted EPS for fiscal 2016 totaled $1.51 per share, up 3.4% compared to adjusted diluted EPS of $1.46 in the 2015 calendar year reflecting the favourable impact of share repurchases under the Company's NCIB during 2016, as discussed in section 8.6 of this MD&A. The Company achieved adjusted diluted EPS for 2016 slightly above its previous guidance of $1.48 to $1.50 provided on November 3, 2016, as the benefit of an income tax recovery in the fourth quarter more than offset the impact of lower than anticipated net sales in Branded Apparel.

Fiscal 2015 compared to fiscal 2014

The decrease in net earnings and adjusted net earnings in fiscal 2015 compared to fiscal 2014 was primarily due to lower operating margins in both operating segments and increased financial expenses, which more than offset the benefit of the inclusion of three additional months of operating results in fiscal 2015 which contributed adjusted net earnings of $0.28 per share.

5.5 Segmented operating review

(in $ millions, or otherwise indicated)	2016	**2015**	Variation $	Variation %
		(15 months)		
Segmented net sales:				
Printwear	**1,651.1**	1,794.8	(143.7)	(8.0)%
Branded Apparel	**934.0**	1,164.5	(230.5)	(19.8)%
Total net sales	**2,585.1**	2,959.3	(374.2)	(12.6)%
Segment operating income:				
Printwear	**388.1**	363.6	24.5	6.7 %
Branded Apparel	**85.4**	91.0	(5.6)	(6.2)%
Total segment operating income	**473.5**	454.6	18.9	4.2 %
Corporate and other(1)	**(102.0)**	(127.4)	25.4	(19.9)%
Total operating income	**371.5**	327.2	44.3	13.5 %

(1) Includes corporate head office expenses, restructuring and acquisition-related costs, and amortization of intangible assets, excluding software.

Certain minor rounding variances exist between the financial statements and this summary.

	2016	2015	Variation
		(15 months)	
Segment operating margin:			
Printwear	**23.5%**	20.3%	3.2 pp
Branded Apparel	**9.1%**	7.8%	1.3 pp

5.5.1 Printwear

Net sales

The $143.7 million decrease in Printwear sales in fiscal 2016 compared to fiscal 2015 was mainly due to an additional three months of sales included fiscal 2015. On a calendar year basis, Printwear net sales for fiscal 2016 were up $16.7 million compared to 2015, due to the acquisition of Alstyle effective May 26, 2016 which contributed $88.3 million, continued growth in the performance and fashion basics product segments in the U.S printwear channel, and double digit unit sales volume growth in international printwear markets. These factors were largely offset by lower net selling prices, the impact of unfavourable foreign currency exchange on international sales, and the non-recurrence of distributor inventory re-stocking in 2015.

Operating income

The $25 million increase in Printwear operating income in 2016 compared to the 2015 15-month transition period was mainly due to the $21 million operating loss in Printwear incurred in the first of the five fiscal quarters of 2015, which included the distributor inventory devaluation discount of $48 million. On a calendar year basis, operating income in 2016 was slightly higher compared to the same period in 2015 as the benefit of lower raw material costs, manufacturing cost savings, and higher unit sales volumes including Alstyle were largely offset by lower net selling prices and unfavourable foreign exchange. Printwear operating margins for 2016 were up 320 basis points compared to the 2015 15-month transition period, mainly due to the impact of the operating loss in the first of the five fiscal quarters of 2015. On a calendar year basis, Printwear operating margins were at the same level as 2015 reflecting lower raw material costs and manufacturing cost savings, offset by reduced selling prices and higher SG&A.

5.5.2 Branded Apparel

Net sales

The $231 million decrease in Branded Apparel sales in 2016 compared to fiscal 2015 was mainly due to the additional three months of sales included in the 2015 15-month transition year. On a calendar year basis, Branded Apparel net sales for fiscal 2016 were flat compared to 2015, as the $30.3 million impact of the acquisition of Peds, sales growth from shelf space expansion, and new retail programs were offset by the Company's planned exit in 2016 of private label programs, amounting to approximately $65 million, as well as unfavourable impacts from a weak retail environment throughout the year. Weak retail market conditions contributed to unfavourable product-mix due to softness in the department store and national chain retail channel and tight retailer inventory management.

Operating income

The $6 million decrease in Branded Apparel operating income in 2016 compared to the 2015 15-month transition period was mainly due to the additional three months of results included in fiscal 2015. On a calendar year basis, Branded Apparel operating income in 2016 was slightly higher compared to the same period in 2015. Branded Apparel operating margin for 2016 was up 130 basis points compared to the 2015 15-month transition period. The increase in operating margin reflected the non-recurrence of the consumption of high-cost opening inventories in the first six months of fiscal 2015 due to transitional manufacturing costs incurred in fiscal 2014. In addition, operating margin in Branded Apparel in 2016 was favourably impacted by lower raw material and other input costs and manufacturing cost savings, partly offset by higher promotional spending and higher SG&A expenses in 2016 compared to the same period in 2015.

5.6 Summary of quarterly results

The table below sets forth certain summarized unaudited quarterly financial data for the eight most recently completed quarters in accordance with IFRS. This quarterly information is unaudited and has been prepared on the same basis as the audited annual consolidated financial statements. The operating results for any quarter are not necessarily indicative of the results to be expected for any period.

For the three months ended *(in $ millions, except per share amounts)*	**Jan 1, 2017**	Oct 2, 2016 (1)	Jul 3, 2016 (2)	Apr 3, 2016	Jan 3, 2016	Oct 4, 2015	Jul 5, 2015	Apr 5, 2015 (3)
Net sales	**587.9**	715.0	688.9	593.3	543.8	674.5	714.2	636.2
Net earnings	**74.3**	114.4	94.7	63.2	67.6	123.1	99.4	56.0
Net earnings per share								
Basic(4)	**0.32**	0.49	0.40	0.26	0.28	0.51	0.41	0.23
Diluted(4)	**0.32**	0.49	0.40	0.26	0.28	0.50	0.41	0.23
Weighted average number of shares outstanding *(in '000s)*								
Basic	**231,364**	231,924	235,496	242,637	243,183	242,257	241,856	241,360
Diluted	**231,855**	232,715	236,272	243,355	244,174	244,063	243,809	243,513

(1) Reflects the acquisition of Peds from August 22, 2016.

(2) Reflects the acquisition of Alstyle from May 26, 2016.

(3) Reflects the acquisition of Comfort Colors from March 2, 2015.

(4) Quarterly EPS may not add to year-to-date EPS due to rounding.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

5.6.1 Seasonality and other factors affecting the variability of results and financial condition

Our results of operations for interim and annual periods are impacted by the variability of certain factors, including, but not limited to, changes in end-use demand and customer demand, our customers' decision to increase or decrease their inventory levels, changes in our sales mix, and fluctuations in selling prices and raw material costs. While our products are sold on a year-round basis, our business experiences seasonal changes in demand which result in quarterly fluctuations in operating results. Historically, consolidated net sales have been lowest in the last calendar quarter and highest in the second and third quarters of the calendar year, reflecting the seasonality of our operating segments' net sales. For our Printwear segment, demand for T-shirts is lowest in the fourth calendar quarter, and highest in the second calendar quarter of the year when distributors purchase inventory for the peak summer selling season. Demand for fleece is typically highest, in advance of the fall and winter seasons, in the second and third calendar quarters of the year. For our Branded Apparel segment, sales are higher during the second half of the year, during the back-to-school period and the Christmas holiday selling season.

Historically, the seasonal sales trends of our business have resulted in fluctuations in our inventory levels throughout the year, in particular a build-up of T-shirt inventory levels in the fourth and first calendar quarters of the year.

Our results are also impacted by fluctuations in the price of raw materials and other input costs. Cotton and polyester fibers are the primary raw materials used in the manufacture of our products, and we also use chemicals, dyestuffs, and trims which we purchase from a variety of suppliers. Cotton prices are affected by consumer demand, global supply, which may be impacted by weather conditions in any given year, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable. While we enter into purchase contracts in advance of delivery and derivative financial instruments to establish firm prices for the cotton component of our yarn requirements, our realized cotton costs can fluctuate significantly between interim and annual reporting periods. Energy costs in our results of operations are also affected by fluctuations in crude oil, natural gas,

and petroleum prices, which can also influence transportation costs and the cost of related items used in our business, such as polyester fibers, chemicals, dyestuffs, and trims.

Business acquisitions may affect the comparability of results. As noted in the table under "Summary of quarterly results", the quarterly financial data reflects the acquisition of Peds effective August 22, 2016, the acquisition of Alstyle effective May 26, 2016, and the acquisition of Comfort Colors effective March 2, 2015. In addition, management decisions to consolidate or reorganize operations, including the closure of facilities, may result in significant restructuring costs in an interim or annual period. The effect of asset write-downs, including provisions for bad debts and slow moving inventories, can also affect the variability of our results. Subsection 5.4.4 entitled "Restructuring and acquisition-related costs" in this MD&A contains a discussion of costs related to the Company's restructuring activities and business acquisitions.

Our reported amounts for net sales, SG&A expenses and financial expenses/income are impacted by fluctuations in the U.S. dollar versus certain other currencies as described in the "Financial risk management" section of this MD&A. The Company periodically uses derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

During the first of five fiscal quarters in 2015, the Company significantly lowered Printwear net selling prices in North America and applied the benefit of the reduction in selling prices to existing distributor inventories through a distributor inventory devaluation discount of approximately $48 million, which was recorded as a reduction in net sales in the first of five fiscal quarters of 2015. The reduction in selling prices also reflected the decline in the price of cotton futures that occurred in the latter half of 2014, even though the Company only began to benefit from lower cotton costs starting in the third fiscal quarter of 2015. Consequently, the Company reported a significant operating loss for its Printwear segment in the first of five fiscal quarters of 2015 and results for the first nine months of fiscal 2015 reflected the misalignment between the timing of lower Printwear net selling prices and lower manufacturing and cotton costs. In addition, results during the first six months of fiscal 2015 include the negative impact on Branded Apparel margins from the consumption of inventories in cost of sales which included transitional manufacturing costs related to the integration of new retail programs during fiscal 2014.

5.7 Fourth quarter operating results

For the three months ended *(in $ millions, except per share amounts or otherwise indicated)*	**January 1, 2017**	January 3, 2016	Variation $	Variation %
Net sales	**587.9**	543.8	44.1	8.1 %
Gross profit	**156.9**	144.8	12.1	8.4 %
SG&A expenses	**86.8**	72.8	14.0	19.2 %
Restructuring and acquisition-related costs	**0.2**	1.3	(1.1)	(84.6)%
Operating income	**69.8**	70.7	(0.9)	(1.3)%
Adjusted operating income(1)	**70.0**	72.0	(2.0)	(2.8)%
Adjusted EBITDA(1)	**102.6**	101.7	0.9	0.9 %
Financial expenses	**5.8**	2.4	3.4	141.7 %
Income tax expense (recovery)	**(10.3)**	0.6	(10.9)	n.m.
Net earnings	**74.3**	67.6	6.7	9.9 %
Adjusted net earnings(1)	**74.5**	68.9	5.6	8.1 %
Basic EPS	**0.32**	0.28	0.04	14.3 %
Diluted EPS	**0.32**	0.28	0.04	14.3 %
Adjusted diluted EPS(1)	**0.32**	0.28	0.04	14.3 %
Gross margin	**26.7%**	26.6%	n/a	0.1 pp
SG&A expenses as a percentage of sales	**14.8%**	13.4%	n/a	1.4 pp
Operating margin	**11.9%**	13.0%	n/a	(1.1) pp
Adjusted operating margin(1)	**11.9%**	13.2%	n/a	(1.3) pp

n.m. = not meaningful

n/a - not applicable

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

For the three months ended *(in $ millions)*	**January 1, 2017**	January 3, 2016	Variation $	Variation %
Segmented net sales:				
Printwear	**325.8**	284.9	40.9	14.4 %
Branded Apparel	**262.1**	258.9	3.2	1.2 %
Total net sales	**587.9**	543.8	44.1	8.1 %
Segment operating income:				
Printwear	**68.6**	62.8	5.8	9.2 %
Branded Apparel	**24.0**	31.0	(7.0)	(22.6)%
Total segment operating income	**92.6**	93.8	(1.2)	(1.3)%
Corporate and other(1)	**(22.8)**	(23.1)	0.3	(1.3)%
Total operating income	**69.8**	70.7	(0.9)	(1.3)%

(1) Includes corporate head office expenses, restructuring and acquisition-related costs, and amortization of intangible assets.

For the three months ended	**January 1, 2017**	January 3, 2016	Variation $	Variation %
Segment operating margin:				
Printwear	**21.0%**	22.0%	n/a	(1.0) pp
Branded Apparel	**9.1%**	12.0%	n/a	(2.9) pp

n/a - not applicable

Consolidated net sales for the fourth quarter of 2016 were up 8.1% compared to the fifth fiscal quarter of 2015 (the corresponding quarter of the prior year) reflecting sales increases of 14.4% in the Printwear segment and 1.2% in Branded Apparel.

Printwear segment sales for the fourth quarter of 2016 grew strongly to $325.8 million, up 14.4% from $284.9 million in the corresponding quarter of 2015. The increase was mainly due to the $30 million sales contribution from the Alstyle acquisition and organic unit sales volume growth driven by strong double digit volume growth in international printwear markets and higher sales of fashion basics. These positive factors were partly offset by lower net selling prices and the impact of unfavourable foreign currency exchange on international sales.

Net sales for the Branded Apparel segment in the quarter were $262.1 million, up 1.2% from $258.9 million in the corresponding quarter of the prior year. Despite a challenging retail environment, the $20 million impact from the Peds acquisition combined with positive point of sales growth during the quarter more than offset the impact of significant retailer inventory destocking and the anticipated impact of the exit of certain private label programs as the Company had previously planned.

Consolidated gross margin in the fourth quarter of 2016 was 26.7%, in line with the corresponding quarter of the prior year, as the benefits from lower raw material and other input costs were largely offset by lower net selling prices.

SG&A expenses as a percentage of sales of 14.8% in the fourth quarter were up from 13.4% compared to the corresponding prior year quarter due primarily to higher marketing and advertising expenses as well as SG&A deleveraging in Branded Apparel due to lower organic sales compared to the fourth calendar quarter of 2015.

Consolidated operating margins and adjusted operating margins in the fourth quarter of 2016 were both 11.9% compared to 13.0% and 13.2%, respectively in the corresponding quarter of 2015.

Operating income in Printwear for the three months ended January 1, 2017 totaled $68.6 million, up 9.2% compared to $62.8 million in the corresponding quarter of 2015. Printwear operating margins for the quarter were 21.0%, down 100 basis points over the prior year due primarily to lower 2016 net selling prices, unfavourable foreign currency exchange, and the short-term dilutive impact on operating margins from the acquisition of Alstyle. These factors were partly offset by the benefit of lower raw material and other input costs.

Operating income in Branded Apparel of $24.0 million in the three months ended January 1, 2017 declined 22.6% compared to $31.0 million in the corresponding quarter last year. Branded Apparel operating margins for the quarter were 9.1% down from 12.0% in the same quarter last year. The operating margin decline was primarily due to re-timed marketing and advertising expenses and SG&A deleveraging resulting from lower organic sales impacted by retailer inventory destocking, partly offset by lower raw material and other input costs.

Consolidated net earnings for the fourth quarter of 2016 totaled $74.3 million or $0.32 per share on a diluted basis for the three months ended January 1, 2017, compared with net earnings of $67.6 million or $0.28 per share for the corresponding quarter of the prior year. Excluding after-tax restructuring and acquisition-related costs of $0.2 million in the quarter and $1.3 million in the corresponding quarter last year, Gildan reported adjusted net earnings of $74.5 million, or $0.32 per share on a diluted basis for the fourth quarter of 2016, up from $68.9 million, or $0.28 per share in the corresponding prior year quarter. The 14.3% increase in adjusted diluted EPS was primarily due to higher gross profit, an income tax recovery in the quarter, and the benefit of share repurchases during the year, partly offset by higher SG&A and financial charges.

6.0 FINANCIAL CONDITION

6.1 Current assets and current liabilities

(in $ millions)	**January 1, 2017**	January 3, 2016	Variation
Cash and cash equivalents	**38.2**	50.7	(12.5)
Trade accounts receivable	**277.7**	306.1	(28.4)
Inventories	**954.9**	851.0	103.9
Prepaid expenses, deposits and other current assets	**69.7**	42.9	26.8
Assets held for sale	**—**	2.8	(2.8)
Accounts payable and accrued liabilities	**(234.1)**	(232.3)	(1.8)
Income taxes payable	**(1.9)**	(1.0)	(0.9)
Total working capital	**1,104.5**	**1,020.2**	84.3

Certain minor rounding variances exist between the consolidated financial statements and this summary.

- The decrease in trade accounts receivable (which are net of accrued sales discounts) was mainly due to the impact of the sale of trade accounts receivables related to Branded Apparel to a financial institution as disclosed in note 7 of the audited consolidated financial statements for the year ended January 1, 2017, which more than offset the impact of a higher number of days' sales outstanding due to longer payment terms with a major retailer, and a $30 million increase from the acquisitions of Alstyle and Peds in fiscal 2016.
- The increase in inventories of $103.9 million was mainly due to the impact of the acquisitions of Alstyle and Peds, which increased inventories by $85 million. Year-end inventories were also slightly higher due to the short term impact of lower than anticipated net sales during fiscal 2016, partially offset by lower manufacturing costs.
- The increase in prepaid expenses, deposits and other current assets was mainly due to the higher fair value of derivative financial instruments designated as effective hedging instruments, as well as the acquisitions of Alstyle and Peds.
- The slight increase in accounts payable and accrued liabilities was mainly due to the impact of the Alstyle and Peds acquisitions (including the balance due on the Peds acquisition), mostly offset by the impact of shorter payment terms as a result of increased vertical integration into yarn-spinning.
- Working capital was $1,104.5 million as at January 1, 2017 compared to $1,020.2 million as at January 3, 2016. The current ratio at the end of fiscal 2016 was 5.7 compared to 5.4 at the end of fiscal 2015.

6.2 Property, plant and equipment, intangible assets and goodwill

(in $ millions)	Property, plant and equipment	Intangible assets	Goodwill
Balance, January 3, 2016	1,044.4	336.8	190.6
Net capital additions	125.4	4.7	—
Additions through business acquisitions	31.8	34.0	9.6
Other	—	—	1.9
Depreciation and amortization	(124.7)	(21.3)	—
Balance, January 1, 2017	**1,076.9**	**354.2**	**202.1**

Certain minor rounding variances exist between the consolidated financial statements and this summary.

- Additions to property, plant and equipment reflected capital expenditure investments primarily related to textile capacity, including the development of Rio Nance 6 and capacity expansion in Bangladesh, as well as investments in yarn-spinning, including the ramp-up of ring-spun yarn production in the Mocksville, NC facility, and property, plant and equipment acquired in connection with the acquisitions of Alstyle and Peds.

- Intangible assets are comprised of customer contracts and relationships, trademarks, license agreements, non-compete agreements, and computer software. The increase in intangible assets mainly reflects $34.0 million related to the acquisition of Alstyle and Peds, and other capital additions primarily related to software, partially offset by amortization of $21.3 million.

- The increase in goodwill is mainly due to the goodwill recorded in connection with the acquisitions of Alstyle and Peds.

6.3 Other non-current assets and non-current liabilities

(in $ millions)	**January 1, 2017**	January 3, 2016	Variation
Deferred income taxes	**1.5**	2.8	(1.3)
Other non-current assets	**14.9**	6.1	8.8
Long-term debt	**(600.0)**	(375.0)	(225.0)
Other non-current liabilities	**(34.6)**	(37.6)	3.0

Certain minor rounding variances exist between the consolidated financial statements and this summary.

- The increase in other non-current assets is mainly due to a deposit made in the fourth quarter of fiscal 2016 with respect to the acquisition of the American Apparel brand and other assets, which closed on February 8, 2017.

- Other non-current liabilities include provisions, employee benefit obligations, and contingent consideration in connection with a business acquisition. The decrease in other non-current liabilities is mainly due to the decrease of contingent consideration in connection with a business acquisition as discussed in section 5.4.4 of this MD&A, partially offset by increases to employee benefit obligations for active employees located in Central America.

- See the section entitled “Liquidity and capital resources” in this MD&A for the discussion on long-term debt.

Total assets were $2,990.1 million as at January 1, 2017, compared to $2,834.3 million as at January 3, 2016.

7.0 CASH FLOWS

7.1 Cash flows from (used in) operating activities

(in $ millions)	**2016**	2015	Variation
		(15 months)	
Net earnings	**346.6**	304.9	41.7
Adjustments to reconcile net earnings to cash flows from operating activities[1)]	**158.4**	147.7	10.7
Changes in non-cash working capital balances	**32.8**	(98.9)	131.7
Cash flows from operating activities	**537.8**	353.7	184.1

(1) Includes $140.6 million (2015 - $146.4 million) related to depreciation and amortization.
Certain minor rounding variances exist between the consolidated financial statements and this summary.

- The year-over-year increase in operating cash flows of $184.1 million was mainly due to the impact of higher net earnings, and a decrease in non-cash working capital in fiscal 2016, compared to an increase in non-cash working capital in fiscal 2015, as explained below.

- Non-cash working capital decreased by $32.8 million during fiscal 2016, compared to an increase of $98.9 million during fiscal 2015. In fiscal 2016, the change in non-cash working capital was due primarily to a decrease in trade accounts receivable, partially offset by increases in inventories and decreases in accounts payable and accrued liabilities, as noted in the "Financial Condition" section of this MD&A. In fiscal 2015, the change in non-cash working capital was due primarily to significant decreases in accounts payable and accrued liabilities, and increases in inventories, partially offset by a decrease in trade accounts receivable. The changes in working capital during fiscal 2015 were largely due to seasonal factors, as fiscal 2015 was a 15-month transition period which began on October 5, 2014 and ended on January 3, 2016.

7.2 Cash flows from (used in) investing activities

(in $ millions)	**2016**	2015	Variation
		(15 months)	
Purchase of property, plant and equipment	**(129.4)**	(319.4)	190.0
Purchase of intangible assets	**(10.8)**	(7.5)	(3.3)
Business acquisitions	**(163.9)**	(103.8)	(60.1)
Proceeds on disposal of assets held for sale and property, plant and equipment	**0.8**	5.5	(4.7)
Cash flows used in investing activities	**(303.3)**	(425.2)	121.9

Certain minor rounding variances exist between the consolidated financial statements and this summary.

- The lower use of cash in investing activities during fiscal 2016 compared to fiscal 2015 reflected lower capital spending mainly due to lower yarn-spinning investments and the impact of an additional three months in fiscal 2015. Cash used in investing activities during fiscal 2016 included $109.5 million for the acquisition of Alstyle, $47.9 million for the acquisition of Peds, and $6.6 million for a deposit relating to the acquisition of the American Apparel brand and other assets, while cash used in investing activities during fiscal 2015 included $103.3 million for the acquisition of Comfort Colors.

- Capital expenditures during fiscal 2016 are described in section 6.2 of this MD&A, and our projected capital expenditures for the next fiscal year are discussed under “Liquidity and capital resources” in section 8.0 of this MD&A.

7.3 Free cash flow

(in $ millions)	**2016**	2015	Variation
		(15 months)	
Cash flows from operating activities	**537.9**	353.6	184.3
Cash flows used in investing activities	**(303.4)**	(425.3)	121.9
Adjustment for:			
Business acquisitions	**163.9**	103.8	60.1
Free cash flow[1]	**398.4**	32.1	366.3

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

- For fiscal 2016, the year-over-year increase in free cash flow of $366.3 million reflected higher operating cash flows and lower capital expenditures.

7.4 Cash flows from (used in) financing activities

(in $ millions)	**2016**	2015	Variation
		(15 months)	
Increase (decrease) in amounts drawn under revolving long-term bank credit facilities	**(375.0)**	218.0	(593.0)
Proceeds from term loan	**300.0**	—	300.0
Proceeds from issuance of notes	**300.0**	—	300.0
Dividends paid	**(74.4)**	(79.7)	5.3
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	**(4.7)**	—	(4.7)
Proceeds from the issuance of shares	**2.2**	16.0	(13.8)
Repurchase and cancellation of shares	**(394.5)**	(79.7)	(314.8)
Share repurchases for future settlement of non-Treasury RSUs	—	(15.2)	15.2
Cash flows from (used in) financing activities	**(246.4)**	59.4	(305.8)

Certain minor rounding variances exist between the consolidated financial statements and this summary.

- Cash flows from financing activities during fiscal 2016 reflected proceeds of $600.0 million from the term loan and the issuance of the notes, partially offset by a $375.0 million decrease in funds drawn on our long-term bank credit facilities. See the section entitled “Liquidity and capital resources” in this MD&A for the discussion on long-term debt. The net long-term debt proceeds were used to finance a portion of the repurchase and cancellation of common shares under the normal course issuer bid (NCIB) as discussed in section 8.4 of this MD&A. During fiscal 2015, the $218.0 million increase in amounts drawn under our bank credit facilities was mainly used to finance the acquisition of Comfort Colors and the repurchase and cancellation of common shares under a previous NCIB.

- The Company paid $74.4 million of dividends during fiscal 2016 for dividends declared in February 2016, May 2016, July 2016, and November 2016. The decrease in dividends paid was as a result of five quarterly dividends paid in fiscal 2015, offset by the impact of the 20% increase in the amount of the quarterly dividend approved on February 23, 2016. The Company paid an aggregate of $79.7 million of dividends during fiscal 2015 for dividends declared in December 2014, February 2015, May 2015, July 2015, and November 2015.

8.0 LIQUIDITY AND CAPITAL RESOURCES

8.1 Long-term debt and net indebtedness

Our primary uses of funds are for working capital requirements, capital expenditures, business acquisitions, and payment of dividends. We have also used funds in fiscal 2015 and 2016 for the repurchase of shares. We fund our requirements with

cash generated from operations and with funds drawn from our long-term debt facilities. The Company's long-term debt as at January 1, 2017 is described below.

	Effective interest rate (1)	Principal amount January 1, 2017	Principal amount January 3, 2016	Maturity date
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (2)	**1.6%**	**$ —**	$ 375,000	**April 2021**
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 1.25% (3)	**1.5%**	**—**	—	**March 2018**
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (4)	**1.9%**	**300,000**	—	**June 2021**
Notes payable, interest at fixed rate of 2.70%, payable semi-annually (5)	**2.7%**	**100,000**	—	**August 2023**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53% payable quarterly (5)	**2.7%**	**50,000**	—	**August 2023**
Notes payable, interest at fixed rate of 2.91%, payable semi-annually (5)	**2.9%**	**100,000**	—	**August 2026**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57% payable quarterly (5)	**2.9%**	**50,000**	—	**August 2026**
		$ 600,000	$ 375,000	

(1) Represents the effective interest rate for the year ended January 1, 2017, including the cash impact of interest rate swaps, where applicable.
(2) The Company's committed unsecured revolving long-term bank credit facility of $1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement). In addition, an amount of $19.0 million (January 3, 2016 - $27.1 million) has been committed against this facility to cover various letters of credit.
(3) During March 2016, the Company entered into an unsecured revolving long-term bank credit facility agreement for a total principal amount of $300 million, which has a one year revolving period followed by a one year term-out period, and provides for an annual extension of the revolving period which is subject to the approval of the lenders. A fixed spread of 1.0% during the revolving period and 1.25% during the term-out period is added to the U.S. LIBOR-based variable interest rate.
(4) During June 2016, the Company entered into an unsecured five-year term loan agreement for a total principal amount of $300 million. The term loan is non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreement).
(5) During July 2016, the Company entered into a Note Purchase Agreement and subsequently issued unsecured notes for a total aggregate principal amount of $300 million to accredited investors in the U.S. private placement market. The notes can be prepaid in whole or in part at any time, subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

During fiscal 2016, the Company entered into a total of $250 million of floating-to-fixed interest rate swaps to fix the floating rate exposure on certain long term debt agreements. A $50 million 7-year floating-to-fixed interest rate swap maturing in August 2023 is converting the interest rate on the $50 million variable-rate notes payable maturing in August 2023 to an all-in fixed rate of 2.7%, and a $50 million 10-year floating-to-fixed interest rate swap maturing in August 2026 is converting the interest rate on the $50 million variable-rate notes payable maturing in August 2026 to an all-in fixed rate of 2.9%. In addition, $150 million of 5-year floating-to-fixed interest rate swaps maturing in June 2021 are converting the variable-rate LIBOR component of an equivalent portion of the term loan to a fixed rate of 0.96%.

Under the terms of the revolving facilities, term loan facility, and notes, the Company is required to comply with certain covenants, including maintenance of financial ratios. The Company was in compliance with all covenants at January 1, 2017.

(in $ millions)	**January 1, 2017**	January 3, 2016
Long-term debt and total indebtedness(1)	**600.0**	375.0
Cash and cash equivalents	**(38.2)**	(50.7)
Net indebtedness(1)	**561.8**	324.3

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

The primary measure used by the Company to monitor its financial leverage is its net debt leverage ratio. The Company's net debt leverage ratio is defined as the ratio of net indebtedness to adjusted EBITDA for the trailing twelve months. Gildan's net debt leverage ratio as at January 1, 2017 was 1.0 times (0.6 times as at January 3, 2016) which was at the low end of its previously communicated target net debt leverage ratio of one to two times adjusted EBITDA. The Company's net debt leverage ratio is calculated as follows:

(in $ millions)	**January 1, 2017**	January 3, 2016
Adjusted EBITDA for the trailing twelve months	**523.8**	503.8
Adjustment for:		
Business acquisitions	**12.5**	2.7
Pro-forma adjusted EBITDA for the trailing twelve months	**536.3**	506.5
Net indebtedness[1]	**561.8**	324.3
Net debt leverage ratio[1]	**1.0**	0.6

(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

For the year ended December 31, 2017, the Company is projecting capital expenditures of approximately $125 millionto support future growth, primarily for textile capacity related to the continued development of the Rio Nance 6 facility in Honduras, capacity expansion in Bangladesh, investments in distribution and garment dyeing, as well as sewing capacity expansion to align to increases in textile capacity.

We expect that cash flows from operating activities and the unutilized financing capacity under our long-term debt facilities will continue to provide us with sufficient liquidity for the foreseeable future to fund our organic growth strategy, including anticipated working capital and capital expenditure requirements, to fund dividends to shareholders, as well as provide us with financing flexibility to take advantage of potential acquisition opportunities which complement our organic growth strategy, and to fund the NCIB discussed in section 8.4 below.

The Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue or repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances.

8.2 Outstanding share data

Our common shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol GIL. As at February 17, 2017, there were 230,245,359 common shares issued and outstanding along with 2,532,019 stock options and 249,033 dilutive restricted share units (Treasury RSUs) outstanding. Each stock option entitles the holder to purchase one common share at the end of the vesting period at a pre-determined option price. Each Treasury RSU entitles the holder to receive one common share from treasury at the end of the vesting period, without any monetary consideration being paid to the Company. However, the vesting of at least 50% of each Treasury RSU grant is contingent on the achievement of performance conditions that are primarily based on the Company's average return on assets performance for the period compared to the S&P/TSX Capped Consumer Discretionary Index, excluding income trusts, or as determined by the Board of Directors.

8.3 Declaration of dividend

The Company paid dividends of $74.4 million during the year ended January 1, 2017. On February 22, 2017, the Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of $0.0935 per share for an expected aggregate payment of $21.5 million which will be paid on April 3, 2017 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 9, 2017. This dividend is an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any other applicable provincial legislation pertaining to eligible dividends.

The Board of Directors considers several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements, and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's long-term debt agreements require compliance with lending covenants in order to pay dividends, these covenants are not currently, and are not expected to be, a constraint to the payment of dividends under the Company's dividend policy.

8.4 Normal course issuer bid

On February 24, 2016, the Company announced the initiation of a normal course issuer bid (NCIB) beginning February 26, 2016 and expiring February 25, 2017, to purchase for cancellation up to 12,192,814 outstanding common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares, on the TSX and the NYSE or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE, or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. The price paid by Gildan for any common shares was the market price at the time of the acquisition plus brokerage fees, and purchases made under an issuer bid exemption order were at a discount to the prevailing market price in accordance with the terms of the order.

On July 26, 2016, the Company obtained approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that may be repurchased from 12,192,814 common shares, or 5% of the Company's issued and outstanding common shares as at February 19, 2016 (the reference date for the NCIB), to 20,727,784 common shares, representing 8.5% of the Company's issued and outstanding common shares or 8.6% of the public float of 239,683,863 common shares as at February 19, 2016. No other terms of the NCIB were amended. During the year ended January 1, 2017, the Company repurchased for cancellation a total of 13,775,248 common shares for a total cost of $394.5 million, of which a total of 4,025,000 common shares were repurchased by way of private agreements with arm's length third party sellers.

On February 22, 2017, the Board of Directors of the Company approved the initiation of a new NCIB commencing on February 27, 2017 to purchase for cancellation up to 11,512,267 common shares, representing approximately 5% of the Company's issued and outstanding common shares. Gildan is authorized to make purchases under the NCIB during the period from February 27, 2017 to February 26, 2018 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the NYSE, or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE, or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. Under the bid, Gildan may purchase up to a maximum of 131,732 shares daily through TSX facilities, which represents 25% of the average daily trading volume on the TSX for the most recently completed six calendar months. The price to be paid by Gildan for any common shares will be the market price at the time of the acquisition, plus brokerage fees, and purchases made under an issuer bid exemption order will be at a discount to the prevailing market price in accordance with the terms of the order. Gildan's management and the Board of Directors believe the repurchase of common shares represents an appropriate use of Gildan's financial resources and that share repurchases under the NCIB will not preclude Gildan from continuing to pursue organic growth and complementary acquisitions.

9.0 LEGAL PROCEEDINGS

9.1 Claims and litigation

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a material adverse effect on the financial position or results of operations of the Company.

10.0 OUTLOOK

A discussion of management's expectations as to our outlook for fiscal 2017 is contained in our fourth quarter earnings results press release dated February 23, 2017 under the section entitled "Fiscal 2017 Outlook". The press release is available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov and on our website at www.gildan.com.

11.0 FINANCIAL RISK MANAGEMENT

This section of the MD&A provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices, and how the Company seeks to manage those risks. The disclosures under this section, in conjunction with the information in note 14 to the 2016 audited annual consolidated financial statements, are designed to meet the requirements of IFRS 7, *Financial Instruments: Disclosures*, and are therefore incorporated into, and are an integral part of, the 2016 audited annual consolidated financial statements.

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates, commodity prices, interest rates, and the market price of its own common shares. The use of derivative financial instruments is governed by the Company's Financial Risk Management Policy approved by the Board of Directors and is administered by the Financial Risk Management Committee. The Financial Risk Management Policy of the Company stipulates that derivative financial instruments should only be used to hedge or mitigate an existing financial exposure that constitutes a commercial risk to the Company, and if the derivatives are determined to be the most efficient and cost effective means of mitigating the Company's exposure to liquidity risk, foreign currency risk, and interest rate risk, as well as risks arising from commodity prices. Hedging limits, as well as counterparty credit rating and exposure limitations are defined in the Company's Financial Risk Management Policy, depending on the type of risk that is being mitigated. Derivative financial instruments are not used for speculative purposes.

At the inception of each designated hedging derivative contract, we formally designate and document the hedging relationship and our risk management objective and strategy for undertaking the hedge. Documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how we will assess whether the hedging relationship meets the hedge effectiveness requirements, including our analysis of the sources of hedge ineffectiveness and how we determine the hedge ratio.

11.1 Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents and derivative financial instruments, which it manages by dealing only with highly-rated North American and European financial institutions. Our trade accounts receivable and credit exposure fluctuate throughout the year based on the seasonality of our sales and other factors. The Company's average trade accounts receivable and credit exposure during an interim reporting period may be significantly higher than the balance at the end of that reporting period. In addition, due to the seasonality of the Company's net sales in the Printwear segment, the Company's trade accounts receivable balance as at the end of a calendar year will typically be lower than at the end of an interim reporting period.

Under the terms of a receivables purchase agreement entered into during 2016, the Company may continuously sell trade receivables of certain designated customers in the Branded Apparel segment to a third party financial institution in exchange for a cash payment equal to the face value of the sold trade receivables, less an applicable discount. The Company retains servicing responsibilities, including collection, for these trade receivables but does not retain any credit risk with respect to any trade receivables that have been sold. All receivables sold under the receivables purchase agreement are removed from the consolidated statements of financial position as the sale of the receivables qualify for de-recognition. As at January 1, 2017, trade accounts receivables being serviced under a receivables purchase agreement amounted to $80.5 million. The receivables purchase agreement, which allows for the sale of a maximum of $175 million of accounts receivables at any one time, expires on June 26, 2017, subject to annual extensions.

The Company's credit risk for trade accounts receivable is concentrated, as the majority of its sales are to a relatively small group of wholesale distributors within the Printwear segment and mass-market and other retailers within the Branded Apparel segment. As at January 1, 2017, the Company's ten largest trade debtors accounted for 60% of trade accounts receivable, of which one wholesale customer within the Printwear segment accounted for 19% and one mass-market retailer within the Branded Apparel segment accounted for 11%, before factoring in the impact of the receivables purchase agreement described above. Of the Company's top ten trade debtors, four are in the Printwear segment, six are in the Branded Apparel segment and all are located in the U.S. The remaining trade accounts receivable balances are dispersed among a larger number of debtors across many geographic areas including the U.S., Canada, Europe, Mexico, Asia-Pacific, and Latin America.

Most of the Company's customers have been transacting with the Company or its subsidiaries for several years. Many distributors and other customers in the Printwear segment are highly-leveraged with significant reliance on trade credit terms provided by a few major vendors, including the Company, and third-party debt financing, including bank debt secured with trade accounts receivable and inventory pledged as collateral. The financial leverage of these customers may limit or prevent their ability to refinance existing indebtedness or to obtain additional financing, and could affect their ability to comply with restrictive debt covenants and meet other obligations. The profile and credit quality of the Company's customers in the Branded Apparel segment varies significantly. Adverse changes in a customer's financial condition could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's future purchases or result in uncollectible trade accounts receivable from that customer. Future credit losses relating to any one of our top ten customers could be material and could result in a material charge to earnings.

The Company's extension of credit to customers involves considerable judgment and is based on an evaluation of each customer's financial condition and payment history. The Company has established various internal controls designed to

mitigate credit risk, including a dedicated credit function which recommends customer credit limits and payment terms that are reviewed and approved on a quarterly basis by senior management at the Company's sales offices in Christ Church, Barbados and Charleston, SC. Where available, the Company's credit departments periodically review external ratings and customer financial statements, and in some cases obtain bank and other references. New customers are subject to a specific validation and pre-approval process. From time to time, the Company will temporarily transact with customers on a prepayment basis where circumstances warrant. While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk in its entirety and there can be no assurance that these controls will continue to be effective, or that the Company's low credit loss experience will continue.

The Company's exposure to credit risk for trade accounts receivable by geographic area and operating segment was as follows as at:

(in $ millions)	**January 1, 2017**	January 3, 2016
Trade accounts receivable by geographic area:		
United States	**237.5**	264.8
Canada	**20.5**	19.3
Europe and other	**19.7**	22.0
Total trade accounts receivable	**277.7**	306.1
Trade accounts receivable by operating segment:		
Printwear	**158.1**	119.7
Branded Apparel	**119.6**	186.4
Total trade accounts receivable	**277.7**	306.1

The aging of trade accounts receivable balances was as follows as at:

(in $ millions)	**January 1, 2017**	January 3, 2016
Not past due	**235.4**	213.9
Past due 0-30 days	**20.0**	63.0
Past due 31-60 days	**12.2**	14.8
Past due 61-120 days	**3.8**	14.6
Past due over 121 days	**11.9**	4.4
Trade accounts receivable	**283.3**	310.7
Less allowance for doubtful accounts	**(5.6)**	(4.6)
Total trade accounts receivable	**277.7**	306.1

11.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. We rely on cash resources, debt and cash flows generated from operations to satisfy our financing requirements. We may also require access to capital markets to support our operations as well as to achieve our strategic plans. Any impediments to our ability to continue to meet the covenants and conditions contained in our long-term debt agreements as well as our ability to access capital markets, or the failure of a financial institution participating in our revolving long-term bank credit facilities, or an adverse perception in capital markets of our financial condition or prospects, could have a material impact on our financing capability. In addition, our access to financing at reasonable interest rates could become influenced by the economic and credit market environment.

We manage liquidity risk through the management of our capital structure and financial leverage, as outlined in note 24 to the 2016 audited annual consolidated financial statements. In addition, we manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our sales and cash receipts, and the expected timing of capital expenditures. The Board of Directors reviews and approves the Company's operating and capital budgets, as well

as transactions such as the declaration of dividends, the initiation of share repurchase programs, mergers, acquisitions and other major investments or divestitures.

11.2.1 Off-balance sheet arrangements and maturity analysis of contractual obligations

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. All commitments have been reflected in our consolidated statements of financial position except for purchase obligations, minimum annual lease payments under operating leases which are primarily for premises, and minimum royalty payments, which are included in the table of contractual obligations that follows. The following table sets forth the maturity of our contractual obligations by period for the following items as at January 1, 2017.

(in $ millions)	**Carrying amount**	Contractual cash flows	Less than 1 fiscal year	1 to 3 fiscal years	4 to 5 fiscal years	More than 5 fiscal years
Accounts payable and accrued liabilities	**234.1**	234.1	234.1	—	—	—
Long-term debt[1]	**600.0**	600.0	—	—	300.0	300.0
Purchase obligations	—	109.9	108.1	1.8	—	—
Operating leases and other obligations	—	183.2	59.3	62.0	25.2	36.7
Total contractual obligations	**834.1**	1,127.2	401.5	63.8	325.2	336.7

(1) Excluding interest

As disclosed in note 23 to our 2016 audited annual consolidated financial statements, we have granted financial guarantees, irrevocable standby letters of credit, and surety bonds to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform their contractual obligations. As at January 1, 2017, the maximum potential liability under these guarantees was $53.8 million, of which $10.4 million was for surety bonds and $43.4 million was for financial guarantees and standby letters of credit.

11.3 Foreign currency risk

The majority of the Company's cash flows and financial assets and liabilities are denominated in U.S. dollars, which is the Company's functional and reporting currency. Foreign currency risk is mainly limited to the portion of the Company's business transactions denominated in currencies other than U.S. dollars, primarily for sales and distribution expenses for customers outside of the U.S., certain equipment purchases, and head office expenses in Canada. The Company's exposure relates primarily to changes in the U.S. dollar versus the Canadian dollar, the Pound sterling, the Euro, the Australian dollar, the Mexican peso, and the Chinese yuan. For the Company's foreign currency transactions, fluctuations in the respective exchange rates relative to the U.S. dollar will create volatility in the Company's cash flows, in the reported amounts for sales and SG&A expenses in its consolidated statement of earnings and comprehensive income, and for property, plant and equipment in its consolidated statement of financial position, both on a period-to-period basis and compared with operating budgets and forecasts. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the U.S. dollar at the rates of exchange at each reporting dates, the impact of which is reported as a foreign exchange gain or loss and included in financial expenses (net) in the statement of earnings and comprehensive income.

