2015

Annual Report | GILDAN®

Every Thread Counts™

Our family of brands

GILDAN GOLDTOE

ANVIL COMFORT COLORS

SECRET Silks

POWERSOX BY GOLD TOE kushyfoot

Therapy Plus

Licensed brands

MOSSY OAK UNDER ARMOUR

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WHO WE ARE

Gildan is one of the world's leading manufacturers and marketers of quality family apparel, including t-shirts, fleece, polos, underwear, socks, sheer hosiery and shapewear. Sold in over 50 countries, our family of brands includes Gildan®, Gold Toe®, Anvil®, Comfort Colors®, Secret®, Silks®, Powersox®, Kushyfoot® and Therapy Plus™, complemented with licenses for Under Armour® and Mossy Oak®.

Through our vertical integration in manufacturing, we control every step in the process of producing our apparel, from raw materials to finished products. We operate more than 25 facilities in North America, Central America, the Caribbean Basin and Bangladesh, employing over 42,000 employees.

At Gildan, we leverage our entrepreneurial spirit, our empowered employees and a fundamental belief that operating responsibly is the only way to create value in everything we do.

Across our family of brands,
Every Thread Counts™

GILDAN®

FROM THE CHAIRMAN

Dear shareholders,

On behalf of the Board of Directors, it is my pleasure to share with you our 2015 Annual Report. Our management and employees delivered solid results in 2015, while navigating through challenging business environments. The Company's performance this year and its strong position for future growth are deeply rooted in a proven strategy focused on creating long-term shareholder value.

Committed to growth and value creation

Gildan has built an unparalleled apparel manufacturing base, one which we continued to strengthen with yarn-spinning investments in 2015. Gildan's manufacturing platform together with strong product and brand portfolios, position the Company to continue to create value as we execute on our growth drivers. These drivers include continuing to grow in printwear markets in North America and internationally and building a leadership position in all Branded Apparel categories in the retail market.

> **"The Company's performance this year and its strong positioning for future growth are deeply rooted in a proven strategy focused on creating long-term shareholder value."**

Going forward, we are continuing to invest in vertical manufacturing capacity expansion and cost reduction projects to support growth and enhance our competitive positioning. We will also pursue complementary acquisitions, as we did with the Comfort Colors acquisition this year. These strategic drivers and a management team and workforce with an unwavering focus on operational excellence are continuing to create value for our shareholders.

Given the strength of our business and its outlook, the Board approved a 20% increase in our quarterly dividend in February 2016. In addition, we initiated a normal course issuer bid to repurchase up to 5% of the Company's outstanding shares. Return of capital to our shareholders is an important element of our capital allocation strategy, along with continued investments in organic growth and acquisitions.

Leading the way in social and environmental responsibility

As one of the world's leading vertically-integrated manufacturers and marketers of family apparel, we understand that operating responsibly is important to all of the Company's stakeholders and is directly linked to our financial success and future growth. We believe that our Genuine Gildan program is a key foundation for the sustainable growth of our Company and we are well-poised to address the social and environmental challenges we face.

Our efforts to lead the industry in social and environmental responsibility are being recognized once again through our inclusion in the Dow Jones Sustainability World Index (DJSI World), for a third consecutive year. We remain the only North American company in the Textiles, Apparel and Luxury Goods industry group to be included in the DJSI World. This recognition is further validation that we are genuinely committed to these efforts and integrate the principles of social and environmental responsibility into everything that we do. These principles make up the unique fabric of our culture and are the cornerstone of our future success.

As an example, in March 2015, the Company received a special grant of U.S. $3.5 million from the Government of Honduras in recognition of our significant job creation in the country. We redistributed the entirety of this grant in various educational, healthcare and housing projects in the communities in Honduras where our employees live.

Fostering greater diversity

Consistent with the Board's emphasis on maintaining sound governance practices, we were pleased to introduce a new Board Diversity Policy this year, which aims to ensure there are no systemic barriers or biases in the Company's policies, procedures and practices. Through the new policy, the Corporate Governance and Social Responsibility Committee will work to ensure that the Board achieves a balance of skills, experience, expertise and diversity of perspectives to advance the Company's business and strategic objectives. Currently, in terms of female representation, 22% of our Board members are women.

The Company is also placing an emphasis on new initiatives to further develop female talent in all areas across Gildan.

On behalf of the Board, I wish to thank Glenn and the members of the senior management team, along with every employee worldwide for their contribution to Gildan's success – for driving our growth, for distinguishing us from our competitors and for helping to build a sustainable future together.

William D. Anderson
Chairman of the Board

FROM
THE PRESIDENT & CEO

To our shareholders,

2015 was a strong year. We generated consolidated sales of $2.57 billion, approximately 12% higher compared to calendar 2014, and we achieved adjusted net earnings of $1.46 per share up 28% from the same period last year. We also made progress during the year on the execution of our strategic initiatives, which are driving sales and earnings growth and continuing to position us to deliver strong shareholder value for the long-term.

> **"We will continue to leverage the benefit of our capital investments, particularly from our yarn-spinning initiative, which are yielding continued cost reductions and enhancing our product offering with higher-end yarns."**

Taking the right actions

Looking forward, I am excited about the Company's growth prospects. At the same time, I recognize that these opportunities require us to be decisive in taking pivotal actions that will allow us to capitalize on the Company's long-term growth potential. This is the thinking that guided our action in our Printwear division in December 2014 when we made the strategic decision to reduce net selling prices in the U.S. distributor channel. This was an important decision made to reinforce our leadership position, stimulate end-use demand, and drive sales volume and earnings growth, not only for calendar 2015 but beyond.

A year later, I am pleased to report that our printwear pricing action is generating the benefits we anticipated. We achieved strong unit volume growth in the U.S. printwear channel in 2015 in the basics product segment and in the faster growing, fashion and performance segments. Overall, we grew Printwear sales by 12% in calendar 2015 compared to 2014, and in the second half of the year we generated Printwear operating margins in-line with historical levels.

Focusing on high-growth printwear markets

In 2016, we will continue to drive unit volume growth in the U.S. printwear market while at the same time maintaining the high returns that we have historically enjoyed in this business. We will continue to leverage the benefit of our capital investments, particularly

from our yarn-spinning initiative, which are yielding continued cost reductions and enhancing our product offering with higher-end yarns.

Furthermore, we have the unique advantage of having well-positioned brands in all industry segments in Printwear, which we are leveraging through our deep distribution platform. In fashion basics, we are increasing our penetration with an expanded ring-spun Anvil® offering and the Comfort Colors® brand, a fast-growing brand featuring garment-dyed, weathered, vintage-looking styles. The acquisition of Comfort Colors in March 2015 has proven to be a strong acquisition. During 2015, we integrated Comfort Colors into our operations and in 2016 we are investing in the expansion of our garment dyeing capacity to support the continued high demand we are seeing for this brand. Our Gildan Performance® line, which was initially launched in 2013, continued to grow strongly in 2015 and we continue to broaden the product line to address the wider athletic needs of the end-user customer base.

As in the U.S. printwear market, we are continuing to seek further market share penetration in printwear markets internationally. While we have established a strong base in Europe and made important inroads in markets in Asia Pacific and Latin America, our Printwear business in these markets has significant growth potential as we continue to replicate our success in the U.S. market.

Building brand loyalty one garment at a time

We made significant progress in 2015 in driving our Branded Apparel strategy, which is simply based on offering a better value proposition for both the consumer and retailer. We grew our sales in the Branded Apparel segment by 11% in calendar 2015 compared to the prior year and expanded operating margins. During fiscal 2015, the Gildan® brand attained a 14% market share in the men's sock category and now holds the number two brand position in the U.S. retail market[1].

Within the underwear product category, one of the most brand loyal categories in the U.S. retail apparel market, we expanded the distribution of Gildan® branded underwear products through new retail customers. By the end of 2015, Gildan® branded underwear was in approximately 18,000 retail doors, almost double the retail door count compared to the prior fiscal year. The Gildan® brand is the third largest men's underwear brand in the U.S. retail market[1] and in 2016 we expect to continue to build on this position.

Investing in our brands

We are also supporting our brands and strengthening consumer awareness by continuing to invest in marketing and advertising. Early in 2015, we signed a celebrity endorsement agreement with Blake Shelton, "Five-time 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.

Adding value from cotton to consumer

During calendar 2015, we invested close to $230 million in capital expenditures further strengthening our vertically-integrated manufacturing base, which

[1] According to NPD's Retail Tracking Service.

has been the foundation of our success. A significant portion of the capital investments in 2015 went towards yarn-spinning manufacturing, an initiative we started in 2013 and which is approaching completion. We ramped up production in our new yarn-spinning facility in Salisbury, NC, which produces open-end yarn and we commenced the ramp-up of our largest new yarn-spinning facility in Mocksville, NC, for the production of ring-spun yarn.

As we complete our yarn-spinning initiative in 2016, we expect capital expenditures to revert to a lower level of investment compared to the average level of investment over the past three years. At the same time, we are ensuring that our needs for further textile capacity expansion to support growth are met. In 2016, we are proceeding with the development of a new textile facility in Honduras, Rio Nance 6. We also plan to leverage some of our existing operations, including the Anvil textile facility, which will be further expanded to support growth for higher-value, more specialized performance and fashion basic products. Finally, we are further expanding our Bangladesh textile and sewing facility to continue to support growth in international markets.

Capital allocation

We generated $159 million in free cash flow in calendar 2015 and we expect our cash generation capabilities to continue to strengthen as we move forward. In addition, we recently set balance sheet leverage parameters to ensure we operate with an efficient capital structure. Overall, we are well positioned to drive long-term organic growth, continue to pursue complementary acquisitions, while at the same time supporting return of capital to our shareholders. In this regard, we were pleased to announce a normal course issuer bid for 5% of our shares in February 2016, along with our fourth consecutive 20% increase to our dividend.

Executive leadership

In August 2015, we welcomed Rhodri J. Harries who joined the Company as Chief Financial and Administrative Officer, succeeding Laurence G. Sellyn who retired at the end of 2015. Rhodri comes to Gildan with strong financial, commercial and operational leadership experience gained from working in large, global businesses. I would like to thank Laurence for his significant contribution over the last 17 years and his continued support during 2015 in the transition of his role. I look forward to working together with Rhodri and our executive team in further advancing and executing on our growth strategy.

In closing, I would like to express my deepest gratitude to our customers and to our 42,000 dedicated employees who have contributed to our success thus far. I would also like to thank you, our shareholders, for the trust you have placed in Gildan. We are excited about our prospects and remain committed and confident in our ability to deliver long-term value for you.

Glenn J. Chamandy
President & CEO

*Numbers are in US$ millions, except per share data.

7B

shirts sold to date

Sold in over

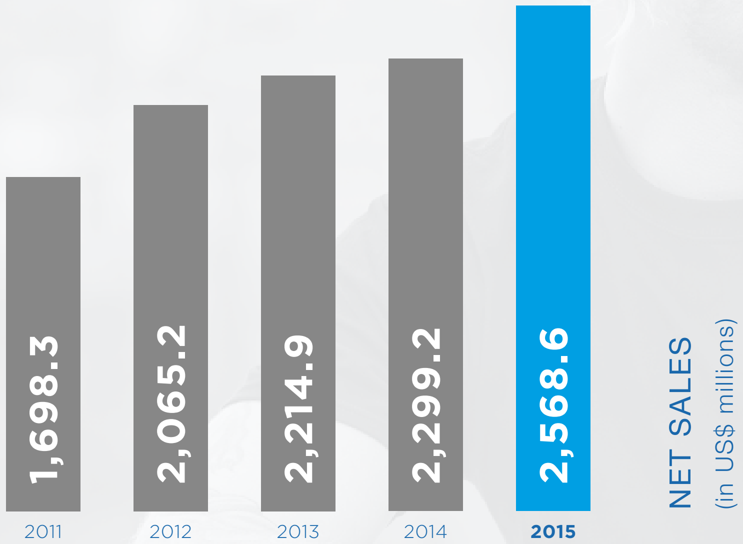
50

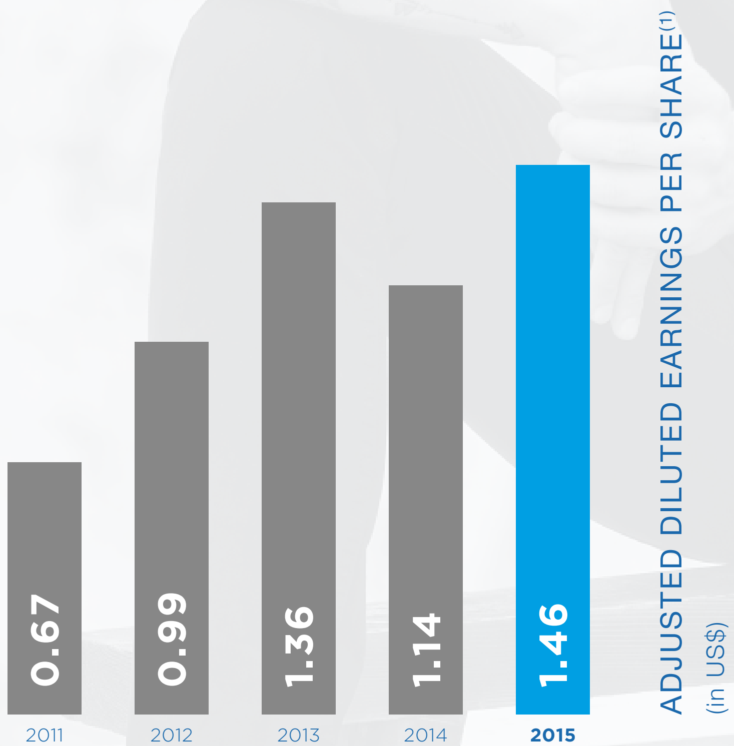
countries

$2.57B

sales in 2015

FINANCIAL HIGHLIGHTS





(1) Adjusted EBITDA, adjusted net earnings, adjusted diluted earnings per share, free cash flow and net indebtedness (cash in excess of total indebtedness) are non-GAAP financial measures. See “Definition and reconciliation of non-GAAP financial measures” in the 2015 Management’s Discussion and Analysis.

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

Results shown on a calendar year basis (January to December)

(In US$ millions, except per share data and ratios)	2015	2014	2013	2012	2011
STATEMENT OF EARNINGS					
Net sales	**2,568.6**	2,299.2	2,214.9	2,065.2	1,698.3
Adjusted EBITDA(1)	**503.8**	388.4	449.4	353.0	231.3
Net earnings	**346.1**	276.6	326.6	229.8	152.2
Diluted earnings per share	**1.42**	1.12	1.33	0.94	0.62
Adjusted net earnings(1)	**355.4**	281.0	334.5	242.1	164.4
Adjusted diluted earnings per share(1)	**1.46**	1.14	1.36	0.99	0.67
CASH FLOW					
Cash flows from operating activities	**384.4**	244.6	370.5	377.4	33.4
Capital expenditures	**(229.6)**	(331.9)	(199.8)	(77.2)	(145.4)
Free cash flow(1)	**158.9**	(81.9)	173.2	302.1	(96.4)
FINANCIAL POSITION					
Total assets	**2,834.3**	2,648.3	2,124.1	1,921.7	1,806.8
Long-term debt	**375.0**	399.0	64.0	177.0	305.0
Net indebtedness (cash in excess of total indebtedness)(1)	**324.3**	313.9	(15.1)	95.0	263.3
Shareholders' equity	**2,188.4**	1,882.2	1,742.9	1,449.5	1,258.0
FINANCIAL RATIOS					
Adjusted EBITDA margin(2)	**19.6%**	16.9%	20.3%	17.1%	13.6%
Net indebtedness to adjusted EBITDA	**0.6x**	0.8x	n.a.	0.3x	1.1x
Adjusted net earnings margin(3)	**13.8%**	12.2%	15.1%	11.7%	9.7%
Return on shareholders' equity(4)	**17.5%**	15.5%	21.0%	17.9%	13.7%

(1) Adjusted EBITDA, adjusted net earnings, adjusted diluted earnings per share, free cash flow and net indebtedness (cash in excess of total indebtedness) are non-GAAP financial measures. See "Definition and reconciliation of non-GAAP financial measures" in the 2015 Management's Discussion and Analysis.

(2) Adjusted EBITDA divided by net sales.

(3) Adjusted net earnings divided by net sales.

(4) Adjusted net earnings divided by average shareholders' equity for the period.

n.a. Not applicable.