The Company also incurs a portion of its manufacturing costs in foreign currencies, primarily payroll costs paid in Honduran Lempiras, Dominican Pesos, Mexican Pesos, Nicaraguan Cordobas, and Bangladeshi Taka. Significant changes in the Lempira, Dominican Peso, Mexican Peso, Cordoba, or Taka relative to the U.S. dollar exchange rate in the future, may have a significant impact on our operating results.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows, by transacting with third parties in U.S. dollars to the maximum extent possible and practical, and holding cash and cash equivalents and incurring borrowings in U.S. dollars. The Company monitors and forecasts the values of net foreign currency cash flows, and from time-to-time will authorize the use of derivative financial instruments such as forward foreign exchange contracts, to economically hedge a portion of foreign currency cash flows, with maturities of up to three years. The Company had forward foreign exchange contracts outstanding as at January 1, 2017, consisting primarily of contracts to sell and buy Canadian dollars, sell Euros, sell Pounds sterling, sell Australian dollars, and to buy Mexican pesos in exchange for U.S. dollars. The outstanding contracts and other foreign exchange contracts that were settled during fiscal 2016 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly we have established a ratio of 1:1 for all foreign exchange hedges. No ineffectiveness was recognized in net earnings as the change in value used for calculating the ineffectiveness of the hedging instruments

was the same as the change in value used for calculating the ineffectiveness of the hedged items.We refer the reader to note 14 to the 2016 audited annual consolidated financial statements for details of these financial derivative contracts and the impact of applying hedge accounting.

The following tables provide an indication of the Company's significant foreign currency exposures included in the consolidated statement of financial position as at January 1, 2017 arising from financial instruments:

						January 1, 2017
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**CNY**	**AUD**
Cash and cash equivalents	2.3	2.2	0.6	3.9	3.8	0.2
Trade accounts receivable	20.6	2.5	2.1	2.8	3.5	1.8
Prepaid expenses, deposits and other current assets	1.6	2.2	—	1.9	0.8	—
Accounts payable and accrued liabilities	(16.5)	(4.2)	(0.3)	(3.2)	(0.9)	—

Based on the Company's foreign currency exposures arising from financial instruments noted above, and the impact of outstanding derivative financial instruments designated as effective hedging instruments, varying the foreign exchange rates to reflect a 5 percent strengthening of the U.S. dollar would have increased (decreased) earnings and other comprehensive income as follows, assuming that all other variables remained constant:

						For the year ended January 1, 2017
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**CNY**	**AUD**
Impact on earnings before income taxes	(0.4)	(0.1)	(0.1)	(0.3)	(0.4)	(0.1)
Impact on other comprehensive income before income taxes	1.3	1.6	1.7	(0.9)	—	0.2

An assumed 5 percent weakening of the U.S. dollar during the year ended January 1, 2017 would have had an equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

11.4 Commodity risk

The Company is subject to the commodity risk of cotton prices and cotton price movements, as the majority of its products are made of 100% cotton or blends of cotton and synthetic fibers. The Company is also subject to the risk of fluctuations in crude oil and petrochemicals as they influence the cost of polyester fibers which are also used in many of its products. The Company purchases cotton from third party merchants, cotton-based yarn from third party yarn manufacturers, and polyester fibers from third party polyester manufacturers. The Company assumes the risk of price fluctuations for these purchases. The Company enters into contracts, up to eighteen months in advance of future delivery dates, to establish fixed prices for its cotton and cotton-based yarn purchases, and polyester fibers purchases, in order to reduce the effects of fluctuations in the cost of cotton, crude oil, and petrochemicals used in the manufacture of its products. These contracts are not used for trading purposes, and are not considered to be financial instruments that would need to be accounted for at fair value in the Company's consolidated financial statements. Without taking into account the impact of fixed price contracts, a change of $0.01 per pound in the price of cotton or polyester fibers would affect the Company's annual raw material costs by approximately $6 million, based on current production levels.

In addition, fluctuations in crude oil or petroleum prices also affect our energy consumption costs and can also influence transportation costs and the cost of related items used in our business, including other raw materials we use to manufacture our products such as chemicals, dyestuffs, and trims. We generally purchase these raw materials at market prices.

The Company has the ability to enter into derivative financial instruments, including futures and option contracts, to manage its exposure to movements in commodity prices. Such contracts are accounted for at fair value in the consolidated financial statements in accordance with the accounting standards applicable to financial instruments. During fiscal 2016, the Company entered into commodity derivative contracts as described in note 14 to the 2016 audited annual consolidated financial statements. The underlying risk of the commodity derivative contracts is identical to the hedged risk, and accordingly we have established a ratio of 1:1 for all commodity derivative hedges. Due to a strong correlation between commodity future contract prices and our purchased cost, we did not experience any significant ineffectiveness on our hedges. We refer the reader to note 14 to the 2016 audited annual consolidated financial statements for details of these derivative contracts and the impact of applying hedge accounting.

11.5 Interest rate risk

The Company is subject to interest rate risk arising from its $300 million term loan, $100 million of its unsecured notes payable, and amounts drawn on its revolving long-term bank credit facilities, all of which bear interest at a variable U.S. LIBOR-based interest rate, plus a spread.

The Company generally fixes the rates for LIBOR-based borrowings for periods of one to three months. The interest rates on amounts drawn on debt agreements and on any future borrowings will vary and are unpredictable. Increases in interest rates on new debt issuances may result in a material increase in financial charges.

The Company has the ability to enter into derivative financial instruments that would effectively fix its cost of current and future borrowings for an extended period of time. During fiscal 2016, the Company entered into a total of $250 million of floating-to-fixed interest rate swaps to hedge its floating interest rate exposure on a designated portion of certain long term debt agreements, as described in section 8.1 in this MD&A. The interest rate swap contracts were designated as cash flow hedges and qualified for hedge accounting.

Based on the value of interest-bearing financial instruments during the year ended January 1, 2017, an assumed 0.5 percentage point increase in interest rates during such period would have decreased earnings before income taxes by $2.4 million. An assumed 0.5 percentage point decrease in interest rates would have had an equal but opposite effect on earnings before income taxes, assuming that all other variables remain constant.

12.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies are described in note 3 to our 2016 audited annual consolidated financial statements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

12.1 Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of cash-generating units (CGUs)
The identification of CGUs and grouping of assets into the respective CGUs is based on currently available information about actual utilization experience and expected future business plans. Management has taken into consideration various factors in identifying its CGUs. These factors include how the Company manages and monitors its operations, the nature of each CGU's operations and the major customer markets they serve. As such, the Company has identified its CGUs for purposes of testing the recoverability and impairment of non-financial assets to be Printwear, Branded Apparel and Yarn-Spinning (yarn-spinning manufacturing division).

Income taxes
The Company's income tax provisions and income tax assets and liabilities are based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. New information may become available that causes the Company to change its judgment regarding the adequacy of existing income tax assets and liabilities; such changes will impact net earnings in the period that such a determination is made.

12.2 Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Allowance for doubtful accounts
The Company makes an assessment of whether accounts receivable are collectable, which considers the credit-worthiness of each customer, taking into account each customer's financial condition and payment history, in order to estimate an

appropriate allowance for doubtful accounts. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company may be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

Sales promotional programs
In the normal course of business, certain incentives are granted to our customers including discounts and rebates. At the time of sale, estimates are made for customer price discounts and rebates based on the terms of existing programs. Accruals required for new programs, which relate to prior sales, are recorded at the time the new program is introduced. Sales are recorded net of these program costs and a provision for estimated sales returns, which is based on historical experience, current trends and other known factors. If actual price discounts, rebates or returns differ from estimates, significant adjustments to net sales could be required in future periods.

Inventory valuation
The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, discontinued, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favorable than previously projected, or if liquidation of the inventory which is no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Business combinations
Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

Recoverability and impairment of non-financial assets
The calculation of fair value less costs of disposal or value in use for purposes of measuring the recoverable amount of non-financial assets involves the use of significant assumptions and estimates with respect to a variety of factors, including expected sales, gross margins, SG&A expenses, cash flows, capital expenditures, and the selection of an appropriate earnings multiple or discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results as well as earnings multiples obtained by using market comparables as a reference, and discount rates which are used to reflect market based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. Changes in circumstances, such as technological advances, adverse changes in third party licensing arrangements, changes to the Company's business strategy, and changes in economic conditions can result in actual useful lives and future cash flows differing significantly from estimates and could result in increased charges for amortization or impairment. Revisions to the estimated useful lives of finite life non-financial assets or future cash flows constitute a change in accounting estimate and are applied prospectively. There can be no assurance that the estimates and assumptions used in the impairment tests will prove to be accurate predictions of the future. If the future adversely differs from management's best estimate of key economic assumptions, and if associated cash flows materially decrease, the Company may be required to record material impairment charges related to its non-financial assets.

Valuation of statutory severance obligations and the related costs
The valuation of the statutory severance obligations and the related costs requires economic assumptions, including discount rates and expected rates of compensation increases, and participant demographic assumptions. The actuarial assumptions used may differ materially from year to year due to changing market and economic conditions, resulting in significant increases or decreases in the obligations and related costs.

Measurement of the estimate of expected costs for decommissioning and site restoration
The measurement of the provision for decommissioning and site restoration costs requires assumptions to be made including expected timing of the event which would result in the outflow of resources, the range of possible methods of decommissioning and site restoration, and the expected costs that would be incurred to settle any decommissioning and site restoration liabilities. The Company has measured the provision using the present value of the expected costs which requires assumptions on the discount rate to use. Revisions to any of the assumptions and estimates used by management may result in changes

to the expected expenditures to settle the liability which would require adjustments to the provision and which may have an impact on the operating results of the Company in the period the change occurs.

Income taxes
The Company has unused available tax losses and deductible temporary differences in certain jurisdictions. The Company recognizes deferred income tax assets for these unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable profit will be available against which these available tax losses and temporary differences can be utilized. The Company's projections of future taxable profit involve the use of significant assumptions and estimates with respect to a variety of factors, including future sales and operating expenses. There can be no assurance that the estimates and assumptions used in our projections of future taxable income will prove to be accurate predictions of the future, and in the event that our assessment of the recoverability of these deferred tax assets changes in the future, a material reduction in the carrying value of these deferred tax assets could be required, with a corresponding charge to net earnings.

13.0 ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET APPLIED

13.1 Accounting policies

The Company's audited consolidated financial statements for fiscal 2016 were prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), using the same accounting policies as those applied in its fiscal 2015 audited annual consolidated financial statements, except as noted below.

Share based payment
On July 4, 2016, the Company early adopted the amendments to IFRS 2, Share-based payment, which were issued by the IASB on June 20, 2016, with effect as at January 3, 2016. The amendments clarify how to classify and measure certain types of share-based payment transactions, including share-based payment transactions with a net settlement feature for withholding tax obligations. The adoption of the amendments to IFRS 2 did not have an impact on the Company's consolidated financial statements as at the effective date of adoption.

Income Taxes
In November 2016, the IFRS Interpretations Committee issued an agenda decision that prohibits the application of guidance in IAS 12, Income Taxes, for non-depreciable property, plant and equipment by analogy, to intangible assets with an indefinite useful life when measuring deferred tax. The agenda decision clarifies that an entity must consider whether the intangible asset with an indefinite useful life is expected to be recovered through use or through sale, or a combination of both. The revised guidance was effective immediately. The impact of the adoption of the revised guidance to IAS 12 is described in note 10 to the audited annual consolidated financial statements for the year ended January 1, 2017.

13.2 New accounting standards and interpretations not yet applied

The following new accounting standards are not effective for the year ended January 1, 2017, and have not been applied in preparing the audited annual consolidated financial statements.

Revenues from contracts with customers
In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting and disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services.

IFRS 15 provides a single model in order to depict the transfer of promised goods or services to customers, and supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Service). IFRS 15 is effective for the Company's fiscal year beginning on January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of the adoption of IFRS 15 on the consolidated financial statements, including the transition options. Based on a preliminary assessment, the Company does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements. The Company will finalize its assessment during fiscal 2017.

Financial Instruments
In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective March 31, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Leases
In January 2016, the IASB issued IFRS 16 Leases, which specifies how an entity will recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, and expects that the majority of its operating leases will need to be recognized in the consolidated statement of financial position on initial adoption of IFRS 16.

14.0 DISCLOSURE CONTROLS AND PROCEDURES

As stated in the Canadian Securities Administrators' National Instrument 52-109,*Certification of Disclosure in Issuers' Annual and Interim Filings*and Rules 13a-15(e) and 15d-15(e) under the *U.S. Securities Exchange Act of 1934*, disclosure controls and procedures means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings, or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of, and with the participation of, our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of January 1, 2017. For the year endedJanuary 1, 2017, management's evaluation of the effectiveness of its disclosure controls and procedures excluded the disclosure controls and procedures of the acquired businesses of Alstyle Apparel, LLC (Alstyle) and Peds Legwear, Inc. (Peds), acquired on May 26, 2016 and August 22, 2016, respectively, the results of which are included in the audited annual consolidated financial statements of the Company for the year ended January 1, 2017, to the extent Alstyle's and Peds' disclosure controls and procedures are subsumed by internal control over financial reporting. The consolidated results of the Company for the year ended January 1, 2017 included net sales of $118.6 million and net earnings of $1.8 million relating to Alstyle's and Peds' results of operations since they were acquired. Alstyle and Peds accounted for $133.9 million of current assets, $66.1 million of non-current assets, $28.0 million of current liabilities, and $2.4 million of non-current liabilities in the Company's audited consolidated statement of financial position as at January 1, 2017. Based on that evaluation, which excluded Alstyle's and Peds' disclosure controls and procedures, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of January 1, 2017.

15.0 INTERNAL CONTROL OVER FINANCIAL REPORTING

15.1 Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13(a)-15(f) and 15(d)-15(f) under the *U.S. Securities Exchange Act of 1934*and under National Instrument 52-109.

Our internal control over financial reporting means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with International Financial Reporting Standards, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the annual financial statements or interim financial reports.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. As a result, due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of January 1, 2017, based on the framework set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). For the year ended January 1, 2017, management's evaluation of internal control over financial reporting excluded the internal control over financial reporting of the acquired businesses of Alstyle and Peds, acquired on May 22, 2016 and August 22, 2016, respectively, the results of which are included in the audited annual consolidated financial statements of the Company for the year ended January 1, 2017. The consolidated results of the Company for the year ended January 1, 2017 included net sales of $118.6 million and net earnings of $1.8 million relating to Alstyle's and Peds' results of operations since they were acquired. Alstyle and Peds accounted for $133.9 million of current assets, $66.1 million of non-current assets, $28.0 million of current liabilities, and $2.4 million of non-current liabilities in the Company's audited consolidated statement of financial position as at January 1, 2017. Based on that evaluation under this framework, which excluded Alstyle's and Peds' internal control over financial reporting, our Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was effective as of January 1, 2017.

15.2 Attestation report of independent registered public accounting firm

KPMG LLP, an independent registered public accounting firm, which audited and reported on our financial statements in this Report to Shareholders, has issued an unqualified report on the effectiveness of our internal control over financial reporting as of January 1, 2017.

15.3 Changes in internal control over financial reporting

There have been no changes that occurred during the period beginning on October 3, 2016 and ended on January 1, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

16.0 RISKS AND UNCERTAINTIES

In addition to the risks previously described under the sections "Financial risk management", "Critical accounting estimates and judgments", and those described elsewhere in this MD&A, this section describes the principal risks that could have a material adverse effect on our financial condition, results of operations or business, cash flows or the trading price of our common shares, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements. The risks listed below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our financial condition, results of operations, cash flows, or business.

Our ability to implement our growth strategies and plans

The growth of our business depends on the successful execution of our key strategic initiatives, which are described in section 4.0 of this MD&A. We may not be able to successfully implement our growth strategy in the future. We may not be successful in increasing our penetration in the North American and international markets as success factors may be different and economic returns may be lower in new market channels and new geographical markets which the Company enters. In addition, we may not be successful in further developing our Company-owned brands and obtaining and successfully introducing new programs in the U.S. retail channel, including increasing our sales of underwear and activewear to retailers, or achieving targeted levels of profitability in our Branded Apparel segment. Our opportunities for growth may be limited, and we may lose market share, if we fail to successfully develop new business in new market channels or new geographical markets. As consumers increasingly migrate towards on-line shopping, our future sales may be negatively impacted if we fail to continue to further develop relationships with and effectively service major retailers with on-line capabilities. Also, there can be no assurance that we do not encounter operational issues that may affect or disrupt our current production or supply

chain or delay the ramp up of new facilities. In addition, we may not be successful in adding new low-cost capacity to support our planned sales growth, in executing on furthering our vertical integration into yarn-spinning, or in achieving targeted manufacturing and distribution cost reductions. Our ability to generate cash flows from operations will depend on the success we have in executing our key strategic initiatives, which in turn will ultimately impact our ability to reinvest cash flows or distribute cash flows to our shareholders. We may be unable to identify acquisition targets, successfully integrate a newly acquired business, or achieve expected synergies from such integration.

Our ability to compete effectively
The markets for our products are highly competitive and evolving rapidly. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Consumer brand recognition and appeal are also important factors in the retail market. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated, strategically-located manufacturing hubs which have allowed us to operate efficiently and reduce costs, offer competitive pricing, and a reliable supply chain. There can be no assurance that we will be able to maintain our low cost manufacturing and distribution structure, and remain competitive in the areas of price, quality, brand appeal, service, and marketing. As noted in section 3.4 of this MD&A, we compete with domestic and international manufacturers, brands of well-established U.S. apparel and sportswear companies, as well as customers that sell basic apparel products under their own private label brands. Shopping trends are also evolving, including consumers increasingly shopping on e-commerce or on-line platforms. We may be competitively disadvantaged if we fail to continue to secure business with on-line retailers or with existing and new customers that offer on-line platforms to sell products. We may also face increased competition from our customers' private label brands, including the potential impact of on-line retailers introducing private label brands in basic apparel products. There can be no assurance that the level and intensity of competition will not increase, or that competitors will not improve their competitive position relative to Gildan's. Any changes in our ability to compete effectively in the future may result in the loss of customers to competitors, reduction in customer orders or shelf space, lower prices, the need for additional customer price incentives and other forms of marketing support to our customers, all of which could have a negative effect on our profitability if we are unable to offset such negative impact with new business or cost reductions. Recently there has been an increasing focus on U.S. domestic manufacturing that has drawn worldwide attention. The current U.S. government administration is encouraging companies to manufacture in the U.S. While a significant proportion of our costs to manufacture our products originate in the United States, the Company also has significant operations outside the U.S. There can be no assurance that the recent and continuing focus in this area may not attract negative publicity on the Company and its activities, lead to adverse changes in international trade agreements and preference programs that the Company currently relies on, or lead to tax reform in the U.S. that could increase our effective income tax rate. Any of such outcomes could negatively impact our ability to compete effectively and negatively affect our results of operations.

Our ability to integrate acquisitions
The Company's strategic opportunities include potential complementary acquisitions that could support, strengthen, or expand our business. The integration of newly acquired businesses may prove to be more challenging, take more time than originally anticipated, and result in significant additional costs and/or operational issues, all of which could negatively affect our financial condition and results of operations. In addition, we may not be able to fully realize expected synergies and other benefits.

We may be negatively impacted by changes in general economic and financial conditions
General economic and financial conditions, globally or in one or more of the markets we serve, may negatively affect our business. If there is a decline in economic growth and in consumer and commercial activity, and/or if adverse financial conditions exist in the credit markets, as in the case of the global credit crisis in 2008 and 2009, this may lead to lower demand for our products resulting in sales volume reductions and lower selling prices, and may cause us to operate at levels below our optimal production capacity, which would result in higher unit production costs, all of which could negatively affect our profitability and reduce cash flows from operations. Weak economic and financial conditions could also negatively affect the financial condition of our customers, which could result in lower sales volumes and increased credit risk. The nature and extent of the Company's credit risks are described under the section "Financial risk management" in this MD&A.

We rely on a small number of significant customers
We rely on a small number of customers for a significant portion of our total sales. In fiscal 2016 our largest and second largest customers accounted for 18.2% and 12.4% (2015 - 15.7% and 13.1%) of total sales respectively, and our top ten customers accounted for59.1% (2015 - 56.1%) of total sales. We expect that these customers will continue to represent a significant portion of our sales in the future.

Future sales volumes and profitability could be negatively affected should one or more of the following events occur:

- a significant customer substantially reduces its purchases or ceases to buy from us, or Gildan elects to reduce its volume of business with or cease to sell to a significant customer, and we cannot replace that business with sales to other customers on similar terms;

- a large customer exercises its purchasing power to negotiate lower prices or higher price discounts, or to require Gildan to incur additional service and other costs;
- further industry consolidation leads to greater customer concentration and competition; and
- a large customer encounters financial difficulties and is unable to meet its financial obligations.

Our customers do not commit to purchase minimum quantities
Our contracts with our customers do not require them to purchase a minimum quantity of our products or commit to minimum shelf space allocation for our products. If any of our customers experience a significant business downturn or fail to remain committed to our products, they may reduce or discontinue purchases from us. Although we have maintained long-term relationships with many of our wholesale distributor and retail customers, there can be no assurance that historic levels of business from any of our customers will continue in the future.

Our ability to anticipate, identify, or react to changes in consumer preferences and trends
While we currently focus on basic products, the apparel industry, particularly within the retail channel, is subject to evolving consumer preferences and trends. Our success may be negatively impacted by changes in consumer preferences which do not fit with Gildan's core competency of marketing and large-scale manufacturing of basic apparel products. If we are unable to successfully anticipate, identify or react to changing styles or trends, or misjudge the market for our products, our sales could be negatively impacted and we may be faced with unsold inventory which could negatively impact our profitability. In addition, when introducing new products for our customers we may incur additional costs and transitional manufacturing inefficiencies as we ramp-up production or upgrade manufacturing capabilities to support such customer programs, which could negatively impact our profitability.

Our ability to manage production and inventory levels effectively in relation to changes in customer demand
Demand for our products may vary from year to year. We aim to appropriately balance our production and inventory with our ability to meet market demand. Based on discussions with our customers and internally generated projections reflecting our analysis of factors impacting industry demand, we produce and carry finished goods inventory to meet the expected demand for delivery of specific product categories. If, after producing and carrying inventory in anticipation of deliveries, demand is significantly less than expected, we may have to carry inventory for extended periods of time, or sell excess inventory at reduced prices. In either case, our profits would be reduced. Excess inventory could also result in lower production levels, resulting in lower plant and equipment utilization and lower absorption of fixed operating costs. Alternatively, we are also exposed to loss of sales opportunities and market share, if we produce insufficient inventory to satisfy our customers' demand for specific product categories as a result of underestimating market demand or not meeting production targets, in which case our customers could seek to fulfill their product needs from competitors and reduce the amount of business they do with us.

We may be negatively impacted by fluctuations and volatility in the price of raw materials used to manufacture our products
Cotton and polyester fibers are the primary raw materials used in the manufacture of our products. We also use chemicals, dyestuffs, and trims which we purchase from a variety of suppliers. The price of cotton fluctuates and is affected by consumer demand, global supply, which may be impacted by weather conditions in any given year, speculation in the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. In addition, fluctuations in crude oil or petroleum prices affect our energy consumption costs and can also influence transportation costs and the cost of related items used in our business, such as polyester fibers, chemicals, dyestuffs, and trims. As discussed under the heading entitled "Commodity risk" in the "Financial risk management" section of this MD&A, the Company purchases cotton and polyester fibers through its yarn-spinning facilities, and also purchases processed cotton yarn and blended yarn from outside vendors, at prices that are correlated with the price of cotton and polyester fibers. The Company may enter into contracts up to eighteen months in advance of future delivery dates to establish fixed prices for cotton, cotton-based yarn, and polyester fiber purchases and reduce the effect of price fluctuations in the cost of cotton and polyester fibers used in the manufacture of its products. For future delivery periods where such fixed price contracts have been entered into, the Company will be protected against cotton and polyester fiber price increases but would not be able to benefit from cotton or polyester fiber price decreases. Conversely, in the event that we have not entered into sufficient fixed priced contracts for cotton or polyester fibers, or have not made other arrangements to lock in the price of cotton or polyester fibers in advance of delivery, we will not be protected against price increases, but will be in a position to benefit from any price decreases. A significant increase in raw material costs, particularly cotton and polyester fiber costs, could have an negative effect on our business, results of operations, and financial condition, if the increase or part of the increase is not mitigated through additional manufacturing and distribution cost reductions and/or higher selling prices, or if resulting selling price increases negatively impact demand for the Company's products. In addition, when the Company fixes its cotton and polyester fiber costs for future delivery periods and the cost of cotton or polyester fibers subsequently decreases significantly for that delivery period, the Company may need to reduce selling prices, which could have a negative effect on our business, results of operations and financial condition.

We rely on key suppliers
Our ability to meet our customers' needs depends on our ability to maintain an uninterrupted supply of raw materials and finished goods from third party suppliers. More specifically, we source cotton, cotton-based yarns, polyester fibers, chemicals, dyestuffs, and trims primarily from a limited number of outside suppliers. In addition, a substantial portion of the products sold under the Gold Toe® portfolio of brands and licensed brands are purchased from a number of third party suppliers. Our business, results of operations, and financial condition could be negatively affected if there is a significant change in our relationship with any of our principal suppliers of raw materials or finished goods, or if any of these key suppliers have difficulty sourcing cotton fibers and other raw materials, experience production disruptions, fail to maintain production quality, experience transportation disruptions or encounter financial difficulties. These events can result in lost sales, cancellation charges or excessive markdowns, all of which can can have a negative effect on our business, results of operations, and financial condition.

We may be negatively impacted by climate, political, social, and economic risks in the countries in which we operate or from which we source production
The majority of our products are manufactured in Central America, primarily in Honduras and the Caribbean Basin, and to a lesser extent in Bangladesh, as described in the section entitled "Our operations" in this MD&A. We also purchase significant volumes of socks from third party suppliers in Asia. Some of the countries in which we operate or source from have experienced political, social, and economic instability in the past, and we cannot be certain of their future stability. In addition, most of our facilities are located in geographic regions that are exposed to the risk of, and have experienced in the past, hurricanes, floods, and earthquakes, and any such events in the future could have a negative impact on our business.

The following conditions or events could disrupt our supply chain, interrupt production at our facilities or those of our suppliers, increase our cost of sales and other operating expenses, result in material asset losses, or require additional capital expenditures to be incurred:

- fires, pandemics, extraordinary weather conditions, or natural disasters, such as hurricanes, tornadoes, floods, tsunamis, typhoons, and earthquakes;
- political instability, social and labour unrest, war, or terrorism;
- disruptions in port activities, shipping and freight forwarding services; and
- interruptions in the availability of basic services and infrastructure, including power and water shortages.

Our insurance programs do not cover every potential loss associated with our operations, including potential damage to assets, lost profits, and liability that could result from the aforementioned conditions or events. In addition, our insurance may not fully cover the consequences resulting from a loss event, due to insurance limits, sub-limits, or policy exclusions. Any occurrence not fully covered by insurance could have a negative effect on our business.

Compliance with laws and regulations in the various countries in which we operate and the potential negative effects of litigation and/or regulatory actions
Our business is subject to a wide variety of laws and regulations across all of the countries in which we do business, which involves the risk of legal and regulatory actions regarding such matters as international trade, competition, taxation, environmental, health and safety, product liability, employment practices, patent and trademark infringement, corporate and securities legislation, licensing and permits, data privacy, bankruptcies, and other claims. Some of these compliance risks are further described in this "Risks and uncertainties" section of the MD&A. In the event of non-compliance with such laws and regulations, we may be subject to regulatory actions, claims and/or litigation which could result in fines, penalties, claim settlement costs or damages awarded to plaintiffs, legal defense costs, product recalls, remediation costs, incremental operating costs and capital expenditures to improve future/ongoing compliance, and damage to the Company's reputation. In addition, non-compliance with certain laws and regulations could result in regulatory actions that could temporarily or permanently restrict or limit our ability to conduct operations as planned, potentially resulting in lost sales, closure costs, and asset write-offs. Due to the inherent uncertainties of litigation or regulatory actions in both domestic and foreign jurisdictions, we cannot accurately predict the ultimate outcome of any such proceedings.

Laws and regulations are constantly changing and complex, and future compliance cannot be assured. Changes necessary to maintaining compliance with these laws and regulations may increase future compliance costs and have other negative impacts on our business, results of operations, and financial condition.

As part of the regulatory and legal environments in which we operate, Gildan is subject to anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities or persons defined in those anti-bribery laws in order to obtain business or other improper advantages in the conduct of business. Failure by our employees, subcontractors, suppliers, agents, and/or partners to comply with anti-bribery laws could impact Gildan in various ways that include, but are not limited to, criminal, civil and administrative legal sanctions, negative publicity, and could have a negative effect on our business, results of operations, and financial condition.

We rely on certain international trade agreements and preference programs and are subject to evolving international trade regulations
As a multinational corporation, we are affected by domestic tariffs, international trade legislation, bilateral and multilateral trade agreements and trade preference programs in the countries in which we operate, source, and sell products. In order to remain globally competitive, we have situated our manufacturing facilities in strategic locations to benefit from various free trade agreements and trade preference programs. Furthermore, management continuously monitors new developments and evaluates risks relating to duties, tariffs, and quotas that could impact our approach to global manufacturing and sourcing and makes adjustments as needed. The United States has implemented several free trade agreements and trade preference programs to enhance trade with certain countries. The Company relies on a number of preferential trade programs which provide duty free access to the U.S. market for goods meeting specified rules of origin, including the *Caribbean Basin Trade Partnership Act*, the *Dominican Republic - Central America - United States Free Trade Agreement* (CAFTA-DR), the *North American Free Trade Agreement* (NAFTA) and the *Haitian Hemispheric Opportunity through Partnership Encouragement* (HOPE), which allow qualifying textiles and apparel from participating countries duty-free access to the U.S. market. The Company relies on similar arrangements to access the European Union, Canada, and other markets. Changes to trade agreements or trade preference programs that the Company currently relies on may negatively impact our global competitive position. The likelihood that the agreements and preference programs around which we have built our manufacturing supply chain will be modified, repealed, or allowed to expire, and the extent of the impact of such changes on our business, cannot be determined with certainty.

Most trade agreements provide for the application of special safeguards in the form of reinstatement of normal duties if increased imports constitute a substantial cause of serious injury, or threat thereof, to a domestic industry. The likelihood that a safeguard will be adopted and the extent of its impact on our business cannot be determined with certainty.

In 2015, the United States concluded free trade negotiations with a group of countries under the umbrella of the Trans-Pacific Partnership (TPP). In January 2017, the new Administration in the United States issued a Presidential Memorandum directing the withdrawal of the United States from the TPP agreement. At this point, there is uncertainty as to the future of this agreement. As a result of the U.S. withdrawal from TPP, the remaining countries currently participating in the TPP are Australia, Brunei, Canada, Chile, Mexico, Malaysia, New Zealand, Peru, Singapore, Japan, and Vietnam. Should the TPP agreement or any other new free trade agreement come into force in the future, this may negatively affect our competitive position in the various countries in which we sell our products.

Overall, new agreements or arrangements that further liberalize access to our key developed country markets from countries where our competitors make products could potentially impact our competiveness in those markets negatively. The likelihood that any such agreements, measures or programs will be adopted, modified, repealed, or allowed to expire, and the extent of the impact of such changes on our business, cannot be determined with any certainty.

The new Administration in the United States has indicated its intention to enter into discussions to renegotiate NAFTA which includes the United States, Canada, and Mexico as participating countries to the agreement. The renegotiation of NAFTA, a U.S. withdrawal from NAFTA, or the movement to a bilateral agreement with Canada that would exclude Mexico could adversely impact the overall competitiveness of products we ship to the U.S. from our Mexican and Canadian manufacturing supply chains.

Furthermore, the imposition of any new domestic tariffs in any of the countries in which we operate may also negatively impact our global competitive position.

On June 23, 2016, the United Kingdom voted to leave the European Union. The Company currently relies upon a number of free trade agreements and trade preference programs between the European Union and the various countries in which we manufacture our products which provide us with duty free access into the commerce of the European Union, including the United Kingdom. Following an exit of the United Kingdom from the European Union, should the United Kingdom fail or delay ratifying identical or similar agreements to the ones in effect in the European Union, this could negatively impact the competitiveness of our supply chain in servicing the United Kingdom.

In addition, the Company is subject to customs audits as well as valuation and origin verifications in the various countries in which it operates. Although we believe that our customs compliance programs are effective at ensuring the eligibility of all goods manufactured for the preferential treatment claimed upon importation, we cannot predict the outcome of any governmental audit or inquiry.

The Company operates two U.S. foreign trade zones (FTZs). Both FTZs relate to the Company's primary distribution warehouses in the U.S. The FTZs enhance efficiencies in the customs entry process and allow for the non-application of

duty on certain goods distributed internationally. FTZs are highly regulated operations and while the Company believes it has adequate systems and controls in place to manage the regulatory requirements associated with FTZs, we cannot predict the outcome of any governmental audit or examination of the FTZs.

In recent years, governmental bodies have responded to the increased threat of terrorist activity by requiring greater levels of inspection of imported goods and imposing security requirements on importers, carriers and others in the global supply chain. These added requirements can sometimes cause delays and increase costs in bringing imported goods to market. We believe we have effectively addressed these requirements in order to maximize velocity in our supply chain, but changes in security requirements or tightening of security procedures, for example, in the aftermath of a terrorist incident, could cause delays in our goods reaching the markets in which we distribute our products.

Textile and apparel articles are generally not subject to specific export restrictions or licensing requirements in the countries where we manufacture and distribute goods. However, the creation of export licensing requirements, imposition of restrictions on export quantities, or specification of minimum export pricing and/or export prices or duties could potentially have a negative impact on our business. In addition, unilateral and multilateral sanctions and restrictions on dealings with certain countries and persons, which are unpredictable, continue to emerge and evolve in response to international economic and political events, and could impact our trading relationships with vendors or customers.

Factors or circumstances that could increase our effective income tax rate
The Company benefits from a low overall effective corporate tax rate as the majority of its profits are earned and the majority of its sales, marketing and manufacturing operations are carried out in low tax rate jurisdictions in Central America and the Caribbean Basin. The Company's income tax filing positions and income tax provisions are based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. Although the Company believes its tax filing positions are sustainable, we cannot predict with certainty the outcome of any audit undertaken by taxation authorities in any jurisdictions in which we operate, and the final result may vary compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in valuing its income tax assets and liabilities. Depending on the ultimate outcome of any such audit, there may be a negative impact on the Company's financial condition, results of operations and cash flows. In addition, if the Company were to receive a tax reassessment by a taxation authority prior to the ultimate resolution of an audit, the Company could be required to submit an advance deposit on the amount reassessed.

The Company's overall effective income tax rate may also be adversely affected by the following: changes to current domestic laws in the countries in which the Company operates; changes to or terminations of the income tax treaties the Company currently relies on; an increase in income and withholding tax rates; changes to free trade and export processing zone rules in certain countries where the Company is currently not subject to income tax; changes to guidance regarding the interpretation and application of domestic laws, free trade and export processing zones and income tax treaties; increases in the proportion of the Company's overall profits being earned in higher tax rate jurisdictions due to changes in the locations of the Company's operations; and changes in the mix of profits between operating segments; or other factors. For example, the Organization for Economic Cooperation and Development ("OECD"), an international association of 34 countries, recently issued recommendations regarding international taxation, which if adopted by and between the tax authorities in the countries in which we operate could result in a material increase in the Company's overall effective income tax rate.

In the past year, there has been significant momentum in the U.S. for income tax reform. Any significant changes to the current tax rules which govern the manner in which sales and profits are taxed in the U.S., including the implementation of a border adjustment tax which would involve the disallowance of a deduction for the cost of goods imported into the U.S. in arriving at taxable income, could materially increase the effective income tax rate of the Company.

We have not recognized a deferred income tax liability for the undistributed profits of our subsidiaries, as we currently have no intention to repatriate these profits. If our expectations or intentions change in the future, we could be required to recognize a charge to earnings for the tax liability relating to the undistributed profits of our subsidiaries, which would also result in a corresponding cash outflow in the years in which the earnings would be repatriated. As at January 1, 2017, the estimated income tax liability that would result in the event of a full repatriation of these undistributed profits is approximately $71 million.

Provisions for uncertain tax positions are measured at the best estimate of the amounts expected to be paid upon ultimate resolution. The Company's overall effective income tax rate is impacted by its assessment of uncertain tax positions and whether additional taxes and interest may be due. The Company's assessment of uncertain tax positions may be negatively affected as a result of new information, a change in management's assessment of the technical merits of its positions, changes to tax laws, administrative guidance, and the conclusion of tax audits.

Compliance with environmental, health, and safety regulations
We are subject to various federal, state and local environmental and occupational health and safety laws and regulations in the different jurisdictions in which we operate, concerning, among other things, wastewater discharges, air emissions, storm water flows, and solid waste disposal. Our manufacturing plants generate small quantities of hazardous waste, which are recycled, repurposed, or disposed of by licensed waste management companies. Through our Corporate Environmental Policy, Environmental Code of Practice and Environmental Management System, we seek not only to comply with applicable laws and regulations, but also to reduce our environmental footprint through waste prevention, recovery, and treatment. Although we believe that we are currently in compliance in all material respects with the regulatory requirements of those jurisdictions in which our facilities are located, the extent of our liability, if any, for past failures to comply with laws, regulations, and permits applicable to our operations cannot be reasonably determined. In line with our commitment to the environment, as well as to the health and safety of our employees, we incur capital and other expenditures each year that are aimed at achieving compliance with current environmental standards. There can be no assurance that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional environmental remediation expenditures or result in a disruption to our supply chain that could have an adverse effect on our business, results of operation, or financial condition.

During fiscal 2013, Gildan was notified that a subsidiary of Gold Toe Moretz, a company that we acquired in fiscal 2011, was identified as one of numerous "potentially responsible parties" at a certain waste disposal site undergoing an investigation by the Pennsylvania Department of Environmental Protection under the Pennsylvania Hazardous Sites Cleanup Act and the Solid Waste Management Act. As a result of activities alleged to have occurred during the 1980's, Gildan could be liable to contribute to the costs of any investigation or cleanup action which the site may require, although to date we have insufficient information from the authorities as to the potential costs of the investigation and cleanup to reasonably estimate Gildan's share of liability for any such costs, if any.

Compliance with product safety regulation
We are subject to consumer product safety laws and regulations that could affect our business. In the United States, we are subject to the *Consumer Product Safety Act*, as amended by the *Consumer Product Safety Improvement Act* of 2008, the *Federal Hazardous Substances Act*, the *Flammable Fabrics Act*, the *Toxic Substances Control Act*, and rules and regulations promulgated pursuant to these statutes. Such laws provide for substantial penalties for non-compliance. These statutes and regulations include requirements for testing and certification for flammability of wearing apparel, for lead content and lead in surface coatings in children's products, and for phthalate content in child care articles, including plasticized components of children's sleepwear. We are also subject to similar laws and regulations, and to additional warning and reporting requirements, in the various individual states in which our products are sold.

In Canada, we are subject to similar laws and regulations, the most significant of which are the *Hazardous Products Act* and the *Canada Consumer Product Safety Act* (the "**CCPSA**"), which applies to manufacturers, importers, distributors, advertisers, and retailers of consumer products.

In the European Union, we are also subject to product safety regulations, the most significant of which are imposed pursuant to the *General Product Safety Directive*. We are also subject to similar laws and regulations in the other jurisdictions in which our products are sold.

Compliance with existing and future product safety laws and regulations and enforcement policies may require that we incur capital and other costs, which may be significant. Non-compliance with applicable product safety laws and regulations may result in substantial fines and penalties, costs related to the recall, replacement and disposal of non-compliant products, as well as negative publicity which could harm our reputation and result in a loss of sales. Our customers may also require us to meet existing and additional consumer safety requirements, which may result in our inability to provide the products in the manner required. Although we believe that we are in compliance in all material respects with applicable product safety laws and regulations in the jurisdictions in which we operate, the extent of our liability, if any, for past failure to comply with laws, regulations and permits applicable to our operations cannot be reasonably determined.

We may be negatively impacted by changes in our relationship with our employees or changes to domestic and foreign employment regulations
We employ over 48,000 employees worldwide. As a result, changes in domestic and foreign laws governing our relationships with our employees, including wage and human resources laws and regulations, fair labour standards, overtime pay, unemployment tax rates, workers' compensation rates, and payroll taxes, would likely have a direct impact on our operating costs. The majority of our employees are employed outside of Canada and the United States. A significant increase in wage rates or the cost of benefit programs in the countries in which we operate could have a negative impact on our operating costs.

The Company has historically been able to operate in a productive manner in all of its manufacturing facilities without experiencing significant labour disruptions, such as strikes or work stoppages. Some of our employees are members of labour organizations. The Company is party to collective bargaining agreements at three of its sewing facilities in Nicaragua and one sewing facility in Honduras. In connection with its textile operations in the Dominican Republic, the Company was previously a party to a collective bargaining agreement with a union registered with the Dominican Ministry of Labor, covering approximately 900 employees. The collective bargaining agreement was terminated in February 2011 upon the mutual consent of the Company and the union, although the union is still claiming to represent a majority of the factory workers. A second union is also claiming that it represents the majority of the workers at the plant and the matter is now before the Dominican Republic Labor Court. Notwithstanding the termination of the agreement, the Company is continuing to provide all of the benefits to the employees covered by the original agreement. If labour relations were to change or deteriorate at any of our facilities or any of our third-party contractors' facilities, this could negatively affect the productivity and cost structure of the Company's manufacturing operations.

We may experience negative publicity as a result of actual, alleged or perceived violations of labour laws or international labour standards, unethical labour, and other business practices
We are committed to ensuring that all of our operations comply with our strict internal Code of Conduct, local and international laws, and the codes and principles to which we subscribe, including those of the Fair Labor Association (FLA) and the Worldwide Responsible Accredited Production (WRAP). While the majority of our manufacturing operations are conducted through Company-owned facilities, we also utilize third-party contractors, which we do not control, to complement our vertically-integrated production. If one of our own manufacturing operations or one of our third-party contractors or sub-contractors violates or is accused of violating local or international labour laws or other applicable regulations, or engages in labour or other business practices that would be viewed, in any market in which our products are sold, as unethical, we could experience negative publicity which could harm our reputation and result in a loss of sales.

We may be negatively impacted by changes in third party licensing arrangements and licensed brands
A number of products are designed, manufactured, sourced and sold under trademarks that we license from third parties, under contractual licensing relationships that are subject to periodic renewal. Because we do not control the brands licensed to us, our licensors could make changes to their brands or business models that could result in a significant downturn in a brand's business, negatively affecting our sales and results of operations. If any licensor fails to adequately maintain or protect their trademarks, engages in behaviour with respect to the licensed marks that would cause us reputational harm, or if any of the brands licensed to us violates the trademark rights of a third party or are deemed to be invalid or unenforceable, we could experience a significant downturn in that brand's business, negatively affecting our sales and results of operations, and we may be required to expend significant amounts on public relations, advertising, legal, and other related costs. In addition, if any of these licensors chooses to cease licensing these brands to us in the future, our sales and results of operations would be negatively affected.

Our ability to protect our intellectual property rights
Our trademarks are important to our marketing efforts and have substantial value. We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings; however, the actions we have taken to establish and protect our trademarks and other intellectual property may not be adequate. We cannot be certain that others will not imitate our products or infringe our intellectual property rights. Infringement or counterfeiting of our products could diminish the value of our brands or otherwise negatively affect our business. In addition, unilateral actions in the United States or other countries, such as changes to or the repeal of laws recognizing trademark or other intellectual property rights, could have an impact on our ability to enforce those rights.

From time to time we are involved in opposition and cancellation proceedings with respect to our intellectual property, which could affect its validity, enforceability, and use. The value of our intellectual property could diminish if others assert rights in, or ownership of, or oppose our applications to register, our trademarks and other intellectual property rights. In some cases, there may be trademark owners who have prior rights to our trademarks or to similar trademarks, which could harm our ability to sell products under or register such trademarks. In addition, we have registered trademarks in certain foreign jurisdictions and the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States or Canada. We do not own trademark rights to all of our brands in all jurisdictions, which may limit the future sales growth of certain branded products in such jurisdictions. Furthermore, actions we have taken to protect our intellectual property rights may not be adequate to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others.

In some cases, litigation may be necessary to protect our trademarks and other intellectual property rights, to enforce our rights or defend against claims by third parties alleging that we infringe, dilute, misappropriate, or otherwise violate third party trademark or other intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, and whether successful or not, could result in substantial costs and diversion of our resources, which could have a negative

effect on our business, financial condition, results of operation and cash flows. Any intellectual property litigation claims against us could result in the loss or compromise of our intellectual property rights, could subject us to significant liabilities, require us to seek licenses on unfavorable terms, if available at all, and/or require us to rebrand our products and services, any of which could negatively affect our business, results of operations, financial condition, and cash flows.

We rely significantly on our information systems for our business operations
We place significant reliance on our information systems, including our JD Edwards Enterprise Resource Planning (ERP) system. We are in the process of upgrading our ERP system to the current release. We depend on our information systems to purchase raw materials and supplies, schedule and manage production, process transactions, summarize results, respond to customer inquiries, manage inventories and ship goods on a timely basis to our customers. There can be no assurance that we will not experience operational problems with our information systems as a result of system failures, viruses, security and cyber security breaches, disasters or other causes, or in connection with the implementation of the upgrade to our ERP system. In addition, there can be no assurance that we will be able to timely modify or adapt our systems to meet evolving requirements for our business. Any material disruption or slowdown of our systems could cause operational delays and other impacts that could negatively affect our business and results of operations.

We may be negatively impacted by data security and privacy breaches
Our business involves the regular collection and use of sensitive and confidential information regarding employees, customers, business partners, vendors, and other third parties. These activities are highly regulated and privacy and information security laws are complex and constantly changing. Non-compliance with these laws and regulations can lead to legal liability. Furthermore, an information technology system failure or non-availability, cyber-attack, or breach of systems could disrupt our operations, cause the loss of, corruption of, or unauthorized access to business information and data, compromise confidential information, or expose us to regulatory investigation, litigation, or contractual penalties. We seek to detect and investigate all security incidents and to prevent their occurrence or recurrence. We continue to invest in and improve our threat protection, detection and mitigation policies, procedures and controls, and work on increased awareness and enhanced protections against cyber security threats. However, given the highly evolving nature and sophistication of these security threats or disruptions and their increased frequency, the impact of any future incident cannot be easily predicted or mitigated, and the costs related to such threats and disruptions may not be fully insured or indemnified by other means.

We depend on key management and our ability to attract and/or retain key personnel
Our success depends upon the continued contributions of our key management, some of whom have unique talents and experience and would be difficult to replace in the short term. The loss or interruption of the services of a key executive could have a negative effect on our business during the transitional period that would be required to restructure the organization or for a successor to assume the responsibilities of the key management position. Our future success will also depend on our ability to attract and retain key managers, sales people, and other personnel. We may not be able to attract or retain these employees, which could negatively affect our business.

17.0 Definition and Reconciliation of Non-GAAP Financial Measures

We use non-GAAP measures to assess our operating performance and financial condition. The terms and definitions of the non-GAAP measures used in this MD&A and a reconciliation of each non-GAAP measure to the most directly comparable GAAP measure are provided below. The non-GAAP measures are presented on a consistent basis for all periods presented in this MD&A. These non-GAAP measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

Adjusted net earnings and adjusted diluted EPS

Adjusted net earnings are calculated as net earnings before restructuring and acquisition-related costs, net of related income tax recoveries. Adjusted diluted EPS is calculated as adjusted net earnings divided by the diluted weighted average number of common shares outstanding. The Company uses adjusted net earnings and adjusted diluted EPS to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring.

(in $ millions, except per share amounts)	Three months ended **January 1, 2017**	January 3, 2016	**2016**	2015 *(15 months)*
Net earnings	**74.3**	67.6	**346.6**	304.9
Adjustments for:				
Restructuring and acquisition-related costs	**0.2**	1.3	**11.7**	14.9
Income tax recovery on restructuring and acquisition-related costs	**—**	—	**(2.0)**	(2.0)
Adjusted net earnings	**74.5**	68.9	**356.3**	317.8
Basic EPS	**0.32**	0.28	**1.47**	1.26
Diluted EPS	**0.32**	0.28	**1.47**	1.25
Adjusted diluted EPS	**0.32**	0.28	**1.51**	1.30

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Adjusted operating income and adjusted operating margin

Adjusted operating income is calculated as operating income before restructuring and acquisition-related costs. Adjusted operating margin is calculated as adjusted operating income divided by net sales. Management uses adjusted operating income and adjusted operating margin to measure our performance from one period to the next, without the variation caused by the impacts of the items described above. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in our business performance. Excluding these items does not imply they are necessarily non-recurring.

(in $ millions, or otherwise indicated)	Three months ended **January 1, 2017**	January 3, 2016	**2016**	2015 *(15 months)*
Operating income	**69.8**	70.7	**371.5**	327.2
Adjustment for:				
Restructuring and acquisition-related costs	**0.2**	1.3	**11.7**	14.9
Adjusted operating income	**70.0**	72.0	**383.2**	342.1
Operating margin	**11.9%**	13.0%	**14.4%**	11.1%
Adjusted operating margin	**11.9%**	13.2%	**14.8%**	11.6%

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Adjusted EBITDA

Adjusted EBITDA is calculated as earnings before financial expenses, income taxes, and depreciation and amortization, and excludes the impact of restructuring and acquisition-related costs. The Company uses adjusted EBITDA, among other measures, to assess the operating performance of its business. The Company also believes this measure is commonly used by investors and analysts to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement. The Company excludes depreciation and amortization expenses, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. Excluding these items does not imply they are necessarily non-recurring.

(in $ millions)	Three months ended **January 1, 2017**	January 3, 2016	**2016**	2015
				(15 months)
Net earnings	**74.3**	67.6	**346.6**	304.9
Restructuring and acquisition-related costs	**0.2**	1.3	**11.7**	14.9
Depreciation and amortization	**32.6**	29.8	**140.6**	146.4
Financial expenses, net	**5.8**	2.4	**19.7**	17.8
Income tax (recovery) expense	**(10.3)**	0.6	**5.2**	4.5
Adjusted EBITDA	**102.6**	101.7	**523.8**	488.5

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Free cash flow

Free cash flow is defined as cash from operating activities, less cash flow used in investing activities excluding business acquisitions. The Company considers free cash flow to be an important indicator of the financial strength and performance of its business, because it shows how much cash is available after capital expenditures to repay debt, to pursue business acquisitions, and/or to redistribute to its shareholders. The Company believes this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

(in $ millions)	**2016**	2015
		(15 months)
Cash flows from operating activities	**537.9**	353.6
Cash flows used in investing activities	**(303.4)**	(425.3)
Adjustment for:		
Business acquisitions	**163.9**	103.8
Free cash flow	**398.4**	32.1

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Total indebtedness and net indebtedness

Total indebtedness is defined as the total bank indebtedness and long-term debt (including any current portion), and net indebtedness is calculated as total indebtedness net of cash and cash equivalents. The Company considers total indebtedness and net indebtedness to be important indicators of the financial leverage of the Company.

(in $ millions)	**January 1, 2017**	January 3, 2016
Long-term debt and total indebtedness	**600.0**	375.0
Cash and cash equivalents	**(38.2)**	(50.7)
Net indebtedness	**561.8**	324.3

Certain minor rounding variances exist between the consolidated financial statements and this summary.

Net debt leverage ratio

The net debt leverage ratio is defined as the ratio of net indebtedness to pro-forma adjusted EBITDA for the trailing twelve months. The pro-forma adjusted EBITDA for the trailing twelve months is calculated as adjusted EBITDA for the trailing twelve months, including the pro-forma adjustments to reflect business acquisitions made during the trailing twelve month period, as if they had occurred at the beginning of the trailing twelve month period. The Company has set a target net debt leverage ratio of one to two times pro-forma adjusted EBITDA. We use, and believe that certain investors and analysts use the net debt leverage ratio to measure the financial leverage of the Company.

(in $ millions, or otherwise indicated)	**January 1, 2017**	January 3, 2016
Adjusted EBITDA for the trailing twelve months	**523.8**	503.8
Adjustment for:		
Business acquisitions	**12.5**	2.7
Pro-forma adjusted EBITDA for the trailing twelve months	**536.3**	506.5
Net indebtedness	**561.8**	324.3
Net debt leverage ratio	**1.0**	0.6

Certain minor rounding variances exist between the consolidated financial statements and this summary.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality, and for maintaining a system of internal controls over financial reporting as described in "Management's annual report on internal control over financial reporting" included in Management's Discussion and Analysis for the fiscal year ended January 1, 2017. Management is also responsible for the preparation and presentation of other financial information included in the 2016 Annual Report and its consistency with the consolidated financial statements.

The Audit and Finance Committee, which is appointed annually by the Board of Directors and comprised exclusively of independent directors, meets with management as well as with the independent auditors and internal auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit and Finance Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The Audit and Finance Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors.

The consolidated financial statements have been independently audited by KPMG LLP, on behalf of the shareholders, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company. In addition, our auditors have issued a report on the Company's internal controls over financial reporting as of January 1, 2017. KPMG LLP has direct access to the Audit and Finance Committee of the Board of Directors.

(Signed: Glenn J. Chamandy)
Glenn J. Chamandy
President and Chief Executive Officer

(Signed: Rhodri J. Harries)
Rhodri J. Harries
Executive Vice-President,
Chief Financial and Administrative Officer

February 22, 2017

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Gildan Activewear Inc.:

We have audited the accompanying consolidated financial statements of Gildan Activewear Inc. (the "Company"), which comprise the consolidated statements of financial position as at January 1, 2017 and January 3, 2016, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gildan Activewear Inc. as at January 1, 2017 and January 3, 2016, and its consolidated financial performance and its consolidated cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 1, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2017 expressed an unqualified (unmodified) opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP*

Montréal, Canada
February 22, 2017

*CPA auditor, CA, public accountancy permit No. A110592

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Gildan Activewear Inc.:

We have audited Gildan Activewear Inc.'s internal control over financial reporting as of January 1, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Gildan Activewear Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting as presented in the section entitled "Management's Annual Report on Internal Control over Financial Reporting" included in Management's Discussion and Analysis for the year ended January 1, 2017. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Gildan Activewear Inc. maintained, in all material respects, effective internal control over financial reporting as of January 1, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During 2016, Gildan Activewear Inc. acquired Alstyle Apparel, LLC ("Alstyle") and Peds Legwear, Inc. ("Peds"), and Management excluded from its assessment of the effectiveness of internal control over financial reporting as of January 1, 2017 Alstyle's and Peds' internal control over financial reporting associated with total assets of $200 million and total net sales of $118.6 million included in the consolidated financial statements of Gildan Activewear Inc. as at and for the year ended January 1, 2017. Our audit of internal control over financial reporting of Gildan Activewear Inc. also excluded the evaluation of the internal control over financial reporting of Alstyle and Peds.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Gildan Activewear Inc. as at January 1, 2017 and January 3, 2016 and the related consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016, and our report dated February 22, 2017 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

KPMG LLP*

Montréal, Canada
February 22, 2017

*CPA auditor, CA, public accountancy permit No. A110592

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

		January 1, 2017		January 3, 2016
Current assets:				
Cash and cash equivalents (note 6)	**$**	**38,197**	$	50,675
Trade accounts receivable (note 7)		**277,733**		306,132
Inventories (note 8)		**954,876**		851,033
Prepaid expenses, deposits and other current assets		**69,719**		42,934
Assets held for sale		**—**		2,840
Total current assets		**1,340,525**		1,253,614
Non-current assets:				
Property, plant and equipment (note 9)		**1,076,883**		1,044,389
Intangible assets (note 10)		**354,221**		336,753
Goodwill (note 10)		**202,108**		190,626
Deferred income taxes (note 18)		**1,500**		2,793
Other non-current assets		**14,907**		6,105
Total non-current assets		**1,649,619**		1,580,666
Total assets	**$**	**2,990,144**	$	2,834,280
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**234,062**	$	232,268
Income taxes payable		**1,866**		953
Total current liabilities		**235,928**		233,221
Non-current liabilities:				
Long-term debt (note 11)		**600,000**		375,000
Other non-current liabilities (note 12)		**34,569**		37,616
Total non-current liabilities		**634,569**		412,616
Total liabilities		**870,497**		645,837
Commitments, guarantees and contingent liabilities (note 23)				
Equity:				
Share capital		**152,313**		150,497
Contributed surplus		**23,198**		14,007
Retained earnings		**1,903,525**		2,022,846
Accumulated other comprehensive income		**40,611**		1,093
Total equity attributable to shareholders of the Company		**2,119,647**		2,188,443
Total liabilities and equity	**$**	**2,990,144**	$	2,834,280

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

(Signed: Glenn J. Chamandy)
Glenn J. Chamandy
Director

(Signed: Russell Goodman)
Russell Goodman
Director

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
Fiscal years ended January 1, 2017 and January 3, 2016
(in thousands of U.S. dollars, except per share data)

		2016		2015
				(15 months)
Net sales	**$**	**2,585,070**	$	2,959,238
Cost of sales		**1,865,367**		2,229,130
Gross profit		**719,703**		730,108
Selling, general and administrative expenses (note 16(a))		**336,433**		387,963
Restructuring and acquisition-related costs (note 17)		**11,746**		14,908
Operating income		**371,524**		327,237
Financial expenses, net (note 14(c))		**19,686**		17,797
Earnings before income taxes		**351,838**		309,440
Income tax expense (note 18)		**5,200**		4,526
Net earnings		**346,638**		304,914
Other comprehensive income (loss), net of related income taxes:				
Cash flow hedges (note 14(d))		**39,518**		8,825
Actuarial loss on employee benefit obligations (note 12(a))		**(5,239)**		(10,000)
		34,279		(1,175)
Comprehensive income	**$**	**380,917**	$	303,739
Earnings per share: (note 19)				
Basic [(1)]	**$**	**1.47**	$	1.26
Diluted [(1)]	**$**	**1.47**	$	1.25

(1) All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Fiscal years ended January 1, 2017 and January 3, 2016
(in thousands or thousands of U.S. dollars)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number	Amount				
Balance, October 5, 2014	244,648	$ 124,595	$ 20,778	$ (7,732)	$ 1,885,892	$ 2,023,533
Share-based compensation	—	—	12,152	—	—	12,152
Shares issued under employee share purchase plan	59	1,761	—	—	—	1,761
Shares issued pursuant to exercise of stock options	1,462	21,904	(7,465)	—	—	14,439
Shares issued or distributed pursuant to vesting of restricted share units	1,013	19,031	(19,031)	—	—	—
Shares repurchased for cancellation (note 13(d))	(3,050)	(1,555)	—	—	(78,188)	(79,743)
Share repurchases for future settlement of non-Treasury RSUs (note 13(e))	(560)	(15,239)	7,488	—	—	(7,751)
Dividends declared	—	—	85	—	(79,772)	(79,687)
Transactions with shareholders of the Company recognized directly in equity	(1,076)	25,902	(6,771)	—	(157,960)	(138,829)
Cash flow hedges (note 14(d))	—	—	—	8,825	—	8,825
Actuarial loss on employee benefit obligations (note 12(a))	—	—	—	—	(10,000)	(10,000)
Net earnings	—	—	—	—	304,914	304,914
Comprehensive income	—	—	—	8,825	294,914	303,739
Balance, January 3, 2016	243,572	$ 150,497	$ 14,007	$ 1,093	$ 2,022,846	$ 2,188,443
Share-based compensation	—	—	15,225	—	—	15,225
Shares issued under employee share purchase plan	53	1,532	—	—	—	1,532
Shares issued pursuant to exercise of stock options	77	1,278	(453)	—	—	825
Shares issued or distributed pursuant to vesting of restricted share units	291	7,632	(12,185)	—	(143)	(4,696)
Shares repurchased for cancellation (note 13(d))	(13,775)	(8,626)	—	—	(385,825)	(394,451)
Change in classification of non-Treasury RSUs to equity-settled (note 3(cc))	—	—	6,234	—	—	6,234
Dividends declared	—	—	370	—	(74,752)	(74,382)
Transactions with shareholders of the Company recognized directly in equity	(13,354)	1,816	9,191	—	(460,720)	(449,713)
Cash flow hedges (note 14(d))	—	—	—	39,518	—	39,518
Actuarial loss on employee benefit obligations (note 12(a))	—	—	—	—	(5,239)	(5,239)
Net earnings	—	—	—	—	346,638	346,638
Comprehensive income	—	—	—	39,518	341,399	380,917
Balance, January 1, 2017	**230,218**	**$ 152,313**	**$ 23,198**	**$ 40,611**	**$ 1,903,525**	**$ 2,119,647**

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal years ended January 1, 2017 and January 3, 2016
(in thousands of U.S. dollars)

		2016		2015
				(15 months)
Cash flows from (used in) operating activities:				
Net earnings	$	346,638	$	304,914
Adjustments to reconcile net earnings to cash flows from operating activities (note 21(a))		158,447		147,654
		505,085		452,568
Changes in non-cash working capital balances:				
Trade accounts receivable		57,097		47,893
Income taxes		(1,716)		2,478
Inventories		(15,188)		(36,149)
Prepaid expenses, deposits and other current assets		7,070		(4,290)
Accounts payable and accrued liabilities		(14,450)		(108,876)
Cash flows from operating activities		537,898		353,624
Cash flows from (used in) investing activities:				
Purchase of property, plant and equipment		(129,408)		(319,374)
Purchase of intangible assets		(10,833)		(7,545)
Business acquisitions (notes 5 & 26)		(163,947)		(103,800)
Proceeds on disposal of assets held for sale and property, plant and equipment		833		5,463
Cash flows used in investing activities		(303,355)		(425,256)
Cash flows from (used in) financing activities:				
Increase (decrease) in amounts drawn under revolving long-term bank credit facility		(375,000)		218,000
Proceeds from term loan		300,000		—
Proceeds from issuance of notes		300,000		—
Dividends paid		(74,382)		(79,687)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs		(4,696)		—
Proceeds from the issuance of shares		2,209		16,032
Repurchase and cancellation of shares (note 13(d))		(394,451)		(79,743)
Share repurchases for future settlement of non-Treasury RSUs (note 13(e))		—		(15,239)
Cash flows (used in) from financing activities		(246,320)		59,363
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		(701)		(2,219)
Net decrease in cash and cash equivalents during the fiscal year		(12,478)		(14,488)
Cash and cash equivalents, beginning of fiscal year		50,675		65,163
Cash and cash equivalents, end of fiscal year	$	38,197	$	50,675
Cash paid (included in cash flows from operating activities):				
Interest	$	10,670	$	9,561
Income taxes, net of refunds		9,349		4,890

Supplemental disclosure of cash flow information (note 21)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended January 1, 2017 and January 3, 2016
(Tabular amounts in thousands or thousands of U.S. dollars except per share data, unless otherwise indicated)

1. REPORTING ENTITY:

Gildan Activewear Inc. (the "Company") is domiciled in Canada and is incorporated under the *Canada Business Corporations Act*. Its principal business activity is the manufacture and sale of activewear, socks and underwear. Beginning in fiscal 2015, the Company changed its fiscal year to end on the Sunday closest to December 31 of each year. As a result, fiscal 2015 was a transition year and included 15 months of operations, beginning on October 6, 2014 and ending on January 3, 2016.

The address of the Company's registered office is 600 de Maisonneuve Boulevard West, Suite 3300, Montreal, Quebec. The consolidated financial statements for the fiscal years ended January 1, 2017 and January 3, 2016 include the accounts of the Company and its subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange and New York Stock Exchange under the symbol GIL.

All earnings per share and share data in these consolidated financial statements and notes are on a post-split basis, reflecting the effect of the two-for-one stock split of the Company's outstanding common shares by way of a share dividend that took effect on March 27, 2015. See note 13(c).

2. BASIS OF PREPARATION:

(a) **Statement of compliance:**
The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the fiscal year ended January 1, 2017 were authorized for issuance by the Board of Directors of the Company on February 22, 2017.

(b) **Basis of measurement:**
The consolidated financial statements have been prepared on the historical cost basis except for the following items in the consolidated statements of financial position:

- Derivative financial instruments which are measured at fair value;
- Assets held for sale which are stated at the lower of carrying amount and fair value less costs to sell;
- Liabilities for cash-settled share-based payment arrangements which are measured at fair value;
- Employee benefit obligations related to defined benefit plans which are measured as the net total of the fair value of plan assets and the present value of the defined benefit obligations;
- Provisions for decommissioning, site restoration costs and onerous contracts which are measured at the present value of the expenditures expected to be required to settle the obligation;
- Contingent consideration in connection with a business combination which is measured at fair value; and
- Identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value.

Certain of the comparative information has been reclassified to conform to the presentation adopted in the current fiscal period.

The consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency.

2. BASIS OF PREPARATION (continued):

(c) Initial application of new or amended accounting standards:

Share-based payment
On July 4, 2016, the Company early adopted the amendments to IFRS 2, Share-based payment, which were issued by the IASB on June 20, 2016, with effect as at January 3, 2016. The amendments clarify how to classify and measure certain types of share-based payment transactions, including share-based payment transactions with a net settlement feature for withholding tax obligations. The adoption of the amendments to IFRS 2 did not have an impact on the Company's consolidated financial statements as at the effective date of adoption.

Income Taxes
In November 2016, the IFRS Interpretations Committee issued an agenda decision that prohibits the application of guidance in IAS 12, Income Taxes, for non-depreciable property, plant and equipment by analogy to intangible assets with an indefinite useful life when measuring deferred tax. The agenda decision clarifies that an entity must consider whether the intangible asset with an indefinite useful life is expected to be recovered through use or through sale, or a combination of both. The revised guidance was effective immediately. The impact of the adoption of the revised guidance to IAS 12 is described in note 10.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) **Basis of consolidation:**

(i) Business combinations:
Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and equity interests issued by the Company on the date control of the acquired company is obtained. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration classified as an asset or a liability that is a financial instrument is subsequently remeasured at fair value, with any resulting gain or loss recognized in the consolidated statement of earnings and comprehensive income. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred and are included in restructuring and acquisition-related costs in the consolidated statement of earnings and comprehensive income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in an acquired company either at fair value or at the non-controlling interest's proportionate share of the acquired company's net identifiable assets. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognized is less than the fair value of the net assets of the business acquired, a purchase gain is recognized immediately in the consolidated statement of earnings and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(a) **Basis of consolidation (continued):**

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company. Intragroup transactions, balances and unrealized gains or losses on transactions between group companies are eliminated.

The Company's principal subsidiaries, their jurisdiction of incorporation, and the Company's percentage ownership share of each are as follows:

Subsidiary	Jurisdiction of Incorporation	Ownership percentage
Gildan Activewear SRL	Barbados	100%
Gildan USA Inc.	Delaware	100%
Gildan Yarns, LLC	Delaware	100%
Gildan Honduras Properties, S. de R.L.	Honduras	100%
Gildan Apparel (Canada) LP	Ontario	100%
Gildan Hosiery Rio Nance, S. de R.L.	Honduras	100%
Gildan Activewear (UK) Limited	United Kingdom	100%
Gildan Activewear Honduras Textile Company, S. de R.L.	Honduras	100%
Gildan Activewear (Eden) Inc.	North Carolina	100%
Gildan Mayan Textiles, S. de R.L.	Honduras	100%
A.K.H., S. de R. L.	Honduras	100%

The Company has no other subsidiaries representing individually more than 10% of the total consolidated assets and 10% of the consolidated net sales of the Company, or in the aggregate more than 20% of the total consolidated assets and the consolidated net sales of the Company as at and for the fiscal year ended January 1, 2017.

(b) **Foreign currency translation:**

Monetary assets and liabilities of the Company's Canadian and foreign operations denominated in currencies other than the U.S. dollar are translated using exchange rates in effect at the reporting date. Non-monetary assets and liabilities denominated in currencies other than U.S. dollars are translated at the rates prevailing at the respective transaction dates. Income and expenses denominated in currencies other than U.S. dollars are translated at average rates prevailing during the year. Gains or losses on foreign exchange are recorded in net earnings, and presented in the statement of earnings and comprehensive income within financial expenses.

(c) **Cash and cash equivalents:**

The Company considers all liquid investments with maturities of three months or less from the date of purchase to be cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(d) **Trade accounts receivable:**
Trade accounts receivable consist of amounts due from our normal business activities. An allowance for doubtful accounts is maintained to reflect expected credit losses. Bad debts are provided for based on collection history and specific risks identified on a customer-by-customer basis. Uncollected accounts are written off through the allowance for doubtful accounts. Trade accounts receivable are recorded net of accrued sales discounts.

The Company may continuously sell trade receivables of certain designated customers to a third party financial institution in exchange for a cash payment equal to the face value of the sold trade receivables, less an applicable discount. The Company retains servicing responsibilities, including collection, for these trade receivables but does not retain any credit risk with respect to any trade receivables that have been sold. All receivables sold under the receivables purchase agreement are removed from the consolidated statements of financial position as the sale of the receivables qualify for de-recognition. The net cash proceeds received by the Company are included as cash flows from operating activities in the consolidated statements of cash flows. The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer is recorded in financial expenses in the consolidated statements of earnings.

(e) **Inventories:**
Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle. Inventory costs include the purchase price and other costs directly related to the acquisition of raw materials and spare parts held for use in the manufacturing process, and the cost of purchased finished goods. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labour, and a systematic allocation of fixed and variable production overhead, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on the normal capacity of the production facilities. Normal capacity is the average production expected to be achieved during the fiscal year, under normal circumstances. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Raw materials, work in progress and spare parts inventories are not written down if the finished products in which they will be incorporated are expected to be sold at or above cost.

(f) **Assets held for sale:**
Non-current assets which are classified as assets held for sale, are reported in current assets in the statement of financial position, when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

(g) **Property, plant and equipment:**
Property, plant and equipment are initially recorded at cost, and are subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, site preparation costs, initial delivery and handling costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and condition necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant and equipment also includes, when applicable, the initial present value estimate of the costs of decommissioning or dismantling and removing the asset and restoring the site on which it is located at the end of its useful life, and any applicable borrowing costs, and is amortized over the remaining life of the underlying asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of other equipment. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits are present and the cost of the item can be measured reliably. When property, plant and equipment are replaced, they are fully written down. Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the statement of earnings and comprehensive income.

Land is not depreciated. The cost of property, plant and equipment less its residual value, if any, is depreciated on a straight-line basis over the following estimated useful lives:

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(g) **Property, plant and equipment (continued):**

Asset	Useful life
Buildings and improvements	5 to 40 years
Manufacturing equipment	3 to 10 years
Other equipment	2 to 25 years

Significant components of plant and equipment which are identified as having different useful lives are depreciated separately over their respective useful lives. Depreciation methods, useful lives and residual values, if applicable, are reviewed and adjusted, if appropriate, on a prospective basis at the end of each fiscal year.

Assets not yet utilized in operations include expenditures incurred to date for plant constructions or expansions which are still in process and equipment not yet placed into service as at the reporting date. Depreciation on these assets commences when the assets are available for use.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs ceases when the asset is completed and ready for its intended use.

All other borrowing costs are recognized as financial expenses in the consolidated statement of earnings and comprehensive income as incurred.

(h) **Intangible assets:**
Definite life intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets include identifiable intangible assets acquired in a business combination, and consist of customer contracts and customer relationships, license agreements, and trademarks. Intangible assets also include computer software that is not an integral part of the related hardware. Indefinite life intangible assets represent intangible assets which the Company controls, which have no contractual or legal expiration date, and therefore are not amortized as there is no foreseeable time limit to their useful economic life. An assessment of indefinite life intangible assets is performed annually to determine whether events and circumstances continue to support an indefinite useful life, and any change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate on a prospective basis. Intangible assets with finite lives are amortized on a straight-line basis over the following estimated useful-lives:

Asset	Useful life
Customer contracts and customer relationships	7 to 20 years
License agreements	7 to 10 years
Computer software	4 to 7 years
Trademarks with a finite life	5 years
Non-compete agreements	2 years

Most of the Company's trademarks are not amortized as they are considered to be indefinite life intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) **Intangible assets (continued):**

The costs of information technology projects that are directly attributable to the design and testing of identifiable and unique software products, including internally developed computer software are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditures attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense in the consolidated statement of earnings and comprehensive income as incurred.

(i) **Goodwill:**

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill arises on business combinations and is measured as the excess of the consideration transferred and the recognized amount of the non-controlling interest in the acquired business, if any, over the fair value of identifiable assets acquired and liabilities assumed of an acquired business.

(j) **Impairment of non-financial assets:**

Non-financial assets that have an indefinite useful life such as goodwill and trademarks are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Assets that are subject to amortization are assessed at the end of each reporting period as to whether there is any indication of impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs of disposal. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case assets are grouped at the lowest levels for which there are separately identifiable cash inflows (i.e. cash-generating units or CGUs).

In assessing value in use, the estimated future cash flows expected to be derived from the asset or CGU by the Company are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset and or the CGU. In assessing a CGU's fair value less costs of disposal, the Company uses the best information available to reflect the amount that the Company could obtain, at the time of the impairment test, from the disposal of the asset or CGU in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

For the purpose of testing goodwill for impairment, goodwill acquired in a business combination is allocated to a CGU or a group of CGUs that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired company are assigned to those CGUs. Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of earnings and comprehensive income.

Reversal of impairment losses

A goodwill impairment loss is not reversed. Impairment losses on non-financial assets other than goodwill recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) **Financial instruments:**

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets

Financial assets are classified into the following categories, and depend on the purpose for which the financial assets were acquired.

(i) ***Financial assets measured at amortized cost***

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents, trade accounts receivable, certain other current assets (excluding derivative financial instruments designated as effective hedging instruments), and long-term non-trade receivables as financial assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) ***Financial assets measured at fair value***

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no significant financial assets measured at fair value.

Financial liabilities

Financial liabilities are classified into the following categories.

(iii) ***Financial liabilities measured at amortized cost***

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies accounts payable and accrued liabilities (excluding derivative financial instruments designated as effective hedging instruments), and long-term debt as financial liabilities measured at amortized cost.

(iv) ***Financial liabilities measured at fair value***

Financial liabilities at fair value are initially recognized at fair value and are remeasured at each reporting date with any changes therein recognized in net earnings. The Company currently classifies its contingent consideration in connection with a business acquisition as a financial liability measured at fair value.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) **Financial instruments (continued):**

Fair value of financial instruments
Financial instruments measured at fair value use the following fair value hierarchy to prioritize the inputs used in measuring fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of earnings and comprehensive income.

(l) **Derivative financial instruments and hedging relationships:**
The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(l) **Derivative financial instruments and hedging relationships (continued):**

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in net earnings, together with any changes in the fair value of the hedged asset, liability or firm commitment that are attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the statement of earnings and comprehensive income or in the statement of financial position caption relating to the hedged item. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Embedded derivatives
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Other derivatives
When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings.

(m) **Accounts payable and accrued liabilities:**
Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as current liabilities if payment is due within one year, otherwise, they are presented as non-current liabilities.

(n) **Long-term debt:**
Long-term debt is recognized initially at fair value, and is subsequently carried at amortized cost. Initial facility fees are deferred and treated as an adjustment to the instrument's effective interest rate and recognized as an expense over the instrument's estimated life if it is probable that the facility will be drawn down. However, if it is not probable that a facility will be drawn down for its entire term, then the fees are considered service fees and are deferred and recognized as an expense on a straight-line basis over the commitment period.

(o) **Employee benefits:**

Short-term employee benefits
Short-term employee benefits include wages, salaries, commissions, compensated absences and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefit obligations are included in accounts payable and accrued liabilities.

Defined contribution plans
The Company offers group defined contribution plans to eligible employees whereby the Company matches employees' contributions up to a fixed percentage of the employee's salary. Contributions by the Company to trustee-managed investment portfolios or employee associations are expensed as incurred. Benefits are also provided to employees through defined contribution plans administered by the governments in the countries in which the Company operates. The Company’s contributions to these plans are recognized in the period when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(o) **Employee benefits (continued):**

Defined benefit plans
The Company maintains a liability for statutory severance obligations for active employees located in the Caribbean Basin and Central America which is payable to the employees in a lump sum payment upon termination of employment. The liability is based on management's best estimates of the ultimate costs to be incurred to settle the liability and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions.

Liabilities related to defined benefit plans are included in other non-current liabilities in the consolidated statement of financial position. Service costs, interest costs, and costs related to the impact of program changes are recognized in cost of sales in the consolidated statement of earnings. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to other comprehensive income in the period in which they arise, and are immediately transferred to retained earnings without reclassification to net earnings in a subsequent period.

(p) **Provisions:**
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial expense. Provisions are included in other non-current liabilities in the consolidated statement of financial position.

Decommissioning and site restoration costs
The Company recognizes decommissioning and site restoration obligations for future removal and site restoration costs associated with the restoration of certain property and plant should it decide to discontinue some of its activities.

Onerous contracts
A provision for onerous contracts is recognized if the unavoidable costs of meeting the obligations specified in a contractual arrangement exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the lower of the cost of fulfilling the contract and the expected cost of terminating the contract.

(q) **Share capital:**
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such common shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(r) **Dividends declared:**
Dividends declared to the Company's shareholders are recognized as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Company's Board of Directors.

(s) **Revenue recognition:**
Revenue is recognized upon shipment of products to customers, since title passes upon shipment, and to the extent that the selling price is fixed or determinable. At the time of sale, estimates are made for customer price discounts and volume rebates based on the terms of existing programs. Sales are recorded net of these program costs and estimated sales returns, which are based on historical experience, current trends and other known factors, and exclude sales taxes. New sales incentive programs which relate to sales made in a prior period are recognized at the time the new program is introduced.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(t) **Cost of sales and gross profit:**

Cost of sales includes all raw material costs, manufacturing conversion costs, including manufacturing depreciation expense, sourcing costs, inbound freight and inter-facility transportation costs, and outbound freight to customers. Cost of sales also includes the cost of purchased finished goods, costs relating to purchasing, receiving and inspection activities, manufacturing administration, third-party manufacturing services, sales-based royalty costs, insurance, inventory write-downs, and customs and duties. Gross profit is the result of net sales less cost of sales. The Company's gross profit may not be comparable to gross profit as reported by other companies, since some entities include warehousing and handling costs, and/or exclude depreciation expense, outbound freight to customers and royalty costs from cost of sales.

(u) **Selling, general and administrative expenses:**

Selling, general and administrative ("SG&A") expenses include warehousing and handling costs, selling and administrative personnel costs, advertising and marketing expenses, costs of leased non-manufacturing facilities and equipment, professional fees, non-manufacturing depreciation expense, and other general and administrative expenses. SG&A expenses also include bad debt expense and amortization of intangible assets.

(v) **Product introduction expenditures:**

Product introduction expenditures are one-time fees paid to retailers to allow the Company's products to be placed on store shelves. If the Company receives a benefit over a period of time and the fees are directly attributable to the product placement, and certain other criteria are met, these fees are recorded as an asset and are amortized as a reduction of revenue over the term of the arrangement. The Company evaluates the recoverability of these assets on a quarterly basis.

(w) **Restructuring and acquisition-related costs:**

Restructuring and acquisition-related costs are expensed when incurred, or when a legal or constructive obligation exists. Restructuring and acquisition-related costs are comprised of costs directly related to the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction and integration costs incurred pursuant to business acquisitions. The nature of expenses included in restructuring and acquisition-related costs include: severance and termination benefits, including the termination of employee benefit plans; gains or losses from the remeasurement and disposal of assets held for sale; facility exit and closure costs; costs incurred to eliminate redundant business activities pursuant to business acquisitions; legal, accounting and other professional fees (excluding costs of issuing debt or equity) directly incurred in connection with a business acquisition; purchase gains on business acquisitions; losses on business acquisitions achieved in stages; contingent amounts payable to selling shareholders under their employment agreements pursuant to a business acquisition; and the remeasurement of liabilities related to contingent consideration incurred in connection with a business acquisition.

(x) **Cotton and cotton-based yarn procurements:**

The Company contracts to buy cotton and cotton-based yarn with future delivery dates at fixed prices in order to reduce the effects of fluctuations in the prices of cotton used in the manufacture of its products. These contracts are not used for trading purposes and are not considered to be financial instruments as they are entered into for purchase and receipt in accordance with the Company's expected usage requirements, and therefore are not measured at fair value. The Company commits to fixed prices on a percentage of its cotton and cotton-based yarn requirements up to eighteen months in the future. If the cost of committed prices for cotton and cotton-based yarn plus estimated costs to complete production exceed current selling prices, a loss is recognized for the excess as a charge to cost of sales.

(y) **Government assistance:**

Government assistance is recognized only when there is reasonable assurance the Company will comply with all related conditions for receipt of the assistance. Government assistance, including grants and tax credits, related to operating expenses is accounted for as a reduction to the related expenses. Government assistance, including monetary and non-monetary grants and tax credits related to the acquisition of property, plant and equipment, is accounted for as a reduction of the cost of the related property, plant and equipment, and is recognized in net earnings using the same methods, periods and rates as for the related property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(z) **Financial expenses (income):**

Financial expenses (income) include: interest expense on borrowings, including realized gains and/or losses on interest rate swaps designated for hedge accounting; bank and other financial charges; discount on the sales of trade accounts receivable; interest income on funds invested; accretion of interest on discounted provisions; net foreign currency losses and/or gains; and losses and/or gains on financial derivatives that do not meet the criteria for effective hedge accounting.

(aa) **Income taxes:**

Income tax expense is comprised of current and deferred income taxes, and is included in net earnings except to the extent that it relates to a business acquisition, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, for all temporary differences caused when the tax bases of assets and liabilities differ from those reported in the financial statements. The Company recognizes deferred income tax assets for unused tax losses, and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are derecognized to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In determining the amount of current and deferred income taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Provisions for uncertain tax positions are measured at the best estimate of the amounts expected to be paid upon ultimate resolution. The Company periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant, such as changes to tax laws, administrative guidance, change in management's assessment of the technical merits of its positions, due to new information, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within relevant statutes.

(bb) **Earnings per share:**

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding for the period adjusted to include the dilutive impact of stock options and restricted share units. The number of additional shares is calculated by assuming that all common shares held in trust for the purpose of settling Non-treasury restricted share units have been delivered, all dilutive outstanding options are exercised and all dilutive outstanding Treasury restricted share units have vested, and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation which is considered to be assumed proceeds, are used to repurchase common shares at the average share price for the period. For Treasury restricted share units, only the unrecognized share-based compensation is considered assumed proceeds since there is no exercise price paid by the holder.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(cc) **Share based payments:**

Stock options and Treasury restricted share units
Stock options and Treasury restricted share units are equity settled share based payments, which are measured at fair value at the grant date. For stock options, the compensation cost is measured using the Black-Scholes option pricing model, and is expensed over the award's vesting period. For Treasury restricted share units, compensation cost is measured at the fair value of the underlying common share, and is expensed over the award's vesting period. Compensation expense is recognized in net earnings with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of stock options is credited to share capital. Upon the exercise of stock options and the vesting of Treasury restricted share units, the corresponding amounts previously credited to contributed surplus are transferred to share capital. Stock options and Treasury restricted share units that are dilutive and meet the non-market performance conditions as at the reporting date are considered in the calculation of diluted earnings per share, as per note 3(bb) to these consolidated financial statements.

Non-Treasury restricted share units expected to be settled in cash
Prior to January 4, 2016, non-Treasury restricted share units in which the Company had a choice to settle in either cash or equity were accounted for as cash settled awards, except to the extent that common shares had been purchased on the open market and held in a trust for the purpose of settling the Non-Treasury restricted share units in shares in lieu of cash (as described in Note 13(e) to these consolidated financial statements). Compensation expense was initially measured at fair value at the grant date and recognized in net earnings over the vesting period, with the recognized compensation expense included in accounts payable and accrued liabilities. The liability was remeasured at fair value, based on the market price of the Company's common shares, at each reporting date. Remeasurements during the vesting period were recognized immediately to net earnings to the extent that they related to past services, and recognition was amortized over the remaining vesting period to the extent that they related to future services. The cumulative compensation cost that was ultimately recognized was the fair value of the Company's shares at the settlement date.

Non-Treasury restricted share units expected to be settled in common shares
As at January 3, 2016, all non-Treasury restricted share units in which the Company had a choice to settle in either cash or equity are accounted for as equity-settled awards as the Company has the intent and ability to settle these in common shares to be purchased on the open market. These were previously accounted for as described above. As a result, the Company reclassified $6.2 million from accounts payable and accrued liabilities to contributed surplus in the consolidated statement of financial position, which represents the fair value as at January 4, 2016 of non-Treasury restricted share unit awards previously accounted for as cash-settled awards. Compensation cost is measured at the fair value of the underlying common share, and is expensed over the award's vesting period. Compensation expense is recognized in net earnings with a corresponding increase in contributed surplus. Upon delivery of the common shares for settlement of vesting non-Treasury restricted share units, the corresponding amounts previously credited to contributed surplus are transferred to share capital. The number of non-Treasury restricted share units remitted to the participants upon settlement is equal to the number of non-Treasury restricted share units awarded less units withheld to satisfy the participants' statutory withholding tax requirements.

Estimates for forfeitures and performance conditions
The measurement of compensation expense for stock options, Treasury restricted share units and non-Treasury restricted share units is net of estimated forfeitures. For the portion of Treasury restricted share units and Non-Treasury restricted share units that are issuable based on non-market performance conditions, the amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Deferred share unit plan
The Company has a deferred share unit plan for independent members of the Company's Board of Directors, who receive a portion of their compensation in the form of deferred share units ("DSUs"). These DSUs are cash settled awards, and are initially recognized in net earnings based on fair value at the grant date. The DSU obligation is included in accounts payable and accrued liabilities and is remeasured at fair value, based on the market price of the Company's common shares, at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(cc) **Share based payments (continued):**

Employee share purchase plans
For employee share purchase plans, the Company's contribution, on the employee's behalf, is recognized as compensation expense with an offset to share capital, and consideration paid by employees on purchase of common shares is also recorded as an increase to share capital.

(dd) **Leases:**
Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to net earnings on a straight-line basis over the lease term.

Leases of property, plant and equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Determining whether an arrangement contains a lease
At inception of an arrangement where the Company receives the right to use an asset, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

(ee) **Use of estimates and judgments:**
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

***Critical judgments in applying accounting policies*:**

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of cash generating units (CGUs)
The identification of CGUs and grouping of assets into the respective CGUs is based on currently available information about actual utilization experience and expected future business plans. Management has taken into consideration various factors in identifying its CGUs. These factors include how the Company manages and monitors its operations, the nature of each CGU's operations and the major customer markets they serve. As such, the Company has identified its CGUs for purposes of testing the recoverability and impairment of non-financial assets to be Printwear, Branded Apparel and Yarn-Spinning (yarn-spinning manufacturing division).

Income taxes
The Company's income tax provisions and income tax assets and liabilities are based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. New information may become available that causes the Company to change its judgment regarding the adequacy of existing income tax assets and liabilities; such changes will impact net earnings in the period that such a determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ee) **Use of estimates and judgments (continued):**

Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Allowance for doubtful accounts
The Company makes an assessment of whether accounts receivable are collectable, which considers the credit-worthiness of each customer, taking into account each customer's financial condition and payment history in order to estimate an appropriate allowance for doubtful accounts. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company may be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

Sales promotional programs
In the normal course of business, certain incentives are granted to our customers including discounts and rebates. At the time of sale, estimates are made for customer price discounts and rebates based on the terms of existing programs. Accruals required for new programs, which relate to prior sales, are recorded at the time the new program is introduced. Sales are recorded net of these program costs and a provision for estimated sales returns, which is based on historical experience, current trends and other known factors. If actual price discounts, rebates or returns differ from estimates, significant adjustments to net sales could be required in future periods.