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

GENUINE GILDAN

With more than 42,000 employees worldwide, we understand the direct link between operating responsibly and our financial success and future growth. Our Genuine Gildan program, with its four key pillars, is designed to create value for our various stakeholders.

Environment

Our commitment to pursue continuous improvement and reduction of our environmental footprint is driven by our long-term vision, our investments and our understanding of the full life cycle of our operations and products.

Recycled or repurposed **91%** of total waste in 2014

Powered **53%** of our total energy needs by renewable resources in 2014

Reduced our greenhouse gas emissions intensity by **45%** from 2010 - 2014

Community

At Gildan, we take pride in being an active member in communities where we operate by acting responsibly and creating sustainable economic impacts.

Donated U.S. **$3.5 million** in 2015 to community projects in Honduras

Invested over U.S. **$1.9 million** into the Central American Polytechnic Institute (IPC) in Honduras which has graduated over 6,500 students since its inception

Gildan has been included in the

Dow Jones Sustainability World Index (DJSI World)

for a **third** consecutive year.

People

While our capital investments are a key part of our success, our over 42,000 employees remain Gildan's most important resource. We are proud to create stimulating and rewarding work environments for employees who share in the Company's success.

337 internal and external social audits performed at owned facilities and third-party contractors in 2015

Our fully-equipped medical clinics received more than **142,700** free medical care visits from employees this year

Provided nearly **1,000,000** man-hours of training in 2015

Product

Across our family of brands, Gildan has built a reputation for delivering high quality, great value products. Our Global Quality System (GQS), in combination with stringent environmental management systems, assures our customers that the products we deliver are safe and manufactured to the highest standards.

Our Gildan® and Anvil® branded apparel is **Oeko-Tex Standard 100 certified**

Gildan's products predominantly feature **U.S. Cotton**, sustainably grown and ethically harvested


GILDAN
GOLDTOE
ANVIL
COMFORT COLORS
SECRET
Silks
POWERSOX BY GOLD TOE
kushyfoot
Therapy Plus

2015
REPORT TO SHAREHOLDERS
February 25, 2016

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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 on the Sunday closest to December 31, rather than the first Sunday following September 28. The change in year-end recognizes that the seasonality of the overall consolidated sales revenues for the Company is changing due to the increasing importance of the Branded Apparel segment. The Company's business planning cycle has become more aligned with the calendar year, and this change is expected to provide better visibility on retail program placements and cotton fixations. In addition, the change in year-end is better aligned with Gildan's industry comparables.

For purposes of its regulatory filings, the Company is reporting results for the 15-month transition period of 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 will end on January 1, 2017.

This MD&A comments on our operations, financial performance and financial condition as at and for the 15-month transition period ended January 3, 2016 (fiscal 2015) and the 12-month fiscal year ended October 5, 2014 (fiscal 2014). 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 3, 2016 and the related notes.

In preparing this MD&A, we have taken into account all information available to us up to February 25, 2016, 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 2015 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;
- 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.

3.0 OUR BUSINESS

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 market our products through two main distribution channels. We sell our products in printwear markets in the U.S. and Canada, as well as in Europe, Asia-Pacific and Latin America. Our other main channel of distribution is in retail markets in the U.S. and Canada, where our products are sold to a broad spectrum of retailers. We market our products under a diversified portfolio of Company-owned brands, including the Gildan®, Gold Toe®, Anvil® and Comfort Colors® brands and brand extensions, as well as the Secret®, Silks® and Therapy Plus™ brands. The Company also has the U.S. sock license for Under Armour®, and licenses for the Mossy Oak® and New Balance® brands. The Company also manufactures for select leading global athletic and lifestyle consumer brands.

We manufacture the vast majority of our products in vertically-integrated, large-scale manufacturing facilities which we own and operate. As a vertical manufacturer, employing over 42,000 employees worldwide, we control essentially all aspects of our production processes and operate with a strong commitment to industry-leading labour and environmental practices at all of our facilities. Our manufacturing operations are primarily located in Central America, the Caribbean Basin, the United States.

and Bangladesh, all of which are strategically positioned to efficiently service the quick replenishment needs of our customers.

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 30 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 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® New Balance®(1)	Activewear: T-shirts, fleece, sport shirts

(1) 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 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™	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®	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® (1)	Athletic socks	Sports specialty, department stores
Mossy Oak® (2)	Socks, activewear, underwear, loungewear, thermals, fleece	Sports specialty, national chains, mass-market, price clubs, dollar store channel, department stores
Secret® *	Sheer/pantyhose, tights/leggings, shapewear, underwear, intimate accessories, socks	Mass-market, department stores, food and drug
Silks® *	Sheer/pantyhose, tights/leggings	Department stores, national chains, price clubs
Therapy Plus™	Legwear, foot solutions/socks	Mass-market, department stores, food and drug
Kushyfoot® *	Legwear, foot solutions/socks	Food and drug
Secret Silky™	Sheer/pantyhose	Food and drug

(1) Under license agreement for socks only – with exclusive distribution rights in the U.S.
(2) Under license agreement – with worldwide distribution rights and exclusivity for certain product categories.
* Secret® and Silks® are registered trademarks in Canada only. Kushyfoot® is a registered trademark in the U.S. only.

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 fibres into yarn. In our textile plants, we convert yarn into dyed and cut fabric, which is subsequently assembled into activewear and underwear garments at sewing facilities which we operate in owned or leased premises. 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 knit the entire sock with a seamless toe closing operation. Our manufacturing facility for sheer hosiery includes knitting, dyeing, and packaging capabilities.

Our textile, sock, and sewing operations are primarily based in our largest manufacturing hub in Central America and a second large hub in the Caribbean Basin which are strategically located to efficiently service the quick replenishment requirements of our markets. In Central America, at our Rio Nance complex in Honduras, we operate three large-scale vertically-integrated textile facilities, with an additional facility that is being developed in 2016, and two sock manufacturing facilities. We also operate an additional textile facility in Honduras which we integrated as part of the acquisition of Anvil Holdings, Inc. (Anvil) in fiscal 2012. Our sewing facilities in Central America are located in Honduras and Nicaragua, mainly in leased premises. In our Caribbean Basin manufacturing hub we operate a large-scale vertically-integrated textile facility and three sewing facilities. In addition, we own a vertically-integrated manufacturing facility in Bangladesh for the production of activewear, which mainly serves our international markets. We also have a small garment dyeing facility in the U.S. as a result of the acquisition of Comfort Colors. Our sheer hosiery manufacturing is located in a facility in Canada. Yarn used to manufacture our products is produced in our own yarn-spinning operations in the U.S., and we also source yarn from third-party U.S. yarn suppliers with whom we have supply agreements. A small portion of our yarn requirements is sourced outside of the U.S. We also have screenprinting and decorating capabilities in Central America to support our sales to leading global athletic and lifestyle consumer brands. 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	Asia
Yarn-spinning facilities		▪ Clarkton, NC ▪ Cedartown, GA ▪ Salisbury, NC – (2 facilities) ▪ Mocksville, NC			
Textile facilities			▪ Honduras (4 facilities) - Rio Nance 1 - Rio Nance 2 - Rio Nance 5 - Anvil Knitwear Honduras	▪ Dominican Republic (1 facility)	▪ Bangladesh (1 facility)
Garment dyeing facility		▪ New Bedford, MA			
Sewing facilities(1)			▪ Honduras (4 facilities) ▪ Nicaragua (3 facilities)	▪ Dominican Republic (3 facilities)	▪ Bangladesh
Sock / Sheer manufacturing facilities	▪ Montreal, QC		▪ Honduras - Rio Nance 3 - Rio Nance 4		

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

Yarn-spinning capacity expansion

During 2013, we began to execute a significant yarn-spinning manufacturing initiative in order to support our projected sales growth and planned capacity expansion, and to continue to pursue our business model of investing in global vertically-integrated low-cost manufacturing technology and in product technology, which we believe will provide consistent and superior product quality. We operate two yarn-spinning facilities located in Clarkton, NC and Cedartown, GA, producing primarily open-end yarn, which were refurbished and modernized during 2014. During 2014, we also developed two new yarn-spinning facilities in Salisbury, NC. The first yarn-spinning facility in Salisbury, NC, which produces ring-spun yarn, was ramped up by the end of 2014. The second yarn-spinning facility in Salisbury, NC, which is producing open-end yarn, began commercial operations during the fourth calendar quarter of 2014 and was essentially ramped-up by the end of 2015. We also developed a new yarn-spinning facility in Mocksville, NC for the production of ring-spun yarn, which began operations at the end of the second calendar quarter of 2015 and is expected to be fully ramped-up during 2016.

Textile manufacturing expansion

In addition to our current manufacturing base, we are also developing plans for further textile capacity expansion in order to support growth in the markets in which we compete. As previously announced, we plan to construct a new textile facility, Rio Nance 6, which will be located at our Rio Nance complex in Honduras. Rio Nance 6 is now expected to be a larger facility with higher textile capacity than originally planned, in order to support growth in the North American printwear and retail markets. The expanded capacity from Rio Nance 6 is projected to support capacity requirements until textile capacity is developed in Costa Rica, where we have purchased land in the province of Guanacaste in north-western Costa Rica. In light of the enlarged capacity plans for Rio Nance 6, the planned textile facility in Costa Rica is not expected to be developed until after 2018.

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. We service the printwear and retail markets primarily out of our distribution centres in the U.S. and a distribution centre in Honduras.

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 use third-party warehouses in the western United States, Canada, Mexico, Colombia, Europe and Asia to service our customers in these markets.

Branded Apparel segment

Our primary sales and marketing office for our Branded Apparel segment is located in Charleston, SC at the same location as our primary distribution centre servicing our retail customers. 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 United States.

3.3.3 Employees and corporate office

We currently employ over 42,000 employees worldwide. Our corporate head office is located in Montreal, Canada.

3.4 Competitive environment

The markets for our products are highly competitive and are served by domestic and international manufacturers or suppliers. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated, and strategically-located manufacturing hubs. Our capital investments in manufacturing allow us to operate efficiently and reduce costs, offer competitive pricing, maintain consistent product quality, and a reliable supply chain, which efficiently services replenishment programs 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 advertising to support the Gildan® and Gold Toe® brands.

Our commitment to leading environmental and social responsibility practices is also an area of investment for the Company and an increasingly important factor 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), both subsidiaries of Berkshire Hathaway Inc. (Berkshire), as well as Hanesbrands Inc. (Hanesbrands). We also compete with smaller U.S.-based competitors, including Alstyle Apparel, a division of Ennis Corp., Delta Apparel Inc., American Apparel, Inc., Color Image Apparel, Inc., Next Level Apparel, Bella + Canvas, as well as Central American and Mexican manufacturers. In addition, we compete with private label brands sold by some of 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 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 grow in all product categories of the North American printwear market, including basics and 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. 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. 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, 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.

Fiscal 2015 highlights

- In December 2014, we implemented major strategic pricing actions for our Printwear business to reinforce our leadership position in the industry. We lowered base selling prices significantly and simplified our discount structure in order to be responsive to distributors and enhance their ability and visibility to plan their business, and position Gildan 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.

- As part of our strategy to gain market penetration in the fashion basics segment of the North American printwear market, we added the Comfort Colors® brand to our Printwear brand portfolio. In March 2015, we acquired the assets of a leading supplier of garment-dyed undecorated T-shirts and sweatshirts for the North American printwear market operating under the Comfort Colors® trade name, one of the most recognized brands among consumers purchasing from college bookstores, specialty retail stores, and destination and resort shops. The addition of the Comfort Colors® brand complements our brand offering and positioning within the fashion basics segment of the U.S. printwear channel and is contributing to our further penetration in this product segment, with strong unit sales volumes of Comfort Colors® products during fiscal 2015.

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 and sheer hosiery. Although we are primarily focused on further developing our Company-owned brands, we are also focused on building our relationships and growing our sales as a supply chain partner to a small number of select global athletic and lifestyle brands.

Fiscal 2015 highlights

- Consistent with our focus in growing sales of our Company-owned brands, during fiscal 2015 we converted our largest private label sock program with a major national retailer to the Gildan® brand.
- We continued to deliver on new program shipments to new and existing retailers, including shipments of Gildan® branded socks and underwear programs to a new major U.S. mass retailer and other mass retailers, and we added new retailer customers in the U.S. food and drug, and crafts channels.
- We expanded the distribution of Gildan® branded underwear products through new retail customers and by the end of 2015 Gildan® branded underwear was in approximately 18,000 retail doors, almost double the retail door count compared to the prior fiscal year.
- We 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.

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. A more detailed description of the Company's capacity expansion and cost reduction initiatives is contained in Section 3.3.1 entitled "Manufacturing" in this MD&A.

Fiscal 2015 highlights

- During fiscal 2015 we continued to make significant progress on our yarn spinning initiative. We ramped up production in our new yarn-spinning facility in Salisbury, NC, which produces open-end yarn. In addition, we commenced production in our largest new yarn-spinning facility for the production of ring-spun yarn in Mocksville, NC. The Mocksville facility is expected to be ramped up during 2016. In the second half of calendar 2015, we started to benefit from manufacturing cost savings related to our investments in yarn-spinning and other capital projects. We expect to continue to generate further manufacturing costs savings from our capital investments in 2016 and 2017.

4.4 Pursue complementary acquisitions

In order to enhance our organic growth, we will continue to seek complementary strategic acquisition opportunities 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 criteria, including return on investment thresholds, based on our risk-adjusted cost of capital.

Fiscal 2015 highlights

- As discussed in the "Strategy and Objectives" section of this MD&A under section 4.1, effective March 2, 2015, the Company acquired substantially all of the assets of Comfort Colors for cash consideration of U.S. $103.3 million.

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 15-month transition period ended January 3, 2016 (Fiscal 2015) and the 12-month fiscal year ended October 5, 2014 (Fiscal 2014). Fiscal 2013 refers to the 12-month period ended September 29, 2013.

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 EBITDA, free cash flow, total indebtedness, and net indebtedness (cash in excess of total indebtedness) 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 one business acquisition in fiscal 2015, and one in fiscal 2014, 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 that time. Please refer to note 5 to the 2015 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 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 fiscal year 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.

5.2.2 Doris

On July 7, 2014, the Company acquired substantially all of the operating assets and assumed certain liabilities of Doris for cash consideration of $101.7 million, plus additional contingent payments of up to $9.4 million, payable based on the achievement of targets for growth in sales revenues for a three-year period from the date of the acquisition. The acquisition was financed by the utilization of the Company's revolving long-term bank credit facility. Doris is a marketer and manufacturer of branded sheer hosiery, legwear and shapewear products to retailers in Canada and the United States. The acquisition immediately provided Gildan with an established sales organization and a platform for retail distribution of the Gildan® and Gold Toe® brands 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. This acquisition also represented a first step in building a ladies' intimate apparel platform over time.

The audited annual consolidated financial statements for the fiscal year ended October 5, 2014 include the results of Doris from July 7, 2014 to October 5, 2014. The results of Doris are included in the Branded Apparel segment.

5.3 Selected annual information

(in $ millions, except per share amounts or otherwise indicated)	2015	2014	2013	Variation 2015-2014 $	Variation 2015-2014 %	Variation 2014-2013 $	Variation 2014-2013 %
	(15 months)						
Net sales	**2,959.2**	2,360.0	2,184.3	**599.2**	**25.4%**	175.7	8.0%
Gross profit	**730.1**	658.7	634.0	**71.4**	**10.8%**	24.7	3.9%
SG&A expenses	**388.0**	286.0	282.6	**102.0**	**35.7%**	3.4	1.2%
Operating income	**327.2**	369.4	342.7	**(42.2)**	**(11.4)%**	26.7	7.8%
Adjusted EBITDA(1)	**488.5**	468.3	446.8	**20.2**	**4.3%**	21.5	4.8%
Net earnings	**304.9**	359.6	320.2	**(54.7)**	**(15.2)%**	39.4	12.3%
Adjusted net earnings(1)	**317.8**	362.0	330.3	**(44.2)**	**(12.2)%**	31.7	9.6%
Basic EPS	**1.26**	1.48	1.32	**(0.22)**	**(14.9)%**	0.16	12.1%
Diluted EPS	**1.25**	1.46	1.30	**(0.21)**	**(14.4)%**	0.16	12.3%
Adjusted diluted EPS(1)	**1.30**	1.47	1.35	**(0.17)**	**(11.6)%**	0.12	8.9%
Gross margin	**24.7%**	27.9%	29.0%	**n/a**	**(3.2) pp**	n/a	(1.1) pp
SG&A expenses as a percentage of sales	**13.1%**	12.1%	12.9%	**n/a**	**1.0 pp**	n/a	(0.8) pp
Operating margin	**11.1%**	15.7%	15.7%	**n/a**	**(4.6) pp**	n/a	- pp
Total assets	**2,834.3**	2,593.0	2,043.7	**241.3**	**9.3%**	549.3	26.9%
Total non-current financial liabilities	**375.0**	157.0	-	**218.0**	**138.9%**	157.0	n/a
Cash dividends declared per common share	**0.065**	0.054	0.045	**0.011**	**20.4%**	0.009	20.0%

(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)	2015	2014	2013	Variation 2015-2014 $	Variation 2015-2014 %	Variation 2014-2013 $	Variation 2014-2013 %
	(15 months)						
Segmented net sales							
Printwear	**1,794.8**	1,559.6	1,468.7	**235.2**	**15.1%**	90.9	6.2%
Branded Apparel	**1,164.5**	800.4	715.6	**364.1**	**45.5%**	84.8	11.9%
Total net sales	**2,959.3**	2,360.0	2,184.3	**599.3**	**25.4%**	175.7	8.0%

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

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 the prior year was mainly due to higher sales in Branded Apparel, including the acquisition of 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.