Inventory valuation
The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, discontinued, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favorable than previously projected, or if liquidation of the inventory which is no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Business combinations
Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ee) **Use of estimates and judgments (continued):**

Recoverability and impairment of non-financial assets
The calculation of fair value less costs of disposal or value in use for purposes of measuring the recoverable amount of non-financial assets involves the use of significant assumptions and estimates with respect to a variety of factors, including expected sales, gross margins, SG&A expenses, cash flows, capital expenditures, and the selection of an appropriate earnings multiple or discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results as well as earnings multiples obtained by using market comparables as a reference, and discount rates which are used to reflect market based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. Changes in circumstances, such as technological advances, adverse changes in third party licensing arrangements, changes to the Company's business strategy, and changes in economic conditions can result in actual useful lives and future cash flows differing significantly from estimates and could result in increased charges for amortization or impairment. Revisions to the estimated useful lives of finite life non-financial assets or future cash flows constitute a change in accounting estimate and are applied prospectively. There can be no assurance that the estimates and assumptions used in the impairment tests will prove to be accurate predictions of the future. If the future adversely differs from management's best estimate of key economic assumptions, and if associated cash flows materially decrease, the Company may be required to record material impairment charges related to its non-financial assets.

Valuation of statutory severance obligations and the related costs
The valuation of the statutory severance obligations and the related costs requires economic assumptions, including discount rates and expected rates of compensation increases, and participant demographic assumptions. The actuarial assumptions used may differ materially from year to year due to changing market and economic conditions, resulting in significant increases or decreases in the obligations and related costs.

Measurement of the estimate of expected costs for decommissioning and site restoration
The measurement of the provision for decommissioning and site restoration costs requires assumptions to be made including expected timing of the event which would result in the outflow of resources, the range of possible methods of decommissioning and site restoration, and the expected costs that would be incurred to settle any decommissioning and site restoration liabilities. The Company has measured the provision using the present value of the expected costs which requires assumptions on the discount rate to use. Revisions to any of the assumptions and estimates used by management may result in changes to the expected expenditures to settle the liability which would require adjustments to the provision and which may have an impact on the operating results of the Company in the period the change occurs.

Income taxes
The Company has unused available tax losses and deductible temporary differences in certain jurisdictions. The Company recognizes deferred income tax assets for these unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable profit will be available against which these available tax losses and temporary differences can be utilized. The Company's projections of future taxable profit involve the use of significant assumptions and estimates with respect to a variety of factors, including future sales and operating expenses. There can be no assurance that the estimates and assumptions used in our projections of future taxable income will prove to be accurate predictions of the future, and in the event that our assessment of the recoverability of these deferred tax assets changes in the future, a material reduction in the carrying value of these deferred tax assets could be required, with a corresponding charge to net earnings.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET APPLIED:

Revenues from contracts with customers
In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting and disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services.

IFRS 15 provides a single model in order to depict the transfer of promised goods or services to customers, and supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Service). IFRS 15 is effective for the Company's fiscal year beginning on January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of the adoption of IFRS 15 on the consolidated financial statements, including the transition options. Based on a preliminary assessment, the Company does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements. The Company will finalize its assessment during fiscal 2017.

Financial Instruments
In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective March 31, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Leases
In January 2016, the IASB issued IFRS 16 Leases, which specifies how an entity will recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, and expects that the majority of its operating leases will need to be recognized in the consolidated statement of financial position on initial adoption of IFRS 16.

5. BUSINESS ACQUISITIONS:

Peds Legwear, Inc.

On August 22, 2016, the Company acquired a 100% interest in Peds Legwear, Inc. (Peds) for total consideration of $51.9 million (net of cash acquired and income tax liabilities assumed), of which $47.9 million was paid at closing and a balance due of $4.0 million is expected to be paid within twelve months of closing. Excluding the income tax liabilities and certain non-operational liabilities assumed, the gross consideration was $55.0 million. The acquisition was financed by the utilization of the Company's long-term bank credit facilities. Peds is a marketer of quality foot apparel and legwear products, including ladies no-show liners, socks and sheer, and therapeutic hosiery sold mainly under the Peds® and MediPeds® brands to U.S. and Canadian retailers. The acquisition is expected to create revenue growth opportunities by leveraging Gildan's existing customer relationships to broaden the channels of distribution for the Peds® and MediPeds® brands and by extending these brands into Gildan's other product categories. In addition, Peds' current distribution into the footwear channel provides broader access in this channel for Gildan's brands and product portfolio.

5. BUSINESS ACQUISITIONS (continued):

The Company accounted for this acquisition using the acquisition method in accordance with IFRS 3, Business Combinations. The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. The Company has not yet finalized the assessment of the estimated fair values of certain assets acquired, which the Company expects to finalize by the end of the second quarter of fiscal 2017. Goodwill is attributable primarily to Peds' assembled workforce and expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill recorded in connection with this acquisition is partially deductible for tax purposes. The operating results of Peds are included in the Branded Apparel segment. The consolidated results of the Company for fiscal 2016 include net sales of $30.3 million and net earnings of $0.8 million relating to Peds' results of operations since the date of acquisition.

Alstyle Apparel, LLC

On May 26, 2016, the Company acquired a 100% interest in Alstyle Apparel, LLC and its subsidiaries (Alstyle) for cash consideration of $110 million. The acquisition was financed by the utilization of the Company’s long-term bank credit facilities. Alstyle manufactures and markets activewear products such as T-shirts and fleece, the majority of which are sold under the Alstyle® brand. Alstyle sells its products to screenprinters, embellishers, and mass-marketers largely in the U.S., as well as in Canada and Mexico. Its manufacturing and distribution operations include a large-scale textile manufacturing facility and cut and sew facilities in Mexico, as well as distribution centers located in the U.S., Canada, and Mexico. The acquisition of Alstyle expands Gildan’s penetration in printwear markets in the U.S., Canada, and Mexico, and broadens and complements Gildan’s position in the Western United States where Alstyle has a strong presence.

The Company accounted for this acquisition using the acquisition method in accordance with IFRS 3, Business Combinations. The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. The Company has not yet finalized the assessment of the estimated fair values of the inventories acquired, which the Company expects to finalize by the end of the first quarter of fiscal 2017. Goodwill is attributable primarily to Alstyle's assembled workforce, which was not recorded separately since it did not meet the recognition criteria for identifiable intangible assets. Goodwill recorded in connection with this acquisition is fully deductible for tax purposes. The operating results of Alstyle are included in the Printwear segment. The consolidated results of the Company for fiscal 2016 include net sales of $88.3 million and net earnings of $1.0 million relating to Alstyle’s results of operations since the date of acquisition.

5. BUSINESS ACQUISITIONS (continued):

The following table summarizes the provisional amounts recognized for the assets acquired and liabilities assumed at the date of acquisition:

	Peds	Alstyle	Total
Assets acquired:			
Trade accounts receivable	$ 11,821	$ 19,113	$ 30,934
Inventories	20,548	62,677	83,225
Prepaid expenses, deposits and other current assets	1,180	3,831	5,011
Property, plant and equipment	5,442	26,337	31,779
Intangible assets [1]	26,484	7,500	33,984
Deferred income taxes	1,380	—	1,380
	66,855	119,458	186,313
Liabilities assumed:			
Accounts payable and accrued liabilities	(16,376)	(11,629)	(28,005)
Income taxes payable	(2,521)	—	(2,521)
Deferred income taxes	(4,069)	—	(4,069)
	(22,966)	(11,629)	(34,595)
Goodwill	7,980	1,649	9,629
Net assets acquired at fair value	$ 51,869	$ 109,478	$ 161,347
Cash consideration paid at closing, net of cash acquired	47,869	109,478	157,347
Balance due	4,000	—	4,000
	$ 51,869	$ 109,478	$ 161,347

(1) The intangible assets acquired relating to Peds are comprised of customer relationships in the amount of $9.7 million which are being amortized on a straight line basis over their estimated useful lives of fifteen years, trademarks in the amount of $16.3 million which are not being amortized as they are considered to be indefinite life intangible assets, and computer software in the amount of $0.5 million. The intangible assets acquired relating to Alstyle are comprised of customer relationships in the amount of $4.0 million which are being amortized on a straight line basis over their estimated useful lives of fifteen years, and trademarks in the amount of $3.5 million, which are being amortized over five years.

If the acquisitions of Peds and Alstyle were accounted for on a pro forma basis as if they had occurred at the beginning of the Company's fiscal year, the Company's consolidated net sales and net earnings for the year ended January 1, 2017 would have been $2,704.3 million and $352.6 million, respectively. These pro forma figures have been estimated based on the results of Alstyle's and Peds' operations prior to being purchased by the Company, adjusted to reflect fair value adjustments which arose on the date of the acquisitions, as if the acquisitions occurred on January 1, 2017, and should not be viewed as indicative of the Company's future results.

Comfort Colors

On March 2, 2015, the Company acquired substantially all of the operating assets of a company operating under the Comfort Colors trade name for cash consideration of $103.3 million. The transaction also resulted in the effective settlement of $8.4 million of trade accounts receivable from Comfort Colors prior to the acquisition. The acquisition was financed by the utilization of the Company's revolving long-term bank credit facility. Comfort Colors is a leading supplier of garment-dyed undecorated basic T-shirts and sweatshirts for the North American printwear market. The Comfort Colors® brand is highly recognized among consumers purchasing from college bookstores, specialty retail stores, and destination and resort shops. The acquisition of Comfort Colors reinforces Gildan's strategy to increase its penetration of the growing fashion basics segment of the North American printwear market.

5. BUSINESS ACQUISITIONS (continued):

The Company accounted for the acquisition using the acquisition method in accordance with IFRS 3, Business Combinations. The Company determined the fair value of the assets acquired and liabilities assumed based on management's best estimate of their fair values and taking into account all relevant information available at that time. Goodwill is attributable primarily to Comfort Colors' assembled workforce and expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill recorded in connection with this acquisition is partially deductible for tax purposes. The operating results of Comfort Colors are included in the Printwear segment.

The following table summarizes the amounts recognized for the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Trade accounts receivable	$	14,446
Inventories		21,078
Prepaid expenses, deposits and other current assets		69
Property, plant and equipment		1,668
Intangible assets (1)		62,300
		99,561
Liabilities assumed:		
Accounts payable and accrued liabilities		(2,064)
		(2,064)
Goodwill		14,181
Net assets acquired at fair value	$	111,678
Cash consideration paid at closing		103,300
Settlement of pre-existing relationship		8,378
	$	111,678

(1) The intangible assets acquired are comprised of customer relationships in the amount of $25.0 million, which are being amortized on a straight line basis over their estimated useful lives of twelve years, and trademarks in the amount of $37.3 million, which are not being amortized as they are considered to be indefinite life intangible assets.

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted entirely of bank balances as at January 1, 2017 and January 3, 2016.

7. TRADE ACCOUNTS RECEIVABLE:

	January 1, 2017	January 3, 2016
Trade accounts receivable	**$ 283,322**	$ 310,733
Allowance for doubtful accounts	**(5,589)**	(4,601)
	$ 277,733	$ 306,132

As at January 1, 2017, trade accounts receivables being serviced under a receivables purchase agreement amounted to $80.5 million. The receivables purchase agreement, which allows for the sale of a maximum of $175 million of accounts receivables at any one time, expires on June 26, 2017, subject to annual extensions. The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer was not significant for the year ended January 1, 2017.

7. TRADE ACCOUNTS RECEIVABLE (continued):

The movement in the allowance for doubtful accounts in respect of trade receivables was as follows:

	January 1, 2017	January 3, 2016
		(15 months)
Balance, beginning of fiscal year	**$ (4,601)**	$ (4,423)
Bad debt recovery (expense)	**92**	(560)
Write-off of trade accounts receivable	**524**	455
Increase due to business acquisitions	**(1,604)**	(73)
Balance, end of fiscal year	**$ (5,589)**	$ (4,601)

8. INVENTORIES:

	January 1, 2017	January 3, 2016
Raw materials and spare parts inventories	**$ 119,155**	$ 119,826
Work in progress	**56,397**	54,737
Finished goods	**779,324**	676,470
	$ 954,876	$ 851,033

The amount of inventories recognized as an expense and included in cost of sales was $1,810.3 million for fiscal 2016 (2015 - $2,165.4 million), which included an expense of $11.3 million (2015- $4.6 million) related to the write-down of inventory to net realizable value.

9. PROPERTY, PLANT AND EQUIPMENT:

2016	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, January 3, 2016	$ 65,687	$ 439,276	$ 903,502	$ 156,492	$ 75,576	$ 1,640,533
Additions	2,727	17,390	46,165	9,870	50,607	126,759
Additions through business acquisitions	839	17,672	12,651	617	—	31,779
Transfers from assets held for sale	120	3,855	—	248	—	4,223
Transfers	—	28,028	45,140	2,408	(75,576)	—
Disposals	—	(2,035)	(9,465)	(1,984)	—	(13,484)
Balance, January 1, 2017	**$ 69,373**	**$ 504,186**	**$ 997,993**	**$ 167,651**	**$ 50,607**	**$ 1,789,810**
Accumulated depreciation						
Balance, January 3, 2016	$ —	$ 109,204	$ 404,663	$ 82,277	$ —	$ 596,144
Depreciation	—	22,828	86,242	15,668	—	124,738
Transfers from assets held for sale	—	1,732	—	248	—	1,980
Disposals	—	(788)	(7,163)	(1,984)	—	(9,935)
Balance, January 1, 2017	**$ —**	**$ 132,976**	**$ 483,742**	**$ 96,209**	**$ —**	**$ 712,927**
Carrying amount, January 1, 2017	**$ 69,373**	**$ 371,210**	**$ 514,251**	**$ 71,442**	**$ 50,607**	**$ 1,076,883**

9. PROPERTY, PLANT AND EQUIPMENT (continued):

2015	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, October 5, 2014	$ 45,541	$ 314,823	$ 687,369	$ 129,688	$ 166,872	$ 1,344,293
Additions	20,146	66,450	117,896	26,647	75,576	306,715
Additions through business acquisitions	—	—	1,568	100	—	1,668
Transfers	—	58,671	107,024	1,177	(166,872)	—
Disposals	—	(668)	(10,355)	(1,120)	—	(12,143)
Balance, January 3, 2016	$ 65,687	$ 439,276	$ 903,502	$ 156,492	$ 75,576	$ 1,640,533
Accumulated depreciation						
Balance, October 5, 2014	—	86,611	316,566	67,390	—	470,567
Depreciation	—	22,655	96,036	15,997	—	134,688
Disposals	—	(62)	(7,939)	(1,110)	—	(9,111)
Balance, January 3, 2016	$ —	$ 109,204	$ 404,663	$ 82,277	$ —	$ 596,144
Carrying amount, January 3, 2016	$ 65,687	$ 330,072	$ 498,839	$ 74,215	$ 75,576	$ 1,044,389

Assets not yet utilized in operations include expenditures incurred to date for plant expansions which are still in process, and equipment not yet placed into service as at the end of the reporting period.

During fiscal 2016, the Company ceased to classify certain property and equipment as held for sale since the criteria for this classification were no longer met. The Company transferred these assets to property, plant and equipment at the lower of their carrying amounts as adjusted for depreciation not recognized during the period the assets were held for sale, and their recoverable amount.

As at January 1, 2017, there were contractual purchase obligations outstanding of approximately $44.7 million for the acquisition of property, plant and equipment compared to $51.1 million as of January 3, 2016.

10. INTANGIBLE ASSETS AND GOODWILL:

Intangible assets

2016	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, January 3, 2016	$ 191,831	$ 154,972	$ 58,300	$ 44,972	$ 1,880	$ 451,955
Additions	—	—	1,198	4,084	—	5,282
Additions through business acquisitions	13,700	19,800	—	484	—	33,984
Disposals	—	—	—	(764)	—	(764)
Balance, January 1, 2017	**$ 205,531**	**$ 174,772**	**$ 59,498**	**$ 48,776**	**$ 1,880**	**$ 490,457**
Accumulated amortization						
Balance, January 3, 2016	$ 50,740	$ —	$ 36,140	$ 26,600	$ 1,722	$ 115,202
Amortization	11,445	125	6,446	3,183	90	21,289
Disposals	—	—	—	(255)	—	(255)
Balance, January 1, 2017	**$ 62,185**	**$ 125**	**$ 42,586**	**$ 29,528**	**$ 1,812**	**$ 136,236**
Carrying amount, January 1, 2017	**$ 143,346**	**$ 174,647**	**$ 16,912**	**$ 19,248**	**$ 68**	**$ 354,221**

10. INTANGIBLE ASSETS AND GOODWILL (continued):

2015	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, October 5, 2014	$ 166,831	$ 117,672	$ 53,300	$ 36,931	$ 1,700	$ 376,434
Additions	—	—	5,000	8,044	180	13,224
Additions through business acquisitions	25,000	37,300	—	—	—	62,300
Disposals	—	—	—	(3)	—	(3)
Balance, January 3, 2016	$ 191,831	$ 154,972	$ 58,300	$ 44,972	$ 1,880	$ 451,955
Accumulated amortization						
Balance, October 5, 2014	$ 38,007	$ —	$ 26,349	$ 23,025	$ 1,700	$ 89,081
Amortization	12,733	—	9,791	3,578	22	26,124
Disposals	—	—	—	(3)	—	(3)
Balance, January 3, 2016	$ 50,740	$ —	$ 36,140	$ 26,600	$ 1,722	$ 115,202
Carrying amount, January 3, 2016	$ 141,091	$ 154,972	$ 22,160	$ 18,372	$ 158	$ 336,753

The carrying amount of internally-generated assets within computer software was $13.9 million as atJanuary 1, 2017 and $10.4 million as atJanuary 3, 2016. Included in computer software as atJanuary 1, 2017 is $9.9 million (January 3, 2016 - $9.1 million) of assets not yet utilized in operations.

Goodwill:

	January 1, 2017	January 3, 2016
Balance, beginning of fiscal year	**$ 190,626**	$ 176,445
Goodwill acquired (note 5)	**9,629**	14,181
Other [(1)]	**1,853**	—
Balance, end of fiscal year	**$ 202,108**	$ 190,626

(1) The increase in goodwill relates to the acquisition of Doris Inc. ("Doris") in fiscal 2014, and reflects additional deferred income tax liabilities in accordance with the revised guidance to IAS 12 issued in November 2016 as described in Note 2(c).

Recoverability of cash-generating units:

Goodwill acquired through business acquisitions and trademarks with indefinite useful lives have been allocated to CGUs that are expected to benefit from the synergies of the acquisition, as follows:

	January 1, 2017	January 3, 2016
Branded Apparel:		
Goodwill	**$ 180,482**	$ 170,649
Trademarks with an indefinite life	**129,272**	112,972
	$ 309,754	$ 283,621
Printwear:		
Goodwill	**$ 21,626**	$ 19,977
Trademarks with an indefinite life	**42,000**	42,000
	$ 63,626	$ 61,977

10. INTANGIBLE ASSETS AND GOODWILL (continued):

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the CGUs (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of CGUs are based on the higher of the value in use and fair value less costs of disposal. The Company performed the annual impairment review for goodwill and indefinite life intangible assets during fiscal 2016, and the estimated recoverable amounts exceeded the carrying amounts of the CGUs and as a result, there was no impairment identified.

Recoverable amount
The Company determined the recoverable amount of the Branded Apparel and Printwear CGU's based on the fair value less costs of disposal method. The fair values of the Branded Apparel and Printwear CGU's were based on an earnings multiple applied to forecasted adjusted EBITDA for the next year, which takes into account financial budgets approved by senior management. The key assumptions for the fair value less costs of disposal method include estimated sales volumes, selling prices and input costs in determining future forecasted adjusted EBITDA, as well as the earnings multiple applied to forecasted adjusted EBITDA. The earnings multiple used was obtained by using market comparables as a reference. Assuming the continued level of profitability of the Company, no reasonably possible change in the key assumptions used in determining the recoverable amount would result in any impairment of goodwill or indefinite life intangible assets.

11. LONG-TERM DEBT:

	Effective interest rate (1)	Principal amount		Maturity date
		January 1, 2017	January 3, 2016	
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (2)	**1.6%**	**$ —**	$ 375,000	**April 2021**
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 1.25% (3)	**1.5%**	**—**	—	**March 2018**
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (4)	**1.9%**	**300,000**	—	**June 2021**
Notes payable, interest at fixed rate of 2.70%, payable semi-annually (5)	**2.7%**	**100,000**	—	**August 2023**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53% payable quarterly (5)	**2.7%**	**50,000**	—	**August 2023**
Notes payable, interest at fixed rate of 2.91%, payable semi-annually (5)	**2.9%**	**100,000**	—	**August 2026**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57% payable quarterly (5)	**2.9%**	**50,000**	—	**August 2026**
		$ 600,000	$ 375,000	

(1) Represents the effective interest rate for the year ended January 1, 2017, including the cash impact of interest rate swaps, where applicable.
(2) The Company's committed unsecured revolving long-term bank credit facility of $1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement). In addition, an amount of $19.0 million (January 3, 2016 - $27.1 million) has been committed against this facility to cover various letters of credit.
(3) During March 2016, the Company entered into an unsecured revolving long-term bank credit facility agreement for a total principal amount of $300 million, which has a one year revolving period followed by a one year term-out period, and provides for an annual extension of the revolving period which is subject to the approval of the lenders. A fixed spread of 1.0% during the revolving period and 1.25% during the term-out period is added to the U.S. LIBOR-based variable interest rate.
(4) During June 2016, the Company entered into an unsecured five-year term loan agreement for a total principal amount of $300 million. The term loan is non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreement).
(5) During July 2016, the Company entered into a Note Purchase Agreement and subsequently issued unsecured notes for a total aggregate principal amount of $300 million to accredited investors in the U.S. private placement market. The notes can be prepaid in whole or in part at any time, subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

11. LONG-TERM DEBT (continued):

During fiscal 2016, the Company entered into a total of $250 million of floating-to-fixed interest rate swaps to fix the floating rate exposure on certain long term debt agreements. A $50 million 7-year floating-to-fixed interest rate swap maturing in August 2023 is converting the interest rate on the $50 million variable-rate notes payable maturing in August 2023 to an all-in fixed rate of 2.7%, and a $50 million 10-year floating-to-fixed interest rate swap maturing in August 2026 is converting the interest rate on the $50 million variable-rate notes payable maturing in August 2026 to an all-in fixed rate of 2.9%. In addition, $150 million of 5-year floating-to-fixed interest rate swaps maturing in June 2021 are converting the variable-rate LIBOR component of an equivalent portion of the term loan to a fixed rate of 0.96%.

Under the terms of the revolving facilities, term loan facility, and notes, the Company is required to comply with certain covenants, including maintenance of financial ratios. The Company was in compliance with all covenants at January 1, 2017.

12. OTHER NON-CURRENT LIABILITIES:

		January 1, 2017		January 3, 2016 (15 months)
Employee benefit obligation - Statutory severance and pre-notice	**$**	**14,579**	$	8,882
Employee benefit obligation - Defined contribution plan		**2,444**		2,185
Provisions		**17,546**		20,630
Contingent consideration (note 14(a))		**—**		5,919
	$	**34,569**	$	37,616

(a) Statutory severance and pre-notice obligations:

		January 1, 2017		January 3, 2016 (15 months)
Obligation, beginning of fiscal year	**$**	**8,882**	$	17,556
Service cost		**10,953**		13,473
Interest cost		**5,839**		7,268
Actuarial loss[1]		**5,239**		10,000
Pre-notice obligation reduction[2]		**—**		(11,426)
Foreign exchange gain		**(527)**		(403)
Benefits paid		**(15,807)**		(27,586)
Obligation, end of fiscal year	**$**	**14,579**	$	8,882

(1) The actuarial loss is due to changes in the actuarial assumptions used to determine the statutory severance obligations.
(2) The reduction in the pre-notice obligation is due to the impact of program changes relating to the Company's pre-notice obligations for active employees located in Central America, to align with statutory requirements. As a result of these program changes, pre-notice costs for employees in Central America will now be recognized when an employer-initiated termination occurs.

Significant assumptions for the calculation of the statutory severance obligations included the use of a discount rate of between 9.75% and 9.85% (2015 - between 10% and 10.5%) and rates of compensation increases between 7.25% and 7.50% (2015 - between 6.5% and 8.0%). A 1% increase in the discount rates would result in a corresponding decrease in the statutory severance obligations of $4.2 million, and a 1% decrease in the discount rates would result in a corresponding increase in the statutory severance obligations of $5.0 million. A 1% increase in the rates of compensation increases used would result in a corresponding increase in the statutory severance obligations of $5.1 million, and a 1% decrease in the rates of compensation increases used would result in a corresponding decrease in the statutory severance obligations of $4.3 million.

The cumulative amount of actuarial losses recognized in other comprehensive income as at January 1, 2017 was $22.0 million (January 3, 2016 - $16.8 million) which have been reclassified to retained earnings in the period in which they were recognized.

12. OTHER NON-CURRENT LIABILITIES (continued):

(b) Defined contribution plan:

During fiscal 2016, defined contribution expenses were $3.4 million (2015 - $3.2 million).

(c) Provisions:

	Decommissioning and site restoration costs	Lease exit costs	**Total**
Balance, January 3, 2016	$ 17,545	$ 3,085	**$ 20,630**
Changes in estimates made during the fiscal year	(1,857)	(465)	**(2,322)**
Provisions utilized during the fiscal year	—	(1,098)	**(1,098)**
Accretion of interest	336	—	**336**
Balance, January 1, 2017	**$ 16,024**	**$ 1,522**	**$ 17,546**

Provisions include estimated future costs of decommissioning and site restoration for certain assets located at the Company's textile and sock facilities and a distribution centre in the U.S., for which the timing of settlement is uncertain, but has been estimated to be in excess of twenty years. The lease exit costs were incurred in connection with the integration of acquired businesses.

13. EQUITY:

(a) **Shareholder rights plan:**

The Company has a shareholder rights plan which provides the Board of Directors and the shareholders with additional time to assess any unsolicited take-over bid for the Company and, where appropriate, pursue other alternatives for maximizing shareholder value.

(b) Accumulated other comprehensive income ("AOCI"):

Accumulated other comprehensive income includes the changes in the fair value of the effective portion of qualifying cash flow hedging instruments outstanding at the end of the period, and the balances remaining from hedging relationships for which hedge accounting no longer applied at the end of the period.

(c) Share capital:

Authorized:
Common shares, authorized without limit as to number and without par value. First preferred shares, without limit as to number and without par value, issuable in series and non-voting. Second preferred shares, without limit as to number and without par value, issuable in series and non-voting. As at January 1, 2017 and January 3, 2016, none of the first and second preferred shares were issued.

Issued:
As at January 1, 2017, there were 230,218,171 common shares (January 3, 2016 - 243,571,188) issued and outstanding, which are net of 21,125 common shares (January 3, 2016 - 269,281) that have been purchased and are held in trust as described in note 13(e).

On February 4, 2015, the Board of Directors of the Company approved a share dividend of one common share for each issued and outstanding common share of the Company, which has the same effect as a two-for-one stock split of the Company's outstanding common shares. The Company's share dividend on the common shares was paid on March 27, 2015 to shareholders of record at the close of business on March 20, 2015 and is designated as an "eligible dividend" for Canadian tax purposes. The outstanding share data reflects the effect of the two-for-one stock split which took effect on March 27, 2015.

13. EQUITY (continued):

(d) Normal course issuer bid:

On February 24, 2016, the Company announced the initiation of a normal course issuer bid ("NCIB") beginning February 26, 2016 and expiring February 25, 2017, to purchase for cancellation up to 12,192,814 outstanding common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares, on the TSX and the NYSE or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE, or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. The price paid by Gildan for common shares was the market price at the time of the acquisition plus brokerage fees, and purchases made under an issuer bid exemption order were at a discount to the prevailing market price in accordance with the terms of the order.

On July 26, 2016, the Company obtained approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that could be repurchased from 12,192,814 common shares, or 5% of the Company's issued and outstanding common shares as at February 19, 2016 (the reference date for the NCIB), to 20,727,784 common shares, representing 8.5% of the Company's issued and outstanding common shares or 8.6% of the public float of 239,683,863 common shares as at February 19, 2016. No other terms of the NCIB were amended.

During the year ended January 1, 2017, the Company repurchased for cancellation a total of 13,775,248 common shares for a total cost of $394.5 million, of which a total of 4,025,000 common shares were repurchased by way of private agreements with arm's length third party sellers. Of the total cost, $8.6 million was charged to share capital and $385.8 million was charged to retained earnings. During the fiscal year ended January 3, 2016, the Company repurchased and cancelled a total of 3,050,000 common shares under a previous NCIB by way of private agreements with an arm's-length third-party seller for a total cost of $79.7 million, which reflected a discount to the prevailing market price of the Company's common shares on the TSX at the time of the purchases. Of the total cost, $1.6 million was charged to share capital and $78.1 million was charged to retained earnings.

On February 22, 2017, the Board of Directors of the Company approved the initiation of a new NCIB commencing on February 27, 2017 to purchase for cancellation up to 11,512,267 common shares, representing approximately 5% of the Company's issued and outstanding common shares. Gildan is authorized to make purchases under the NCIB during the period from February 27, 2017 to February 26, 2018 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the NYSE, or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE, or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada.

(e) Common shares purchased as settlement for non-Treasury RSUs:

In September 2011, the Company established a trust for the purpose of settling the vesting of non-Treasury RSUs. For non-Treasury RSUs that are to be settled in common shares in lieu of cash, the Company directs the trustee to purchase common shares of the Company on the open market to be held in trust for and on behalf of the holders of non-Treasury RSUs until they are delivered for settlement, when the non-Treasury RSUs vest. For accounting purposes, the common shares are considered as held in treasury, and recorded as a temporary reduction of outstanding common shares and share capital. Upon delivery of the common shares for settlement of the non-Treasury RSUs, the number of common shares outstanding is increased, and the amount in contributed surplus is transferred to share capital. The common shares purchased as settlement for non-Treasury RSUs were as follows:

	2016			2015		
	Shares	**Amount**	**Average cost**	Shares	Amount	Average Cost
Balance, beginning of year	**269**	**$ 7,464**	**$ 27.75**	294	$ 7,055	$ 24.00
Purchased	**—**	**—**	**—**	560	15,239	27.21
Distributed	**(248)**	**(6,873)**	**27.71**	(585)	(14,830)	25.35
Balance, end of year	**21**	**$ 591**	**$ 28.14**	269	$ 7,464	$ 27.75

13. EQUITY (continued):

(f) Contributed surplus:

The contributed surplus account is used to record the initial value of equity-settled share based compensation transactions. Upon the exercise of stock options, the vesting of Treasury RSUs, and the delivery of common shares for settlement of vesting non-Treasury RSUs, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

14. FINANCIAL INSTRUMENTS:

Disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices, and how the Company manages those risks, are included in the section entitled "Financial risk management" of the Management's Discussion and Analysis of the Company's operations, financial performance and financial position as at January 1, 2017 and January 3, 2016. Accordingly, these disclosures are incorporated into these consolidated financial statements by cross-reference.

(a) Financial instruments - carrying amounts and fair values:

The carrying amounts and fair values of financial assets and liabilities included in the consolidated statements of financial position are as follows:

		January 1, 2017		January 3, 2016
Financial assets				
Amortized cost:				
Cash and cash equivalents	**$**	**38,197**	$	50,675
Trade accounts receivable		**277,733**		306,132
Financial assets included in prepaid expenses, deposits and other current assets		**22,722**		25,140
Long-term non-trade receivables included in other non-current assets		**476**		2,372
Derivative financial instruments designated as effective hedging instruments included in prepaid expenses, deposits and other current assets		**32,572**		4,034
Derivative financial instruments included in prepaid expenses, deposits and other current assets - total return swap		**—**		51
Financial liabilities				
Amortized cost:				
Accounts payable and accrued liabilities	**$**	**231,927**	$	230,739
Long-term debt - bearing interest at variable rates		**400,000**		375,000
Long-term debt - bearing interest at fixed rates[1]		**200,000**		—
Derivative financial instruments designated as effective hedging instruments included in accounts payable and accrued liabilities		**1,515**		1,529
Derivative financial instruments included in accounts payable and accrued liabilities - total return swap		**620**		—
Contingent consideration [2]		**—**		5,919

(1) The fair value of the long-term debt bearing interest at fixed rates was $192.5 million as at January 1, 2017.

(2) The contingent consideration was included in other non-current liabilities as at January 3, 2016.

Short-term financial assets and liabilities

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the reporting dates due to the short-term maturities of these instruments, as they bear variable interest-rates or because the terms and conditions are comparable to current market terms and conditions for similar items.

14. FINANCIAL INSTRUMENTS (continued):

(a) Financial instruments - carrying amounts and fair values (continued):

Non-current assets and long-term debt bearing interest at variable rates

The fair values of the long-term non-trade receivables included in other non-current assets and the Company's long-term debt bearing interest at variable rates also approximate their respective carrying amounts because the interest rates applied to measure their carrying amounts approximate current market interest rates.

Long-term debt bearing interest at fixed rates

The fair value of the long-term debt bearing interest at fixed rates is determined using the discounted future cash flows method and at discount rates based on yield to maturities for similar issuances.

Contingent consideration

The contingent consideration in connection with a business combination is payable based on the achievement of sales revenue targets for the 12-month period ended June 30, 2017, or December 31, 2017, as applicable per the terms of the agreement. The contingent consideration was initially measured at fair value, and is remeasured at fair value at each reporting date through net earnings, within restructuring and acquisition-related costs. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; (ii) the probability of the achievement of the factors on which the contingency is based; and (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Fair value has been estimated based on the best estimate of the probability of the sales revenue targets being achieved, as well as using a discount rate which is based on the risk associated with the sales revenue targets being met. The discount rate applied to the contingent consideration was 13.5%. As at January 1, 2017, management estimated that none of the revenue targets will be achieved, and as a result the fair value of the contingent consideration has been reduced to nil.

Derivatives

The derivative financial instruments designated as effective hedging instruments consist of foreign exchange and commodity forward, option, and swap contracts, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes. The fair value of the forward contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the rate set out in the contract and the contract's value at maturity based on the rate that the counterparty would use if it were to renegotiate the same contract at the measurement date under the same conditions. The fair value of the option contracts is measured using option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs, including volatility estimates and option adjusted credit spreads. The fair value of the interest rate swaps is determined based on market data, by measuring the difference between the fixed contracted rate and the forward curve for the applicable floating interest rates.

The Company also has a total return swap ("TRS") outstanding that is intended to reduce the variability of net earnings associated with deferred share units, which are settled in cash. The TRS is not designated as a hedging instrument and, therefore, the fair value adjustment at the end of each reporting period is recognized in selling, general and administrative expenses. The fair value of the TRS is measured by reference to the market price of the Company's common shares, at each reporting date. The TRS has a one-year term, may be extended annually, and the contract allows for early termination at the option of the Company. As at January 1, 2017, the notional amount of TRS outstanding was 245,854 shares.

The fair values of financial assets, financial liabilities, and derivative financial instruments were measured using Level 1 or 2 inputs in the fair value hierarchy, with the exception of the contingent consideration which was measured using Level 3 inputs. In determining the fair value of financial assets and financial liabilities, including derivative financial instruments, the Company takes into account its own credit risk and the credit risk of the counterparties.

(b) Derivative financial instruments - hedge accounting:

During fiscal 2016, the Company entered into foreign exchange and commodity forward, option, and swap contracts in order to minimize the exposure of forecasted cash inflows and outflows in currencies other than the U.S. dollar and to manage its exposure to movements in commodity prices, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes.

14. FINANCIAL INSTRUMENTS (continued):

(b) Derivative financial instruments - hedge accounting (continued):

The forward foreign exchange contracts were designated as cash flow hedges and qualified for hedge accounting. The forward foreign exchange contracts outstanding as at January 1, 2017 consisted primarily of contracts to reduce the exposure to fluctuations in Canadian dollars, Euros, Australian dollars, Pounds sterling, and Mexican pesos, against the U.S. dollar.

The commodity forward, option, and swap contracts were designated as cash flow hedges and qualified for hedge accounting. The commodity contracts outstanding as at January 1, 2017 consisted primarily of forward, collar, and swap contracts to reduce the exposure to movements in commodity prices.

The floating-to-fixed interest rate swaps were designated as cash flow hedges and qualified for hedge accounting. The floating-to-fixed interest rate swaps contracts outstanding as at January 1, 2017 served to fix the variable interest rates on the designated interest payments of a portion of the Company's long term debt.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at January 1, 2017:

				Carrying and fair value		Maturity
	Notional foreign currency amount equivalent	Average exchange rate	Notional U.S. $ equivalent	Prepaid expenses, deposits and other current assets	Accounts payable and accrued liabilities	0 to 12 months
Cash flow hedges:						
Forward foreign exchange contracts:						
Sell GBP/Buy USD	29,828	1.2840	$ 38,300	$ 1,529	$ —	$ 1,529
Sell EUR/Buy USD	31,596	1.1082	35,015	1,575	—	1,575
Sell CAD/Buy USD	68,498	0.7681	52,613	1,747	—	1,747
Buy CAD/Sell USD	30,116	0.7094	21,365	975	—	975
Sell AUD/Buy USD	4,507	0.7494	3,378	134	—	134
Buy MXN/Sell USD	408,010	0.0507	20,696	—	(1,515)	(1,515)
			$ 171,367	**$ 5,960**	**$ (1,515)**	**$ 4,445**

The following table summarizes the Company's commodity contracts outstanding as at January 1, 2017:

			Carrying and fair value	Maturity
	Type of commodity	Notional amount	Prepaid expenses, deposits and other current assets	0 to 12 months
Cash flow hedges:				
Forward contracts	Cotton	173,500 pounds	$ 12,534	$ 12,534
Collar contracts [1]	Cotton	19,000 pounds	1,344	1,344
Swap contracts	Energy	94 barrels	1,104	1,104
			$ 14,982	**$ 14,982**

(1) A collar contract is a combination of two option contracts that limit the holder's exposure to changes in prices within a specific range. This is achieved by simultaneously buying a call option (the acquisition of a right to purchase) and selling a put option (the sale to the counterparty of a right to sell).

14. FINANCIAL INSTRUMENTS (continued):

(b) Derivative financial instruments - hedge accounting (continued):

The following table summarizes the Company's floating-to-fixed interest rate swap contracts outstanding as at January 1, 2017:

	Notional amount of borrowings	Maturity date	Pay / Receive	Fixed rate	Floating rate	Carrying and fair value: Prepaid expenses, deposits and other current assets
Cash flow hedges:						
	$ 150,000	June 17, 2021	Pay fixed rate / receive floating rate	0.96%	US LIBOR	$ 4,964
	50,000	August 25, 2023	Pay fixed rate / receive floating rate	1.18%	US LIBOR	2,785
	50,000	August 25, 2026	Pay fixed rate / receive floating rate	1.34%	US LIBOR	3,881
	$ 250,000					**$ 11,630**

The following table summarizes the Company's hedged items as at January 1, 2017:

	Carrying amount of the hedged item: Assets	Carrying amount of the hedged item: Liabilities	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve (AOCI)
Cash flow hedges:				
Foreign currency risk:				
Forecast sales	$ —	$ —	$ 4,520	$ (4,520)
Forecast expenses	—	—	(540)	540
Commodity risk:				
Forecast purchases	—	—	24,953	(24,953)
Interest rate risk:				
Forecast interest payments	—	—	11,678	(11,678)

No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument used for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

As at January 1, 2017, the balances remaining in the cash flow hedge reserve from hedging relationships for cotton commodities for which hedge accounting no longer applied was $10.0 million.

14. FINANCIAL INSTRUMENTS (continued):

(c) Financial expenses, net:

		2016		2015
				(15 months)
Interest expense on financial liabilities recorded at amortized cost[1]	$	12,568	$	8,649
Bank and other financial charges		6,348		4,747
Interest accretion on discounted provisions		336		409
Foreign exchange loss		434		3,992
	$	19,686	$	17,797

(1) Net of capitalized borrowing costs of $0.2 million (2015 - $1.0 million).

(d) Hedging components of other comprehensive income ("OCI"):

		2016		2015
				(15 months)
Net gain (loss) on derivatives designated as cash flow hedges:				
Foreign currency risk	$	161	$	3,631
Commodity price risk		33,963		(836)
Interest rate risk		11,678		—
Income taxes		(3)		(36)
Amounts reclassified from OCI to inventory, related to commodity price risk		(4,356)		8,355
Amounts reclassified from OCI to net earnings, related to foreign currency risk, and included in:				
Net sales		19		(2,155)
Selling, general and administrative expenses		(668)		472
Financial expenses, net [1]		(1,295)		(629)
Income taxes		19		23
Cash flow hedging gain	$	39,518	$	8,825

(1) The amount reclassified from OCI to net earnings included a loss of $48 related to interest rate risk for the year ended January 1, 2017.

The change in the time value element of option and swap contracts designated as cash flow hedges to reduce the exposure in movements of commodity prices was not significant for the year ended January 1, 2017.

The change in the forward element of derivatives designated as cash flow hedges to reduce foreign currency risk was not significant for the year ended January 1, 2017.

For the year ended January 1, 2017, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately $29.0 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to inventory or net earnings within the next twelve months.

15. SHARE-BASED COMPENSATION:

(a) Employee share purchase plans:

The Company has employee share purchase plans which allow eligible employees to authorize payroll deductions of up to 10% of their salary to purchase from Treasury, common shares of the Company at a price of 90% of the then current share price as defined in the plans. Employees purchasing shares under the plans subsequent to January 1, 2008 must hold the shares for a minimum of two years. The Company has reserved 5,000,000 common shares for issuance under the plans. As at January 1, 2017, a total of 794,193 shares (January 3, 2016 - 740,123) were issued under these plans. Included as compensation costs in selling, general and administrative expenses is $0.2 million (2015 - $0.2 million) relating to the employee share purchase plans.

(b) Stock options and restricted share units:

The Company's Long-Term Incentive Plan (the "LTIP") includes stock options and restricted share units. The LTIP allows the Board of Directors to grant stock options, dilutive restricted share units ("Treasury RSUs") and non-dilutive restricted share units ("non-Treasury RSUs") to officers and other key employees of the Company and its subsidiaries. The number of common shares that are issuable pursuant to the exercise of stock options and the vesting of Treasury RSUs for the LTIP is fixed at 12,000,632. As at January 1, 2017, 2,039,863 common shares remained authorized for future issuance under this plan.

The exercise price payable for each common share covered by a stock option is determined by the Board of Directors at the date of the grant, but may not be less than the closing price of the common shares of the Company on the trading day immediately preceding the effective date of the grant. Stock options granted since fiscal 2007 vest equally beginning on the second, third, fourth and fifth anniversary of the grant date, with limited exceptions.

Holders of Treasury RSUs, non-Treasury RSUs and deferred share units are entitled to dividends declared by the Company which are recognized in the form of additional equity awards equivalent in value to the dividends paid on common shares. The vesting conditions of the additional equity awards are subject to the same performance objectives and other terms and conditions as the underlying equity awards. The additional awards related to outstanding Treasury RSUs and non-Treasury RSUs expected to be settled in common shares are credited to contributed surplus when the dividends are declared.

Outstanding stock options were as follows:

	Number		Weighted exercise price (CA$)
Stock options outstanding, October 5, 2014	2,202	$	14.47
Changes in outstanding stock options:			
Granted[1]	1,339		36.53
Exercised	(1,462)		12.51
Forfeited	(184)		32.85
Stock options outstanding, January 3, 2016	1,895		29.78
Changes in outstanding stock options:			
Granted	**714**		**33.01**
Exercised	**(77)**		**13.76**
Stock options outstanding, January 1, 2017	**2,532**	**$**	**31.18**

(1) Fiscal 2015 includes an extra grant as a result of an additional three months in the fiscal year.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

As at January 1, 2017, 468,813 outstanding options were exercisable at the weighted average exercise price of CA$19.43 (January 3, 2016 - 201,016 options at CA$15.52). For stock options exercised during fiscal 2016, the weighted average share price at the date of exercise was CA$37.32 (2015 - CA$40.02). Based on the Black-Scholes option pricing model, the grant date weighted average fair value of options granted during the twelve months ended January 1, 2017 was $4.07 (January 3, 2016 - $8.60). The following table summarizes the assumptions used in the Black-Scholes option pricing model for the stock option grants for fiscal 2016 and 2015:

	2016	2015
Exercise price	**CA$33.01**	CA$36.53
Risk-free interest rate	**0.66%**	1.19%
Expected volatility	**21.85%**	31.41%
Expected life	**4.63 years**	6.04 years
Expected dividend yield	**1.27%**	0.86%

Expected volatilities are based on the historical volatility of Gildan's share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.

The following table summarizes information about stock options issued and outstanding and exercisable at January 1, 2017:

	Options issued and outstanding		Options exercisable
Exercise prices (CA$)	Number	Remaining contractual life (yrs)	Number
$13.60	125	2	125
$14.32	25	1	25
$15.59	227	3	131
$24.22	287	4	114
$30.46	296	5	74
$33.01	714	7	—
$38.01	575	6	—
$42.27	283	9	—
	2,532		469

A Treasury RSU represents the right of an individual to receive one common share on the vesting date without any monetary consideration being paid to the Company. With limited exceptions, all Treasury RSUs awarded to date vest within a five-year vesting period. The vesting of at least 50% of each Treasury RSU grant is contingent on the achievement of performance conditions that are primarily based on the Company's average return on assets performance for the period as compared to the S&P/TSX Capped Consumer Discretionary Index, excluding income trusts, or as determined by the Board of Directors.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

Outstanding Treasury RSUs were as follows:

	Number		Weighted average fair value per unit
Treasury RSUs outstanding, October 5, 2014	665	$	12.07
Changes in outstanding Treasury RSUs:			
Granted	128		30.60
Granted for dividends declared	4		29.92
Settled through the issuance of common shares	(428)		9.81
Forfeited	(77)		25.25
Treasury RSUs outstanding, January 3, 2016	292		20.25
Changes in outstanding Treasury RSUs:			
Granted	**8**		**30.08**
Granted for dividends declared	**3**		**29.08**
Settled through the issuance of common shares	**(43)**		**17.78**
Forfeited	**(11)**		**29.20**
Treasury RSUs outstanding, January 1, 2017	**249**	**$**	**20.70**

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

As at January 1, 2017 and January 3, 2016, none of the awarded and outstanding Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the options and Treasury RSUs, for fiscal 2016 was $4.5 million (2015 - $4.5 million), and the counterpart has been recorded as contributed surplus. When the underlying shares are issued to the employees, the amounts previously credited to contributed surplus are transferred to share capital.

Outstanding non-Treasury RSUs were as follows:

	2016	2015
Non-Treasury RSUs outstanding, beginning of fiscal year	**953**	768
Changes in outstanding non-Treasury RSUs:		
Granted[1]	**431**	660
Granted for performance	**113**	158
Granted for dividends declared	**10**	12
Settled - common shares	**(248)**	(594)
Settled - payment of withholding taxes	**(178)**	—
Forfeited	**(34)**	(51)
Non-Treasury RSUs outstanding, end of fiscal year	**1,047**	953

(1) Fiscal 2015 includes an extra grant as a result of an additional three months in the fiscal year.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

Non-Treasury RSUs have the same features as Treasury RSUs, except that their vesting period is a maximum of three years and they can be settled in cash based on the Company's share price on the vesting date, or through the delivery of common shares purchased on the open market, at the Company's option. Non-Treasury RSUs are settled in common shares purchased on the open market, and to the extent that the Company has an obligation under tax laws to withhold an amount for an employee's tax obligation associated with the share-based payment the Company settles Non-Treasury RSUs on a net basis. Beginning in fiscal 2010, 100% of non-Treasury RSUs awarded to executive officers have vesting conditions that are dependent upon the financial performance of the Company relative to a benchmark group of Canadian publicly listed companies. In addition, up to two times the actual number of non-Treasury RSUs awarded to executive officers can vest if exceptional financial performance is achieved. As at January 1, 2017 and January 3, 2016, none of the outstanding non-Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the non-Treasury RSUs, for fiscal 2016 was $11.1 million (2015 - $15.9 million), and the counterpart has been recorded as contributed surplus. When the underlying common shares are delivered to employees for settlement upon vesting, the amounts previously credited to contributed surplus are transferred to share capital.

(c) Deferred share unit plan:

The Company has a deferred share unit plan for independent members of the Company's Board of Directors who must receive at least 50% of their annual board retainers in the form of deferred share units ("DSUs"). The value of these DSUs is based on the Company's share price at the time of payment of the retainers or fees. DSUs granted under the plan will be redeemable and the value thereof payable in cash only after the director ceases to act as a director of the Company. As at January 1, 2017, there were 255,472 (January 3, 2016 - 226,456) DSUs outstanding at a value of $6.5 million (January 3, 2016 - $6.4 million). This amount is included in accounts payable and accrued liabilities based on a fair value per deferred share unit of $25.37 (January 3, 2016 - $28.42). The DSU obligation is adjusted each quarter based on the market value of the Company's common shares. The Company includes the cost of the DSU plan in selling, general and administrative expenses, which for fiscal 2016 was $0.7 million (2015 - $1.6 million).

Changes in outstanding DSUs were as follows:

	2016	2015
DSUs outstanding, beginning of fiscal year	**226**	271
Granted	**36**	41
Granted for dividends declared	**2**	3
Forfeited	**(9)**	—
Redeemed	**—**	(89)
DSUs outstanding, end of fiscal year	**255**	226

16. SUPPLEMENTARY INFORMATION RELATING TO THE NATURE OF EXPENSES:

(a) Selling, general and administrative expenses:

		2016		2015
				(15 months)
Selling expenses	**$**	**113,340**	$	139,157
Administrative expenses		**121,702**		143,292
Distribution expenses		**101,391**		105,514
	$	**336,433**	$	387,963

16. SUPPLEMENTARY INFORMATION RELATING TO THE NATURE OF EXPENSES (continued):

(b) Employee benefit expenses:

		2016		2015
				(15 months)
Salaries, wages and other short-term employee benefits	**$**	**461,668**	$	515,854
Share-based payments		**15,756**		20,537
Post-employment benefits		**25,089**		17,338
	$	**502,513**	$	553,729

(c) Lease expenses:

During the year ended January 1, 2017 an amount of $26.6 million was recognized in the consolidated statement of earnings and comprehensive income relating to operating leases (2015 - $28.9 million).

As at January 1, 2017, the future minimum lease payments under non-cancellable leases were as follows:

	January 1, 2017
Within 1 year	**$ 18,163**
Between 1 and 5 years	**36,683**
More than 5 years	**15,436**
	$ 70,282

(d) Government assistance:

During the year ended January 1, 2017 an amount of $9.3 million was recognized in the consolidated statement of earnings and comprehensive income relating to government assistance for yarn production (2015 - $8.4 million).

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS:

Restructuring and acquisition-related costs are presented in the following table, and are comprised of costs directly related to the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction, exit and integration costs incurred pursuant to business acquisitions.

		2016		2015
				(15 months)
Employee termination and benefit costs	**$**	**5,006**	$	4,976
Exit, relocation and other costs		**7,898**		8,545
Loss on disposal of property, plant and equipment related to exit activities		**1,119**		161
Loss (gain) on disposal or transfer of assets held for sale		**597**		(994)
Remeasurement of contingent consideration in connection with a business acquisition		**(6,176)**		1,118
Acquisition-related transaction costs		**3,302**		1,102
	$	**11,746**	$	14,908

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS (continued):

Restructuring and acquisition-related costs in fiscal 2016 related primarily to costs incurred in connection with the integration of acquired businesses, including the integrations of the more recent Alstyle and Peds acquisitions, the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution, and administrative functions, and costs incurred in connection with the rationalization of our retail store outlets as part of our overall direct to consumer channel strategy. Restructuring and acquisition-related costs also included transaction costs related to the acquisitions of Alstyle and Peds. Restructuring and acquisition-related costs were partially offset by a gain on the re-measurement of the fair value of contingent consideration in connection with the Doris acquisition.

Restructuring and acquisition-related costs in fiscal 2015 related primarily to costs incurred in connection with the integration of acquired businesses, including the integrations of the Doris and Comfort Colors acquisitions, and the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution and administrative functions, and screenprinting operations. Restructuring and acquisition-related costs also included transaction costs related to the acquisition of the operating assets of Comfort Colors as well as costs incurred in connection with the consolidation of sewing operations.

18. INCOME TAXES:

The income tax provision differs from the amount computed by applying the combined Canadian federal and provincial tax rates to earnings before income taxes. The reasons for the difference and the related tax effects are as follows:

		2016		2015
				(15 months)
Earnings before income taxes	**$**	**351,838**	$	309,440
Applicable tax rate		**26.8%**		26.9%
Income taxes at applicable statutory rate		**94,398**		83,085
(Decrease) increase in income taxes resulting from:				
Effect of different tax rates on earnings of foreign subsidiaries		**(83,208)**		(76,150)
Income tax recovery and other adjustments related to prior taxation years		**(4,822)**		(5,086)
Non-recognition of tax benefits related to tax losses and temporary differences		**1,545**		14,341
Effect of non-deductible expenses and other		**(2,713)**		(11,664)
Total income tax expense	**$**	**5,200**	$	4,526
Average effective tax rate		**1.5%**		1.5%

The Company's applicable statutory tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The details of income tax expense are as follows:

		2016		2015
				(15 months)
Current income taxes, includes a recovery of $2,725 (2015 - expense of $3,904) relating to prior taxation years	**$**	**8,356**	$	7,036
Deferred income taxes:				
Origination and reversal of temporary differences		**(1,059)**		(2,510)
Recognition of tax benefits relating to prior taxation years		**(2,097)**		—
		(3,156)		(2,510)
Total income tax expense	**$**	**5,200**	$	4,526

18. INCOME TAXES (continued):

Significant components of the Company's deferred income tax assets and liabilities relate to the following temporary differences and unused tax losses:

		January 1, 2017		January 3, 2016
Deferred tax assets:				
Non-capital losses	**$**	**76,345**	$	65,914
Non-deductible reserves and accruals		**49,856**		46,824
Property, plant and equipment		**7,239**		4,866
Other items		**4,946**		4,091
		138,386		121,695
Unrecognized deferred tax assets		**(27,529)**		(25,372)
Deferred tax assets	**$**	**110,857**	$	96,323
Deferred tax liabilities:				
Property, plant and equipment	**$**	**(32,703)**	$	(18,872)
Intangible assets		**(76,654)**		(74,658)
Deferred tax liabilities	**$**	**(109,357)**	$	(93,530)
Deferred income taxes	**$**	**1,500**	$	2,793

The details of changes to deferred income tax assets and liabilities were as follows:

		2016		2015
Balance, beginning of fiscal year, net	**$**	**2,793**	$	(349)
Recognized in the statements of earnings:				
Non-capital losses		**9,847**		3,005
Non-deductible reserves and accruals		**3,004**		22,589
Property, plant and equipment		**(11,438)**		(16,445)
Intangible assets		**498**		7,385
Other		**2,790**		317
Unrecognized deferred tax assets		**(1,545)**		(14,341)
		3,156		2,510
Business acquisitions		**(4,542)**		—
Other		**93**		632
Balance, end of fiscal year, net	**$**	**1,500**	$	2,793

As at January 1, 2017, the Company has tax credits, capital and non-capital loss carryforwards and other deductible temporary differences available to reduce future taxable income for tax purposes representing a tax benefit of approximately $27.5 million, for which no deferred tax asset has been recognized (January 3, 2016 - $25.4 million), because the criteria for recognition of the tax asset was not met. The tax credits and capital and non-capital loss carryforwards expire between 2021 and 2036. The recognized deferred tax asset is supported by projections of future profitability of the Company.

The Company has not recognized a deferred income tax liability for the undistributed profits of subsidiaries operating in foreign jurisdictions, as the Company currently has no intention to repatriate these profits. If expectations or intentions change in the future, the Company may be subject to an additional tax liability upon distribution of these earnings in the form of dividends or otherwise. As at January 1, 2017, a deferred income tax liability of approximately $71 million would result from the recognition of the taxable temporary differences of approximately $267 million.

19. EARNINGS PER SHARE:

Reconciliation between basic and diluted earnings per share is as follows:

		2016		2015
				(15 months)
Net earnings - basic and diluted	**$**	**346,638**	$	304,914
Basic earnings per share:				
Basic weighted average number of common shares outstanding		**235,355**		242,502
Basic earnings per share	**$**	**1.47**	$	1.26
Diluted earnings per share:				
Basic weighted average number of common shares outstanding		**235,355**		242,502
Plus dilutive impact of stock options, Treasury RSUs and common shares held in trust		**693**		1,819
Diluted weighted average number of common shares outstanding		**236,048**		244,321
Diluted earnings per share	**$**	**1.47**	$	1.25

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

Excluded from the above calculation for the year ended January 1, 2017 are 1,572,273 stock options (2015 - 858,153) and 7,500 Treasury RSUs (2015 - 61,919) which were deemed to be anti-dilutive.

20. DEPRECIATION AND AMORTIZATION:

		2016		2015
				(15 months)
Depreciation of property, plant and equipment (note 9)	**$**	**124,738**	$	134,688
Adjustment for the variation of depreciation of property, plant and equipment included in inventories at the beginning and end of the year		**(5,430)**		(14,399)
Depreciation of property, plant and equipment included in net earnings		**119,308**		120,289
Amortization of intangible assets, excluding software (note 10)		**18,106**		22,546
Amortization of software (note 10)		**3,183**		3,578
Depreciation and amortization included in net earnings	**$**	**140,597**	$	146,413

21. SUPPLEMENTAL CASH FLOW DISCLOSURE:

(a) Adjustments to reconcile net earnings to cash flows from operating activities:

		2016		2015
				(15 months)
Depreciation and amortization (note 20)	$	**140,597**	$	146,413
Restructuring charges related to property, plant and equipment (note 17)		**1,716**		(833)
(Gain) loss on remeasurement of contingent consideration in connection with a business acquisition (note 17)		**(6,176)**		1,118
Loss on disposal of property, plant and equipment and intangible assets		**1,631**		1,167
Share-based compensation		**15,373**		12,320
Deferred income taxes (note 18)		**(3,156)**		(2,510)
Unrealized net loss on foreign exchange and financial derivatives		**1,993**		226
Timing differences between settlement of financial derivatives and transfer of deferred gains and losses in accumulated OCI to net earnings		**10,840**		5,042
Other non-current assets		**(2,202)**		2,011
Other non-current liabilities		**(2,169)**		(17,300)
	$	**158,447**	$	147,654

(b) Variations in non-cash transactions:

		2016		2015
				(15 months)
Change in classification of non-Treasury RSUs to equity-settled (note 3(cc))	$	**6,234**	$	—
Additions to property, plant and equipment and intangible assets included in accounts payable and accrued liabilities		**(8,200)**		(6,980)
Proceeds on disposal of property, plant and equipment included in other current assets		**(475)**		(234)
Assets held for sale transferred to property, plant and equipment		**2,243**		—
Balance due on business acquisition (note 5)		**(4,000)**		—
Settlement of pre-existing relationship (note 5)		**—**		8,378
Transfer from accounts payable and accrued liabilities to contributed surplus in connection with share repurchases for future settlement of non-Treasury RSUs		**—**		7,488
Non-cash ascribed value credited to contributed surplus for dividends attributed to Treasury RSUs		**370**		85
Non-cash ascribed value credited to share capital from shares issued or distributed pursuant to vesting of restricted share units and exercise of stock options		**8,085**		26,496

22. RELATED PARTY TRANSACTIONS:

Key management personnel compensation:

Key management personnel includes those individuals that have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and is comprised of the members of the executive management team and the Board of Directors. The amount for compensation expense recognized in net earnings for key management personnel was as follows:

		2016		2015
				(15 months)
Short-term employee benefits	**$**	**7,422**	$	7,579
Post-employment benefits		**157**		200
Share-based payments		**10,132**		11,274
	$	**17,711**	$	19,053

The amounts in accounts payable and accrued liabilities for share-based compensation awards to key management personnel were as follows:

		January 1, 2017		January 3, 2016
Non-Treasury RSUs	**$**	**—**	$	1,463
DSUs		**6,481**		6,436
	$	**6,481**	$	7,899

23. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES:

(a) Claims and litigation

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a material adverse effect on the financial position or results of operations of the Company.

(b) Guarantees

The Company, and some of its subsidiaries, have granted financial guarantees, irrevocable standby letters of credit, and surety bonds to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform their contractual obligations. As at January 1, 2017, the maximum potential liability under these guarantees was $53.8 million (January 3, 2016 - $55.4 million), of which $10.4 million was for surety bonds and $43.4 million was for financial guarantees and standby letters of credit (January 3, 2016 - $10.6 million and $44.8 million, respectively).

As at January 1, 2017, the Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for the aforementioned items.

24. CAPITAL DISCLOSURES:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while maintaining a strong credit profile and taking a conservative approach towards financial risk management.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's use of capital is to finance working capital requirements, capital expenditures, business acquisition, payment of dividends, as well as share repurchases. The Company currently funds these requirements out of its internally-generated cash flows and with funds drawn from its long-term debt facilities.

The primary measure used by the Company to monitor its financial leverage is its net debt leverage ratio. The Company's net debt leverage ratio is defined as the ratio of net indebtedness to earnings before financial expenses/income, taxes, depreciation and amortization, and restructuring and acquisition-related costs ("adjusted EBITDA") for the trailing twelve months, on a pro-forma basis to reflect business acquisitions made during the trailing twelve month period, as if they had occurred at the beginning of the trailing twelve month period. The Company has set a target net debt leverage ratio of one to two times adjusted EBITDA. As at January 1, 2017, the Company's net debt leverage ratio was 1.0 times.

In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

The Board of Directors will consider several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's revolving facilities, term loan facility, and notes require compliance with lending covenants in order to pay dividends, these covenants are not currently, and are not expected to be, a constraint to the payment of dividends under the Company's dividend policy.

The Company paid dividends of $74.4 million during the year ended January 1, 2017, representingdividends declared per common share of $0.312. On February 22, 2017, the Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of $0.0935 per share for an expected aggregate payment of $21.5 million which will be paid on April 3, 2017 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 9, 2017. This dividend is an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any other applicable provincial legislation pertaining to eligible dividends.

The Company is not subject to any capital requirements imposed by a regulator.

25. SEGMENT INFORMATION:

The Company manages and reports its business as two operating segments, Printwear and Branded Apparel, each of which is a reportable segment for financial reporting purposes. Each segment has its own management that is accountable and responsible for the segment's operations, results and financial performance. These segments are principally organized by the major customer markets they serve. The following summary describes the operations of each of the Company's operating segments:

Printwear: The Printwear segment, headquartered in Christ Church, Barbados, designs, manufactures, sources, markets and distributes undecorated activewear products in large quantities primarily to wholesale distributors in printwear markets in over 55 countries across North America, Europe, Asia-Pacific and Latin America.

Branded Apparel: The Branded Apparel segment, headquartered in Charleston, South Carolina, designs, manufactures, sources, markets and distributes branded family apparel, which includes athletic, casual and dress socks, sheer hosiery, legwear, shapewear, underwear and activewear products, primarily to U.S. and Canadian retailers.

The chief operating decision-maker assesses segment performance based on segment operating income which is defined as operating income before corporate head office expenses, restructuring and acquisition-related costs, and amortization of intangible assets, excluding software. The accounting policies of the segments are the same as those described in note 3 of these consolidated financial statements.

25. SEGMENT INFORMATION (continued):

		2016		2015 (15 months)
Segmented net sales:				
Printwear	**$**	**1,651,079**	$	1,794,754
Branded Apparel		**933,991**		1,164,484
Total net sales	**$**	**2,585,070**	$	2,959,238
Segment operating income:				
Printwear	**$**	**388,052**	$	363,607
Branded Apparel		**85,445**		91,033
Total segment operating income	**$**	**473,497**	$	454,640
Reconciliation to consolidated earnings before income taxes:				
Total segment operating income	**$**	**473,497**	$	454,640
Amortization of intangible assets, excluding software		**(18,106)**		(22,546)
Corporate expenses		**(72,121)**		(89,949)
Restructuring and acquisition-related costs		**(11,746)**		(14,908)
Financial expenses, net		**(19,686)**		(17,797)
Earnings before income taxes	**$**	**351,838**	$	309,440
Additions to property, plant and equipment and intangible assets (including additions from business acquisitions and transfers):				
Printwear	**$**	**146,556**	$	392,635
Branded Apparel		**71,022**		73,911
Corporate		**4,357**		4,682
Assets not yet utilized in operations, net of transfers		**(24,131)**		(87,321)
	$	**197,804**	$	383,907
Depreciation of property, plant and equipment:				
Printwear	**$**	**77,436**	$	77,468
Branded Apparel		**38,924**		39,273
Corporate		**2,948**		3,548
	$	**119,308**	$	120,289

25. SEGMENT INFORMATION (continued):

The reconciliation of total assets to segmented assets is as follows:

	January 1, 2017	January 3, 2016
Segmented assets: (1)		
Printwear	**$ 1,640,739**	$ 1,453,823
Branded Apparel	**1,177,843**	1,197,838
Total segmented assets	**2,818,582**	2,651,661
Unallocated assets:		
Cash and cash equivalents	**38,197**	50,675
Assets held for sale	**—**	2,840
Deferred income taxes	**1,500**	2,793
Assets not yet utilized in operations	**60,552**	84,683
Other - primarily corporate assets	**71,313**	41,628
Consolidated assets	**$ 2,990,144**	$ 2,834,280

(1) Segmented assets include the net carrying amounts of intangible assets and goodwill.

Property, plant and equipment, intangible assets, and goodwill, were allocated to geographic areas as follows:

	January 1, 2017	January 3, 2016
United States	**$ 841,694**	$ 857,082
Canada	**151,508**	120,152
Honduras	**400,438**	400,774
Caribbean Basin	**159,419**	156,562
Other	**80,153**	37,198
	$ 1,633,212	$ 1,571,768

Net sales by major product group were as follows:

	2016	2015
		(15 months)
Activewear and underwear	**$ 1,993,012**	$ 2,246,524
Socks and hosiery	**592,058**	712,714
	$ 2,585,070	$ 2,959,238

Net sales were derived from customers located in the following geographic areas:

	2016	2015
		(15 months)
United States	**$ 2,253,910**	$ 2,585,533
Canada	**118,955**	136,516
Europe and other	**212,205**	237,189
	$ 2,585,070	$ 2,959,238

25. SEGMENT INFORMATION (continued):

The Company has two customers accounting for at least 10% of total net sales.

	2016	2015
		(15 months)
Customer A	**18.2%**	15.7%
Customer B	**12.4%**	13.1%

26. EVENTS AFTER THE REPORTING PERIOD:

On February 8, 2017, the Company acquired the American Apparel® brand and certain assets from American Apparel, LLC, (American Apparel) which filed for Chapter 11 bankruptcy protection on November 14, 2016. The acquisition was effected through a court supervised auction during which Gildan emerged as the successful bidder with a final cash bid of approximately $88 million. The American Apparel® brand will be a strong complementary addition to Gildan's growing brand portfolio. The acquisition provides the opportunity to grow American Apparel® sales by leveraging the Company's extensive printwear distribution networks in North America and internationally to drive further market share penetration in the fashion basics segment of these markets.

Results from the sale of products under the American Apparel® brand will be consolidated with those of the Company from the date of acquisition and will be reflected as part of the results of the Printwear segment.

A deposit of $6.6 million was made with respect to the acquisition during December 2016, and was recorded in other non current assets in the statement of financial position, and as cash used in a business acquisition in the statement of cash flows.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality, and for maintaining a system of internal controls over financial reporting as described in "Management's annual report on internal control over financial reporting" included in Management's Discussion and Analysis for the fiscal year ended January 1, 2017. Management is also responsible for the preparation and presentation of other financial information included in the 2016 Annual Report and its consistency with the consolidated financial statements.

The Audit and Finance Committee, which is appointed annually by the Board of Directors and comprised exclusively of independent directors, meets with management as well as with the independent auditors and internal auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit and Finance Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The Audit and Finance Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors.

The consolidated financial statements have been independently audited by KPMG LLP, on behalf of the shareholders, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company. In addition, our auditors have issued a report on the Company's internal controls over financial reporting as of January 1, 2017. KPMG LLP has direct access to the Audit and Finance Committee of the Board of Directors.

(Signed: Glenn J. Chamandy)
Glenn J. Chamandy
President and Chief Executive Officer

(Signed: Rhodri J. Harries)
Rhodri J. Harries
Executive Vice-President,
Chief Financial and Administrative Officer

February 22, 2017

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Gildan Activewear Inc.:

We have audited the accompanying consolidated financial statements of Gildan Activewear Inc. (the "Company"), which comprise the consolidated statements of financial position as at January 1, 2017 and January 3, 2016, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gildan Activewear Inc. as at January 1, 2017 and January 3, 2016, and its consolidated financial performance and its consolidated cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 1, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2017 expressed an unqualified (unmodified) opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP*

Montréal, Canada
February 22, 2017

*CPA auditor, CA, public accountancy permit No. A110592

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Gildan Activewear Inc.:

We have audited Gildan Activewear Inc.'s internal control over financial reporting as of January 1, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Gildan Activewear Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting as presented in the section entitled "Management's Annual Report on Internal Control over Financial Reporting" included in Management's Discussion and Analysis for the year ended January 1, 2017. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Gildan Activewear Inc. maintained, in all material respects, effective internal control over financial reporting as of January 1, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During 2016, Gildan Activewear Inc. acquired Alstyle Apparel, LLC ("Alstyle") and Peds Legwear, Inc. ("Peds"), and Management excluded from its assessment of the effectiveness of internal control over financial reporting as of January 1, 2017 Alstyle's and Peds' internal control over financial reporting associated with total assets of $200 million and total net sales of $118.6 million included in the consolidated financial statements of Gildan Activewear Inc. as at and for the year ended January 1, 2017. Our audit of internal control over financial reporting of Gildan Activewear Inc. also excluded the evaluation of the internal control over financial reporting of Alstyle and Peds.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Gildan Activewear Inc. as at January 1, 2017 and January 3, 2016 and the related consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016, and our report dated February 22, 2017 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

KPMG LLP*

Montréal, Canada
February 22, 2017

*CPA auditor, CA, public accountancy permit No. A110592

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

		January 1, 2017		January 3, 2016
Current assets:				
Cash and cash equivalents (note 6)	**$**	**38,197**	$	50,675
Trade accounts receivable (note 7)		**277,733**		306,132
Inventories (note 8)		**954,876**		851,033
Prepaid expenses, deposits and other current assets		**69,719**		42,934
Assets held for sale		**—**		2,840
Total current assets		**1,340,525**		1,253,614
Non-current assets:				
Property, plant and equipment (note 9)		**1,076,883**		1,044,389
Intangible assets (note 10)		**354,221**		336,753
Goodwill (note 10)		**202,108**		190,626
Deferred income taxes (note 18)		**1,500**		2,793
Other non-current assets		**14,907**		6,105
Total non-current assets		**1,649,619**		1,580,666
Total assets	**$**	**2,990,144**	$	2,834,280
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**234,062**	$	232,268
Income taxes payable		**1,866**		953
Total current liabilities		**235,928**		233,221
Non-current liabilities:				
Long-term debt (note 11)		**600,000**		375,000
Other non-current liabilities (note 12)		**34,569**		37,616
Total non-current liabilities		**634,569**		412,616
Total liabilities		**870,497**		645,837
Commitments, guarantees and contingent liabilities (note 23)				
Equity:				
Share capital		**152,313**		150,497
Contributed surplus		**23,198**		14,007
Retained earnings		**1,903,525**		2,022,846
Accumulated other comprehensive income		**40,611**		1,093
Total equity attributable to shareholders of the Company		**2,119,647**		2,188,443
Total liabilities and equity	**$**	**2,990,144**	$	2,834,280

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

(Signed: Glenn J. Chamandy)
Glenn J. Chamandy
Director

(Signed: Russell Goodman)
Russell Goodman
Director

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
Fiscal years ended January 1, 2017 and January 3, 2016
(in thousands of U.S. dollars, except per share data)

		2016		2015
				(15 months)
Net sales	**$**	**2,585,070**	$	2,959,238
Cost of sales		**1,865,367**		2,229,130
Gross profit		**719,703**		730,108
Selling, general and administrative expenses (note 16(a))		**336,433**		387,963
Restructuring and acquisition-related costs (note 17)		**11,746**		14,908
Operating income		**371,524**		327,237
Financial expenses, net (note 14(c))		**19,686**		17,797
Earnings before income taxes		**351,838**		309,440
Income tax expense (note 18)		**5,200**		4,526
Net earnings		**346,638**		304,914
Other comprehensive income (loss), net of related income taxes:				
Cash flow hedges (note 14(d))		**39,518**		8,825
Actuarial loss on employee benefit obligations (note 12(a))		**(5,239)**		(10,000)
		34,279		(1,175)
Comprehensive income	**$**	**380,917**	$	303,739
Earnings per share: (note 19)				
Basic [(1)]	**$**	**1.47**	$	1.26
Diluted [(1)]	**$**	**1.47**	$	1.25

(1) All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Fiscal years ended January 1, 2017 and January 3, 2016
(in thousands or thousands of U.S. dollars)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number	Amount				
Balance, October 5, 2014	244,648	$ 124,595	$ 20,778	$ (7,732)	$ 1,885,892	$ 2,023,533
Share-based compensation	—	—	12,152	—	—	12,152
Shares issued under employee share purchase plan	59	1,761	—	—	—	1,761
Shares issued pursuant to exercise of stock options	1,462	21,904	(7,465)	—	—	14,439
Shares issued or distributed pursuant to vesting of restricted share units	1,013	19,031	(19,031)	—	—	—
Shares repurchased for cancellation (note 13(d))	(3,050)	(1,555)	—	—	(78,188)	(79,743)
Share repurchases for future settlement of non-Treasury RSUs (note 13(e))	(560)	(15,239)	7,488	—	—	(7,751)
Dividends declared	—	—	85	—	(79,772)	(79,687)
Transactions with shareholders of the Company recognized directly in equity	(1,076)	25,902	(6,771)	—	(157,960)	(138,829)
Cash flow hedges (note 14(d))	—	—	—	8,825	—	8,825
Actuarial loss on employee benefit obligations (note 12(a))	—	—	—	—	(10,000)	(10,000)
Net earnings	—	—	—	—	304,914	304,914
Comprehensive income	—	—	—	8,825	294,914	303,739
Balance, January 3, 2016	243,572	$ 150,497	$ 14,007	$ 1,093	$ 2,022,846	$ 2,188,443
Share-based compensation	—	—	15,225	—	—	15,225
Shares issued under employee share purchase plan	53	1,532	—	—	—	1,532
Shares issued pursuant to exercise of stock options	77	1,278	(453)	—	—	825
Shares issued or distributed pursuant to vesting of restricted share units	291	7,632	(12,185)	—	(143)	(4,696)
Shares repurchased for cancellation (note 13(d))	(13,775)	(8,626)	—	—	(385,825)	(394,451)
Change in classification of non-Treasury RSUs to equity-settled (note 3(cc))	—	—	6,234	—	—	6,234
Dividends declared	—	—	370	—	(74,752)	(74,382)
Transactions with shareholders of the Company recognized directly in equity	(13,354)	1,816	9,191	—	(460,720)	(449,713)
Cash flow hedges (note 14(d))	—	—	—	39,518	—	39,518
Actuarial loss on employee benefit obligations (note 12(a))	—	—	—	—	(5,239)	(5,239)
Net earnings	—	—	—	—	346,638	346,638
Comprehensive income	—	—	—	39,518	341,399	380,917
Balance, January 1, 2017	**230,218**	**$ 152,313**	**$ 23,198**	**$ 40,611**	**$ 1,903,525**	**$ 2,119,647**

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal years ended January 1, 2017 and January 3, 2016
(in thousands of U.S. dollars)

		2016		2015
				(15 months)
Cash flows from (used in) operating activities:				
Net earnings	$	346,638	$	304,914
Adjustments to reconcile net earnings to cash flows from operating activities (note 21(a))		158,447		147,654
		505,085		452,568
Changes in non-cash working capital balances:				
Trade accounts receivable		57,097		47,893
Income taxes		(1,716)		2,478
Inventories		(15,188)		(36,149)
Prepaid expenses, deposits and other current assets		7,070		(4,290)
Accounts payable and accrued liabilities		(14,450)		(108,876)
Cash flows from operating activities		537,898		353,624
Cash flows from (used in) investing activities:				
Purchase of property, plant and equipment		(129,408)		(319,374)
Purchase of intangible assets		(10,833)		(7,545)
Business acquisitions (notes 5 & 26)		(163,947)		(103,800)
Proceeds on disposal of assets held for sale and property, plant and equipment		833		5,463
Cash flows used in investing activities		(303,355)		(425,256)
Cash flows from (used in) financing activities:				
Increase (decrease) in amounts drawn under revolving long-term bank credit facility		(375,000)		218,000
Proceeds from term loan		300,000		—
Proceeds from issuance of notes		300,000		—
Dividends paid		(74,382)		(79,687)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs		(4,696)		—
Proceeds from the issuance of shares		2,209		16,032
Repurchase and cancellation of shares (note 13(d))		(394,451)		(79,743)
Share repurchases for future settlement of non-Treasury RSUs (note 13(e))		—		(15,239)
Cash flows (used in) from financing activities		(246,320)		59,363
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		(701)		(2,219)
Net decrease in cash and cash equivalents during the fiscal year		(12,478)		(14,488)
Cash and cash equivalents, beginning of fiscal year		50,675		65,163
Cash and cash equivalents, end of fiscal year	$	38,197	$	50,675
Cash paid (included in cash flows from operating activities):				
Interest	$	10,670	$	9,561
Income taxes, net of refunds		9,349		4,890

Supplemental disclosure of cash flow information (note 21)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended January 1, 2017 and January 3, 2016
(Tabular amounts in thousands or thousands of U.S. dollars except per share data, unless otherwise indicated)

1. REPORTING ENTITY:

Gildan Activewear Inc. (the "Company") is domiciled in Canada and is incorporated under the *Canada Business Corporations Act*. Its principal business activity is the manufacture and sale of activewear, socks and underwear. Beginning in fiscal 2015, the Company changed its fiscal year to end on the Sunday closest to December 31 of each year. As a result, fiscal 2015 was a transition year and included 15 months of operations, beginning on October 6, 2014 and ending on January 3, 2016.

The address of the Company's registered office is 600 de Maisonneuve Boulevard West, Suite 3300, Montreal, Quebec. The consolidated financial statements for the fiscal years ended January 1, 2017 and January 3, 2016 include the accounts of the Company and its subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange and New York Stock Exchange under the symbol GIL.

All earnings per share and share data in these consolidated financial statements and notes are on a post-split basis, reflecting the effect of the two-for-one stock split of the Company's outstanding common shares by way of a share dividend that took effect on March 27, 2015. See note 13(c).

2. BASIS OF PREPARATION:

(a) **Statement of compliance:**
The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the fiscal year ended January 1, 2017 were authorized for issuance by the Board of Directors of the Company on February 22, 2017.

(b) **Basis of measurement:**
The consolidated financial statements have been prepared on the historical cost basis except for the following items in the consolidated statements of financial position:

- Derivative financial instruments which are measured at fair value;
- Assets held for sale which are stated at the lower of carrying amount and fair value less costs to sell;
- Liabilities for cash-settled share-based payment arrangements which are measured at fair value;
- Employee benefit obligations related to defined benefit plans which are measured as the net total of the fair value of plan assets and the present value of the defined benefit obligations;
- Provisions for decommissioning, site restoration costs and onerous contracts which are measured at the present value of the expenditures expected to be required to settle the obligation;
- Contingent consideration in connection with a business combination which is measured at fair value; and
- Identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value.

Certain of the comparative information has been reclassified to conform to the presentation adopted in the current fiscal period.

The consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency.

2. BASIS OF PREPARATION (continued):

(c) Initial application of new or amended accounting standards:

Share-based payment
On July 4, 2016, the Company early adopted the amendments to IFRS 2, Share-based payment, which were issued by the IASB on June 20, 2016, with effect as at January 3, 2016. The amendments clarify how to classify and measure certain types of share-based payment transactions, including share-based payment transactions with a net settlement feature for withholding tax obligations. The adoption of the amendments to IFRS 2 did not have an impact on the Company's consolidated financial statements as at the effective date of adoption.

Income Taxes
In November 2016, the IFRS Interpretations Committee issued an agenda decision that prohibits the application of guidance in IAS 12, Income Taxes, for non-depreciable property, plant and equipment by analogy to intangible assets with an indefinite useful life when measuring deferred tax. The agenda decision clarifies that an entity must consider whether the intangible asset with an indefinite useful life is expected to be recovered through use or through sale, or a combination of both. The revised guidance was effective immediately. The impact of the adoption of the revised guidance to IAS 12 is described in note 10.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) **Basis of consolidation:**

(i) Business combinations:
Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and equity interests issued by the Company on the date control of the acquired company is obtained. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration classified as an asset or a liability that is a financial instrument is subsequently remeasured at fair value, with any resulting gain or loss recognized in the consolidated statement of earnings and comprehensive income. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred and are included in restructuring and acquisition-related costs in the consolidated statement of earnings and comprehensive income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in an acquired company either at fair value or at the non-controlling interest's proportionate share of the acquired company's net identifiable assets. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognized is less than the fair value of the net assets of the business acquired, a purchase gain is recognized immediately in the consolidated statement of earnings and comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(a) **Basis of consolidation (continued):**

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company. Intragroup transactions, balances and unrealized gains or losses on transactions between group companies are eliminated.

The Company's principal subsidiaries, their jurisdiction of incorporation, and the Company's percentage ownership share of each are as follows:

Subsidiary	Jurisdiction of Incorporation	Ownership percentage
Gildan Activewear SRL	Barbados	100%
Gildan USA Inc.	Delaware	100%
Gildan Yarns, LLC	Delaware	100%
Gildan Honduras Properties, S. de R.L.	Honduras	100%
Gildan Apparel (Canada) LP	Ontario	100%
Gildan Hosiery Rio Nance, S. de R.L.	Honduras	100%
Gildan Activewear (UK) Limited	United Kingdom	100%
Gildan Activewear Honduras Textile Company, S. de R.L.	Honduras	100%
Gildan Activewear (Eden) Inc.	North Carolina	100%
Gildan Mayan Textiles, S. de R.L.	Honduras	100%
A.K.H., S. de R. L.	Honduras	100%

The Company has no other subsidiaries representing individually more than 10% of the total consolidated assets and 10% of the consolidated net sales of the Company, or in the aggregate more than 20% of the total consolidated assets and the consolidated net sales of the Company as at and for the fiscal year ended January 1, 2017.

(b) **Foreign currency translation:**

Monetary assets and liabilities of the Company's Canadian and foreign operations denominated in currencies other than the U.S. dollar are translated using exchange rates in effect at the reporting date. Non-monetary assets and liabilities denominated in currencies other than U.S. dollars are translated at the rates prevailing at the respective transaction dates. Income and expenses denominated in currencies other than U.S. dollars are translated at average rates prevailing during the year. Gains or losses on foreign exchange are recorded in net earnings, and presented in the statement of earnings and comprehensive income within financial expenses.

(c) **Cash and cash equivalents:**

The Company considers all liquid investments with maturities of three months or less from the date of purchase to be cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(d) **Trade accounts receivable:**
Trade accounts receivable consist of amounts due from our normal business activities. An allowance for doubtful accounts is maintained to reflect expected credit losses. Bad debts are provided for based on collection history and specific risks identified on a customer-by-customer basis. Uncollected accounts are written off through the allowance for doubtful accounts. Trade accounts receivable are recorded net of accrued sales discounts.

The Company may continuously sell trade receivables of certain designated customers to a third party financial institution in exchange for a cash payment equal to the face value of the sold trade receivables, less an applicable discount. The Company retains servicing responsibilities, including collection, for these trade receivables but does not retain any credit risk with respect to any trade receivables that have been sold. All receivables sold under the receivables purchase agreement are removed from the consolidated statements of financial position as the sale of the receivables qualify for de-recognition. The net cash proceeds received by the Company are included as cash flows from operating activities in the consolidated statements of cash flows. The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer is recorded in financial expenses in the consolidated statements of earnings.

(e) **Inventories:**
Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle. Inventory costs include the purchase price and other costs directly related to the acquisition of raw materials and spare parts held for use in the manufacturing process, and the cost of purchased finished goods. Inventory costs also include the costs directly related to the conversion of materials to finished goods, such as direct labour, and a systematic allocation of fixed and variable production overhead, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on the normal capacity of the production facilities. Normal capacity is the average production expected to be achieved during the fiscal year, under normal circumstances. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Raw materials, work in progress and spare parts inventories are not written down if the finished products in which they will be incorporated are expected to be sold at or above cost.

(f) **Assets held for sale:**
Non-current assets which are classified as assets held for sale, are reported in current assets in the statement of financial position, when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

(g) **Property, plant and equipment:**
Property, plant and equipment are initially recorded at cost, and are subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, site preparation costs, initial delivery and handling costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and condition necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant and equipment also includes, when applicable, the initial present value estimate of the costs of decommissioning or dismantling and removing the asset and restoring the site on which it is located at the end of its useful life, and any applicable borrowing costs, and is amortized over the remaining life of the underlying asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of other equipment. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits are present and the cost of the item can be measured reliably. When property, plant and equipment are replaced, they are fully written down. Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the statement of earnings and comprehensive income.

Land is not depreciated. The cost of property, plant and equipment less its residual value, if any, is depreciated on a straight-line basis over the following estimated useful lives:

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(g) **Property, plant and equipment (continued):**

Asset	Useful life
Buildings and improvements	5 to 40 years
Manufacturing equipment	3 to 10 years
Other equipment	2 to 25 years

Significant components of plant and equipment which are identified as having different useful lives are depreciated separately over their respective useful lives. Depreciation methods, useful lives and residual values, if applicable, are reviewed and adjusted, if appropriate, on a prospective basis at the end of each fiscal year.

Assets not yet utilized in operations include expenditures incurred to date for plant constructions or expansions which are still in process and equipment not yet placed into service as at the reporting date. Depreciation on these assets commences when the assets are available for use.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs ceases when the asset is completed and ready for its intended use.

All other borrowing costs are recognized as financial expenses in the consolidated statement of earnings and comprehensive income as incurred.

(h) **Intangible assets:**
Definite life intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets include identifiable intangible assets acquired in a business combination, and consist of customer contracts and customer relationships, license agreements, and trademarks. Intangible assets also include computer software that is not an integral part of the related hardware. Indefinite life intangible assets represent intangible assets which the Company controls, which have no contractual or legal expiration date, and therefore are not amortized as there is no foreseeable time limit to their useful economic life. An assessment of indefinite life intangible assets is performed annually to determine whether events and circumstances continue to support an indefinite useful life, and any change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate on a prospective basis. Intangible assets with finite lives are amortized on a straight-line basis over the following estimated useful-lives:

Asset	Useful life
Customer contracts and customer relationships	7 to 20 years
License agreements	7 to 10 years
Computer software	4 to 7 years
Trademarks with a finite life	5 years
Non-compete agreements	2 years

Most of the Company's trademarks are not amortized as they are considered to be indefinite life intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) **Intangible assets (continued):**

The costs of information technology projects that are directly attributable to the design and testing of identifiable and unique software products, including internally developed computer software are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditures attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense in the consolidated statement of earnings and comprehensive income as incurred.