Fiscal 2014 compared to fiscal 2013

The increase in consolidated net sales in fiscal 2014 compared to fiscal 2013 was primarily attributable to higher unit volumes and a more favourable product-mix in both operating segments, higher net selling prices in Printwear, and the acquisition of Doris which contributed $21.0 million.

5.4.2 Gross profit

(in $ millions, or otherwise indicated)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
Gross profit	**730.1**	658.7	634.0	**71.4**	24.7
Gross margin	**24.7%**	27.9%	29.0%	**(3.2) pp**	(1.1) 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 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.

Fiscal 2014 compared to fiscal 2013

As a percentage of sales, gross profit declined by 110 basis points in fiscal 2014 compared to fiscal 2013. The decline in gross margins primarily reflected the impact of transitional manufacturing inefficiencies, particularly in Branded Apparel, and inflationary cost increases which more than offset the benefit of lower promotional spending in Printwear. The manufacturing inefficiencies were incurred as the Company further enhanced product capabilities and expanded production capacity in sock and textile operations, and trained new sewing operators to support the Company's rapid growth in Branded Apparel sales revenues and brand penetration. Inefficiencies in fiscal 2014 also included the impact of product rework and repackaging costs to service key retail programs and mitigate the impact of capacity constraints in Branded Apparel. These factors negatively impacted gross margins in fiscal 2014 by approximately 90 basis points compared to fiscal 2013. The gross margin decline also reflected higher cotton costs which negatively impacted gross margins by approximately 70 basis points in fiscal 2014 compared to fiscal 2013. The impact of higher cotton costs was only partially passed through into higher net selling prices in Printwear, and selling prices for Branded Apparel were not increased in order to drive unit volume growth.

5.4.3 Selling, general and administrative expenses

(in $ millions, or otherwise indicated)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
SG&A expenses	**388.0**	286.0	282.6	**102.0**	3.4
SG&A expenses as a percentage of sales	**13.1%**	12.1%	12.9%	**1.0 pp**	(0.8) pp

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

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.

Fiscal 2014 compared to fiscal 2013

The increase in SG&A expenses in fiscal 2014 compared to fiscal 2013 was primarily due to the acquisition of Doris and slightly higher volume-driven distribution expenses, partially offset by lower variable compensation expenses and the favourable impact of the weaker Canadian dollar on corporate head office expenses. Lower SG&A expenses as a percentage of sales reflected the benefit of volume leverage in Branded Apparel.

5.4.4 Restructuring and acquisition-related costs

(in $ millions)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
Employee termination and benefit costs	**5.0**	0.5	1.4	**4.5**	(0.9)
Loss on settlement on wind-up of defined benefit pension plan	**-**	1.9	-	**(1.9)**	1.9
Net pension expense	**-**	**-**	0.2	**-**	(0.2)
Exit, relocation and other costs	**8.5**	0.4	5.7	**8.1**	(5.3)
(Gain) loss on disposal of assets held for sale	**(0.8)**	(0.3)	0.6	**(0.5)**	(0.9)
Remeasurement of contingent consideration in connection with a business acquisition	**1.1**	-	(0.9)	**1.1**	0.9
Loss on business acquisition achieved in stages	**-**	-	1.5	**-**	(1.5)
Acquisition-related transaction costs	**1.1**	0.8	0.3	**0.3**	0.5
Restructuring and acquisition-related costs	**14.9**	3.3	8.8	**11.6**	(5.5)

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, changes in management structure, as well as transaction, exit and integration costs incurred pursuant to business acquisitions.

Restructuring and acquisition-related costs in fiscal 2015 relate primarily to costs incurred in connection with the integration of acquired businesses, including the integration of the more recent 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 include 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.

Restructuring and acquisition-related costs in fiscal 2013 relate primarily to the integration of Anvil, including a charge of $2.5 million for costs related to the exit of an Anvil administrative office lease in fiscal 2013, and a loss on business acquisition achieved in stages of $1.5 million relating to the acquisition of CanAm.

For closed facilities which are included in assets held for sale, the Company expects to incur additional carrying costs which will be accounted for as restructuring charges as incurred until all assets related to the closures are disposed. Any fair value adjustments and gains or losses on the disposal of the assets held for sale will also be accounted for as restructuring charges as incurred.

5.4.5 Operating income

(in $ millions, or otherwise indicated)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
Operating income	**327.2**	369.4	342.7	**(42.2)**	26.7
Operating margin	**11.1%**	15.7%	15.7%	**(4.6) pp**	- pp

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

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 last year 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 last year 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.

Fiscal 2014 compared to fiscal 2013

The increase in operating income in fiscal 2014 compared to fiscal 2013 was primarily due to higher gross profit, the acquisition of Doris and lower restructuring and acquisition-related expenses. The consolidated operating profit margin for fiscal 2014 was flat compared to fiscal 2013 as slightly improved operating margins in Printwear were offset by lower operating margins in Branded Apparel, which reflected the negative impact of transitional manufacturing inefficiencies that more than offset the benefit of SG&A expense volume leverage.

5.4.6 Financial expenses, net

(in $ millions)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
Interest expense on financial liabilities recorded at amortized cost	**8.6**	2.1	3.9	**6.5**	(1.8)
Recognition of deferred hedging loss on interest rate swaps	**-**	-	4.7	**-**	(4.7)
Bank and other financial charges	**4.7**	3.3	3.7	**1.4**	(0.4)
Interest accretion on discounted provisions	**0.4**	0.3	0.3	**0.1**	-
Foreign exchange loss (gain)	**4.0**	(2.8)	0.2	**6.8**	(3.0)
Derivative gain on financial instruments not designated for hedge accounting	**-**	-	(0.8)	**-**	0.8
Financial expenses, net	**17.7**	2.9	12.0	**14.8**	(9.1)

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

Fiscal 2015 compared to fiscal 2014

The increase in net financial expenses in fiscal 2015 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 the current year mainly due to the unfavourable revaluation of net monetary assets denominated in foreign currencies, compared to a foreign exchange gain in fiscal 2014.

Fiscal 2014 compared to fiscal 2013

The decrease in net financial expenses in fiscal 2014 was due to lower interest expense as a result of lower effective interest rates on our revolving long-term bank credit facility, as well as foreign exchange gains in fiscal 2014 mainly due to the favourable revaluation of monetary assets and liabilities denominated in foreign currencies, and the non-recurrence of the deferred hedging loss on interest rate swap contracts recognized in fiscal 2013.

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)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
Earnings before income taxes	**309.4**	366.5	330.7	**(57.1)**	35.8
Income tax expense (recovery)	**4.5**	7.0	10.5	**(2.5)**	(3.5)
Average effective income tax rate	**1.5%**	1.9%	3.2%	**(0.4) pp**	(1.3) pp
Earnings before income taxes and restructuring and acquisition-related costs	**324.3**	369.7	339.5	**(45.4)**	30.2
Income tax expense excluding tax recoveries on restructuring and acquisition-related costs(1)	**6.5**	7.8	13.9	**(1.3)**	(6.1)
Average effective income tax rate, excluding the impact of restructuring and acquisition-related costs	**2.0%**	2.1%	4.1%	**(0.1) pp**	(2.0) 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 below.

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

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 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.

Fiscal 2014 compared to fiscal 2013

The income tax expense for fiscal 2014 included an income tax recovery of $0.8 million related to restructuring and acquisition-related costs, compared to $3.4 million in fiscal 2013. The average effective income tax rate, excluding the impact of restructuring and acquisition-related costs, was 2.1% in fiscal 2014, compared to 4.1% in fiscal 2013. The decrease was due primarily to 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.

The Company's growth plans for the Branded Apparel segment are expected to result in an increased proportion of the Company's profits earned in higher tax rate jurisdictions, and consequently, would result in an increase to the Company's overall effective income tax rate in future years.

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

(in $ millions, except per share amounts)	**2015**	2014	2013	**Variation 2015-2014**	Variation 2014-2013
	(15 months)				
Net earnings	**304.9**	359.6	320.2	**(54.7)**	39.4
Adjustments for:					
Restructuring and acquisition-related costs	**14.9**	3.2	8.8	**11.7**	(5.6)
Recognition of deferred hedging loss on interest rate swaps	**-**	-	4.7	**-**	(4.7)
Income tax recovery on restructuring and acquisition-related costs	**(2.0)**	(0.8)	(3.4)	**(1.2)**	2.6
Adjusted net earnings(1)	**317.8**	362.0	330.3	**(44.2)**	31.7
Basic EPS	**1.26**	1.48	1.32	**(0.22)**	0.16
Diluted EPS	**1.25**	1.46	1.30	**(0.21)**	0.16
Adjusted diluted EPS(1)	**1.30**	1.47	1.35	**(0.17)**	0.12

(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 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.

Fiscal 2014 compared to fiscal 2013

The increase in net earnings and adjusted net earnings in fiscal 2014 compared to fiscal 2013 was primarily due to higher operating income in Printwear and decreases in net financial expenses and income taxes, partially offset by lower operating income in Branded Apparel.

5.5 Segmented operating review

(in $ millions, or otherwise indicated)	**2015**	2014	Variation $	Variation %
	(15 months)			
Segmented net sales:				
Printwear	**1,794.8**	1,559.6	235.2	15.1%
Branded Apparel	**1,164.5**	800.4	364.1	45.5%
Total net sales	**2,959.3**	2,360.0	599.3	25.4%
Segment operating income:				
Printwear	**363.6**	389.0	(25.4)	(6.5)%
Branded Apparel	**91.0**	73.2	17.8	24.3%
Total segment operating income	**454.6**	462.2	(7.6)	(1.6)%
Corporate and other(1)	**(127.4)**	(92.8)	(34.6)	37.3%
Total operating income	**327.2**	369.4	(42.2)	(11.4)%

(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.

	2015	2014	Variation
	(15 months)		
Segment operating margin:			
Printwear	**20.3%**	24.9%	(4.6) pp
Branded Apparel	**7.8%**	9.1%	(1.3) pp

5.5.1 Printwear

Net sales

The 15.1% increase in Printwear segment sales in fiscal 2015 compared to fiscal 2014 was due to the additional three months of sales amounting to $284.9 million in the fifth fiscal quarter of 2015. Excluding the extra quarter, Printwear sales were down $49.7 million compared to fiscal 2014. The decline was mainly due to lower net selling prices, including the approximate $48 million distributor inventory devaluation discount in the first quarter of fiscal 2015 and the impact of the decline in the value of international currencies relative to the U.S. dollar. These factors were partially offset by higher unit sales volumes in the U.S. printwear market, including the impact of the acquisition of Comfort Colors, and unit sales volume growth in international markets.

Operating income

The $25.4 million decrease in Printwear operating income in fiscal 2015 compared to fiscal 2014 was mainly due to lower operating margins, which more than offset the additional three months of operating income of $62.8 million in the fifth fiscal quarter of 2015. The decline in operating margins in fiscal 2015 compared to last year was due to the misalignment of the timing of Printwear selling price reductions which were implemented in December 2014, in advance of anticipated manufacturing cost savings from the Company's yarn-spinning investments and other capital projects and lower cotton costs. In addition, Printwear operating margins were negatively impacted by the decline in the value of foreign currencies relative to the U.S. dollar. The Company began to benefit from manufacturing cost savings from its capital investments primarily in the fourth fiscal quarter and lower cotton costs started to flow through cost of sales in the third fiscal quarter of 2015.

5.5.2 Branded Apparel

Net sales

The increase in Branded Apparel sales in fiscal 2015 compared to fiscal 2014 reflected three additional months of sales in fiscal 2015 amounting to $258.9 million. Excluding the impact of the additional quarter in fiscal 2015, Branded Apparel sales were up $105.2 million or 13.1% compared to fiscal 2014. The increase in Branded Apparel sales was due to higher sales of Gildan®, licensed and global lifestyle brands and the impact of the acquisition of Doris, partially offset by lower sales of Gold Toe® and private label brands. Unit sales volumes in Branded Apparel were also impacted by lower retailer inventory replenishment during the year which we believe limited sell-through of Gildan® branded products to consumers.

Operating income

The increase in operating income in fiscal 2015 compared to fiscal 2014 was due to the additional three months of operating income of $31.0 million in the fifth fiscal quarter of 2015. Excluding the extra quarter, operating income decreased by $13.2 million due to lower operating margins, partially offset by the contribution from higher unit sales volumes, including the acquisition of Doris. Lower operating margins reflected the consumption of high-cost inventories in the first six months of the fiscal year, which included the impact of transitional manufacturing costs incurred in fiscal 2014, as well as higher SG&A expenses driven primarily by increased marketing and advertising expenses and the impact of the acquisition of Doris. These factors were partially offset by the benefit of manufacturing cost savings in the last two quarters of fiscal 2015 from the Company's capital investments and lower cotton costs starting in the third fiscal quarter of the year.

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 3, 2016**	Oct 4, 2015	Jul 5, 2015	Apr 5, 2015(1)	Jan 4, 2015	Oct 5, 2014(2)	Jul 6, 2014	Mar 30, 2014
Net sales	**543.8**	674.5	714.2	636.2	390.6	666.0	693.8	548.8
Net earnings (loss)	**67.6**	123.1	99.4	56.0	(41.2)	122.7	116.0	79.2
Net earnings (loss) per share								
Basic(3)	**0.28**	0.51	0.41	0.23	(0.17)	0.50	0.48	0.33
Diluted(3)	**0.28**	0.50	0.41	0.23	(0.17)	0.50	0.47	0.32
Weighted average number of shares outstanding *(in '000s)*								
Basic	**243,183**	242,257	241,856	241,360	243,852	243,968	243,584	243,220
Diluted	**244,174**	244,063	243,809	243,513	243,852	246,558	246,428	246,314

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

(2) Reflects the acquisition of Doris from July 7, 2014.

(3) 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 fibres 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 fibres, 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 Comfort Colors effective March 2, 2015 and the acquisition of Doris effective July 7, 2014. 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 may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

As discussed in the "Strategy and Objectives" section of this MD&A under section 4.1, effective December 4, 2014, 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 fiscal quarter 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 fiscal quarter 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 Fifth quarter fiscal 2015 operating results

For the three months ended *(in $ millions, except per share amounts or otherwise indicated)*	**Jan 3, 2016**	Jan 4, 2015	Variation $	Variation %
Net sales	**543.8**	390.6	153.2	39.2%
Gross profit	**144.8**	42.8	102.0	238.3%
SG&A expenses	**72.8**	79.6	(6.8)	(8.5)%
Operating income (loss)	**70.7**	(40.3)	111.0	n.m
Adjusted EBITDA(1)	**101.7**	(15.2)	116.9	n.m
Net earnings (loss)	**67.6**	(41.2)	108.8	n.m
Adjusted net earnings (loss)(1)	**68.9**	(37.6)	106.5	n.m
Basic EPS	**0.28**	(0.17)	0.45	n.m
Diluted EPS	**0.28**	(0.17)	0.45	n.m
Adjusted diluted EPS(1)	**0.28**	(0.15)	0.43	n.m
Gross margin	**26.6%**	11.0%	n/a	15.6 pp
SG&A expenses as a percentage of sales	**13.4%**	20.4%	n/a	(7.0) pp
Operating margin	**13.0%**	(10.3)%	n/a	23.3 pp

n.m. = not meaningful

(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)*	**Jan 3, 2016**	Jan 4, 2015	Variation $	Variation %
Segmented net sales:				
Printwear	**284.9**	160.3	124.6	77.7%
Branded Apparel	**258.9**	230.3	28.6	12.4%
Total net sales	**543.8**	390.6	153.2	39.2%
Segment operating income (loss):				
Printwear	**62.8**	(21.0)	83.8	n.m
Branded Apparel	**31.0**	8.3	22.7	273.5%
Total segment operating income (loss)	**93.8**	(12.7)	106.5	n.m
Corporate and other(1)	**(23.1)**	(27.6)	4.5	16.3%
Total operating income (loss)	**70.7**	(40.3)	111.0	n.m

n.m. = not meaningful

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

For the three months ended	**Jan 3, 2016**	Jan 4, 2015	Variation $	Variation %
Segment operating margin:				
Printwear	**22.0%**	(13.1)%	n/a	35.1 pp
Branded Apparel	**12.0%**	3.6%	n/a	8.4 pp

Consolidated net sales for the fifth quarter of fiscal 2015 increased by 39.2% reflecting higher sales in both operating segments compared to the first quarter of fiscal 2015 (the "corresponding quarter of the prior year"). Consolidated net sales in the quarter were higher than the Company's guidance of consolidated net sales in excess of $500 million mainly due to higher than anticipated Printwear unit sales volumes in T-shirts.