(i) **Goodwill:**

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill arises on business combinations and is measured as the excess of the consideration transferred and the recognized amount of the non-controlling interest in the acquired business, if any, over the fair value of identifiable assets acquired and liabilities assumed of an acquired business.

(j) **Impairment of non-financial assets:**

Non-financial assets that have an indefinite useful life such as goodwill and trademarks are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Assets that are subject to amortization are assessed at the end of each reporting period as to whether there is any indication of impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs of disposal. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case assets are grouped at the lowest levels for which there are separately identifiable cash inflows (i.e. cash-generating units or CGUs).

In assessing value in use, the estimated future cash flows expected to be derived from the asset or CGU by the Company are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset and or the CGU. In assessing a CGU's fair value less costs of disposal, the Company uses the best information available to reflect the amount that the Company could obtain, at the time of the impairment test, from the disposal of the asset or CGU in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

For the purpose of testing goodwill for impairment, goodwill acquired in a business combination is allocated to a CGU or a group of CGUs that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired company are assigned to those CGUs. Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of earnings and comprehensive income.

Reversal of impairment losses

A goodwill impairment loss is not reversed. Impairment losses on non-financial assets other than goodwill recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) **Financial instruments:**

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets

Financial assets are classified into the following categories, and depend on the purpose for which the financial assets were acquired.

(i) ***Financial assets measured at amortized cost***

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents, trade accounts receivable, certain other current assets (excluding derivative financial instruments designated as effective hedging instruments), and long-term non-trade receivables as financial assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) ***Financial assets measured at fair value***

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no significant financial assets measured at fair value.

Financial liabilities

Financial liabilities are classified into the following categories.

(iii) ***Financial liabilities measured at amortized cost***

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies accounts payable and accrued liabilities (excluding derivative financial instruments designated as effective hedging instruments), and long-term debt as financial liabilities measured at amortized cost.

(iv) ***Financial liabilities measured at fair value***

Financial liabilities at fair value are initially recognized at fair value and are remeasured at each reporting date with any changes therein recognized in net earnings. The Company currently classifies its contingent consideration in connection with a business acquisition as a financial liability measured at fair value.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) **Financial instruments (continued):**

Fair value of financial instruments
Financial instruments measured at fair value use the following fair value hierarchy to prioritize the inputs used in measuring fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of earnings and comprehensive income.

(l) **Derivative financial instruments and hedging relationships:**
The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(l) **Derivative financial instruments and hedging relationships (continued):**

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in net earnings, together with any changes in the fair value of the hedged asset, liability or firm commitment that are attributable to the hedged risk. The change in fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the statement of earnings and comprehensive income or in the statement of financial position caption relating to the hedged item. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Embedded derivatives
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Other derivatives
When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings.

(m) **Accounts payable and accrued liabilities:**
Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as current liabilities if payment is due within one year, otherwise, they are presented as non-current liabilities.

(n) **Long-term debt:**
Long-term debt is recognized initially at fair value, and is subsequently carried at amortized cost. Initial facility fees are deferred and treated as an adjustment to the instrument's effective interest rate and recognized as an expense over the instrument's estimated life if it is probable that the facility will be drawn down. However, if it is not probable that a facility will be drawn down for its entire term, then the fees are considered service fees and are deferred and recognized as an expense on a straight-line basis over the commitment period.

(o) **Employee benefits:**

Short-term employee benefits
Short-term employee benefits include wages, salaries, commissions, compensated absences and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefit obligations are included in accounts payable and accrued liabilities.

Defined contribution plans
The Company offers group defined contribution plans to eligible employees whereby the Company matches employees' contributions up to a fixed percentage of the employee's salary. Contributions by the Company to trustee-managed investment portfolios or employee associations are expensed as incurred. Benefits are also provided to employees through defined contribution plans administered by the governments in the countries in which the Company operates. The Company’s contributions to these plans are recognized in the period when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(o) **Employee benefits (continued):**

Defined benefit plans
The Company maintains a liability for statutory severance obligations for active employees located in the Caribbean Basin and Central America which is payable to the employees in a lump sum payment upon termination of employment. The liability is based on management's best estimates of the ultimate costs to be incurred to settle the liability and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions.

Liabilities related to defined benefit plans are included in other non-current liabilities in the consolidated statement of financial position. Service costs, interest costs, and costs related to the impact of program changes are recognized in cost of sales in the consolidated statement of earnings. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to other comprehensive income in the period in which they arise, and are immediately transferred to retained earnings without reclassification to net earnings in a subsequent period.

(p) **Provisions:**
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial expense. Provisions are included in other non-current liabilities in the consolidated statement of financial position.

Decommissioning and site restoration costs
The Company recognizes decommissioning and site restoration obligations for future removal and site restoration costs associated with the restoration of certain property and plant should it decide to discontinue some of its activities.

Onerous contracts
A provision for onerous contracts is recognized if the unavoidable costs of meeting the obligations specified in a contractual arrangement exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the lower of the cost of fulfilling the contract and the expected cost of terminating the contract.

(q) **Share capital:**
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such common shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(r) **Dividends declared:**
Dividends declared to the Company's shareholders are recognized as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Company's Board of Directors.

(s) **Revenue recognition:**
Revenue is recognized upon shipment of products to customers, since title passes upon shipment, and to the extent that the selling price is fixed or determinable. At the time of sale, estimates are made for customer price discounts and volume rebates based on the terms of existing programs. Sales are recorded net of these program costs and estimated sales returns, which are based on historical experience, current trends and other known factors, and exclude sales taxes. New sales incentive programs which relate to sales made in a prior period are recognized at the time the new program is introduced.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(t) **Cost of sales and gross profit:**

Cost of sales includes all raw material costs, manufacturing conversion costs, including manufacturing depreciation expense, sourcing costs, inbound freight and inter-facility transportation costs, and outbound freight to customers. Cost of sales also includes the cost of purchased finished goods, costs relating to purchasing, receiving and inspection activities, manufacturing administration, third-party manufacturing services, sales-based royalty costs, insurance, inventory write-downs, and customs and duties. Gross profit is the result of net sales less cost of sales. The Company's gross profit may not be comparable to gross profit as reported by other companies, since some entities include warehousing and handling costs, and/or exclude depreciation expense, outbound freight to customers and royalty costs from cost of sales.

(u) **Selling, general and administrative expenses:**

Selling, general and administrative ("SG&A") expenses include warehousing and handling costs, selling and administrative personnel costs, advertising and marketing expenses, costs of leased non-manufacturing facilities and equipment, professional fees, non-manufacturing depreciation expense, and other general and administrative expenses. SG&A expenses also include bad debt expense and amortization of intangible assets.

(v) **Product introduction expenditures:**

Product introduction expenditures are one-time fees paid to retailers to allow the Company's products to be placed on store shelves. If the Company receives a benefit over a period of time and the fees are directly attributable to the product placement, and certain other criteria are met, these fees are recorded as an asset and are amortized as a reduction of revenue over the term of the arrangement. The Company evaluates the recoverability of these assets on a quarterly basis.

(w) **Restructuring and acquisition-related costs:**

Restructuring and acquisition-related costs are expensed when incurred, or when a legal or constructive obligation exists. Restructuring and acquisition-related costs are comprised of costs directly related to the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction and integration costs incurred pursuant to business acquisitions. The nature of expenses included in restructuring and acquisition-related costs include: severance and termination benefits, including the termination of employee benefit plans; gains or losses from the remeasurement and disposal of assets held for sale; facility exit and closure costs; costs incurred to eliminate redundant business activities pursuant to business acquisitions; legal, accounting and other professional fees (excluding costs of issuing debt or equity) directly incurred in connection with a business acquisition; purchase gains on business acquisitions; losses on business acquisitions achieved in stages; contingent amounts payable to selling shareholders under their employment agreements pursuant to a business acquisition; and the remeasurement of liabilities related to contingent consideration incurred in connection with a business acquisition.

(x) **Cotton and cotton-based yarn procurements:**

The Company contracts to buy cotton and cotton-based yarn with future delivery dates at fixed prices in order to reduce the effects of fluctuations in the prices of cotton used in the manufacture of its products. These contracts are not used for trading purposes and are not considered to be financial instruments as they are entered into for purchase and receipt in accordance with the Company's expected usage requirements, and therefore are not measured at fair value. The Company commits to fixed prices on a percentage of its cotton and cotton-based yarn requirements up to eighteen months in the future. If the cost of committed prices for cotton and cotton-based yarn plus estimated costs to complete production exceed current selling prices, a loss is recognized for the excess as a charge to cost of sales.

(y) **Government assistance:**

Government assistance is recognized only when there is reasonable assurance the Company will comply with all related conditions for receipt of the assistance. Government assistance, including grants and tax credits, related to operating expenses is accounted for as a reduction to the related expenses. Government assistance, including monetary and non-monetary grants and tax credits related to the acquisition of property, plant and equipment, is accounted for as a reduction of the cost of the related property, plant and equipment, and is recognized in net earnings using the same methods, periods and rates as for the related property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(z) **Financial expenses (income):**

Financial expenses (income) include: interest expense on borrowings, including realized gains and/or losses on interest rate swaps designated for hedge accounting; bank and other financial charges; discount on the sales of trade accounts receivable; interest income on funds invested; accretion of interest on discounted provisions; net foreign currency losses and/or gains; and losses and/or gains on financial derivatives that do not meet the criteria for effective hedge accounting.

(aa) **Income taxes:**

Income tax expense is comprised of current and deferred income taxes, and is included in net earnings except to the extent that it relates to a business acquisition, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, for all temporary differences caused when the tax bases of assets and liabilities differ from those reported in the financial statements. The Company recognizes deferred income tax assets for unused tax losses, and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are derecognized to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In determining the amount of current and deferred income taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Provisions for uncertain tax positions are measured at the best estimate of the amounts expected to be paid upon ultimate resolution. The Company periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant, such as changes to tax laws, administrative guidance, change in management's assessment of the technical merits of its positions, due to new information, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within relevant statutes.

(bb) **Earnings per share:**

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding for the period adjusted to include the dilutive impact of stock options and restricted share units. The number of additional shares is calculated by assuming that all common shares held in trust for the purpose of settling Non-treasury restricted share units have been delivered, all dilutive outstanding options are exercised and all dilutive outstanding Treasury restricted share units have vested, and that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation which is considered to be assumed proceeds, are used to repurchase common shares at the average share price for the period. For Treasury restricted share units, only the unrecognized share-based compensation is considered assumed proceeds since there is no exercise price paid by the holder.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(cc) **Share based payments:**

Stock options and Treasury restricted share units
Stock options and Treasury restricted share units are equity settled share based payments, which are measured at fair value at the grant date. For stock options, the compensation cost is measured using the Black-Scholes option pricing model, and is expensed over the award's vesting period. For Treasury restricted share units, compensation cost is measured at the fair value of the underlying common share, and is expensed over the award's vesting period. Compensation expense is recognized in net earnings with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of stock options is credited to share capital. Upon the exercise of stock options and the vesting of Treasury restricted share units, the corresponding amounts previously credited to contributed surplus are transferred to share capital. Stock options and Treasury restricted share units that are dilutive and meet the non-market performance conditions as at the reporting date are considered in the calculation of diluted earnings per share, as per note 3(bb) to these consolidated financial statements.

Non-Treasury restricted share units expected to be settled in cash
Prior to January 4, 2016, non-Treasury restricted share units in which the Company had a choice to settle in either cash or equity were accounted for as cash settled awards, except to the extent that common shares had been purchased on the open market and held in a trust for the purpose of settling the Non-Treasury restricted share units in shares in lieu of cash (as described in Note 13(e) to these consolidated financial statements). Compensation expense was initially measured at fair value at the grant date and recognized in net earnings over the vesting period, with the recognized compensation expense included in accounts payable and accrued liabilities. The liability was remeasured at fair value, based on the market price of the Company's common shares, at each reporting date. Remeasurements during the vesting period were recognized immediately to net earnings to the extent that they related to past services, and recognition was amortized over the remaining vesting period to the extent that they related to future services. The cumulative compensation cost that was ultimately recognized was the fair value of the Company's shares at the settlement date.

Non-Treasury restricted share units expected to be settled in common shares
As at January 3, 2016, all non-Treasury restricted share units in which the Company had a choice to settle in either cash or equity are accounted for as equity-settled awards as the Company has the intent and ability to settle these in common shares to be purchased on the open market. These were previously accounted for as described above. As a result, the Company reclassified $6.2 million from accounts payable and accrued liabilities to contributed surplus in the consolidated statement of financial position, which represents the fair value as at January 4, 2016 of non-Treasury restricted share unit awards previously accounted for as cash-settled awards. Compensation cost is measured at the fair value of the underlying common share, and is expensed over the award's vesting period. Compensation expense is recognized in net earnings with a corresponding increase in contributed surplus. Upon delivery of the common shares for settlement of vesting non-Treasury restricted share units, the corresponding amounts previously credited to contributed surplus are transferred to share capital. The number of non-Treasury restricted share units remitted to the participants upon settlement is equal to the number of non-Treasury restricted share units awarded less units withheld to satisfy the participants' statutory withholding tax requirements.

Estimates for forfeitures and performance conditions
The measurement of compensation expense for stock options, Treasury restricted share units and non-Treasury restricted share units is net of estimated forfeitures. For the portion of Treasury restricted share units and Non-Treasury restricted share units that are issuable based on non-market performance conditions, the amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Deferred share unit plan
The Company has a deferred share unit plan for independent members of the Company's Board of Directors, who receive a portion of their compensation in the form of deferred share units ("DSUs"). These DSUs are cash settled awards, and are initially recognized in net earnings based on fair value at the grant date. The DSU obligation is included in accounts payable and accrued liabilities and is remeasured at fair value, based on the market price of the Company's common shares, at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(cc) **Share based payments (continued):**

Employee share purchase plans
For employee share purchase plans, the Company's contribution, on the employee's behalf, is recognized as compensation expense with an offset to share capital, and consideration paid by employees on purchase of common shares is also recorded as an increase to share capital.

(dd) **Leases:**
Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to net earnings on a straight-line basis over the lease term.

Leases of property, plant and equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Determining whether an arrangement contains a lease
At inception of an arrangement where the Company receives the right to use an asset, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

(ee) **Use of estimates and judgments:**
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

***Critical judgments in applying accounting policies*:**

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of cash generating units (CGUs)
The identification of CGUs and grouping of assets into the respective CGUs is based on currently available information about actual utilization experience and expected future business plans. Management has taken into consideration various factors in identifying its CGUs. These factors include how the Company manages and monitors its operations, the nature of each CGU's operations and the major customer markets they serve. As such, the Company has identified its CGUs for purposes of testing the recoverability and impairment of non-financial assets to be Printwear, Branded Apparel and Yarn-Spinning (yarn-spinning manufacturing division).

Income taxes
The Company's income tax provisions and income tax assets and liabilities are based on interpretations of applicable tax laws, including income tax treaties between various countries in which the Company operates as well as underlying rules and regulations with respect to transfer pricing. These interpretations involve judgments and estimates and may be challenged through government taxation audits that the Company is regularly subject to. New information may become available that causes the Company to change its judgment regarding the adequacy of existing income tax assets and liabilities; such changes will impact net earnings in the period that such a determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ee) **Use of estimates and judgments (continued):**

Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Allowance for doubtful accounts
The Company makes an assessment of whether accounts receivable are collectable, which considers the credit-worthiness of each customer, taking into account each customer's financial condition and payment history in order to estimate an appropriate allowance for doubtful accounts. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company may be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

Sales promotional programs
In the normal course of business, certain incentives are granted to our customers including discounts and rebates. At the time of sale, estimates are made for customer price discounts and rebates based on the terms of existing programs. Accruals required for new programs, which relate to prior sales, are recorded at the time the new program is introduced. Sales are recorded net of these program costs and a provision for estimated sales returns, which is based on historical experience, current trends and other known factors. If actual price discounts, rebates or returns differ from estimates, significant adjustments to net sales could be required in future periods.

Inventory valuation
The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, discontinued, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favorable than previously projected, or if liquidation of the inventory which is no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Business combinations
Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ee) **Use of estimates and judgments (continued):**

Recoverability and impairment of non-financial assets
The calculation of fair value less costs of disposal or value in use for purposes of measuring the recoverable amount of non-financial assets involves the use of significant assumptions and estimates with respect to a variety of factors, including expected sales, gross margins, SG&A expenses, cash flows, capital expenditures, and the selection of an appropriate earnings multiple or discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results as well as earnings multiples obtained by using market comparables as a reference, and discount rates which are used to reflect market based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. Changes in circumstances, such as technological advances, adverse changes in third party licensing arrangements, changes to the Company's business strategy, and changes in economic conditions can result in actual useful lives and future cash flows differing significantly from estimates and could result in increased charges for amortization or impairment. Revisions to the estimated useful lives of finite life non-financial assets or future cash flows constitute a change in accounting estimate and are applied prospectively. There can be no assurance that the estimates and assumptions used in the impairment tests will prove to be accurate predictions of the future. If the future adversely differs from management's best estimate of key economic assumptions, and if associated cash flows materially decrease, the Company may be required to record material impairment charges related to its non-financial assets.

Valuation of statutory severance obligations and the related costs
The valuation of the statutory severance obligations and the related costs requires economic assumptions, including discount rates and expected rates of compensation increases, and participant demographic assumptions. The actuarial assumptions used may differ materially from year to year due to changing market and economic conditions, resulting in significant increases or decreases in the obligations and related costs.

Measurement of the estimate of expected costs for decommissioning and site restoration
The measurement of the provision for decommissioning and site restoration costs requires assumptions to be made including expected timing of the event which would result in the outflow of resources, the range of possible methods of decommissioning and site restoration, and the expected costs that would be incurred to settle any decommissioning and site restoration liabilities. The Company has measured the provision using the present value of the expected costs which requires assumptions on the discount rate to use. Revisions to any of the assumptions and estimates used by management may result in changes to the expected expenditures to settle the liability which would require adjustments to the provision and which may have an impact on the operating results of the Company in the period the change occurs.

Income taxes
The Company has unused available tax losses and deductible temporary differences in certain jurisdictions. The Company recognizes deferred income tax assets for these unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable profit will be available against which these available tax losses and temporary differences can be utilized. The Company's projections of future taxable profit involve the use of significant assumptions and estimates with respect to a variety of factors, including future sales and operating expenses. There can be no assurance that the estimates and assumptions used in our projections of future taxable income will prove to be accurate predictions of the future, and in the event that our assessment of the recoverability of these deferred tax assets changes in the future, a material reduction in the carrying value of these deferred tax assets could be required, with a corresponding charge to net earnings.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET APPLIED:

Revenues from contracts with customers
In May 2014, the IASB released IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting and disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services.

IFRS 15 provides a single model in order to depict the transfer of promised goods or services to customers, and supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Service). IFRS 15 is effective for the Company's fiscal year beginning on January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of the adoption of IFRS 15 on the consolidated financial statements, including the transition options. Based on a preliminary assessment, the Company does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements. The Company will finalize its assessment during fiscal 2017.

Financial Instruments
In July 2014, the IASB issued the complete IFRS 9 (2014), Financial Instruments. IFRS 9 (2014) differs in some regards from IFRS 9 (2013) which the Company early adopted effective March 31, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new expected credit loss model for calculating impairment, and new general hedge accounting requirements. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Leases
In January 2016, the IASB issued IFRS 16 Leases, which specifies how an entity will recognize, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, and expects that the majority of its operating leases will need to be recognized in the consolidated statement of financial position on initial adoption of IFRS 16.

5. BUSINESS ACQUISITIONS:

Peds Legwear, Inc.

On August 22, 2016, the Company acquired a 100% interest in Peds Legwear, Inc. (Peds) for total consideration of $51.9 million (net of cash acquired and income tax liabilities assumed), of which $47.9 million was paid at closing and a balance due of $4.0 million is expected to be paid within twelve months of closing. Excluding the income tax liabilities and certain non-operational liabilities assumed, the gross consideration was $55.0 million. The acquisition was financed by the utilization of the Company's long-term bank credit facilities. Peds is a marketer of quality foot apparel and legwear products, including ladies no-show liners, socks and sheer, and therapeutic hosiery sold mainly under the Peds® and MediPeds® brands to U.S. and Canadian retailers. The acquisition is expected to create revenue growth opportunities by leveraging Gildan's existing customer relationships to broaden the channels of distribution for the Peds® and MediPeds® brands and by extending these brands into Gildan's other product categories. In addition, Peds' current distribution into the footwear channel provides broader access in this channel for Gildan's brands and product portfolio.

5. BUSINESS ACQUISITIONS (continued):

The Company accounted for this acquisition using the acquisition method in accordance with IFRS 3, Business Combinations. The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. The Company has not yet finalized the assessment of the estimated fair values of certain assets acquired, which the Company expects to finalize by the end of the second quarter of fiscal 2017. Goodwill is attributable primarily to Peds' assembled workforce and expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill recorded in connection with this acquisition is partially deductible for tax purposes. The operating results of Peds are included in the Branded Apparel segment. The consolidated results of the Company for fiscal 2016 include net sales of $30.3 million and net earnings of $0.8 million relating to Peds' results of operations since the date of acquisition.

Alstyle Apparel, LLC

On May 26, 2016, the Company acquired a 100% interest in Alstyle Apparel, LLC and its subsidiaries (Alstyle) for cash consideration of $110 million. The acquisition was financed by the utilization of the Company’s long-term bank credit facilities. Alstyle manufactures and markets activewear products such as T-shirts and fleece, the majority of which are sold under the Alstyle® brand. Alstyle sells its products to screenprinters, embellishers, and mass-marketers largely in the U.S., as well as in Canada and Mexico. Its manufacturing and distribution operations include a large-scale textile manufacturing facility and cut and sew facilities in Mexico, as well as distribution centers located in the U.S., Canada, and Mexico. The acquisition of Alstyle expands Gildan’s penetration in printwear markets in the U.S., Canada, and Mexico, and broadens and complements Gildan’s position in the Western United States where Alstyle has a strong presence.

The Company accounted for this acquisition using the acquisition method in accordance with IFRS 3, Business Combinations. The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. The Company has not yet finalized the assessment of the estimated fair values of the inventories acquired, which the Company expects to finalize by the end of the first quarter of fiscal 2017. Goodwill is attributable primarily to Alstyle's assembled workforce, which was not recorded separately since it did not meet the recognition criteria for identifiable intangible assets. Goodwill recorded in connection with this acquisition is fully deductible for tax purposes. The operating results of Alstyle are included in the Printwear segment. The consolidated results of the Company for fiscal 2016 include net sales of $88.3 million and net earnings of $1.0 million relating to Alstyle’s results of operations since the date of acquisition.

5. BUSINESS ACQUISITIONS (continued):

The following table summarizes the provisional amounts recognized for the assets acquired and liabilities assumed at the date of acquisition:

	Peds	Alstyle	Total
Assets acquired:			
Trade accounts receivable	$ 11,821	$ 19,113	$ 30,934
Inventories	20,548	62,677	83,225
Prepaid expenses, deposits and other current assets	1,180	3,831	5,011
Property, plant and equipment	5,442	26,337	31,779
Intangible assets [1]	26,484	7,500	33,984
Deferred income taxes	1,380	—	1,380
	66,855	119,458	186,313
Liabilities assumed:			
Accounts payable and accrued liabilities	(16,376)	(11,629)	(28,005)
Income taxes payable	(2,521)	—	(2,521)
Deferred income taxes	(4,069)	—	(4,069)
	(22,966)	(11,629)	(34,595)
Goodwill	7,980	1,649	9,629
Net assets acquired at fair value	$ 51,869	$ 109,478	$ 161,347
Cash consideration paid at closing, net of cash acquired	47,869	109,478	157,347
Balance due	4,000	—	4,000
	$ 51,869	$ 109,478	$ 161,347

(1) The intangible assets acquired relating to Peds are comprised of customer relationships in the amount of $9.7 million which are being amortized on a straight line basis over their estimated useful lives of fifteen years, trademarks in the amount of $16.3 million which are not being amortized as they are considered to be indefinite life intangible assets, and computer software in the amount of $0.5 million. The intangible assets acquired relating to Alstyle are comprised of customer relationships in the amount of $4.0 million which are being amortized on a straight line basis over their estimated useful lives of fifteen years, and trademarks in the amount of $3.5 million, which are being amortized over five years.

If the acquisitions of Peds and Alstyle were accounted for on a pro forma basis as if they had occurred at the beginning of the Company's fiscal year, the Company's consolidated net sales and net earnings for the year ended January 1, 2017 would have been $2,704.3 million and $352.6 million, respectively. These pro forma figures have been estimated based on the results of Alstyle's and Peds' operations prior to being purchased by the Company, adjusted to reflect fair value adjustments which arose on the date of the acquisitions, as if the acquisitions occurred on January 1, 2017, and should not be viewed as indicative of the Company's future results.

Comfort Colors

On March 2, 2015, the Company acquired substantially all of the operating assets of a company operating under the Comfort Colors trade name for cash consideration of $103.3 million. The transaction also resulted in the effective settlement of $8.4 million of trade accounts receivable from Comfort Colors prior to the acquisition. The acquisition was financed by the utilization of the Company's revolving long-term bank credit facility. Comfort Colors is a leading supplier of garment-dyed undecorated basic T-shirts and sweatshirts for the North American printwear market. The Comfort Colors® brand is highly recognized among consumers purchasing from college bookstores, specialty retail stores, and destination and resort shops. The acquisition of Comfort Colors reinforces Gildan's strategy to increase its penetration of the growing fashion basics segment of the North American printwear market.

5. BUSINESS ACQUISITIONS (continued):

The Company accounted for the acquisition using the acquisition method in accordance with IFRS 3, Business Combinations. The Company determined the fair value of the assets acquired and liabilities assumed based on management's best estimate of their fair values and taking into account all relevant information available at that time. Goodwill is attributable primarily to Comfort Colors' assembled workforce and expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill recorded in connection with this acquisition is partially deductible for tax purposes. The operating results of Comfort Colors are included in the Printwear segment.

The following table summarizes the amounts recognized for the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Trade accounts receivable	$	14,446
Inventories		21,078
Prepaid expenses, deposits and other current assets		69
Property, plant and equipment		1,668
Intangible assets (1)		62,300
		99,561
Liabilities assumed:		
Accounts payable and accrued liabilities		(2,064)
		(2,064)
Goodwill		14,181
Net assets acquired at fair value	$	111,678
Cash consideration paid at closing		103,300
Settlement of pre-existing relationship		8,378
	$	111,678

(1) The intangible assets acquired are comprised of customer relationships in the amount of $25.0 million, which are being amortized on a straight line basis over their estimated useful lives of twelve years, and trademarks in the amount of $37.3 million, which are not being amortized as they are considered to be indefinite life intangible assets.

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted entirely of bank balances as at January 1, 2017 and January 3, 2016.

7. TRADE ACCOUNTS RECEIVABLE:

	January 1, 2017	January 3, 2016
Trade accounts receivable	**$ 283,322**	$ 310,733
Allowance for doubtful accounts	**(5,589)**	(4,601)
	$ 277,733	$ 306,132

As at January 1, 2017, trade accounts receivables being serviced under a receivables purchase agreement amounted to $30.5 million. The receivables purchase agreement, which allows for the sale of a maximum of $175 million of accounts receivables at any one time, expires on June 26, 2017, subject to annual extensions. The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer was not significant for the year ended January 1, 2017.

7. TRADE ACCOUNTS RECEIVABLE (continued):

The movement in the allowance for doubtful accounts in respect of trade receivables was as follows:

	January 1, 2017	January 3, 2016
		(15 months)
Balance, beginning of fiscal year	**$ (4,601)**	$ (4,423)
Bad debt recovery (expense)	**92**	(560)
Write-off of trade accounts receivable	**524**	455
Increase due to business acquisitions	**(1,604)**	(73)
Balance, end of fiscal year	**$ (5,589)**	$ (4,601)

8. INVENTORIES:

	January 1, 2017	January 3, 2016
Raw materials and spare parts inventories	**$ 119,155**	$ 119,826
Work in progress	**56,397**	54,737
Finished goods	**779,324**	676,470
	$ 954,876	$ 851,033

The amount of inventories recognized as an expense and included in cost of sales was $1,810.3 million for fiscal 2016 (2015 - $2,165.4 million), which included an expense of $11.3 million (2015- $4.6 million) related to the write-down of inventory to net realizable value.

9. PROPERTY, PLANT AND EQUIPMENT:

2016	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, January 3, 2016	$ 65,687	$ 439,276	$ 903,502	$ 156,492	$ 75,576	$ 1,640,533
Additions	2,727	17,390	46,165	9,870	50,607	126,759
Additions through business acquisitions	839	17,672	12,651	617	—	31,779
Transfers from assets held for sale	120	3,855	—	248	—	4,223
Transfers	—	28,028	45,140	2,408	(75,576)	—
Disposals	—	(2,035)	(9,465)	(1,984)	—	(13,484)
Balance, January 1, 2017	**$ 69,373**	**$ 504,186**	**$ 997,993**	**$ 167,651**	**$ 50,607**	**$ 1,789,810**
Accumulated depreciation						
Balance, January 3, 2016	$ —	$ 109,204	$ 404,663	$ 82,277	$ —	$ 596,144
Depreciation	—	22,828	86,242	15,668	—	124,738
Transfers from assets held for sale	—	1,732	—	248	—	1,980
Disposals	—	(788)	(7,163)	(1,984)	—	(9,935)
Balance, January 1, 2017	**$ —**	**$ 132,976**	**$ 483,742**	**$ 96,209**	**$ —**	**$ 712,927**
Carrying amount, January 1, 2017	**$ 69,373**	**$ 371,210**	**$ 514,251**	**$ 71,442**	**$ 50,607**	**$ 1,076,883**

9. PROPERTY, PLANT AND EQUIPMENT (continued):

2015	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, October 5, 2014	$ 45,541	$ 314,823	$ 687,369	$ 129,688	$ 166,872	$ 1,344,293
Additions	20,146	66,450	117,896	26,647	75,576	306,715
Additions through business acquisitions	—	—	1,568	100	—	1,668
Transfers	—	58,671	107,024	1,177	(166,872)	—
Disposals	—	(668)	(10,355)	(1,120)	—	(12,143)
Balance, January 3, 2016	$ 65,687	$ 439,276	$ 903,502	$ 156,492	$ 75,576	$ 1,640,533
Accumulated depreciation						
Balance, October 5, 2014	—	86,611	316,566	67,390	—	470,567
Depreciation	—	22,655	96,036	15,997	—	134,688
Disposals	—	(62)	(7,939)	(1,110)	—	(9,111)
Balance, January 3, 2016	$ —	$ 109,204	$ 404,663	$ 82,277	$ —	$ 596,144
Carrying amount, January 3, 2016	$ 65,687	$ 330,072	$ 498,839	$ 74,215	$ 75,576	$ 1,044,389

Assets not yet utilized in operations include expenditures incurred to date for plant expansions which are still in process, and equipment not yet placed into service as at the end of the reporting period.

During fiscal 2016, the Company ceased to classify certain property and equipment as held for sale since the criteria for this classification were no longer met. The Company transferred these assets to property, plant and equipment at the lower of their carrying amounts as adjusted for depreciation not recognized during the period the assets were held for sale, and their recoverable amount.

As at January 1, 2017, there were contractual purchase obligations outstanding of approximately $44.7 million for the acquisition of property, plant and equipment compared to $51.1 million as of January 3, 2016.

10. INTANGIBLE ASSETS AND GOODWILL:

Intangible assets

2016	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, January 3, 2016	$ 191,831	$ 154,972	$ 58,300	$ 44,972	$ 1,880	$ 451,955
Additions	—	—	1,198	4,084	—	5,282
Additions through business acquisitions	13,700	19,800	—	484	—	33,984
Disposals	—	—	—	(764)	—	(764)
Balance, January 1, 2017	**$ 205,531**	**$ 174,772**	**$ 59,498**	**$ 48,776**	**$ 1,880**	**$ 490,457**
Accumulated amortization						
Balance, January 3, 2016	$ 50,740	$ —	$ 36,140	$ 26,600	$ 1,722	$ 115,202
Amortization	11,445	125	6,446	3,183	90	21,289
Disposals	—	—	—	(255)	—	(255)
Balance, January 1, 2017	**$ 62,185**	**$ 125**	**$ 42,586**	**$ 29,528**	**$ 1,812**	**$ 136,236**
Carrying amount, January 1, 2017	**$ 143,346**	**$ 174,647**	**$ 16,912**	**$ 19,248**	**$ 68**	**$ 354,221**

10. INTANGIBLE ASSETS AND GOODWILL (continued):

2015	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, October 5, 2014	$ 166,831	$ 117,672	$ 53,300	$ 36,931	$ 1,700	$ 376,434
Additions	—	—	5,000	8,044	180	13,224
Additions through business acquisitions	25,000	37,300	—	—	—	62,300
Disposals	—	—	—	(3)	—	(3)
Balance, January 3, 2016	$ 191,831	$ 154,972	$ 58,300	$ 44,972	$ 1,880	$ 451,955
Accumulated amortization						
Balance, October 5, 2014	$ 38,007	$ —	$ 26,349	$ 23,025	$ 1,700	$ 89,081
Amortization	12,733	—	9,791	3,578	22	26,124
Disposals	—	—	—	(3)	—	(3)
Balance, January 3, 2016	$ 50,740	$ —	$ 36,140	$ 26,600	$ 1,722	$ 115,202
Carrying amount, January 3, 2016	$ 141,091	$ 154,972	$ 22,160	$ 18,372	$ 158	$ 336,753

The carrying amount of internally-generated assets within computer software was $13.9 million as at January 1, 2017 and $10.4 million as at January 3, 2016. Included in computer software as at January 1, 2017 is $9.9 million (January 3, 2016 - $9.1 million) of assets not yet utilized in operations.

Goodwill:

	January 1, 2017	January 3, 2016
Balance, beginning of fiscal year	**$ 190,626**	$ 176,445
Goodwill acquired (note 5)	**9,629**	14,181
Other [(1)]	**1,853**	—
Balance, end of fiscal year	**$ 202,108**	$ 190,626

(1) The increase in goodwill relates to the acquisition of Doris Inc. ("Doris") in fiscal 2014, and reflects additional deferred income tax liabilities in accordance with the revised guidance to IAS 12 issued in November 2016 as described in Note 2(c).

Recoverability of cash-generating units:

Goodwill acquired through business acquisitions and trademarks with indefinite useful lives have been allocated to CGUs that are expected to benefit from the synergies of the acquisition, as follows:

	January 1, 2017	January 3, 2016
Branded Apparel:		
Goodwill	**$ 180,482**	$ 170,649
Trademarks with an indefinite life	**129,272**	112,972
	$ 309,754	$ 283,621
Printwear:		
Goodwill	**$ 21,626**	$ 19,977
Trademarks with an indefinite life	**42,000**	42,000
	$ 63,626	$ 61,977

10. INTANGIBLE ASSETS AND GOODWILL (continued):

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the CGUs (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of CGUs are based on the higher of the value in use and fair value less costs of disposal. The Company performed the annual impairment review for goodwill and indefinite life intangible assets during fiscal 2016, and the estimated recoverable amounts exceeded the carrying amounts of the CGUs and as a result, there was no impairment identified.

Recoverable amount
The Company determined the recoverable amount of the Branded Apparel and Printwear CGU's based on the fair value less costs of disposal method. The fair values of the Branded Apparel and Printwear CGU's were based on an earnings multiple applied to forecasted adjusted EBITDA for the next year, which takes into account financial budgets approved by senior management. The key assumptions for the fair value less costs of disposal method include estimated sales volumes, selling prices and input costs in determining future forecasted adjusted EBITDA, as well as the earnings multiple applied to forecasted adjusted EBITDA. The earnings multiple used was obtained by using market comparables as a reference. Assuming the continued level of profitability of the Company, no reasonably possible change in the key assumptions used in determining the recoverable amount would result in any impairment of goodwill or indefinite life intangible assets.

11. LONG-TERM DEBT:

	Effective interest rate (1)	Principal amount		Maturity date
		January 1, 2017	January 3, 2016	
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (2)	**1.6%**	**$ —**	$ 375,000	**April 2021**
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 1.25% (3)	**1.5%**	**—**	—	**March 2018**
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (4)	**1.9%**	**300,000**	—	**June 2021**
Notes payable, interest at fixed rate of 2.70%, payable semi-annually (5)	**2.7%**	**100,000**	—	**August 2023**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53% payable quarterly (5)	**2.7%**	**50,000**	—	**August 2023**
Notes payable, interest at fixed rate of 2.91%, payable semi-annually (5)	**2.9%**	**100,000**	—	**August 2026**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57% payable quarterly (5)	**2.9%**	**50,000**	—	**August 2026**
		$ 600,000	$ 375,000	

(1) Represents the effective interest rate for the year ended January 1, 2017, including the cash impact of interest rate swaps, where applicable.
(2) The Company's committed unsecured revolving long-term bank credit facility of $1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement). In addition, an amount of $19.0 million (January 3, 2016 - $27.1 million) has been committed against this facility to cover various letters of credit.
(3) During March 2016, the Company entered into an unsecured revolving long-term bank credit facility agreement for a total principal amount of $300 million, which has a one year revolving period followed by a one year term-out period, and provides for an annual extension of the revolving period which is subject to the approval of the lenders. A fixed spread of 1.0% during the revolving period and 1.25% during the term-out period is added to the U.S. LIBOR-based variable interest rate.
(4) During June 2016, the Company entered into an unsecured five-year term loan agreement for a total principal amount of $300 million. The term loan is non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreement).
(5) During July 2016, the Company entered into a Note Purchase Agreement and subsequently issued unsecured notes for a total aggregate principal amount of $300 million to accredited investors in the U.S. private placement market. The notes can be prepaid in whole or in part at any time, subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

11. LONG-TERM DEBT (continued):

During fiscal 2016, the Company entered into a total of $250 million of floating-to-fixed interest rate swaps to fix the floating rate exposure on certain long term debt agreements. A $50 million 7-year floating-to-fixed interest rate swap maturing in August 2023 is converting the interest rate on the $50 million variable-rate notes payable maturing in August 2023 to an all-in fixed rate of 2.7%, and a $50 million 10-year floating-to-fixed interest rate swap maturing in August 2026 is converting the interest rate on the $50 million variable-rate notes payable maturing in August 2026 to an all-in fixed rate of 2.9%. In addition, $150 million of 5-year floating-to-fixed interest rate swaps maturing in June 2021 are converting the variable-rate LIBOR component of an equivalent portion of the term loan to a fixed rate of 0.96%.

Under the terms of the revolving facilities, term loan facility, and notes, the Company is required to comply with certain covenants, including maintenance of financial ratios. The Company was in compliance with all covenants at January 1, 2017.

12. OTHER NON-CURRENT LIABILITIES:

		January 1, 2017		January 3, 2016 (15 months)
Employee benefit obligation - Statutory severance and pre-notice	**$**	**14,579**	$	8,882
Employee benefit obligation - Defined contribution plan		**2,444**		2,185
Provisions		**17,546**		20,630
Contingent consideration (note 14(a))		**—**		5,919
	$	**34,569**	$	37,616

(a) Statutory severance and pre-notice obligations:

		January 1, 2017		January 3, 2016 (15 months)
Obligation, beginning of fiscal year	**$**	**8,882**	$	17,556
Service cost		**10,953**		13,473
Interest cost		**5,839**		7,268
Actuarial loss[1]		**5,239**		10,000
Pre-notice obligation reduction[2]		**—**		(11,426)
Foreign exchange gain		**(527)**		(403)
Benefits paid		**(15,807)**		(27,586)
Obligation, end of fiscal year	**$**	**14,579**	$	8,882

(1) The actuarial loss is due to changes in the actuarial assumptions used to determine the statutory severance obligations.
(2) The reduction in the pre-notice obligation is due to the impact of program changes relating to the Company's pre-notice obligations for active employees located in Central America, to align with statutory requirements. As a result of these program changes, pre-notice costs for employees in Central America will now be recognized when an employer-initiated termination occurs.

Significant assumptions for the calculation of the statutory severance obligations included the use of a discount rate of between 9.75% and 9.85% (2015 - between 10% and 10.5%) and rates of compensation increases between 7.25% and 7.50% (2015 - between 6.5% and 8.0%). A 1% increase in the discount rates would result in a corresponding decrease in the statutory severance obligations of $4.2 million, and a 1% decrease in the discount rates would result in a corresponding increase in the statutory severance obligations of $5.0 million. A 1% increase in the rates of compensation increases used would result in a corresponding increase in the statutory severance obligations of $5.1 million, and a 1% decrease in the rates of compensation increases used would result in a corresponding decrease in the statutory severance obligations of $4.3 million.

The cumulative amount of actuarial losses recognized in other comprehensive income as at January 1, 2017 was $22.0 million (January 3, 2016 - $16.8 million) which have been reclassified to retained earnings in the period in which they were recognized.

12. OTHER NON-CURRENT LIABILITIES (continued):

(b) Defined contribution plan:

During fiscal 2016, defined contribution expenses were $3.4 million (2015 - $3.2 million).

(c) Provisions:

	Decommissioning and site restoration costs	Lease exit costs	**Total**
Balance, January 3, 2016	$ 17,545	$ 3,085	**$ 20,630**
Changes in estimates made during the fiscal year	(1,857)	(465)	**(2,322)**
Provisions utilized during the fiscal year	—	(1,098)	**(1,098)**
Accretion of interest	336	—	**336**
Balance, January 1, 2017	**$ 16,024**	**$ 1,522**	**$ 17,546**

Provisions include estimated future costs of decommissioning and site restoration for certain assets located at the Company's textile and sock facilities and a distribution centre in the U.S., for which the timing of settlement is uncertain, but has been estimated to be in excess of twenty years. The lease exit costs were incurred in connection with the integration of acquired businesses.

13. EQUITY:

(a) **Shareholder rights plan:**

The Company has a shareholder rights plan which provides the Board of Directors and the shareholders with additional time to assess any unsolicited take-over bid for the Company and, where appropriate, pursue other alternatives for maximizing shareholder value.

(b) Accumulated other comprehensive income ("AOCI"):

Accumulated other comprehensive income includes the changes in the fair value of the effective portion of qualifying cash flow hedging instruments outstanding at the end of the period, and the balances remaining from hedging relationships for which hedge accounting no longer applied at the end of the period.

(c) Share capital:

Authorized:
Common shares, authorized without limit as to number and without par value. First preferred shares, without limit as to number and without par value, issuable in series and non-voting. Second preferred shares, without limit as to number and without par value, issuable in series and non-voting. As at January 1, 2017 and January 3, 2016, none of the first and second preferred shares were issued.

Issued:
As at January 1, 2017, there were 230,218,171 common shares (January 3, 2016 - 243,571,188) issued and outstanding, which are net of 21,125 common shares (January 3, 2016 - 269,281) that have been purchased and are held in trust as described in note 13(e).

On February 4, 2015, the Board of Directors of the Company approved a share dividend of one common share for each issued and outstanding common share of the Company, which has the same effect as a two-for-one stock split of the Company's outstanding common shares. The Company's share dividend on the common shares was paid on March 27, 2015 to shareholders of record at the close of business on March 20, 2015 and is designated as an "eligible dividend" for Canadian tax purposes. The outstanding share data reflects the effect of the two-for-one stock split which took effect on March 27, 2015.

13. EQUITY (continued):

(d) Normal course issuer bid:

On February 24, 2016, the Company announced the initiation of a normal course issuer bid ("NCIB") beginning February 26, 2016 and expiring February 25, 2017, to purchase for cancellation up to 12,192,814 outstanding common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares, on the TSX and the NYSE or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE, or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. The price paid by Gildan for common shares was the market price at the time of the acquisition plus brokerage fees, and purchases made under an issuer bid exemption order were at a discount to the prevailing market price in accordance with the terms of the order.

On July 26, 2016, the Company obtained approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that could be repurchased from 12,192,814 common shares, or 5% of the Company's issued and outstanding common shares as at February 19, 2016 (the reference date for the NCIB), to 20,727,784 common shares, representing 8.5% of the Company's issued and outstanding common shares or 8.6% of the public float of 239,683,863 common shares as at February 19, 2016. No other terms of the NCIB were amended.

During the year ended January 1, 2017, the Company repurchased for cancellation a total of 13,775,248 common shares for a total cost of $394.5 million, of which a total of 4,025,000 common shares were repurchased by way of private agreements with arm's length third party sellers. Of the total cost, $8.6 million was charged to share capital and $385.8 million was charged to retained earnings. During the fiscal year ended January 3, 2016, the Company repurchased and cancelled a total of 3,050,000 common shares under a previous NCIB by way of private agreements with an arm's-length third-party seller for a total cost of $79.7 million, which reflected a discount to the prevailing market price of the Company's common shares on the TSX at the time of the purchases. Of the total cost, $1.6 million was charged to share capital and $78.1 million was charged to retained earnings.

On February 22, 2017, the Board of Directors of the Company approved the initiation of a new NCIB commencing on February 27, 2017 to purchase for cancellation up to 11,512,267 common shares, representing approximately 5% of the Company's issued and outstanding common shares. Gildan is authorized to make purchases under the NCIB during the period from February 27, 2017 to February 26, 2018 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the NYSE, or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE, or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada.

(e) Common shares purchased as settlement for non-Treasury RSUs:

In September 2011, the Company established a trust for the purpose of settling the vesting of non-Treasury RSUs. For non-Treasury RSUs that are to be settled in common shares in lieu of cash, the Company directs the trustee to purchase common shares of the Company on the open market to be held in trust for and on behalf of the holders of non-Treasury RSUs until they are delivered for settlement, when the non-Treasury RSUs vest. For accounting purposes, the common shares are considered as held in treasury, and recorded as a temporary reduction of outstanding common shares and share capital. Upon delivery of the common shares for settlement of the non-Treasury RSUs, the number of common shares outstanding is increased, and the amount in contributed surplus is transferred to share capital. The common shares purchased as settlement for non-Treasury RSUs were as follows:

	2016			2015		
	Shares	**Amount**	**Average cost**	Shares	Amount	Average Cost
Balance, beginning of year	**269**	**$ 7,464**	**$ 27.75**	294	$ 7,055	$ 24.00
Purchased	**—**	**—**	**—**	560	15,239	27.21
Distributed	**(248)**	**(6,873)**	**27.71**	(585)	(14,830)	25.35
Balance, end of year	**21**	**$ 591**	**$ 28.14**	269	$ 7,464	$ 27.75

13. EQUITY (continued):

(f) Contributed surplus:

The contributed surplus account is used to record the initial value of equity-settled share based compensation transactions. Upon the exercise of stock options, the vesting of Treasury RSUs, and the delivery of common shares for settlement of vesting non-Treasury RSUs, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

14. FINANCIAL INSTRUMENTS:

Disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices, and how the Company manages those risks, are included in the section entitled "Financial risk management" of the Management's Discussion and Analysis of the Company's operations, financial performance and financial position as at January 1, 2017 and January 3, 2016. Accordingly, these disclosures are incorporated into these consolidated financial statements by cross-reference.

(a) Financial instruments - carrying amounts and fair values:

The carrying amounts and fair values of financial assets and liabilities included in the consolidated statements of financial position are as follows:

		January 1, 2017		January 3, 2016
Financial assets				
Amortized cost:				
Cash and cash equivalents	**$**	**38,197**	$	50,675
Trade accounts receivable		**277,733**		306,132
Financial assets included in prepaid expenses, deposits and other current assets		**22,722**		25,140
Long-term non-trade receivables included in other non-current assets		**476**		2,372
Derivative financial instruments designated as effective hedging instruments included in prepaid expenses, deposits and other current assets		**32,572**		4,034
Derivative financial instruments included in prepaid expenses, deposits and other current assets - total return swap		**—**		51
Financial liabilities				
Amortized cost:				
Accounts payable and accrued liabilities	**$**	**231,927**	$	230,739
Long-term debt - bearing interest at variable rates		**400,000**		375,000
Long-term debt - bearing interest at fixed rates[1]		**200,000**		—
Derivative financial instruments designated as effective hedging instruments included in accounts payable and accrued liabilities		**1,515**		1,529
Derivative financial instruments included in accounts payable and accrued liabilities - total return swap		**620**		—
Contingent consideration [2]		**—**		5,919

(1) The fair value of the long-term debt bearing interest at fixed rates was $192.5 million as at January 1, 2017.

(2) The contingent consideration was included in other non-current liabilities as at January 3, 2016.

Short-term financial assets and liabilities

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the reporting dates due to the short-term maturities of these instruments, as they bear variable interest-rates or because the terms and conditions are comparable to current market terms and conditions for similar items.

14. FINANCIAL INSTRUMENTS (continued):

(a) Financial instruments - carrying amounts and fair values (continued):

Non-current assets and long-term debt bearing interest at variable rates

The fair values of the long-term non-trade receivables included in other non-current assets and the Company's long-term debt bearing interest at variable rates also approximate their respective carrying amounts because the interest rates applied to measure their carrying amounts approximate current market interest rates.

Long-term debt bearing interest at fixed rates

The fair value of the long-term debt bearing interest at fixed rates is determined using the discounted future cash flows method and at discount rates based on yield to maturities for similar issuances.

Contingent consideration

The contingent consideration in connection with a business combination is payable based on the achievement of sales revenue targets for the 12-month period ended June 30, 2017, or December 31, 2017, as applicable per the terms of the agreement. The contingent consideration was initially measured at fair value, and is remeasured at fair value at each reporting date through net earnings, within restructuring and acquisition-related costs. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; (ii) the probability of the achievement of the factors on which the contingency is based; and (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Fair value has been estimated based on the best estimate of the probability of the sales revenue targets being achieved, as well as using a discount rate which is based on the risk associated with the sales revenue targets being met. The discount rate applied to the contingent consideration was 13.5%. As at January 1, 2017, management estimated that none of the revenue targets will be achieved, and as a result the fair value of the contingent consideration has been reduced to nil.

Derivatives

The derivative financial instruments designated as effective hedging instruments consist of foreign exchange and commodity forward, option, and swap contracts, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes. The fair value of the forward contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the rate set out in the contract and the contract's value at maturity based on the rate that the counterparty would use if it were to renegotiate the same contract at the measurement date under the same conditions. The fair value of the option contracts is measured using option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs, including volatility estimates and option adjusted credit spreads. The fair value of the interest rate swaps is determined based on market data, by measuring the difference between the fixed contracted rate and the forward curve for the applicable floating interest rates.

The Company also has a total return swap ("TRS") outstanding that is intended to reduce the variability of net earnings associated with deferred share units, which are settled in cash. The TRS is not designated as a hedging instrument and, therefore, the fair value adjustment at the end of each reporting period is recognized in selling, general and administrative expenses. The fair value of the TRS is measured by reference to the market price of the Company's common shares, at each reporting date. The TRS has a one-year term, may be extended annually, and the contract allows for early termination at the option of the Company. As at January 1, 2017, the notional amount of TRS outstanding was 245,854 shares.

The fair values of financial assets, financial liabilities, and derivative financial instruments were measured using Level 1 or 2 inputs in the fair value hierarchy, with the exception of the contingent consideration which was measured using Level 3 inputs. In determining the fair value of financial assets and financial liabilities, including derivative financial instruments, the Company takes into account its own credit risk and the credit risk of the counterparties.

(b) Derivative financial instruments - hedge accounting:

During fiscal 2016, the Company entered into foreign exchange and commodity forward, option, and swap contracts in order to minimize the exposure of forecasted cash inflows and outflows in currencies other than the U.S. dollar and to manage its exposure to movements in commodity prices, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes.

14. FINANCIAL INSTRUMENTS (continued):

(b) Derivative financial instruments - hedge accounting (continued):

The forward foreign exchange contracts were designated as cash flow hedges and qualified for hedge accounting. The forward foreign exchange contracts outstanding as at January 1, 2017 consisted primarily of contracts to reduce the exposure to fluctuations in Canadian dollars, Euros, Australian dollars, Pounds sterling, and Mexican pesos, against the U.S. dollar.

The commodity forward, option, and swap contracts were designated as cash flow hedges and qualified for hedge accounting. The commodity contracts outstanding as at January 1, 2017 consisted primarily of forward, collar, and swap contracts to reduce the exposure to movements in commodity prices.

The floating-to-fixed interest rate swaps were designated as cash flow hedges and qualified for hedge accounting. The floating-to-fixed interest rate swaps contracts outstanding as at January 1, 2017 served to fix the variable interest rates on the designated interest payments of a portion of the Company's long term debt.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at January 1, 2017:

				Carrying and fair value		Maturity
	Notional foreign currency amount equivalent	Average exchange rate	Notional U.S. $ equivalent	Prepaid expenses, deposits and other current assets	Accounts payable and accrued liabilities	0 to 12 months
Cash flow hedges:						
Forward foreign exchange contracts:						
Sell GBP/Buy USD	29,828	1.2840	$ 38,300	$ 1,529	$ —	$ 1,529
Sell EUR/Buy USD	31,596	1.1082	35,015	1,575	—	1,575
Sell CAD/Buy USD	68,498	0.7681	52,613	1,747	—	1,747
Buy CAD/Sell USD	30,116	0.7094	21,365	975	—	975
Sell AUD/Buy USD	4,507	0.7494	3,378	134	—	134
Buy MXN/Sell USD	408,010	0.0507	20,696	—	(1,515)	(1,515)
			$ 171,367	**$ 5,960**	**$ (1,515)**	**$ 4,445**

The following table summarizes the Company's commodity contracts outstanding as at January 1, 2017:

			Carrying and fair value	Maturity
	Type of commodity	Notional amount	Prepaid expenses, deposits and other current assets	0 to 12 months
Cash flow hedges:				
Forward contracts	Cotton	173,500 pounds	$ 12,534	$ 12,534
Collar contracts [1]	Cotton	19,000 pounds	1,344	1,344
Swap contracts	Energy	94 barrels	1,104	1,104
			$ 14,982	**$ 14,982**

(1) A collar contract is a combination of two option contracts that limit the holder's exposure to changes in prices within a specific range. This is achieved by simultaneously buying a call option (the acquisition of a right to purchase) and selling a put option (the sale to the counterparty of a right to sell).

14. FINANCIAL INSTRUMENTS (continued):

(b) Derivative financial instruments - hedge accounting (continued):

The following table summarizes the Company's floating-to-fixed interest rate swap contracts outstanding as at January 1, 2017:

	Notional amount of borrowings	Maturity date	Pay / Receive	Fixed rate	Floating rate	Carrying and fair value: Prepaid expenses, deposits and other current assets
Cash flow hedges:						
	$ 150,000	June 17, 2021	Pay fixed rate / receive floating rate	0.96%	US LIBOR	$ 4,964
	50,000	August 25, 2023	Pay fixed rate / receive floating rate	1.18%	US LIBOR	2,785
	50,000	August 25, 2026	Pay fixed rate / receive floating rate	1.34%	US LIBOR	3,881
	$ 250,000					**$ 11,630**

The following table summarizes the Company's hedged items as at January 1, 2017:

	Carrying amount of the hedged item: Assets	Carrying amount of the hedged item: Liabilities	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve (AOCI)
Cash flow hedges:				
Foreign currency risk:				
Forecast sales	$ —	$ —	$ 4,520	$ (4,520)
Forecast expenses	—	—	(540)	540
Commodity risk:				
Forecast purchases	—	—	24,953	(24,953)
Interest rate risk:				
Forecast interest payments	—	—	11,678	(11,678)

No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument used for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

As at January 1, 2017, the balances remaining in the cash flow hedge reserve from hedging relationships for cotton commodities for which hedge accounting no longer applied was $10.0 million.

14. FINANCIAL INSTRUMENTS (continued):

(c) Financial expenses, net:

		2016		2015
				(15 months)
Interest expense on financial liabilities recorded at amortized cost[1]	$	12,568	$	8,649
Bank and other financial charges		6,348		4,747
Interest accretion on discounted provisions		336		409
Foreign exchange loss		434		3,992
	$	19,686	$	17,797

(1) Net of capitalized borrowing costs of $0.2 million (2015 - $1.0 million).

(d) Hedging components of other comprehensive income ("OCI"):

		2016		2015
				(15 months)
Net gain (loss) on derivatives designated as cash flow hedges:				
Foreign currency risk	$	161	$	3,631
Commodity price risk		33,963		(836)
Interest rate risk		11,678		—
Income taxes		(3)		(36)
Amounts reclassified from OCI to inventory, related to commodity price risk		(4,356)		8,355
Amounts reclassified from OCI to net earnings, related to foreign currency risk, and included in:				
Net sales		19		(2,155)
Selling, general and administrative expenses		(668)		472
Financial expenses, net [1]		(1,295)		(629)
Income taxes		19		23
Cash flow hedging gain	$	39,518	$	8,825

(1) The amount reclassified from OCI to net earnings included a loss of $48 related to interest rate risk for the year ended January 1, 2017.

The change in the time value element of option and swap contracts designated as cash flow hedges to reduce the exposure in movements of commodity prices was not significant for the year ended January 1, 2017.

The change in the forward element of derivatives designated as cash flow hedges to reduce foreign currency risk was not significant for the year ended January 1, 2017.

For the year ended January 1, 2017, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately $29.0 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to inventory or net earnings within the next twelve months.

15. SHARE-BASED COMPENSATION:

(a) Employee share purchase plans:

The Company has employee share purchase plans which allow eligible employees to authorize payroll deductions of up to 10% of their salary to purchase from Treasury, common shares of the Company at a price of 90% of the then current share price as defined in the plans. Employees purchasing shares under the plans subsequent to January 1, 2008 must hold the shares for a minimum of two years. The Company has reserved 5,000,000 common shares for issuance under the plans. As at January 1, 2017, a total of 794,193 shares (January 3, 2016 - 740,123) were issued under these plans. Included as compensation costs in selling, general and administrative expenses is $0.2 million (2015 - $0.2 million) relating to the employee share purchase plans.

(b) Stock options and restricted share units:

The Company's Long-Term Incentive Plan (the "LTIP") includes stock options and restricted share units. The LTIP allows the Board of Directors to grant stock options, dilutive restricted share units ("Treasury RSUs") and non-dilutive restricted share units ("non-Treasury RSUs") to officers and other key employees of the Company and its subsidiaries. The number of common shares that are issuable pursuant to the exercise of stock options and the vesting of Treasury RSUs for the LTIP is fixed at 12,000,632. As at January 1, 2017, 2,039,863 common shares remained authorized for future issuance under this plan.

The exercise price payable for each common share covered by a stock option is determined by the Board of Directors at the date of the grant, but may not be less than the closing price of the common shares of the Company on the trading day immediately preceding the effective date of the grant. Stock options granted since fiscal 2007 vest equally beginning on the second, third, fourth and fifth anniversary of the grant date, with limited exceptions.

Holders of Treasury RSUs, non-Treasury RSUs and deferred share units are entitled to dividends declared by the Company which are recognized in the form of additional equity awards equivalent in value to the dividends paid on common shares. The vesting conditions of the additional equity awards are subject to the same performance objectives and other terms and conditions as the underlying equity awards. The additional awards related to outstanding Treasury RSUs and non-Treasury RSUs expected to be settled in common shares are credited to contributed surplus when the dividends are declared.

Outstanding stock options were as follows:

	Number		Weighted exercise price (CA$)
Stock options outstanding, October 5, 2014	2,202	$	14.47
Changes in outstanding stock options:			
Granted[1]	1,339		36.53
Exercised	(1,462)		12.51
Forfeited	(184)		32.85
Stock options outstanding, January 3, 2016	1,895		29.78
Changes in outstanding stock options:			
Granted	**714**		**33.01**
Exercised	**(77)**		**13.76**
Stock options outstanding, January 1, 2017	**2,532**	**$**	**31.18**

(1) Fiscal 2015 includes an extra grant as a result of an additional three months in the fiscal year.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

As at January 1, 2017, 468,813 outstanding options were exercisable at the weighted average exercise price of CA$19.43 (January 3, 2016 - 201,016 options at CA$15.52). For stock options exercised during fiscal 2016, the weighted average share price at the date of exercise was CA$37.32 (2015 - CA$40.02). Based on the Black-Scholes option pricing model, the grant date weighted average fair value of options granted during the twelve months ended January 1, 2017 was $4.07 (January 3, 2016 - $8.60). The following table summarizes the assumptions used in the Black-Scholes option pricing model for the stock option grants for fiscal 2016 and 2015:

	2016	2015
Exercise price	**CA$33.01**	CA$36.53
Risk-free interest rate	**0.66%**	1.19%
Expected volatility	**21.85%**	31.41%
Expected life	**4.63 years**	6.04 years
Expected dividend yield	**1.27%**	0.86%

Expected volatilities are based on the historical volatility of Gildan's share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.

The following table summarizes information about stock options issued and outstanding and exercisable at January 1, 2017:

	Options issued and outstanding		Options exercisable
Exercise prices (CA$)	Number	Remaining contractual life (yrs)	Number
$13.60	125	2	125
$14.32	25	1	25
$15.59	227	3	131
$24.22	287	4	114
$30.46	296	5	74
$33.01	714	7	—
$38.01	575	6	—
$42.27	283	9	—
	2,532		469

A Treasury RSU represents the right of an individual to receive one common share on the vesting date without any monetary consideration being paid to the Company. With limited exceptions, all Treasury RSUs awarded to date vest within a five-year vesting period. The vesting of at least 50% of each Treasury RSU grant is contingent on the achievement of performance conditions that are primarily based on the Company's average return on assets performance for the period as compared to the S&P/TSX Capped Consumer Discretionary Index, excluding income trusts, or as determined by the Board of Directors.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

Outstanding Treasury RSUs were as follows:

	Number		Weighted average fair value per unit
Treasury RSUs outstanding, October 5, 2014	665	$	12.07
Changes in outstanding Treasury RSUs:			
Granted	128		30.60
Granted for dividends declared	4		29.92
Settled through the issuance of common shares	(428)		9.81
Forfeited	(77)		25.25
Treasury RSUs outstanding, January 3, 2016	292		20.25
Changes in outstanding Treasury RSUs:			
Granted	**8**		**30.08**
Granted for dividends declared	**3**		**29.08**
Settled through the issuance of common shares	**(43)**		**17.78**
Forfeited	**(11)**		**29.20**
Treasury RSUs outstanding, January 1, 2017	**249**	**$**	**20.70**

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

As at January 1, 2017 and January 3, 2016, none of the awarded and outstanding Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the options and Treasury RSUs, for fiscal 2016 was $4.5 million (2015 - $4.5 million), and the counterpart has been recorded as contributed surplus. When the underlying shares are issued to the employees, the amounts previously credited to contributed surplus are transferred to share capital.

Outstanding non-Treasury RSUs were as follows:

	2016	2015
Non-Treasury RSUs outstanding, beginning of fiscal year	**953**	768
Changes in outstanding non-Treasury RSUs:		
Granted[1]	**431**	660
Granted for performance	**113**	158
Granted for dividends declared	**10**	12
Settled - common shares	**(248)**	(594)
Settled - payment of withholding taxes	**(178)**	—
Forfeited	**(34)**	(51)
Non-Treasury RSUs outstanding, end of fiscal year	**1,047**	953

(1) Fiscal 2015 includes an extra grant as a result of an additional three months in the fiscal year.

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

Non-Treasury RSUs have the same features as Treasury RSUs, except that their vesting period is a maximum of three years and they can be settled in cash based on the Company's share price on the vesting date, or through the delivery of common shares purchased on the open market, at the Company's option. Non-Treasury RSUs are settled in common shares purchased on the open market, and to the extent that the Company has an obligation under tax laws to withhold an amount for an employee's tax obligation associated with the share-based payment the Company settles Non-Treasury RSUs on a net basis. Beginning in fiscal 2010, 100% of non-Treasury RSUs awarded to executive officers have vesting conditions that are dependent upon the financial performance of the Company relative to a benchmark group of Canadian publicly listed companies. In addition, up to two times the actual number of non-Treasury RSUs awarded to executive officers can vest if exceptional financial performance is achieved. As at January 1, 2017 and January 3, 2016, none of the outstanding non-Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the non-Treasury RSUs, for fiscal 2016 was $11.1 million (2015 - $15.9 million), and the counterpart has been recorded as contributed surplus. When the underlying common shares are delivered to employees for settlement upon vesting, the amounts previously credited to contributed surplus are transferred to share capital.

(c) Deferred share unit plan:

The Company has a deferred share unit plan for independent members of the Company's Board of Directors who must receive at least 50% of their annual board retainers in the form of deferred share units ("DSUs"). The value of these DSUs is based on the Company's share price at the time of payment of the retainers or fees. DSUs granted under the plan will be redeemable and the value thereof payable in cash only after the director ceases to act as a director of the Company. As at January 1, 2017, there were 255,472 (January 3, 2016 - 226,456) DSUs outstanding at a value of $6.5 million (January 3, 2016 - $6.4 million). This amount is included in accounts payable and accrued liabilities based on a fair value per deferred share unit of $25.37 (January 3, 2016 - $28.42). The DSU obligation is adjusted each quarter based on the market value of the Company's common shares. The Company includes the cost of the DSU plan in selling, general and administrative expenses, which for fiscal 2016 was $0.7 million (2015 - $1.6 million).

Changes in outstanding DSUs were as follows:

	2016	2015
DSUs outstanding, beginning of fiscal year	**226**	271
Granted	**36**	41
Granted for dividends declared	**2**	3
Forfeited	**(9)**	—
Redeemed	**—**	(89)
DSUs outstanding, end of fiscal year	**255**	226

16. SUPPLEMENTARY INFORMATION RELATING TO THE NATURE OF EXPENSES:

(a) Selling, general and administrative expenses:

		2016		2015
				(15 months)
Selling expenses	**$**	**113,340**	$	139,157
Administrative expenses		**121,702**		143,292
Distribution expenses		**101,391**		105,514
	$	**336,433**	$	387,963

16. SUPPLEMENTARY INFORMATION RELATING TO THE NATURE OF EXPENSES (continued):

(b) Employee benefit expenses:

		2016		2015
				(15 months)
Salaries, wages and other short-term employee benefits	**$**	**461,668**	$	515,854
Share-based payments		**15,756**		20,537
Post-employment benefits		**25,089**		17,338
	$	**502,513**	$	553,729

(c) Lease expenses:

During the year ended January 1, 2017 an amount of $26.6 million was recognized in the consolidated statement of earnings and comprehensive income relating to operating leases (2015 - $28.9 million).

As at January 1, 2017, the future minimum lease payments under non-cancellable leases were as follows:

	January 1, 2017
Within 1 year	**$ 18,163**
Between 1 and 5 years	**36,683**
More than 5 years	**15,436**
	$ 70,282

(d) Government assistance:

During the year ended January 1, 2017 an amount of $9.3 million was recognized in the consolidated statement of earnings and comprehensive income relating to government assistance for yarn production (2015 - $8.4 million).

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS:

Restructuring and acquisition-related costs are presented in the following table, and are comprised of costs directly related to the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction, exit and integration costs incurred pursuant to business acquisitions.

		2016		2015
				(15 months)
Employee termination and benefit costs	**$**	**5,006**	$	4,976
Exit, relocation and other costs		**7,898**		8,545
Loss on disposal of property, plant and equipment related to exit activities		**1,119**		161
Loss (gain) on disposal or transfer of assets held for sale		**597**		(994)
Remeasurement of contingent consideration in connection with a business acquisition		**(6,176)**		1,118
Acquisition-related transaction costs		**3,302**		1,102
	$	**11,746**	$	14,908

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS (continued):

Restructuring and acquisition-related costs in fiscal 2016 related primarily to costs incurred in connection with the integration of acquired businesses, including the integrations of the more recent Alstyle and Peds acquisitions, the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution, and administrative functions, and costs incurred in connection with the rationalization of our retail store outlets as part of our overall direct to consumer channel strategy. Restructuring and acquisition-related costs also included transaction costs related to the acquisitions of Alstyle and Peds. Restructuring and acquisition-related costs were partially offset by a gain on the re-measurement of the fair value of contingent consideration in connection with the Doris acquisition.

Restructuring and acquisition-related costs in fiscal 2015 related primarily to costs incurred in connection with the integration of acquired businesses, including the integrations of the Doris and Comfort Colors acquisitions, and the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution and administrative functions, and screenprinting operations. Restructuring and acquisition-related costs also included transaction costs related to the acquisition of the operating assets of Comfort Colors as well as costs incurred in connection with the consolidation of sewing operations.

18. INCOME TAXES:

The income tax provision differs from the amount computed by applying the combined Canadian federal and provincial tax rates to earnings before income taxes. The reasons for the difference and the related tax effects are as follows:

		2016		2015
				(15 months)
Earnings before income taxes	**$**	**351,838**	$	309,440
Applicable tax rate		**26.8%**		26.9%
Income taxes at applicable statutory rate		**94,398**		83,085
(Decrease) increase in income taxes resulting from:				
Effect of different tax rates on earnings of foreign subsidiaries		**(83,208)**		(76,150)
Income tax recovery and other adjustments related to prior taxation years		**(4,822)**		(5,086)
Non-recognition of tax benefits related to tax losses and temporary differences		**1,545**		14,341
Effect of non-deductible expenses and other		**(2,713)**		(11,664)
Total income tax expense	**$**	**5,200**	$	4,526
Average effective tax rate		**1.5%**		1.5%

The Company's applicable statutory tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The details of income tax expense are as follows:

		2016		2015
				(15 months)
Current income taxes, includes a recovery of $2,725 (2015 - expense of $3,904) relating to prior taxation years	**$**	**8,356**	$	7,036
Deferred income taxes:				
Origination and reversal of temporary differences		**(1,059)**		(2,510)
Recognition of tax benefits relating to prior taxation years		**(2,097)**		—
		(3,156)		(2,510)
Total income tax expense	**$**	**5,200**	$	4,526

18. INCOME TAXES (continued):

Significant components of the Company's deferred income tax assets and liabilities relate to the following temporary differences and unused tax losses:

		January 1, 2017		January 3, 2016
Deferred tax assets:				
Non-capital losses	**$**	**76,345**	$	65,914
Non-deductible reserves and accruals		**49,856**		46,824
Property, plant and equipment		**7,239**		4,866
Other items		**4,946**		4,091
		138,386		121,695
Unrecognized deferred tax assets		**(27,529)**		(25,372)
Deferred tax assets	**$**	**110,857**	$	96,323
Deferred tax liabilities:				
Property, plant and equipment	**$**	**(32,703)**	$	(18,872)
Intangible assets		**(76,654)**		(74,658)
Deferred tax liabilities	**$**	**(109,357)**	$	(93,530)
Deferred income taxes	**$**	**1,500**	$	2,793

The details of changes to deferred income tax assets and liabilities were as follows:

		2016		2015
Balance, beginning of fiscal year, net	**$**	**2,793**	$	(349)
Recognized in the statements of earnings:				
Non-capital losses		**9,847**		3,005
Non-deductible reserves and accruals		**3,004**		22,589
Property, plant and equipment		**(11,438)**		(16,445)
Intangible assets		**498**		7,385
Other		**2,790**		317
Unrecognized deferred tax assets		**(1,545)**		(14,341)
		3,156		2,510
Business acquisitions		**(4,542)**		—
Other		**93**		632
Balance, end of fiscal year, net	**$**	**1,500**	$	2,793

As at January 1, 2017, the Company has tax credits, capital and non-capital loss carryforwards and other deductible temporary differences available to reduce future taxable income for tax purposes representing a tax benefit of approximately $27.5 million, for which no deferred tax asset has been recognized (January 3, 2016 - $25.4 million), because the criteria for recognition of the tax asset was not met. The tax credits and capital and non-capital loss carryforwards expire between 2021 and 2036. The recognized deferred tax asset is supported by projections of future profitability of the Company.

The Company has not recognized a deferred income tax liability for the undistributed profits of subsidiaries operating in foreign jurisdictions, as the Company currently has no intention to repatriate these profits. If expectations or intentions change in the future, the Company may be subject to an additional tax liability upon distribution of these earnings in the form of dividends or otherwise. As at January 1, 2017, a deferred income tax liability of approximately $71 million would result from the recognition of the taxable temporary differences of approximately $267 million.

19. EARNINGS PER SHARE:

Reconciliation between basic and diluted earnings per share is as follows:

		2016		2015
				(15 months)
Net earnings - basic and diluted	**$**	**346,638**	$	304,914
Basic earnings per share:				
Basic weighted average number of common shares outstanding		**235,355**		242,502
Basic earnings per share	**$**	**1.47**	$	1.26
Diluted earnings per share:				
Basic weighted average number of common shares outstanding		**235,355**		242,502
Plus dilutive impact of stock options, Treasury RSUs and common shares held in trust		**693**		1,819
Diluted weighted average number of common shares outstanding		**236,048**		244,321
Diluted earnings per share	**$**	**1.47**	$	1.25

All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

Excluded from the above calculation for the year ended January 1, 2017 are 1,572,273 stock options (2015 - 858,153) and 7,500 Treasury RSUs (2015 - 61,919) which were deemed to be anti-dilutive.

20. DEPRECIATION AND AMORTIZATION:

		2016		2015
				(15 months)
Depreciation of property, plant and equipment (note 9)	**$**	**124,738**	$	134,688
Adjustment for the variation of depreciation of property, plant and equipment included in inventories at the beginning and end of the year		**(5,430)**		(14,399)
Depreciation of property, plant and equipment included in net earnings		**119,308**		120,289
Amortization of intangible assets, excluding software (note 10)		**18,106**		22,546
Amortization of software (note 10)		**3,183**		3,578
Depreciation and amortization included in net earnings	**$**	**140,597**	$	146,413

21. SUPPLEMENTAL CASH FLOW DISCLOSURE:

(a) Adjustments to reconcile net earnings to cash flows from operating activities:

		2016		2015
				(15 months)
Depreciation and amortization (note 20)	$	**140,597**	$	146,413
Restructuring charges related to property, plant and equipment (note 17)		**1,716**		(833)
(Gain) loss on remeasurement of contingent consideration in connection with a business acquisition (note 17)		**(6,176)**		1,118
Loss on disposal of property, plant and equipment and intangible assets		**1,631**		1,167
Share-based compensation		**15,373**		12,320
Deferred income taxes (note 18)		**(3,156)**		(2,510)
Unrealized net loss on foreign exchange and financial derivatives		**1,993**		226
Timing differences between settlement of financial derivatives and transfer of deferred gains and losses in accumulated OCI to net earnings		**10,840**		5,042
Other non-current assets		**(2,202)**		2,011
Other non-current liabilities		**(2,169)**		(17,300)
	$	**158,447**	$	147,654

(b) Variations in non-cash transactions:

		2016		2015
				(15 months)
Change in classification of non-Treasury RSUs to equity-settled (note 3(cc))	$	**6,234**	$	—
Additions to property, plant and equipment and intangible assets included in accounts payable and accrued liabilities		**(8,200)**		(6,980)
Proceeds on disposal of property, plant and equipment included in other current assets		**(475)**		(234)
Assets held for sale transferred to property, plant and equipment		**2,243**		—
Balance due on business acquisition (note 5)		**(4,000)**		—
Settlement of pre-existing relationship (note 5)		**—**		8,378
Transfer from accounts payable and accrued liabilities to contributed surplus in connection with share repurchases for future settlement of non-Treasury RSUs		**—**		7,488
Non-cash ascribed value credited to contributed surplus for dividends attributed to Treasury RSUs		**370**		85
Non-cash ascribed value credited to share capital from shares issued or distributed pursuant to vesting of restricted share units and exercise of stock options		**8,085**		26,496

22. RELATED PARTY TRANSACTIONS:

Key management personnel compensation:

Key management personnel includes those individuals that have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and is comprised of the members of the executive management team and the Board of Directors. The amount for compensation expense recognized in net earnings for key management personnel was as follows:

		2016		2015
				(15 months)
Short-term employee benefits	**$**	**7,422**	$	7,579
Post-employment benefits		**157**		200
Share-based payments		**10,132**		11,274
	$	**17,711**	$	19,053

The amounts in accounts payable and accrued liabilities for share-based compensation awards to key management personnel were as follows:

		January 1, 2017		January 3, 2016
Non-Treasury RSUs	**$**	**—**	$	1,463
DSUs		**6,481**		6,436
	$	**6,481**	$	7,899

23. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES:

(a) Claims and litigation

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a material adverse effect on the financial position or results of operations of the Company.

(b) Guarantees

The Company, and some of its subsidiaries, have granted financial guarantees, irrevocable standby letters of credit, and surety bonds to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform their contractual obligations. As at January 1, 2017, the maximum potential liability under these guarantees was $53.8 million (January 3, 2016 - $55.4 million), of which $10.4 million was for surety bonds and $43.4 million was for financial guarantees and standby letters of credit (January 3, 2016 - $10.6 million and $44.8 million, respectively).

As at January 1, 2017, the Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for the aforementioned items.

24. CAPITAL DISCLOSURES:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while maintaining a strong credit profile and taking a conservative approach towards financial risk management.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's use of capital is to finance working capital requirements, capital expenditures, business acquisition, payment of dividends, as well as share repurchases. The Company currently funds these requirements out of its internally-generated cash flows and with funds drawn from its long-term debt facilities.

The primary measure used by the Company to monitor its financial leverage is its net debt leverage ratio. The Company's net debt leverage ratio is defined as the ratio of net indebtedness to earnings before financial expenses/income, taxes, depreciation and amortization, and restructuring and acquisition-related costs ("adjusted EBITDA") for the trailing twelve months, on a pro-forma basis to reflect business acquisitions made during the trailing twelve month period, as if they had occurred at the beginning of the trailing twelve month period. The Company has set a target net debt leverage ratio of one to two times adjusted EBITDA. As at January 1, 2017, the Company's net debt leverage ratio was 1.0 times.

In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

The Board of Directors will consider several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's revolving facilities, term loan facility, and notes require compliance with lending covenants in order to pay dividends, these covenants are not currently, and are not expected to be, a constraint to the payment of dividends under the Company's dividend policy.

The Company paid dividends of $74.4 million during the year ended January 1, 2017, representingdividends declared per common share of $0.312. On February 22, 2017, the Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of $0.0935 per share for an expected aggregate payment of $21.5 million which will be paid on April 3, 2017 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 9, 2017. This dividend is an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any other applicable provincial legislation pertaining to eligible dividends.

The Company is not subject to any capital requirements imposed by a regulator.

25. SEGMENT INFORMATION:

The Company manages and reports its business as two operating segments, Printwear and Branded Apparel, each of which is a reportable segment for financial reporting purposes. Each segment has its own management that is accountable and responsible for the segment's operations, results and financial performance. These segments are principally organized by the major customer markets they serve. The following summary describes the operations of each of the Company's operating segments:

Printwear: The Printwear segment, headquartered in Christ Church, Barbados, designs, manufactures, sources, markets and distributes undecorated activewear products in large quantities primarily to wholesale distributors in printwear markets in over 55 countries across North America, Europe, Asia-Pacific and Latin America.

Branded Apparel: The Branded Apparel segment, headquartered in Charleston, South Carolina, designs, manufactures, sources, markets and distributes branded family apparel, which includes athletic, casual and dress socks, sheer hosiery, legwear, shapewear, underwear and activewear products, primarily to U.S. and Canadian retailers.

The chief operating decision-maker assesses segment performance based on segment operating income which is defined as operating income before corporate head office expenses, restructuring and acquisition-related costs, and amortization of intangible assets, excluding software. The accounting policies of the segments are the same as those described in note 3 of these consolidated financial statements.

25. SEGMENT INFORMATION (continued):

		2016		2015 (15 months)
Segmented net sales:				
Printwear	**$**	**1,651,079**	$	1,794,754
Branded Apparel		**933,991**		1,164,484
Total net sales	**$**	**2,585,070**	$	2,959,238
Segment operating income:				
Printwear	**$**	**388,052**	$	363,607
Branded Apparel		**85,445**		91,033
Total segment operating income	**$**	**473,497**	$	454,640
Reconciliation to consolidated earnings before income taxes:				
Total segment operating income	**$**	**473,497**	$	454,640
Amortization of intangible assets, excluding software		**(18,106)**		(22,546)
Corporate expenses		**(72,121)**		(89,949)
Restructuring and acquisition-related costs		**(11,746)**		(14,908)
Financial expenses, net		**(19,686)**		(17,797)
Earnings before income taxes	**$**	**351,838**	$	309,440
Additions to property, plant and equipment and intangible assets (including additions from business acquisitions and transfers):				
Printwear	**$**	**146,556**	$	392,635
Branded Apparel		**71,022**		73,911
Corporate		**4,357**		4,682
Assets not yet utilized in operations, net of transfers		**(24,131)**		(87,321)
	$	**197,804**	$	383,907
Depreciation of property, plant and equipment:				
Printwear	**$**	**77,436**	$	77,468
Branded Apparel		**38,924**		39,273
Corporate		**2,948**		3,548
	$	**119,308**	$	120,289

25. SEGMENT INFORMATION (continued):

The reconciliation of total assets to segmented assets is as follows:

	January 1, 2017	January 3, 2016
Segmented assets: (1)		
Printwear	**$ 1,640,739**	$ 1,453,823
Branded Apparel	**1,177,843**	1,197,838
Total segmented assets	**2,818,582**	2,651,661
Unallocated assets:		
Cash and cash equivalents	**38,197**	50,675
Assets held for sale	**—**	2,840
Deferred income taxes	**1,500**	2,793
Assets not yet utilized in operations	**60,552**	84,683
Other - primarily corporate assets	**71,313**	41,628
Consolidated assets	**$ 2,990,144**	$ 2,834,280

(1) Segmented assets include the net carrying amounts of intangible assets and goodwill.

Property, plant and equipment, intangible assets, and goodwill, were allocated to geographic areas as follows:

	January 1, 2017	January 3, 2016
United States	**$ 841,694**	$ 857,082
Canada	**151,508**	120,152
Honduras	**400,438**	400,774
Caribbean Basin	**159,419**	156,562
Other	**80,153**	37,198
	$ 1,633,212	$ 1,571,768

Net sales by major product group were as follows:

	2016	2015
		(15 months)
Activewear and underwear	**$ 1,993,012**	$ 2,246,524
Socks and hosiery	**592,058**	712,714
	$ 2,585,070	$ 2,959,238

Net sales were derived from customers located in the following geographic areas:

	2016	2015
		(15 months)
United States	**$ 2,253,910**	$ 2,585,533
Canada	**118,955**	136,516
Europe and other	**212,205**	237,189
	$ 2,585,070	$ 2,959,238

25. SEGMENT INFORMATION (continued):

The Company has two customers accounting for at least 10% of total net sales.

	2016	2015
		(15 months)
Customer A	**18.2%**	15.7%
Customer B	**12.4%**	13.1%

26. EVENTS AFTER THE REPORTING PERIOD:

On February 8, 2017, the Company acquired the American Apparel® brand and certain assets from American Apparel, LLC, (American Apparel) which filed for Chapter 11 bankruptcy protection on November 14, 2016. The acquisition was effected through a court supervised auction during which Gildan emerged as the successful bidder with a final cash bid of approximately $88 million. The American Apparel® brand will be a strong complementary addition to Gildan's growing brand portfolio. The acquisition provides the opportunity to grow American Apparel® sales by leveraging the Company's extensive printwear distribution networks in North America and internationally to drive further market share penetration in the fashion basics segment of these markets.

Results from the sale of products under the American Apparel® brand will be consolidated with those of the Company from the date of acquisition and will be reflected as part of the results of the Printwear segment.

A deposit of $6.6 million was made with respect to the acquisition during December 2016, and was recorded in other non current assets in the statement of financial position, and as cash used in a business acquisition in the statement of cash flows.

EXHIBIT 99.3

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500
Tour KPMG
Montréal, Québec H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Gildan Activewear Inc.

We consent to the inclusion in this annual report on Form 40-F of:

- our Independent Auditors' Report of Registered Public Accounting Firm dated February 22, 2017 on the consolidated statements of financial position as at January 1, 2017 and January 3, 2016, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the year ended January 1, 2017 and the fifteen month fiscal period ended January 3, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information; and

- our Report of Independent Registered Public Accounting Firm dated February 22, 2017 on the Company's internal control over financial reporting as at January 1, 2017;

each of which is contained in this annual report on Form 40-F of Gildan Activewear Inc. for the fiscal year ended January 1, 2017.

We also consent to the incorporation by reference of such reports in the Registration Statement (No. 333-208022) on Form S-8 of Gildan Activewear Inc.

KPMG LLP*

February 24, 2017
Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A110592

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

EXHIBIT 99.4

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a)

I, Glenn J. Chamandy, certify that:

1. I have reviewed this annual report on Form 40-F of Gildan Activewear Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 24, 2017

/s/ Glenn J. Chamandy
Name: Glenn J. Chamandy
Title: President and Chief Executive Officer

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a)

I, Rhodri J. Harries, certify that:

1. I have reviewed this annual report on Form 40-F of Gildan Activewear Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 24, 2017

/s/ Rhodri J. Harries
Name: Rhodri J. Harries
Title: Executive Vice-President, Chief Financial and Administrative Officer

EXHIBIT 99.5

CERTIFICATION
REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE

Gildan Activewear Inc. (the "Corporation") is filing its annual report on Form 40-F for the fiscal year ended January 1, 2017 (the "Report") with the United States Securities and Exchange Commission.

I, Glenn J. Chamandy, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: February 24, 2017

/s/ Glenn J. Chamandy
Name: Glenn J. Chamandy
Title: President and Chief Executive Officer

CERTIFICATION
REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18
OF THE UNITED STATES CODE

Gildan Activewear Inc. (the "Corporation") is filing its annual report on Form 40-F for the fiscal year ended January 1, 2017 (the "Report") with the United States Securities and Exchange Commission.

I, Rhodri J. Harries, Executive Vice-President, Chief Financial and Administrative Officer of the Corporation, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: February 24, 2017

/s/ Rhodri J. Harries
Name: Rhodri J. Harries
Title: Executive Vice-President, Chief Financial and Administrative Officer



Doing right means
doing the right thing *always*.

EVERY THREAD COUNTS™

GILDAN®

Code of Ethics

A Message from Our President and CEO

To all employees, officers and directors of Gildan:

Every day, we commit to maintaining high ethical standards in all of our operations and business practices worldwide. On an individual basis, we recognize the potential impact our actions and behaviours have on our business dealings and relationships. This means that the way we treat and interact with our fellow employees, customers, suppliers, contractors, investors and handle all our stakeholders matters is critically important.