Net sales for the Printwear segment for the three months ended January 3, 2016, amounted to $284.9 million compared to $160.3 million for the corresponding quarter of the prior year. Printwear sales growth included the benefit of the non-recurrence of a $48 million distributor inventory devaluation discount which negatively impacted Printwear sales in the corresponding quarter of the prior year. Excluding the impact of the distributor inventory devaluation discount in December 2014, Printwear sales in the fifth fiscal quarter of 2015 increased 37% compared to the corresponding quarter of the prior year. The increase was mainly due to strong unit sales volume growth in the U.S. and Canada, the acquisition of Comfort Colors and higher shipments in international markets, partially offset by unfavourable product-mix due to a lower proportion of fleece sales compared to last year and the negative impact of the decline of international currencies relative to the U.S. dollar. Unit sales volume growth in the U.S. continued to reflect the benefit of the pricing actions taken in December of 2014 and further penetration in the fashion basics and performance segments, including strong unit sales of Comfort Colors® products. In addition, unit sales volumes in the quarter reflected the impact of lower seasonal distributor inventory destocking compared to higher than normal distributor inventory destocking in the corresponding quarter of the prior year.

Net sales for Branded Apparel for the fifth fiscal quarter of 2015 were $258.9 million, up 12.4% from $230.3 million in the corresponding quarter of the prior year reflecting increased sales in all product categories. Sales of underwear were up by more than 20%. With the retail distribution gains during the year, the Company doubled its retail door count for underwear, with Gildan® branded underwear selling in approximately 18,000 retail doors at the end of 2015. The growth in Branded Apparel sales reflected an increase of 85% in Gildan® branded programs, including the impact of the conversion of private label programs, as well as strong sales of licensed brands which more than offset lower sales of private label and Gold Toe® branded products. While the Gold Toe® brand for men's and women's socks maintained its leading position within the department store and national chains channel, lower unit sales volumes of Gold Toe® branded socks in the quarter reflected the impact of the weak and highly promotional holiday period in this retail channel.

Consolidated gross margins in the fifth quarter of fiscal 2015 were 26.6% compared to gross margins of 11.0% in the corresponding quarter of the prior year. As explained in section 5.6.1 in this MD&A, the Company incurred an operating loss in the corresponding quarter of the prior year due to the strategic pricing actions taken in December of 2014 which negatively impacted Printwear gross margins, as well as the consumption of high-cost inventories which included the impact of transitional manufacturing costs relating to the integration of new retail products during 2014, which negatively affected gross margins in Branded Apparel. The strong recovery in gross margins also reflected the benefit of manufacturing cost savings from the Company's investments in yarn-spinning and other capital projects and lower cotton costs, partially offset by unfavourable product-mix.

SG&A expenses in the fifth quarter of fiscal 2015 were $72.8 million, down $6.8 million from $79.6 million in the corresponding quarter of the prior year. The decrease in SG&A expenses was primarily due to the favourable impact of the weaker Canadian dollar on corporate head office expenses and integration benefits from acquisitions.

Consolidated operating income in the fifth quarter of fiscal 2015 of $70.7 million recovered strongly from the operating loss reported in the corresponding quarter of the prior year. The strong recovery was due to operating income improvement in both segments.

In the fifth quarter of fiscal 2015, the Printwear segment reported operating income of $62.8 million compared to an operating loss of $21 million in the corresponding quarter of the prior year, which reflected strategic pricing actions taken to lower printwear net selling prices in advance of anticipated cost savings from capital projects and lower cotton costs. The increase in operating profit in the quarter reflected the non-recurrence of the December 2014 distributor inventory devaluation discount as well as the impact of higher unit sales volumes, together with the benefit of manufacturing cost savings and lower cotton costs compared to the corresponding quarter of the prior year. These positive factors were partially offset by the impact of unfavourable product-mix related to a lower proportion of fleece sales and unfavourable foreign currency exchange rates. The Company achieved Printwear operating margins in the quarter of 22%.

Operating income in Branded Apparel for the three months ended January 3, 2016 was $31.0 million, up significantly compared with $8.3 million in the corresponding quarter of the prior year. Operating margins in the quarter were 12.0% compared to 3.6% a year ago. The significant improvement in Branded Apparel operating margins was mainly due to lower manufacturing and cotton costs. Branded Apparel operating margins also reflected an approximate 300 basis point improvement due to SG&A leverage and integration benefits from acquisitions. Further operating margin growth in Branded Apparel was constrained by unfavourable product-mix in the quarter due to a lower proportion of higher-valued product sales impacted by the weakness in the department store and national chains channel.

Consolidated net earnings in the fifth quarter of fiscal 2015 were $67.6 million or $0.28 per share on a diluted basis, compared with a net loss of $41.2 million or $0.17 per share in the corresponding quarter of the prior year. Before reflecting restructuring and acquisition-related costs in the fourth calendar quarter of both years, adjusted net earnings were $68.9 million or $0.28 per share for the quarter ended January 3, 2016 compared with an adjusted net loss of $37.6 million or $0.15 per share for the three months ended January 4, 2015.

Consolidated net earnings in the fifth quarter of fiscal 2015 reflected strong unit sales volume growth as well as lower SG&A expenses which resulted in strong operating margins in both segments. Adjusted EPS for the fifth fiscal quarter of 2015 were in-line with the Company's adjusted EPS guidance of $0.28–$0.30 provided on November 12, 2015, as the impact of higher than anticipated Printwear sales was offset by product-mix, mainly due to a lower proportion of fleece sales, and a weak holiday season in retail which particularly impacted the sales of higher-valued retail products in national chains, department stores and sports specialty channels.

6.0 FINANCIAL CONDITION

6.1 Current assets and current liabilities

(in $ millions)	**January 3, 2016**	October 5, 2014	Variation
Cash and cash equivalents	**50.7**	65.2	(14.5)
Trade accounts receivable	**306.1**	354.3	(48.2)
Income taxes receivable	**-**	1.4	(1.4)
Inventories	**851.0**	779.4	71.6
Prepaid expenses, deposits and other current assets	**42.9**	41.3	1.6
Assets held for sale	**2.8**	5.8	(3.0)
Accounts payable and accrued liabilities	**(232.3)**	(368.7)	136.4
Income taxes payable	**(1.0)**	-	(1.0)
Total working capital	**1,020.2**	**878.7**	141.5

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 due to the impact of seasonally lower sales in the fourth calendar quarter of fiscal 2015 compared to the fourth quarter of fiscal 2014. The impact of lower net sales was partially offset by lower accruals for sales discounts in trade accounts receivable compared to the fourth quarter of fiscal 2014, due to the impact of changes made to reduce and simplify our Printwear discount structure as previously announced in December 2014.

- The increase in inventories reflects increases in overall inventories to support our planned sales growth in all of our target geographical markets, including a significant increase in underwear unit volumes, partially offset by a decrease in sock inventories. In addition, we experienced a seasonal increase in activewear unit volumes during the fourth quarter of calendar 2015, which is our seasonally lowest sales quarter. Increases in inventories are also due to the impact of the Comfort Colors acquisition and the introduction of new products, partially offset by lower cotton costs. In connection with our investments in further vertical-integration, raw materials inventories are increasing as we ramp up production at our new yarn-spinning facilities. The Company has also increased inventory levels to support its expected sales growth ahead of planned new additions in textile capacity.

- The decrease in assets held for sale relates to the sale of facilities which were closed in prior years.

- The significant decrease in accounts payable and accrued liabilities is mainly due to a decrease in days payable outstanding, including the impact of shorter payment terms as a result of our vertical integration into yarn-spinning, lower cotton costs, the impact of the holiday period manufacturing shutdown during the fourth calendar quarter of fiscal 2015, a seasonal decrease in payroll-related liabilities, and a decrease in accounts payable related to capital expenditures.

- Working capital was $1,020.2 million as at January 3, 2016 compared to $878.7 million as at October 5, 2014. The current ratio at the end of fiscal 2015 was 5.4 compared to 3.4 at the end of fiscal 2014.

6.2 Property, plant and equipment, intangible assets and goodwill

(in $ millions)	Property, plant and equipment	Intangible assets	Goodwill
Balance, October 5, 2014	873.7	287.4	176.4
Net capital additions	303.7	13.2	-
Additions through business acquisitions	1.7	62.3	14.2
Depreciation and amortization	(134.7)	(26.1)	-
Balance, January 3, 2016	**1,044.4**	**336.8**	**190.6**

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

- Capital additions included expenditures primarily for investments in new yarn-spinning facilities in the U.S., textile projects in Rio Nance, and the expansion of the Company's printwear distribution centre in Eden, NC.

- 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 $62.3 million related to the acquisition of Comfort Colors, and other capital additions primarily related to software, partially offset by amortization of $26.1 million.

- The increase in goodwill is due to the goodwill recorded in connection with the acquisition of Comfort Colors.

6.3 Other non-current assets and non-current liabilities

(in $ millions)	**January 3, 2016**	October 5, 2014	Variation
Deferred income tax assets	**2.8**	-	2.8
Other non-current assets	**6.1**	8.1	(2.0)
Long-term debt	**375.0**	157.0	218.0
Deferred income tax liabilities	**-**	0.3	(0.3)
Other non-current liabilities	**37.6**	43.5	(5.9)

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

- 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 was mainly due a decrease in employee benefit obligations, partially offset by an increase in provisions. The decrease in employee benefit obligations was mainly 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. Note 12 to the annual audited consolidated financial statements includes additional information with respect to the Company's employee benefit obligations and provisions.

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

Total assets were $2,834.3 million as at January 3, 2016, compared to $2,593.0 million as at October 5, 2014.

7.0 CASH FLOWS

7.1 Cash flows from (used in) operating activities

(in $ millions)	**2015**	2014	Variation
	(15 months)		
Net earnings	**304.9**	359.6	(54.7)
Adjustments to reconcile net earnings to cash flows from operating activities(1)	**147.7**	93.2	54.5
Changes in non-cash working capital balances	**(98.9)**	(188.6)	89.7
Cash flows from operating activities	**353.7**	264.2	89.5

(1) Includes $146.4 million (2014 - $95.6 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 $89.5 million was mainly due to a lower increase in non-cash working capital compared to fiscal 2014 as explained below. The impact of lower net earnings on operating cash flows was offset by higher depreciation and amortization included in net earnings compared to fiscal 2014. The increase in depreciation and amortization compared to fiscal 2014 reflects the additional three months in fiscal 2015, as well as the impact of higher depreciation as we ramp-up our yarn-spinning facilities.

- The net increase in non-cash working capital was $98.9 million during fiscal 2015, compared to an increase of $188.6 million during fiscal 2014. In fiscal 2015, the change in non-cash working capital was due primarily to decreases in accounts payable and accrued liabilities and increases in inventories, partially offset by a decrease in trade accounts receivable, as noted in the 'Financial Condition' section of this MD&A. In fiscal 2014, the change in non-cash working capital was due primarily to significant increases in trade accounts receivable and inventories, partially offset by an increase in accounts payable and accrued liabilities.

7.2 Cash flows from (used in) investing activities

(in $ millions)	**2015**	2014	Variation
	(15 months)		
Purchase of property, plant and equipment	**(319.4)**	(286.6)	(32.8)
Purchase of intangible assets	**(7.5)**	(6.1)	(1.4)
Business acquisitions	**(103.8)**	(101.7)	(2.1)
Proceeds on disposal of assets held for sale and property, plant and equipment	**5.5**	4.9	0.6
Cash flows used in investing activities	**(425.2)**	(389.5)	(35.7)

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

- Capital expenditures during fiscal 2015 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)	**2015**	2014	Variation
	(15 months)		
Cash flows from operating activities	**353.6**	264.1	89.5
Cash flows used in investing activities	**(425.3)**	(389.5)	(35.8)
Adjustment for:			
Business acquisitions	**103.8**	101.7	2.1
Free cash flow(1)	**32.1**	(23.7)	55.8

(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 Company generated positive free cash flow in fiscal 2015 compared to negative free cash flow in fiscal 2014, mainly due to higher operating cash flows as noted above.

7.4 Cash flows from (used in) financing activities

(in $ millions)	**2015**	2014	Variation
	(15 months)		
Increase in amounts drawn under revolving long-term bank credit facility	**218.0**	157.0	61.0
Dividends paid	**(79.7)**	(53.2)	(26.5)
Proceeds from the issuance of shares	**16.0**	4.3	11.7
Repurchase and cancellation of shares	**(79.7)**	-	(79.7)
Share repurchases for future settlement of non-Treasury RSUs	**(15.2)**	(14.5)	(0.7)
Cash flows from (used in) financing activities	**59.4**	93.6	(34.2)

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

- Cash flows from financing activities for fiscal 2015 reflected an increase in funds drawn on our revolving long-term bank credit facility of $218.0 million, which was mainly used to finance the acquisition of Comfort Colors and the repurchase and cancellation of common shares under the normal course issuer bid as discussed in section 8.4 of this MD&A.

- 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. The increase in dividends paid was as a result of the impact of an additional three months in fiscal 2015, and the 20% increase in the amount of the quarterly dividend approved on December 3, 2014.

8.0 LIQUIDITY AND CAPITAL RESOURCES

8.1 Long-term debt and net indebtedness

In recent years, we have funded our operations and capital requirements with cash generated from operations. Our primary uses of funds are to finance working capital requirements, capital expenditures, payment of dividends and business acquisitions. We have a committed unsecured revolving long-term bank credit facility of $1 billion which has been periodically utilized, primarily to fund business acquisitions in recent years, including the acquisitions of Comfort Colors in March 2015 and Doris in July 2014. During fiscal 2015 we also utilized our credit facility to fund the repurchase for cancellation of 3,050,000 common shares (on a post-split basis) as noted under section 8.4 of this MD&A.

The long-term bank credit facility provides for an annual extension which is subject to the approval of the lenders, and amounts drawn under the facility bear interest at a variable bankers' acceptance or U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2%, such range being a function of the total debt to EBITDA ratio (as defined in the credit facility agreement). In December 2014, the Company amended its revolving long-term bank credit facility to extend the maturity date from January 2019 to April 2020. As at January 3, 2016, $375.0 million (October 5, 2014 - $157.0 million) was drawn under the facility and the effective interest rate for fiscal 2015 was 1.4%. In addition, an amount of $27.1 million (October 5, 2014 - $7.9 million) has been committed against this facility to cover various letters of credit. The revolving long-term bank credit facility requires the Company to comply with certain covenants including maintenance of financial ratios. The Company was in compliance with all covenants as at January 3, 2016.

(in $ millions)	**January 3, 2016**	October 5, 2014
Long-term debt and total indebtedness[1]	**375.0**	157.0
Cash and cash equivalents	**(50.7)**	(65.2)
Net indebtedness[1]	**324.3**	91.8

(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.

Total indebtedness is comprised of bank indebtedness and long-term debt (including the current portion), and net indebtedness is calculated as total indebtedness net of cash and cash equivalents as described under section 17.0 entitled “Definition and reconciliation of non-GAAP financial measures” in this MD&A.

As disclosed in note 11 to the 2015 audited annual consolidated financial statements, the Company is required to comply with certain covenants, including maintenance of a net debt to trailing twelve months EBITDA ratio below 3.0:1, although the long-term bank credit facility agreement provides that this limit may be exceeded in the short term under certain circumstances, as well as an interest coverage ratio of at least 3.5:1. EBITDA is defined under the credit facility agreement as net earnings before interest, income taxes, depreciation and amortization, with adjustments for certain non-recurring items. As at January 3, 2016, the Company was in compliance with all covenants.

The Company is projecting capital expenditures of approximately $200 million in 2016 primarily related to textile capacity expansion, the completion of its yarn-spinning manufacturing initiative and the expansion of sewing facilities to support growth. Projected investments in textile manufacturing in 2016 include expenditures towards the development of the new Rio Nance 6 facility and the further expansion of existing facilities, including the Company's facility in Bangladesh.

We expect that cash flows from operating activities and the unutilized financing capacity under our revolving long-term bank credit facility 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 normal course issuer bid 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 19, 2016, there were 243,856,289 common shares issued and outstanding along with 1,895,145 stock options and 285,231 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 applicable 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

During fiscal 2015, the Company paid dividends of $79.7 million. On February 23, 2016, the Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of $0.078 per share for an expected aggregate payment of $19.0 million which will be paid on April 4, 2016 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 10, 2016. 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 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 long-term bank credit facility requires 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

In December 2014, the Company announced the initiation of a normal course issuer bid (NCIB) beginning December 8, 2014, which expired on December 7, 2015, to purchase for cancellation up to 12.2 million outstanding common shares of the Company (on a post-split basis), 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. During December 2014, the Company repurchased and cancelled a total of 3,050,000 common shares (on a post-split basis) under the 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. During calendar 2015, there were no repurchases under the NCIB.

On February 23, 2016, the Board of Directors of the Company approved the initiation of a normal course issuer bid (NCIB) to purchase for cancellation a maximum of 12,192,814 common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares. Any purchases under the bid will be made during the period from February 26, 2016 to February 25, 2017 on the open market through the facilities of both the TSX and the NYSE in compliance with their respective rules and policies, 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 NCIB, Gildan may purchase up to a maximum of 169,767 shares daily through TSX facilities, which represents 25% of the average daily trading volume on the TSX for the six calendar months completed prior to the announcement of the NCIB. 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 management and the Board of Directors believe the repurchase of the common shares represents an appropriate use of the Company's financial resources and that share repurchases under the NCIB will not preclude the Company from continuing to pursue 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 2016 is contained in our fourth quarter earnings results press release dated February 24, 2016 under the section entitled "Fiscal 2016 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 2015 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 2015 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, the market price of its own common shares, and interest rates. 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 credit risk, 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.

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 3, 2016, the Company's ten largest trade debtors accounted for 59% of trade accounts receivable, of which one wholesale customer within the Printwear segment accounted for 8% and one mass-market retailer within the Branded Apparel segment accounted for 14%. Of the Company's top ten trade debtors, three are in the Printwear segment, seven are in the Branded Apparel segment and all ten are located in the United States. The remaining trade accounts receivable balances are dispersed among a larger number of debtors across many geographic areas including the United States, Canada, Europe, Mexico, Asia-Pacific, and Latin America.

Most sales are invoiced with payment terms of between 30 to 60 days. In accordance with industry practice, sales to wholesale distributors of certain seasonal products, primarily in the second and third quarters of the calendar year, are invoiced with extended payment terms, generally not exceeding four months. From time-to-time, the Company may initiate other special incentive programs with extended payment terms.

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 3, 2016**	October 5, 2014
Trade accounts receivable by geographic area:		
United States	**264.8**	307.6
Canada	**19.3**	23.5
Europe and other	**22.0**	23.2
Total trade accounts receivable	**306.1**	354.3
Trade accounts receivable by operating segment:		
Printwear	**119.7**	187.9
Branded Apparel	**186.4**	166.4
Total trade accounts receivable	**306.1**	354.3

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

(in $ millions)	**January 3, 2016**	October 5, 2014
Not past due	**213.9**	309.2
Past due 0-30 days	**63.0**	33.8
Past due 31-60 days	**14.8**	6.1
Past due 61-120 days	**14.6**	6.3
Past due over 121 days	**4.4**	3.3
Trade accounts receivable	**310.7**	358.7
Less allowance for doubtful accounts	**(4.6)**	(4.4)
Total trade accounts receivable	**306.1**	354.3

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 revolving long-term bank credit facility as well as our ability to access capital markets, or the failure of a financial institution participating in our revolving long-term bank credit facility, 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 2015 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. We also monitor the impact of credit market conditions in the current environment. 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 3, 2016.

(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	**232.3**	232.3	232.3	-	-	-
Long-term debt(1)	**375.0**	375.0	-	-	375.0	-
Purchase obligations	**-**	234.0	232.4	1.6	-	-
Operating leases and other obligations	**-**	211.2	62.5	83.6	19.9	45.2
Total contractual obligations	**607.3**	1,052.5	527.2	85.2	394.9	45.2

(1) Excluding interest

As disclosed in note 23 to our 2015 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 3, 2016, the maximum potential liability under these guarantees was $55.4 million, of which $10.6 million was for surety bonds and $44.8 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 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 United States, 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, the Chinese yuan and the Swiss franc exchange rates. 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, Nicaraguan Cordobas, and Bangladeshi Taka. Should there be a significant change in the Lempira, Peso, Cordoba, or Taka to U.S. dollar exchange rate in the future, such change 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 3, 2016, consisting primarily of contracts to sell and buy Canadian dollars, sell Euros, sell Australian dollars, sell Pounds sterling, and to buy Swiss francs in exchange for U.S. dollars. The outstanding contracts and other foreign exchange contracts that were settled during fiscal 2015 were designated as either cash flow hedges or fair value 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 2015 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 3, 2016 arising from financial instruments:

	January 3, 2016					
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**CNY**	**AUD**
Cash and cash equivalents	3.3	0.8	1.3	0.8	2.2	0.3
Trade accounts receivable	16.5	4.0	1.7	4.1	3.9	3.0
Prepaid expenses, deposits and other current assets	1.2	1.7	0.1	-	0.8	-
Accounts payable and accrued liabilities	(19.6)	(6.3)	(0.2)	(0.2)	(0.6)	-
Other non-current liabilities	(5.9)	-	-	-	-	-

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 3, 2016					
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**CNY**	**AUD**
Impact on earnings before income taxes	0.2	-	(0.1)	(0.2)	(0.3)	(0.2)
Impact on other comprehensive income before income taxes	0.3	2.1	0.5	-	-	0.2

An assumed 5 percent weakening of the U.S. dollar during the year ended January 3, 2016 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 fibres. The Company purchases cotton from third party merchants and cotton-based yarn from third party yarn manufacturers. The Company assumes the risk of cotton price fluctuations for these yarn 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 in order to reduce the effects of fluctuations in the cost 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 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 cotton prices would affect the Company's annual raw material costs by approximately $4.5 million, based on current production levels.

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, including the raw materials we use to manufacture our products such as polyester fibers, 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 2015, the Company entered into commodity option contracts as described in note 14 to the 2015 audited annual consolidated financial statements. The underlying risk of the commodity option contracts is identical to the hedged risk, and accordingly we have established a ratio of 1:1 for all commodity option hedges. Due to a strong correlation between commodity future contract prices and our purchased cost, we did not experience any ineffectiveness on our hedges. We refer the reader to note 14 to the 2015 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's interest rate risk is primarily related to the Company's revolving long-term bank credit facility, for which amounts drawn are primarily subject to LIBOR rates in effect at the time of borrowing, plus a margin. Although LIBOR-based borrowings under the credit facility can be fixed for periods of up to six months, the Company generally fixes rates for periods of one to three months. The interest rates on amounts drawn on this facility 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 2015, the Company did not enter into any derivative financial instruments to hedge its interest rate exposure on its borrowings under the revolving long-term bank credit facility.

Based on the value of interest-bearing financial instruments during the year ended January 3, 2016, an assumed 0.5 percentage point increase in interest rates during such period would have decreased earnings before income taxes by $0.7 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 2015 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 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, capital expenditures, cash flows and the selection of an appropriate 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 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 and pre-notice obligations and the related costs
The valuation of the statutory severance and pre-notice 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 expenditures 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 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 2015 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 2014 audited annual consolidated financial statements, except as noted below.

On October 6, 2014, the Company adopted IFRIC 21, Levies, which provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow of resources from an entity imposed by a government in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes, and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 did not have an impact on the Company's consolidated financial statements.

13.2 New accounting standards and interpretations not yet applied

The following new accounting standards are not effective for the year ended January 3, 2016, 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 to 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 will be effective for the Company's fiscal year beginning on January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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 assessing 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 assessing the impact of the adoption of this standard on its consolidated financial statements.

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 3, 2016. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of January 3, 2016.

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 3, 2016, 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 under this framework, our Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was effective as of January 3, 2016.

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 3, 2016.

15.3 Changes in internal control over financial reporting

There have been no changes that occurred during the period beginning on October 6, 2014 and ended on January 3, 2016 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 and 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 and 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. Failure to successfully develop new business in new market channels or new geographical markets may limit our opportunities for growth. 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. 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. In addition, 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 material adverse effect on our profitability if we are unable to offset such negative impact with new business or cost reductions.

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 adversely affect our financial condition and results of operations. In addition, we may not be able to fully realize expected synergies and other benefits.

Adverse changes in general economic and financial conditions

General economic and financial conditions, globally or in one or more of the markets we serve, may adversely 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 adversely 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".

Our reliance 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 2015 our largest and second largest customers accounted for 15.7% and 13.1% (2014 – 17.7% and 10.7%) of total sales respectively, and our top ten customers accounted for 56.1% (2014 – 56.6%) 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 adversely 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 adversely 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 adversely 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.

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 and cotton yarn purchases and reduce the effect of price fluctuations in the cost of cotton 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 price increases but would not be able to benefit from cotton price decreases. Conversely, in the event that we have not entered into sufficient fixed priced contracts for cotton or have not made other arrangements to lock in the price of cotton yarn in advance of delivery, we will not be protected against cotton price increases, but will be in a position to benefit from any cotton price decreases. A significant increase in raw material costs, particularly cotton costs, could have a material adverse 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 adversely impact demand for the Company's products. In addition, when the Company fixes its cotton costs for future delivery periods and the cost of cotton subsequently decreases significantly for that delivery period, the Company may need to reduce selling prices, which could have a material adverse effect on our business, results of operations and financial condition.

Our dependence 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 and cotton-based yarns 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 other licensed brands are purchased from a number of third party suppliers. Our business, financial condition or results of operations could be adversely affected if there is a significant change in our relationship with any of our principal suppliers of yarn 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 adversely affect our business, financial condition or results of operations.

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". 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 material adverse impact on our business.

The following conditions or events could disrupt our supply chain, interrupt production at our facilities or those of our suppliers, materially 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 an adverse effect on our business.

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 international trade legislation, bilateral and multilateral trade agreements and trade preference programs in the countries in which we operate, source and sell products. Although the textile and apparel industries of developed countries such as Canada, the United States and the European Union have historically received a relatively higher degree of trade protection than other industries, trade liberalization has diminished this protection in recent years. In order to remain globally competitive, we have situated our manufacturing facilities in strategic locations to leverage the trade liberalization climate. 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) 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). Countries participating in the TPP at this time are Australia, Brunei, Canada, Chile, Mexico, Malaysia, New Zealand, Peru, Singapore, Japan and Vietnam. While the agreement must still be ratified and implemented by each of these countries, future entry into force of this new regional free trade agreement or any other new free trade agreements, may negatively affect our competitive position in the United States and other countries where we sell 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 competeviness 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 certainty.

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. In 2014, the Company activated the second of two U.S. foreign trade zones (FTZs) that it operates. Both FTZs relate to the Company's distribution warehouses in the U.S. The FTZs enhance efficiencies in the customs entry process and allow for the avoidance 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 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.

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 material adverse 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 materially adversely affected by the following: changes to current domestic laws in the countries in which the Company operates; changes to 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.

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 could also result in a corresponding cash outflow in the years in which the earnings would be repatriated. As at January 3, 2016, the estimated income tax liability that would result in the event of a full repatriation of these undistributed profits is approximately $62 million.

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. During fiscal 2013, Gildan was notified that a Gold Toe Moretz 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 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 a material adverse effect on our business.

Our significant reliance 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 have a material adverse effect on our business.

Adverse 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, adversely 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, adversely 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 adversely 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 adversely 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 material adverse 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 adversely affect our business, financial condition, results of operations and cash flows.

Changes in our relationship with our employees or changes to domestic and foreign employment regulations

We employ approximately 42,000 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 vast majority of our employees are employed outside of Canada and the United States. A significant increase in wage rates in the countries in which we operate could have a material 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, specifically, 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 adversely affect the productivity and cost structure of the Company's manufacturing operations.

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 Worldwide Responsible Accredited Production (WRAP) and the Fair Labor Association (FLA). 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 practices that would be viewed, in any market in which our products are sold, as unethical, we could suffer negative publicity which could harm our reputation and result in a loss of sales.

Our dependence 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 material adverse 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 adversely affect our business.

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.

Litigation and/or regulatory actions

Our business involves the risk of legal and regulatory actions regarding such matters as product liability, employment practices, patent and trademark infringement, bankruptcies and other claims. 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. These proceedings could cause us to incur costs and may require us to devote resources to defend against these claims and could ultimately result in a loss against these claims or other remedies such as product recalls, which could have a material adverse effect 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 material adverse effect on our business, results of operations, and financial condition.

Data security and privacy breaches

Our business involves the regular collection and use of sensitive and confidential information regarding customers and employees. 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, despite the security measures we have in place, any actual or perceived information security breach, whether due to "cyber attack", computer viruses or human error, could lead to damage to our reputation and result in a material adverse effect on our business, results of operations, and financial condition.

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 is 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. Management uses adjusted net earnings and adjusted diluted EPS to measure our performance from one period to the next, without the variations 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.

	Three months ended			
(in $ millions, except per share amounts)	**Jan 3, 2016**	Jan 4, 2015	**2015**	2014
			(15 months)	
Net earnings (loss)	**67.6**	(41.2)	**304.9**	359.6
Adjustments for:				
Restructuring and acquisition-related costs	**1.3**	3.6	**14.9**	3.2
Income tax recovery on restructuring and acquisition-related costs	**-**	-	**(2.0)**	(0.8)
Adjusted net earnings (loss)	**68.9**	(37.6)	**317.8**	362.0
Basic EPS	**0.28**	(0.17)	**1.26**	1.48
Diluted EPS	**0.28**	(0.17)	**1.25**	1.46
Adjusted diluted EPS	**0.28**	(0.15)	**1.30**	1.47

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 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. We use adjusted EBITDA, among other measures, to assess the operating performance of our business. We also believe 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. We exclude 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.

	Three months ended			
(in $ millions)	**Jan 3, 2016**	Jan 4, 2015	**2015**	2014
			(15 months)	
Net earnings (loss)	**67.6**	(41.2)	**304.9**	359.6
Restructuring and acquisition-related costs	**1.3**	3.6	**14.9**	3.2
Depreciation and amortization	**29.8**	21.5	**146.4**	95.6
Financial expenses, net	**2.4**	2.8	**17.8**	2.9
Income tax (recovery) expense	**0.6**	(1.9)	**4.5**	7.0
Adjusted EBITDA	**101.7**	(15.2)	**488.5**	468.3

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 including net changes in non-cash working capital balances, less cash flow used in investing activities excluding business acquisitions. We consider free cash flow to be an important indicator of the financial strength and performance of our business, because it shows how much cash is available after capital expenditures to repay debt and to reinvest in our business, to pursue business acquisitions, and/or to redistribute to our shareholders. We believe this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

(in $ millions)	**2015**	2014
	(15 months)	
Cash flows from operating activities	**353.6**	264.1
Cash flows used in investing activities	**(425.3)**	(389.5)
Adjustment for:		
Business acquisitions	**103.8**	101.7
Free cash flow	**32.1**	(23.7)

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. We consider total indebtedness and net indebtedness to be important indicators of the financial leverage of the Company.