When we bring people on board, we specifically look for those who exhibit the utmost integrity and share our values. As employees, having a solid foundation of integrity gives us a unique advantage when making decisions. Our personal values and honesty consistently steer us in the right direction. But no matter how strong our values and solid our judgement, there may still be times when the right course of action is not immediately apparent. This is where our Code of Ethics comes into play. Gildan's Code of Ethics is built upon the foundation of our three Core Values:

We Act Like Entreprenuers | **We Operate Responsibly** | **We Believe in Our People**



The Gildan Code of Ethics sets forth the Company's standards of integrity and expectations for ethical behavior. This Code has been developed to guide us in making decisions that are consistent with our Core Values. But the Code of Ethics does not always provide guidance for every specific issue. If you have any questions or concerns, whether or not they are covered in the Code of Ethics or a related Company policy, I urge you to seek guidance. U have support all around you: from your supervisor to the Human Resources Department, the Legal Department or any member of Gildan's Ethics and Fraud Compliance Committee. You can always call Gildan's confidential Ethics and Integrity Hotline as well. Gildan retaliation is not tolerated, so you need not worry about consequences for your unintended honest communication.

Our Company's reputation and image is built on us collectively adhering to these principles. I ask that you read this document carefully, and follow the principles outlined. Together we all represent Gildan, a great company with a bright future.

Sincerely,



Glenn J. Chamandy
President and Chief Executive Officer

CORE VALUES



WE ACT LIKE ENTREPRENEURS

At Gildan, we are determined to pursue excellence and constantly challenge the status quo. As a founding principle of Gildan's DNA, our entrepreneurial spirit reflects our leadership's passion to do more and continuously do better. Throughout the entire organization, we have instilled a sense of ownership and accountability to continue to drive our future growth and success.

There is no limit to what we can achieve!



WE OPERATE RESPONSIBLY

At Gildan, we understand that operating responsibly is critical to achieving our long term goals. Our genuine commitment to best practices in every area of the company and to operating ethical, safe and sustainable manufacturing facilities influences every decision we make, down to the smallest detail. We are proud to be respected both for the quality of our products and how we make them.

Everyday apparel, done right!



WE BELIEVE IN OUR PEOPLE

At Gildan, we value empowerment and teamwork everywhere we operate, because we know that when we roll up our sleeves and work together, nothing is beyond our reach. The pride that we have in every product we make and every life we touch can be seen through our commitment to our employees, customers, investors and partners worldwide.

Success starts and ends with our people!

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Welcome to Our Code of Ethics

What Does Our Code Do?

The Code of Ethics sets out Gildan's standards and expectations of conduct by all employees with regards to ethics and integrity and acts as a framework in guiding our operations and business practices.

This Code is not designed to answer every question we might have regarding our work at Gildan. Instead, it is meant to steer our behaviour and actions in the right direction, especially in situations where the best decision may not be completely clear. By establishing some basic rules and providing us with guidance around what to do or how to act in certain situations, our Code gives us a star ting point to address many of the issues we face. It also provides some possible responses to those issues.

> **Some situations are more complex than others. This might be because of special rules or regulatory concerns. In such situations, the Company has already established more specific policies or guidelines. In these areas of our Code, we make reference to Company policies that contain additional information and guidance that wouldn't be practical to include as part of this document. All of the referenced policies, guidelines and other resources are located on the Gildan intranet at http://intra.gildan.com/.**

How Do We Apply It to Our Work?

Simply having a Code is not enough—we need to apply the Code to our everyday activities and interactions at work. To make the best use of our Code, Company policies and other compliance resources, we fir st must read and understand them. If we aren't clear on how certain rules apply to our work, we are expected to ask questions. Not knowing the rules is not an excuse for violating this Code, any of Gildan's policies or the law. Get involved, discuss issues, and make ethical behaviour a priority. Use the Code as a reference guide when you need quick answer s in tricky situations. Above all, let the Code—and the examples, direction and resources it provides—influence all of the actions you take on behalf of Gildan.

Who Needs to Follow It?

Our Code applies to all Gildan employees, officers and directors across all locations and at all times. The roles we serve within our Company and the length of time we've worked here have no bearing on this. We are all expected to follow the same rules.

We also expect our suppliers, agents, contractors, consultants, licensees and all other business partners to follow similar ethical principles when doing business with Gildan. Our Vendor Guidebook, which is specific to the third parties we work with, explains more about this expectation.

What Role Do Supervisors Play?

As leaders within Gildan, supervisors are first in line with regards to the reputation of integrity and honesty of Gildan and are responsible for fostering an ethical work environment. If you are a supervisor, you live up to your role when you:

- Set a good example for your employees
- Create an open-door environment where questions and reporting of concerns are encouraged
- Promptly escalate all reports of violations or misconduct
- Keep an eye out for misconduct in your workplace and address potential violations promptly



How to Get Help and Raise Issues

Where Do I Go with Questions and Concerns?

One of our most important responsibilities under this Code is also one of the most basic: speaking up when we have questions or concerns. But that doesn't mean it's always easy. Our Company understands that coming forward with a report can sometimes feel uncomfortable, especially if we don't have all of the facts.

This is why Gildan maintains a strong open-door environment where we can access a number of different resources without discomfort or fear. Speaking up about real or suspected misconduct helps our Company solve problems at the source and keeps issues from escalating or reoccurring. If you have a question or would like to report a possible legal or ethical violation:

- **Talk to your supervisor.**

If you are not comfortable talking to your supervisor—or if you have talked to your supervisor but do not feel your issue has been appropriately dealt with or resolved—you are encouraged to do one of the following:

- **Speak with the Human Resources Department.**
- **Consult the Legal Department.**
- **Talk to a member of the Ethics and Fraud Compliance Committee.**

While you are always encouraged to have an open dialogue with any of the above mentioned resources, you are certainly allowed to raise your concerns anonymously. For example, you may:

- **Make a report through the Ethics and Integrity Hotline.** If you choose to contact the hotline by phone or through the website, know that neither method will identify you unless you leave your name and contact information. If you share your identity and contact information, this information will be kept confidential, consistent with local law and the need to conduct a thorough investigation. The information you provide will be relayed to the proper Gildan resource for follow-up.

SCENARIO

Eduardo has noticed that his co-worker, Maria, has recently submitted reports containing significant errors. Maria knows of the errors, but she was in a hurry to produce the reports and did not think it was worth spending the time identifying the source of the errors and correcting them. When Eduardo confronts Maria about what she did and the fact that submitting inaccurate numbers could have important consequences, she laughs and says, "What do you think will happen to you if you report this? You'll never get promoted if people know what a complainer you are." Now Eduardo feels nervous about reporting her. What if he misses out on a future opportunity because of it?

Eduardo shouldn't worry about what Maria says. Gildan does not tolerate retaliation of any kind against those who make honest reports of misconduct in our workplace. In this case, Maria is violating the Code by falsifying Company records, so her actions should definitely be reported so they can be handled appropriately. If Eduardo doesn't feel comfortable approaching his direct supervisor, he can reach out to any other resource listed in this Code. In addition, Maria is also violating the Code with her remarks to Eduardo.

How Does Gildan Handle Reports?

When you make a report, rest assured that it will be treated as confidential, consistent with local law. There is no such thing as a small or unimportant report—all reports will be evaluated and addressed promptly and thoroughly. After you have made your report, the outcome of the investigation will be communicated back to you in a timely fashion. You will never have to wonder whether action was taken.

What is Our Policy on Retaliation?

Our Company will not retaliate or tolerate retaliation against anyone who, in good faith, reports a possible violation of this Code, any of the Company's policies or the law. Acting in good faith means coming forward with all of the information you have and giving a sincere and complete report. You do not need to have all the facts at your disposal, but you do need to be honest when discussing your concerns.

Anyone who retaliates against another person for making a report or participating in an investigation in good faith will be subject to disciplinary action, up to and including termination. The same is true of anyone who intentionally delivers a false report or makes false and unjustified accusations.

What are the Consequences for Violations?

In addition to the rules established by our Code, everything we do here at Gildan must comply with the laws, rules and regulations of all the countries where we operate. If you think there is a conflict between those laws and our Code, talk to a member of the Legal Department.

Anyone who violates our Code, any of the Company's policies or the law will be subject to disciplinary action, up to and including termination. For serious legal offenses, consequences can include fines, penalties or even jail time. In cases where a collective agreement applies, Gildan takes disciplinary action as defined by that agreement.



Ethics and Integrity for Our Fellow Employees

We Respect the People We Work With.

At Gildan, we believe that each of us should be valued for our differences in background, opinion and experience.

Treating our co-workers with the same compassion and professionalism we would expect to receive ourselves is essential for a healthy work environment. It also serves as a foundation for other ethical behaviours.

We foster a culture of inclusion which means we respect and value all of our employees and appreciate all of our differences. In fact, Gildan supports the principle that every individual should have equal opportunity and we ensure that all employment related decisions such as hires, transfers, promotions, disciplinary measures, etc., are made without regard to race, colour, gender, sexual orientation, marital status, religion, political affiliation, nationality, ethnic background, social origin, age or disability or any other legally protected characteristic.

As individuals, we also share a basic right to work without intimidation, harassment, threats or abuse of any kind, be it verbal or physical, which can cause tension, discomfort, hostility or violence in the workplace. Harassment can include, for example, unwanted sexual advances (whether verbal or physical), threats or acts of violence, and offensive jokes or remarks. Bullying, which includes humiliating, insulting, intimidating or isolating others, can also create an unpleasant or hostile work environment. All such behaviour is strictly forbidden at Gildan.

If you know—or even suspect—that discrimination, harassment, intimidation, abuse or workplace violence has occurred at Gildan, you should report the situation right away. Reaching out to your supervisor, a member of the Human Resources team or another Company resource is the right thing to do, and you will never suffer retaliation for making a report in good faith.

SCENARIO

Celine's co-workers in accounting are all male, most of them have been at the company longer than her. Normally, this isn't something she even thinks about. Lately though, some of the guys are giving her a hard time—teasing her about her love life and bringing up subjects that embarrass her. While Celine knows it's meant to be in good fun, her co-workers have succeeded in making her feel very uncomfortable. But as the newest and only female member of this team, she's worried about what could happen if she rocks the boat. What should she do?

It's important for Celine to speak up about her discomfort. How she does this is up to her. Since she feels that the teasing is meant to be light-hearted, it might be a good idea for her to tell a few of her co-workers privately that she's actually bothered by the comments. If she doesn't feel comfortable doing that, or the comments don't stop after she does, she should address the issue with the group's supervisor. It's important for all of us to feel respected and valued in the workplace.

We Value Health and Safety in Our Workplace

Our Company strives to provide a safe and healthy work environment for all employees, whether in our manufacturing facilities, corporate offices or out in the field.

Every Gildan facility has a required safety program in place that offers appropriate and necessary training to meet not only applicable local laws and regulations, but also Gildan's own high standards of safety and health.

To make the most of these programs, we are each responsible for complying with health and safety rules that apply to our jobs. We are also expected to take the necessary precautions to protect ourselves, our co-workers and others in and around our facilities. As part of this commitment, we must immediately report to our supervisors any unsafe practices or conditions we may observe in our workplace as well as all accidents and injuries.

In the interest of our own safety, as well as that of our co-workers and others with whom we interact, we may never work while impaired by alcohol, illegal drugs or prescription or over-the-counter medications. In addition, we may never use, possess, transfer or sell illegal drugs or alcohol during working hours, while on Gildan premises, when travelling on business or during Company events. Gildan only makes exception to this rule when alcohol is served in moderation at an authorized Company event.

For more on how Gildan promotes respect among those we work with-or those whose work somehow benefits or relates back to us-take a look at the "We Are Responsible Members of the Global Community" section of this Code.

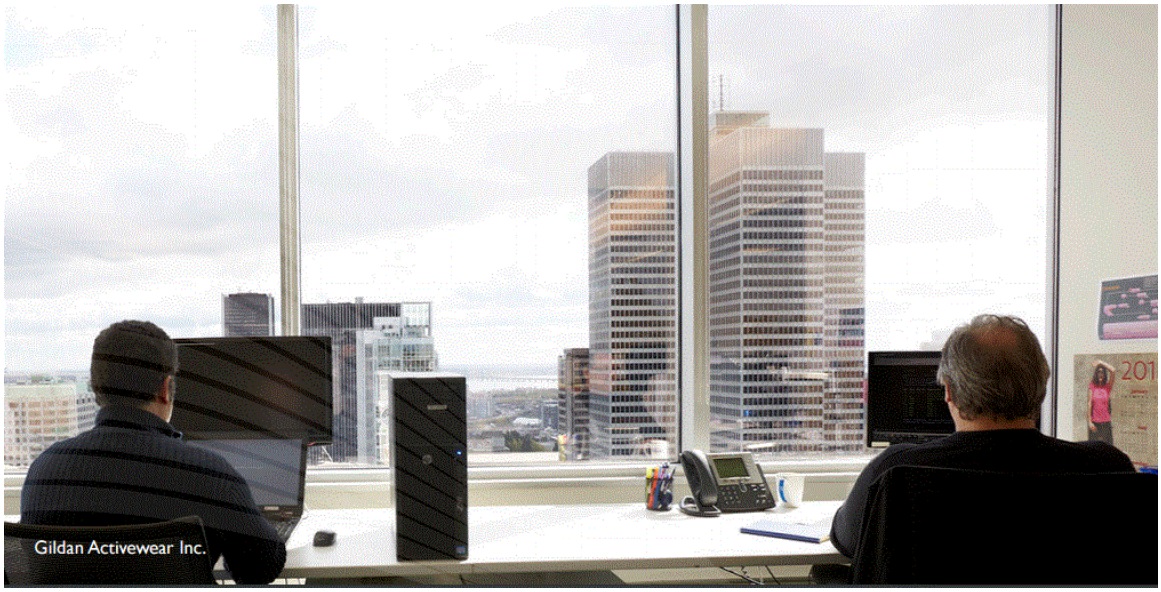
We Keep Each Other’s Information Safe

Respecting the individual also means respecting each other’s personal information.

Whether we have access to such information as part of our regular duties, or come into contact with it inadvertently, we must treat it with the utmost care. We keep all sensitive employee data private, including:

- Home addresses, telephone numbers or other contact information
- Benefits information
- Compensation information
- Medical records
- Government-issued identification numbers
- Tax information

If you routinely use or view this information because of the nature of your job, take special care to protect it from loss, theft or accidental disclosure. Like all Company assets, you should only use it for its intended purpose.



Ethics and Integrity for Our Company

Acting in Gildan's Best Interests

As Gildan employees, we make a commitment to do what is best for our Company.

As Gildan employees, we make a commitment to do what is best for our Company. If our personal interests could cause us to do something that would benefit us or persons related to us at the expense of Gildan, a **conflict of interest** is at play. All of us should avoid conflicts of interest-or the appearance of such conflicts-to help Gildan continue to operate in a successful and unbiased way.

There are a number of different ways a conflict of interest might occur. Some may seem obvious-others may be more subtle. The following are some of the more common situations we might encounter as Gildan employees. Keep in mind that having a conflict is not necessarily a violation of our Code, but failing to disclose a conflict to your supervisor is.

Related persons
At Gildan, **a person related to you** (or what we sometimes call a **related party**) can be a number of individuals or entities. Related parties might be members of your family, such as your spouse or partner, your children or your in-laws. They can also be entities owned or controlled by you or a member of your family.

Personal investments
Making significant personal investments in companies that compete or do business with Gildan can easily create a conflict of interest. If your loyalty is divided between Gildan and the success of the other company, it could cause you to make decisions that wouldn't be in Gildan's best interest.

Personal relationships
When a personal or family relationship exists between co-workers-especially if there is also a reporting relationship in the workplace-it may create a conflict, or the appearance of one. It may seem to others that preferential treatment or favouritism is being granted. For this reason, you should never have direct decision-making authority over a related person, or vice versa. Remember, the important thing is to avoid even the *appearance* of bias.

Outside employment opportunities
Some outside employment opportunities might allow us to earn extra income or use our talent and experience without harming our Gildan work in any way. Others clearly compromise our Company's business goals or our ability to perform our jobs, and are therefore not allowed.

To help us avoid conflicts in this area, we must not perform outside work for competitors or suppliers. In addition, we must never use Gildan time, facilities, resources, supplies or other assets for any outside employment or activity. You should always check with your supervisor before accepting an outside position to make sure the work won't affect your performance for Gildan.

Competing for business opportunities
Depending on your position and the work you do for Gildan, you may come across certain business opportunities that you find appealing. If you come across an activity, investment or interest that you would like to take advantage of, you should keep in mind that these opportunities belong first and foremost to Gildan. If the Company has a chance to evaluate an opportunity and decides to pass on it, you may be able to obtain permission to pursue it yourself. Taking these opportunities away from Gildan for your own personal gain, without first giving the Company a chance to evaluate them, is a clear conflict of interest and is never acceptable.

If you believe your personal circumstances could lead to a real or perceived conflict of interest, you have a responsibility to disclose the situation immediately by completing a Declaration of Conflict of Interest form available on the Company intranet and submitting it to your supervisor. Always talk to your supervisor about any situation that you believe qualifies as or could turn into a conflict. They can help you determine the best course of action. You can also always consult with the Legal Department.

If you are a supervisor and a member of your team discloses to you a real or perceived conflict of interest, it is your responsibility to ensure that the matter is brought to the attention of your functional executive vice-president. It is incumbent on you and your functional executive-vice president to evaluate the risks associated with the conflict and to implement an action plan to mitigate or eliminate these risks.



SCENARIO

Sara's friend Nolan plans to start up a clothing label. Through crowd funding, he's almost raised enough money to launch the business, and has asked Sara to help him with the design of the company's website and promotional materials. Even though Sara does design work for Gildan, she feels like there's no way this could cause a conflict—she'd be working after hours and it's unlikely that Nolan's business would ever be a serious Gildan competitor. Does she really have to disclose this?

Yes, it's important that Sara talks to her supervisor before accepting the outside work. There may be some factors here that Sara isn't considering. For example, a position at Nolan's company—similar to the one she holds at Gildan—might cause Sara to inadvertently use information that belongs to our Company to benefit her friend. By disclosing the situation and acting under the advice of management, Sara can be sure she makes the best choice for herself and for Gildan.

Exchanging Gifts and Entertainment

Companies often exchange business gifts and entertainment to develop and encourage strong working relationships with customers, suppliers and other business partners. **Gifts** can be any item of value-usually goods and services. **Entertainment** is an invitation to attend a meal, performance or event where both the person offering and the person accepting are present.

Gifts and entertainment can be exchanged to open up business conversations or even just to express appreciation or thanks. However, this common practice can easily lead to a conflict of interest, kickback or bribe, or the appearance of one, if crucial guidelines are not followed. That is why anything we provide to or accept from a current or potential customer, supplier or other business partner must be pre-approved by our functional executive vice-president and must be in compliance with the following guidelines:

- Reasonably priced
- Not cash or cash equivalents, such as gift cards
- Infrequent
- In good taste
- Unsolicited

- In compliance with applicable laws and regulations
- In compliance with the customer, supplier or business partner's guidelines

Keep in mind that obtaining approval and following the above guidelines isn't always sufficient. Even when giving or receiving gifts or offers of entertainment that meet these criteria, we must always remember to do nothing that could create even the appearance of bias, kickback or bribe.

Doing Business Free of Corruption

We earn our success by creating exceptional products for exceptional value and by doing so in a socially and ethically responsible manner.

Gildan is committed to following all international laws, treaties and regulations that forbid bribery, including the U.S. Foreign Corrupt Practices Act, the Canadian Corruption of Foreign Public Officials Act and the UK Bribery Act. We refuse to directly or indirectly bribe any third party, even if our refusal causes us to lose business or experience delays.



But what are bribes, and how do they differ from normal gifts and entertainment? **Bribes** can be anything of value—including gifts and entertainment—given with the intent to improperly influence the recipient's actions. They may take many forms: money, travel expenses, below-market loans, deep discounts, favours, political or charitable contributions, or any other benefit. Because bribes are always unethical and are illegal in nearly every country, we never make them, either directly or indirectly such as through an agent or other third party. We should never offer a bribe to our customers, suppliers or anyone working on their behalf or to any government officials we might interact with during the course of our work.

In addition to bribery, we must never make facilitation payments or kickbacks, whether directly or indirectly. **Facilitation payments** are usually small cash payments made to expedite any routine government action. **Kickbacks** are payments made in exchange for a sum already paid (or due to be paid), as a reward for business or for fostering a business relationship.

Corruption and bribery laws can be complex. It's important to discuss any questions or concerns you have in this area with a member of the Legal Department or the financial officer in charge of your division. They can help you make sense of difficult situations and make the right choice.

SCENARIO

Karl is the local manager at one of the Company's regional operations. The facility he manages is expecting an important shipment of raw materials and if the goods don't arrive within the next few days his team will not to be able to achieve expected production volumes for the month. When Karl asks the Company's local customs broker for an update, the broker says that the customs official handling the file claims to be busy and cannot release the shipment. Karl is furious since he followed the proper procedure and in compliance with the rules. According to the broker, the matter could take weeks to resolve, but she offers Karl a solution that is common practice in the country – the goods can be cleared in a day or two for a nominal fee of $100 to the customs official. Her firm could even make the payment directly to speed things up and then add it to their invoice later. Karl considers the suggestion since he really needs to make his numbers. Should Karl authorize this payment?

No, he should not. This is a classic example of a "facilitation payment" and it is strictly forbidden under Gildan's Anti-Corruption Policy and Compliance Program and would also violate a number of anti-corruption laws. Even if made indirectly through the broker, the payment puts the Company at risk of violating applicable laws. Karl should notify the financial officer in charge of his division right away to help him to evaluate the Company's options.

Ethics and Integrity for Those Who Invest in Our Business

We Protect Gildan's Assets, Information and Brands

Those who invest in our business expect us to deliver quality products to our customers in a fair, safe and efficient manner.

This is one of the things the Gildan family of brands stands for. We would never be able to meet this expectation without Company assets, information and the strength of our brands to support our work. There are various types of resources we access and use at Gildan—and all of them are important.

Physical assets

Some of the most obvious assets we use on a daily basis are physical. Gildan property, like facilities, funds, documents and equipment are all necessary to perform our jobs, and need to be used only for their intended business purposes. We are each expected to take good care of these assets and protect them from theft, damage, misuse or loss

A few of these assets —like Company laptops, phones and other equipment—are often used outside the workplace. We should never remove Company supplies or equipment from the Company premises or bring them home without first obtaining permission from our supervisor.

Confidential Information

One of our most important assets is not always an obvious or even physical one: information. Specifically, we mean information concerning our Company that is not known by the public, simply called confidential information. Confidential information includes financial data, strategic plans and trade secrets, as well as information on:

- Production
- Processes
- Formulas
- Specifications
- Facility layouts
- Machinery
- Equipment
- Research and development

- Pricing
- Costs
- Products
- Employees, customers and suppliers

As Gildan employees, it's our individual and shared responsibility to protect the confidential information that is in our care at all times. We must not disclose this information to those who should not have it or do not need to know it-even including our co-workers. In fact, we may only share this information when disclosure is specifically authorized or legally required. This obligation to protect confidential information goes on even after our employment with Gildan ends.

Beyond preventing unauthorized disclosure, there are other things we can do to keep confidential information safe. We should make sure we do not leave confidential information unattended or in plain sight, whether the information is in hardcopy or electronic format. In addition, we should never discuss confidential matters in places where our conversations could be overheard, such as elevators, hallways, restaurants, airplanes or taxis.

If you need help identifying confidential information or executing a non-disclosure agreement, talk to a member of the Legal Department for assistance.

Intellectual Property
Confidential information is only one type of our intellectual property. Our intellectual property is vast and incredibly important to our business. It includes all of our trademarks, domain names, patents, industrial designs, copyrights and trade secrets. Just like confidential information, our intellectual property may be confidential, which means it's covered by the same guidelines discussed above if it has not yet been made public.

The intellectual property we create as employees of Gildan is owned by our Company. That means any invention, discovery, idea, improvement, design, process, concept, work product, trade secret and technological development we might make during our employment here belongs to Gildan.

Company technologies and social media
As with other Company assets, we are responsible for using Gildan networks, computer systems, mobile devices and other technologies in a legal and ethical manner. We may not access the Internet for unauthorized, illegal or unethical purposes, or to view or download any offensive or explicit material. When drafting emails or other electronic messages, we should be just as respectful as we would be

in person. These kinds of communications can be altered and forwarded without our consent, making it all the more important to avoid colourful language, inappropriate comments or other unprofessional remarks.

The same guidelines apply to our social media involvement. While Gildan cannot and would not try to limit our personal use of social media, it's important that we each use our best judgment online and follow Company policies. We must never post confidential information about Gildan or our business partners. We must always be clear about our connection to Gildan. We must always follow proper online etiquette and treat others courteously. Only authorized individuals are allowed under Gildan's policies to speak on Gildan's behalf on certain topics. It's therefore very important to refrain from inadvertently representing our Company online or attributing our personal opinions to Gildan.

Speaking with the public on the Company's behalf
When our Company gives information to the public, we deliver that information accurately and consistently. To make sure we are not sending mixed messages, our Company designates a limited number of spokespersons who have the authority to speak publicly on our behalf to the investment community, government regulators, the media and the general public.

If you aren't one of these spokespersons, you should never answer requests for information about the Company, even on an "off the record" basis. Instead, you must promptly forward any such request for information to Gildan's Corporate Communications Department or, in the case of inquiries from the investment community, to Gildan's Investor Relations Department or directly to the Chief Financial Officer.



SCENARIO

Marisa is leaving Gildan to start her own business. During her time at our Company, Marisa helped develop and improve a number of processes—and she knows that this experience will aid her future company. She also plans on taking some design templates she created with her to repurpose for her own work. There's no reason why she shouldn't do this, right? After all, Gildan can't put limits on information and work that came from Marisa's own mind.

Actually, because all of this work was performed for Marisa's job at Gildan—using Company time and resources—it belongs to Gildan. There is certainly no limit to Marisa's ability to create new processes and designs in her own business, but taking templates, process information and other Gildan intellectual property with her isn't allowed.

We Never Trade on Inside Information

Some of the information assets we have access to at work might qualify as **inside information**. Inside information is material, non-public information that a reasonable investor would consider important when making an investment decision like buying or selling stock. This information can include, for example:

- Earnings and earnings forecasts
- Significant changes in earnings patterns
- Major, unannounced strategic initiatives such as plant closures or material capital expenditures
- Merger or acquisition discussions
- Any other confidential or proprietary information, whether positive or negative in nature

As employees of a publicly traded company, we must make sure that any inside information about Gildan-as well as other public companies we work with-is not used illegally for personal financial gain. Trading on the basis of material, non-public information is a violation of insider trading laws, and it can lead to disciplinary action

against the individuals involved, as well as potential civil or criminal penalties. It is also illegal to provide inside information to others (or “tip” them) to influence their investment decisions.

If you aren’t sure whether information is material or has been released to the public, you must consult a member of the Legal Department.

We Keep Our Records Accurate and Honest

> **Our investors rely on us to give them an accurate picture of Gildan.**

They have the right to know our financial status and the state of our operations. We therefore have a responsibility to be accurate, honest and complete in the reports we release to the public and file with government agencies. Keeping correct, transparent records of accounts allows us to provide investor s with this information when they need it, and it helps us identify areas of potential improvement in our business.

You may not think that the records you create have much bearing on Gildan’s overall operations-but they do. That’s why every timesheet, expense report and contract must truthfully reflect time, cost and other factors, and have all of the supporting documentation in place to back them up. Of course, the responsibility ultimately falls on each of us to follow applicable accounting requirements, submit appropriate contract documentation and adhere to all internal controls for handling our Company’s financials. Senior financial officers and others with accounting or financial reporting obligations must be especially vigilant in performing their duties.

Records management
For all of us to have effective, usable records at our disposal, we need to do our part to maintain and dispose of documents and records appropriately. Records have a lifespan-we should hold onto them for as long as they are needed, and securely destroy them when they are no longer useful. Each Gildan location should maintain a record retention schedule to help you classify the documents in your possession and know when and how to get rid of them. The laws and Company policies regarding retention of documents apply to all of our records, whether in electronic or paper format, including formal reports as well as informal data such as e-mails, expense reports and internal memos.

Responding to audits and investigations

We are equally committed to responding to and complying with all types of audits, inspections and investigations, including those conducted by the government. We have a responsibility to provide investigators with the information they need to do their jobs. As part of an audit or investigation, you may be notified that records in your possession are subject to a legal hold. A **legal hold** applies to records connected with actual or anticipated litigation. It is important that you retain these documents until notified that the hold is no longer in effect, even if your local retention schedule says otherwise.



Ethics and Integrity for Those Who Buy Our Products

We Design, Manufacture and Sell High-Quality Apparel

> **As a leading manufacturer and marketer of activewear, we take pride in the superior quality of our products, which are seen—and sold—across the globe.**

To make sure that we continue to offer the consistent high quality our customers expect, we must each make sure all of our products, whether manufactured by us or by a third party, comply with our rigorous quality controls and specifications. Everything we sell must be created and distributed in accordance with applicable laws and regulations and we expect our third party supplier to live up to this same high standard as well. If the integrity of our apparel is in any way compromised, we tackle the problem at the source. We never deliver an inferior product.

We Manufacture and Sell Our Products with Integrity

> **We operate honestly and with integrity in the marketplace.**

Behaving with integrity means that we will do what we say we will do. It means not making promises about our products that we do not intend to keep or that we can't be reasonably sure we can keep. This is why, when we sell our products, we represent them honestly and accurately. We never lie about the corporate social responsibility practices we have adopted, or the quality, features or availability of our apparel. We do not make false claims about our products nor do we unfairly disparage our competitors or their products. Comparisons with our competitors must be fair and have a basis in actual facts. When we are honest and ethical, we can trust our superior products and reputation to speak for themselves.

Gildan Activewear Inc.

SCENARIO

A prospective customer tells Carlos that one of our competitors is offering similar products at substantially lower prices. She asks Carlos why her company should choose Gildan over this competitor. While Carlos believes in the quality of our product and the work we do here, he's also heard that this competitor has very relaxed social responsibility standards. He thinks they are probably able to keep their prices lower because they use unfair labour practices. Should he share this with the customer?

No, he shouldn't. The customer is asking Carlos why she should choose Gildan, not what Carlos has heard about this competitor. Without factual, publicly available data about the other company's social responsibility standards, he is just making assumptions. Instead of denigrating our competitor, Carlos should emphasize Gildan's commitment to product quality, human rights and social responsibility.

We Support a Free Market

The apparel industry is highly competitive—our competition might expand just as quickly as our business does. While vigorous, open competition is good for a healthy market, we need to make sure we aren't so aggressive that we forget our ethical and legal obligations. Global competition laws (known as **antitrust laws** in Canada and the U.S.) help preserve a fair opportunity for all businesses to compete in the market-place. We comply with these laws wherever we do business. After all, they promote open competition and prohibit any agreement or practice that restrains trade, which ultimately benefits our customers by giving them quality options at fair prices.

Though good for our industry, competition laws can sometimes be complex. In general, they prohibit us from engaging in conduct either alone or in collaboration with our competitors, suppliers and business partners that restrains trade. You may have heard of concepts such as "price fixing", "market allocations", "monopolies", " boycotts" and "tying arrangements", all of which are illegal.

Even appearing to restrain trade can violate competition laws, making it crucial to be careful about the topics we discuss with our competitors or other third parties. As a general rule, we must avoid all topics that relate to price fixing, dividing or allocating markets or territories, bid rigging, boycotts, etc. For example, we must avoid exchanging or even appearing to exchange confidential information with our competitors on matters such as prices, margins, terms and conditions of sale, credit terms, sales volumes, marketing plans, rebate programs, costs or other variables that affect pricing.

If a Gildan competitor or other third party attempts to talk about any of these topics with you, voice your disapproval and leave the conversation. You must then alert your supervisor to the situation to make sure it gets properly documented.

Finally, we must never use substantial market power to establish restrictive practices that diminish competition without valid business justification or customer benefits. For example, we should never interfere with our customers' arrangements with our competitors, such as imposing restrictions on a customer's promotions or advertising of competitors' products. We are entitled to compete vigorously to promote our products, but we must always treat our customers and our competitors in a fair and even-handed way.

Gathering competitive information
It is important for us to know what our competitors are doing. This knowledge can help us move forward with our own business strategies, allowing us to make better long-term decisions. But there are limits on the amount of information we should know and the ways we should obtain it. That's why any time we look for helpful data about the market, we only use publicly available sources. Information found online, in magazines or through other readily available outlets is fair and ethical for us to use. Never misrepresent yourself or resort to other unethical means to get the information you want, it is not the right thing to do.

SCENARIO

Jane's co-workers are consistently impressed with her industry knowledge. She always seems to know what other companies are doing and is constantly on top of market trends. While Jane does keep up with industry goings-on through blogs, magazines and news outlets, she also uses less transparent tactics. She often calls—and has her friends call—competing companies pretending to be prospective customers. She reasons that this is okay as long as she sets limits on how far the conversations go. Is she right?

No, she isn't. While Jane is showing a lot of initiative and dedication by keeping up with news and media, misrepresenting herself in order to get additional information is never okay. Jane needs to stick to publicly available information to gain a business advantage. Using third parties—in this case, her friends—to get this information is just as unethical.



Gildan Activewear Inc.

Ethics and Integrity for Our Business Partners

We Deal Fairly with Our Suppliers

As Gildan employees, we make it part of our jobs to be honest and fair in all of our business interactions.

That includes not only with our suppliers, but also with our contractors, consultants and other agents. (It also includes our customers and our competitors, both of whom we talked about earlier in our Code). A big part of our Company's success depends on the strength of our relationships with suppliers-after all, they are the ones who help us provide high-quality products to our customers.

When we choose our suppliers, we look for the best companies that can meet our needs and reliably supply our requirements. Gildan believes in doing business with suppliers who demonstrate high standards of ethical behaviour, and we weigh this just as heavily as we do other factors like cost and quality. We never knowingly use suppliers who violate the law, including local environmental, employment, human rights and safety laws. We also never allow personal bias or other unfair and unethical practices guide our procurement process.

If you deal with suppliers as part of your job, it is your responsibility to ensure that all agreements-including confidentiality and non-disclosure agreements-are in writing and reviewed and approved by the Legal Department. These agreements need to specify the goods and services the supplier is providing, as well as the fees to be paid.



We Protect All Third-Party Information

Our relationships with individual customers, suppliers and business partners are all unique. One thing that remains the same across these interactions, however, is our dedication to respecting these parties and the sensitive information they entrust to Gildan.

For one, this means that we protect the confidential or personally identifying information given to us by third parties. We access, use, transfer and disclose this information on a need-to-know basis, and always in accordance with the terms of our confidentiality and non-disclosure agreements.

Similarly, we must respect the intellectual property rights of others. If you would like to solicit, accept or use proprietary information from others, don't do so without first talking to a member of the Legal Department. This is especially important if you are designing a product and would like to use content or software not licensed by or belonging to Gildan.

We Comply with International Trade Control

Through international trade, our apparel makes its way to customers around the world—and our business is able to thrive on materials we bring in from other countries.

To continue taking advantage of these trading opportunities, we must understand and comply with various export and import controls and the trade regulations that apply to our business.

When we **export** our apparel, we ship it to a person in another country. Exports are not always products, however. They may also be services, technology (like software) or even certain pieces of information that we provide in any way—physically, electronically or verbally—regardless of where the recipient is located.

Sometimes, we **import** material goods—meaning we purchase items from an outside source and bring them into the country where we are operating. This kind of activity is generally subject to various other laws and regulations and may require us to pay duties and taxes, as well as submit certain filings.

Sanctions and boycotts
Trade laws also require Gildan to comply with sanctions and regulations related to conducting business with certain countries. For example, U.S. sanctions and regulations restrict companies operating in the United States from entering into agreements, exporting goods and technology to or obtaining data from a foreign country that is out of favour with the U.S. government. Canada and the European Union also maintain similar sanctions regimes.

Before exporting anything to a third party, it is important for us to ensure that this person is eligible to receive it and that the goods or services we provide are not going to a prohibited location. Export activity also requires us to obtain the necessary licenses and permits and pay all associated duties.

A **boycott** is the refusal of a person or group of people to do business with certain other people or countries. In the United States, anti-boycott laws generally prohibit companies operating in the U.S. from cooperating with international boycotts not sanctioned by the U.S. government. Any requests we receive to engage in a boycott should be reported, even if Gildan has already refused to honour the request.

Ethics and Integrity for the Communities in Which We Live and Work

We Are Responsible Members of the Global Community

In addition to our strong commitment to fair labour practices in the workplace,

> **Gildan's global operations are guided by social responsibility and respect for human rights and freedoms.**

We adhere to the Universal Declaration of Human Rights, and support the fair, equal treatment of all individuals.

As part of this commitment, our Company abides by all applicable wage and hour laws, and upholds employees' right to join—or not join—a union. Further, Gildan does not condone the use of child or forced labour anywhere in its facilities or supply chain. If any contractors, consultants, agents, suppliers or other business partners we work with are found to have violated human rights, labour laws or the rules in our own Vendor Guidebook, we will end our relationship with them.

We Limit Our Environmental Impact

Part of being a responsible member of the global community means Gildan places a strong emphasis on reducing our environmental impact.

> **We comply with and strive to surpass wherever possible all environmental laws and regulations that apply to us in the countries where we operate.**

We adhere to a strict Environmental Code of Practices (ECP) and affiliated Restricted Substance List (RSL), applicable to all our operations. Each of us is responsible for following proper procedures for reducing waste, conserving resources and reducing our carbon footprint while working for Gildan. If you are aware of any wasteful or potentially hazardous practices in your location, you should bring the matter up with your supervisor as soon as possible.



We Give Back

Gildan encourages each of us to support our communities by volunteering our personal time and resources to the causes we find important. Unless we choose to participate in Gildan-sponsored charitable activities or events, volunteering should be done on our own time and at our own expense, making sure that we do not use Company time, funds, facilities or other resources toward our personal causes.

We Participate in Politics Responsibly

As a general rule, Gildan doesn't participate in political activities as a company or make corporate political donations. However, this does not mean that we as individuals are prohibited from making private contributions to the candidates, parties and causes of our choice. If you choose to participate in the political process, take care that your actions cannot be interpreted as support on behalf of our Company. And, just like charitable giving or volunteer activities, you may not use Company time or resources towards political activities.

At times, issues important to our Company may arise in local or national politics. When this happens, Gildan may participate in the political processes in order to advance or protect our Company's business interests. If we do decide to get involved in activities like lobbying, publishing our views in the media and supporting interested organizations, we do all of these things in accordance with local laws and in strict compliance with Company policies. As mentioned in the section of this Code entitled "Speaking with the public on the Company's behalf ", only certain designated spokespersons are authorized to engage in these types of activities on Gildan's behalf.



WAIVERS

As discussed at the outset of our Code, we are all responsible for knowing and following the rules and guidelines contained in this document, regardless of position or tenure. Any waivers of our Code of Ethics will only be granted in truly exceptional circumstances. Even then, only the Board of Directors can grant a waiver of the Code to a director or an executive officer. Similarly, only the President and Chief Executive Officer can grant a waiver of the Code to a non-executive officer or other employee.

Certificate of Compliance

Thank you for taking the time to read the Gildan Code of Ethics. Now that you have done so, please sign the following certificate of compliance and return it to your local Human Resources Department.

I acknowledge that I have read the Gildan Code of Ethics. I understand what is expected of me and will comply with the rules and guidelines set forth in the Code. I understand that Gildan may, at any time, amend or revise the Code or any other policy or practice at its discretion. I will be advised of any such changes and, if requested, will certify again to these updated provisions.

I also acknowledge that I have received the Declaration of Conflicts of Interest form and certify (please check the appropriate box):

- o I have no conflicts of interest
- o I have conflicts of interest as disclosed in the appropriate form

Date

Name of employee (please print)

Signature of employee

Location

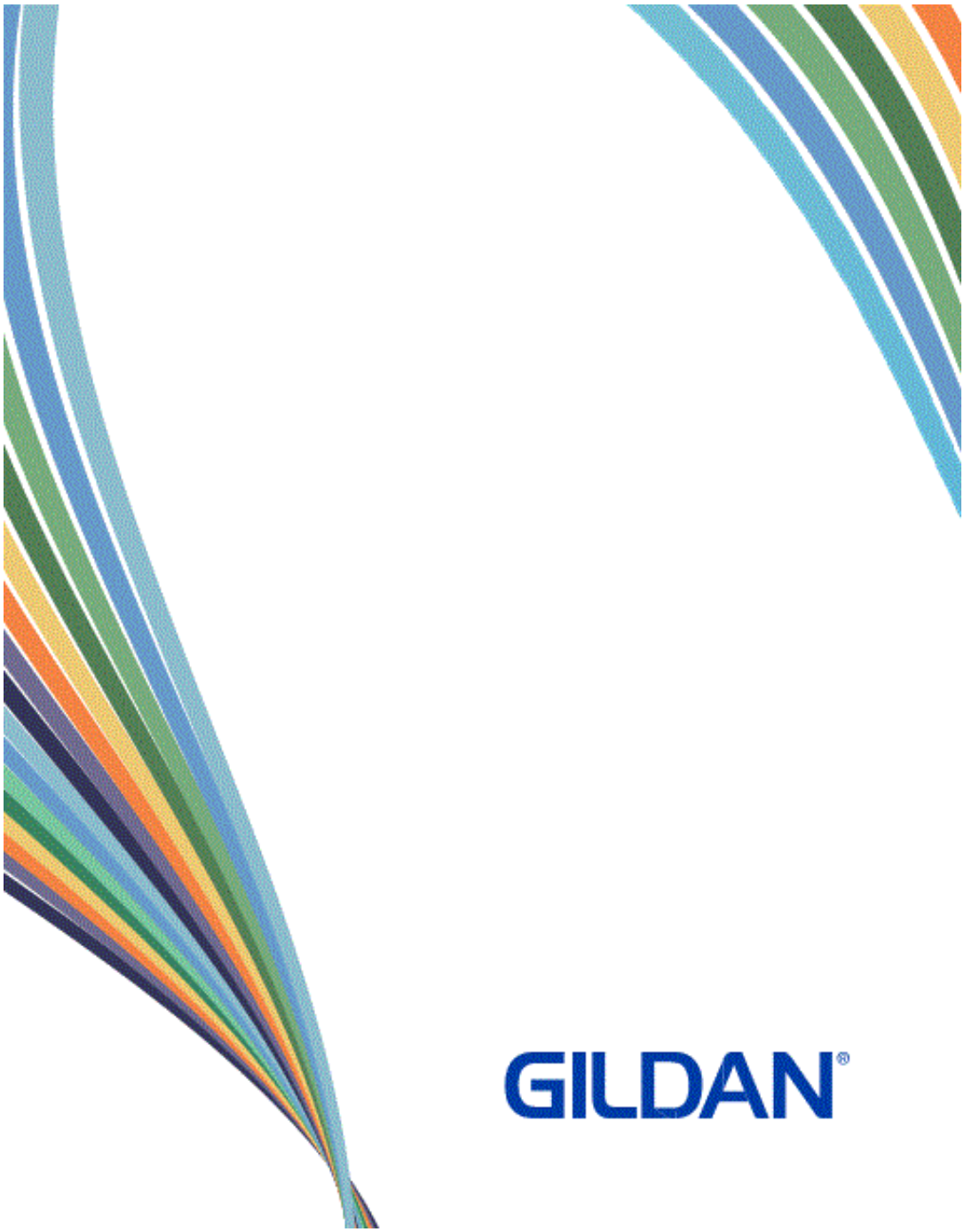
RESOURCES

The Director, Legal Affairs and Corporate Compliance is available to answer any question about the Code or other Gildan compliance policies mentioned herein, or to discuss any concerns you may have about potential violations.

To contact the Director, Legal Affairs and
Corporate Compliance:

EthicsandCompliance@gildan.com
Fax 514.734.8379

Gildan Activewear Inc.
600 de Maisonneuve Boulevard West, 33rd Floor
Montréal (Québec), Canada
H3A 3J2



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