(in $ millions)	**January 3, 2016**	October 5, 2014
Long-term debt and total indebtedness	**375.0**	157.0
Cash and cash equivalents	**(50.7)**	(65.2)
Net indebtedness	**324.3**	91.8

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 3, 2016. Management is also responsible for the preparation and presentation of other financial information included in the 2015 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 3, 2016. 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 23, 2016

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 3, 2016 and October 5, 2014, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the fifteen month fiscal period ended January 3, 2016 and the year ended October 5, 2014, 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 3, 2016 and October 5, 2014, and its consolidated financial performance and its consolidated cash flows for the fifteen month fiscal period ended January 3, 2016 and the year ended October 5, 2014 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 3, 2016, 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 23, 2016 expressed an unqualified (unmodified) opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP*

Montréal, Canada
February 23, 2016

*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 3, 2016, 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 fifteen month fiscal period ended January 3, 2016. 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 3, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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 3, 2016 and October 5, 2014 and the related consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the fifteen month fiscal period ended January 3, 2016 and the year ended October 5, 2014, and our report dated February 23, 2016 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

KPMG LLP

Montréal, Canada
February 23, 2016

*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 3, 2016		October 5, 2014
Current assets:				
Cash and cash equivalents (note 6)	$	50,675	$	65,163
Trade accounts receivable (note 7)		306,132		354,265
Income taxes receivable		-		1,439
Inventories (note 8)		851,033		779,407
Prepaid expenses, deposits and other current assets		42,934		41,291
Assets held for sale (note 17)		2,840		5,839
Total current assets		1,253,614		1,247,404
Non-current assets:				
Property, plant and equipment (note 9)		1,044,389		873,726
Intangible assets (note 10)		336,753		287,353
Goodwill (note 10)		190,626		176,445
Deferred income taxes (note 18)		2,793		-
Other non-current assets		6,105		8,116
Total non-current assets		1,580,666		1,345,640
Total assets	$	2,834,280	$	2,593,044
Current liabilities:				
Accounts payable and accrued liabilities	$	232,268	$	368,712
Income taxes payable		953		-
Total current liabilities		233,221		368,712
Non-current liabilities:				
Long-term debt (note 11)		375,000		157,000
Deferred income taxes (note 18)		-		349
Other non-current liabilities (note 12)		37,616		43,450
Total non-current liabilities		412,616		200,799
Total liabilities		645,837		569,511
Commitments, guarantees and contingent liabilities (note 23)				
Equity:				
Share capital		150,497		124,595
Contributed surplus		14,007		20,778
Retained earnings		2,022,846		1,885,892
Accumulated other comprehensive income		1,093		(7,732)
Total equity attributable to shareholders of the Company		2,188,443		2,023,533
Total liabilities and equity	$	2,834,280	$	2,593,044

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 3, 2016 and October 5, 2014
(in thousands of U.S. dollars, except per share data)

	2015 (15 months)	2014
Net sales	**$ 2,959,238**	$ 2,359,994
Cost of sales	**2,229,130**	1,701,311
Gross profit	**730,108**	658,683
Selling, general and administrative expenses (note 16(a))	**387,963**	286,015
Restructuring and acquisition-related costs (note 17)	**14,908**	3,247
Operating income	**327,237**	369,421
Financial expenses, net (note 14(c))	**17,797**	2,897
Earnings before income taxes	**309,440**	366,524
Income tax expense (note 18)	**4,526**	6,972
Net earnings	**304,914**	359,552
Other comprehensive income (loss), net of related income taxes		
Cash flow hedges (note 14(d))	**8,825**	(7,076)
Actuarial loss on employee benefit obligations (note 12(a))	**(10,000)**	(3,614)
	(1,175)	(10,690)
Comprehensive income	**$ 303,739**	$ 348,862
Earnings per share: (note 19)		
Basic [(1)]	**$ 1.26**	$ 1.48
Diluted [(1)]	**$ 1.25**	$ 1.46

(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 3, 2016 and October 5, 2014
(in thousands or thousands of U.S. dollars)

	Share capital Number	Share capital Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance, September 29, 2013	243,252	$ 107,867	$ 28,869	$ (656)	$ 1,583,346	$ 1,719,426
Share-based compensation	-	-	10,099	-	-	10,099
Shares issued under employee share purchase plan	42	1,117	-	-	-	1,117
Shares issued pursuant to exercise of stock options	236	4,617	(1,310)	-	-	3,307
Shares issued or distributed pursuant to vesting of restricted share units	1,718	25,475	(25,475)	-	-	-
Share repurchases for future settlement of non-Treasury RSUs (note 13(e))	(600)	(14,481)	8,383	-	-	(6,098)
Dividends declared	-	-	212	-	(53,392)	(53,180)
Transactions with shareholders of the Company recognized directly in equity	1,396	16,728	(8,091)	-	(53,392)	(44,755)
Cash flow hedges (note 14(d))	-	-	-	(7,076)	-	(7,076)
Actuarial loss on employee benefit obligations (note 12(a))	-	-	-	-	(3,614)	(3,614)
Net earnings	-	-	-	-	359,552	359,552
Comprehensive income	-	-	-	(7,076)	355,938	348,862
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 and cancelled (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**

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 3, 2016 and October 5, 2014
(in thousands of U.S. dollars)

	2015	2014
	(15 months)	
Cash flows from (used in) operating activities:		
Net earnings	$ 304,914	$ 359,552
Adjustments to reconcile net earnings to cash flows from operating activities (note 21(a))	147,654	93,188
	452,568	452,740
Changes in non-cash working capital balances:		
Trade accounts receivable	47,893	(90,549)
Income taxes	2,478	(628)
Inventories	(36,149)	(149,231)
Prepaid expenses, deposits and other current assets	(4,290)	(10,007)
Accounts payable and accrued liabilities	(108,876)	61,775
Cash flows from operating activities	353,624	264,100
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	(319,374)	(286,553)
Purchase of intangible assets	(7,545)	(6,150)
Business acquisitions (note 5)	(103,800)	(101,732)
Proceeds on disposal of assets held for sale and property, plant and equipment	5,463	4,894
Cash flows used in investing activities	(425,256)	(389,541)
Cash flows from (used in) financing activities:		
Increase in amounts drawn under revolving long-term bank credit facility	218,000	157,000
Dividends paid	(79,687)	(53,180)
Proceeds from the issuance of shares	16,032	4,316
Repurchase and cancellation of shares (note 13(d))	(79,743)	-
Share repurchases for future settlement of non-Treasury RSUs (note 13(e))	(15,239)	(14,481)
Cash flows from financing activities	59,363	93,655
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(2,219)	(419)
Net decrease in cash and cash equivalents during the fiscal year	(14,488)	(32,205)
Cash and cash equivalents, beginning of fiscal year	65,163	97,368
Cash and cash equivalents, end of fiscal year	$ 50,675	$ 65,163
Cash paid (included in cash flows from operating activities):		
Interest	$ 9,561	$ 2,108
Income taxes, net of refunds	4,890	10,704

Supplemental disclosure of cash flow information (note 21)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended January 3, 2016 and October 5, 2014
(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's fiscal year ends 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 3, 2016 and October 5, 2014 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 3, 2016 were authorized for issuance by the Board of Directors of the Company on February 23, 2016.

(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 functional and presentation currency of the Company and all its subsidiaries is the U.S. dollar.

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

On October 6, 2014, the Company adopted IFRIC 21, Levies, which provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow of resources from an entity imposed by a government in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes, and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 did not have an impact on the Company's consolidated financial statements.

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 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.

(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 Mayan Textiles, S. de R.L.	Honduras	100%
Gildan Activewear Honduras Textile Company, S. de R.L.	Honduras	100%
Gildan Activewear (Eden) Inc.	North Carolina	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 3, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(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.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(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:

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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) Intangible assets (continued):

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

Trademarks are not amortized as they are considered to be indefinite life intangible assets.

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 to sell. 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 to sell, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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.

(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 which bears interest at variable rates, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) Financial instruments (continued):

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(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.

Defined benefit plans

The Company maintains a liability for statutory severance and pre-notice 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(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.

(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, co-op 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. These fees are recognized as a reduction in revenue. 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(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.

(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; 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 provided on temporary differences arising on the Company's investments in subsidiaries, except for deferred income tax liabilities 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. Deferred 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 differences relating to investments in subsidiaries to the extent that it is probable that they 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(aa) Income taxes (continued):

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.

(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

Non-Treasury restricted share units are expected to be settled in cash, except to the extent that common shares have 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. Non-Treasury restricted share units expected to be settled in cash are accounted for as cash settled awards, with the recognized compensation expense included in accounts payable and accrued liabilities. Compensation expense is initially measured at fair value at the grant date and is recognized in net earnings over the vesting period. The liability is remeasured at fair value, based on the market price of the Company's common shares, at each reporting date. Remeasurements during the vesting period are recognized immediately to net earnings to the extent that they relate to past services, and recognition is amortized over the remaining vesting period to the extent that they relate to future services. The cumulative compensation cost that will ultimately be recognized is the fair value of the Company's shares at the settlement date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(cc) Share based payments (continued):

Non-Treasury restricted share units expected to be settled in common shares

Non-Treasury restricted share units are expected to be settled in common shares only when common shares have been purchased on the open market and held in a trust for the purpose of settling a corresponding amount of non-Treasury restricted share units in common shares in lieu of cash. At the time common shares are purchased on the open market and designated for future settlement of a corresponding amount of non-Treasury restricted share units, any accumulated accrued compensation expense previously credited to accounts payable and accrued liabilities for such non-Treasury restricted share units is transferred to contributed surplus, and compensation expense continues to be recognized over the remaining vesting period, based on the purchase cost of the common shares that are held in trust, with a corresponding increase to contributed surplus. In addition, the common shares purchased by the trust are considered as being temporarily held in treasury, as described in note 13(e) to these consolidated financial statements. Upon delivery of the common shares for settlement of vesting non-Treasury restricted share units, the corresponding amounts in contributed surplus representing the accumulated accrued compensation expense are transferred to share capital.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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 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, capital expenditures, working capital requirements, cash flows and the selection of an appropriate 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 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, changes to the Company's business strategy, adverse changes in third party licensing arrangements, 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 and pre-notice obligations and the related costs
The valuation of the statutory severance and pre-notice 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 to 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 will be effective for the Company's fiscal year beginning on January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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 assessing 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 assessing the impact of the adoption of this standard on its consolidated financial statements.

5. BUSINESS ACQUISITIONS:

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 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.

5. BUSINESS ACQUISITIONS (continued):

Comfort Colors (continued)

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.

The consolidated results of the Company for fiscal 2015 include net sales of $53.8 million and net earnings of $15.6 million relating to Comfort Colors' results of operations since the date of acquisition, adjusted to reflect the elimination of intercompany sales. If the acquisition of Comfort Colors was accounted for on a pro forma basis as if it had occurred at the beginning of the Company's fiscal year, the Company's consolidated net sales and net earnings for the fiscal year ended January 3, 2016 would have been $2,986.6 million and $309.7 million, respectively. These pro forma figures have been estimated based on the results of Comfort Colors' operations prior to being purchased by the Company, adjusted to reflect the elimination of intercompany sales, and fair value adjustments which arose on the date of acquisition, as if the acquisition occurred on October 6, 2014, and should not be viewed as indicative of the Company's future results.

The operating results of Comfort Colors are included in the Printwear segment.

Doris Inc.

On July 7, 2014, the Company acquired substantially all of the operating assets and assumed certain liabilities of Doris Inc. ("Doris") for cash consideration of $101.7 million, plus additional contingent payments of up to $9.4 million, payable based on the achievement of targets for growth in sales revenues for a three-year period from the date of the acquisition. The acquisition was financed by the utilization of the Company's revolving long-term bank credit facility. Doris is a marketer and manufacturer of branded sheer hosiery, legwear and shapewear products to retailers in Canada and the United States. The acquisition immediately provided Gildan with an established sales organization and a platform for retail distribution of the Gildan® and Gold Toe® brands 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. This acquisition also represented a first step in building a ladies' intimate apparel platform over time.

5. BUSINESS ACQUISITIONS (continued):

Doris Inc. (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 Doris' assembled workforce, expected synergies, and management reputation and expertise, 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 results of Doris are included in the Branded Apparel segment.

The following table summarizes the amounts recognized for the assets acquired and liabilities assumed at the date of acquisition in fiscal 2014:

Assets acquired:		
Trade accounts receivable	$	10,504
Inventories		28,214
Prepaid expenses, deposits and other current assets		685
Property, plant and equipment		5,951
Intangible assets (1)		50,892
		96,246
Liabilities assumed:		
Accounts payable and accrued liabilities		(9,570)
Deferred income taxes		(4,890)
		(14,460)
Goodwill		26,346
Net assets acquired at fair value	$	108,132
Cash consideration paid at closing		101,732
Fair value of contingent consideration		6,400
	$	108,132

(1) The intangible assets acquired are comprised of customer relationships in the amount of $33.0 million, which are being amortized on a straight line basis over their estimated useful lives of twenty years, license agreements in the amount of $2.3 million, which are being amortized on a straight line basis over their estimated useful lives of ten years and trademarks in the amount of $15.6 million, which are not being amortized as they are considered to be indefinite life intangible assets.

The contingent consideration at the date of acquisition is comprised of a holdback of $9.4 million, payable based on the achievement of sales revenue targets for the 12-month period ended June 30, 2017. The contingent consideration is classified as a financial liability and is included in other non-current liabilities. 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 3, 2016, management's best estimate is that it is probable that the revenue targets will be achieved, and the fair value of the contingent consideration of $5.9 million as at January 3, 2016 reflects this assumption. There has been no significant change in the fair value of the contingent consideration since the acquisition date.

6. CASH AND CASH EQUIVALENTS:

	January 3, 2016	October 5, 2014
Bank balances	$ 50,675	$ 65,099
Term deposits	-	64
	$ 50,675	$ 65,163

7. TRADE ACCOUNTS RECEIVABLE:

	January 3, 2016	October 5, 2014
Trade accounts receivable	$ 310,733	$ 358,688
Allowance for doubtful accounts	(4,601)	(4,423)
	$ 306,132	$ 354,265

The movement in the allowance for doubtful accounts in respect of trade receivables was as follows:

	2015	2014
	(15 months)	
Balance, beginning of fiscal year	$ (4,423)	$ (3,667)
Bad debt expense	(560)	(2,420)
Write-off of trade accounts receivable	455	1,834
Increase due to business acquisitions	(73)	(170)
Balance, end of fiscal year	$ (4,601)	$ (4,423)

8. INVENTORIES:

	January 3, 2016	October 5, 2014
Raw materials and spare parts inventories	$ 119,826	$ 98,767
Work in progress	54,737	58,658
Finished goods	676,470	621,982
	$ 851,033	$ 779,407

The amount of inventories recognized as an expense and included in cost of sales was $2,165.4 million for fiscal 2015 (2014 - $1,653.2 million), which included an expense of $4.6 million (2014 - $2.3 million) related to the write-down of inventory to net realizable value.

9. PROPERTY, PLANT AND EQUIPMENT:

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**

2014	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, September 29, 2013	$ 39,922	$ 249,230	$ 532,557	$ 114,628	$ 114,030	$ 1,050,367
Additions	5,759	48,524	61,881	17,510	166,872	300,546
Additions through business acquisitions	-	32	5,780	139	-	5,951
Transfers	-	17,369	95,848	813	(114,030)	-
Disposals	(140)	(332)	(8,697)	(3,402)	-	(12,571)
Balance, October 5, 2014	$ 45,541	$ 314,823	$ 687,369	$ 129,688	$ 166,872	$ 1,344,293
Accumulated depreciation						
Balance, September 29, 2013	$ -	$ 72,465	$ 262,785	$ 59,248	$ -	$ 394,498
Depreciation	-	14,337	58,816	11,408	-	84,561
Disposals	-	(191)	(5,035)	(3,266)	-	(8,492)
Balance, October 5, 2014	$ -	$ 86,611	$ 316,566	$ 67,390	$ -	$ 470,567
Carrying amount, October 5, 2014	$ 45,541	$ 228,212	$ 370,803	$ 62,298	$ 166,872	$ 873,726

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.

As at January 3, 2016, there were contractual purchase obligations outstanding of approximately $51.1 million for the acquisition of property, plant and equipment compared to $203.3 million as of October 5, 2014.

10. INTANGIBLE ASSETS AND GOODWILL:

Intangible assets

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**

2014	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, September 29, 2013	$ 133,866	$ 102,045	$ 51,000	$ 31,740	$ 1,700	$ 320,351
Additions	-	-	-	6,150	-	6,150
Additions through business acquisitions	32,965	15,627	2,300	-	-	50,892
Disposals	-	-	-	(959)	-	(959)
Balance, October 5, 2014	$ 166,831	$ 117,672	$ 53,300	$ 36,931	$ 1,700	$ 376,434
Accumulated amortization						
Balance, September 29, 2013	$ 30,451	$ -	$ 18,689	$ 21,974	$ 1,700	$ 72,814
Amortization	7,556	-	7,660	2,009	-	17,225
Disposals	-	-	-	(958)	-	(958)
Balance, October 5, 2014	$ 38,007	$ -	$ 26,349	$ 23,025	$ 1,700	$ 89,081
Carrying amount, October 5, 2014	$ 128,824	$ 117,672	$ 26,951	$ 13,906	$ -	$ 287,353

The carrying amount of internally-generated assets within computer software was $10.4 million as at January 3, 2016 and $6.9 million as at October 5, 2014. Included in computer software as at January 3, 2016 is $9.1 million (October 5, 2014 - $5.1 million) of assets not yet utilized in operations.

10. INTANGIBLE ASSETS AND GOODWILL (continued):

Goodwill

	2015	2014
Balance, beginning of fiscal year	$ **176,445**	$ 150,099
Goodwill acquired (note 5)	**14,181**	26,346
Balance, end of fiscal year	$ **190,626**	$ 176,445

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 3, 2016	October 5, 2014
Branded Apparel:		
Goodwill	**$ 170,649**	$ 170,649
Trademarks	**112,972**	112,972
	$ 283,621	$ 283,621
Printwear:		
Goodwill	**$ 19,977**	$ 5,796
Trademarks	**42,000**	4,700
	$ 61,977	$ 10,496

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 to sell. The Company performed the annual impairment review for goodwill and indefinite life intangible assets during fiscal 2015, 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 greater of the fair value less costs of disposal calculation and the value in use calculation. The fair values of the Branded Apparel and Printwear CGU's were based on an earnings multiple applied to forecasted earnings, while the value in use calculations were assessed using cash flow projections which take into account financial budgets and forecasts approved by senior management covering a five-year period with a terminal value calculated by discounting the final year in perpetuity. The key assumptions for the value in use calculation include estimated sales volumes, selling prices and input costs, as well as discount rates which are based on estimates of the risks associated with the projected cash flows based on the best information available as of the date of the impairment test. The pre-tax discount rate applied to cash flow projections was 13.7%. A growth rate of 2%, which does not exceed the historical and industry average growth rates, was used to calculate the terminal value. 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:

The Company has a committed unsecured revolving long-term bank credit facility of $1 billion. The facility provides for an annual extension which is subject to the approval of the lenders, and amounts drawn under the facility bear interest at a variable banker's acceptance or U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2%, such range being a function of the total debt to EBITDA ratio (as defined in the credit facility agreement). In December 2014, the Company amended its revolving long-term bank credit facility to increase the facility to $1 billion from $800 million, and to extend the maturity date from January 2019 to April 2020. As at January 3, 2016, $375.0 million (October 5, 2014 - $157.0 million) was drawn under the facility, and the effective interest rate for fiscal 2015 was 1.4% (2014 - 1.2%). In addition, an amount of $27.1 million (October 5, 2014 - $7.9 million) has been committed against this facility to cover various letters of credit as described in note 23. The revolving long-term bank credit facility requires the Company to comply with certain covenants including maintenance of financial ratios. The Company was in compliance with all of these covenants as at January 3, 2016.

12. OTHER NON-CURRENT LIABILITIES:

		January 3, 2016		October 5, 2014
Employee benefit obligation - Statutory severance and pre-notice	**$**	**8,882**	$	17,556
Employee benefit obligation - Defined contribution plan		**2,185**		2,009
Provisions		**20,630**		17,926
Contingent consideration (note 14(a))		**5,919**		5,959
	$	**37,616**	$	43,450

(a) Statutory severance and pre-notice obligations:

		January 3, 2016 (15 months)		October 5, 2014
Obligation, beginning of fiscal year	**$**	**17,556**	$	10,935
Service cost		**13,473**		9,312
Interest cost		**7,268**		5,232
Actuarial loss (1)		**10,000**		3,614
Pre-notice obligation reduction (2)		**(11,426)**		-
Foreign exchange gain		**(1,897)**		(880)
Benefits paid		**(26,092)**		(10,657)
Obligation, end of fiscal year	**$**	**8,882**	$	17,556

(1) The actuarial loss is due to changes in the actuarial assumptions used to determine the statutory severance and pre-notice obligations as at January 3, 2016.
(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 and pre-notice obligations included the use of a discount rate of between 10% and 10.5% (2014 – between 10% and 12%) and rates of compensation increases between 6.5% and 8% (2014 – between 5% and 8%). A 1% increase in the discount rates would result in a corresponding decrease in the statutory severance and pre-notice obligations of $3.1 million, and a 1% decrease in the discount rates would result in a corresponding increase in the statutory severance and pre-notice obligations of $3.6 million. A 1% increase in the rates of compensation increases used would result in a corresponding increase in the statutory severance and pre-notice obligations of $3.7 million, and a 1% decrease in the rates of compensation increases used would result in a corresponding decrease in the statutory severance and pre-notice obligations of $3.2 million.

12. OTHER NON-CURRENT LIABILITIES (continued):

(a) Statutory severance and pre-notice obligations (continued):

The cumulative amount of actuarial losses recognized in other comprehensive income as at January 3, 2016 was $16.8 million (October 5, 2014 - $6.8 million) which have been reclassified to retained earnings in the period in which they were recognized.

(b) Defined contribution plan:

During fiscal 2015, defined contribution expenses were $3.2 million (2014 - $2.4 million).

(c) Provisions:

	Decommissioning and site restoration costs	Lease exit costs	**Total**
Balance, October 5, 2014	$ 16,144	$ 1,782	**$ 17,926**
Provisions made during the fiscal year	992	1,720	**2,712**
Provisions utilized during the fiscal year	-	(417)	**(417)**
Accretion of interest	409	-	**409**
Balance, January 3, 2016	$ 17,545	$ 3,085	**$ 20,630**

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.

(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 3, 2016 and October 5, 2014 none of the first and second preferred shares were issued.

Issued:
As at January 3, 2016, there were 243,571,188 common shares (October 5, 2014 - 244,648,814) issued and outstanding, which are net of 269,281 common shares (October 5, 2014 - 293,538) 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:

In December 2014, the Company announced the initiation of a normal course issuer bid (NCIB) beginning December 8, 2014, which expired on December 7, 2015, to purchase for cancellation up to 12.2 million outstanding common shares of the Company (on a post-split basis), representing approximately 5% of the Company's issued and outstanding common shares, on the Toronto Stock Exchange (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. During December 2014, the Company repurchased and cancelled a total of 3,050,000 common shares (on a post-split basis) under the 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 23, 2016, the Board of Directors of the Company approved the initiation of a normal course issuer bid (NCIB) to purchase for cancellation a maximum of 12,192,814 common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares. Any purchases under the bid will be made during the period from February 26, 2016 to February 25, 2017 on the open market through the facilities of both the TSX and the NYSE in compliance with their respective rules and policies, 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. At the time the common shares are purchased, the amounts previously credited to accounts payable and accrued liabilities for the non-Treasury RSUs initially expected to be settled in cash are transferred to contributed surplus. 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:

	2015			2014		
	Shares	**Amount**	**Average cost**	Shares	Amount	Average Cost
Balance, beginning of year	**294**	**$ 7,055**	**$ 24.00**	566	$ 9,747	$ 17.22
Purchased	**560**	**15,239**	**27.21**	600	14,481	24.14
Distributed	**(585)**	**(14,830)**	**25.35**	(872)	(17,173)	19.69
Balance, end of year	**269**	**$ 7,464**	**$ 27.75**	294	$ 7,055	$ 24.00

(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 and the vesting of Treasury restricted share units, 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 3, 2016 and October 5, 2014. 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 3, 2016	October 5, 2014
Financial assets		
Amortized cost:		
Cash and cash equivalents	**$ 50,675**	$ 65,163
Trade accounts receivable	**306,132**	354,265
Other current assets included in prepaid expenses, deposits and other current assets	**25,140**	17,824
Long-term non-trade receivables included in other non-current assets	**2,372**	4,008
Derivative financial instruments designated as effective hedging instruments included in prepaid expenses, deposits and other current assets	**4,034**	920
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	**$ 230,739**	$ 361,377
Long-term debt - bearing interest at variable rates	**375,000**	157,000
Derivative financial instruments designated as effective hedging instruments included in accounts payable and accrued liabilities	**1,529**	7,335
Contingent consideration included in other non-current liabilities	**5,919**	5,959

Short-term financial assets and liabilities
The Company has determined that the fair values of its short-term financial assets and liabilities approximate 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.

Non-current assets and long-term debt
The fair values of the long-term non-trade receivables included in other non-current assets, and the Company's interest-bearing financial liabilities also approximate their respective carrying amounts because the interest rates applied to measure their carrying amounts approximate current market interest rates.

14. FINANCIAL INSTRUMENTS (continued):

(a) Financial instruments – carrying amounts and fair values (continued):

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. The fair value measurement of the contingent consideration is determined as described in Note 5 of these consolidated financial statements. The contingent consideration is classified as a financial liability and is included in other non-current liabilities.

Derivatives

The derivatives consist mainly of foreign exchange and commodity forward and option contracts. 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 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 3, 2016, the notional amount of TRS outstanding was 217,879 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 values 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 2015, the Company entered into foreign exchange and commodity forward option 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.

The forward foreign exchange contracts were designated as either cash flow hedges or fair value hedges, and qualified for hedge accounting. The forward foreign exchange contracts outstanding as at January 3, 2016 consisted primarily of contracts to reduce the exposure to fluctuations in Canadian dollars, Euros, Australian dollars, Pounds sterling, and Swiss francs, against the U.S. dollar.

The commodity option contracts were designated as cash flow hedges and qualified for hedge accounting. The commodity option contracts outstanding as at January 3, 2016 consisted primarily of collar contracts to reduce the exposure to movements in commodity prices.

14. FINANCIAL INSTRUMENTS (continued):

(b) Derivative financial instruments – hedge accounting (continued):

The following table summarizes the Company's commitments to buy and sell foreign currencies as at January 3, 2016:

				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	6,856	1.5411	10,566	425	-	425
Sell EUR/Buy USD	41,726	1.1321	47,240	1,439	(35)	1,404
Sell CAD/Buy USD	39,298	0.7745	30,435	2,003	-	2,003
Buy CAD/Sell USD	29,878	0.7725	23,080	-	(1,450)	(1,450)
Sell AUD/Buy USD	6,600	0.7215	4,762	-	(17)	(17)
Fair value hedges:						
Forward foreign exchange contracts:						
Buy CHF/Sell USD	202	1.1436	231	-	(27)	(27)
			$ 116,314	$ 3,867	$ (1,529)	$ 2,338

The following table summarizes the Company's commodity option contracts outstanding as at January 3, 2016:

		Carrying and fair value	Maturity	
	Notional amount (pounds)	Prepaid expenses, deposits and other current assets	0 to 12 months	12 to 18 months
Cash flow hedges:				
Collar contracts	162,300	$ 167	$ (176)	$ 343

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 hedged items as at January 3, 2016:

	Carrying amount of the hedged item		Accumulated amount of FVH adjustments on the hedged item				
	Assets	Liabilities	Assets	Liabilities	Line item	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve (AOCI)
Cash flow hedges:							
Foreign currency risk:							
Forecast sales	-	-	-	-		$ 3,197	$ (3,197)
Forecast expenses	-	-	-	-		(1,450)	1,450
Commodity risk:							
Forecast purchases	-	-	-	-		(654)	654
Fair value hedges:							
Foreign currency risk:							
Firm commitment	$ 304	-	$ 304	-	Prepaid expenses, deposits and other assets	(304)	-

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.

(c) Financial expenses, net:

	2015 (15 months)	2014
Interest expense on financial liabilities recorded at amortized cost (1)	**$ 8,649**	$ 2,061
Bank and other financial charges	**4,747**	3,299
Interest accretion on discounted provisions	**409**	323
Foreign exchange loss (gain)	**3,992**	(2,786)
	$ 17,797	$ 2,897

(1) Net of capitalized borrowing costs of $1.0 million (2014 - nil).

14. FINANCIAL INSTRUMENTS (continued):

(d) Hedging components of other comprehensive income ("OCI"):

	2015 (15 months)	2014
Net gain (loss) on derivatives designated as cash flow hedges:		
Foreign currency risk	$ 3,631	$ (1,307)
Commodity price risk	(836)	(8,158)
Income taxes	(36)	95
Amounts reclassified from OCI to property, plant and equipment, related to foreign currency risk	-	(991)
Amounts reclassified from OCI to inventory, related to commodity price risk	8,355	-
Amounts reclassified from OCI to net earnings, related to foreign currency risk, and included in:		
Net sales	(2,155)	3,272
Selling, general and administrative expenses	472	113
Financial expenses, net	(629)	(67)
Income taxes	23	(33)
Hedging gain (loss)	$ 8,825	$ (7,076)

The change in the time value element of option contracts designated as cash flow hedges to reduce the exposure in movements of commodity prices resulted in a loss of $2.2 million in fiscal 2015.

The change in forward element of derivatives designated as cash flow and fair value hedges to reduce foreign currency risk was not significant for fiscal 2015.

As at January 3, 2016, accumulated other comprehensive income of $1.1 million consisted of net deferred gains on forward foreign exchange contracts and commodity option contracts designated as cash flow hedges. Approximately $0.8 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to 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 3, 2016, a total of 740,123 shares (October 5, 2014 - 681,746) were issued under these plans. Included as compensation costs in selling, general and administrative expenses is $0.2 million (2014 - $0.1 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 3, 2016, 2,754,101 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, whereas the additional awards related to outstanding non-Treasury RSUs expected to be settled in cash and deferred share units are credited to accounts payable and accrued liabilities.

Outstanding stock options were as follows:

	Number		Weighted average exercise price (CA$)
Stock options outstanding, September 29, 2013	2,092	$	12.94
Changes in outstanding stock options:			
Granted	346		24.22
Exercised	(236)		15.18
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**

(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 3, 2016, 201,016 outstanding options were exercisable at the weighted average exercise price of CA$15.52 (October 5, 2014 - 1,361,658 options at CA$11.88). For stock options exercised during fiscal 2015, the weighted average share price at the date of exercise was CA$40.02 (2014 - CA$28.87). Based on the Black-Scholes option pricing model, the grant date weighted average fair value of options granted during the fifteen months ended January 3, 2016 was $8.60 (October 5, 2014 - $10.25). The following table summarizes the assumptions used in the Black-Scholes option pricing model for the stock option grants for fiscal 2015 and 2014:

	2015	2014
Exercise price	**$ 36.53**	$ 24.22
Risk-free interest rate	**1.19%**	1.87%
Expected volatility	**31.41%**	50.65%
Expected life	**6.04 years**	5.25 years
Expected dividend yield	**0.86%**	0.77%

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 3, 2016:

	Options issued and outstanding		Options exercisable
Exercise prices (CA$)	Number	Remaining contractual life (yrs)	Number
$ 10.06	35	1	35
$ 13.60	145	3	56
$ 14.32	28	2	28
$ 15.59	236	4	44
$ 24.22	297	5	38
$ 30.46	296	6	-
$ 38.01	575	7	-
$ 42.27	283	10	-
	1,895		201

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, September 29, 2013	1,544	$	11.32
Changes in outstanding Treasury RSUs:			
Granted	20		25.97
Granted for dividends declared	9		26.44
Settled through the issuance of common shares	(846)		10.77
Forfeited	(62)		17.65
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**

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 3, 2016 and October 5, 2014, 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 2015 was $4.5 million (2014 - $4.9 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:

	2015	2014
Non-Treasury RSUs outstanding, beginning of fiscal year	**768**	1,138
Changes in outstanding non-Treasury RSUs:		
Granted(1)	**660**	338
Granted for performance	**158**	204
Granted for dividends declared	**12**	10
Settled	**(594)**	(886)
Forfeited	**(51)**	(36)
Non-Treasury RSUs outstanding, end of fiscal year	**953**	768

(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.

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. The settlement amount for non-Treasury RSUs expected to be settled in cash is based on the Company's five-day average share price at the vesting date. 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 3, 2016 and October 5, 2014, none of the outstanding non-Treasury RSUs were vested.

15. SHARE-BASED COMPENSATION (continued):

(b) Stock options and restricted share units (continued):

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the non-Treasury RSUs, for fiscal 2015 was $15.9 million (2014 - $13.6 million). As at January 3, 2016, 683,326 non-Treasury RSUs (October 5, 2014 – 474,354) were expected to be settled in cash, for which a recognized amount of $6.2 million (October 5, 2014 - $6.1 million) is included in accounts payable and accrued liabilities, based on a fair value per non-Treasury RSU of $28.42 (October 5, 2014 - $27.06).

(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 3, 2016, there were 226,456 (October 5, 2014 - 271,778) DSUs outstanding at a value of $6.4 million (October 5, 2014 - $7.4 million). This amount is included in accounts payable and accrued liabilities based on a fair value per deferred share unit of $28.42 (October 5, 2014 - $27.06). 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 2015 was $1.6 million (2014 - $1.9 million).

Changes in outstanding DSUs were as follows:

	2015	2014
DSUs outstanding, beginning of fiscal year	**271**	243
Granted	**41**	36
Granted for dividends declared	**3**	2
Redeemed	**(89)**	(10)
DSUs outstanding, end of fiscal year	**226**	271

16. SUPPLEMENTARY INFORMATION RELATING TO THE NATURE OF EXPENSES:

(a) Selling, general and administrative expenses:

	2015 (15 months)	2014
Selling expenses	**$ 139,157**	$ 104,680
Administrative expenses	**143,292**	107,543
Distribution expenses	**105,514**	73,792
	$ 387,963	$ 286,015

(b) Employee benefit expenses:

	2015 (15 months)	2014
Salaries, wages and other short-term employee benefits	**$ 520,462**	$ 362,724
Share-based payments	**20,537**	18,618
Post-employment benefits	**17,338**	19,698
	$ 558,337	$ 401,040

(c) Lease expenses:

During the year ended January 3, 2016 an amount of $28.9 million was recognized in the consolidated statement of earnings and comprehensive income relating to operating leases (2014 - $19.9 million).

As at January 3, 2016, the future minimum lease payments under non-cancellable leases were as follows:

	January 3, 2016
Within 1 year	**$ 15,499**
Between 1 and 5 years	**27,850**
More than 5 years	**18,176**
	$ 61,525

(d) Government assistance:

During the year ended January 3, 2016 an amount of $8.4 million was recognized in the consolidated statement of earnings and comprehensive income relating to government assistance for yarn production (2014 - $3.2 million).

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS, AND ASSETS HELD FOR SALE:

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, changes in management structure, as well as transaction, exit and integration costs incurred pursuant to business acquisitions.

	2015 (15 months)	2014
Employee termination and benefit costs	**$ 4,976**	$ 521
Loss on settlement on wind-up of defined benefit pension plan	**-**	1,898
Exit, relocation and other costs	**8,545**	410
Gains on disposal of assets held for sale	**(833)**	(345)
Remeasurement of contingent consideration in connection with a business acquisition	**1,118**	-
Acquisition-related transaction costs	**1,102**	763
	$ 14,908	$ 3,247

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS, AND ASSETS HELD FOR SALE (continued):

Restructuring and acquisition-related costs in fiscal 2015 relate primarily to costs incurred in connection with the integration of acquired businesses, including the integration of the more recent 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 include 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.

Assets held for sale of $2.8 million as at January 3, 2016 (October 5, 2014 - $5.8 million) includes closed facilities. The Company expects to incur additional carrying costs relating to the closed facilities, which will be accounted for as restructuring charges as incurred until the closed facilities are disposed. Any gain or loss on the disposal of the closed facilities will also be accounted for as a restructuring charge as incurred.

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:

		2015		2014
		(15 months)		
Earnings before income taxes	**$**	**309,440**	$	366,524
Applicable tax rate		**26.9%**		26.9%
Income taxes at applicable statutory rate		**83,085**		98,412
(Decrease) increase in income taxes resulting from:				
Effect of different tax rates on earnings of foreign subsidiaries		**(76,150)**		(89,258)
Income tax recovery related to prior taxation years		**(5,086)**		(1,597)
Non-recognition of tax benefits related to tax losses and temporary differences		**14,341**		-
Effect of non-deductible expenses and other		**(11,664)**		(585)
Total income tax expense	**$**	**4,526**	$	6,972
Average effective tax rate		**1.5%**		1.9%

The Company's applicable statutory tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

18. INCOME TAXES (continued):

The details of income tax expense are as follows:

		2015		2014
		(15 months)		
Current income taxes, includes a recovery of $3,904 (2014 - expense of $430) relating to prior taxation years	**$**	**7,036**	$	10,052
Deferred income taxes:				
Origination and reversal of temporary differences		**(2,510)**		(1,053)
Recognition of tax benefits relating to prior taxation years		**-**		(2,027)
		(2,510)		(3,080)
Total income tax expense	**$**	**4,526**	$	6,972

Significant components of the Company's deferred income tax assets and liabilities relate to the following temporary differences and unused tax losses:

		January 3, 2016		October 5, 2014
Deferred tax assets:				
Non-capital losses	**$**	**65,914**	$	62,909
Non-deductible reserves and accruals		**46,824**		24,999
Property, plant and equipment		**4,866**		7,335
Other items		**4,091**		6,301
		121,695		101,544
Unrecognized deferred tax assets		**(25,372)**		(14,954)
Deferred tax assets	**$**	**96,323**	$	86,590
Deferred tax liabilities:				
Property, plant and equipment	**$**	**(18,872)**	$	(4,896)
Intangible assets		**(74,658)**		(82,043)
Deferred tax liabilities	**$**	**(93,530)**	$	(86,939)
Deferred income taxes	**$**	**2,793**	$	(349)

The details of changes to deferred income tax assets and liabilities were as follows:

		2015		2014
Balance, beginning of fiscal year, net	**$**	**(349)**	$	1,443
Recognized in the statements of earnings:				
Non-capital losses		**3,005**		2,211
Non-deductible reserves and accruals		**22,589**		(9,853)
Property, plant and equipment		**(16,445)**		1,685
Intangible assets		**7,385**		5,316
Other		**317**		1,694
Unrecognized deferred tax assets		**(14,341)**		2,027
		2,510		3,080
Business acquisitions		**-**		(4,890)
Other		**632**		18
Balance, end of fiscal year, net	**$**	**2,793**	$	(349)

18. INCOME TAXES (continued):

As at January 3, 2016, 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 $25.4 million, for which no deferred tax asset has been recognized (October 5, 2014 - $15.0 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 2035. The recognized deferred tax asset is supported by projections of future profitability of the Company. Following the acquisition of Doris on July 7, 2014, the Company recognized a deferred income tax recovery of $4.7 million relating to the tax benefit of a portion of its previously unrecognized tax losses, for an amount equal to the deferred income tax liabilities recorded as part of the purchase accounting for Doris. Approximately $2.0 million of the tax recovery relates to prior year tax losses.

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 3, 2016, a deferred income tax liability of approximately $62 million would result from the recognition of the taxable temporary differences of approximately $231 million.

19. EARNINGS PER SHARE:

Reconciliation between basic and diluted earnings per share is as follows:

	2015 (15 months)	2014
Net earnings - basic and diluted	**$ 304,914**	$ 359,552
Basic earnings per share:		
Basic weighted average number of common shares outstanding	**242,502**	243,530
Basic earnings per share	**$ 1.26**	$ 1.48
Diluted earnings per share:		
Basic weighted average number of common shares outstanding	**242,502**	243,530
Plus dilutive impact of stock options, Treasury RSUs and common shares held in trust	**1,819**	2,828
Diluted weighted average number of common shares outstanding	**244,321**	246,358
Diluted earnings per share	**$ 1.25**	$ 1.46

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 3, 2016 are 858,153 stock options (2014 - 346,452) and 61,919 Treasury RSUs (2014 - nil) which were deemed to be anti-dilutive.

20. DEPRECIATION AND AMORTIZATION:

	2015 (15 months)	2014
Depreciation of property, plant and equipment (note 9)	**$ 134,688**	$ 84,561
Adjustment for the variation of depreciation of property, plant and equipment included in inventories at the beginning and end of the year	**(14,399)**	(6,168)
Depreciation of property, plant and equipment included in net earnings	**120,289**	78,393
Amortization of intangible assets, excluding software (note 10)	**22,546**	15,216
Amortization of software (note 10)	**3,578**	2,009
Depreciation and amortization included in net earnings	**$ 146,413**	$ 95,618

21. SUPPLEMENTAL CASH FLOW DISCLOSURE:

(a) Adjustments to reconcile net earnings to cash flows from operating activities:

	2015	2014
	(15 months)	
Depreciation and amortization (note 20)	**$ 146,413**	$ 95,618
Restructuring charges related to assets held for sale and property, plant and equipment (note 17)	**(833)**	(345)
Loss on remeasurement of contingent consideration (note 17)	**1,118**	-
(Gain) loss on disposal of property, plant and equipment	**1,167**	(548)
Share-based compensation	**12,320**	10,207
Deferred income taxes (note 18)	**(2,510)**	(3,080)
Unrealized net (gain) loss on foreign exchange and financial derivatives	**226**	(1,783)
Timing differences between settlement of financial derivatives and transfer of deferred loss in AOCI to net earnings	**5,042**	(5,863)
Other non-current assets	**2,011**	(125)
Other non-current liabilities	**(17,300)**	(893)
	$ 147,654	$ 93,188

(b) Variations in non-cash transactions:

	2015	2014
	(15 months)	
Additions to property, plant and equipment and intangible assets included in accounts payable and accrued liabilities and other non-current liabilities	**$ (6,980)**	$ 13,993
Proceeds on disposal of property, plant and equipment included in other current assets	**(234)**	(79)
Amounts payable relating to business acquisitions (note 5)	**-**	(6,400)
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**	8,383
Non-cash ascribed value credited to contributed surplus for dividends attributed to Treasury RSUs	**85**	212
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	**26,496**	26,785

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:

		2015		2014
		(15 months)		
Short-term employee benefits	$	7,579	$	5,149
Post-employment benefits		200		189
Share-based payments		11,274		11,909
	$	19,053	$	17,247

The amounts in accounts payable and accrued liabilities for share-based compensation awards to key management personnel were as follows:

		January 3, 2016		October 5, 2014
Non-Treasury RSUs	$	1,463	$	1,031
DSUs		6,436		6,906
	$	7,899	$	7,937

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 3, 2016, the maximum potential liability under these guarantees was $55.4 million (October 5, 2014 - $38.4 million), of which $10.6 million was for surety bonds and $44.8 million was for financial guarantees and standby letters of credit (October 5, 2014 - $10.0 million and $28.4 million, respectively).

As at January 3, 2016, 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, payment of dividends, business acquisitions, as well as share repurchases. The Company currently funds these requirements out of its internally-generated cash flows and the periodic use of its revolving long-term bank credit facility. The Company used its revolving long-term bank credit facility primarily to fund business acquisitions in recent years, including the acquisitions of Comfort Colors in March 2015 and Doris in July 2014.

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 debt to earnings before financial expenses/income, taxes, depreciation and amortization, and restructuring and acquisition-related costs ("adjusted EBITDA"). The Company has set a target net debt leverage ratio of one to two times adjusted EBITDA. As at January 3, 2016 and October 5, 2014 the Company's net debt leverage ratio was below 1.0.

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 long-term bank credit facility requires 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.

In December 2014, the Company amended its revolving long-term bank credit facility to extend the maturity date from January 2019 to April 2020. The facility provides for an annual extension which is subject to the approval of the lenders, and amounts drawn under the facility bear interest at a variable bankers' acceptance or U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2%, such range being a function of the total debt to EBITDA ratio (as defined in the credit facility agreement).

During fiscal 2015, the Company paid an aggregate of $79.7 million of dividends (2014 - $53.2 million) representing a quarterly dividend of $0.065 per share. On February 23, 2016 the Board of Directors declared a quarterly dividend of $0.078 per share for an expected aggregate payment of $19.0 million which will be paid on April 4, 2016 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 10, 2016. 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.

As discussed in Note 13(d), in December 2014, the Company repurchased and cancelled a total of 3,050,000 common shares (on a post-split basis), and on February 23, 2016, the Board of Directors of the Company approved the initiation of a normal course issuer bid (NCIB) to purchase for cancellation a maximum of 12,192,814 common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares.

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 30 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.

	2015 (15 months)	2014
Segmented net sales:		
Printwear	**$ 1,794,754**	$ 1,559,549
Branded Apparel	**1,164,484**	800,445
Total net sales	**$ 2,959,238**	$ 2,359,994
Segment operating income:		
Printwear	**$ 363,607**	$ 389,022
Branded Apparel	**91,033**	73,236
Total segment operating income	**$ 454,640**	$ 462,258
Reconciliation to consolidated earnings before income taxes:		
Total segment operating income	**$ 454,640**	$ 462,258
Amortization of intangible assets, excluding software	**(22,546)**	(15,216)
Corporate expenses	**(89,949)**	(74,374)
Restructuring and acquisition-related costs	**(14,908)**	(3,247)
Financial expenses, net	**(17,797)**	(2,897)
Earnings before income taxes	**$ 309,440**	$ 366,524
Additions to property, plant and equipment and intangible assets (including additions from business acquisitions and transfers):		
Printwear	**$ 392,635**	$ 185,665
Branded Apparel	**73,911**	116,754
Corporate	**4,682**	3,145
Assets not yet utilized in operations, net of transfers	**(87,321)**	57,975
	$ 383,907	$ 363,539
Depreciation of property, plant and equipment:		
Printwear	**$ 77,468**	$ 46,361
Branded Apparel	**39,273**	29,393
Corporate	**3,548**	2,639
	$ 120,289	$ 78,393

25. SEGMENT INFORMATION (continued):

The reconciliation of total assets to segmented assets is as follows:

	January 3, 2016	October 5, 2014
Segmented assets: (1)		
Printwear	**$ 1,453,823**	$ 1,157,855
Branded Apparel	**1,197,838**	1,151,005
Total segmented assets	**2,651,661**	2,308,860
Unallocated assets:		
Cash and cash equivalents	**50,675**	65,163
Income taxes receivable	**-**	1,439
Assets held for sale	**2,840**	5,839
Deferred income taxes	**2,793**	-
Assets not yet utilized in operations	**84,683**	172,005
Other - primarily corporate assets	**41,628**	39,738
Consolidated assets	**$ 2,834,280**	$ 2,593,044

(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 3, 2016	October 5, 2014
United States	**$ 857,082**	$ 691,601
Canada	**120,152**	117,036
Honduras	**400,774**	408,485
Caribbean Basin	**156,562**	92,336
Bangladesh	**20,831**	19,297
Other	**16,367**	8,769
	$ 1,571,768	$ 1,337,524

Net sales by major product group were as follows:

	2015 (15 months)	2014
Activewear and underwear	**$ 2,246,524**	$ 1,870,892
Socks	**712,714**	489,102
	$ 2,959,238	$ 2,359,994

Net sales were derived from customers located in the following geographic areas:

	2015 (15 months)	2014
United States	**$ 2,585,533**	$ 2,088,938
Canada	**136,516**	84,212
Europe and other	**237,189**	186,844
	$ 2,959,238	$ 2,359,994

25. SEGMENT INFORMATION (continued):

The Company has two customers accounting for at least 10% of total net sales.

	2015 (15 months)	2014
Customer A	**15.7%**	17.7%
Customer B	**13.1%**	10.7%

SHAREHOLDER INFORMATION

GILDAN CORPORATE OFFICE

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www.GenuineGildan.com

BOARD OF DIRECTORS

William D. Anderson
Chair of the Board of Directors
Director since May 2006

Donald C. Berg
Director since 2015

Glenn J. Chamandy
President and Chief Executive Officer
Director since May 1984

Russell Goodman
Chair of the Audit and Finance Committee
Director since December 2010

Russ Hagey
Director since November 2013

George Heller
Director since December 2009

Anne Martin-Vachon
Director since 2015

Sheila O'Brien
Chair of the Compensation and Human Resources Committee
Director since June 2005

Gonzalo F. Valdes-Fauli
Chair of the Corporate Governance and Social Responsibility Committee
Director since October 2004

EXECUTIVE MANAGEMENT TEAM

Glenn J. Chamandy
President and Chief Executive Officer

Rhodri J. Harries
Executive Vice-President,
Chief Financial and Administrative Officer

Michael R. Hoffman
President, Printwear

Eric R. Lehman
President, Branded Apparel

Benito A. Masi
Executive Vice-President, Manufacturing

STOCK INFORMATION

Toronto Stock Exchange
New York Stock Exchange
Symbol: GIL

AUDITORS

KPMG LLP

ANNUAL MEETING OF SHAREHOLDERS

Thursday, May 5, 2016
At 10:00 AM E.D.T.
Windsor Ballroom
1170 Peel Street
Montreal, QC H3B 4P2
CANADA

STOCK TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
CANADA
Toll free: 1-800-564-6253
Toll free fax: 1-888-453-0330
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We Act Like Entrepreneurs

We Operate Responsibly

We Believe in Our People